The CRITTENDEN REPORT® Real Estate Financing

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BANKS FUND FULL COST OF DEVELOPMENT

Don't be surprised to see banks provide up to 100% LTC on construction loans this year. Significantly preleased projects with around 65% LTV will see 90% to 100% LTC. Banks can finance 100% of cost because value will be created once the project stabilizes and tenants start to pay rent. LTV versus LTC will be very important in the coming months. Borrowers will also be able to grab 100% LTC when the land value is not included in the loan, adding the land cost will lower LTC levels. Banks will quote higher LTC and then sell off the riskiest B piece to another lender. Selling the B piece can push LTC far greater than 80%, even up to 90%. Expect banks to want 100% recourse on higher leveraged deals.

Most bank deals will be in the 60% to 75% LTC range. Build-to-suite office development for growing companies such as Uber and Netflix that sign 10 to 15 years leases will see 85%-plus LTCs. Well-located properties that boast strong tenants and borrowers with favorable experience and track records should receive 80%-plus LTC. When underwriting LTC above 80%, banks will look closely at leases and borrowers.

Higher reserve requirements will increase spreads, as additional costs will be passed onto borrowers. Watch for banks to quote Libor-plus 200 to 300 floating rates for construction. Trophy deals will see Libor-plus 170 to 270 rates, while riskier deals without preleasing will see Libor-plus 400 to 450 rates. Banks will want 0.25 to 1 point fees.

Many banks will feel the pressure to pick up new construction deals as their on-book construction loans will be refinanced or paid off this year. New banks will also enter the game or increase their capacity. New regulations will cause banks to be cautious with non-recourse construction loans. Watch for banks to want 100% recourse on most construction projects; multifamily deals will need at least 50%. Spec development in strong locations will start to come back in the coming months, but borrower equity will be in the first position. Keep an eye out for banks to start looking at more hotel projects with 100% recourse.

CONDO CONSTRUCTION LENDING BUILDS

As more lenders enter the space, count on condo development LTCs to soar, as high as 90%, from debt fund lenders in the coming months. Banks will top out at 70%, although mezz debt will bring bank leverage to 85%-plus. However, as land prices rise, true leverage will decrease. A bank may quote up to 70% LTC, but will wind up lending less because of a desired threshold that may be capped by the value or loan per square foot. The risk will be on developers to [illegible]

TOP REGIONAL BANK LENDERS
(PROJECTED 2015 ORIGINATIONS)

BANK	FULL-YEAR PROJECTIONS	DETAILS
SunTrust Bank	$6.5B	$6.5B in 2014; acquisitions, construction loans, lead syndications, subscription lines; secured and unsecured lines, revolvers for REITs; debt and equity offerings; industrial, office, retail, multifamily, residential construction

CONDO CONSTRUCTION LENDING BUILDS…

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Builders Bank's rates will float and have 4.5% to 5% floors and 1 point for up to a 24-month initial term. The bank provides two-year terms with a structured series of three-month extensions. Expect the bank to require full repayment and completion guarantees.

Count on **Canyon Capital Realty Advisors**, **Blackstone** and **Guggenheim** to be the major players in the condo financing game. Canyon originates non-recourse $15M to $200M deals with a $50M to $75M average. Class A projects in top-tier metros with less than 100 units will be desired. Developers need experience and significant equity in the transaction. LTC will be 50% to 80% and rates will be mid- to high single digits. The firm originates two- to three-year initial terms with extensions. Also, expect **Apollo Commercial Real Estate Finance**, **Madison Realty Capital**, **NorthStar**, **Hudson Realty Capital**, **Forman Capital** and **Eagle Group Finance** to quote deals. **Emerald Creek Capital** targets conversion projects from existing rentals to condos.

Sabal Financial Group originates $5M to $50M condo construction loans with 75% max LTC. The firm targets projects with fewer than 50 units in strong markets with job density. All deals will be non recourse with 7% to 8% rate floors, plus a small exit fee on the sale of each unit. Sabal provides up to three-year terms. **Taylor Derrick Capital** targets $500K to $10M construction loans for infill-located Class A projects. LTC can reach as high as 90% (75% LTV). Non-recourse options will be available for lower leverage deals. Rates will be 10% to 14% with 1 to 4 points. Borrowers will see six- to 12-month terms with extension options.

The increase of foreign capital coming to the U.S. for condos will push demand and make lenders more bullish on the property type. U.K.-based **Investin PLC** targets up to $5M JV equity pieces for condo construction. The firm seeks mid- to lower market entry urban-infill projects with 12 to 150 units in strong cities such as Boston, Chicago, Atlanta, Denver, Seattle and Portland, Ore. Expect a 2x targeted multiple and Investin ideally likes to be in and out of a deal in 24 months. The firm will be flexible with equity splits and developer experience.

Lenders will pursue high rise condo development in markets such as Manhattan, N.Y., Miami and San Francisco. Other areas such as Orange County, Calif., Chicago, and N.Y.C.'s five boroughs will see plenty

BANKS, LENDERS & EQUITY PROVIDERS

(Supplemental to the Directory)

Blackburne & Sons Realty Capital Corp.: 11866 Lawndale Ave., Plymouth, IN 46563. George Blackburne III, President.

DEALMAKER DATABANK

CBRE/New England | Debt & Structured Finance
33 Arch St., 28th Floor, Boston, MA 02110
Carlos Febres-Mazzei, SVP
(617) 912 7083
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CBRE works on financing $100M for two office buildings in Cambridge, Mass. The buildings have significant upside potential with office tenants rolling over to market rates. The firm has been able to get attractively priced, floating-rate debt.

CBRE Capital Markets | Debt & Structured Finance
101 California St., 44th Floor, San Francisco, CA 94111
Brad Zampa, EVP
(415) 772-0225
brad.zampa@cbre.com

CBRE closes a $32M acquisition loan for a vacant office and data center in Sunnyvale, Calif., with a bank balance sheet lender. LTV was 65% and the bank required partial recourse that burns off upon lease up. Rate was Libor-plus 225.

Dockerty Romer & Co.
70 S.E. Fourth Ave., Delray Beach, FL 33483
Joseph Hepp, Director
(561) 338-8000
jhepp@dockertyromer.com

Dockerty Romer works to arrange financing for two stabilized mixed-use properties in South Florida; one loan will total $8M and the second will be around $42M. Both deals are set to securitization with CMBS lenders.

Metropolitan Capital Advisors
18111 Preston Road, Suite 650, Dallas, TX 75252
Sunny Sajnani, Senior Director
(972) 267-0600
ssajnani@metcapital.com

Metropolitan Capital works on placing a $52M-plus bridge loan on the Coastal Carolina portfolio. The portfolio is an acquisition of 14 grocery-anchored shopping centers in South Carolina and Georgia.

NorthMarq Capital
1 Boston Place, Suite 1421, Nort

NorthMarq completes a $29M refi of a suburban