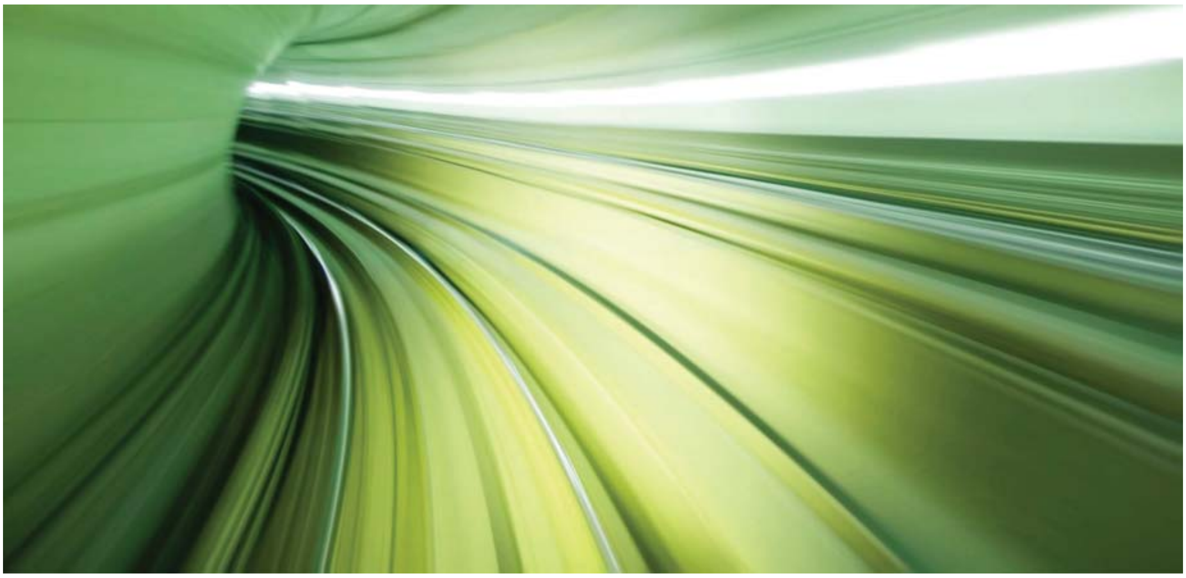

CBRE CAPITAL MARKETS

September 2015

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DEBT CAPITAL MARKETS UPDATE

Commercial Mortgage Debt Market: Strong liquidity and low rates

- Treasury rates near historical lows – overall rates continue to remain low
- Despite overall low interest rates, risk adjusted spreads still attractive for lenders versus alternative, similar investments
- Abundant capital throughout the capital stack is available from all lending sources
- Slight deterioration in credit quality of overall loans, yet discipline still remains
- Interest only loans continue to gain favor, although some pushback from B-piece buyers for CMBS loans
- Lending caps for Freddie Mac & Fannie Mae have created a void in the multifamily finance sector, which is quickly being filled (albeit at higher rates) by other lenders
- Structured finance spreads continue to narrow in a fiercely competitive segment of the business

CBRE

DEBT CAPITAL MARKETS UPDATE

- **Life Companies**
  - Life Company volume expected at $65 Billion in 2014, a $10B increase over prior year
  - Both fixed and floating structures available
  - More conservative, but great execution
  - Forwards & earn-outs returning and some offering higher yielding mezzanine & structured debt
  - Disciplined underwriting remains
- **CMBS**
  - CMBS volume increased in 2014 with another 20% growth projected for 2015
  - 2015 production is expected to reach $125B+/-
  - Spreads are more competitive and narrowing the gap to other lender types
  - Higher LTV's and more aggressive underwriting returning to the market, however, CMBS investors are keeping CMBS originators in check for now
  - Credit quality is slipping when measured by debt yield and loan-to-value metrics
- **Banks**
  - Continue to be an active source, but have become a bit more conservative for construction and longer term loans
  - Attractive rates, particularly LIBOR based floaters that can be swapped
  - Most active in 3-7 year terms, with few quoting 10 year fixed terms
  - Can be very competitive with conduits, life companies and GSE's
- **GSE's (Freddie and Fannie)**
  - $58B+/- volume in 2014 – 2015 lending capped at $60B for traditional flow business
  - Lending caps combined with huge lending volumes in Q1 have forced the Agencies to raise spreads to almost non-competitive levels. This has created a void in the market and other lenders are quickly responding.
  - Regulator (FHFA) may increase the lending cap, but until that occurs, the agencies are not competing aggressively

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DEBT CAPITAL MARKETS UPDATE

- **Other**
  - Includes Debt Funds, Mortgage REITs, etc who focus on riskier, higher yielding debt
  - Mainly Floating Rate Structures available
  - More aggressive on Leverage and Debt Yield, but Spreads will be in the 350 – 500bp range over LIBOR
  - Reserved for Bridge Deals including vacant properties, lease-up plays, heavy value-add deals, etc
  - Flexible debt by providing future funding components for Leasing Costs and Cap Ex, as well as offering flexible prepay
  - In addition to Interest, these lenders typically charge origination and exit fees

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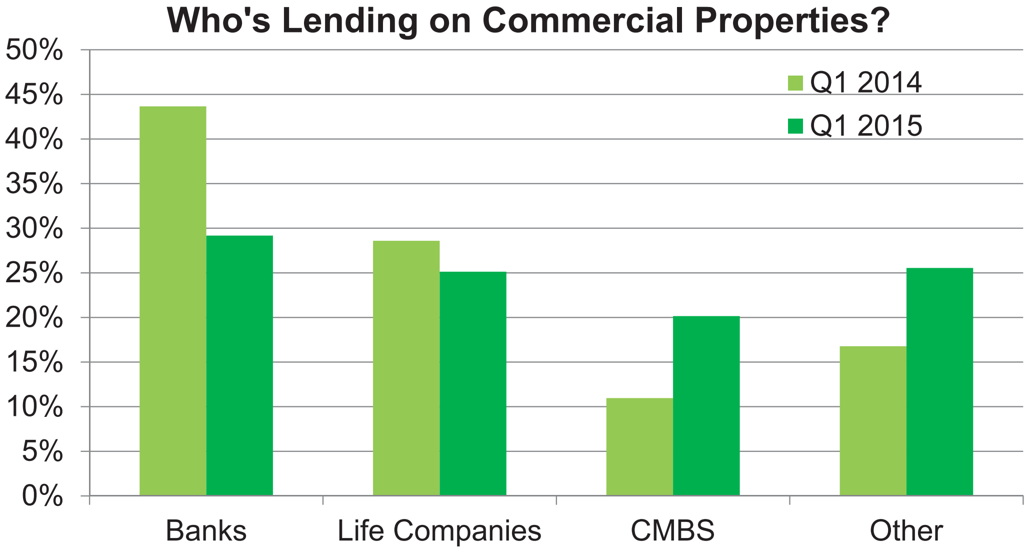
WHO'S LENDING ON COMMERCIAL PROPERTIES

Percentage of Total Consideration



Reflects non-Agency loans closed by CBRE Capital Markets.

Source: CBRE Research, Q1 2015

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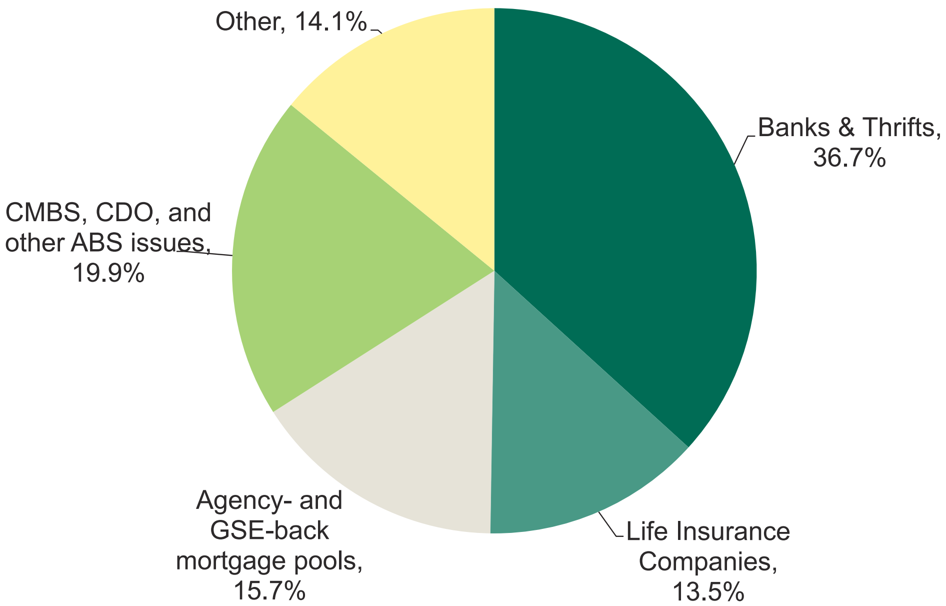
U.S. COMMERCIAL & MULTIFAMILY DEBT OUTSTANDING

By Capital Source



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Source: Mortgage Bankers Association, Q1 2015

Title search: CBRE Capital Markets

Also available as part of the eCourse
Crowdfunding & Current Trends in Real Estate Financing

First appeared as part of the conference materials for the
49th Annual William W. Gibson, Jr. Mortgage Lending Institute session
"Capital Sources and Current Trends in Real Estate Financing"