



## Capital Market and Interest Rate Update

From the desk of:  
 Eric H. Better, President

### Key Indices:

- Prime: 3.25%
- 11th District (COFI): 1.38%
- 12 MTA: 1.21%
- 1 Month LIBOR: .32%
- 3 Month LIBOR: .62%
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- 3 Yr CMT: 1.39%
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- 5 Year T: 2.79%
- 10 Year T: 3.80%

### Commercial Property:

- Retail Properties
- NNN Restaurants
- NNN Drugstores
- Shopping Centers
- Office Buildings
- Medical Offices
- Single Tenant Properties
- Commercial Buildings
- Industrial Buildings
- Flex Buildings
- Self Storage Facilities
- Hotels
- Special Use Facilities

### Multi-Family Property:

- Apartments
- Senior Housing
- Student Housing
- Mobile Home Parks
- Apartment Re-hab
- Apartment Construction

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Monday, June 15, 2009

Volume 1, Issue 4

Exclusively prepared for the:

## Sperry Van Ness Advisors

### Nationwide Multi-Family Rates (From \$500,000 to \$500,000,000)

Residential Apartments, Senior Apartments, Student Apartments, and Mobile Home Parks and more

Lender Fee: \$0	Term	Rate	Min DCR	Max LTV	Amort.	Pre-Pay
Starting at	Adjustable	4.55%	1.00	75-85%	30-35	% Step Down
Starting at	3 year fixed	5.75%	1.20	75-85%	30-35	% Step Down
Starting at	5 year fixed	5.09%	1.15-1.25	75-85%	30-35	YM
Starting at	7 year fixed	5.57%	1.25	75-85%	30-35	YM
Starting at	9+1 year fixed/float	6.28%	1.25	80%	30-35	YM
Starting at	10 year fixed	5.83%	1.18-1.25	75-85%	30-35	YM
Starting at	15 year fixed	6.61%	1.18-1.25	75-85%	30-35	YM
Starting at	35 year fixed	5.625%	1.18	85%	30-35	YM

\* SVN | BCP Correspondent pricing: non-recourse, interest only and supplemental financing available\*

### Nationwide Commercial Rates (From \$500,000 to \$500,000,000)

MULTI-TENANT: Retail Centers, Office Buildings, Industrial Buildings, and Self Storage Facilities etc.

Lender Fee: \$0	Term	Rate	Min DCR	Max LTV	Amort.	Pre-Pay
Starting at	Adjustable	6%	1.20-1.30	65-75%	25/30	Defeasance
Starting at	1 year fixed	6%	1.20-1.30	65-75%	25/30	2%, 1.5%, 1%
Starting at	3 year fixed	6.25%	1.20-1.30	65-75%	25/30	Step Down/YM
Starting at	5 year fixed	6.25-6.50%	1.20-1.30	65-75%	25/30	Step Down/YM
Starting at	7 year fixed	6.75%	1.20-1.30	65-75%	25/30	Step Down/YM
Starting at	10 year fixed	6.75-7.25%	1.20-1.30	65-75%	25/30	Step Down/YM
Starting at	20 year fixed	6.25-6.50%	1.20-1.30	65-75%	25/30	Step Down/YM

\* SVN | BCP: non-recourse and limited recourse may be available \*

## Market Report June, 15, 2009

Welcome to the 4th issue (Volume 1, Issue 4) of the Sperry Van Ness | Better Capital Partners-Capital Market and Interest Rate Update Newsletter. For those readers that missed our first few issues, each week or so we will provide our readers with an overview of the following: National commercial real estate interest rates and underwriting for the major property types, marketplace conditions and how they affect various property types nationwide, insightful capital market analysis with a personal viewpoint and focused subject matter in every newsletter. You will notice that national interest rates are located on page (1) of this newsletter, and are broken down into two

continued on next page >>>>



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### Commercial Programs:

- Permanent First Mortgages
- Fixed and Adjustable
- Convertible Mortgages
- Construction Loans
- Construction/Permanent
- Forward Commitments
- Mezzanine Financing
- Bridge Loans

### Multi-Family Programs:

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categories (multi-family and commercial) and provide a sample of our national, regional and local commercial real estate financing programs. These rates are derived from portfolio lenders, life companies, credit unions, agency and exclusive national correspondent relationships. Many of our lenders and exclusive correspondent relationships have the ability to lower these interest rates by 15-30 basis points if a borrower is interested in establishing a business or personal banking relationship.

Let's begin by taking a closer look at the major commercial real estate property types: multi-family, office, industrial, retail, hospitality and self storage.

#### Multi-Family:

**Written By: Jon Hosea, Principal SVN-BCP:** The multi-family product type is still the favored property type for agency and non-agency lenders nationwide. Overall purchase transactions remain thin, as most on this call already know. This is primarily due to the continued bid/ask gap so prevalent across the nation.

We have found that the refinance business is relatively strong in this sector with hundreds of millions coming due in the third and fourth quarter of 2009. We also project that approximately \$275 Billion will come due in 2010. Although agency lenders have an ingrained advantage to refinance loans that they currently service, this is only true in situations such as refinancing FNMA loans with FNMA. This advantage evaporated in instances such as refinancing a FNMA loan with Freddie or HUD, and especially so with HUD where Fannie doesn't offer the amount of leverage HUD can provide. Looking at the Fannie and Freddie programs, adjustable financing programs are priced around 4.60% to 4.80% with the interest rate capped at approximately 300 basis points above the start rate. Acquisition LTV's are still as high as 80%, but drop to 75% on cash out refi's and underwriting debt service coverage ratios are as low as a 1.05 against the capped rate. Fannie and Freddie fixed rate loans with 5, 7 and 10 year terms are currently pricing at 5.70%, 6.20%, and 6.30% respectively. LTV's are similar to the adjustable rate programs previously mentioned. Debt service coverage ratios are starting at

1.25 for both small loan and large loan programs on underwritten net income.

Regarding HUD, it is currently the shining star from both a loan sizing and interest rate perspective. HUD's 35 year loan programs have recently been pricing as low as 5.40%. Even if you include the 45 basis points for the MIP, the all in cost of debt is 5.85%, or 45 basis points below the Fannie or Freddie 30 due in 10 loans, just mentioned.

Their old school prepayment penalty of 5,4,3,2,1 after lock out makes this loan program even more attractive when compared to Fannie and Freddie's Yield Maintenance prepayment standard. Please remember that the HUD loan sizing is based on a 1.18:1 DSCR with a 35 year amortization with cash out LTV's at 80%, or 85% with no cash out.

All this said, we have definitely entered an environment where the more common loan sizing constraint is Loan to Value. Let me also add that most lenders, agencies and banks, are still looking for borrowers with previous multi-family experience, who currently own one or more properties or at least have two years of historical ownership experience.

Moving on to HUD's LEAN program, the L-E-A-N process is still proving to make HUD the absolute go to financing for Health Care which included Assisted Care, Nursing Homes, and even Hospitals. Please be aware that SVN-BCP has secured exceptional Correspondent lending relationships. These include Fannie, Freddie, and especially HUD loan executions. These relationships allow us to offer identical loan terms as those that could be obtained by going direct to competing agency lenders. In essence, we stand on an absolute level playing field. SVN-BCP also has the ability to build 3<sup>rd</sup> party costs and fees into the interest rate spread thereby offering a borrower a lower out of pocket loan.

#### Written By:

**Jon Hosea, Principal SVN-BC:** Mr. Hosea is a principal and originator with our SVN division and is a former lender. Jon most recently arranged Fannie, Freddie, & HUD financing on a national platform, is experienced in underwriting and arranging debt and mezz for all property types and has been involved in the CMBS, bridge and portfolio lending world for more than 25 years.

#### Industrial:

**Written By: Gilda Rivera, Principal SVN-BCP:** I am going to endeavor to provide you with a brief overview on the industrial property sector. According to the most recent commercial leading indicators report, the industrial sector is now beginning to feel the impact of global economic slowdown, which is reducing the demand for exports.

Vacancy rates in the industrial sector are forecast to rise to 12.20% in the third quarter of 2009 from 10.70% in the third quarter of last year. Annual rent is estimated to fall 4.10% this year, after declining 0.8% in 2008. Net absorption of industrial space in 58 markets tracked, should be a negative 148.1 million square feet this year. Since much of the recent construction has been built to suit specific needs, many obsolete structures are on the market. Cap and vacancy rates are rising and are likely to climb further. However, industrial space remains a popular investment vehicle and continues to outperform other major commercial real estate categories. Demand is strongest in areas that enable firms to avoid congested highways and shorten delivery time.

Deals are still getting done and foreclosures on commercial are still very low and even non-existent in certain markets. Owner-user, single and multi-tenant industrial properties still remain strong with our capital sources and is still one of the top preferred property type across the nation with conventional and SBA programs.

While the credit crisis continues to challenge lenders on a national scale, regional, local and community banks continue to be active in commercial real estate lending and are still aggressively pricing industrial properties.

You should note that conventional LTVs can still go up to 75% and SBA programs can go as high as 90%. Nationwide, fixed 5, 7 and 10 year terms are as low as 5.25% to 6.75% for owner-user and 6.00% to 7.00% for investment properties with 25 and 30 year amortization. In summary, industrial properties still appear to be a solid investment vehicle, especially for owner/users. I encourage all SVN advisors, their clients or business associates to contact us to discuss any



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we can assist.

#### Written By:

**Gilda Rivera, Principal SVN-BCP.** Ms. Rivera is a principal and an originator with our SVN division. Gilda is a former Vice President with George Smith Partners, a premier commercial real estate banking firm and prior to GSP was a lender with WAMU's CMBS division. Gilda has worked on every product type and has originated or assisted on several billion worth of commercial real estate financing during her career.

#### Office:

#### Written By:

**Mark Levin, VP-Regional Manager SVN-BCP:** Over the last couple of months, I have reported on the rise in office vacancy along with the decline in office rents that continue to be problematic in the office market. Although there has been some positive economic data reported in recent weeks, a stock market rally, the housing market possibly nearing a bottom, inventories being cleared by business, and even some rising consumer confidence, we still have to take a realistic look and observe what really is taking place. Despite some positive news the economy has posted no growth to speak of, and more importantly, the employment numbers, which are directly related to the office market, remain dismal. We need job growth to drive the office market, and without it the office market will struggle to recover, even when the economy begins to turn around. In a news report from Boston-based Torto Wheaton, the question is raised whether there will be a "jobless recovery" in which the creation of new jobs lags behind recovery in other sectors of the economy. The report goes on to say that even when hiring resumes, it will be a slow process. "With a slow recovery in the office and space to spare, employers will see little need to accumulate space to accommodate additional workers—at least not until the space they already have is filled:

As I mentioned in an earlier report, medical offices are one sector of the office market that continues to do well in the current environment. In an interview with Globe St. TV, C.J. Follini, General Manager of Noyack Medical Partners, LLC, stated that the medical office sector is one of the best places to be in during the recession.

The healthcare sector continues to show good cash flow due to the increased demand for its services, especially over the last 6 to 7 months. Because of this, Follini feels that there is a huge opportunity to acquire medical offices at this time. His reasoning is twofold, first owners of the product usually own other commercial real estate and that is probably not faring as well as the medical office product. Therefore, he feels that even though the medical offices are not distressed the sellers are and investors can buy at discount prices because of this. Secondly, the TIC's or Tenant-in-Commons that purchased medical offices 2-3 years ago did so at cap rates that were not sustainable and is looking to unwind them now and are even willing to take a loss and sell at a discount.

Active lenders are looking closely at all deals and want strong sponsorship along with a quality property. Nationwide rates are usually recourse and range from 6.25% to 7.25% for 3, 5, 7 and 10 year fixed rate loans. Many life companies offer 7 to 10 year terms at low loan to values and the rates are 7.25% to 7.5% with the possibility on non-recourse.

#### Written By:

**Mark Levin, VP Regional Manager SVN-BCP.** Mr. Levin is a Senior VP-Regional Manager and an originator with our SVN division. Mark is also a former lender who has been originating commercial real estate loans on a national platform. He is experienced in underwriting and arranging debt and construction for all property types and has been involved in the banking industry for more than 20 years.

#### Office/Medical-Healthcare

#### Written By: Michael Haynes, VP Regional Manager SVN-BCP):

The market for medical office/healthcare real estate still remains in demand by investors. Sales volume has slowed along with the other major property types, but not as dramatically. The overall resiliency of this property asset class is mainly fueled by the massive amounts spent on healthcare annually. It is estimated that over \$2 Trillion is spent on this segment per year. With medical spending estimated to increase at an average of over 7% per year, this bodes well for the real estate associated with healthcare.

Job growth in this industry is also ahead of the curve. An additional 400,000 plus jobs were added in 2008, contrary to job losses in other sectors. Demographics support the additional need for more medical office and healthcare facilities. As the U.S. population grows rapidly in the age group between 65 and 74, demand will increase for medical and healthcare facilities over time.

In the short term vacancy in this sector will increase this year to the mid-12% range as consumers put off basic medical care. Consequently, rental rates will be forced slightly down, to an average level \$23.90/ sq. ft

Available financing on these product types is still fairly aggressive. Owner operated facilities are able to access SBA financing with LTV's up to 90%, and conventional loans on a regional level at an 80% LTV. Rates are ranging between 6.25%-7.00% on 5 year balloons with 25 year amortizations. Investment properties have LTV's up to 75%.

This property class is still fairly strong in this market. Trends overall are looking positive, with values, rents and vacancies stabilizing in the near future.

#### Written By:

**Michael Haynes, VP Regional Manager SVN-BCP.** As a Vice President-Regional Manager for our SVN division, Michael is actively originating commercial real estate debt and equity on a national platform. His areas of expertise include: multifamily, retail, office, industrial, self-storage, owner/user, NNN, single tenant, construction and more. Prior to joining our division, Michael held positions at Bayview Financial. His experience includes commercial mortgage finance, credit analysis/underwriting, and loan originations.

#### Hospitality:

#### Written By: Mark Tiffany, VP-Regional Manager SVN-BCP).

The future for hospitality financing is going to look a lot like it does today. Underwriting standards have become extremely conservative and that is expected to continue over the next 18-24 months. Lenders are currently looking, very selectively, at Hotels on a deal-by-deal basis; taking into consideration market feasibility, quality of



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asset and borrower's experience in owning, operating and managing Hotels successfully.

Strong factors in the weeding out process are the Hotel Flag and location. Unflagged properties and motels are really only financeable through private sources offering terms of 3-5 years max. with much higher interest rates. Lenders want only the best locations with proximity to freeways, airports, major tourist attractions and some select downtown areas like San Francisco or Boston. Lenders have increased cap rates (+/-11%), debt service coverage ratios (1.40+) and interest rate floors for this product type across the board. At the same time they have lowered LTV's and amortization terms. Maximum LTV's on this product type is typically 65%.

With the CMBS lending platform gone, local banks, regional banks and life insurance companies and private lenders are now supplying the majority of capital available to this sector of real estate. One of the major changes resulting from the demise of commercial mortgage-backed securities lending is the lack of non-recourse financing. Even those loans with 50% LTV's or less are required to have at least limited recourse to the borrowers. For more owner-operated and business related lending, SBA (504 & 7a) and USDA (B&I) are good sources for financing given the right deal profile and the right size range. The government-sponsored types of financing can offer leverage up to 85% loan to value at both fixed and variable rates. Loan proceeds can range from a minimum of \$300,000 up to as high as \$10,000,000.

With that being said, Hospitality loans are still being made. There is good news, for investors looking to make hospitality acquisitions. As hotel values are dropping, many buyers are looking for distressed properties. The hospitality market is picking up internationally in some countries such as Canada and India. The trend would most likely be to construct hotels under 200 rooms to lower the cost of operations. In the United States, this decline would most likely continue until 2012.

This is just a taste of why I encourage

anyone involved in the listing or selling of any hospitality properties to focus on the availability of financing more and more in today's liquidity starved lending arena. SVN-BCP will certainly remain a resource to you in securing hospitality financing.

#### **Written By:**

**Mark Tiffany, VP-Regional Manager:** Mr. Tiffany is a Vice President and Regional Manager for our SVN division and is responsible for loan originations in the Western US, and is also a former lender. James has been involved in all aspects of the underwriting and origination of commercial real estate loans for more than 15 years with several major US investment banks.

#### **Self Storage:**

**Written By: Bruce Warren, VP-Regional Director SVN-BCP:** As I mentioned during the last teleconference, most lenders still find the self-storage arena attractive enough to finance. The general advance rates are in the 65% LTV range with rates ranging from the 6.50%-7.50% range. Higher LTV's are available on a localized basis. The overall industry is watching the housing recovery with great interest. Move-outs are trending upward, while replacement customers are stalled as fewer and fewer are listing their homes for sale. Also, with the economy in turmoil, many factors are impacting the self-storage marketplace. Typically, an active real estate market bodes well for self-storage. People changing addresses, jobs, and neighborhoods usually create a much higher demand for storage space. As purse strings tighten, this additional expense is being viewed as a luxury, and thus eliminated. The only bright spot in this example is that more people are now moving DOWN the property ladder, which means they will need to keep their belongings in storage longer.

While there are bright spots in the sector, such as Public Storage's performance, the industry as a whole is dependent on movement in the housing industry. If the economy moves sideways and people are not moving, the sector will be treading water. I invite all the SVN advisors in the Midwest to send me your acquisition and refi requests so we can assist you and your clients in obtaining financing with aggressive rates and terms.

#### **Written By:**

**Bruce Warren, VP-Regional Director SVN-BCP:** Mr. Warren is a Vice President and Regional Director for our SVN division and is responsible for loan originations in the Midwest, and is also a former lender. Bruce is actively originating commercial real estate debt and equity on a national platform. His areas of expertise include: multifamily, retail, office, industrial, self-storage, owner/user, NNN, single tenant, construction and more. Prior to joining Sperry Van Ness | Better Capital Partners, Mr. Warren held positions at Bayview Financial, Household Bank and Harris Bank. His experience includes commercial mortgage finance, credit analysis/underwriting, and loan originations.

#### **Retail:**

**Written By: James Angoff, VP-Regional Manager:** The retail product type continues to warrant caution by most lenders nationwide. Property analysis focuses on the fundamental aspects of each transaction with increased attention on tenant sales, rents in relation to market, rent and CAM collections, and support for a determined value. Lenders continue to favor grocery and drug anchor centers, or strong shadow-anchored centers with an infill location in a major market or primary submarket. Single tenant retail remains very challenging to place, and typically requires a national credit and a strong location within a mature trade area.

At SVN-BCP, we are typically providing loan quotes around 6.50% for a 5-year term over a fixed-rate swap and 7.25% or higher for a 10-year term. Most quoted terms are for 2 to 5 years. Loans are mostly full or partial recourse with leverage of 70% or less, even for solid assets. Some of our financing programs offer no prepayment penalties, non-recourse or limited recourse.

A June 3<sup>rd</sup> Retail Traffic article notes that (17) equity REITs, including Simon Property Group, have recently raised cash via secondary stock offerings which may have been done to prepare for the purchase of distressed or aggressively priced retail assets. Sellers may be shedding properties to raise cash or to dispose of non-core assets. The article notes that (10) retail REITs, raised \$3.75 billion via secondary equity offerings in May,



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and that a portion of these funds may be used defensively to improve their balance sheets.

Another Retail Traffic article dated May 1<sup>st</sup> highlights discounters and value-oriented chains as the few positive performers in retail. Given the current economic environment, consumers continue to hunt for value and price-sensitive alternatives. Further, the article notes value-oriented retailers such as Dollar General, Big Lots, DownEast Basics and H&M have had strong performances. They are among the few retailers that can justify expansion plans at this opportunistic time for tenants when rental rates and lease terms are favorable.

A MarketWatch article dated June 2<sup>nd</sup> discusses the struggle retailers are facing. Although consumer confidence improved and the rate of decline in consumer spending has slowed, consumers no longer have the benefit of very low gas prices and tax refund checks to spend at this point in the year. Further, the unemployment rate is still high and climbing higher which further impacts sentiment. Thus, it is still unknown how retail sales will track during the later part of the year after what appears to have been a possible trough in sales reached in second quarter of 2009. It was further stated that retail chains with high exposure to discretionary goods and luxury items will continue to suffer in comparison to retailers that sell food and other essential items. Such a difference in performance is expected in the current recessionary environment.

**Written By:**  
**James Angoff, VP-Regional Manager SVN-BCP.** *Mr. Angoff is a Vice President and Regional Manager for our SVN division and is responsible for loan originations in the northeastern US, and is also a former lender. James has been involved in all aspects of the underwriting and origination of commercial real estate loans for more than ten years with several major US investment banks. Although James has worked on a wide range of asset types, including multi-family, industrial, office and medical office properties, a substantial part of his lending experience focused on the retail sector including both single tenant and multi-tenant transactions.*

### **SBA:**

**Written By Steve Burlison, Relationship Manager SVN-BCP:** There has been a lot of recent activity surrounding SBA loan programs. The Obama administration has been closely collaborating with the SBA and the Treasury Department to push through provisions designed to address the economic challenges facing small businesses and investors across the country.

Recently the SBA announced an increase in the size limits on its surety bonds; as of March 27, small businesses can obtain government-backed surety bonds of up to \$5 million, an increase from the previous \$2 million limit. These bonds protect project owners from contractors who default or fail to perform, so they are very important to small businesses competing for construction and service contracts.

Through the SBA's surety bond program, the government provides a guarantee of 70-80% of the bond's amount to a participating surety company. Without this guarantee, many small businesses wouldn't be able to obtain surety bonds. Future steps may include a provision to allow the SBA to guarantee a bond of up to \$10 million on a federal contract if the contracting officer certifies the guarantee is needed. If this regulation passes it will allow small business to compete for a much greater share of federal contracts, so we'll be sure to keep you updated as it moves through the legislative channels.

In addition, the SBA, through the stimulus package, has temporarily eliminated loan fees for small businesses and fees for Section 504 loans for lenders, along with providing 90 percent guarantees on loans to qualified businesses. In the 504 program, the bank covers 50% of the loan, the government 40%. Section 504 is designed to help small businesses buy equipment and property. The SBA is looking for businesses with good cash flow and borrowers who do not have enough capital to purchase the building themselves. They strongly dislike gas stations, auto dealerships, and contractor operations, but will look at all other forms of small business. While there is some skepticism as to how quickly these programs will begin to free up capital for small businesses, the secondary market for SBA-backed loans has already began thawing out a bit; a report from the General Accounting Office shows that

the volume of SBA-backed loans sold into the secondary market increased 60% from January to February of this year. This should help solve at least some of the liquidity issues by freeing up these banks' balance sheets so that they can begin making more new loans.

**Written By: Steve Burlison, Relationship Manager SVN-BCP.** *Mr. Burlison is a member of our National origination support team. His responsibilities include: lender relations, deal analysis/underwriting, deal placement and loan closings.*

### Capital Market Updates

#### The Fed:

**Written By: Norman Diep, Vice President SVN-BCP:** Yesterday, the Federal Reserve broadened a key lending program, expanding its rescue of the financial system. The program is designated to support more commercial real estate loans, dealing directly with assets currently weighting down banks. This is the Fed's 1<sup>st</sup> attempt to try to support markets for "legacy securities," or those that were created months or years ago from their norm of new commercial real estate lending.

Many legacy loans are clogging bank balance sheets. There are few buyers or sellers for these types of assets. Government officials have been seeking ways to help banks and other lenders remove these assets from balance sheets by buying them up. However, the programs announced since March have been slow to start rolling.

The TALF program, which originally supported mainly consumer lending, uses Fed and Treasury money and could possibly reach \$1 trillion. From this year to the end of 2011, \$814 billion in commercial real estate loans are expected to mature. With banks reluctant to lend and CMBS virtually non-existent, there could be a wave of foreclosures on office, retail and other commercial properties if some lending sources remain inactive.

Fed officials are hoping that their new steps will create a more active market for commercial mortgage securities, giving banks and others more leeway



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- 6 Month LIBOR: 1.24%
- 3 Yr CMT: 1.39%
- 5 Yr CMT: 2.13%
- 7 Yr CMT: 2.81%
- 10 Yr CMT: 3.29%
- 5 Year T: 2.79%
- 10 Year T: 3.80%

### Commercial Programs:

- Permanent First Mortgages
- Fixed and Adjustable
- Convertible Mortgages
- Construction Loans
- Construction/Permanent
- Forward Commitments
- Mezzanine Financing
- Bridge Loans

### Multi-Family Programs:

- Permanent First Mortgages
- Fixed / Adjustable Rate
- Convertible Mortgages
- Construction Loans
- Construction/Permanent
- Forward Commitments
- Mezzanine Financing

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to sell them or hold them on their books at a price that reflects their long-term value, instead of what they would currently sell at in a distressed market.

Moreover, they argue that by helping restart the market for existing CMBS, lending will be more widely available for new commercial real estate loans, allowing borrowers to refinance as their loans mature.

**Written By:**  
**Norman Diep, Vice President SVN-BCP:** *Mr. Diep is a key figure in our divisions National Origination Support Team. His responsibilities include: lender relations, deal analysis/underwriting, deal placement and loan closings. Former lender positions include: GMAC Commercial (now Capmark) and Sterling Bank.*

**Economic Update:**  
**Written By: Hong Duan, Principal SVN-BCP:** In the last couple of weeks, we have continued to see signs of moderate economic decline. May's employment declined but at a rate much lower than expected. This trend of less deceleration of employment looks encouraging. However, last month's employment data is still extremely weak. Payrolls fell by 345,000, the unemployment rate increased dramatically, and hours worked plummeted overall. On average, the economy lost 500,000 jobs in each of the past three months, which in aggregate hours worked equates to a decrease of 8.60% percent annually.

Employment losses are broad-based as well. Hospitals, private schools, and colleges have all announced unprecedented layoffs. The average work week also fell sharply in May, which is a significant indicator that more cutbacks are coming. We expect the jobless rate to increase further in coming months, although in a less dramatic manner. However, the most recent weekly unemployment claims data shows both first time and continuing unemployment claims declining in recent weeks.

The modest decline in weekly unemployment claims and smaller losses in non-farm payrolls have raised hopes that the end of the recession may be near. The second quarter should mark the last negative period for real GDP and the recession should end at some point in the third quarter. The end of the recession will not mark the end of the

economic problems. However, we expect the unemployment rate to peak over the next few quarters at approximately 10% plus or minus.

Consumers clearly were not in the mood to spend freely in May. Monthly chain store sales figures showed broad-based declines for the month. Motor vehicle sales were down, but were better than expected in May. These are all signs that show continued improvements in the sales and manufacturing sectors.

**Written By:**  
**Hong Duan, Principal SVN BCP:** *Mr. Duan is a Principal in our division, heads up the Pacific Rim Group and is head of the National Origination Support Team. Hong is a former Credit Officer and former Head analyst with Citibank.*

Please remember that the SVN |BCP division has extensive market knowledge and strong lender relationships. We know which lenders are still in the market and which ones have closed up shop. We are all here to consult with you regarding all your capital needs.

Please feel free to call or email any team member with questions regarding these product types and programs.

On January 16<sup>th</sup> we launched Sperry Van Ness | Better Capital Partners, which is a dedicated commercial real estate banking division which was created to help SVN advisors, their clients and referrals obtain financing. However, our primary mission is to truly help all SVN advisors close more deals in 2009!

Our new commercial real estate banking division is a national financing platform with over 8500+ nationwide lending sources. We have a dedicated staff of (4) working and growing the national lender database full-time. These lending sources include: national, regional, local lenders and includes exclusive Fannie, Freddie, HUD, life company, and national bank correspondent relationships.

I feel our team has one of the best lending databases and lender relationships in the country. Our SVN division currently consists of (17) team members, and we just added (2) new originators in Florida, and (1) new originator in New York and (2) new originators in Los Angeles. We also expect to add new originators in Dallas in the next 30 days. You should

know that all of our new originators are former lenders and have very impressive resumes.

Actually, the entire division comes from some of the most prestigious and well respected lending institutions and mortgage banking firms in the country. Collectively we have financed almost every commercial and multi-family property type including construction and can provide a full capital stack which includes debt, equity and joint ventures. The team is very aggressive, knowledgeable and hungry to assist you.

One final note, although we take a team approach on all financing requests, each team member is assigned to a specific SVN advisor and office. As our new advisors come on board, we will be emailing a new assignment list to all the SVN advisors and offices. In the meantime, feel free to email or call your assigned team member or feel free to contact me at anytime.

**Eric Better, Principal & President SVN | Better Capital Partners Nationwide-All Property Types**  
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