The CRITTENDEN REPORT® Real Estate Financing

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MOST ACTIVE CONSTRUCTION EQUITY INVESTORS
(2015 PROJECTED INVESTMENT TOTAL AND DETAILS)

EQUITY INVESTOR	VOLUME	DETAILS
UC Funds	$400M	Invested $150M in construction/rehab YTD; both JV and pref equity; all properties; mid- to high teens returns; nationwide, currently active in 25 states
Cornerstone Real Estate Advisers	$350M	Three to four JV deals this year; multifamily, industrial, retail; $50M-$200M total deal size; 12% to 15% leveraged IRRs; 95/5 equity splits or 8% to 9% preferred returns with 80/20 or 75/25 thereafter; Seattle, Austin, Texas, Nashville, Tenn., Denver, San Francisco, Charlotte, N.C.
Encore Capital Management	$300M	Invested $200M in construction JV equity YTD; 20% returns, 2x multiples
Investin PLC	$300M	Invested $21M in JV equity, 15 deals YTD; $100K-$5M investments; condo and multifamily targeted, single family, student and senior housing considered; 2x equity multiple
Parse Capital	$200M	Invested $80M YTD; the majorit[illegible] equity; selective JV equity in CA, WA, OR; exclusively multifamily, including market rate, affordable, age restricted, independent; mid-teen IRRs
Regional Capital Group	$100M+	Invested $40M YTD; $10M+ JV equity investments; all properties; nationwide
Mountain Real Estate Capital	$100M	Ground-up, single-family transactions; JVs with public, large private homebuilders
Phoenix Capital Partners	$80M+	$5M-$18M JV equity investments per project; multifamily, street commercial, such as anchored retail; 90/10 equity splits; all primary markets
Dekel Capital	$50M	Invested $21.5M YTD; JV equity primarily for multifamily, along with senior housing, student housing, retail; 2x multiple on capital over a three- to four-year investment period

LCs FUND LOANS UNDER $10M

Stancorp., **Symetra**, **Kansas City Life**, **Woodmen of the World**, **CUNA Mutual Group**, **American Fidelity**, **Lincoln Financial**, **Sun Life**, **Unum** and **Quadrant** will be active on small-balance, sub-$10M, loans. **Genworth**'s minimum starts at $5M. Look for **Ohio National**, Genworth, **Ameritas** and **Advantus** to provide non-recourse financing. Symetra and Stancorp. will want 100% recourse, although can provide non-recourse provisions on lower leverage deals. Borrowers will see prepayment flexibility, forward-rate locks and adjustable-rate options from smaller life companies, making them an attractive option. Life companies will start to look at quality deals in smaller MSAs in the coming months, although will prefer cities with a population of at least 250,000.

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BUSY SMALL-BALANCE LIFE COMPANY LENDERS
(2015 PROJECTED ORIGINATION VOLUME AND PREFERENCES)

LIFE COMPANY	LOAN MINIMUM	DETAILS
Farm Bureau Insurance	$1M	Project $60M total this year, funded $30.5M YTD; industrial, office, apartments, retail; 75% max LTV; 185-250 ov[illegible] treasuries: seven-, 10-, 15- and 20-year terms; 15-, 20- and 25-year amortization
Modern Woodmen of America	$1M	Project $100M+ total this year, funded $60M YTD; industrial, office, 70% to 80% max leverage; rates 150-250 basis points over treasuries; seven- to 12-year terms
Security National Commercial Capital	$1M	Project $100M total this year, funded $38M through May; 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
RiverSource Life Insurance Company	$1M	Project $450M total this year, funded $360M YTD; industrial, retail, office, apartments; up to 70% LTV
Thrivent Financial for Lutherans	$2M	Project $1B total this year, $478M in commitments through the end of May; multifamily, office, retail, industrial; sub-70% LTV; 10-year terms with longer amortization
Aetna	$5M	Project $400M total this year, funded $250M YTD; multifamily, office, retail, industrial; short-term, fixed-rate bridge loan program and long-term, fixed-rate program
Nationwide	$5M	Project $2.75B total this year, $1.5B under application or already committed; multifamily, retail, office, industrial; up to 75% LTV; short and long terms; floating and fixed rates; flexible prepayment
AEGON	$5M	Project $2B total this year, funded $1.35B YTD; fixed-rate, long-term loans; apartments, office, industrial, MHC, mini storage, retail; 65% LTV
John Hancock	$7M	Project $2B total this year, funded $900M YTD; office, retail, multifamily, industrial, selective hotels and parking facilities; five- to 30-year loans
PPM Finance	$8M	Project $1.7B-$2B total this year, funded $1.13B YTD; multifamily, office, retail, industrial, hotels, MHC; [illegible] 40%-70% LTV; three- to 25-year terms
Guggenheim	$10M	Project $2.2B total this year; multifamily, office, anchored retail, industrial, major market hotels; up to 75% LTV; three-, five-, seven-, 10- and 15-year terms

LCs FUND LOANS UNDER $10M…

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Life companies will provide leverage up to 75% on small-balance loans, although the difference in market values versus underwriting values could mean LTC will actually be 60% to 70%. Special-purpose assets will see 50% to 60% leverage. Debt yield will be 8% to 10% and DSC will be 1.25x to 1.50x. Multifamily DSC will start at 1.20x.

Rates will be in the low 3% to 4.75% range. Look for some life companies to charge a 1% fee. Many deals will fully amortize with the lease term. Life companies will allocate interest-only terms for deals with less than 50% leverage and sub-65% loans will see non-recourse provisions.

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Deal Of The Week

Property Type: Mixed-Use Asset in Venice, Fla.
Loan: $4M Acquisition
Lender: **Symetra**
Leverage: 50%
Rate: 4.25% Fixed

The international borrower, from Guatemala without U.S. residency, kept mar

BANKS, LENDERS & EQUITY PROVIDERS

(Supplemental to the Directory)

Cornerstone Real Estate Advisers: 1 Financial Plaza, Hartford, CT 06103. Andrew Williams, Chief Investment Officer-Equity, (860) 509-2300. dwilliams@cornerstoneadvisers.com

Dekel Capital: 1880 Century Park E., Suite 250, Los Angeles, CA 90067. Shlomi Ronen, Managing Principal, (310) 570-2201. sronen@dekelcapital.com

Encore Housing Opportunity Fund: 1 Letterman Drive, Building C, Suite 3800, San Francisco, CA 94129. Caily Percy, Investor Relations, (415) 561-9600, [illegible] caily@encorefunds.com

Investin PLC: Andrea Cassandro, COO, (646) 338-6487. andrea.cassandro@investinplc.com

Parse Capital: 2894 S. Coast Highway, Suite 200, Laguna Beach, CA 92651. Nicholas Killebrew, SVP, (760) 607-5409. killebrew@parsecap.com

Phoenix Capital Partners: 15725 N. Dallas Parkway, Suite 230, Dallas, TX 75001. RD Khoury, Acquisitions Officer, (972) 866-2135. Andrew Scott, Partner/Director of Acquisitions, (972) 866-0178, [illegible] rdkhoury@pcpre.com; ascott@pcpre.com

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

UC Funds: 745 Boylston St., Suite 502, Boston, MA 02116. Dan Palmier, CEO/President, (857) 288-2778. dp@ucfunds.com

BANKS BUY INTO RETAIL LOANS

Regional and local banks, such as **EverBank**, **BMO Harris**, **SunTrust Bank**, **Associated Bank**, **First Niagara**, **Comerica**, **BankUnited**, **Investors Bank**, **Opus Bank**, **Bank of the West**, **Bank of Oklahoma**, **BofI Federal Bank**, **Amalgamated Bank** and **Bank of Arizona** will be among the most active retail lenders going forward. In fact, banks will often challenge life insurance companies to keep quality loans on their books. Count on regional and local banks to provide $1M to $15M loans. National players, including **Wells Fargo**, **Citi**, **Fifth Third Bank**, **Union Bank**, **KeyBank** and **BofA** will target larger, $15M-plus, retail deals. Banks will be confident in the sector's rising occupancies and recent rent growth. Watch for banks to finance all retail types, including unanchored centers in strong infill locations.

Pressure from other active lenders will force banks to provide more aggressive terms. In an effort to remain competitive, more banks will offer partial recourse or initial full recourse with burn off provisions after certain project thresholds are met. Banks will push leverage to 75% with some level of recourse. Single-tenant deal leverage will max at 70%, shadow-anchored centers will be 70% to 75% and unanchored properties will be around 65%. Non-recourse deals will see 65% max leverage.

Three-year deals will see 3.65% pricing, five-year loan rates will be 3.85% to 4.5% and seven-year money will be 4.25% to 4.75%. Select banks will provide longer 10-year terms for centers with strong tenants and higher 4.75% to 5% rates. Floating rates will be swaps-plus 190 to 220. DSC will be 1.25x to 1.30x. Debt yield will be 8.75% to 9%.

Expect banks to target centers with a mix of national tenants and mom-and-pop retailers. Unanchored centers will need borrowers with experience, long-term tenants and strong historical occupancies. These centers will most likely see some level of recourse. Centers with grocers and daily-needs retail will be sought after by banks. Cleaners, hair/nail salons and restaurants will be viewed as more sustainable in bricks-and-motor shopping centers. Many big-box tenants are streamlining their bricks-and-mortar operations and banks are considering this trend in their underwriting.

Banks want to see at least 85% occupancy. Tenants' leases should be five years or longer and banks will want to see sales information from the retailers. Banks will look closely at the proximity of the borrower to the property and out-of-state borrowers will need some level of recourse.

DEALMAKER DATABANK

Cohen Financial 227 W. Monroe St., Suite 1000, Chicago, IL 60606 Don Trossman, Partner/Managing Director Capital Markets (312) 803-5724 dtrossman@cohenfinancial.com	Cohen Financial arranges life company financing for a small industrial property with low LTV. Trossman also closes a retail deal under $10M with a bank and a larger retail loan with a life company.
Colliers International 1801 Market St., Suite 550, Philadelphia, PA 19103 Kristopher Wood, SVP/Director-Capital Markets (215) 928-7508 kristopher.wood@colliers.com	Colliers secures a $17M construction loan for a 53,000-s.f. retail and office complex in a desirable area outside of Philadelphia with a bank lender. The seven-year fixed rate loan will convert to perm financing.
Grandbridge Real Estate Capital 41 W. I-65 Service Road N., Suite 180, Mobile, AL 36608 Gerry Robbins, VP (251) 473-1831 grobbins@grandbridge.com	Grandbridge closes a $10M loan with one of its life company correspondents to facilitate the purchase of a Publix-anchored shopping center in Atlanta. The loan offered additional dollars for minor renovations and new leasing costs.
HFF 2323 Victory Ave., Suite 1200, Dallas, TX 75219 Cullen Aderhold, Director (469) 232-1994 caderhold@hfflp.com	Aderhold works to finance all property types and has closed $97M of industrial debt financing in the last 12 months with life companies, banks, conduits and debt funds.
HFF 50 Rockefeller Plaza, 15th Floor, New York, NY 10020 Michael Gigliotti, Managing Director (212) 632-1811 mgigliotti@hfflp.com	HFF closes a $556M loan for the development of a full-block office development in New York City with Cornerstone Real Estate Advisers, acting on behalf of an institutional investor. Tokyu Land Corporation will serve as co-equity partner and co-developer.
HFF 4350 La Jolla Village Drive, Suite 450, San Diego, CA 92122 Zachary Koucos, Director (858) 812-2351 zkoucos@hfflp.com	HFF secures a $41.25M construction-to-permanent loan for The Hoag Health Center, a 150,000-s.f. medical office development in Irvine, Calif., with a life company lender. The loan is interest-only during the two-year construction period.
HFF 1125 17th St., Suite 2540, Denver, CO 80202 Leon McBroom, Associate Director (303) 515-8008 lmcbroom@hfflp.com	HFF arranges two large construction loans in Denver. One deal was a 50% LTC financing for a 40-story office tower. The other was an $89.5M, high leverage financing for a mixed-use project consisting of a hotel, office and retail mixed-use development.
Mark One Capital 5001 Spring Valley, Suite 100W, Dallas, TX 75244 Farhan Kabani, Associate VP (972) 755-5301 farhan.kabani@markonecapital.com	Mark One completes a $26M refi for a portfolio of CVS stores with a CMBS lender. The deal also includes a mezz component. The LTV was 76% with a 4.25% rate. The 10-year, fixed-rate loan has 30-year amortization.
NorthMarq Capital 1 Penn Plaza, Suite 1421, New York, NY 10119 Keith Braddish, Managing Director (212) 904-1230 kbraddish@northmarq.com	NorthMarq closes a $27M bridge loan for the acquisition and reposition of a four-building office complex in Bridgewater, N.J., with PCCP. The loan provides money for CapEx work, tenant improvements and leasing commissions.
NorthMarq Capital 6300 S. Syracuse Way, Suite 250, Centennial, CO 80111 Jeff DeHarty, VP (303) 225-2115 jdeharty@northmarq.com	NorthMarq arranges $5.3M to finance an unanchored strip retail center in a tertiary Colorado market. The sponsor wanted a non-recourse, long-term fixed rate loan, which the CMBS lender was able to provide. The LTV was 65% with an interest rate of 4.45%.
NorthMarq Capital 8300 Douglas Ave., Suite 650, Dallas, TX 75225 Bart Dickinson, VP (972) 455-1947 bdickinson@northmarq.com	NorthMarq closes financing for two downtown Dallas office buildings. The older buildings have long-term owners.

LCs, PRIVATE LENDERS PUSH BANKS ASIDE FOR CONSTRUCTION

As bank regulations tighten, non-bank lenders, including life insurance companies, private equity funds and foreign capital will grab a big piece of the construction loan market share. These lenders possess the ability to climb higher up the capital stack and offer lower rates. Watch for new debt funds and mezz players to enter the construction lending game in the coming months. Deals with recourse will obtain LTC up to 80%. Hotel construction will see 75% LTC. Non-recourse deals will see LTC max at 65%. Spec office and condo construction deals will reach 60% LTC.

Multifamily construction loans will see Libor-plus 200 to 250 rates, while the other property types will start around 300 over Libor. Condo construction deals will see Libor-plus 350 rates. Lenders will charge one-half point to 1 point fees. Lenders will require at least 25% to 35% recourse on most deals. Debt funds such as **Starwood**, **Blackstone** and **iStar** will snatch up the most favorable construction loans. Life companies, including **Cornerstone Real Estate Advisers**, **Principal Real Estate Investors** and **Pacific Life** will also be active. Expect LCs to offer fixed-rate, construction-to-perm loans in the 4.5% to 5% range for 10- to 12-year terms and non-recourse options.