The CRITTENDEN REPORT® Real Estate Financing

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TERMS LOOSEN FOR CONDOS

Due to the plethora of available capital for condo loans, expect lenders to become more creative on loan structure. Foreign money lenders and equity providers will flood the markets, especially in strong areas such as California, Florida and Texas. Watch for an increase of available non-recourse financing — even banks start to consider non-recourse and burn-off provisions for lower leverage condo deals. LTCs will jump as high as 75% for construction, as more competition enters the space. Existing portfolio senior loans will see 60% to 65% leverage, while deals with mezz or equity will push up to 90%. Rates will start in the high 5% range.

Anticipate a ramp up of construction lending as multifamily cap rate compression and rising land costs will push some developers to turn from apartments toward condos. Banks, including **Chase**, **BofA**, **Wells Fargo**, **Goldman Sachs**, **M&T Bank**, **First Republic Bank**, **Bank of the West** and **East West Bank** compete for condo deals. **Deutsche Bank** will price condo loans in the 5% to 6% range. Borrowers will see local banks target smaller deals.

Private money lenders such as **Starwood Property Trust**, **Can**

TOP HOTEL LENDERS
(PROJECTED 2014 ORIGINATIONS)

LENDER	FULL-YEAR PROJECTIONS	DETAILS
Goldman Sachs	$2B+	Funded $1.1B YTD; all properties; nationwide
Morgan Stanley	$2B	Full- and select-service hotels with major flags; primary and secondary markets
Cornerstone Real Estate Advisers	$800M+	Funded $750M YTD; full-service properties with major flags; top 20 markets
CIBC	$400M	Funded $300M YTD; CMBS fixed-rate loans for select-service assets, floating-rate loans for upper-upscale hotels in gateway cities
Mesa West	$300M+	Funded $300M YTD; hotels with major flags; primary markets
Prime Finance	$300M	Funded $238M YTD; heavy rehab and reflagged deals for full-service, select-service and boutique hotels; nationwide
Pacific Life	$250M	Funded $200M YTD; luxury and upper-upscale, city-center located hotels with major flags in the largest MSAs
Canyon Capital Realty Advisors	$250M	$15M+ loans for upper-upscale hotels with major flags, especially transitional assets; top 15 markets
NXT Capital	$150M+	Hotels with major flags; primary markets
PPM Finance	$150M	Funded $100M YTD; upscale select- and full-service assets, mid- and upscale boutique hotels
UC Funds	$150M	Funded $100M+ YTD; full- and select-service hotels with rehab stories/adaptive reuse plans
Rockbridge Capital	$135M	Funded $106M YTD; Hilton, Marriott, Starwood, Hyatt and well-located independent hotels; primary and secondary markets
Lowe Enterprises Investors	$80M	Funded $15M YTD; high-quality assets; primary and secondary markets
BMC Capital	$45M-$55M	Funded $35.6M YTD; select-service assets with flags; nationwide
Pearlmark Real Estate Partners	$50M	Funded $15M YTD; full-service hotels with major flags; primary markets

Other Active Hotel Lenders: **Bank of Hawaii**, $40M-$50M; funded $40M YTD; major flags; HI; **Fidelity Bank**, $30M; mid-tier, select-service hotels with flags; **Symetra Life Company**, $25M-$30M; select-service hotels, both flagged and boutique; **Prudential**, $50M+ loans for hotels with major flags; primary markets; **Bank of the Ozarks**, select-service, full-service and independent assets in strong markets; **Freedom Mortgage**, $2M to $10M loans for nationally franchised hotels; nationwide.

DEAL OF THE WEEK

Property Type: Unanchored Retail in Ocala, Fla.
Loan: $1.7M Refi
Lender: **Ohio National Life Insurance Company**
Leverage: 65% LTV
Rate: 4.75%

Ohio National was able to structure a forward commitment and lock a competitive rate six months prior to closing to help the borrower lock in the rate before the loan matured to avoid a huge prepayment penalty. The life company likes the 15-year fully amortizing term and tends to target strip retail centers. The tenants, including Subway, GameStop, Payless ShoeSource and Sally Beauty Supply, all had three- to five-year leases. Proceeds will go to pay off the maturing CMBS loan and closing costs. Ohio National requires 100% recourse and the borrower has 20%-plus of equity in the deal. The DSC was 1.75x.

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BRIDGE LENDERS MOVE UP THE RISK SCALE…

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BB&T Real Estate Funding originates $5M to $55M non-recourse loans. Multifamily deals will be preferred followed by anchored retail, well-located office, industrial and senior housing. Multifamily deals will see leverage as high as 80%, while the other assets will receive 70% to 75%. Rates will be Libor plus 250 to 450 with one-half to 1 point in and 1 point out. Terms will be three years, with two one-year extensions. Deals in California and Texas will be desired.

Hunt Mortgage Group strives to increase its presence in the bridge lending market and looks to fund additional asset types. The lender typically targets multifamily deals, but will increase office, retail, industrial and mixed-use lending in the coming months. Hunt provides $5M-plus, non-recourse loans with a $10M to $15M sweet spot. Leverage will be 70% to 80%. Rates will be 4.25% to 4.75% with 1 point. Terms will be two to three years.

Expect more small-balance bridge lenders to enter the market because of the wave of smaller bank and CMBS loans coming due in the next few years. **Eagle Group Finance** targets $1M to $15M multifamily, mixed-use and industrial non-recourse loans. Leverage will be 55% to 60% with 9% to 12% pricing. Expect two-year terms. Eagle Group seeks deals in California, Texas, Las Vegas and Phoenix. **Bloomfield Capital** funds $1M-plus bridge loans for multifamily, office, retail, industrial/flex and hotels.

Avant Capital Partners provides $1M to $10M loans and 12- to 36-month terms with extensions. Multifamily, condos, office, retail, industrial and development sites in the Northeast, especially the New York City metro area, will be preferred. Rates start at 8% with 1 point in and 1 point out. The firm requires limited or full recourse. **Case Real Estate Capital** originates $2M to $10M bridge loans with 60% to 80% leverage. The firm focuses on warehouse, industrial and manufacturing properties in the Tri-State area. Rates will be low to mid-teens with points. Case Real Estate prefers full recourse, but will negotiate. Borrowers will see 12- to 18-months terms with extensions.

Taylor Derrick Capital funds $500K to $10M loans for office, retail, industrial, hotels, multifamily and select single-family construction deals. Leverage will reach 75%. Rates will be between 10% and 14% with 1 to 4 points. Terms will be one to 24 months. Most deals will require full recourse, but non-recourse loans will also be considered. Taylor Derrick seeks loans in Utah, Colorado, Idaho, Arizona, Nevada, Hawaii and Southern California. **A10 Capital** will target retail, office, industrial, multifamily, self storage, parking garages and MHCs, along with hotels on a case-by-case basis. Bridge loans will start at $1M. Interest-only periods and non-recourse financing will be available.

BANKS, LENDERS & EQUITY PROVIDERS

(Supplemental to the Directory)

A10 Capital: 250 S. Fifth St., Suite 400, Boise, ID 83702. Jerry Dunn, CEO, (208) 577-5010. jdunn@a10capital.com

Avant Capital Partners: 209 Bruce Park Ave., Second Floor, Greenwich, CT 06830. Adam Luysterborghs, Founding Principal.

DEALMAKER DATABANK

Aries Capital 216 W. Ohio St., Fifth Floor, Chicago, IL 60654 Josh Krueger, Assistant VP (312) 640-7424 jkrueger@ariescapital.com	Aries Capital closes a $10.5M non-recourse loan for a Courtyard by Marriott in Victoria, Texas, with a CMBS lender. The two-year, interest-only loan enables the borrower to take cash out for marketing of the newly opened property.
Capital Advisors 2100 Southbridge Parkway, Suite 650, Birmingham, AL 35209 E. Gerry Cabaniss III, VP (205) 414-7466 gerry.cabaniss@capadvisors.com	Capital Advisors works on a $3.4M strip center refinance in Huntsville, Ala. Multiple lenders quoted the deal on a non-recourse basis, but capped proceeds at 65%. The borrower is moving toward a partial recourse life company option at 75% LTV.
CBRE Capital Markets 777 Brickell Ave., Suite 900, Miami, FL 33131 Charles Foschini, Vice Chairman-Debt & Structured Finance (305) 381-6424 charles.foschini@cbre.com	CBRE arranges a $51M bridge loan to finance the acquisition of two office properties in Irving, Texas. The Blackstone Group provides the two-year, interest-only loan. The LTC came in at 73.5%.
George Smith Partners 10250 Constellation Blvd., Suite 2700, Los Angeles, CA 90067 Jonathan Lee, SVP (310) 867-2919 jlee@gspartners.com	George Smith Partners arranges $3.25M in construction financing for a six-unit luxury condo property in Westwood, Calif. LTC was 75% and LTV was 65%. The 18-month, interest-only loan is priced at Libor-plus 3.5%.
HFF 301 Grant St., Suite 600, Pittsburgh, PA 15219 Mark Popovich, Senior Managing Director (412) 281-8714, Ext. 2026 mpopovich@hfflp.com	HFF completes a construction loan for a 150-room Homewood Suites in downtown Pittsburgh.
Mark One Capital 5001 Spring Valley, Suite 100W, Dallas, TX 75244 Farhan Kabani, Associate VP (972) 755-5301 farhan.kabani@markonecapital.com	Mark One Capital secures $15.5M for an 11-property Wendy's portfolio in Florida with a bank. The non-recourse loan boasts a five-year term with a five-year reset. The bank liked the strong franchisee and location of the units.
Meridian Capital Group 1 Battery Park Plaza, New York, NY 10004 Aggelos Sklavenitis, Associate (646) 502-3425 asklavenitis@meridiancapital.com	Meridian Capital secures a $29M acquisition and construction loan for the development of a condo project in New York City with Knighthead Funding. The lender liked the attractive amenities, which sets it apart from other assets in the market.

LIFE COMPANIES AGGRESSIVE ON HOTELS…

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Pacific Life targets $50M-plus, non-recourse loans for luxury and upper-upscale, city-center located hotels with mostly flags in the largest MSAs. Leverage will reach 60% with 9% to 12% debt yield. Ten-year deals will see 4% to 5% rates. Look for 10- to 25-year terms.

PPM Finance originates $10M to $50M loans for upscale select- and full-service assets, as well as mid- and upscale boutique hotels. The LC focuses on sponsorship, loan/rooms and barriers to entry. Max leverage will be 60%, with most deals coming in at 50% or less. Debt yield will be 13% to 18%. PPM's loans will be non-recourse with carve outs. Terms will range from three to 20 years with 20- to 30-year amortizations. Fully amortizing loans will be 12 to 20 years.

Symetra Life Company funds $1M to 10M deals with 50% maximum leverage. Small select-service hotels, both flagged and boutique, will be targeted. Symetra looks closely at long-term history and experience of the owners, as well as how the property performed on a stress basis. Secondary and tertiary markets deals will be considered. Symetra requires 50% to 100% recourse and 2.00x DSC. Three- to 20-year terms will be available with up to 25-year amortization.

ABUNDANCE OF CAPITAL FOR SMALL RETAIL DEALS

Life companies, conduits and bank lenders will be more aggressive and loosen underwriting for sub-$5M retail deals in the coming quarters. Retailers' sales improvements and increased lender competition fuels the sector. Anticipate higher leverages, lower debt yields and longer amortization schedules. Lenders will become more flexible with small shadow and unanchored retail centers in the coming months. Leverage could push as high as 75%, even from conservative life companies. Rates will be 3.5% to 5%-plus. DSC will start at 1.20x. Also, keep an eye out for an increase of available interest-only periods from conduits and non-recourse financing from banks and LCs.

Look for life companies such as **Stancorp.**, **Symetra**, **Ameritas**, **Ohio National Life Insurance Company**, **Genworth**, **Protective Life**, **Assurity Life Insurance Company**, **Americo Life & Annuity Insurance Company**, **Southern Farm Bureau Life**, **Columbia Management** and **Thrivent Financial for Lutherans** to fund loans below $5M. While most deals will obtain leverage in the 65% to 70% range, strong borrowers will see 75% for properties in superior locations. LCs will originate mid- to high 4% rates and prefer 20- to 25-year amortization schedules. Life companies will offer non-, partial- and full-recourse financing.

Conduits, including **Ladder Capital**, **Wells Fargo**, **CIBC**, **Redwood Trust**, **Freedom Mortgage** and **Bancorp.** will be among the most active CMBS lenders with mid-4% to 5% rates. Debt yield will start at 8.5%, although sub-8% debt yield could be on the horizon. Watch for 10-year terms and 30-year amortization, as well as longer interest-only periods. DSC will start at 1.25x.

Big banks such as **Wells Fargo** and **Chase** will fund small-balance retail deals, along with local players such as **The Washington Trust Company**, **Intervest Bancshares Corporation** and **Opus Bank**. Count on banks to want full recourse on small-balance deals, although lower leverage loans could start to see non-recourse dollars in the New Year. Banks will have 1.20x DSC minimums and provide five- and seven-year loans with 4% to 4.75% rates. Floating-rate deals will start around 3.5%.

Tenant histories and sales, local demographics, visibility and pricing per square foot will be key drivers. Centers with 85%-plus occupancy will be the most sought after. Capital will be available for circa-1970 or newer unanchored, shadow and anchored retail centers. Lenders prefer a mix of national retailers and mom-and-pop stores. Watch for lenders to target markets with populations of at least 150,000 and growing demographics that will support retail. Deals in high growth metros in the Sunbelt and Southeast will be sought after, along with infill-located properties in the Bay Area, New York City, Boston, Los Angeles, Chicago and Denver.

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