The CRITTENDEN REPORT® Real Estate Financing

The Nation's Leading Newsletter on Real Estate Finance

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TOP WESTERN U.S. BANKS
(2015 PROJECTED WESTERN U.S. ORIGINATIONS AND PREFERENCES)

BANK	VOLUME	DETAILS
Luther Burbank Savings	100%	Los Angeles Basin, San Francisco Bay Area, San Diego, Orange County and Santa Barbara, Calif.; $500K-$7M loans for multifamily, mixed-use; three-, five-, seven-year fixed loans, 30-year amortization; 62%-65% LTV; 1.15x DSC
Opus Bank	100%	Washington's Puget Sound, Portland, Ore., the Bay Area, Los Angeles, San Diego; $5M-$25M loans for multifamily, industrial, retail, office; up to 85% LTC, 75% LTV for multifamily, 70% LTV for commercial; two- to three-year terms with extensions; 4% rates for construction; 1.20x-1.35x DSC
Comercia Bank	100% (San Jose Office)	San Diego, Orange County, Calif., Los Angeles, Silicon Valley, San Francisco; $5M-$35M loans for office, industrial, retail, apartments, for-sale housing; 50%-80% LTC, 40%-75% LTV, depending on recourse; 24- to 36-month terms
BofI Federal Bank	70%-80%	San Francisco, Seattle, Los Angeles, San Diego, Denver, Orange County, Calif.; $300K-$30M loans for multifamily, MHC, student housing, mixed-use, multitenant commercial; up to 75% LTV; mid- to high 3% rates on best deals, mid- to high 5% on deals with a story; hybrid loans with three- to 10-year fixed rates
Bank of the West	70%	$10M-$100M loans for office, retail, industrial, residential
EverBank	30%+	Will increase West Coast lending 20%+ this year; Los Angeles, San Diego, the Bay Area, Portland, Ore., Seattle; $2M-$3M+ loans for Class B and above multifamily, office, industrial, retail, self storage; $5M-$20M loans for single-tenant office, industrial, retail; 70%-75% leverage and 1.20x-1.25x DSC for multifamily, 65%-70% leverage and 1.25x-1.30x for commercial; most loans will be non recourse
US Bank	25%+	The Bay Area, Seattle, Los Angeles, San Diego, Orange County, Calif.; $10M-plus construction loans; 65%-75% LTV

WESTERN U.S. BANK LENDING INSIGHT

Regional bank players, including **California Bank & Trust**, **Zions Bank**, **Provident Savings Bank**, **First Republic Bank**, **River City Bank**, **Umpqua Bank**, **City National Bank** and **Bank of Arizona** will also fund Western U.S. loans. Local banks could become the most attractive option in these hot markets because they are less impacted by Basel III regulations. Count on **Chase**, **Wells Fargo**, **BofA**, **Bank of the Ozarks** and **Union Bank** to allocate a large portion of originations in the West. Union Bank targets San Francisco, followed by Seattle, Los Angeles, San Diego and Orange County, Calif.

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TOP MEZZ LENDERS
(2015 PROJECTED ORIGINATION VOLUME AND PREFERENCES)

LENDER	VOLUME	DETAILS
Colony Capital	$500M+	All property types
Principal Real Estate Investors	$500M	Funded $450M in 2014; multifamily, retail, office, industrial, hotels; up to 85% LTV; 5%-9% rates; two- to 10-year terms; primary and secondary markets
Torchlight Investors	$350M (Mezz & pref equity)	Funded $350M in 2014; $10M+ loans for existing office, retail, multifamily, industrial, hotels, student housing; up to 90% LTC; 13%-15%+ yields
Terra Capital	$350M	Funded $250M in 2014; $5M-$50M loans for all properties including land/predevelopment, construction, value-add; one- to 10-year terms
RCG Longview	$300M	Funded $300M in 2014; multifamily, office, retail, industrial, hotels
Pearlmark Real Estate Partners	$150M-$200M	Funded just under $50M in 2014; office, industrial, retail, apartments, student housing, hotels, mixed-use; construction mezz for office, apartment, student housing; up to 85% LTV; 8%-12% fixed, floating rates; three- to seven-year terms
CIBC	$150M	Funded $175M in 2014; mezz behind CMBS and portfolio loans; all property types; up to 85% LTV; 7%-11% rates; one- to five-year terms
Regional Capital Group	$150M	Funded $100M in 2014; mostly ground-up loans for commercial, multifamily, hotels; up to five-year terms
JCR Capital	$50M-$70M	Funded $75M in 2014; existing multifamily, industrial, retail; mid-teens returns
Newport Capital Advisors	$30M-$50M	Funded $20M in 2014; $1M-$10M loans for multifamily; low double-digit rates; local borrower/owners; secondary and tertiary markets
Pembrook Capital	$45M	20% of total origination volume; $5M-$50M loans for stable multifamily, anchored retail, office, flex/industrial; up to 85% LTV; two- to five-year terms; nationwide
Shem Creek Capital	$30M-$40M	Funded $20M in 2014; "gap capital" via straight mezz or leveraged first mortgage; primarily value-add assets; three- to five-year terms; 14% rates; Northeast
Morrison Street Capital	$25M-$30M	Funded $30M in 2014; $2M-$7M loans for existing multifamily, industrial, office, retail; up to 85% LTV; 6%-8% current returns, 12%-13% overall returns; three- to eight-year terms; Western U.S., TX, greater Chicago
W Financial	$10M-$15M	Multifamily, retail; 12% rates with 2 points

WESTERN U.S. BANK LENDING INSIGHT…

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Banks will provide 50% to 75% leverage in the West. Five-year loans will see rates start in the mid-3% range, while seven year will obtain high 3%-plus pricing. Floating-rate loans will be Libor-plus 250 to 400 basis points.

Employment and wage growth, along with overall economic expansion, makes the West Coast the hottest lending area in the country. San Francisco and Silicon Valley, Calif., will lead the pack, driven by job creation in tech and social media sectors, which spills into other industries and brings people to the area.

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DEAL OF THE WEEK

Property Type: Condo Conversion in Manhattan, N.Y.
Loan: $4.6M Bridge
Lender: **Avant Capital Partners**
Leverage: 53% LTC
Rate: 9%

Avant's bridge loan will fund the conversion of two, four-story brownstones into a six-unit condo building. The project will include adding two more floors, taking it up to six stories, and 12 feet of depth to the existing buildings. The lender liked the strong borrower and location in an under-supplied market, as floor-through condo development is rare in the neighborhood. Avant was also confident in the borrower's ability to sell a 2,000-s.f. condo for around $2M, thanks to the favorable NYC location. The 18-month loan will be paid off as the sponsor sells the completed units. The borrower has $4M of equity in the deal and recourse is limited to the top $1M in loan principal. The borrower already owned the site, but needed the loan to fund the conversion.

Avant Capital Partners: 209 Bruce Park Ave., Second Floor, Greenwich, CT 06830. Adam Luysterborghs, Managing Partner, (203) 612-9580. adam@avant-capital.com

WESTERN U.S. BANK LENDING INSIGHT…

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Seattle will be close behind with a strong need for residential space because of job growth. Southern California will see a significant need for housing and office space; Los Angeles' Silicon Beach will be driven by new tech jobs, while San Diego will see an increase in tourism, military and biotech industries. Orange County, Calif., will experience a rise in financing for new housing and some office development. Banks will flock to the O.C.

[illegible] will the West Coast, as long as there will be high paying job creation. However, [illegible] will keep a close eye on California's drought as that could slowdown growth in the coming years. S[illegible] Southern California markets could also see a slowdown related to the oil and gas industries this yea[illegible]

BUSY SUB-$5M BRIDGE SECTOR

The small-balance bridge sector will see plenty of available capital, pushing leverage as high as 90% [illegible] The majority of sub-$5M bridge deals will obtain 65% to 80% LTC/LTV. Bridge lenders will enter [illegible] smaller markets in order to compete. Rates will drop as low as 4.5% for strong deals, while propert[illegible] need of deep rehabs will see 10%+ rates. Most loans will fall in the 8% to 11% range. Watch for a[illegible] increased emphasis on sponsorship as terms become more aggressive. Expect a pick up of bridge le[illegible] for retail, office, multifamily, industrial and hotels in the coming months.

Taylor Derrick Capital funds $500K-plus loans with a focus on office, retail, multifamily, industri[illegible] and hotels. LTC can reach 90%, while maintaining up to 75% LTV. Rates will be 9% to 14% with [illegible] 4 points. Terms will be one to 24 months and non-recourse deals will be considered. **Lone Oak**'s b[illegible] loans start at $250K for commercial and non-owner occupied residential assets in California. Rates [illegible] between 7.9% and 8.9% interest only with 1 to 2 points. All loans will be non recourse with up to 36-month terms and no prepayment penalties. Leverage will reach 65%.

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BANKS, LENDERS & EQUITY PROVIDERS

(Supplemental to the Directory)

BofI Federal Bank: 220 Newport Center Drive, Suite 11-268, Newport Beach, CA 92660. David Boyles, Business Development Regional Manager, Income Property Lending, (949) 244-8614. dboyles@bofifederalbank.com

EverBank: 6464 185th Ave. N.E., Redmond, WA 98052. John Randall, Managing Director-Multi-Tenant & Multifamily Lending, (904) 623-8225. (Florida Office) 301 W. Bay St., 28th Floor, Jacksonville, FL 32202. Doug Misner, SVP

DEALMAKER DATABANK

Avison Young 1166 Sixth Ave., 15th Floor, New York, NY 10036 David Eyzenberg, Principal (212) 729-4329 david.eyzenberg@avisonyoung.com	Avison Young arranges a $44M construction loan to develop the first phase of a large five phase resort along the Gulf of Mexico in Destin, Fla. The resort is located in a non-primary market and had an EB-5 component with on-going fundraising efforts.
Cohen Financial 50 California St., Suite 3550, San Francisco, CA 94111 Kenneth Fox, Managing Director-Capital Markets (415) 397-2200 kfox@cohenfinancial.com	Cohen secures $4M for 36-unit multifamily prop[illegible] in Oakland, Calif., with JP Morgan Chase. The lender liked the location and the borrower was happy with the low cost of e[illegible]gan provided a seven-year, fixed-rate loan with step-down prepay.
George Smith Partners 10250 Constellation Blvd., Suite 2700, Los Angeles, CA 90067 Steve Bram, Principal/Senior Director (310) 867-2904 sbram@gspartners.com	George Smith closes an $8M land loan in Los Angeles with a bank lender. The loan has a one-year term, 5.5% rate and 1% lender fee. Bram also closes $8M to fund 1,300 acres in Northern California approved for 2,000 homes with a 14% rate and 4% fee.
HFF 2323 Victory Ave., Suite 1200, [illegible]	HFF secures acquisition financing for the Marriott [illegible]

HOTEL LENDING SHIFTS

After leading the hotel lending charge for years, conduits will be challenged by other capital sources in the coming months as the need for bridge and construction loans picks up. Look for banks and LCs to become more aggressive on hotel loans. **Wells Fargo**, **Bank of the Ozarks**, **Eagle Bank** and **M&T Bank** will increase funding for construction and bridge loans. Borrowers will see 60% to 65% LTC with a few banks pushing even higher on the capital stack in strong markets. Banks will be comfortable with 8% going-in debt yield, as long as the business plan calls for 11% to 13% debt yield down the line. Count on banks to charge at least 1 point on construction and bridge loans. DSC will be 1.40x to 1.50x. Banks will look closely at supply/demand dynamics, desire experienced sponsors and require at least partial recourse.

Count on life companies to target full-service hotels in CBD locations with 60% to 65% leverage. LCs such as **Cornerstone Real Estate Advisers**, **Principal**, **Pacific Life**, **Prudential**, **Advantus**, **Symetra**, **Lincoln Financial**, **PPM Finance**, **Nationwide**, **Allstate** and **Voya Investment Management** will look closely at leverage, sponsorship, barriers to entry and size of the [illegible]A. Debt yield will be 10%-plus. LCs will provide some of the lowest rates and 25-year amortization. Rates will be 4.25% to 4.75% fixed for 10 years. Some LCs will charge points and 0.15% to 0.25% processing fees.

CMBS lenders such as **Goldman Sachs**, **Morgan Stanley**, **CCRE**, **JP Morgan Chase**, **Citi** and **Freedom Mortgage** will continue to be very active. **Ladder Capital** will be aggressive on deep value-add deals. Conduits will underwrite based on the T-24, as many believe the hotel markets has hit a peak. Look for 60% to 75% leverage and 8% to 10% debt yield. Rates will be low 4% with 30-year amortization.

All lender types will heavily scrutinize ADR, performance during the downturn and competitive sets. Lenders look closely at specifics of the franchise agreement and the decision maker, making certain the property could attract a new flag if the existing brand contract ends. Expect lenders to utilize online websites such as *TripAdvisor* and *Hotels.com* to gain a better understanding of the property and market. There will be a push toward updating amenities, such as the pool and TVs, to make the properties more upscale, leading to a need for bridge loans.

Lenders will start targeting Choice Hotels along with other select-service assets by Marriott, Starwood, Hilton and Hyatt. Capital for luxury hotels will pick up from conduits, life companies and banks, while boutique and independent properties will need a special story and/or location. Lenders will seek properties with at least 90 keys and 62%-plus occupancies over the previous 12 to 24 months.

Business traveler hotels should see an uptick in revenue as the job market and overall economy recovers, while assets that cater to foreign travelers may soften as the U.S. dollar strengthens. Keep an eye out for Austin, Texas, Charleston, S.C., Dallas and Brooklyn, N.Y., to see plenty of available capital. Lenders will consider smaller markets, as long as the hotel is near a major city or located on a well-traveled highway.

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