


 **ESSEX FINANCIAL GROUP**



# NAIOP Economic Forecast Capital Markets

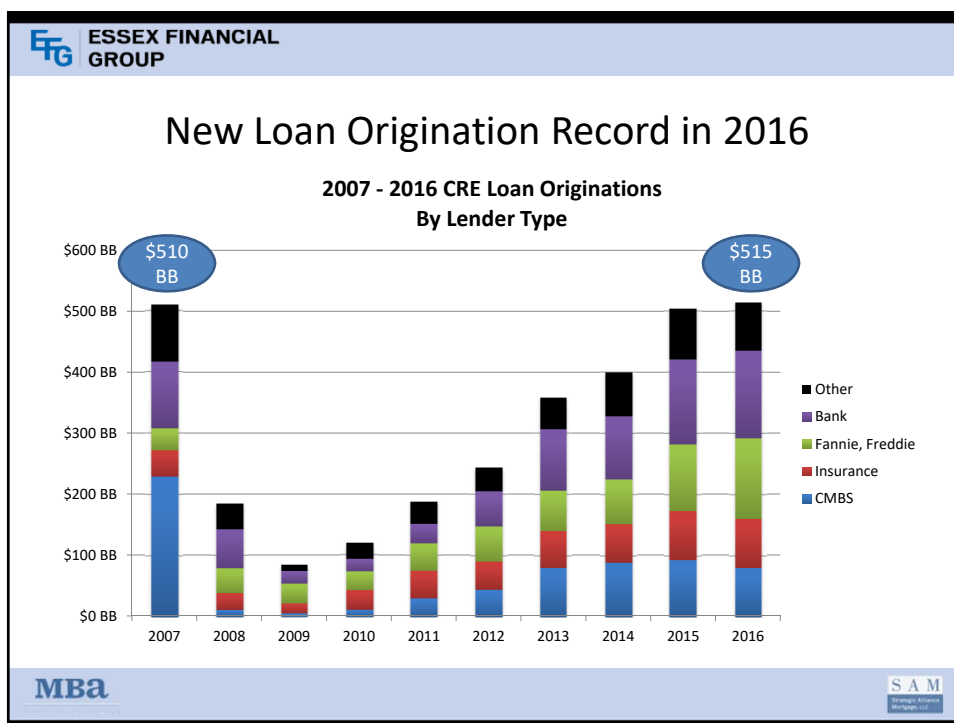
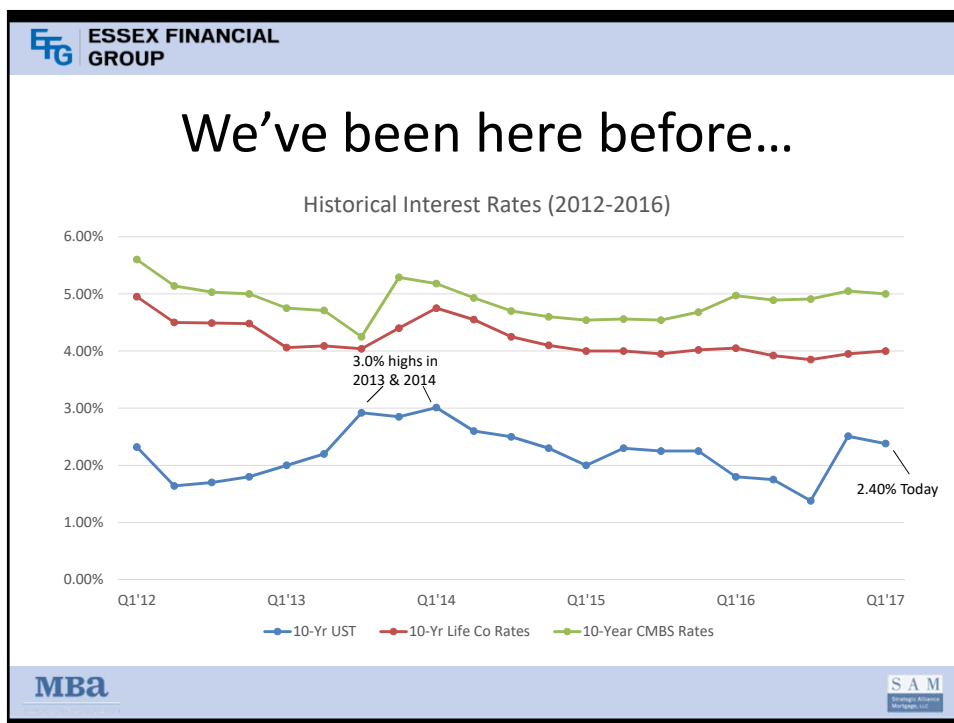
 

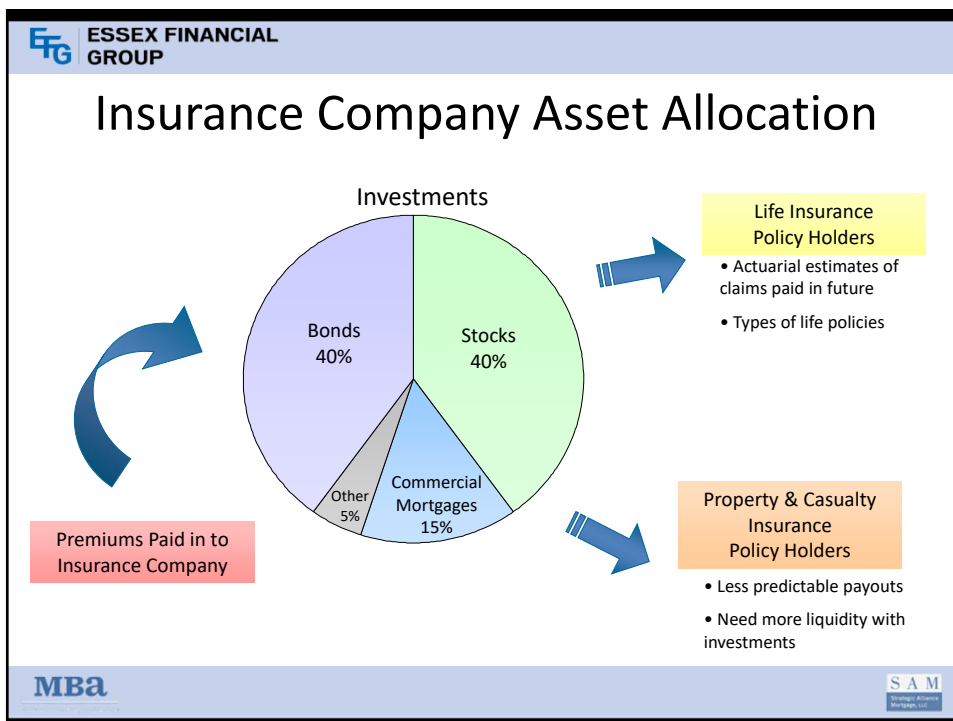
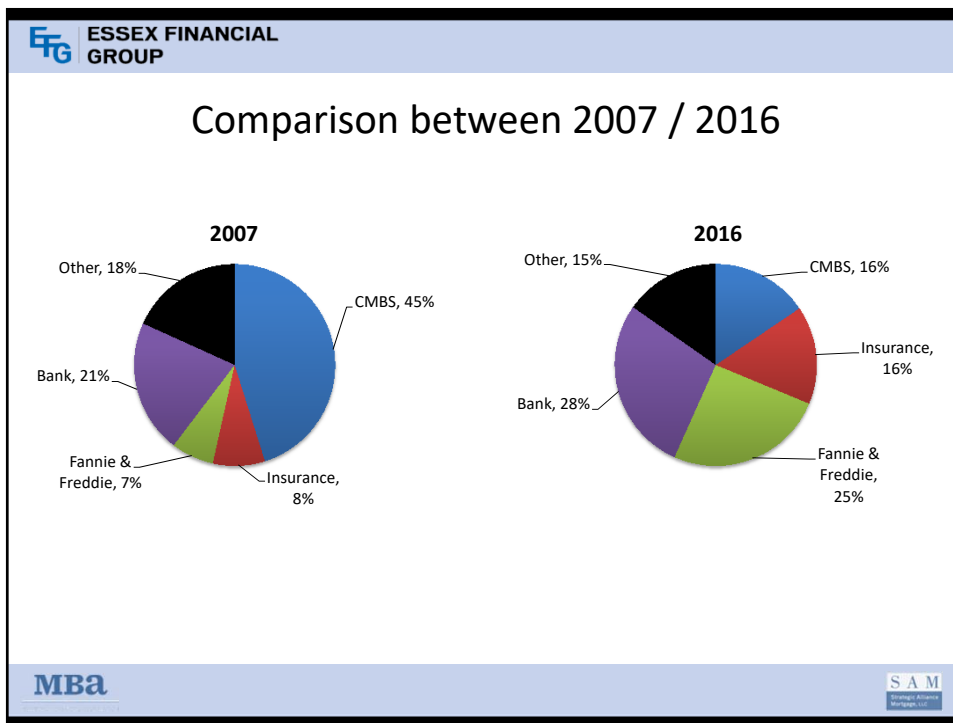
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## Introduction / Objectives

- 2016 Year in Review
- 2017 Forecast / Themes
  - Capital Availability at an all-time high
  - Stable Interest Rates
  - Aggressive Lending Continues...but...
    - Underwriting will remain conservative
    - Limited human capital
    - Relationships matter more than ever



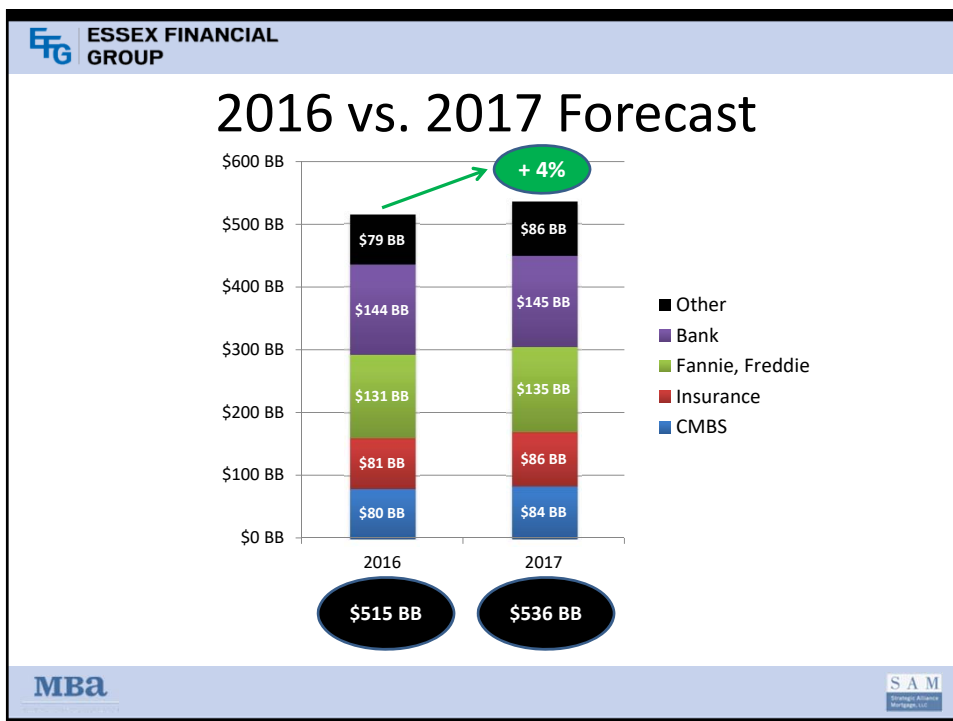


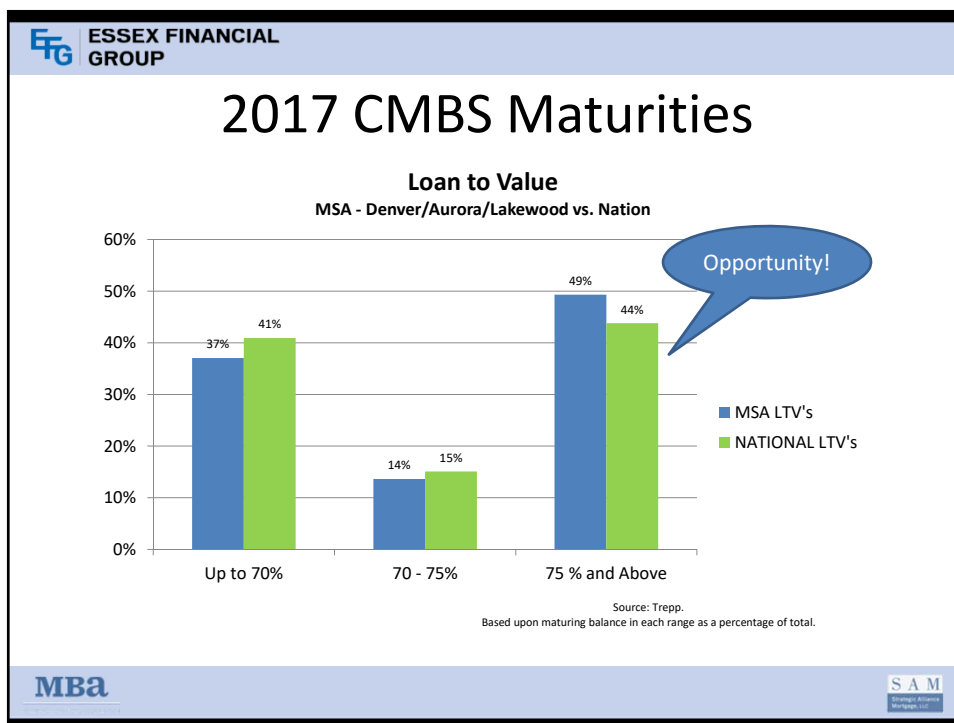
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## 2016 Summary

- Life Company
  - More allocation, search for yield
- CMBS
- Fannie Mae/Freddie Mac
  - 20% growth in 2016
  - Privatization?
- Banks
  - Regulatory changes (HVCRE)
  - More focus on permanent debt, existing relationships
- Private Capital / Debt Funds
  - Gap Funding – 5-10%, 1-3 Years
  - Non-Recourse Construction

**MBA** **SAM**  
Strategic Account Management, LLC





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## Average 1<sup>st</sup> Mortgage Terms

	Life Company	CMBS	Bank	Agency
Max LTV	65%	75%	75%	65 – 75%
Spread	150 – 200 (UST)	250 – 300 (Swaps)	200 – 300 (UST)	200 – 225 (UST)
Amortization	25 Yrs +	30 Yrs (I.O. Avail.)	25 Yrs +	30 Yrs
Term	5 – 30 Yrs	5 – 10 Yrs	1 – 7 Yrs	5 – 10 Yrs
Debt Yield	10% on NOI	9% on NCF	Varies	Varies
DSCR	1.35 x	1.25 x	Varies	Varies

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## What to watch for in 2017?

- Post Election Effect
- Interest rates rise more than expected
- Transaction/Buyer demand slows in Denver
  - \$535,000/Unit for Apartments?
  - \$550-650/SF for Office?
- Program Evolution – On-going quest for YIELD