The CRITTENDEN REPORT® Real Estate Financing

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EQUITY INVESTORS EYE CONSTRUCTION

New players shift toward JV investments in order to swoop up favorable returns, leading to an increase of JV equity chasing construction deals going forward. Anticipate most deals to have 90/10 or 95/5 equity

TOP MEZZ LENDERS
(PROJECTED 2014 ORIGINATIONS)

LENDER	FULL-YEAR PROJECTIONS	DETAILS
Colony Capital	$500M+	All properties within a yield target of 10%+
Principal Real Estate Investors	$500M	Funded $350M YTD; $5M to $100M loans for office, industrial, retail, multifamily, hotels; floating or fixed rates; top 40 markets
Torchlight Investors	$350M	Office, multifamily, retail, industrial, hotels, student housing; 70% to 90% LTV/LTC; mid-teens pricing; nationwide
CIBC	$300M	Most property types; nationwide
RCG Longview	$250M-$300M	Funded $225M YTD; all assets in major markets; multifamily in small markets
Terra Capital	$250M	Funded $175M YTD; $3M to $50M long- and short-term loans for stabilized and value-add properties; all primary and secondary markets
Prime Finance	$160M	Funded $110M YTD; $5M to $50M non-recourse loans for ground-up construction, light transitional deals; up to five-year terms; nationwide
UC Funds	$150M	Funded $100M YTD; all assets; major and middle markets
Pearlmark Real Estate	$100M-$150M	Funded $20M YTD; all major food groups, including hotels, student housing; top 15 to 20 markets
Pembrook Capital Management	$125M	Funded $100M YTD; multifamily, anchored retail, multitenant office, industrial, ground-up multifamily; strong markets with job growth
Regional Capital Group	$100M	Funded $50M YTD; most properties; nationwide
Dominion Corp.	$80M	Value-add and ground-up multifamily, student housing, hotels; major and secondary markets, certain tertiary cities
JCR Capital	$75M	Funded $50M YTD; value-add multifamily, industrial, retail, office; all major markets west of the Mississippi
Newport Capital Advisors	$50M	$1M to $10M loans for multifamily with local sponsors; secondary and tertiary markets

Other Active Mezz Lenders: **Morrison Street Capital**, $40M-$50M; funded $25M YTD; acquisitions, recapitalizations, gap refi of multifamily construction; WA, OR, CA, AZ, NV, CO, TX, Chicago; **Edgewood Capital**, $25M; funded $18M YTD; opportunistic deals; major and emerging markets; **W Financial**, $15M-$20M; $1M to $10M loans for retail, multifamily; N.Y.C.; **Shem Creek Capital**, $10M-$15M; $1M to $4M loans for office, retail, industrial, hotels, multifamily; Northeast.

DEAL OF THE WEEK

Property Type: Marina in South Florida
Loan: $2.1M Acquisition
Lender: **Revere Capital**
Leverage: 87% LTC; 42% LTV
Rate: 13%

The borrower, the original developer of this dry stack storage marina, lost the property when his construction lender failed and the note was sold to an onerous hedge fund. Revere was confident in the borrower's familiarity with the asset, ability to get the purchase contract signed by the multiple parties, the below market purchase price and supply constraints in the market for mid-size boat slips. The operating company and real estate were purchased at a significant discount to replacement costs and market value.

Around 80% of the $2.1M will be used for the stock purchase and existing mortgage, with the balance of the loan going to property taxes, working capital, closing costs and a small interest reserve. The loan has a 12-month, interest-only term. The borrower has a small amount of equity in the deal, around 13%, due to the deeply discounted purchase price. The deal was structured and funded in less than two weeks, which allowed the borrower to execute pending boat slip sales and provide the marina with a jump start on marketing during the busy hurricane season. Current rental income was sufficient to cover interest expenses and each boat slip sale went to pay down the loan.

Revere Capital: 2000 McKinney Ave., Suite 2125, Dallas, TX 75201. Matt Turner, SVP, (214) 871-6871. mturner@reverecapital.com

OFFICE UNDERWRITING LOOSENS...

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Expect **New York Life, Sun Life, AEGON, Ohio National, Symetra, Stancorp., Advantus, Ameritas, Genworth, Prudential, Allianz, TIAA** and **Northwestern Mutual** to originate single-tenant office deals with shorter amortization schedules. Life companies will be comfortable with professional tenants such as lawyers, accountants and doctors. **Cornerstone Real Estate Advisers** will consider vacant office transactions.

Woodmen of the World, Advantus, Genworth, Ameritas and Symetra will originate $1M-plus deals for Class B and C assets in primary, secondary and tertiary markets with strong borrowers and lease exposure. **Thrivent Financial, Southern Farm Bureau** and Stancorp., will provide deals under $5M. **Assurity Life Insurance Company** will dip below $2M and work in smaller markets. Smaller LCs will require 25% to 100% recourse.

Principal Real Estate Investors, MetLife, Nationwide, Allstate, Guardian Life, AIG, Unum, Columbia Mutual, Voya Investment Management, PPM and **John Hancock** will target office deals in the coming months. Leverage will be 65%-plus. Class B- to A, 100,000-s.f. to 300,000-s.f. office buildings in primary and secondary markets will be sought after. Life companies will want to see granular rent rolls and tenant diversity. Tenants with long track records that show a trend toward expansion, versus contraction, will be preferred. Larger LCs will target $10M-plus deals. Life companies will look closely at the market, quality and cash flow of the building.

LENDERS VIE FOR SELF STORAGE

Expect conduits, banks and life companies to be busy with self-storage loans in the coming months. Leverage will reach as high as 80%, with most deals in the 60% to 75% range. Rates will start at 4%. Borrowers will see 1.20x to 1.30x DSC. Plenty of non-recourse financing will be available, although unstabilized assets will require some level of recourse. Self-storage lenders will want to see borrowers with one-and-a-half to two times the loan amount in net worth and no major credit hiccups. Watch for lenders to be conservative on cap-rate appraisals.

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BANKS, LENDERS & EQUITY PROVIDERS

(Supplemental to the Directory)

CIBC: 425 Lexington Ave., Fourth Floor, New York, NY 10017. Barry Schumacher, Managing Director, (212) 667-7027. barry.schumacher@cibc.com

Edgewood Capital: 132 Old Post Road, Southport, CT 06890. Jonathan Levirne, Managing Director, (203) 255-1700. jon@edgewoodcapital.com

JCR Capital: 1225 17th St., Suite 1850, Denver, CO 80202. Jay Rollins, Managing Principal, (303) 531-0202. jayrollins@jcrcapital.com

Mountain Real Estate Capital: 13860 Ballantyne Corporate Place, Suite 130, Charlotte, NC 28277. Arthur Nevid, Chief Investment Officer, (704) 930-7501. anevid@mrec.com

Parse Capital: 2894 S. Coast Highway, Suite 100, Laguna Beach, CA. Nicholas Killebrew, SVP, (760) 607-5409; William Trefethen, Managing Partner, (480) 220-8165. killebrew@parsecap.com; trefethen@parsecap.com

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

Principal Real Estate Investors: 711 High St., Des Moines, IA 50392. Chris Duey, Managing Director, (515) 247-5727. duey.chris@principal.com

Regional Capital Group: 701 E. Route 70, Marlton, NJ 08053. Paul Braungart, President, (856) 983-4800, Ext. 206. paulb@regionalcapital.com

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

TMC America: 111 Pacifica, Suite 130, Irvine, CA 92618. Mark Ferraro, President, (949) 789-0005. mark.ferraro@gmail.com

Torchlight Investors: 475 Fifth Ave., 10th Floor, New York, NY 10017. Michael Butz, SVP-Loan Origination & Acquisition, (212) 488-5616. mbutz@torchlightinvestors.com

LENDERS VIE FOR SELF STORAGE...

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Count on lenders to want 80% occupancy for permanent loans; bridge deals will need 50% to 60%. Distressed properties will easily obtain bridge financing, as long as the borrower can show a strong upside and past experience in stabilization. Sophisticated property management will be sought after, but mom-and-pop owners with favorable track records will also see available capital.

Watch for conduits, including **Wells Fargo, CCRE, Citi, Natixis, Five Mile Capital Partners, Freedom Mortgage, Guggenheim, Ladder Capital, RAIT Financial Trust** and **Rialto Capital Management** to be the most active in self storage lending, especially on $3M plus deals. CMBS lenders will quote up to 80%

DEALMAKER DATABANK

BMC Capital
3100 Monticello Ave., Suite 400, Dallas, TX 75205
Keith Van Arsdale, President/CEO
(214) 580-3154
kvanarsdale@bmccapital.com

BMC Capital arranges $20M for an extended stay hotel in Williston, N.D., with a CMBS lender. The LTV was 61%. Van Arsdale also closes $850K for a multifamily property in Sulphur Springs, Texas, with a bank. The loan features a five-year fixed rate at 5%.

Capital Advisors Inc.
200 S. College St., Suite 1520, Charlotte, NC 28202
Alicia Harris, VP Business Development
(704) 945-3400
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Capital Advisors is a real estate financial services company that specializes in securing long-term, non-recourse debt for commercial real estate through life insurance companies, CMBS lenders and other specialty capital sources.

Cohen Financial
1001 Brickell Bay Drive, Suite 2906, Miami, FL 33131
Kevin O'Grady, Partner/Senior Managing Director
(866) 315-6501
kogrady@cohenfinancial.com

Cohen Financial works on arranging equity and construction loans for multifamily, condo and mixed-use projects. O'Grady completes eight condo deals in Miami and works on a big mixed-use project in Austin, Texas.

George Smith Partners
10250 Constellation Blvd., Suite 2700, Los Angeles, CA 90067
Gary Tenzer, Principal/Managing Director
(310) 867-2903
gtenzer@gspartners.com

George Smith arranges a $7M cash-out refi for a self-storage property in Southern California with a CMBS lender. The LTV was 75% and the rate came in at 4.82%. DSC was 1.25x. Debt yield was 9%. The loan has a 10-year term and 30-year amortization.

Grandbridge Real Estate Capital
222 S. Ninth St., Suite 3200, Minneapolis, MN 55402
Tony Carlson, VP
(612) 341-7886
tcarlson@gbrecap.com

Grandbridge closes a $3M loan with a life insurance company secured by an office/warehouse building in suburban Minneapolis.

NorthMarq Capital
1 Penn Plaza, Suite 1421, New York, NY 10119
Elliot Auerbacher, VP
(212) 904-1366
eauerbacher@northmarq.com

NorthMarq finalizes a small cash-out loan on a two-property, self-storage portfolio in Illinois and Indiana with a CMBS lender. The borrower purchased the properties 18 months earlier and stabilized the assets.

NorthMarq Capital
500 Newport Center Drive, Suite 650, Newport Beach, CA 92660
David Blum, SVP
(949) 717-5215
dblum@northmarq.com

NorthMarq finances a $10.5M loan for a Class A MOB in Beverly Hills, Calif., with a life insurance lender. The loan features a six-month free forward rate lock to accommodate the borrower's first open par pre-pay window with a rate around 4%.

NorthMarq Capital
1 Riverway, Suite 2400, Houston, TX 77056
Warren Hitchcock, VP
(713) 402-1527
whitchcock@northmarq.com

NorthMarq arranges a $15M-plus loan for three small office buildings in Houston with AEGON. The LTV was 55% and the rate was sub-4%. The loan has a 10-year term and 25-year amortization with a flexible prepayment.

NorthMarq Capital
801 N. 96th St., Suite 220, Omaha, NE 68114
Gary Rifkin, SVP
(402) 343-0467
grifkin@northmarq.com

NorthMarq closes loans for MOBs and some smaller multitenant office buildings. Rifkin finds that well-leased properties with minimal turnover during the loan term will be well received by the life company lending community.

NorthMarq Capital
3200 E. Camelback Road, Suite 253, Phoenix, AZ 85018
Shari Stults, VP/Mortgage Banker
(602) 508-2210
sstults@northmarq.com

NorthMarq closes a $10.5M acquisition loan on a two-building office complex in Goodyear, Ariz. The five-year portfolio loan was procured through Guggenheim and features a 30-year amortization and a rate of 3.76%. Leverage is 70% of purchase price.

NorthMarq Capital
1 Embarcadero Center, Suite 2150, San Francisco, CA 94111
Jeffrey Weidell, President
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jweidell@northmarq.com

NorthMarq refis two Silicon Valley, Calif., office buildings with two large tech tenants. The deal received a positive lender response, providing the LTV was kept below 65% and the value was not out of line with replacement costs.

cent regional banks over the next 12 months, especially for large and Expect increased competition