

Real Estate Finance Trends 2012



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April 12, 2012



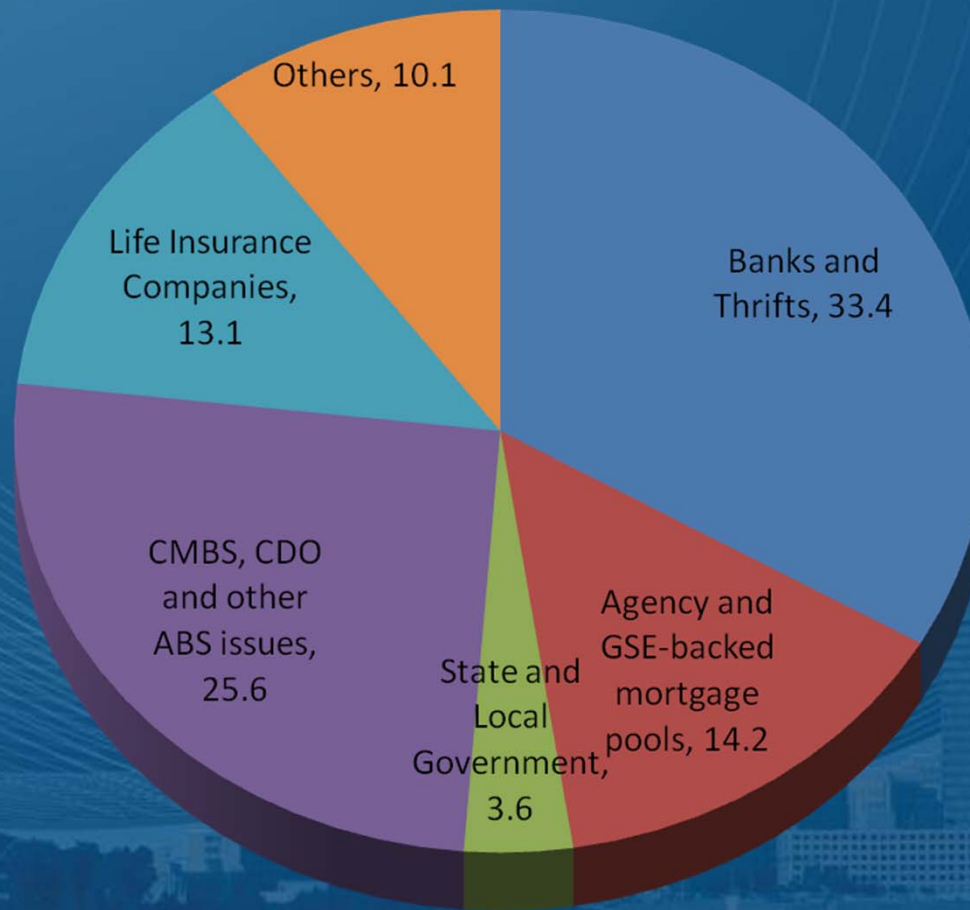
Alternate Music Choices:

- “You Can’t Always Get What You Want” by the Rolling Stones
- “Dream On” by Aerosmith
- “Reelin’ in the Years” by Steely Dan
- “Pimpin’ Ain’t Easy” by Ice T & Mo’ Thugs





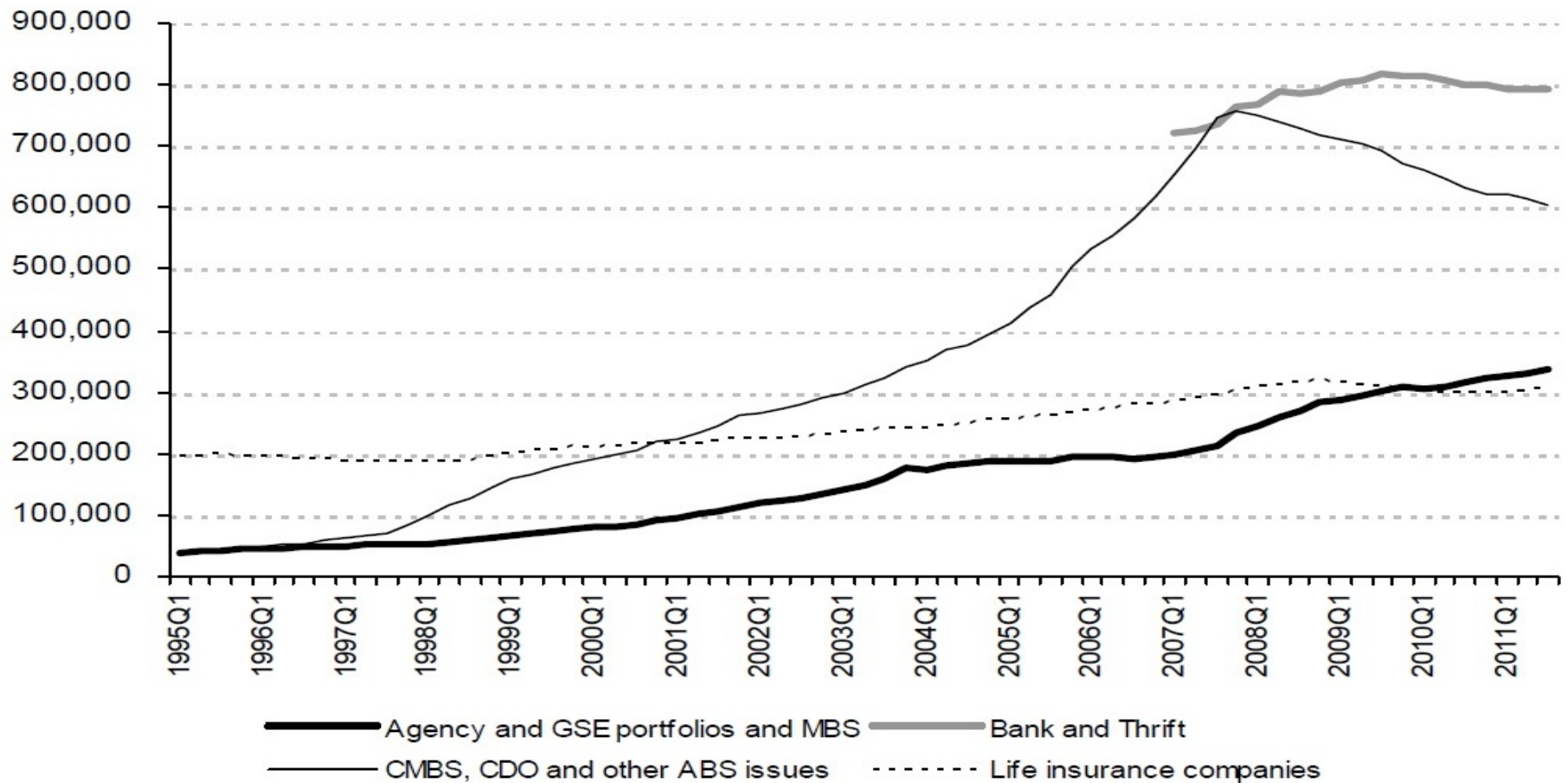
Commercial & Multifamily Debt Outstanding By Investor Group, Third Quarter 2011



Source: Mortgage Bankers Association



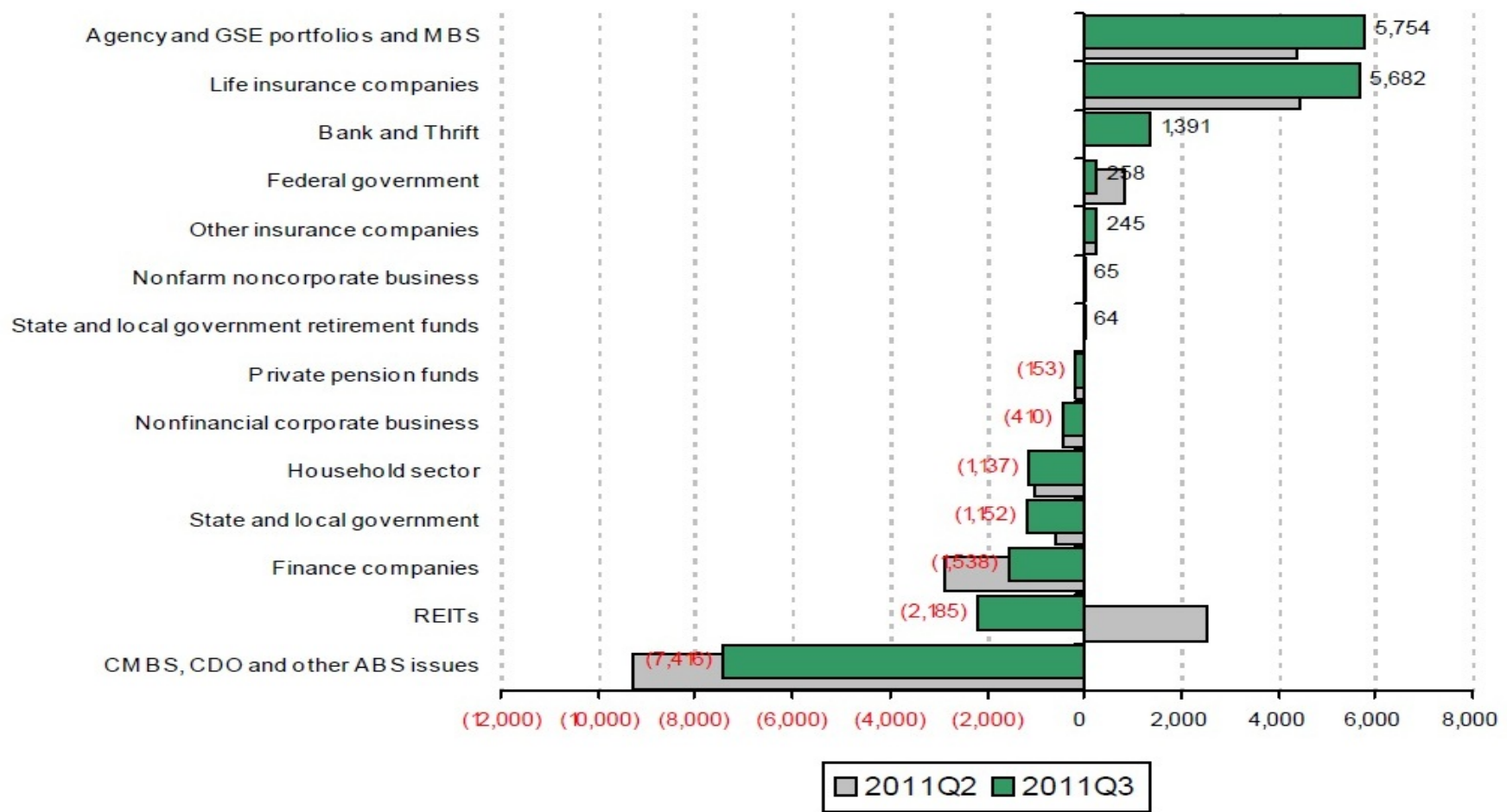
Commercial & Multifamily Debt Outstanding By Sector (\$ millions)



Source: MBA, Federal Reserve Board of Governors, and FDIC



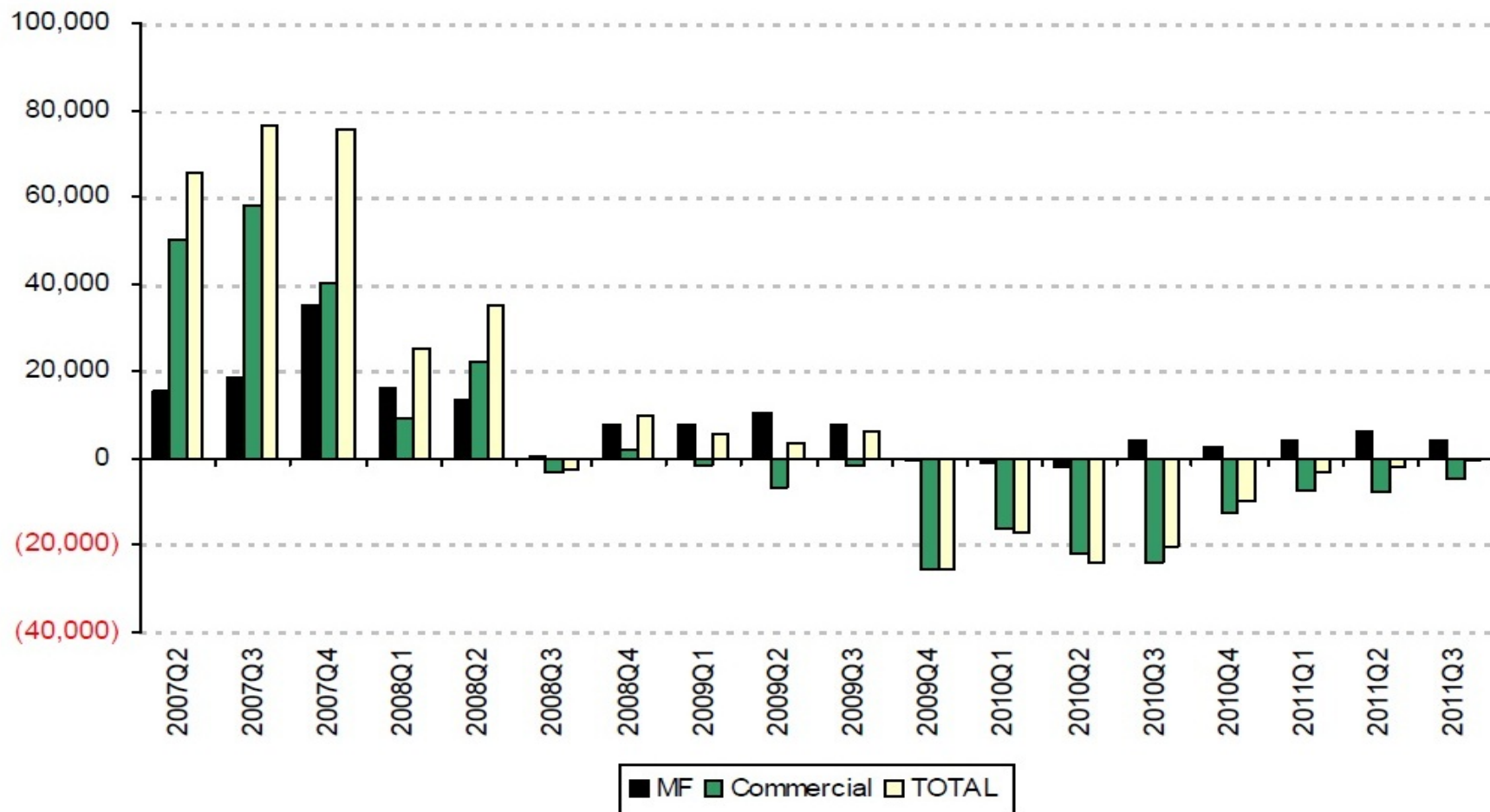
Net Change in Commercial & Multifamily Debt Outstanding By Sector, Third Quarter 2011 (\$ millions)



Source: MBA, Federal Reserve Board of Governors, and FDIC



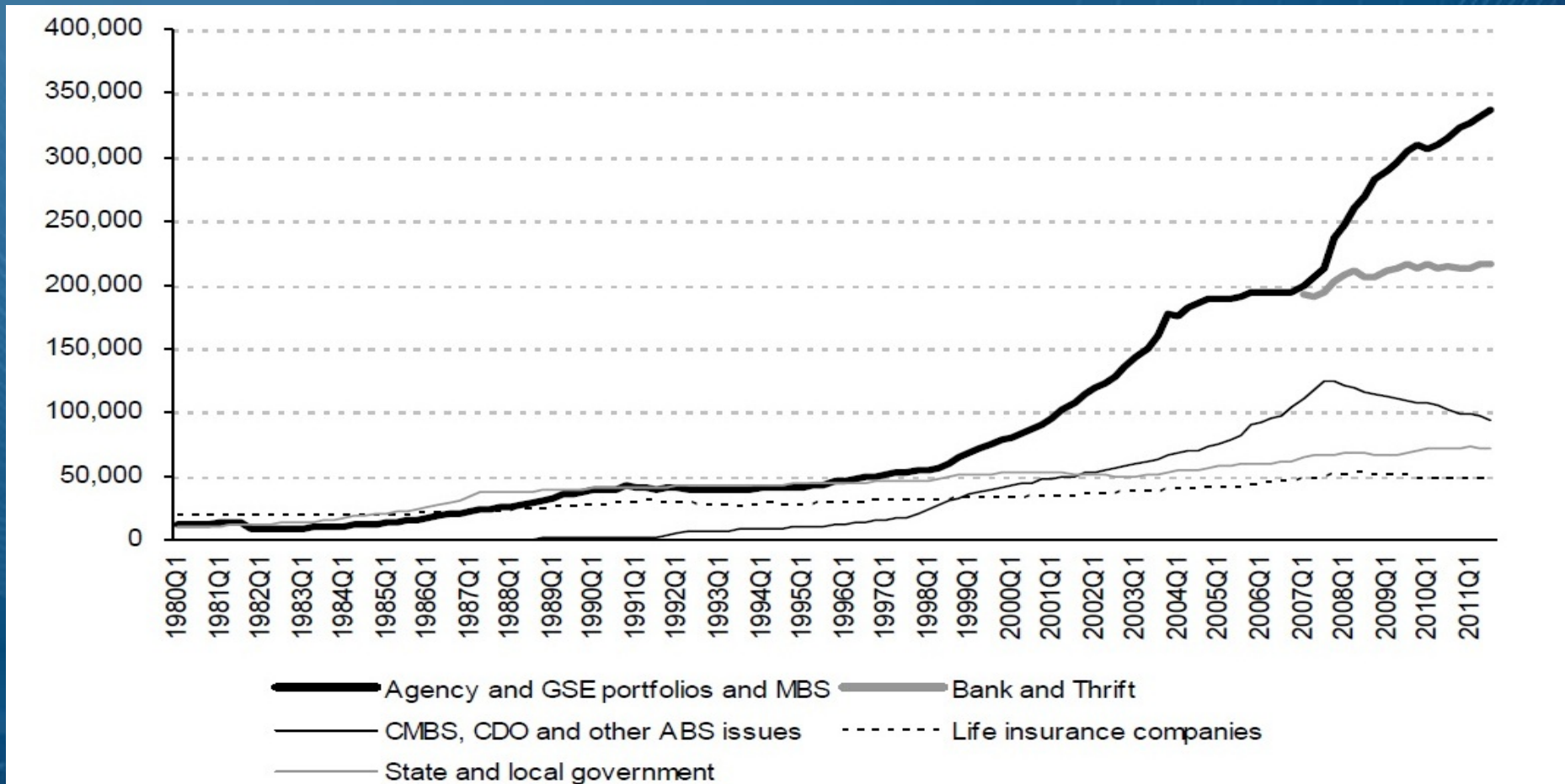
Commercial/Multifamily Debt Outstanding – 4Q2011 By Lender/Investor Type



Source: MBA, Federal Reserve Board of Governors, and FDIC



Multifamily Debt Outstanding By Sector (\$ millions)



Source: MBA, Federal Reserve Board of Governors, and FDIC



Property Types

What do lenders prefer?





RealtyRates.com INVESTOR SURVEY - 1st Quarter 2012*

PROPERTY DESIRABILITY MATRIX

	Preferred agressively seeking	Cautionary will consider	Rejecting but... ...may consider under special circumstances
Apartments	All Types		
Golf		Private	Public - Privately Owned
		Public - Municipal	Semi-Private
Health Care/Senior Housing		Congregate Care	Acute Care
		Independent Living	Nursing Homes
			Assisted Living
Industrial	Warehouse		Heavy Manufacturing
	Bulk Distribution		Flex/Showroom
Lodging			All Types
Mobile Home/RV Parks	Retirement & Family MH Parks		RV Parks/Campgrounds
Office	CBD		Medical
	Suburban		
Restaurants		All Types	
Retail	Grocery Anchored Centers	Unanchored Strip Centers	Malls/Outlet Malls
		Convenience Stores/Gas Stations	Free Standing Credit/Franchised
		Big Box/Power Centers	Unanchored Strip Centers
Self-Storage			All Types
Special Purpose		Schools/Daycare Centers	Churches
		Public Assembly Facilities	Marinas/Recreational Facilities
		Parking Garages	

*4th Quarter 2011 Data

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RealtyRates.com 1st Quarter 2012 Survey

Preferred Property Types (aggressively seeking):

- Apartments – All Types
- Industrial – Warehouse & Bulk Distribution
- Retail – Grocery Anchored Centers
- Office – CBD & Suburban
- Mobile Home Parks – Retirement & Family MH Parks



RealtyRates.com 1st Quarter 2012 Survey

Cautionary (will consider):

- Retail – Unanchored Strip Centers, C-Stores, Big Box & Power Centers
- Health Care/Seniors Housing – Congregate Care and Independent Living
- Restaurants – All types



RealtyRates.com 1st Quarter 2012 Survey

Rejecting but ... (may consider):

- Retail – Malls/Outlet Malls, Free Standing Credit/Franchised
- Office – Medical Office
- Industrial – Heavy Manufacturing, Flex/Showroom
- Health Care – Acute care, Nursing Homes, Assisted Living
- Self Storage – All Types
- Lodging – All Types



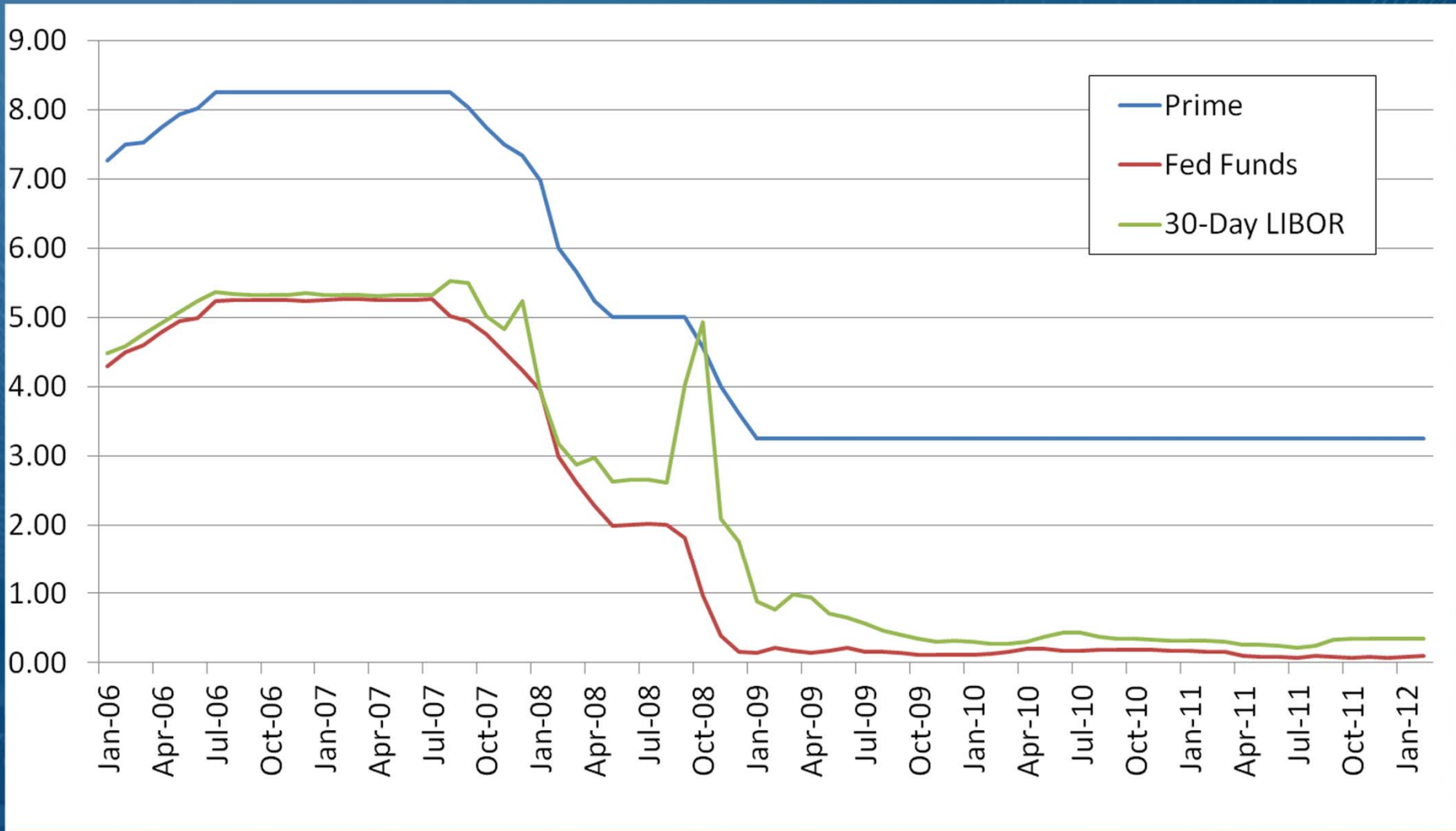
Interest Rate Review

Duc Vu, Student*
LSU School of Business
Department of Finance

* And Lawyer

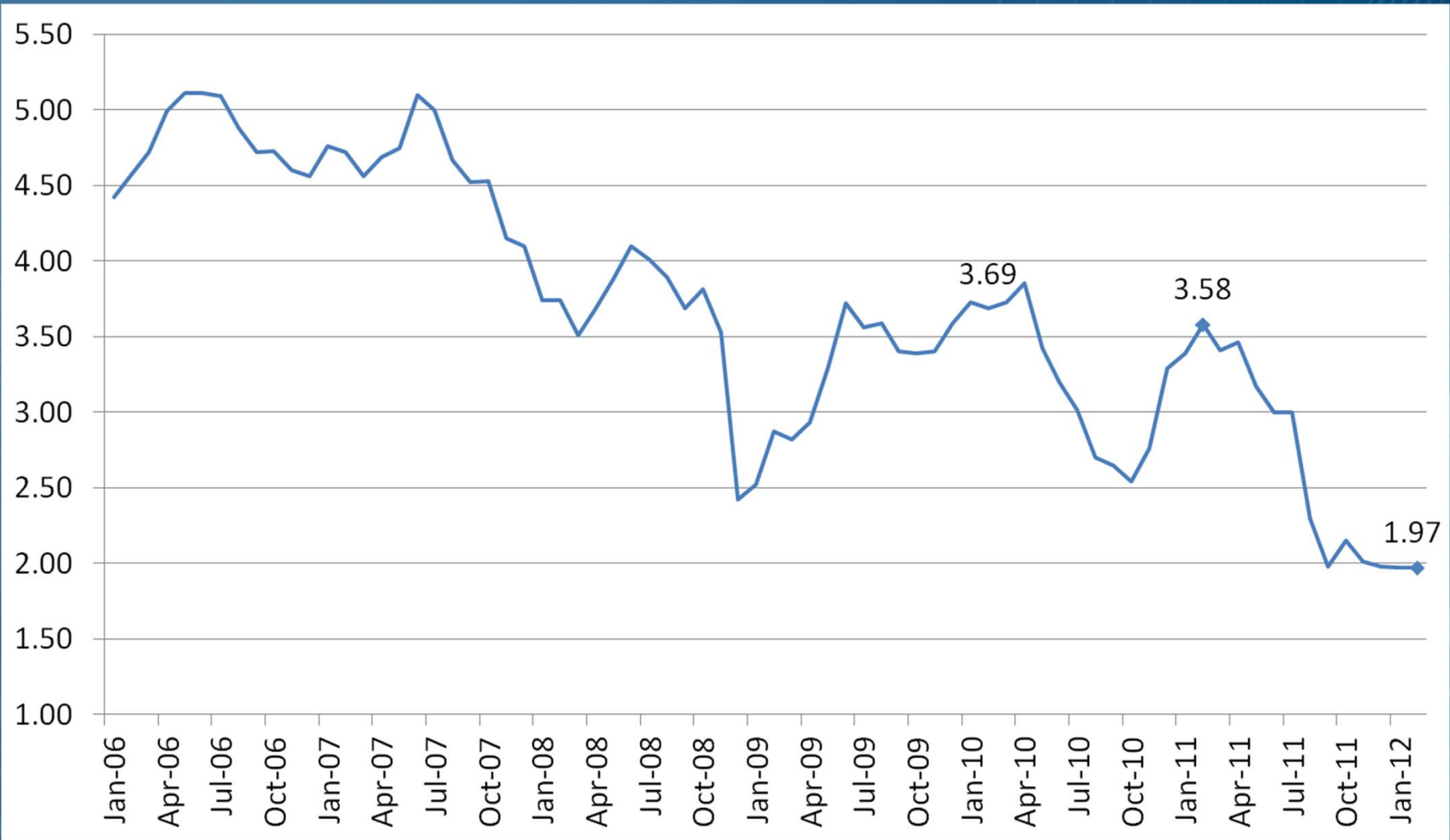


Average Monthly Floating Interest Rates





10-Year Constant Maturity Treasury Rates





RealtyRates.com Investor Survey – 1st Quarter 2012

PERMANENT FINANCING

	Apartments	Industrial	Office	Retail
Spread Over Base				
Minimum	0.67%	0.83%	0.83%	0.80%
Maximum	6.80%	6.49%	6.49%	7.46%
Average	2.71%	3.02%	3.16%	3.19%
Interest Rate				
Minimum	2.68%	2.84%	3.66%	3.56%
Maximum	8.81%	8.50%	8.84%	10.22%
Average	4.72%	5.03%	5.75%	5.95%



Lender Update

Who Has the Money?





Who Has the Money?

Commercial Banks, Credit Unions and Savings Associations

Conduits and Securitized Lenders

Insurance Companies

Apartment Lenders



Commercial Banks, Credit Unions, Savings Institutions





Major Considerations for Banks

- Owner-occupied real estate is generally desired
- Speculative investment ... not so much
- Relationships are most important
- Terms are conservative
- Underwriting of GLOBAL CASH FLOWS!
- Regulatory pressures remain



Conduit Lenders Life Insurance Companies

Thomas A. Kehoe, Jr.
Eustis Commercial Mortgage
Executive Vice President & COO



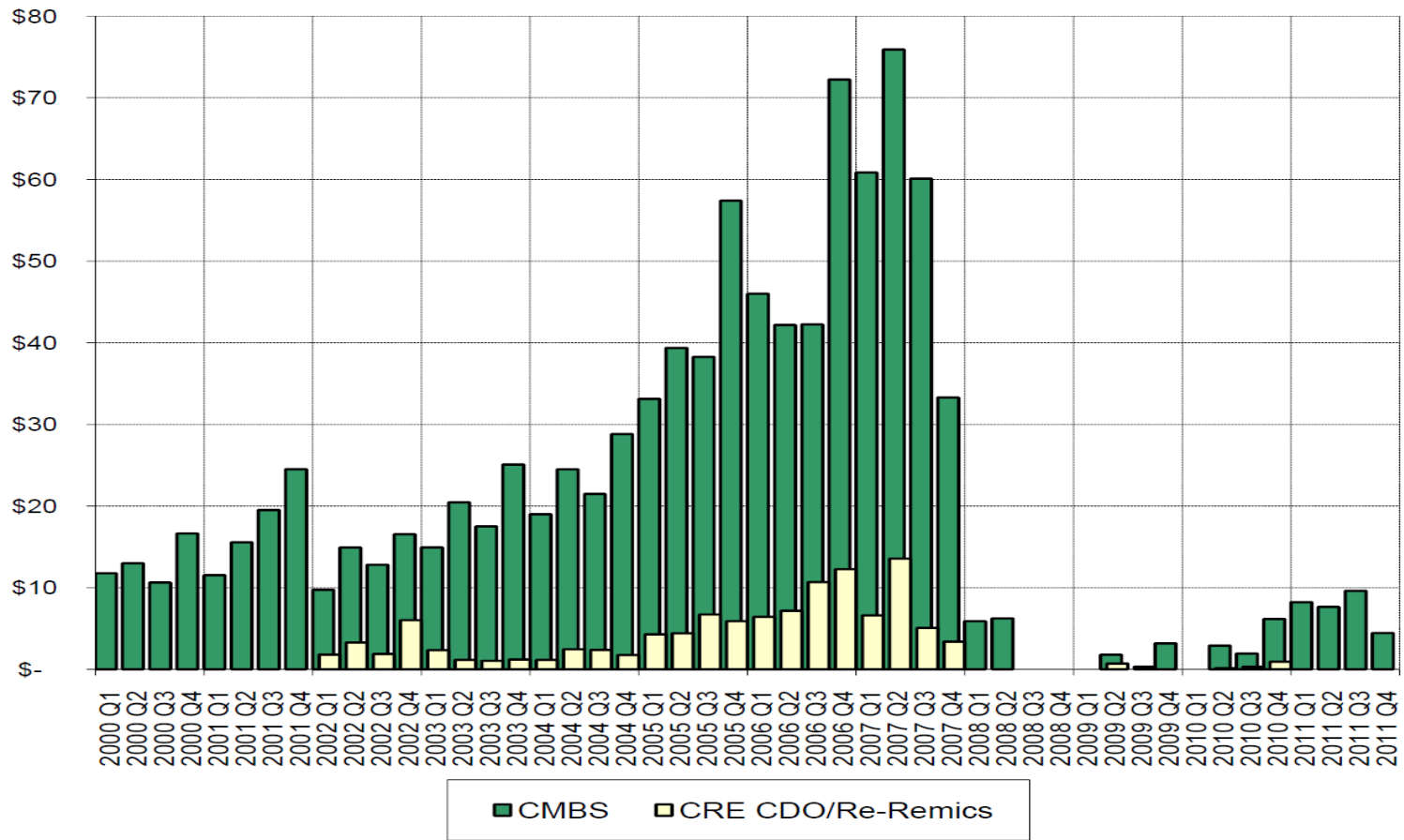
Conduits and Other Securititized Lenders





**QUARTERLY ISSUANCE OF
COMMERCIAL MORTGAGE BACKED SECURITIES (CMBS) and
COMMERCIAL REAL ESTATE COLLATERALIZED DEBT OBLIGATIONS (CDOs)**

Billions of Dollars





Current Loan Structures - CMBS

- **LTV** 65% - 75%
- **Term** Mostly 10 year, but some 5 and 7
- **Amort** 25 – 30 years
- **Rates** 5.25% - 5.75%
- **Other** Will require funded reserves for TI/LC and Capital
- **Rate Lock** after due diligence and legal process is completed.
- **They will also look at Debt Yields (8.5% up to 13% for hospitality)**



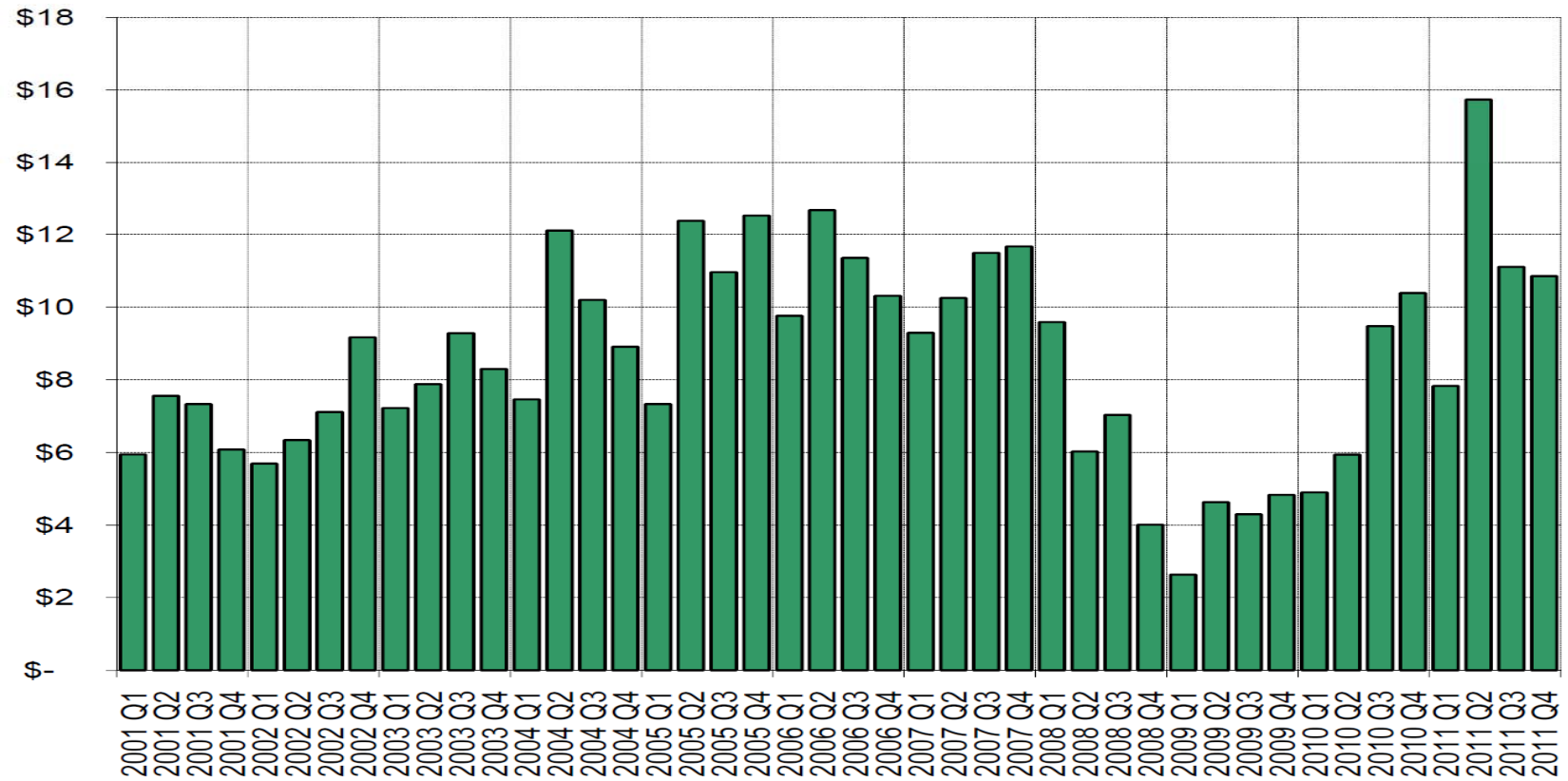
Life Insurance Companies





QUARTERLY COMMERCIAL MORTGAGE COMMITMENTS BY LIFE INSURANCE COMPANIES

Billions of Dollars




Source: American Council of Life Insurance Companies (ACLI)

a. Annual figures may not equal the sum of quarterly figures due to change in reporting.



Current Loan Structures – Life Companies

- **LTV** 65% - 70%, but some 75% money
 - **Terms** 5 to 25 years
 - **Amort** 20 or 25 years, but will go 30 year for right property
 - **Rates** 3.5% - 5.0%
 - **Other** No funded reserves for TI/LC and Capital
 - **Rate Lock** at application which eliminates treasury and spread risk.
- 



Current Transaction

Apartment Acquisition

- **LTV** **75% and 75% LTC**
- **Term** **10 years**
- **Amort** **30 years**
- **Rate** **4.24%**
- **Other** **Tax escrow only**



Apartment Lenders

Fannie Mae
Freddie Mac
HUD/FHA



EAST BATON ROUGE

REDEVELOPMENT
AUTHORITY

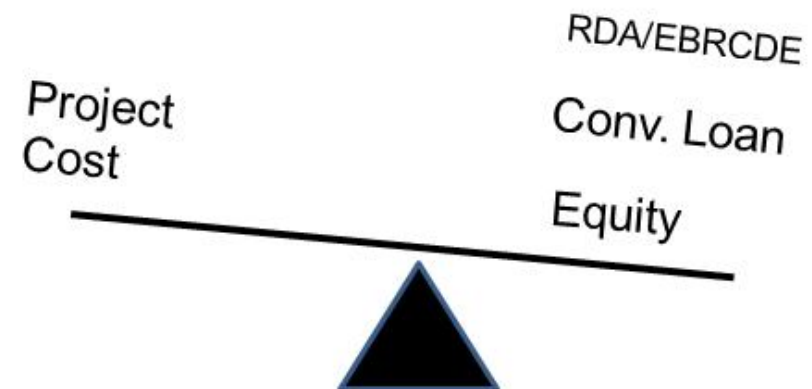
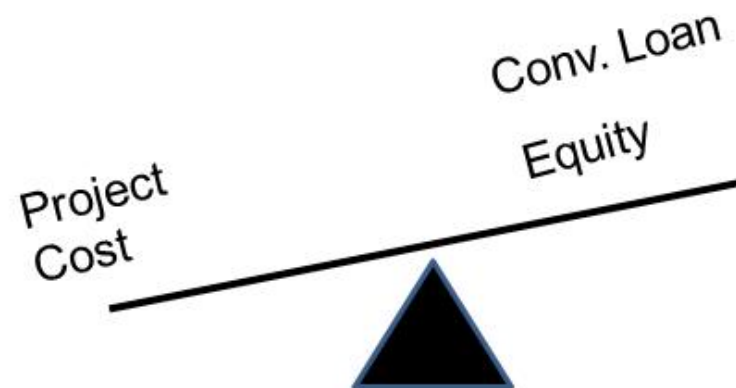


Mark Goodson

Executive Vice President and Chief Operating Officer



Financing Programs





Gap Finance - Commercial

- New commercial construction, expansion and rehabilitation
- Low-interest, patient loans, flexible terms
- Loans capped at \$250,000 or 30%
- Financially feasible
- Community benefit



Business Improvement Program

- Matching grants to improve “curb appeal”
- \$7,500 per storefront*
- Reimbursable 75% to 25% match
- Free design & bid assistance
- Located in Target Area



RDA Programs





RDA Programs





EAST BATON ROUGE

REDEVELOPMENT
AUTHORITY



www.ebrra.org

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