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NEW MULTIFAMILY EQUITY PROGRAMS

Keep an eye out for lenders to launch new equity programs in order to compete in the multifamily sector. Providing equity pieces allows lenders to reach a different set of borrowers and enter fresh markets. These platforms will help fill the gap many borrowers face with most senior lenders topping out at 70% to 75% leverage, especially in softer markets. Equity programs also provide easier and quicker capital options. Count on leverage to reach up to 95% through some of these new platforms. Anticipate more lenders to follow suit by year's end.

Prudential begins a new equity program with a special pool of money for student housing borrowers. The life company wants to get more involved in student housing because of the favorable demographics and growing need in the sector. Also, expect Prudential to unveil an "Agency Gateway" program for non-stabilized multifamily properties. The program provides two- to three-year term loans, allowing time for properties to stabilize for an agency exit. Loans will be between $10M and $100M. Prudential plans to increase its overall appetite and originate $13B this year.

Centerline Capital partners up with **LEM Capital** to allocate senior debt and equity for value-add multifamily properties. The duo targets Class A and B assets needing light to moderate rehabs in primary and secondary markets. Centerline originates the senior loan with leverage up to 75% and LEM provides equity, bringing leverage as high as 95%. Centerline's loans will be in the $15M to $50M range, with $3M to $10M equity pieces from LEM. Targeted returns will be 10% to 12%.

Historically LEM focused on mezz, but now expands its equity offerings through the partnership with Centerline. This program provides borrowers with a one-stop shop for both debt and equity underwritten simultaneously and quickly. The partnership works on deals in most markets, including cities on both coasts, Atlanta, Chicago and Colorado. Also, keep an eye out for Centerline to pick up CMBS allocations this year, after adding a Dallas office. CMBS loans start at $3M and all property types will be targeted.

Newport Capital Advisors dives into a preferred equity program to work in conjunction with Fannie Mae DUS first mortgages. Equity runs $1M to 10M, with a $1M to $5M sweet spot. Leverage reaches 85%, with low teens pricing. Solid middle-markets borrowers will be targeted. Newport focuses on stabilized Class C+ and above multifamily. The program provides higher leverage in markets such as Ohio, Michigan, Florida, Las Vegas and Phoenix. Chances are Newport will look into preferred equity for the other property types down the line.

LENDERS TARGET IMPROVING SPECIAL-USE ASSETS

Watch for SBA lenders, including **National Cooperative Bank**, to break into special-purpose property financing this year. Lenders will be bullish on specialty use as this will be a turnaround year for the sector. Count on targeted properties to show two years of positive cash flow and rising values. SBA lenders provide leverage as high as 90%. Borrowers will obtain 4% to 12% rates. DSC will be 1.25x to 1.35x. Watch for more long-term, fixed-rate refinances for special use if Congress allows refis under the SBA 504 program once again.

Umpqua Bank provides $1M to $10M loans and up to 90% leverage through its SBA lending arm. Hotels, carwashes, daycare centers, resident-care facilities, bowling alleys, vet clinics, medical and automotive shops, such as Midas and Pennzoil, will all be targeted. Rates will be 5% to 6% fixed and 4.25% to 5.25% floating.

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LENDERS TARGET IMPROVING SPECIAL-USE ASSETS...

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Fidelity Bank also originates loans for special-use properties under its SBA program, including gas stations and auto repair shops. Loans will be $350K to $5M and Fidelity will work with any size borrower. Count on an 80% maximum leverage and 5% to 7% rates.

Look for **Avant Capital** to lend $500K to $10M on special-purpose properties under the SBA programs. The lender wants to see current owner/occupied cash flow to support the deal of 1.20x DSC. Avant will provide leverage up to 90% under the SBA program. **PMC Commercial Trust** targets hotels for both SBA and conventional financing, along with gas stations and other special-purpose assets. The lender originates loans from $500K to $5M, with leverage up to 80% for SBA and 75% for conventional. DSC will be 1.25x for refis and 1.30x for acquisitions.

Local banks such as **Sterling National Bank** and **TCF Bank**, along with private lenders will also allocate special-purpose loans with leverage up 65%. **StoneTree Financial** targets all income-producing properties, including churches, gas stations and quick-service restaurants. Loans will be $300K to $4M, with rates between 8.75% and 12%. Leverage will max out at 65%. StoneTree allocates one- to five-year terms with interest-only periods. **Popular Commercial Lending Group** looks at churches and farms. SBA lender **Mercantile Capital Corporation** works with all single-tenant, owner-user or owner-occupied properties, including daycare centers and restaurants. Loans will be $500K to $15M.

Lenders prefer at least five years of industry experience or knowledge in a similar field. Management experience will also be a plus. Borrowers need to demonstrate cash flow to service the debt, favorable personal credit and ample liquidity. Lenders will look closely at the financial conditions of the owner for owner-occupied asset deals. Special-purpose properties need tenants with long-term leases without co-termination clauses. Properties without cash flow and assets with environmental issues will keep lenders at bay. Construction financing for special-use assets will be hard to obtain.

LENDERS DIVE INTO SINGLE FAMILY

Count on an increase of single-family loans for builders and developers over the next two years, especially since rates will likely stay low until 2015. Borrowers can expect higher leverage and more aggressive underwriting. Leverage will be between 50% and 60%, with a few deals squeezing out at 65%. Many investors acquired a vast amount of single family the past few years, which pushes the need for single-family financing. Look for more lenders to get involved in construction loans by year's end. Borrowers will see 5% rates on five-year loans from banks.

Major banks, including **Wells Fargo, Chase, BofA** and **Citizens Bank** will originate single-family loans. Keep an eye out for local banks such as **First California Bank, Arvest Bank** and **OneWest Bank** to be aggressive in the sector. **Farmers & Merchants Bank** provides 50% leverage. Count on banks to pick up the bulk of single-family acquisition loans. Many banks will require deposit relationships.

Private lender **Lone Oak Fund** originates up to 65% LTC for single-family bridge loans with quick closing times. Rates start at 7.9% for non-recourse loans. Lone Oak prefers niche developers/builders and provides lines of credit for borrowers looking to flip houses. **Colony Capital, Thorofare Capital, JCR Capital, CapSource, Sequoia Mortgage** and **Anchor Loans** will all be big single-family players.

Core markets with constrained supply will possess a need for construction money. Keep an eye out for private lenders to be active on construction and construction-completion loans. **Seattle Funding Group of California** works with small to mid-sized developers/builders. Construction loans will see rates start at 8.99%. Seattle Funding works on construction loans for projects without preleasing. The typical loan amount will be $750K to $2M, with leverage under 65%. Rates for refis and acquisitions start at 7.99%. **StoneTree Financial** looks into small construction loans.

Lenders will want to see strong track records, accurate reporting, favorable management teams and borrowers with deep pockets. Expect borrowers with at least five years of experience and portfolios with existing properties to garner the most lender attention. Count on lenders to look closely at how borrowers handled themselves during the downturn. Lenders will keep away from markets that haven't stabilized.

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BANKS & LENDERS
(Supplemental to the 2012 Directory)

Anchor Loans: 5230 Las Virgenes Road, Suite 285, Calabasas, CA 91302. Jeffrey Lipton, CEO, (888) 412-6246.

Aviva: 215 10th St., Suite 1000, Des Moines, IA 50309. Eric Hasenauer, Managing Director, (212) 593-5606.

CapSource: 2009 E. Windmill Lane, Las Vegas, NV 89123. Suzie Bopp, VP of Operations, (702) 240-0977.

Centerline Capital Group: 100 Church St., 15th Floor, New York, NY 10007. Philip Block, VP, (212) 531-6338. pblock@centerline.com

Colony Capital LLC: 2450 Broadway, Sixth Floor, Santa Monica, CA 90404. Darren Tangen, Principal, (310) 552-7230; Brian Lee, VP, (310) 552-7160. dtangen@colonyinc.com; blee@colonyinc.com

Cornerstone Real Estate Advisers: 1 Financial Plaza, Suite 1700, Hartford, CT 06103. Rob Little, Chief Investment Officer of Finance, (860) 509-2400. rlittle@cornerstoneadvisers.com

Farmers & Merchants Bank: 320 Pine Ave., Long Beach, CA 90802. Henry Walker, President, (562) 437-0011.

First California Bank: 3027 Townsgate Road, Suite 300, Westlake Village, CA 91361. C.G. Kum, President/CEO, (805) 379-8800.

Jeffries LoanCore: 80 Field Point Road, Greenwich, CT 06830. Mark Finerman, CEO, (203) 861-2060. mfinerman@loancorecapital.com

LEM Capital: 2929 Arch St., Philadelphia, PA 19104. Herb Miller, Partner, (215) 972-3323. miller@lemcapital.com

Mercantile Capital Corporation: 60 N. Court Ave., Orlando, FL 32801. Christopher Hurn, CEO/Co-Founder, (407) 786-5040. chrishurn@mercantilecc.com

National Cooperative Bank: 2011 Crystal Drive, Suite 800, Arlington, VA 22202. Charles Snyder, President/CEO, (703) 302-8000.

Newport Capital Advisors: 18111 Preston Road, Suite 650, Dallas, TX 75252. Jeffrey Juster, CEO, (469) 364-6550. jjuster@newcapllc.com

OneWest Bank: 888 E. Walnut St., Pasadena, CA 91101. Joseph Otting, CEO, (626) 535-4870.

Seattle Funding Group of California: 4711 Viewridge Ave., Suite 270, San Diego, CA 92123. Charles Salas, Senior Underwriter, (858) 751-0556. chuck@sfgfunds.com

Sequoia Mortgage: 1114 Irwin St., San Rafael, CA 94901. Jason Freskos, President, (415) 946-8201. jason@sequoiamortgage.com

Thorofare Capital: 601 S. Figueroa St., Suite 2050, Los Angeles, CA 90017. Felix Gutnikov, Investment Associate, (213) 537-0073. felix@thorofarecapital.com

Umpqua Bank: 1400 Grant Ave., Novato, CA 94945. Michael Rice, SVP/SBA Business Development Officer, (415) 493-3104. michaelrice@umpquabank.com

LCs FAVOR INDUSTRIAL

Watch for life companies to be bullish on industrial to diversify portfolios, as it becomes the favored property type behind multifamily. LCs provide lower leverage than conduits, but allow rate lock at application instead of closing, making an easier process and fewer reserve requirements. Leverage will be between 65% and 70%, with a few companies creeping up to 75%. Deals with shorter amortization periods of 15 or 20 years and properties with financially strong long-term lease tenants will obtain higher leverage and lower DSC/debt yield. DSC will be 1.25x to 1.35x. Debt yield will be 9% to 10%.

Borrowers will see rates in between 3% and 5%. Keep an eye out for rates to rise 0.25% to 0.75% by year's end. Look for an increase in construction lending due to demand for new supply, especially with the upcoming widening of the Panama Canal. LCs will be drawn to industrial thanks to its low loan per square foot ratio, easy ability to replace tenants and low tenant improvement needs. **Cornerstone Real Estate Advisers** works on $15M to $200M deals with up to 65% leverage. Debt yield will be greater than 9% based on market rents.

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DEALMAKER DATABANK

Aries Capital 520 W. Erie St., Suite 300 S, Chicago, IL 60654 Eric Jones, VP (312) 640-7422 ejones@ariescapital.com	Aries arranges a $2.275M Fannie Mae loan for a condo-quality preleased apartment complex in Chicago. Jones was able to lock the rate and close with only one month of operating history.
Aztec Group 2665 S. Bayshore Drive, PH-2A, Coconut Grove, FL 33133 Charles Penan, Director (305) 938-8621 cpenan@aztecgroup.com	Aztec secures $4.2M for Clifton Self Storage in Baltimore with Basis Investment Group. LTV was 75% and interest came in at 4.4%. This was a 10-year loan with 30-year amortization. Basis liked the location, asset quality and borrower's track record.
Cohen Financial 1001 Brickell Bay Drive, Suite 2112, Miami, FL 33131 Daniel Sheehan, Partner/Senior Managing Director (866) 315-6503 dsheehan@cohenfinancial.com	Cohen secures $33M for a portfolio of truck terminals for Vitran Corporation. LTV was 63%. Interest came in at less than 5%. Many lenders shy away from niche industrial assets, but Sheehan was able to find a willing life company lender.
Johnson Capital 1801 Century Park E., Suite 1550, Los Angeles, CA 90067 Kevin Burkhalter, SVP (310) 407-3251 kjburkhalter@johnsoncapital.com	Johnson Capital closes a $54M refi for a six-building industrial portfolio in Los Angeles County with Prudential. LTV was 70%. Interest came in a 3.79% fixed for the fully amortizing 20-year term. DSC was 1.35x, with a 9.6% debt yield.
Quantum Capital Partners Inc. 9777 Wilshire Blvd., Suite 504, Beverly Hills, CA 90210 Jonathan Hakakha, Managing Director (310) 734-8786 jhakakha@quantumcp.com	Quantum arranges a $5.9M seven-year loan with a local bank for the refinance of a single-tenant DMV building in West Hollywood, Calif. LTV came in at 65%. Interest is fixed for five years at 3.95%.
Vista Capital Company 1223 Wilshire Blvd., Suite 1825, Santa Monica, CA 90403 Zak Selbert, Founding Principal (310) 285-3803 selbert@vistacapitalcompany.com	Vista completes a $7.7M refi for the Staybridge Suites in Fishers, Ind., with a CMBS lender. LTV was approximately 60%. Interest came in around 4.5%. Selbert also arranges a $17.3M conduit loan for a Crowne Plaza in Indianapolis.

LCs Favor Industrial...

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ING Investment Management allocates $25M and above portfolio deals with 65% leverage. Class B assets with many small tenants will be targeted. Rates will be 3.5% to 4%. DSC will be 1.35x, with 10% debt yield. Industrial will be a preferred property type for other big players such as **Prudential**, **Northwestern Mutual** and **New York Life**.

Keep an eye out for **Stancorp.**, **Symetra** and **Summit** to go as low as $1M for industrial, while **Woodmen of the World** starts at $2M loans. **Advantus** and **Genworth** allocate a $3M loan minimum; **AIG**, **Aviva** and **AEGON** stick to a $5M minimum. Look for **Great West Life**, **Nationwide**, **Allstate**, **Thrivent Financial for Lutherans** and **State Farm** to originate mid-sized loans. Deals greater than $3M will be non recourse.

Life companies will dive into gateway cities such as San Diego, Los Angeles, New York City, Miami and Baltimore. Lenders look closely at access to airports, ports, freeways and other infrastructure. Life companies flock to Class A multitenant buildings with high clear heights, favorable dock-high ratios and large truck courts. LCs will be less confident with niche, older/obsolete or special-purpose industrial properties such as truck terminals. Properties with environmental risks and large buildings leased to a single tenant with financial risk will keep LCs at bay.

Borrowers need several years of experience within the market and property type. LCs prefer borrowers with eight to 10 months of principal interest payments in liquidity. Borrowers that show wherewithal to weather occupancy challenges and leasing cycles will see the most available financing.

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CONDUITS LOOSEN HOTEL UNDERWRITING

Count on all CMBS lenders to dive into hotel loans and increase allocations compared to last year. More CMBS lenders will provide $5M loan minimums this year. Debt yield drops to 10% and leverage will crack 80% for flagged stabilized properties. Most deals will see 60% to 75% leverage and 10% to 11% debt yields. Rates will be mid-3% to mid-4% but could rise by year's end; don't expect rates to exceed 5% in the near future. Count on conduits to provide longer amortization terms up to 30 years. ADR and occupancy growth will spur lending this year.

Cantor Fitzgerald will be bullish, with loans from $5M up to $200M. Interest will be 4.5% to 5.5%. Typical leverage tops out at 60%, but could go higher for strong properties in major markets. Stabilized assets with national flags in established markets will be desired for the fixed-rate program. For floating rate, Cantor provides flexibility for transitional properties in need of substantial renovations and repositioning. The lender works with all borrowers from local hotels operators to major corporations.

Look for **Ladder Capital, Basis Investment, Guggenheim** and **Archetype Mortgage Capital** to join Cantor and start providing loans as low as $5M. **Wells Fargo**'s hotel loans start at $10M and interest will be in the low 4% range. Wells works with flagged hotels in major markets and favorable secondary locations, along with high-quality independent hotels backed by strong operators. The lender desires borrowers with favorable track records, including private operators and institutional owners. **Jeffries LoanCore** works on $10M to $200M loans and boasts leverage up to 80%. Rates start around 3%.

JP Morgan Chase, Deutsche Bank, BofA, Citi, RBS and **Barclays** will be active on $10M and above deals. **Morgan Stanley** targets full-service assets in primary cities with major flags such as Hilton, Hyatt and Marriott. Certain select-service properties will be looked at as well. **Goldman Sachs** targets all types of properties, including select service, full service and resorts. The conduit pursues deals in many cities, not just major markets.

Ideal borrowers have a minimum of 10 years of experience with no less than five to 10 existing properties. Conduits focus on the trailing-12 or trailing-9 statements and will want to see a meaningful rebound of cash flow. Properties with a minimum of 50 keys in gateway MSAs will see the most activity. Deals in secondary and tertiary markets will need major flags such as Starwood, Marriott, Hilton or IHG. Independent hotels in major MSAs will see plenty of capital. Borrowers with capital available to reinvest in assets will see the most conduit financing.

Undercapitalized assets in secondary and tertiary cities will have a hard time finding interested lenders. Markets with a possibility of new supply will keep lenders at bay. CMBS lenders will avoid properties with declining revenue streams located in weak markets or locations.

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