The CRITTENDEN REPORT® Re[illegible]ng

The Nation's Leading Newsletter on Real Estate Finance

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

Vol. 41, No. 10 **June 1, 2**

SIZZLING JV/PREF EQUITY HOTEL INVESTORS

(2015 PROJECTED INVESTMENTS AND PREFERENCES)

INVESTOR	VOLUME	DETAILS
Rockbridge	$75M-$150M	$10M-$25M JV and pref equity pie[illegible]es for construction, value-add, acquisitions; Marriott, Hilt Starwood, Hyatt brands; 100- to 400-keys; 18%+ returns; 75/25 equity splits; primary and secondary markets
Canyon Capital Realty Advisors	$100M	$20M pref equity pieces for construction, value-add acquisitions, renovations, repositions, rebranding; a major brands, independent properties; 135- to 1,000-key hotels; up to LTC 90%; mid-teens ret with a minimum equity multiple; high barriers-to-entry markets with stable demand dri
Torchlight Investors	$50M	$15M-$20M pref equity pieces for acquisitions, opportunistic deals; flagged properties with 200 in need of renovations or repositioning; 15%+ I up to 90% LTC; nationwide
Regional Capital Group	$50M	$5M+ pref equity and mezz pieces; ground-up construction; all hotel types; nationwide
Alex. Brown Realty	$30M-$40M	$5M-$12M JV equity pieces for new developme value-add acquisitions; Marriott, Hilton, select-s and extended-stay properties; 100- to 200-keys; develop new product or buy hotels built after 20 high teens IRRs, 2x equity multiple, 10%-17% preferred returns; provides up to 90% of the equ top 50 MSAs, select resort markets
AEW Capital Management	$30M+	$10M-$50M JV equity pieces for construction, acquisition, value-add; all hotels from select-ser luxury, branded and independent; up to 70%; top 15-20 urban markets
Lowe Enterprises Investors	$30M	$10M+ pref equity pieces for construction, heav renovations; upscale and above flags, independe hotels on a select basis; 130- to 450-keys; borrov need 20% equity; primary markets

HOTEL EQUITY HEATS

Blackstone, **Ackman-Ziff** and **Oaktree** will be active providing equity for hotel deals this year. Anticipate an increase of pref and JV equity for hotel transactions. The hotel industry is on the upswi with more acquisitions and new development going forward. The increase of foreign hotel investors coming to the U.S. will also lead to more equity deals. Large players such as **Colony Capital** and **Angelo, Gordon & Co.** will have a $10M equity minimum investment. There will be fewer options f hoteliers that need smaller pieces. Firms such as **Hotel Financial Strategies** enter the space with $2M $5M pref equity slices to fill that gap.

Continued on

DYNAMIC LIFE COMPANY LENDERS
(2015 PROJECTED ORIGINATION VOLUME AND PREFERENCES)

LIFE COMPANY	VOLUME	DETAILS
Prudential	$15B	All properties; nationwide
MetLife	$10B-$11B	$20M+ loans for office, apartments, hotels, industrial, retail; fixed, floating rates; three- to 20-year terms
Northwestern Mutual	$4.5B	$15M+ loans for all properties; 75% max LTV; five- to 25-year terms; nationwide
Cornerstone Real Estate Advisers	$3B+	Funded $2.5B YTD; up to 65% LTV; multifamily, retail, office, industrial, hotels, student and senior housing; seven years plus fixed-, floating-rate terms; mezz, bridge, pref equity
Nationwide	$2.75B	Funded $1.3B YTD; short- and long-term loans for multifamily, office, retail, industrial; up to 75% LTV; floating, fixed rates; flexible prepay
Voya Investment Management	$2.5B	Funded $1.5B YTD; industrial; 4.25% average rates; 55% LTV; 15-year terms
Guggenheim	$2.2B	Funded $850M YTD for all programs; multifamily, office, retail
AEGON	$2B	Funded $750M YTD; focus on fixed-rate loans and apartments deals, along with office, industrial, MHC, self storage, retail; 10- to 40-year terms, 15- to 40-year amortization, interest-only on case-by-case basis; 30%-80% LTV, with 65% average; rates from 3.5%-4.25%
John Hancock	$2B	Funded $700M YTD; office, retail, multifamily, industrial, hotels, [illegible] industrial; five- to 30-year terms
PFM America	$1.7B-$2B	Funded $950M YTD; multifamily, office, retail, industrial, hotels, MHC; 40%-70% LTV; three- to 25-year terms
Pacific Life	$1.5B-$2B	Funded $500M YTD; $50M+ loans for apartments, retail, industrial, office, hotels; 50%-65% LTV; 3.5%-4.5% rates; 10- to 20-year terms
Stancorp.	$1.2B-$1.5B	Funded $335M at the end of Q1; small-balance loans for all property types
Thrivent Financial for Lutherans	$1B	Funded $353M committed through April; multifamily, retail, office, industrial; less than 70% leverage; 10-year terms with longer amortization
RiverSource Life Company	$450M	Funded $280M fiscal year 2015; multitenant assets; 70%-75% LTV; three- to 20-year terms
Ameritas	$250M	Funded $85M YTD; 12-year terms, over 20-year amortization
Security National Commercial Capital	$100M	Funded $27M YTD; interim bridge loans for multifamily, single and multitenant office, retail, office/warehouse; 65%-80% LTV; 7%-8% rates; 12-month terms plus one 12-month extension; open prepayment without penalty; 1-2 point origination fees; negotiable recourse; will fund "earn outs" as the property is leased if it is not stabilized at close
Modern Woodmen	$100M	Funded $51M YTD; focus on industrial, office; 70%-80% leverage; rates 150-250 basis points over treasuries; seven- to 12-year terms

DEALMAKER DATABANK

Bernard Financial Group
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Bernard Financial arranges financing for six newly built retail shopping centers. The six loans totaled [illegible] $15.5M, $15.5M, split up among three diff[illegible] life insura[illegible] company lenders. LTV was 65%. The 20-year fi[illegible] rate was 4.20%, non recourse.

BMC Capital
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BMC closes $6.5M for circa-1990 office building, with 96% occupancy. The LTV was 75%. The ra[illegible] 4.1%, five-year fixed. The 10-year term and 25-y[illegible] amortization. The unique aspect to property was 4[illegible] of space was leased to GSA tenants.

CBRE Capital Markets
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CBRE arranges $16M in acquisition financing for Southwest Medical Village, a MOB in Austin, Tex with PNC Bank. LTV was 60%. The 10-year loa[illegible] has a 3.41% fixed rate and an eight year interest-o[illegible] period. PNC liked the location and market.

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CBRE works to secure financing for single-tenant pharmacy and strip retail center properties in primary and tertiary markets. The loans are under application with life company and CMBS lenders.

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CBRE completes a $3.5M loan for Arbor Faire Senior Apartments in Fresno, Calif., with JP Morgan Chase Bank. Chase had done some lending in the area, but this was the first time the lender was willing to go to a tertiary ma[illegible] a single deal.

Cohen Financial
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Don Trossman Partner, Managing Director-Capital Markets
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Cohen completes a $6.27M refi of a mixed-use retail and office asset in Merrill, Wisc., with River Valley Bank. LTV was 75%. The rate adjusts after the fourth loan year. Trossman also arranges $12.5M for a grocery-anchored retail center in Joliet, Ill.

Colliers International
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Colliers completes $8.7M for a multifamily property in Vernon, Conn., with a bank lender. LTV was 75% and the rate came in at 3.75%. The seven-year loan is fixed with a five-year reset and 30-year amortization.

HFF
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HFF secures $19M in short-term financing for a grocery-anchored retail center in New Hampshire wit[illegible] a bank lender. LTV was 65% of stabilized value. The floating-rate has a three-year term, interest only. DSC was 1.30x.

NorthMarq Capital
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NorthMarq closes two loans for the re[illegible]nance [illegible] retail properties in White Plains, N.Y., with a l[illegible] bank lender. The first loan was $4.2M [illegible]

RETAIL LENDERS SLASH LOAN MINIMUMS

Retail gradually becomes a favored asset type; as fundamentals improve, lenders will lower loan minimums to compete. Banks lend on retail centers that aren't fully stabilized, while LCs and CMBS lenders target stabilized assets. An increase of acquisitions during the second half of the year will spur small-balance retail lending. Valuations based on lower cap rates will drive higher loan proceeds. Watch for leverage to reach as high as 75% for properties with strong locations and long-term tenants. Borrowers will see 65% to 70% leverage on most deals. Debt yield will drop to 8% on the most favorable assets. Sub-$5M high leverage loans will need some level of recourse from LCs and banks, while larger deals will easily obtain non-recourse dollars. Rates will be 3.5% to 4.75% with 1 point fees. DSC will be 1.25x to 1.35x.

Banks, including **Wells Fargo**, **CIBC**, **The Washington Trust Group**, **Cambridge Savings**, **Brookline Bank** and **EverBank** will be active with 75% leverage. Loans with lower, 50% to 55% leverage will obtain non-recourse bank dollars. Five-year deals will see 3.5% to 4% rates. Count on banks to limit amortization to no more than 25 years. Banks will be thorough when underwriting and require tax returns and property operations for the last three to five years. Expect banks to be drawn to deals with strong local or regional tenants.

Life companies such as **Symetra**, **Stancorp.**, **Genworth**, **Ameritas**, **Ohio National**, **Nationwide Life**, **Protective Life**, **Lincoln Financial** and **American Equity** will target small-balance retail. Borrowers will see 65% to 70% leverage. LCs will hand out 4% rates for 20-year fixed terms. Life companies will shy away from properties with major lease rollover and usually want at least 25% recourse. Ten-year deals will have 4% to 4.75% pricing.

CMBS lender such as **CCRE**, **Guggenheim**, **Barclays**, **MC-Five Mile**, **Freedom Mortgage**, **Basis Investment Management** and **Bancorp.** will be active on retail with 75% leverage. Watch for low 4% rates and 10-year terms. Conduits will look closely at occupancy history and target long-term lease tenants. Conduits will provide longer, up to 30 year, amortization.

Lenders will look closely at location and length of tenant history in the center. Daily-needs retail tenants, along with small food operators such as pizza or Chinese restaurants will be targeted. Pharmacies such as CVS and Walgreens will see plenty of capital. Tenants with at least BBB- credit rating will be the most sought after, along with strong local or regional retailers.

Expect underwriters to take time and better understand the business model of the large tenants of any project, including how they compete and if they are likely to survive for the long-term. Lenders will be conservative when underwriting vacancy and typically stick to current market numbers; usually 85%-plus. Small retail properties near transit or major shopping centers will be targeted. Unanchored retail assets will need a solid location. Circa-1960s or newer Class A, B and C properties will be desired.

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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.