CAPITAL MARKETS UPDATE

May 7, 2019

CUSHMAN & WAKEFIELD

- Agency lenders and life insurance companies broadly have exceeded their year-to-date origination targets. The market is anticipating wider pricing from the agencies to adjust their production. In November 2018, the FHFA left the Fannie Mae and Freddie Mac lending caps unchanged at $35B for each enterprise. The multifamily lending caps are intended to further FHFA's strategic goal that the enterprises provide liquidity for the multifamily market without impeding the participation of private capital. Green programs for the agencies are excluded from the caps, so more borrowers are taking advantage of those programs at terms that are expected to look unchanged for the time being. Some life insurance companies are increasing debt yields and DSCR tests in markets where they are heavy allocated right now, but a healthy CMBS market and a lot of life insurance lending options are keeping the general market unchanged.

- The Fed held the target rate steady at the conclusion of last week's policy meeting and signaled they were unlikely to adjust the direction of interest rates for the time being. "Overall the economy continues on a healthy path, and the committee believes that the current stance of policy is appropriate," Fed Chairman Powell said. Futures markets pulled back on their probability of a rate cut this year after the comments from 67% one month ago to 40% now.

- The April employment report was largely positive as the U.S. economy added 263,000 jobs, surpassing analyst expectations and up from 196,000 jobs in March. The unemployment rate dropped to 3.6%, a 49-year low. Another top indicator of job market health is the number of people who file for unemployment every week, and it is flashing green in a historic way. In the week that ended on April 6, a total of 196,000 people filed a claim for unemployment, the smallest number of claims since October 1969—the lowest in nearly 50 years. Because it is so difficult to find employees, companies are holding on to their employees.

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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
Multifamily - Construction	Floating	Bank	L + 250	60%	3 + 1	IO, 1% fee; Partial Recourse
Multifamily - Construction	Floating	Debt Fund	L + 550	90%	3 + 1	IO, 1% fee
Condominium - Construction	Floating	Debt Fund	L + 575	80%	3 + 1 + 1	IO, 1.5% fees
Retail - Grocery Anchored	Fixed	CMBS	S + 150	65%	10 years	IO
Office - Lease-up	Floating	Debt Fund	L + 250	65%	3 + 1 + 1	30 year, 0.75% fees
Hotel - Ramping	Floating	Bank	L + 275	60%	3 + 1 + 1	IO, 0.85% fee
Office	Floating	Bank	S + 140	65%	10 years	30 year, 2 Years IO; 0.45% fee
Office - Build-to-Suit	Floating	Bank	L + 310	75%	2 + 1 + 1	IO, 1% fee
Office	Fixed	Life Company	T + 135	45%	10 years	IO
Office	Floating	CMBS	L + 175	70%	2 + 1 + 1 + 1	IO, 0.95% fee; 6.3% DY
Office - Future Funding	Floating	Bank	L + 200	65%	5 years	30 year, 4 Years IO; 0.8% fee
Industrial - Value Add	Floating	Debt Fund	L + 260	65%	2 + 1 + 1 + 1	IO, 0.75% fee
Office - Suburban	Fixed	CMBS	S + 205	71%	10 years	30 year
Apartment	Fixed	CMBS	S + 120	52%	10 years	30 year, 3 Years IO; 13% DY
Office	Fixed	CMBS	S + 140	52%	10 years	IO, 10.7% DY

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments/Promote
Industrial - Value Add	JV Equity	Value-Add Fund	16.0%	80%/20%	10% > 15%, 20% > 18%
Office - Core Plus	JV Equity	Fund Manager	13.0%	90%/10%	10% > 9%, 20% > 12%; 30% > 15%
Office - Construction	JV Equity	Fund Manager	18.0%	70%/30%	20% > 8%, 25% > 12%
Mixed-Use - Core Plus	JV Equity	Fund Manager	13.0%	90%/10%	10% > 9%, 20% > 12%; 30% > 15%
Mutlifamily - Development	Preferred Equity	Pension Fund	12.0%	100%/0%	85% LTC

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65 - 75% (1)	1.30 - 1.50	T + 135 - 260
Fixed Rate - 10 Years	65 - 75% (1)	1.30 - 1.50	T + 130 - 220
Floating Rate - 5 Years			
Core Asset	<65% (2)	1.30 - 1.50	L + 120 - 220
Value Add Asset	<65% (2)	1.25 - 1.40	L + 200 - 400
Mezzanine Moderate Leverag	65 - 80%	1.05 - 1.15	L + 400 - 625
Mezzanine High Leverage	75 - 90%		L + 575 - 1200

(1) 70-75% for Multi-Family (non-agency) (2) Libor floors at 1.75-2.00%

BASE RATES

	May 7, 2019	Four Weeks Ago	One Year Ago
30 Day LIBOR	2.467%	2.476%	1.925%
U.S. Treasury			
5 Year	2.26%	2.31%	2.80%
10 Year	2.47%	2.50%	2.96%
Swaps		Current Swap Spreads	
5 Year	2.31%	0.05%	
10 Year	2.45%	(0.02%)	

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

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	70 - 75%	T + 165	T + 175
Strip Center	65 - 75%	T + 185	T + 195
Multi-Family (non-agency)	75 - 80%	T + 180	T + 190
Multi-Family (agency)	75 - 80%	T + 185	T + 195
Distribution/Warehouse	65 - 75%	T + 160	T + 170
R&D/Flex/Industrial	65 - 75%	T + 165	T + 175
Office	65 - 75%	T + 165	T + 175
Full Service Hotel	60 - 70%	T + 205	T + 220

* DSCR assumed to be greater than 1.25x

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