

# Real Estate Finance Trends 2013

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Presented by:

**Brian S. Andrews, CMB**

Andrews Commercial Real Estate Services

**Tommy Kehoe**

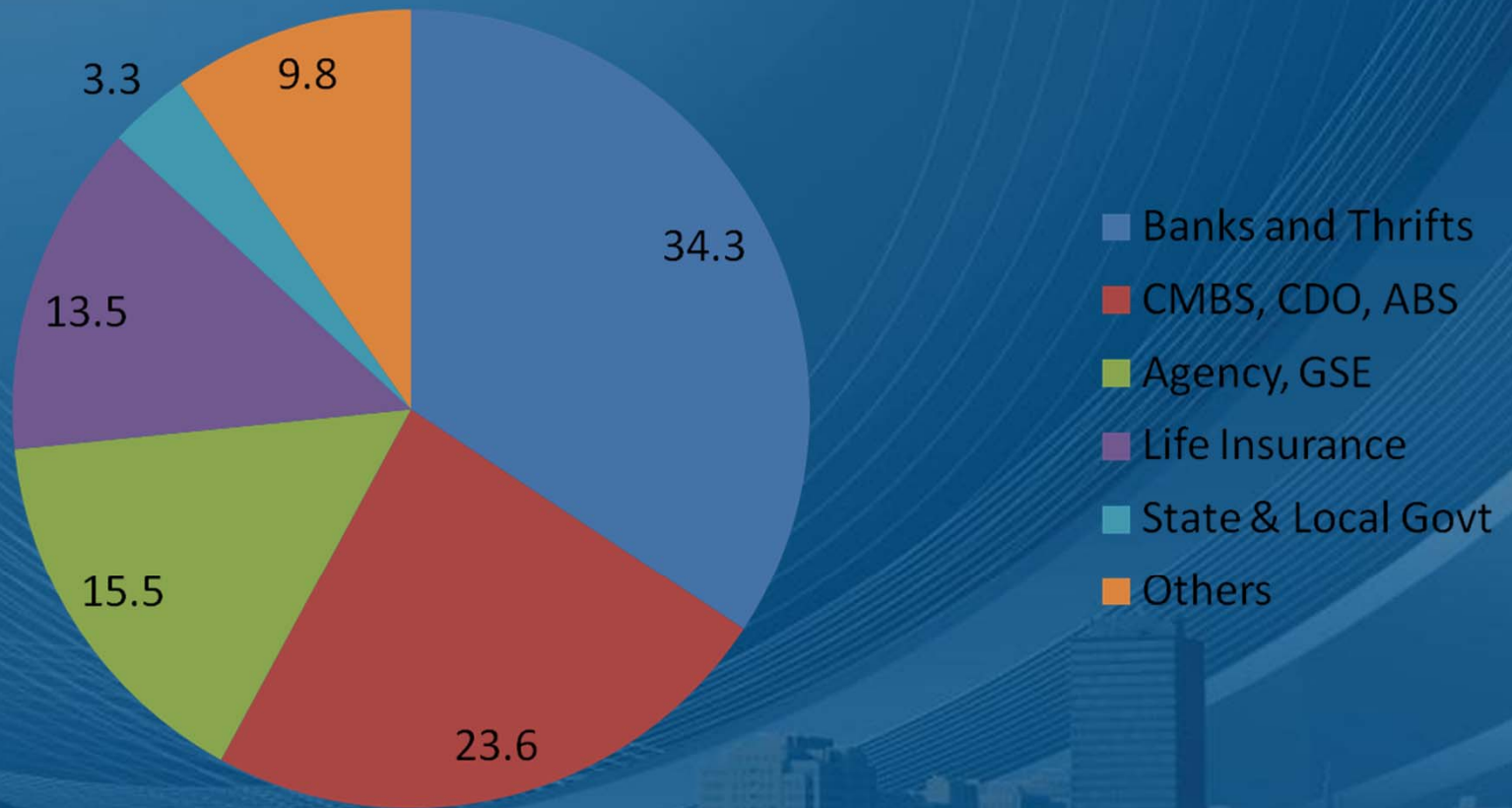
Eustis Commercial Mortgage

Erin Broadway, Michael Kelly, Scott Smith, Ross Whitfield

April 18, 2013



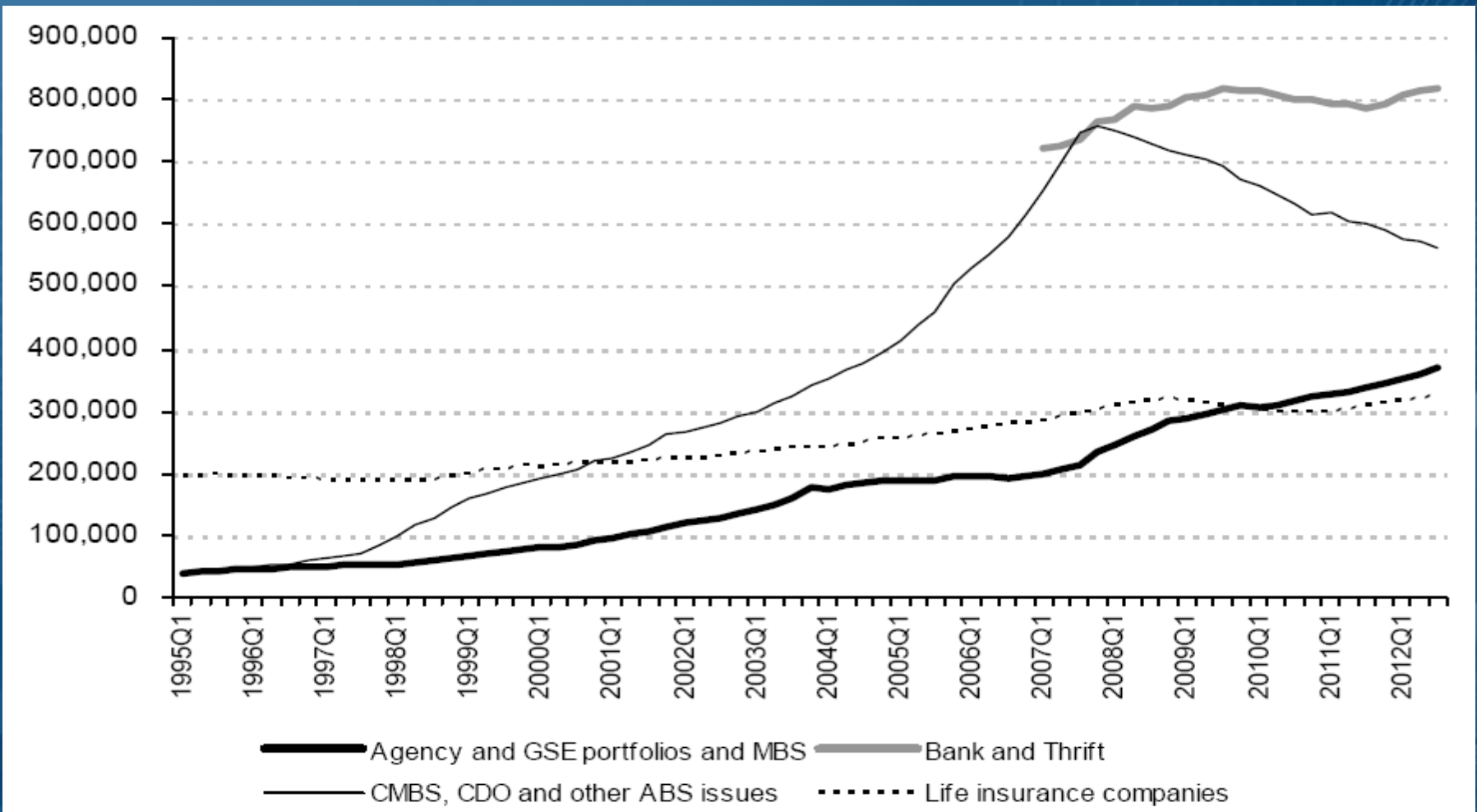
## Commercial/Multifamily Debt Outstanding – 3Q2012 By Lender/Investor Type



Source: Mortgage Bankers Association



## Commercial/Multifamily Debt Outstanding – 3Q2012 By Lender Type





# RealtyRates.com Investor Survey 4Q2012

## PROPERTY DESIRABILITY MATRIX

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2013*			
PROPERTY DESIRABILITY MATRIX			
	<b>Preferred</b> agressively seeking	<b>Cautionary</b> will consider	<b>Rejecting but...</b> ...may consider under special circumstances
<b>Apartments</b>	All Types		
<b>Golf</b>		Private Public - Municipal	Public - Privately Owned Semi-Private
<b>Health Care/Senior Housing</b>		Congregate Care Independent Living	Acute Care Nursing Homes Assisted Living
<b>Industrial</b>	Warehouse Bulk Distribution		Heavy Manufacturing Flex/Showroom
<b>Lodging</b>		All Types	
<b>Mobile Home/RV Parks</b>	Retirement & Family MH Parks		RV Parks/Campgrounds
<b>Office</b>	CBD	Suburban	Medical
<b>Restaurants</b>		All Types	
<b>Retail</b>	Grocery Anchored Centers	Unanchored Strip Centers Convenience Stores/Gas Stations Big Box/Power Centers	Malls/Outlet Malls Free Standing Credit/Franchised Unanchored Strip Centers
<b>Self-Storage</b>		All Types	
<b>Special Purpose</b>		Schools/Daycare Centers Public Assembly Facilities Parking Garages	Churches Marinas/Recreational Facilities

\*4th Quarter 2012 Data

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## Preferred Property Types (aggressively seeking):

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



## Cautionary Property Types (will consider):

- Retail – Unanchored strip centers, C-stores, Big Box/Power Centers
- Office – Suburban
- Self Storage – All Types
- Lodging – All Types





## Cautionary Property Types (will consider):

- Health Care/Senior Housing – Congregate Care, Independent Living
- Restaurants – All types
- Golf Courses – Private, Public/Municipal





Rejecting but may consider:

- Industrial – Heavy manufacturing, Flex/Showroom
- Office - Medical
- Retail – Malls/Outlet Malls, Free Standing Credit/Franchised, Unanchored Strip







Rejecting but may consider:

- Health Care/Senior Housing – Acute Care, Nursing Homes, Assisted Living
- Golf Courses – Public-Privately Owned, Semi-Private
- RV Parks – including campgrounds





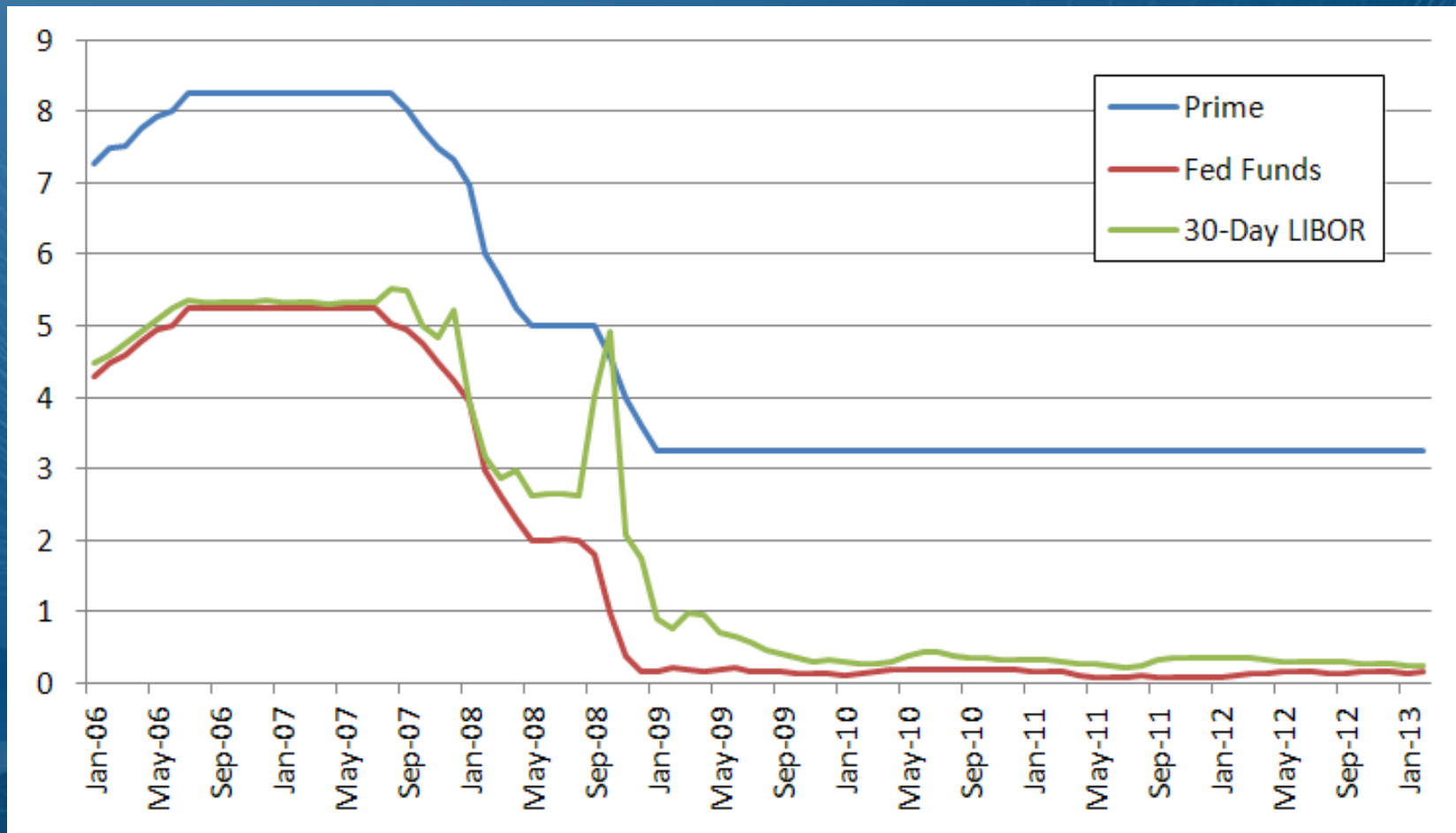
# Interest Rate Review

LSU School of Business  
Department of Finance



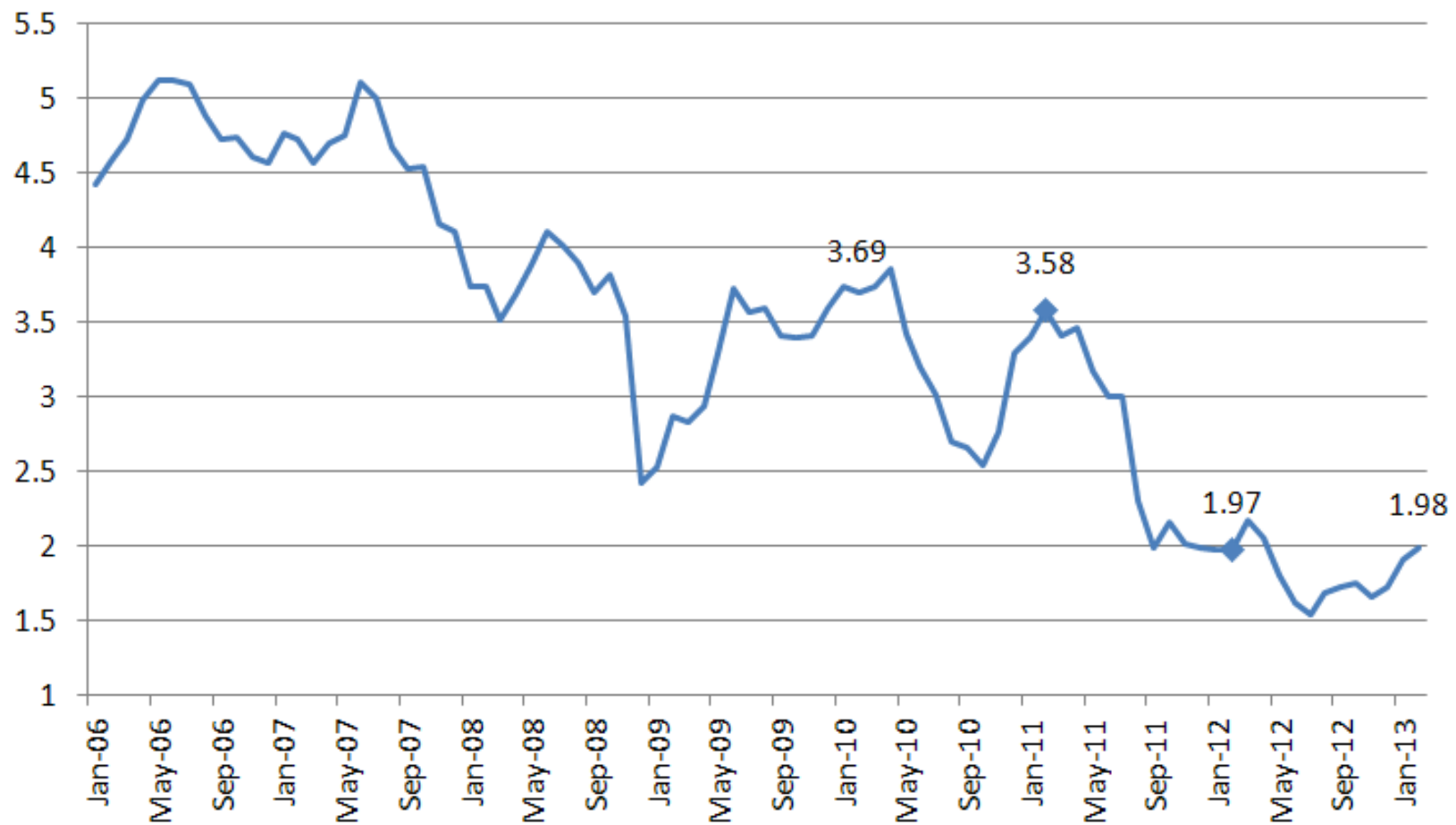
# Average Monthly Prime, Fed Funds and 30-Day LIBOR Rates

January 2006 through February 2013



# 10-Year US Treasury Rates

January 2006 through February 2013





## RealtyRates.com Investor Survey – 1<sup>st</sup> Quarter 2013

### PERMANENT FINANCING

	<b>Apartments</b>	<b>Industrial</b>	<b>Office</b>	<b>Retail</b>
Spread Over Base				
Minimum	<b>0.70%</b>	<b>1.05%</b>	<b>1.05%</b>	<b>0.75%</b>
Maximum	<b>6.85%</b>	<b>6.85%</b>	<b>6.85%</b>	<b>7.16%</b>
Average	<b>2.84%</b>	<b>2.93%</b>	<b>3.45%</b>	<b>3.05%</b>
Interest Rate				
Minimum	<b>3.35%</b>	<b>2.70%</b>	<b>2.70%</b>	<b>2.40%</b>
Maximum	<b>8.50%</b>	<b>8.50%</b>	<b>8.50%</b>	<b>8.81%</b>
Average	<b>4.49%</b>	<b>4.58%</b>	<b>5.10%</b>	<b>4.70%</b>



# 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







- Caution has given way to business as usual
- Preference is still existing projects with good history over new construction.
- Sponsorship is still critical.
- Takeout strategy is helpful to recycle capital for larger institutions.
- As the permanent market recovers, banks will have more room to lend.



# Conduits and Other Securititized Lenders

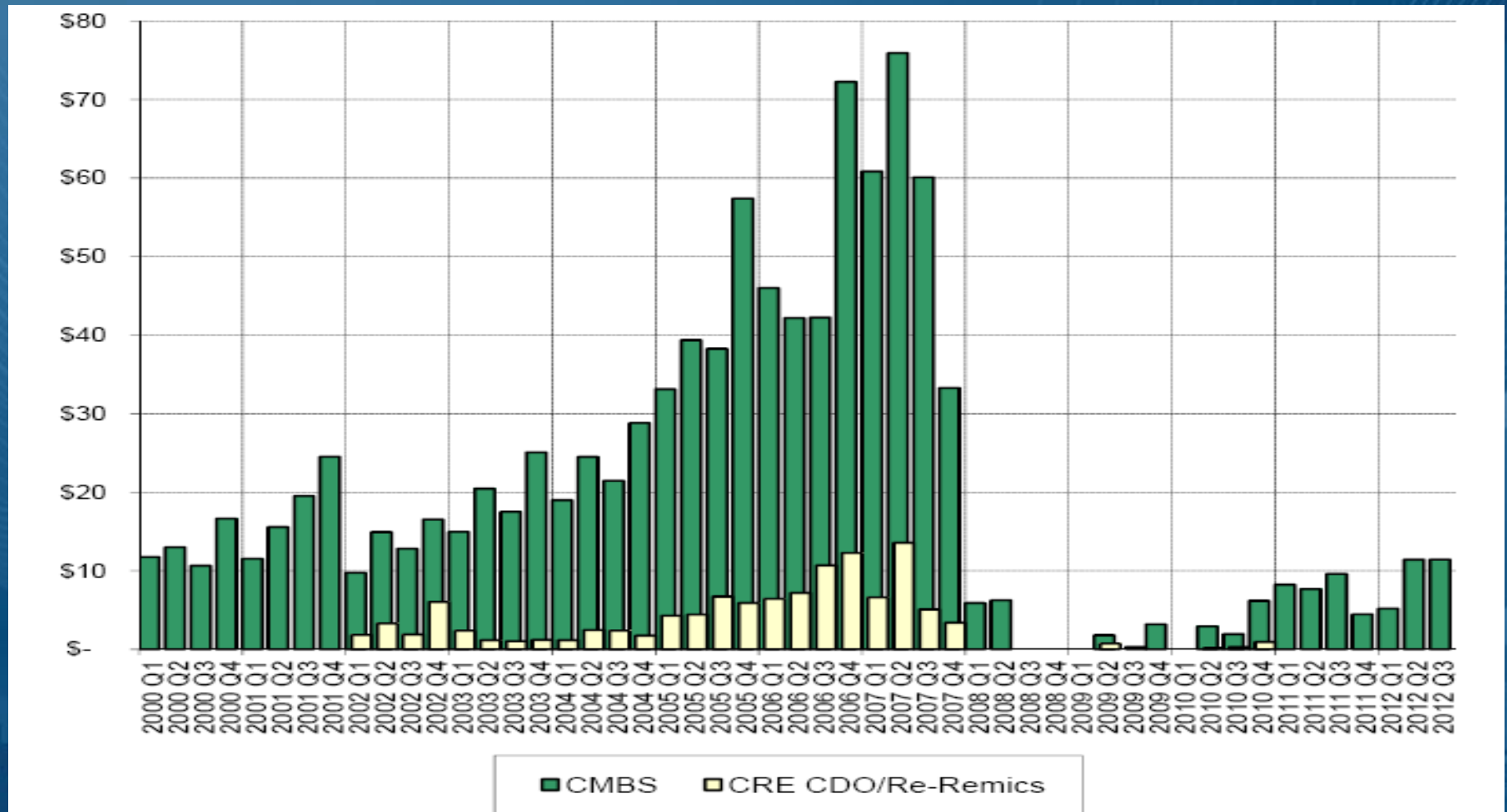




- Securitized lenders are staging a comeback.
- Terms are back to normal, which some borrowers will perceive as overly conservative.
- Major players are back with loan programs starting at \$5,000,000; some as low as \$1,000,000.
- There will be more protections for lenders!



## Quarterly Issuance of CMBS Third Quarter 2012 (\$billions)



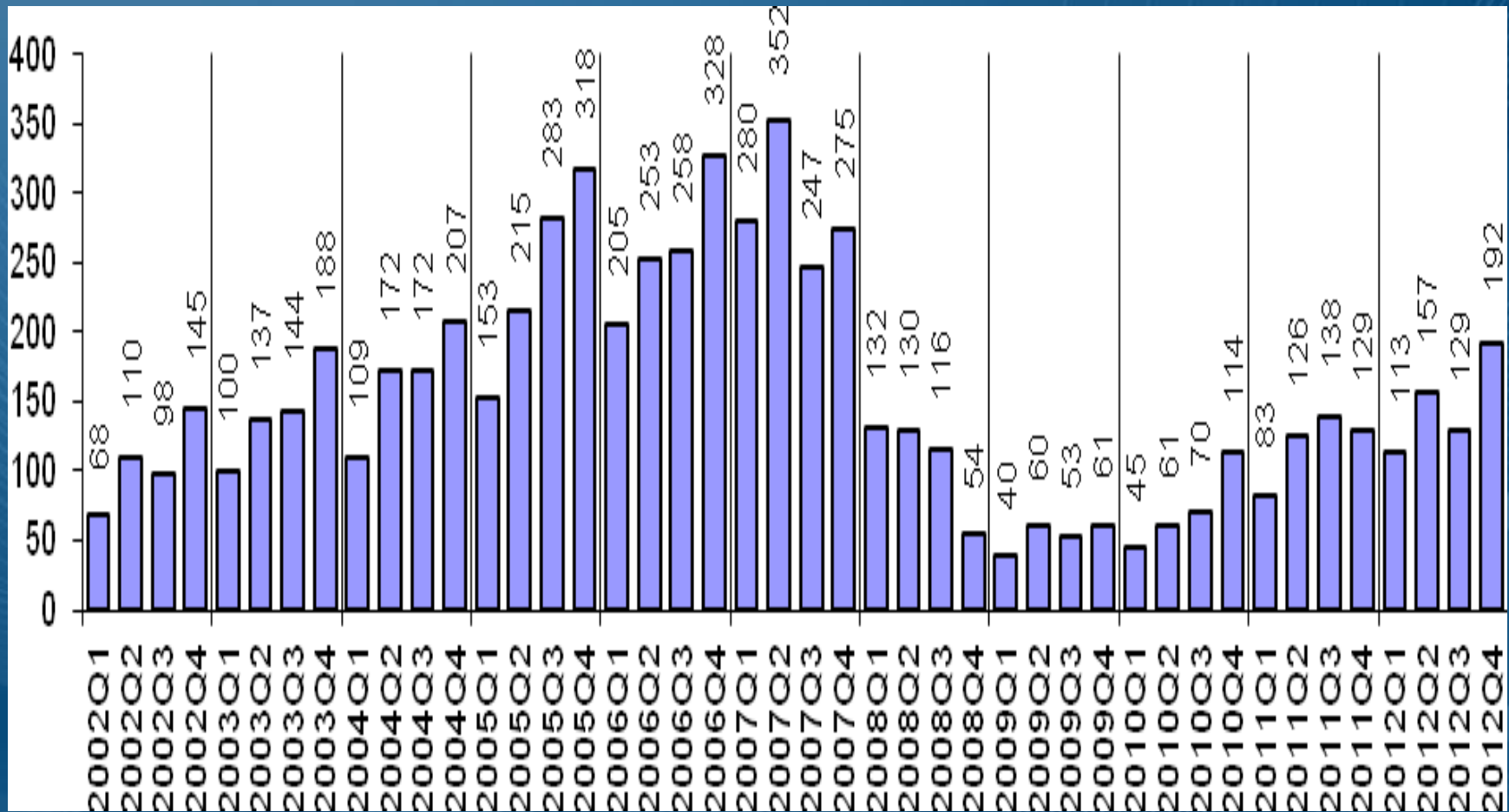


# Life Insurance Companies

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



## Est. Quarterly Commercial/Multifamily Originations Index



Source: Mortgage Bankers Association



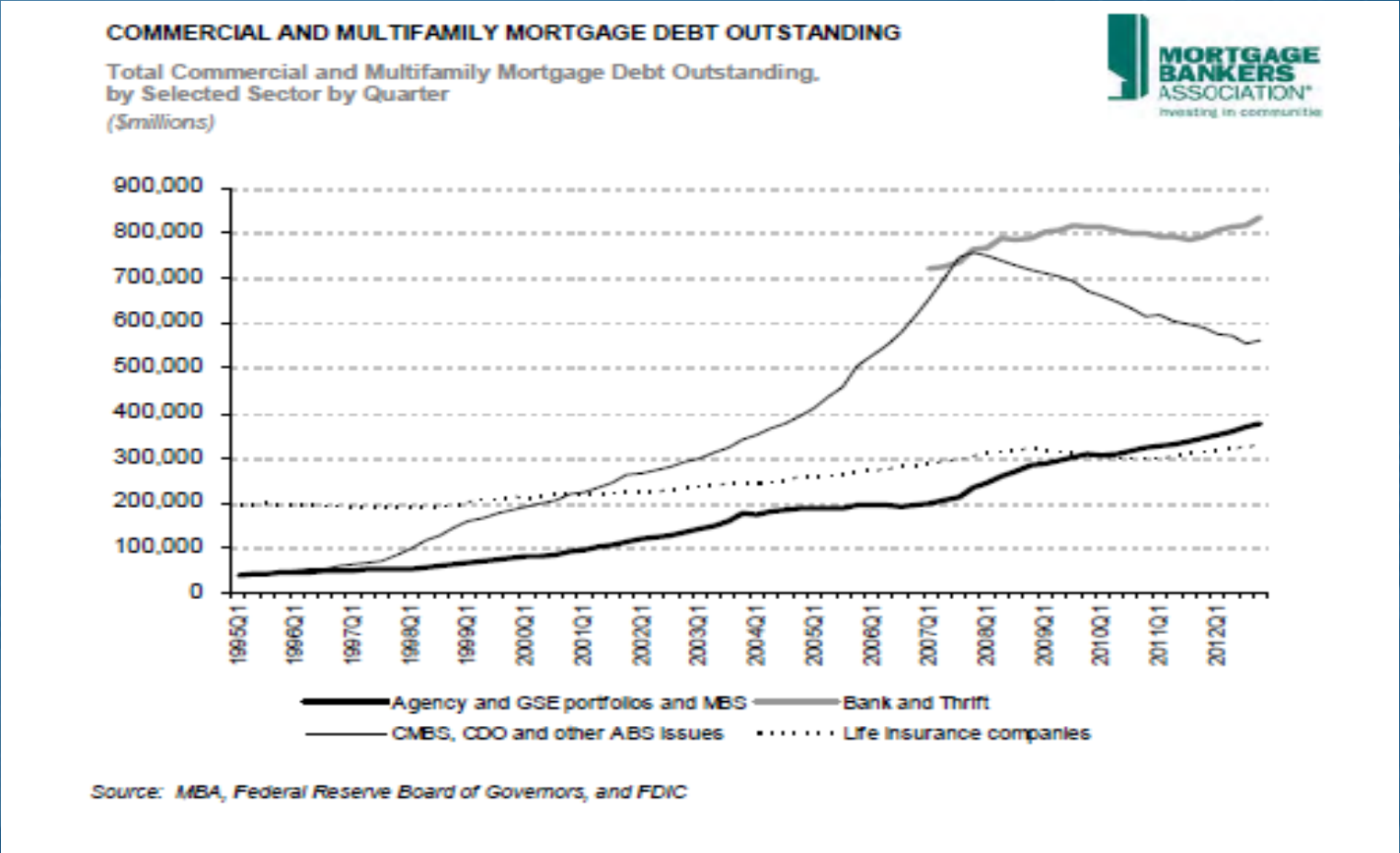
## Estimated Quarterly Commercial/Multifamily Originations Index By Investor Group

Commercial/Multifamily Mortgage Bankers Originations Index By Investor Group							
	Origination Volume Index (2011 Avg Qtr = 100)				Percent Change		
	Q1	Q2	Q3	Q4	Year-over- year, Q4	Q3-to-Q4	YTD-YTD
<b>TOTAL</b>							
2007	280	352	247	275	-16%	12%	11%
2008	132	130	116	54	-80%	-53%	-63%
2009	40	60	53	61	12%	15%	-51%
2010	45	61	70	114	88%	63%	36%
2011	83	126	138	129	13%	-7%	64%
2012	113	157	129	192	49%	49%	24%
<b>Conduits</b>							
2007	456	606	206	357	-31%	73%	13%
2008	19	9	15	6	-98%	-82%	-97%
2009	1	4	2	1	-82%	-33%	-85%
2010	5	11	18	62	6110%	298%	1204%
2011	26	80	42	31	-50%	-26%	91%
2012	23	94	42	102	228%	141%	45%
<b>Commercial Banks</b>							
2007	316	408	445	521	-6%	17%	-13%
2008	228	289	129	74	-86%	-43%	-57%
2009	47	49	62	86	17%	38%	-66%
2010	45	44	32	64	-25%	102%	-25%
2011	77	109	169	143	122%	-16%	171%
2012	158	172	182	240	68%	32%	51%
<b>Life Insurance Companies</b>							
2007	158	175	222	163	-15%	-27%	-3%
2008	119	128	163	44	-73%	-73%	-37%
2009	41	59	69	93	112%	34%	-42%
2010	94	147	176	250	170%	42%	155%
2011	200	274	282	216	-13%	-23%	46%
2012	220	302	191	255	18%	33%	0%
<b>Fannie Mae/Freddie Mac</b>							
2007	114	112	181	194	41%	7%	36%
2008	185	186	208	164	-15%	-21%	24%
2009	136	189	143	122	-26%	-15%	-20%
2010	70	85	120	202	65%	68%	-19%
2011	112	134	176	236	17%	34%	38%
2012	157	201	230	355	51%	54%	43%

Source: Mortgage Bankers Association



# Commercial and Multifamily Debt Outstanding (\$millions)



Source: MBA, Federal Reserve and FDIC





# Genworth Financial

2010 Production	\$110,000,000
2011 Production	\$475,000,000
2012 Production	\$800,000,000
2013 Objective	\$1,000,000,000

- To date, Genworth has had an extremely active 2013. So far, they have closed \$255M and have \$254M under application or in the approval/closing process.



# AIG Global Investment Corporation

2010 Production	\$750,000,000
2011 Production	\$1,250,000,000
2012 Production	\$1,738,000,000
2013 Objective	\$3,000,000,000

- AIG has fully paid back the US Government along with a \$20B profit.
- 



# Current Loan Parameters

- Loan to Value up to 75%
- Fixed Rate Terms 5 – 25 years
- Amortizations 20 – 25 years, but will go 30 for Class A Apartments
- Rates 3.00% - 3.25% for 5 years  
3.75% - 4.25% for 10 years
- Multi-family, multi-tenant office, industrial, grocery anchored retail or shadow anchored retail. There is some money available for hospitality.

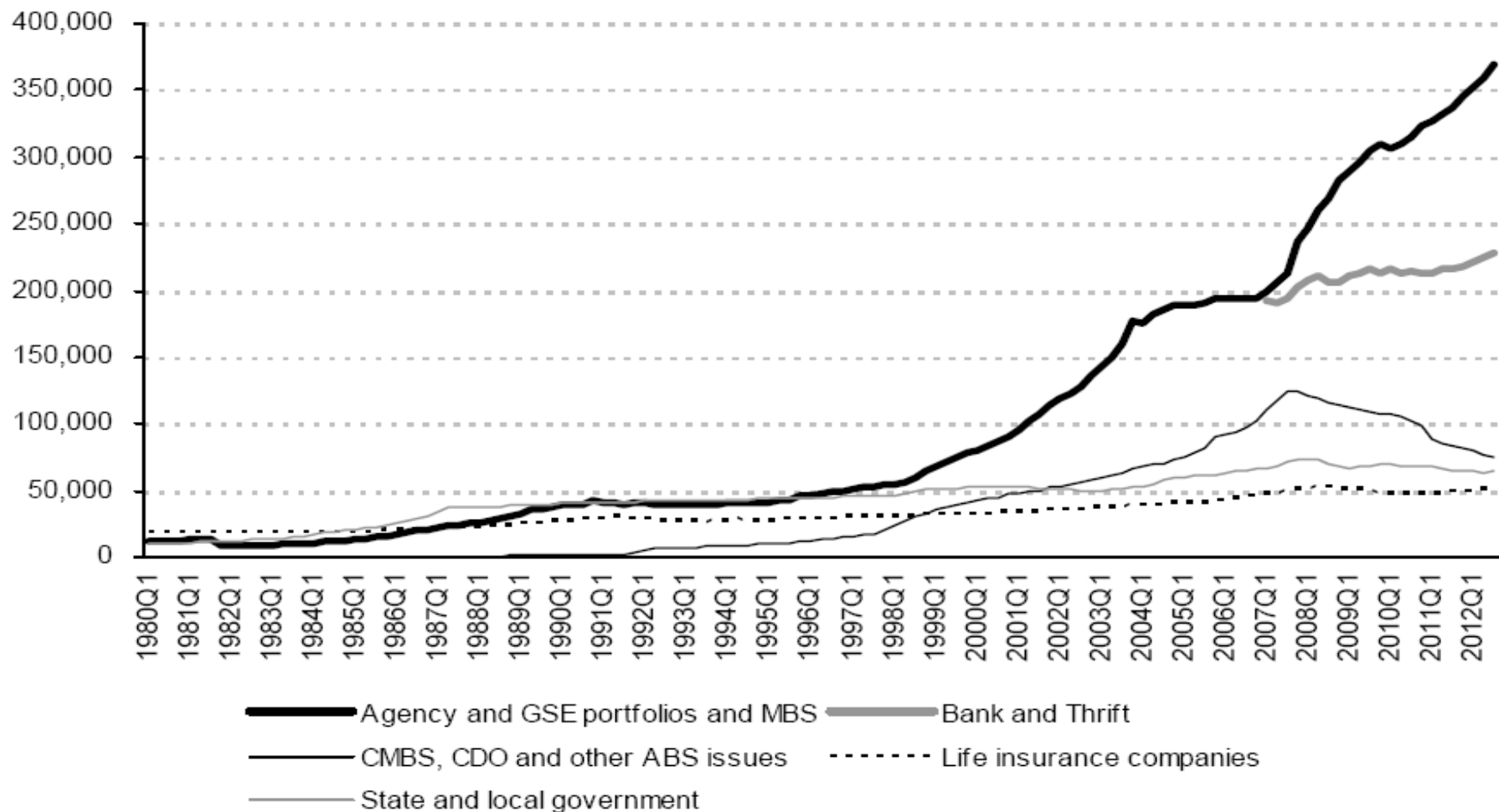


# Specialized Multifamily Lending

- Fannie Mae
- Freddie Mac
- HUD



## Multifamily Debt Outstanding – 3Q2012 By Lender Type





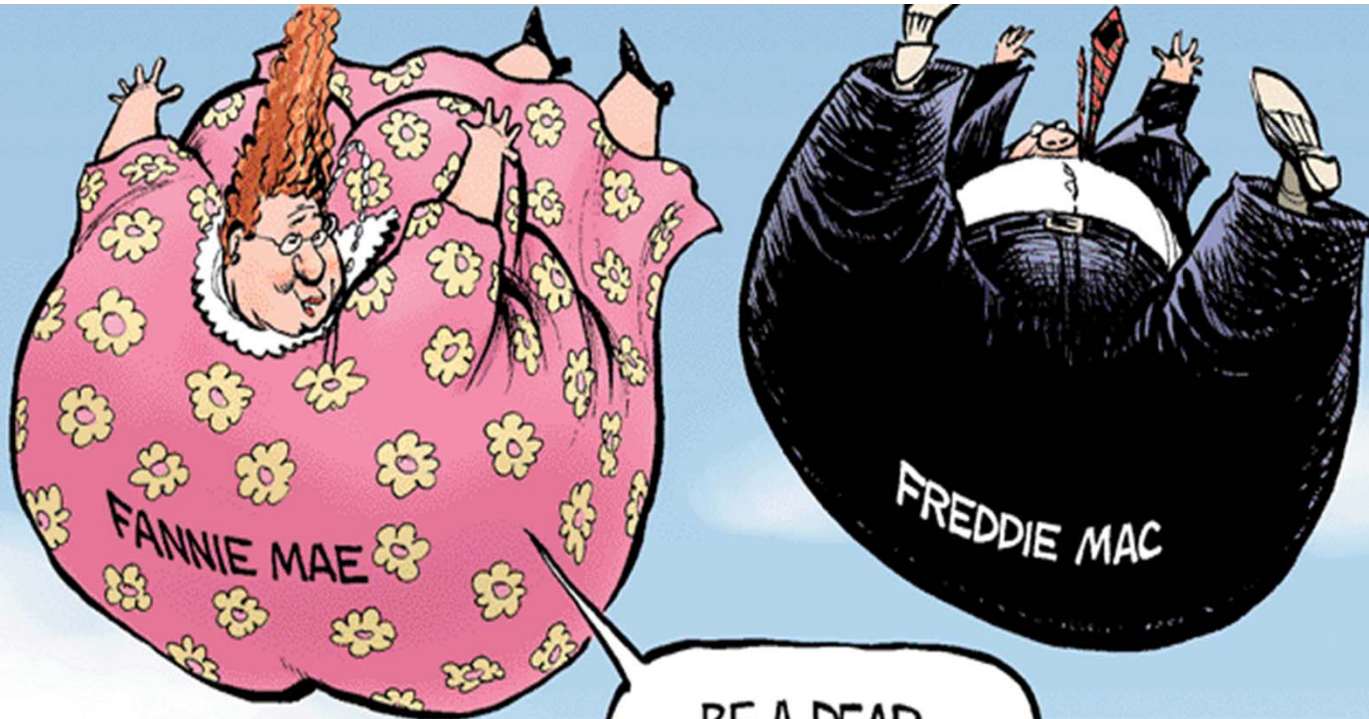
# Specialized Multifamily Lending





# Fannie and Freddie

- Still in business to finance housing
- Multifamily business will be reduced by 10% in 2013
- Ultimate fate of these entities is still unknown



BE A DEAR  
AND CATCH US  
WHEN YOU LAND!







# Specialized Multifamily Lending





# HUD

- Still in business to finance housing
- No official proclamations, but ...
  - Market rate deals harder to get
  - Harder to find a new site that does not impact an existing site.



# Residential Lending

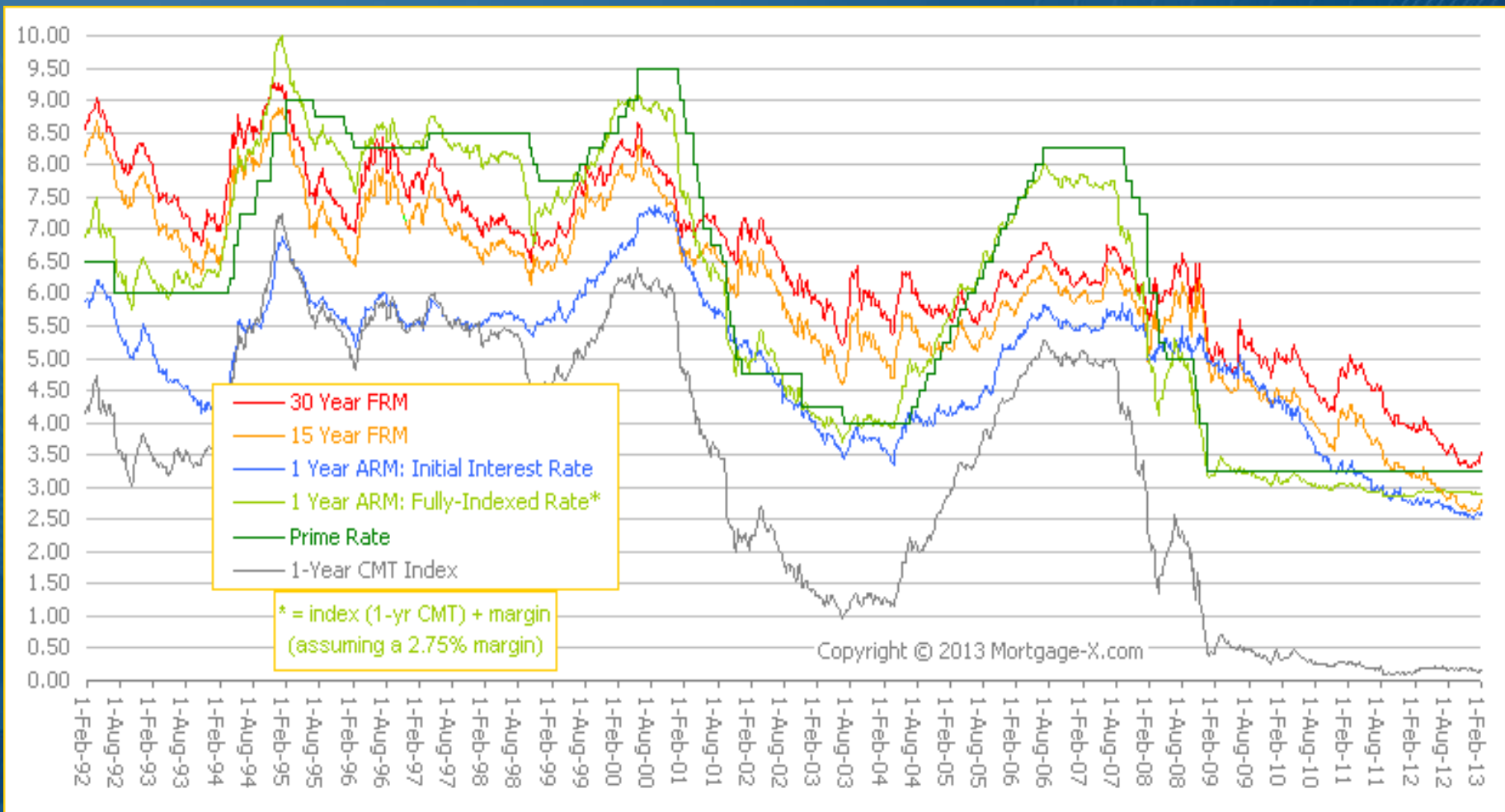




# National Average Mortgage Rates: Historical Data

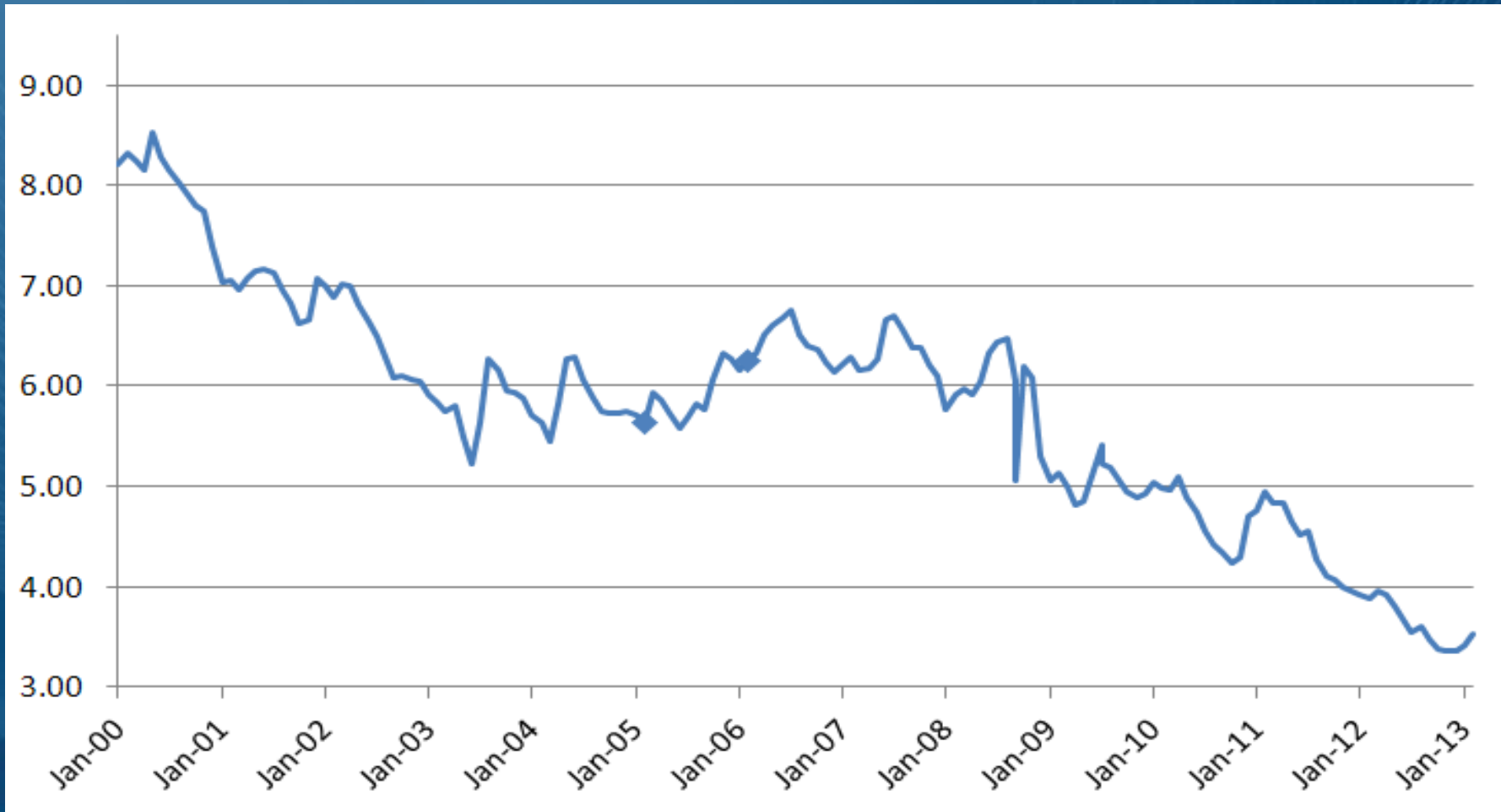
## February 1992 through February 2013

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## Freddie Mac 30-Year Fixed Rate Mortgage January 2000 through February 2013



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