



Florida's Most Convenient Bank

Commercial Mortgage Banking Group

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COMMERCIAL MORTGAGE BANKING GROUP

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**Expert Mortgage Banking Solutions**

- Finding the right lender
- Getting the best deal for the client
- Creative and responsive lender relationships
- Expert Consulting Services

**For Every Property Type**

- Multi-Family
- Office
- Industrial
- Retail
- Seniors and Assisted Living
- Single Tenant investment grade and non

**The Right Lender**

- Commercial Banks (recourse and non)
- Life Companies
- Fannie Mae or Freddie Mac
- Credit Companies
- Credit Unions

**NO LIGHT AT THE END OF THE TUNNEL / ICSC SPRING CONFERENCE RECAP**

The options for non-recourse financing (other than multi-family) will remain extremely limited for the foreseeable future. The limitations will not only be the quantity of lenders but the underwriting terms. Loan to values are in the 60% range for terms of 5 to 10 years at interest rates today in the low to mid 7% range. And if you are looking for help on the amortization side do not count on it. More than likely 25 years will be the max.

Although the overall economy has shown signs of stabilizing the commercial real estate market is still declining. And the non-recourse financing availability will not improve until commercial real estate has stabilized which unfortunately could be a year or two. This is a vicious Catch 22. The lack of available non-recourse financing is impacting values and the number of transactions. According to a recent Grubb & Ellis SEC filing, transactions are down 80% from last year.

The best available financing for stabilized real estate is from commercial banks; 75% loan to value, 5 year term with fixed rates in the 6% range, but they are full personal recourse and require a deposit relationship.

**ICSC RECAP**

The attendance this year was reported to be 25,000, less than half from 2 years ago. The mood was very somber and serious. There were fewer parties. The booth giveaways were nonexistent. The active booths among retailers were the discounters like Family Dollar and Big Lots. The financing corner was a ghost town occupied by hard money lenders and desperate mortgage brokers. There were many sellers (mostly institutions with liquidity issues) and plenty of buyers. The word from brokers is that cap rates are in the 9's and headed up.

**APARTMENTS LOANS THAT MAKE SENSE**

**Fannie Mae and Freddie Mac:** Multi-family financing is still widely available although interest rates have increased due to the recent spikes in the US Treasuries. 10 year deals for areas like Florida that are on the pre-review list (maximum 65% loan to value) are priced at just over 6% with a debt coverage requirement of 1.35. Both programs offer supplemental fundings which allow additional loan dollars as the cash flow increases.

**Credit Unions:** They are selective and location is important as the best deal is located in the CU's market. Only smaller Florida deals are open for this lender. Interest rates in the high 6% to low 7% range for 10 year fixed rate loans. 75% loan to value is available as are construction and A&D loans. Limited recourse is a possibility. These lenders charge fees of 1 to 1.5 points.

**MARKET RATE WATCH**

**10 year treasury 6-1-09: 3.65%; 1 month ago 3.10%, 6 months ago, 2.66%; 1 year ago 4.03%**

**5 year treasury 6-1-09: 2.47%; 1 month ago 1.98%, 6 months ago, 1.63%; 1 year ago 3.36%**

**1 month LIBOR 6-1-09: 0.31%; 1 month ago 0.41%, 6 months ago, 1.90%; 1 year ago 2.46%**

**Wall Street:** There was a recent article regarding the heralded opening of the TALF (Troubled Asset Relief Program) to CMBS. Unfortunately the returns required according to the article would place interest rates for new CMBS in the 9% range. Clearly the borrowing market is not ready for 9% interest rates. **Wells Fargo** parameters have not changed very much in the past 60 days. 65% loans are their max with terms from 2 to 5 years. Their interest rates remain competitive in the mid 6% range for the 2 and 3 year deals and the mid 7% range for 5 year deals. You can expect these rates to increase if the US Treasuries continue to rise as they have in the past 30 days. The other former conduit lender that is still open for business is CIBC which wants low leverage larger deals (in excess of \$10MM). But their deal is 1 or 2 points up front, a 9% range interest rate and 1 or 2 points as an exit fee. Not surprisingly, CIBC has not done any deals in 2009.

**Life Companies:** This active market continues to include only a handful of life companies. Loan to values are in the 60% range for only the best quality deals and borrowers. Interest rates are in the mid to high 7% range for shorter term deals and approaching 8% for 10 year deals. Ironically most life company loan portfolios are still performing tremendously. I spoke to 2 major life companies in the past 2 weeks with loan portfolios in excess of \$10 billion. In each case there were virtually no foreclosures and minimal 30 day plus delinquencies.

**Credit Tenant Lease (CTL) Lenders:** Very little has changed with CTL pricing. Rates for high level investment grade deals like Walgreens are in the high 6% range. Federal government deals are around 6.25%. Remember these loans are fully amortizing and typically need to be at least 15 year deals.

**Commercial Banks:** Deposits are a key for commercial banks as is the track record of the sponsorship and the financial wherewithal (think global cash flow). But deals are getting done with smaller regional players and community banks at 75% loan to value and at fixed interest rates of 5.75% to 6.5% for 5 year terms. The downside is that these deals are full personal recourse.

