

CAPITAL MARKETS UPDATE



August 9, 2010

MARKET COMMENTARY

- Goldman Sachs priced a \$788M CMBS offering this week. The pool, consisting of collateral contributed by GS, Citi and Starwood, was well received with the five- and ten-year AAA's clearing at swaps+125 and swaps+135, respectively. The pool included 23 loans on 48 properties, with 78% of the loans being retail properties.
- Multi-family investors continue to be heartened by the drumbeat of research supporting higher rents in the coming years. Recent government estimates show home ownership dropping from 67.2% today to 64% by 2015. The all-time high for home ownership was 69% in 2004. That increase in renting, which is driven by both demographics and economic necessity, will increase demand for apartments by 4-6 million units nationally. Axiometrics also reported that net rents are up 3.9% (including reduced concessions) in 2010, after dropping in 2009.
- At the same time that special servicers are offering 1-3 year extensions for borrowers who can pay down their loans or are willing to pay extension fees, many borrowers are reporting that servicers are less willing to consider extensions if there is any chance of the borrower refinancing or selling the property at a price that clears the loan.
- In the past four weeks, we have begun to routinely see low-moderate leverage 7- and 10-year loans being priced inside of 5% by the life companies. Those rates are only available for conservatively underwritten loans and the strongest borrowers. The conduits are not far behind, with pricing at comparable loan terms only 5-15bps behind the LC's.

RECENT DEALS/CLOSINGS/QUOTES - DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Retail - Lifestyle Center	Fixed	Life Company	5.30%	57%	10 years	30 Year
Multifamily	Fixed	Agency	T + 230	80%	5 years	30 Year
Retail - Lifestyle Center	Fixed	Life Company	5.00%	60%	5 years	1 Year I/O, 30 Year
Retail - Value Add	Floating	Bank	L + 600	65%	36 months plus one year	Partial Recourse; 1% fee
Suburban Office	Fixed	Life Company	6.00%	60%	10 years	30 Year
Urban Retail	Fixed	Life Company	T + 175 (min 5.50%)	50%	10 years	5 Years I/O; Par
Multi-Family Construction	Fixed	Bank	5.50%	70%	2+1	I/O; Partial Recourse
Land	Fixed	Fund	10.00%	55%	2+1	I/O; 1% fee
Industrial Portfolio	Floating	Life Company	L + 275	67%	3+1+1	I/O; 0.50% fee

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Multi-Family Development	JV Equity	Opportunity Fund	20%	99%/1%	20% above 12%
Multi-Family	JV Equity	Pension Fund	18%	90%/10%	20% above 14%, 30% above 18%
Industrial Development	JV Equity	Opportunity Fund	22%	80%/20%	20% above 10%, 30% above 16%
Hotel	JV Equity	Private Equity	22%+	80%/20%	20% above 15%
Office	JV Equity	Life Insurance Company	18%	98%/2%	10% above 13% , 25% above 15%
Land	JV Equity	Opportunity Fund	25%	95%/5%	20% above 10%, 30% above 16%, 40% above 22%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 70%*	1.30 - 1.50	T + 290 - 400
Fixed Rate - 10 Years	60 - 70%*	1.30 - 1.50	T + 190 - 290
Floating Rate - 5 Years			
Core Asset	<65%*	1.30 - 1.50	L + 240 - 300
Value Add Asset	<65%*	1.25 - 1.40	L + 350 - 450
Mezzanine Moderate Leverage	60 - 75%	1.05 - 1.15	L + 700 - 1,000
Mezzanine High Leverage	75 - 85%		L + 1,100 - 1,300

* 65 - 70% for Multi-Family (non-agency); Libor floors at 2-3%

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60 - 70%	T + 225	T + 270
Strip Center	60 - 65%	T + 270	T + 300
Multi-Family (non-agency)	65 - 70%	T + 210	T + 240
Multi-Family (agency)	70 - 75%	T + 185	T + 205
Distribution/Warehouse	65 - 70%	T + 250	T + 280
R&D/Flex/Industrial	55 - 65%	T + 235	T + 280
Office	60 - 70%	T + 220	T + 290
Hotel	50 - 55%	T + 300	T + 375

* DSCR assumed to be greater than 1.35x

BASE RATES

	August 9, 2010	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.29%	0.32%	0.28%
U.S. Treasury			
5 Year	1.51%	1.76%	2.75%
10 Year	2.83%	3.03%	3.80%
Swaps	<u>Current Swap Spreads</u>		
5 Year	1.72%	0.21%	
10 Year	2.83%	0.00%	

Since 2005, Cushman & Wakefield Sonnenblick Goldman has raised approximately \$25 billion of capital from more than 125 capital sources for 270 transactions. For more information on this report or on how we can assist your financing needs or hospitality or note sales, please contact any CWSG office or:

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