CAPITAL MARKETS UPDATE

April 14, 2016

CUSHMAN & WAKEFIELD

- The CMBS market has made material improvements during the past month. After spreads continued to widen during January and February and one issuance during the first week of March sold AAAs at S + 173 and BBB- at S + 825, there have been three conduit issuances since then that have each priced tighter than the previous with the most recent pricing AAAs at S + 129 and BBB- at S + 600. The hiccup in pricing early in the year and some general concern about how deep the bond buying market is for CMBS has led to a significant falloff in origination during the past three months. Commercial Mortgage Alert reported that YTD CMBS issuance as of April 1st was $19B which is off 36% for the same period during 2015.

- Because of the pullback in the CMBS market, we have seen some attempted repricing of investment sales due to either limited or more expensive financing options. Because many sellers view this as a temporary hiccup, there is an emerging bid-ask spread developing for less favored markets and property types.

- MBA recently released their 2015 Commercial Real Estate/Multifamily Finance Annual Origination Volume Summation and it confirmed that 2015 was a very active year for real estate lending with dedicated commercial real estate finance firms closing $503.8B in loans, just shy of 2007 originations. The report shows that commercial banks were the leading capital source closing $138.6B followed by CMBS at $99.4B. Although finishing in 6th place by investor group, REITs, Mortgage REITs, and Investment Funds saw a 68% increase in originations.

- The increase in lending activity from REITs, Mortgage REITs, and Investment Funds is anticipated to remain robust for the foreseeable future as balance sheet lenders like banks and insurance companies become more selective of opportunities as they play a guessing game of where we are in the cycle and are trying to avoid many "storied" or construction loans.

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RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Office	Floating	Bank	L + 240	50%	5 years	IO, 7.25% DY
Office	Fixed	Life Company	T + 240	50%	7 years	30 year, 7.25% DY
Office	Fixed	Life Company	T + 260	50%	5 years	30 year, 7.25% DY
Multifamily	Fixed	Life Company	2.90%	60%	5 years	30 year
Multifamily	Fixed	Life Company	3.50%	60%	10 years	30 year
Retail - Single Tenant	Fixed	Bank	3.50%	65%	5 years	30 year, 0.50% fee
Office	Fixed	Life Company	T + 190	60%	10 years	30 year, 3 Years IO; 10% DY
Office	Fixed	Life Company	T + 175	50%	10 years	30 year, 3 Years IO; 12% DY
Office	Floating	Bank	L + 250	65%	5 years	IO, 9% DY
Office	Floating	Bank	L + 200	50%	5 years	IO, 12% DY
Multifamily	Fixed	Life Company	T + 160	50%	10 years	30 year
Senior Housing - Portfolio	Floating	Bank	L + 250	67%	3 + 1 + 1	30 year, 2 Years IO; 0.50% fee
Senior Housing	Floating	Bank	L + 250	67%	5 years	25 year, 0.40% fee
Mixed-Use	Fixed	Life Company	T + 180	55%	15 years	30 year, 5 Years IO
Mixed-Use	Fixed	Bank	S + 200	55%	10 years	30 year

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments/Promote
Multi-Family - Development	JV Equity	Life Company	14.0%	75%/25%	20% > 9%, 27% > 12%, 33% > 15%
Mixed-Use - Redevelopment	JV Equity	Opportunity Fund	20.0%	80%/20%	20% > 9%, 30% > 12%, 50% > 18%
Multi-Family - Value Add	JV Equity	Opportunity Fund	22.0%	90%/10%	20% > 10%, 25% > 18%, 35% > 25%
Multi-Family - Light Value Add	JV Equity	Opportunity Fund	16.0%	90%/10%	20% > 12%, 30% > 18%
Multi-Family - Light Value Add	JV Equity	Offshore Investor	18.0%	85%/15%	20% > 10%, 25% > 15%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 75% (1)	1.30 - 1.50	T + 160 - 315
Fixed Rate - 10 Years	65 - 75% (1)	1.30 - 1.50	T + 160 - 320
Floating Rate - 5 Years			
Core Asset	<65% (2)	1.30 - 1.50	L + 155 - 250
Value Add Asset	<65% (2)	1.25 - 1.40	L + 200 - 400
Mezzanine Moderate Leverag	65 - 80%	1.05 - 1.15	L + 500 - 800
Mezzanine High Leverage	75 - 90%		L + 700 - 1400

(1) 70-75% for Multi-Family (non-agency) (2) Libor floors at 0-0.50%

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 245	T + 255
Strip Center	65 - 75%	T + 245	T + 255
Multi-Family (non-agency)	75 - 80%	T + 230	T + 240
Multi-Family (agency)	75 - 80%	T + 230	T + 240
Distribution/Warehouse	65 - 70%	T + 245	T + 255
R&D/Flex/Industrial	65 - 70%	T + 250	T + 260
Office	65 - 75%	T + 245	T + 255
Full Service Hotel	60 - 70%	T + 300	T + 320

* DSCR assumed to be greater than 1.25x

BASE RATES

	April 14, 2016	Four Weeks Ago	One Year Ago
30 Day LIBOR	0.437%	0.432%	0.181%
U.S. Treasury			
5 Year	1.25%	1.39%	1.33%
10 Year	1.80%	1.91%	1.90%
Swaps		Current Swap Spreads	
5 Year	1.21%	(0.04%)	
10 Year	1.66%	(0.14%)	

Source: Bloomberg, Board of Governors of the Federal Reserve System

Cushman & Wakefield Equity, Debt & Structured Finance ("EDSF") has arranged approximately $25 billion of capital from more than 125 capital sources for 270 transactions in the past five years. For more information on this report or on how we can assist your financing needs or hospitality sales, please contact any of our offices or:

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