The CRITTENDEN REPORT® Real Estate Financing

The Nation's Leading Newsletter on Real Estate Finance

Crittenden Research, Inc. • P.O. Box 1150 • Novato, CA 94948-1150 • Customer Service: (800) 421-3483

Vol. 39, No. 4 **February 25, 2013**

SMALL MEZZ PIECES PUSH LEVERAGE TO 100%

More lenders will dive into mezz deals under $5M, which drives leverage to 100% in some cases. Not all deals will reach this benchmark; look for the majority of mezz deals to hit 85% to 90% leverage. Conservative bank underwriting and an increase of transaction volume will push many firms to allocate smaller mezz loans. Office, industrial, retail and hospitality will post the largest need for loans under $5M. This year, look for mezz pricing to reach historically low rates at around 9% for the most favorable deals. The majority of deals will see 10% to 15% rates.

Edgewood Capital's leverage can reach 100% and most deals will be with small to mid-sized borrowers. The lender's mezz loans start at $2M for all property types. Pricing will be 20%-plus. **UC Funding** hits 90%-plus leverage. Mezz pieces start at $2M and UC works with all size borrowers, including those new to a property type. The lender looks at all assets, including hospitality and land. Pricing will be in the low to mid-teens.

Look for **Partners Capital Solutions** to allocate small mezz loans from $300K to $2.5M with leverage up to 90%. The major food groups will be targeted. Partners works with mid-sized borrowers and developers with built-to-suit projects. The lender will not team up with developers on first time projects. **Pensam Funding** prefers mezz in the $1M to $5M range for all property types, including land. Most deals will be with small operators and leverage can reach 90%.

Morrison Street Capital's mezz minimum will be $2M, with leverage at 85% to 90%. Office, retail, industrial and multifamily will be on the docket with low to mid-teen rates. Local, privately funded borrowers and mid-sized regional owner/operators will be preferred. Watch for **Forman Capital** to originate mezz as low as $3M with all size borrowers. Leverage tops out at 85% and rates will be 12% to 14%. Any income-producing property will be targeted, including hotels. **Shem Creek Capital** will go as low as $1M for mezz with leverage up to 85%. Industrial, office, retail, multifamily, and hospitality will be on the docket. The lender works with small or mid-sized borrowers with two to three properties.

Expect **W Financial** to start mezz pieces at $1M with leverage up to 75%. Office, retail and multifamily will be desired. Count on rates to be 10% to 12%. Most deals will be with small borrowers and W Financial will look at borrowers with just a couple properties. **Terra Capital** will allocate mezz starting at $3M for all property types sans student housing. Most deals will be with mid-sized borrowers and pricing runs 12% to 15%. **Redwood Trust**'s leverage reaches 85% on multifamily and 80% on other assets. Minimum mezz loans will be $5M, but Redwood will go lower if it does the first mortgage and mezz piece. All stabilized assets, including hotels, will be desired. Rates will be 10% to 13%.

Borrowers need net worth equal to the loan amount, with 10% in liquidity. Mezz lenders ideally prefer borrowers with multiple properties in the market, although, many will work with operators with one to two existing assets. Borrowers will need a clear exit strategy. Mezz players will stay away from deals behind first mortgage lenders that do not provide favorable intercreditor agreements. Assets with lease rollover in weak markets will be avoided. Mezz lenders will be concerned if properties do not possess value creation opportunities or upside.

CONDUITS SHIFT FOCUS

Watch for CMBS lenders to originate smaller loans, move into more markets and look at a wider variety of property types this year. **UBS** will go as low as $2M, while **Natixis Real Estate Capital** will also be active in small loans. **Ladder Capital, Cantor Fitzgerald, Guggenheim** and **Archetype Mortgage Capital** will go down to $5M, but it's likely they will dip into sub-$5M deals before year's end.

Continued on Next Page

BANKS & LENDERS

(Supplemental to the 2012 Directory)

AIG (SunAmerica): 1999 Avenue of the Stars, 37th Floor, Los Angeles, CA 90067. Todd Bedingfield, Managing Director, (310) 772-6465. todd.bedingfield@aig.com

Archetype Mortgage Capital: 1114 Avenue of the Americas, 38th Floor, New York, NY 10036. Tim Szalay, SVP, (212) 600-2836. tszalay@archetypemortgage.com

BankUnited: 2201 W. Hillsboro Blvd., Deerfield Beach, FL 33442. Christopher Hynes, VP, (954) 427-8635. chynes@bankunited.com

Equitable Life: 3 Triad Center, Suite 200, Salt Lake City, UT 84110. John Pitcher, Director-Mortgage Services, (866) 579-3418. john.pitcher@equilife.com

EverBank: 501 Riverside Ave., Jacksonville, FL 32202. Jamie Buckland, EVP, (904) 623-8287. jamie.buckland@everbank.com; 6464 185th Ave., Suite 200, Redmond, WA 98082. Greg Vieceli, EVP, (425) 629-1098. gregory.vieceli@everbank.com

Forman Capital: 2875 S. Ocean Blvd., Suite 200, Palm Beach, FL 33480. Brett Forman, President, (561) 588-0132, Ext. 1018. bforman@formancap.com

GE Capital Healthcare Financial Services: 500 W. Monroe St., Chicago, IL 60661. Erik Tellefson, SVP Medical Office Group, (312) 441-6828. erik.tellefson@ge.com

Guggenheim: 3455 Peachtree Road N.E., Suite 500, Atlanta, GA 30326. Kieran Quinn, Managing Director, (404) 995-6766. kieran.quinn@guggenheimpartners.com

Lincoln Financial (Mortgage & Real Estate Department): 100 N. Greene St., Suite M, Greensboro, NC 27041. Don Dibble, SVP, (336) 691-3749.

Morrison Street Capital LLC: 121 S.W. Morrison St., Suite 1875, Portland, OR 97204. Justin Dennett, SVP, (503) 952-0794. jdennett@morrisonstreetcapital.com

Mutual of Omaha Bank: 5525 Merle Hay Road, Suite 290, Johnston, IA 50131. T.J. Heither, SVP-Commercial Real Estate, (515) 270-2062. tj.heither@mutualofomahabank.com

Natixis Real Estate Capital LLC: 1251 Avenue of the Americas, New York, NY 10020. Greg Murphy, Managing Director/Head of Real Estate Finance Americas, (212) 891-5700. greg.murphy@us.natixis.com

NXT Capital: 1300 Ridenour Blvd., Suite 100, Kennesaw, GA 30152. Kevin Rostowsky, Real Estate Finance-Senior Managing Director, (678) 819-3832. kevin.rostowsky@nxtcapital.com

Partners Capital Solutions: 26901 Agoura Road, Suite 180, Calabasas, CA 91301. Michael Klein, Managing Director, (818) 676-3337. mklein@pcs-funds.com

Redwood Trust: 1114 Avenue of the Americas, Suite 3405, New York, NY 10036. Scott Miller, Managing Director, (212) 600-2952. scott.miller@redwoodtrust.com

Shem Creek Capital: 251-R Washington St., Wellesley, MA 02481. Robert Parsons, Managing Director, (617) 456-1977. rparsons@shemcreekcapital.com

Stancorp.: 19225 N.W. Tanasbourne Drive, Hillsboro, OR 97124. Mike Morey, Assistant VP-Real Estate Finance, (971) 321-4892. mike.morey@standard.com

Stearns Bank: 4191 Second St. S., St. Cloud, MN 56301. Norm Skalicky, CEO, (320) 253-6607.

UC Funding: 745 Boylston St., Suite 502, Boston, MA 02116. Daniel Palmier, CEO/President, (857) 288-2778. dp@ucfunds.com

W Financial Fund LP: 149 Madison Ave., New York, NY 10016. David Heiden, Managing Member, (212) 684-8484. david@w-fund.com

Washington Trust, The: 23 Broad St., Westerly, RI 02891. Julia Anne Slom, SVP/Team Leader Commercial Real Estate Group, (401) 348-1430. jaslom@washtrust.com

DEALMAKER DATABANK

Capital Advisors Inc.
434 Fayetteville St., Suite 2120, Raleigh, NC 27601
Clark Jenkins, VP
(919) 835-9825
clark.jenkins@capadvisors.com

Capital Advisors arranges $7.25M for the recapitalization of two medical office buildings in Garner, N.C. This was a seven-year, fixed-rate loan, with 30-year amortization.

Cohen Financial
2390 E. Camelback Road, Suite 100, Phoenix, AZ 85016
Brandon Harrington, Director
(866) 315-6506
bharrington@cohenfinancial.com

Cohen Financial arranges a $6.1M acquisition loan for a Tucson, Ariz., apartment property. Harrington also works on a $1.2M refi with Stancorp. for a retail center in Spring, Texas, and $2.3M to refinance an office property in San Antonio.

Cohen Financial
300 Ottawa Ave. N.W., Suite 400, Grand Rapids, MI 49503
Cathy Bronkema, Partner/Managing Director
(312) 803-5693
cbronkema@cohenfinancial.com

Cohen completes $11.6M in acquisition financing for a multi-tenant industrial property in Kentwood, Mich., with a CMBS lender. The property was 100% occupied. This was a 10-year, fixed loan. Bronkema was able to close in 30 days.

George Smith Partners
10250 Constellation Blvd., Suite 2700, Los Angeles, CA 90067
Gary M. Tenzer, Principal/Managing Partner
(310) 557-8336, Ext. 107
gtenzer@gspartners.com

Tenzer puts together a $17.5M cash-out refi for two Class B retail/office buildings in Los Angeles. LTV was 65%. Interest came in at 4.7%. DSC was 1.44x, with a 9.1% debt yield. The lender was confident with the favorable history of cash flow.

HFF
1450 Brickell Ave., Suite 2950, Miami, FL 33131
Chris Drew, Director
(305) 421-6551
cdrew@hfflp.com

HFF secures a $17.2M refi with Ladder Capital for a mixed-use property in Miami. Ladder liked the location and that the property had consistent cash flow. Proceeds were used to pay off an existing loan with Banco Popular.

HREC Investment Advisors
415 N. LaSalle St., Suite 303, Chicago, IL 60654
Scott Kaniewski, SVP
(312) 645-9010
skaniewski@hrec.com

HREC completes a $7.9M refi with an investment bank for two Fairfield Inn hotels located in Green Bay and Beloit, Wis. The strong brand attracted the lender to the loan, even though the properties were located in secondary markets.

Meridian Capital Group
2173 Salk Ave., Suite 250, Carlsbad, CA 92008
Seth Grossman, Managing Director
(858) 964-1151
skgrossman@meridiancapital.com

Meridian Capital coordinates a $2.4M cash-out refi for a multifamily property in Indianapolis with a bank. Interest was fixed for three years at 3.5%, with prepayment and floating-rate options after that time.

NorthMarq
4890 Alpha Road, Suite 200, Dallas, TX 75244
Bart Dickinson, VP
(972) 455-1947
bdickinson@northmarq.com

NorthMarq closes a $1.5M refi with Stancorp. for Greentree Square Shopping Center in Garland, Texas. LTV was under 50%. Interest came in at 4.75%. DSC was 1.80x, while debt yield came in at 17%. This was a 15-year, fully amortizing loan.

Quantum Capital Partners Inc.
9777 Wilshire Blvd., Suite 504, Beverly Hills, CA 90210
Jonathan Hakakha, Managing Director
(310) 734-8786
jhakakha@quantumcp.com

Quantum Capital closes $7.5M to refi three retail properties in Las Vegas with a bank. The borrower purchased the underlying notes and assumed control of the assets through foreclosure. Quantum was able to cash out 85% of the borrower's original equity.

Tremont Realty Capital
30 N. La Salle, Suite 3924, Chicago, IL 60602
Tom Lorenzini, Managing Director
(312) 236-0960
tlorenzini@tremontcapital.com

Tremont puts together $2.3M with a CMBS lender for the acquisition of a manufactured home community in Odessa, Texas. This was a 10-year, non-recourse loan. LTC came in at 75%. DSC was 1.65x. The property was 95% occupied at the time of closing.

Trinity One Group
1805 Shea Center Drive, Suite 200, Highlands Ranch, CO 80129
Mark Jeffries, Director; Charley Babb, Director
(303) 647-1122
mark.jeffries@trinityonegroup.com
charley.babb@trinityonegroup.com

Trinity One secures $7M with a CMBS lender for the refinance of an apartment community in Galveston, Texas. LTV was 70% and LTC was 94%. The property was 87% occupied at the time of the loan. This was a 10-year loan, with 23-year amortization and one year of interest-only payments.

HOTELIERS SEE LOWER RATES, MORE LENDERS

Increased hotel lending competition will lead to a 0.25% decrease in rates by year's end. Low-leverage loans for stabilized properties will see rates at sub-4%; other deals will be 4% to 5%. Turnaround properties will obtain rates in the high 5% to low 6% range. Count on leverage to hit 70% to 75% for hotels in major markets with favorable flags. Most loans will be between 60% and 70%. In 2013, lenders will be more flexible on deals under $5M by providing 70% leverage. Thirty-year amortization schedules will also become available. Demand for construction money will push lenders to get involved in development deals leveraged around 50%.

Conduits will be the most bullish on terms this year. Look for CMBS lenders to provide the highest leverage at up to 75% and sub-5% rates. Debt yield will be between 10% and 12%. **Wells Fargo, Cantor Fitzgerald, RBS, Citi, Deutsche Bank, JP Morgan Chase, Goldman Sachs** and **Morgan Stanley** will be active with hotels. Select-service brands such as Holiday Inn Express, Hampton Inn and Fairfield Inn will see an uptick in available capital from conduits. Big banks such as **Chase, Wells Fargo**, and **KeyBank** will allocate hotel loans, along with regionals **Regions Bank, BankUnited** and **East West Bank**.

Life companies, including **MetLife, PPM Finance, Principal, Prudential** and **Pacific Life** will max out leverage at 65% for hospitality. **Cornerstone Real Estate Advisers** will provide loans in the $20M to $100M range. The lender targets upscale and upper upscale full service properties. Cornerstone will avoid select-service assets except when in portfolio deals. Borrowers with multiple properties will be preferred.

RockBridge Capital will provide both debt and equity for hotels. Expect to see some loans under $5M for relationship borrowers. Private lenders such as **Prime Finance** will allocate some hotels deals. **NXT Capital** will focus on $10M to $40M loans for mid-sized borrowers. Marriott, Hilton and Starwood properties will be desired. Leverage will max out at 70%. **Starwood Capital Group** will play in the $40M-plus loan space for the top 25 MSAs. Leverage can go up to 75%. Courtyard by Marriott and Hilton Garden Inn will be preferred. Starwood will work with pools of select-service properties in secondary and tertiary markets. The lender will also provide mezz and preferred equity for hotels.

Starwood, Hilton, Hyatt, IHG, Marriott and Choice Hotel flags will see plenty of available capital in all markets. Select-service flagged hotels will see a pickup in lending. Boutiques and non-flagged assets in major markets such as Los Angeles, New York, Chicago and Miami will be targeted. Lenders will look closely at the management company and seek experienced operators involved in day-to-day operations. Capital will be very limited for first time owners and developers.

Assets in markets with new competition and properties in need of major rehabs with weak management will keep lenders at bay. Lenders will stay away from assets in secondary and tertiary markets without demand generators or growth.

The Crittenden Report
Email: editorcr@crittendennews.com

Customer Service
Tel: (800) 421-3483 Fax: (619) 923-3518
E-mail: membership@crittendenresearch.com

Newsroom Fax: (619) 923-3294

The Crittenden Report on Real Estate Financing™ is published by Crittenden Research, Inc., 45 Leveroni Court, Suite 204, Novato, CA 94949. Send address changes to *The Crittenden Report on Real Estate Financing*™, P.O. Box 1150, Novato, CA 94948-1150. Sample reports may be requested online at www.crittendenonline.com.

Crittenden publishes *The Apartment Report*™, *The Crittenden Report on Real Estate Financing*™, *Crittenden Real Estate Buyers*™ and *Crittenden Retail Space*™. For more information on our reports go to www.crittendenonline.com.