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EQUITY INVESTORS DIVE INTO OFFICE

Office JV and preferred equity transactions will rise in the second half of the year, especially in markets with significant job growth. More equity investors will look toward office in their search for yield. Expect new and returning institutional funds, pension funds and small family offices to provide equity over the next couple years. JV equity deals will reach 95% leverage, while pref equity deals top out at 90%. Trophy properties in urban markets could see single-digit pref equity return requirements in the next few months. Value-add office deals will command mid-teen to low 20% projected returns. Deals with at least $10M sponsor equity will see the most activity.

Look for **PCCP**, **Starwood**, **Canyon Capital Realty Advisors**, **Ladder Capital**, **RCG Longview**, **Halstatt Real Estate Partners** and **Oaktree Capital Management** to be active with office equity. **Colony Capital** will consider office JV or pref equity on a case-by-case basis. Certain major life companies such as **Prudential** and **MetLife** will also get involved in JV office deals.

JCR Capital allocates $5M to $15M equity pieces for middle-market transactions under $30M. The private lender prefers to fund the entire capital stack with a 90/10 equity split. Returns will be in the 10% to 12% range. **Terra Capital** originates $5M to $10M pref equity pieces for Class A and B office buildings in primary and secondary markets. The lender seeks low to mid-teen returns. Leverage will reach 80% to 85%. **Partners Capital Solutions** originates both JV and pref equity under $5M. The investor seeks strong operators and long-term leases. Partners targets mid- to high teen returns. **Dominion Corp.** provides both JV and pref equity for office starting at $2M. Expect upper teen to low 20% returns. Leverage will top 93% on certain deals.

Count on investors to want at least 30% pre-leasing for construction projects in major markets and 70% to 80% in smaller locales. Existing buildings, empty or up to 50% leased, will see equity money when a favorable exit is present. Equity investors seek buildings with strong rent rolls and multiple tenants. Investors look closely at in-place rents versus the market and credit of the tenant. Watch for investors to stay away from properties with weak rent rolls and inexperienced/under-capitalized sponsors.

Buildings near employment centers and demand drivers will be highly sought after. CBD-located offices in the top markets with high barriers to entry will easily attract equity dollars. Expect many investors to dive head first into San Francisco, where the office market is on fire. Also look for activity in Chicago, D.C., New York City, Boston and Miami. Pittsburgh will start to heat up in the next few months. Suburban value-add deals, markets with specific industry downturns and areas showing above 20% vacancy will not see as many interested investors.

LENDERS ACCELERATE CONDO SPEED

Look for an increase of available condo financing over the next few years. Borrowers will see leverage reach 80% in certain markets, while the majority of deals will fall in the 60% to 75% range. Rates will vary from 3% to 12%, depending on lender type. Construction capital will be flowing in and around top-tier gateway cities such as New York City, Boston, San Francisco, Los Angeles and Miami. Some private money lenders will seek out deals in secondary and tertiary cities where there will be less competition. Borrowers with deep pockets and experience developing at least three projects in the specific market will be highly sought after. Count on lenders to want five to 10 years of condo experience.

Major banks such as **Wells Fargo**, **Chase**, **Citi**, **East West Bank** and **Union Bank** will be more active in the coming months. **Amalgamated Bank**'s leverage will reach 75% with a 1.35x minimum DSC.

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TOP LIFE COMPANY LENDERS
(ORIGINATION PROJECTIONS FOR 2013)

LIFE COMPANY	PROJECTED TOTAL	DETAILS
1. **Prudential**	$13B	Multifamily, office, retail, industrial, hotels, healthcare and self storage.
2. **MetLife**	$9B	Office, retail, apartments and industrial.
3. **Northwestern Mutual**	$5B	Funded $3.5B YTD.
4. **New York Life**	$4.5B	Multifamily, office, retail, industrial and mixed-use.
5. **Principal**	$3.4B	Up from $3.3B originally projected for 2013. Funded $2B YTD.
6. **ING Investment Management**	$2.5B	$1.8B committed, closed or under application YTD.
7. **Pacific Life**	$2B	More than $1B originated YTD.
8. **PPM Finance**	$1.7B-$1.9B	Funded $1.2B during the first half.
9. **John Hancock**	$1.8B	Completed 70% of projected total YTD.
10. **AEGON**	$1.75B	Up from $1.5B originally projected for 2013. Around $1.2B funded or in process YTD. More than 100 transactions to date.
11. **Stancorp.**	$1.2B	On pace to meet projected goal.
12. **Thrivent Financial for Lutherans**	$700M+	Funded around $350M YTD.
13. **National Life Group**	$600M	Funded $325M YTD.
14. **Protective Life**	$600M	Funded $350M YTD.
15. **Ameriprise Financial (RiverSource)**	$400M-$450M	Retail, industrial, office and multifamily.

Other Aggressive Life Company Lenders: Aetna, $350M; **Ameritas**, $200M, more than $125M committed YTD; **Modern Woodmen of America**, $100M+, funded $71M YTD; **Security National Capital**, $100M, funded $35M YTD; **Cornerstone Real Estate Advisers**, production pace above last year; **Symetra**, on pace with last year, focus on retail, office, multifamily, industrial and hotels; **Great-West Financial**, multifamily, industrial, retail and office.

LENDERS ACCELERATE CONDO SPEED…

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Amalgamated looks for borrowers with at least two properties and five years of experience in the market. Count on terms up to 10 years and 25-year amortization schedules for refi and acquisition loans. New York, Washington, D.C., Las Vegas and Los Angeles will be targeted for investor-owned commercial condos. Regional banks such as **Sterling National** and **First Security Business Bank** will also pick up condo loans this year.

Banks will handout out construction financing with 65% to 70% leverage. Presales and deposits will be scrutinized when underwriting construction loans. Rates will run 3% to 6%.

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Lenders Accelerate Condo Speed…

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Look for 80% leverage by year's end on condo inventory loans. Banks will look closely at global cash flow and the strength of the borrower more than in the past.

Private money lenders will also be aggressive on condo loans. **Canyon Capital Realty Advisors** provides $15M to $100M loans. **Avant Capital** will be active on $1M to $30M loans, while **Lexden Capital** focuses on owner-occupied commercial condos. **Pensam Capital** will fund land loans under $5M slated for condo development.

Pembrook Capital Management provides up to 80% LTC or 60% loan to net sellout value for condos. Loans will be $5M to $20M. Pembrook allocates inventory bridge loans with 10% rates, while mezz starts at 12%. Pricing for construction mezz will start at 15%. New York City, Boston, San Francisco, Los Angles and Miami will all be targeted. **Forman Capital** works with construction, acquisition and inventory loans, while cash-out refis will also be in the cards. The lender pursues $3M to $100M deals with rates starting at 8%. Leverage will be 70% to 75%. Debt yield will be 8% or greater for cash flowing properties. Forman targets secondary and tertiary cities in the Southeast, Northeast, Midwest and Texas.

Inca Capital allocates $500K to $10M refi, acquisition and construction financing in the Southwest. Leverage will be 70% to 75% for finished condos and 65% for construction. Interest rates start at 9.99% with six- to 12-month terms. Inca will work with all size condo borrowers/developers. **Emerald Creek Capital** originates $2.5M to $20M for condos and townhomes with any size borrower. The lender provides construction, refinance and acquisition financing with 60% leverage. Rates will be 8% to 11%.

UNANCHORED RETAIL GRABS LENDERS

Watch for conduits, life companies and bridge lenders to pursue unanchored-retail deals and enter smaller markets during the next few quarters. Lenders will warm to unanchored retail as the economy improves and strong retailers prevail. Anticipate increased activity in suburban markets in the next six to 18 months. Leverage will reach 75% for most unanchored-retail properties, with a few bridge lenders sneaking up to 80%. Rates will be 4.5% to 5.25% for seven- and 10-year terms, and mid-4% for five-year deals. DSC will be 1.25x to 1.40x. Newer properties will obtain 25-year amortization schedules, while assets more than 20 years old will receive 20-year amortizations.

CMBS lenders, including **Wells Fargo**, **JP Morgan Chase**, **UBS**, **RBS** and **Cantor Fitzgerald** will provide favorable 70% to 75% leverage to unanchored-retail centers. Amortization will run 25 to 30 years. Borrowers will see 5% to 5.25% rates with structure for lease rollover. DSC will start at 1.30x. Debt yield will be 8.5% to 11%. Watch for conduits to trickle into tertiary markets over the next few months. Local and regional banks will be active with some level of recourse.

Small and mid-sized life companies, including **Stancorp.**, **Symetra**, **Genworth**, **Ameritas**, **American National**, **Kansas City Life** and **Southern Farm** will allocate loans in the $1M to $7M range. **Aviva**, **Advantus**, **Ohio National** and **Woodmen of the World** will also be active. Life companies will provide 60% to 70% leverage and 4.5% to 5.5% rates. Expect 15- to 25-year amortization. LCs could require partial recourse on smaller deals.

Bridge lender **A10 Capital** originates $1M to $10M loans for 10,000-s.f. to 100,000-s.f. centers. The lender funds stretched senior loans with up to 80% leverage for favorable properties and sponsors, while most deals will top out at 70%. Interest-only, floating- and fixed-rate financing with non-recourse terms will be available. A10 will fund closing costs, capital improvements, rollover reserves and leasing commissions. MSAs of at least 250,000 people will be desired. **Thorofare Capital**'s bridge loans fall in the $2M to $20M range, with a $5M to $15M sweet spot. Leverage will reach 70% to 80%, with 8% to 10.5% rates. Thorofare targets value-add deals and will fund TIs, CapEx and other upgrades. Properties near office parks, schools or large apartment buildings will be targeted.

Lenders target properties in the path of residential or corporate growth. Shadow centers in close proximity to anchors such as Target, Costco, The Home Depot, Kohl's and Walmart will be the most sought after.

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DEALMAKER DATABANK

Cohen Financial-Capital Markets 1001 Brickell Bay Drive, Suite 2112, Miami, FL 33131 Kevin O'Grady, Senior Managing Director/Head of Equity Practice (866) 315-6501 kogrady@cohenfinancial.com	Cohen works on a fully structured, 87% leveraged office acquisition loan in Salt Lake City. The top piece is priced at 13% and the bottom piece is priced at 5.5%. O'Grady also works on three ground-up office deals in Chicago, Miami and Austin, Texas.
Dekel Capital 1875 Century Park E., Suite 2150, Los Angeles, CA 90067 Shlomi Ronen, Managing Principal (310) 570-2201 sronen@dekelcapital.com	Dekel arranges $37.25M of bridge and mezz debt for the recapitalization of a live/work property in Los Angeles. East West Bank provides the bridge and Pembrook Capital originated the mezz. The lenders liked the demand and high-end quality of the property.
HFF 1450 Brickell Ave., Suite 2950, Miami, FL 33131 Chris Drew, Director (305) 448-1333 cdrew@hfflp.com	HFF completes JV equity with Halstatt Real Estate Partners for the acquisition of Echelon Pointe, an office building in St. Petersburg, Fla. Halstatt liked the strong office market and return on investment of this deal.
Hospitality House Capital Markets Group 275 Madison Ave., 24th Floor, New York, NY 10016 Douglas Rohrer, Principal (646) 632-4690 douglas@thehospitalityhouse.com	Hospitality House arranges capital for a 125-key boutique hotel in downtown Boston. Rohrer also works on a mixed-use Manhattan, N.Y., project in the Union Square South area. It will encompass a 90-key condo and 12,000 s.f. of retail.
Marcus & Millichap Capital Corporation 101 W. Elm St., Suite 600, Conshohocken, PA 19428 Matthew Rosenberg, Associate Director (215) 531-7033 matthew.rosenberg@marcusmillichap.com	Marcus &Millichap closes $6.6M for the purchase of a Class A single-tenant, NNN-leased office property. Interest was fixed for seven years at 4.11%, with a 30-year amortization schedule. LTV was 80%.
Meridian Capital Group 1 Battery Park Plaza, 26th Floor, New York, NY 10004 Aaron Appel, Managing Director (212) 612-0198 aappel@meridiancapital.com	Meridian closes a $45M refi of the 150-room Four Points by Sheraton hotel on Charlton Street in New York City with a national commercial bank.
Vista Capital Company 1223 Wilshire Blvd., Suite 1825, Santa Monica, CA 90403 Zak Selbert, Founding Principal (310) 285-3803 selbert@vistacapitalcompany.com	Vista secures $5.2M in CMBS financing for a northern Indiana Best Western at a 5% rate. Selbert also arranges $32M for a portfolio of five hotels with a CMBS lender and a $14.7M acquisition loan for a North Carolina hotel with a bank.

UNANCHORED RETAIL GRABS LENDERS…

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Assets without a nearby anchor will need to be on a major thoroughfare or high-traffic road with favorable access, visibility and heavy nearby rooftops. Retailers with at least five years left on leases such as hair salons, coffee shops, pizza places, florists, dry cleaners and dog groomers will be favored. Borrowers need net worth three times the loan amount and a minimum of 12 months of debt service in liquidity. Count on borrowers with local market knowledge and clean credit histories to be sought after.

Expect lenders to prefer markets with populations of at least 50,000. Strong retail cities with low vacancy such as San Diego, New York City and Washington, D.C., will be targeted. Florida markets such as Orlando, Jacksonville, Tallahassee and Gainesville and secondary markets such as Sacramento, Calif., Chino Hills, Calif., San Antonio, Texas, and suburbs of Seattle will see more available capital before the year is through. Look for more lenders to consider deals in Ohio, Pennsylvania and Michigan in the next few quarters.

BANKS & LENDERS

(Supplemental to the Directory)

A10 Capital: 950 W. Bannock St., Suite 950, Boise, ID 83702. Jim Conway, Principal/Chief Credit & Risk Officer, (208) 577-5010. jconway@a10capital.com

Amalgamated Bank: 275 Seventh Ave., 14th Floor, New York, NY 10001. Gardner Semet, EVP/Director of Commercial Real Estate Lending, (212) 895-4497. gardnersemet@amalgamatedbank.com

Applied Bank: 37012 Country Club Road, Rehoboth Beach, DE 19971. Carl Kruelle, III, Chief Lending Officer, (302) 326-4200, Ext. 29512. carl_kruelle@appliedbank.com

Archetype Mortgage Capital: 1114 Avenue of the Americas, 38th Floor, New York, NY 10036. Craig Picket, SVP-National Loan Origination, (212) 600-2839. cpicket@archetypemortgage.com

Aviva: 215 10th St., Suite 1000, Des Moines, IA 50309. Eric Hasenauer, Managing Director, (212) 593-5606.

Dominion Corp.: 11355 W. Olympic Blvd., Suite 210, Los Angeles, CA 90064. Keith Olson, SVP, (310) 477-3041, Ext. 133. keitho@dominfin.com

Emerald Creek Capital: 1 Penn Plaza, Suite 3406, New York, NY 10119. Jeff Seidler, Director, (212) 239-6517. jeff@emeraldcreekcapital.com

Forman Capital: 2875 S. Ocean Blvd., Suite 200, Palm Beach, FL 33480. Brett Forman, President, (561) 588-0132, Ext. 1018. bforman@formancap.com

Inca Capital: 7377 E. Doubletree Ranch Road, Suite 190, Scottsdale, AZ 85258. Brandon Walters, CFO, (480) 947-5900, Ext. 13. brandon@incacapital.com

JCR Capital: 1225 17th St., Suite 1850, Denver, CO 80202. Jay Rollins, Managing Principal, (303) 531-0202. jayrollins@jcrcapital.com

Lowe Enterprises Investors: 11777 San Vicente Blvd., Suite 900, Los Angeles, CA 90049. Thomas Whitesell, SVP, (310) 571-4245. twhitesell@loweenterprises.com

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Partners Capital Solutions: 26901 Agoura Road, Suite 180, Calabasas, CA 91301. Michael Klein, Managing Director, (818) 676-3337. mklein@pcs-funds.com

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RCG Longview: 7 Penn Plaza, Fifth Floor, New York, NY 10001. Richard Gorsky, Managing Director, (212) 356-9282. rgorsky@rcglongview.com

RockBridge Capital: 4100 Regent St., Suite G, Columbus, OH 43219. Adam Valente, Managing Director, (614) 246-2446. advalente@rockbridgecapital.com

Stancorp.: 19225 N.W. Tanasbourne Drive, Hillsboro, OR 97124. Mike Morey, Assistant VP-Real Estate Finance, (971) 321-4892. mike.morey@standard.com

Terra Capital: 805 Third Ave., Eighth Floor, New York, NY 10022. Dan Cooperman, Managing Director/Head of Originations, (212) 753-5100. dcooperman@tcp-us.com

Thorofare Capital: 601 S. Figueroa St., 20th Floor, Los Angeles, CA 90017. Felix Gutnikov, SVP, (213) 873-4007. felix@thorofarecapital.com

LENDERS BREAK FOR HOTELS

Lenders will pursue riskier hotel loans in order to win deals during the second half of the year. The battle for trophy assets will drive more aggressive underwriting for a wider variety of hotel brands in tertiary markets. Increased competition could push leverage to 85% for stretched senior loans and 90% for mezz/pref equity in the next few quarters. Keep an eye out for non-recourse construction financing in 2014, along with a pick up of select-service development funding. Lenders will focus on historical operating data versus underwriting pro forma numbers. Count on 8% to 12% debt yield. Hoteliers will obtain 4% to 7% rates through year's end. Rising rates next year could have a negative impact on lending volume and decrease leverage numbers.

Lowe Enterprise Investors provides non-recourse financing for transitional assets; construction loans could also be in the cards. Senior loans will be $20M to $35M, while mezz and prefer equity will be $10M to $75M. Watch for 7% to 8% debt yield and 1.30x to 1.50x DSC. Urban assets in primary markets with strong demand drivers will be targeted. **Mesa West** works on $15M to $200M non-recourse loans with up to 70% leverage. Borrowers will see 4% to 5% rates. Mesa West pursues properties in need of reflagging or renovations in major CBDs.

RockBridge seeks branded select-service, extended-stay and full-service hotels in markets with high demand. The lender provides acquisition, renovation and recapitalization loans with a $7M to $15M sweet spot. Look for 8%-plus debt yields. RockBridge will pursue loans in secondary and specialty markets. Owner operators with at least 10 years of experience and 10 existing hotels will be desired. **GE Capital Real Estate** should be one of the most active lenders and will originate floating-rate loans.

All the major CMBS lenders such as **JP Morgan Chase**, **Wells Fargo**, **Citi**, **Deutsche Bank**, **Archetype Mortgage Capital**, **KeyBank** and **Cantor Fitzgerald** will be bullish on hotels. Look for new CMBS entrants, **Square Mile Capital**, **The Bancorp Bank** and **Rialto Capital** to be active in hotels. Leverage will be 70% to 75%. Conduits look closely at operating histories. Rates will be around 5%.

Banks such as **CIBC**, **HSBC**, **East West Bank**, **Bank of Hawaii** and **Fidelity Bank** will provide 60% to 70% leverage. **People's United Bank** works with select-service deals in small markets. **Applied Bank** allocates $5M to $20M construction, mini perm and bridge loans with up to 65% leverage. The bank will also provide $1M to $10M mezz or pref equity with up to 75% leverage for assets in need of funds for PIPs or expansions. Look for a 10% to 12% debt yield and 1.40x DSC minimum. Sponsors need two to three existing hotels and three years of positive trends and cash flow.

Count on bank lenders to seek best-in-class, cash-flowing assets in secondary or tertiary locations. Hoteliers will obtain 3.75% to 4% rates for five-year loans and mid-4% for seven-year deals. Banks will provide short-term, floating-rate loans and require some level of recourse.

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