



**NORTHMARQ CAPITAL®**

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Real Estate Investment Bankers

# Real Estate Financing Overview

## Significant Liquidity in System

- Securitization (CMBS)
- Low Delinquency/Default Level
- Attractive Coupon Rates for Investors (Risk Adjusted)
- Call Protection
- Derivative Products



# Real Estate Financing Overview

## Alternative Debt Products

- Fixed Rates for any Term
- Bridge (Non-Recourse)
- Mezz
- Structured (Float/Fixed)
- CTL (Credit Tenant Leased)

# Real Estate Financing Overview

## 50 Year Historical Low Rate Environment

- U.S. Treasuries
- LIBOR or Prime Rates
- Narrow Spreads (following Corporate Bonds)



# Real Estate Financing Overview

## Denver Perspective

- No Capital Constraints Overall
- Long Term Optimism for Real Estate Market
- Aggressive Lending Attitude for Retail & Bulk Warehouse
- Near Term Caution for Other Property Types:  
*Office, R&D/Flex, Apartments, Hotel*



# FIXED RATE INTEREST SPREADS

<b>Type</b>	<b>Low Leverage &lt;60%</b>	<b>Medium Leverage 60-70%</b>	<b>High Lev. &gt;70%</b>
<b>Office/R&amp;D</b>	120-130	130-150	150-170
<b>Multi-Family</b>	80-100	100-120	120-140
<b>Retail (Anchored)</b>	80-110	110-130	130-150
<b>Retail (Unanchored)</b>	110-130	130-150	150-170
<b>Warehouse</b>	90-110	110-130	130-150

# Real Estate Financing Overview

## Valuation

- Lender Value Normally Less than Appraised Value or Purchase Price.
- Lender Value via Direct Cap Rate or Price/SF Comparison Used Primarily/Discounted Cash Flow Secondarily.



# Underwriting Environment

## Debt Coverage

- Stressed Debt Constants/Coverage Tests Used Primarily to Size Loan for CMBS Lenders.
- Commercial (.1000 Debt Constant/.90-1.00 DCR)
- Multi-Family (.0950 Debt Constant/.90-1.00 DCR)





# Underwriting Environment

## Exit Strategies

- Loan/SF
- Amortization
- Escrow for Major Lease Rollover

# **Underwriting Environment**

## **Apartment Properties/Economic Factors**

- Tracking 12-Month & Historical Trends
- Stabilized Occupancy Level
- Concessions (Rent Abatement)
- Value Test (Cap Rate vs. Per Unit)



# Underwriting Environment

## Apartment Underwriting Constraints

- Loan/Unit or Loan/Replacement Cost
- Adequate Reserve & Operating Expense Cushion
- Sponsor's Cash Investment
- Sponsor's Liquidity and Mgmt Expertise



# Underwriting Environment Office/R&D/Flex Properties

- Vacancy Rate (Property vs. Market)
- Rollover Risk (Near Term/Long Term)
- Above Market Rents (“Mark to Market”)
- Dark Space (Don’t Count Unless Credit)

# Underwriting Environment

## Office/R&D/Flex Properties (cont'd.)

- Stabilized Market Rent Levels (Escalations?)
- Value Test (Cap Rate vs. Per Foot Level)
- Concessions (Rent Abatements & Allowances)

# **Underwriting Environment**

## **Office/R&D/Flex Properties (cont'd.)**

- Loan/SF or Loan/Replacement Cost
- Amortization
- Escrowed Reserves and Cash Flow Sweeps
- Sponsor's Cash Investment

# **Underwriting Environment**

## **Office/R&D/Flex Properties (cont'd.)**

- Sponsor's Liquidity and Management Expertise
- 75% LTV or Less for CMBS
- 65% LTV or Less for Typical Life Insurance Companies









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