

Real Estate Finance Trends 2011



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April 21st, 2011



EAST BATON ROUGE

REDEVELOPMENT
AUTHORITY

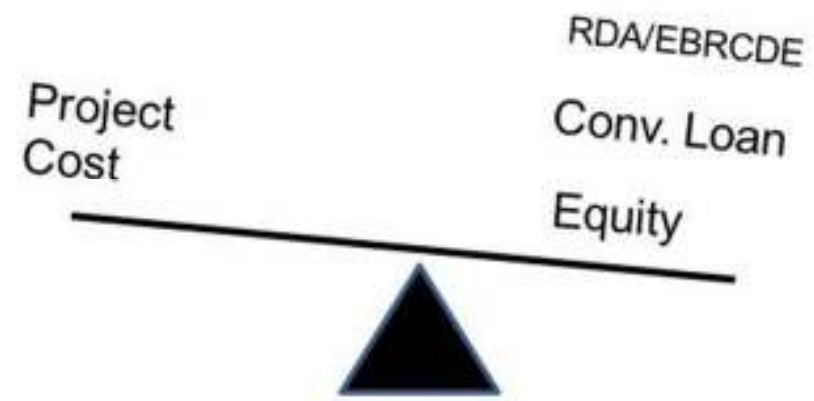
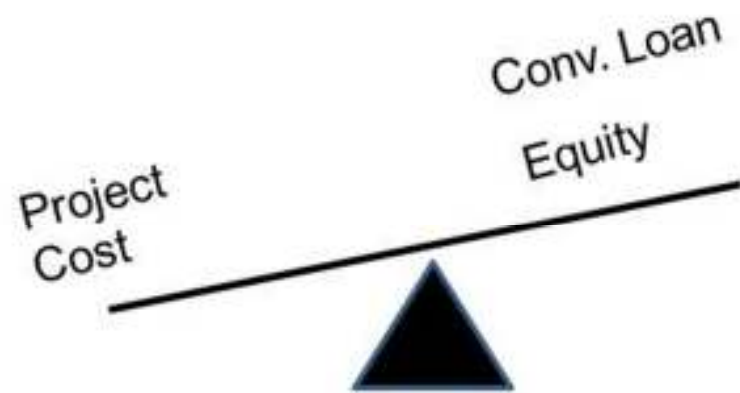


Mark Goodson

Executive Vice President and Chief Operating Officer



Financing Programs





Gap Financing

- Gap funding for projects that provide attainable rental housing units
- Permanent mortgage funds for acquisition & development in Target Areas
- Up to \$40,000/attainable unit at below-market interest rates, not to exceed 30% of project cost or \$1MM
- “Public Benefit” criteria



Rental Rehabilitation

- Seek to stabilize rents and encourage mixed-income
- Provide funding for repair & rehabilitation in exchange for attainable rental units
- Up to \$20,000/attainable unit, not to exceed \$500,000
- Loan is forgivable upon satisfactory completion of terms, attainability period

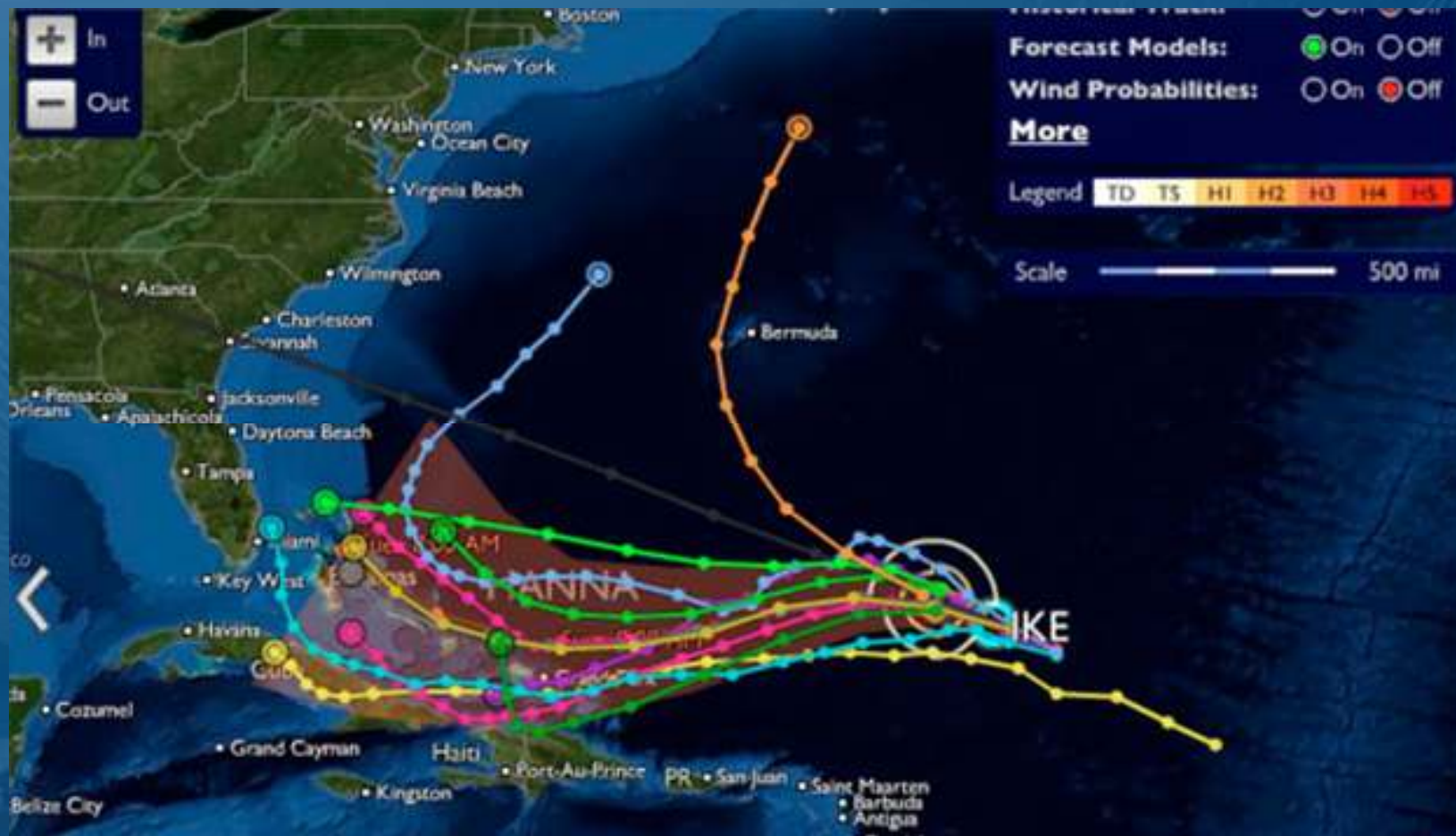


New Markets Tax Credits

- Provides infusion of capital into low income census tracts
- Passive equity investments, equal to approx. 25% of total development cost, at below 50% of market rates
- 39% tax credit is claimed over 7 years by Investor



New Markets Tax Credits





What Are We Looking For

- Targeted Approach
- Viable Projects
- Catalytic Potential
- Community Benefit



Eligible Projects

Rental Rehabilitation

- Existing rental residential or conversion projects that include attainable units
- Applicant must provide at least 10% equity
- Located in Target Area
- Financially feasible
- Community benefit



Eligible Projects

Gap Financing

- New rental residential or mixed-use construction that includes attainable units
- At least 70% of financing in place
- Located in Target Area
- Financially feasible
- Community benefit



Eligible Projects

New Markets Tax Credits

- Commercial or mixed-use real estate development project
- Total cost of at least \$3MM
- Typically, at least 75% of financing in place
- Located in low income Census tract
- Qualified Active Low Income Community Business
- Community benefit



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Thank You, Lending Sponsors

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Capital One Bank
The Cottonport Bank
Dow Louisiana Federal Credit
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Eustis Commercial Mortgage
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First Bank & Trust**

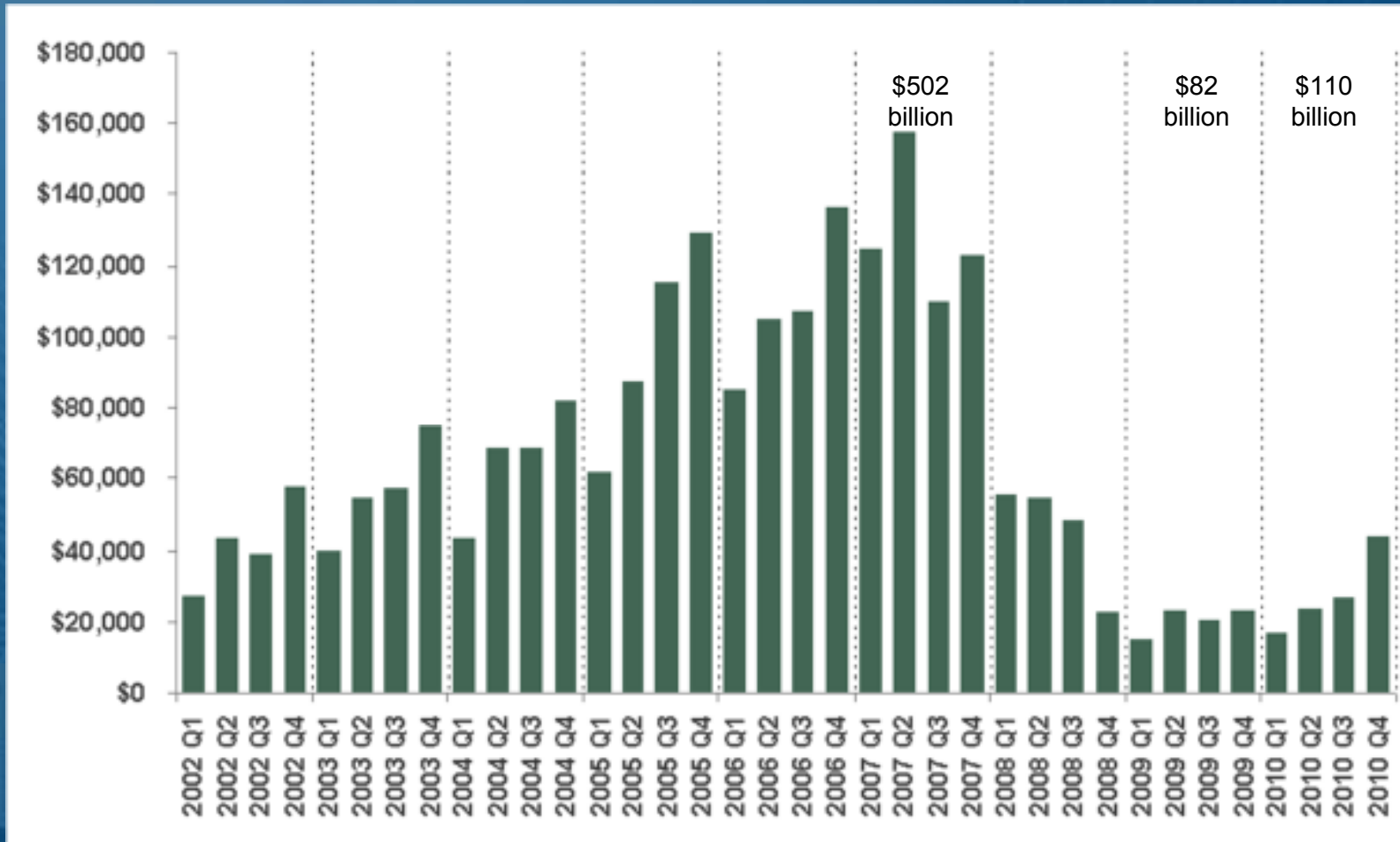
**Gulf Coast Bank & Trust
Hancock Bank
Home Bank
IBERIABANK
MidSouth Bank
Neighbors Federal Credit
Union
Teche Federal Bank
Whitney Bank**



In a Nutshell ...



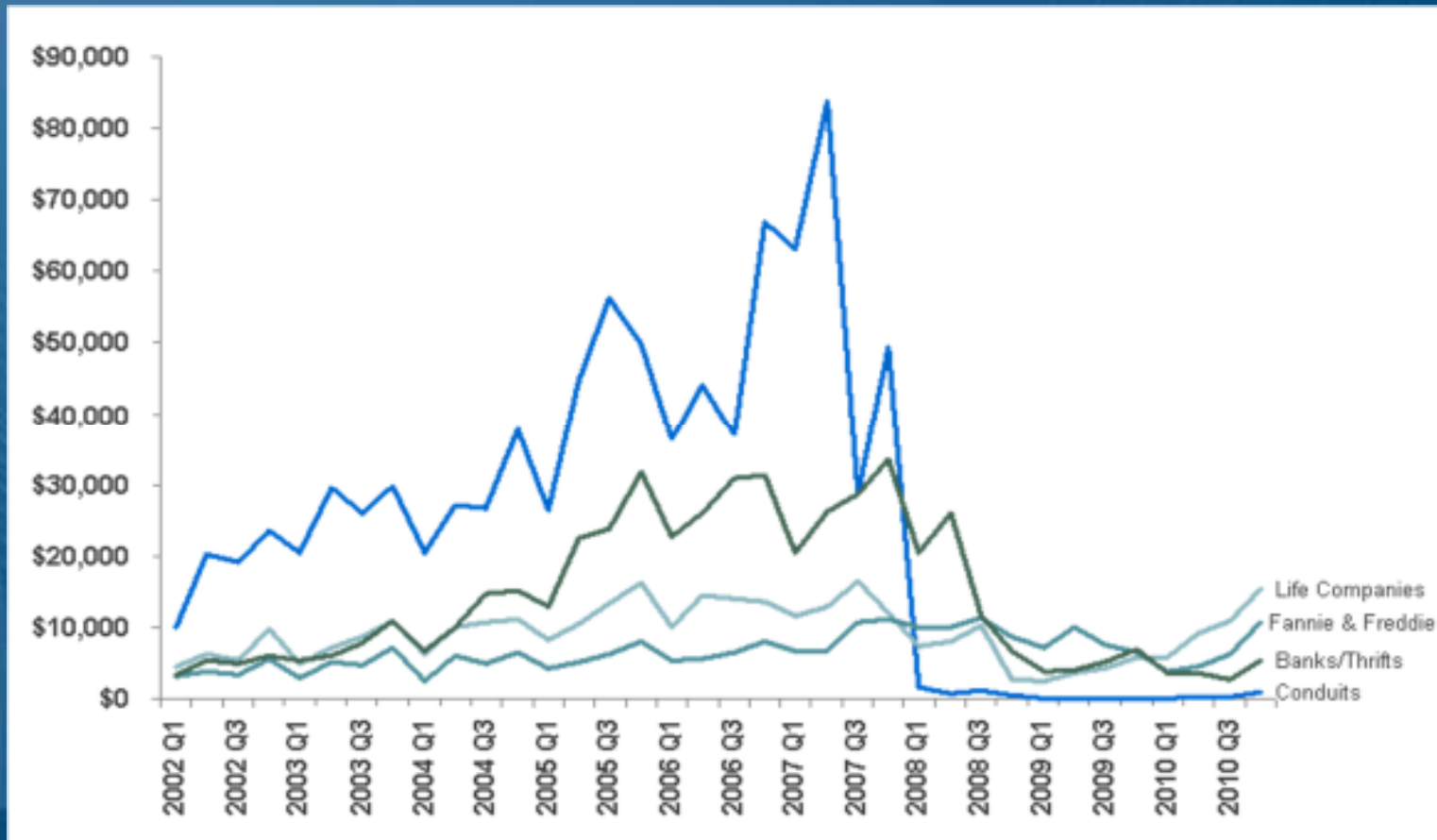
Estimated Quarterly Commercial/Multifamily Originations



Source: Mortgage Bankers Association



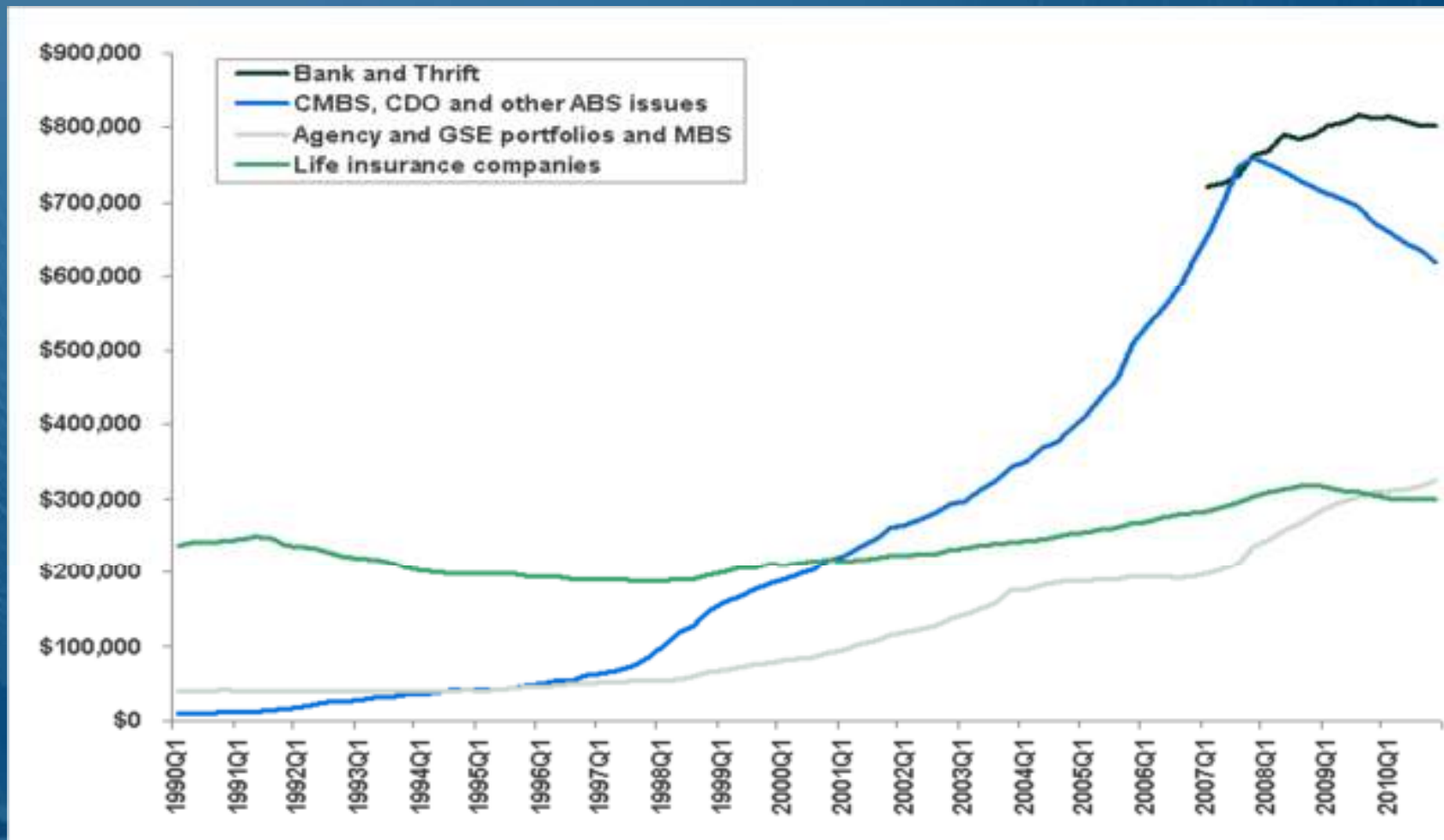
Estimated Quarterly Commercial/Multifamily Originations By Investor Group



Source: Mortgage Bankers Association



Commercial and Multifamily Debt Outstanding (\$millions)



Source: MBA, Federal Reserve and FDIC



RealtyRates.com Investor Survey 4Q2010

PROPERTY DESIRABILITY MATRIX

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2011*			
PROPERTY DESIRABILITY MATRIX			
	Preferred agressively seeking	Cautionary will consider	Rejecting but... ...may consider under special circumstances
Apartments	All Types		
Golf		Private Public - Municipal	Public - Privately Owned Semi-Private
Health Care/Senior Housing		Congregate Care Independent Living	Acute Care Nursing Homes Assisted Living
Industrial	Warehouse Bulk Distribution	Flex/Showroom	Heavy Manufacturing
Lodging			All Types
Mobile Home/RV Parks	Retirement & Family MH Parks		RV Parks/Campgrounds
Office	Suburban	CBD	
Restaurants		All Types	
Retail	Grocery Anchored Centers	Unanchored Strip Centers Convenience Stores/Gas Stations Regional Malls (Class A Dominant) Free Standing Credit/Franchized	Free Standing Big Box Stores Power Centers Outlet Malls
Self-Storage		Existing	Proposed
Special Purpose		Schools/Daycare Centers Public Assembly Facilities Parking Garages	Churches Marinas/Recreational Facilities

*4th Quarter 2010 Data

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Preferred Property Types (aggressively seeking):

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



Cautionary Property Types (will consider):

- Industrial – Flex/Showroom
- Retail – Unanchored strip centers, C-stores, Regional malls, Free Standing Credit/Franchise
- Office – Central Business District
- Self Storage - Existing



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
- Retail – Free Standing Big Box, Power Centers, Outlet Malls
- Self Storage – Proposed
- Lodging – All Types



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

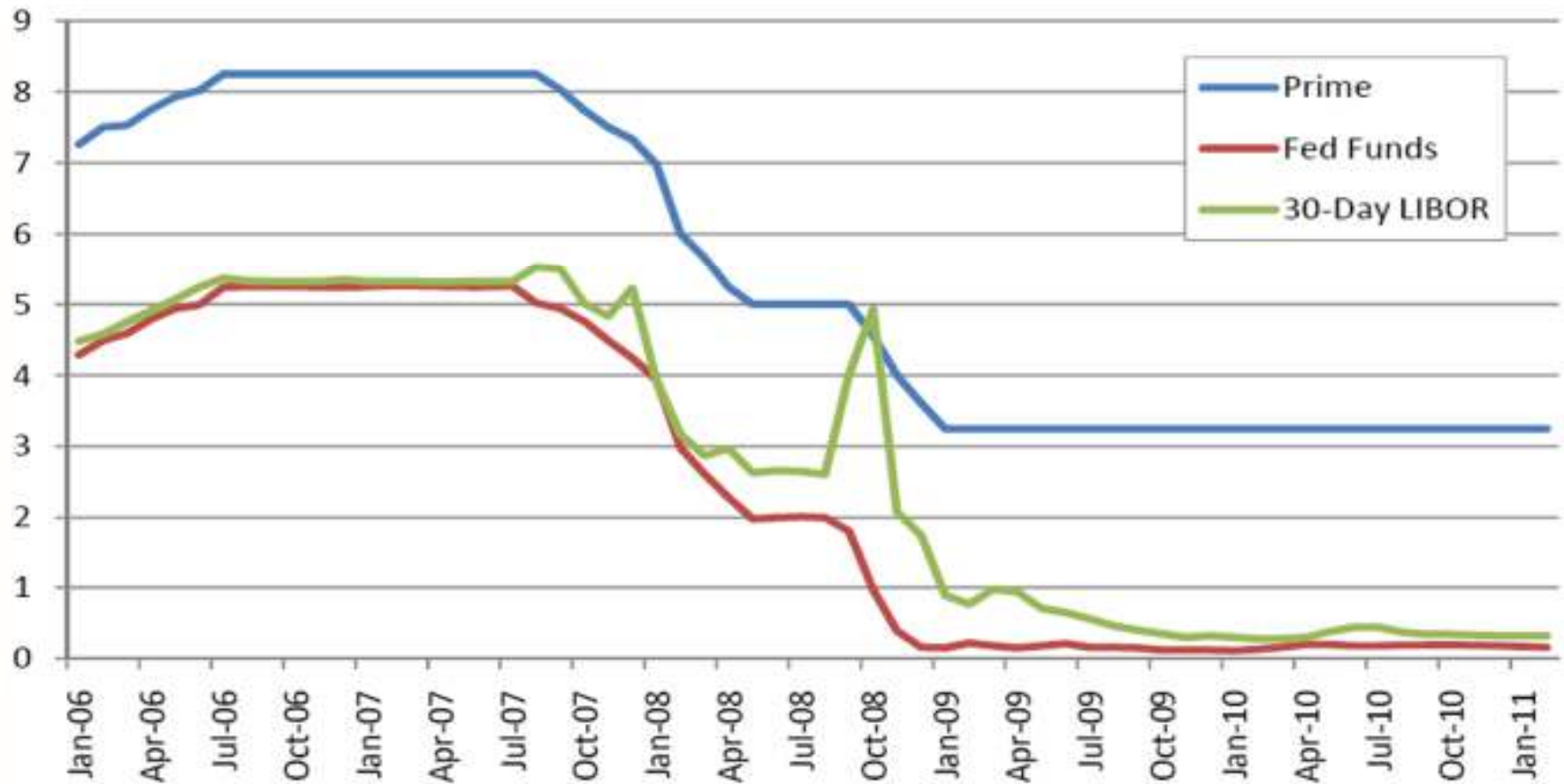


Interest Rate Review

Rip Rittell
LSU School of Business
Department of Finance

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

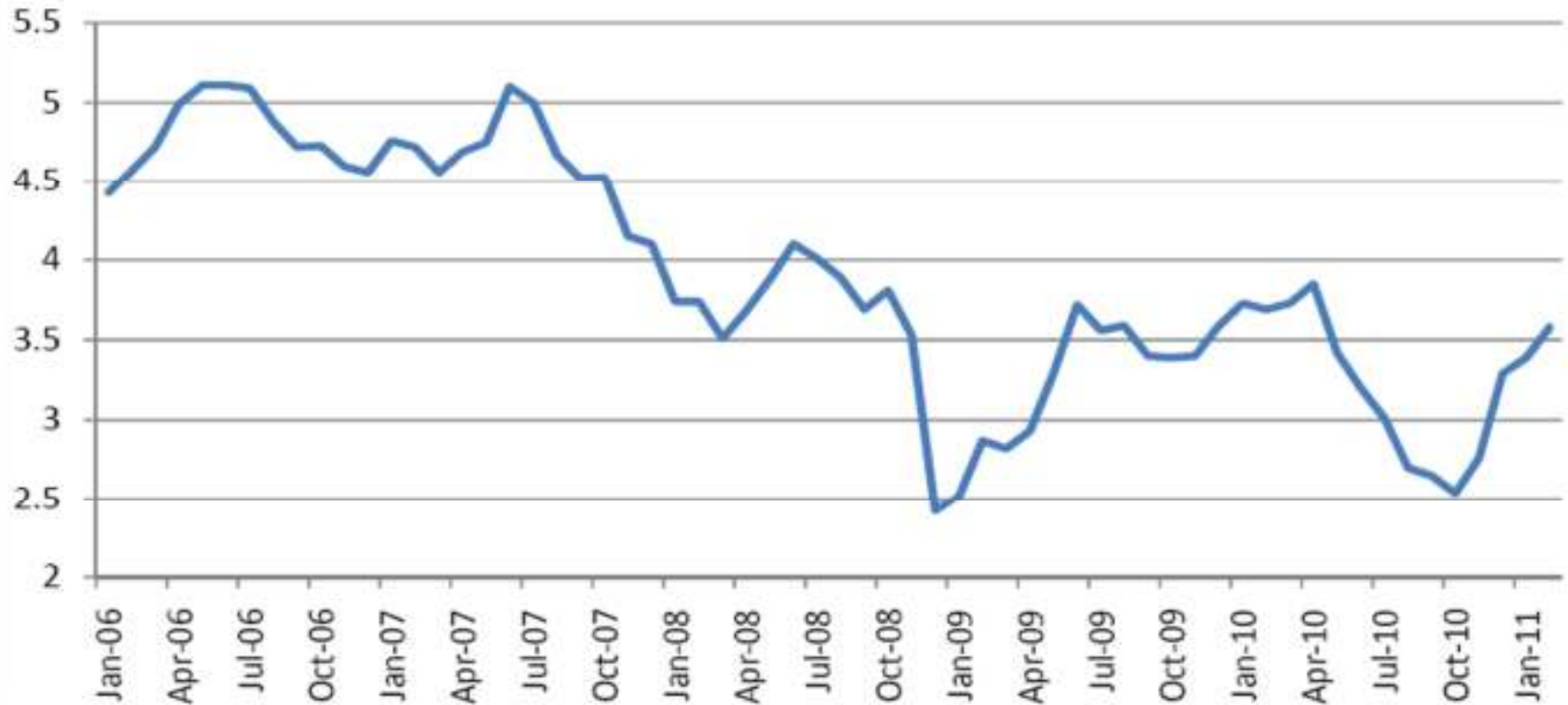
January 2006 through February 2011



10-Year US Treasury Rates

January 2006 through February 2011

10-Year UST





RealtyRates.com Investor Survey – 1st Quarter 2011

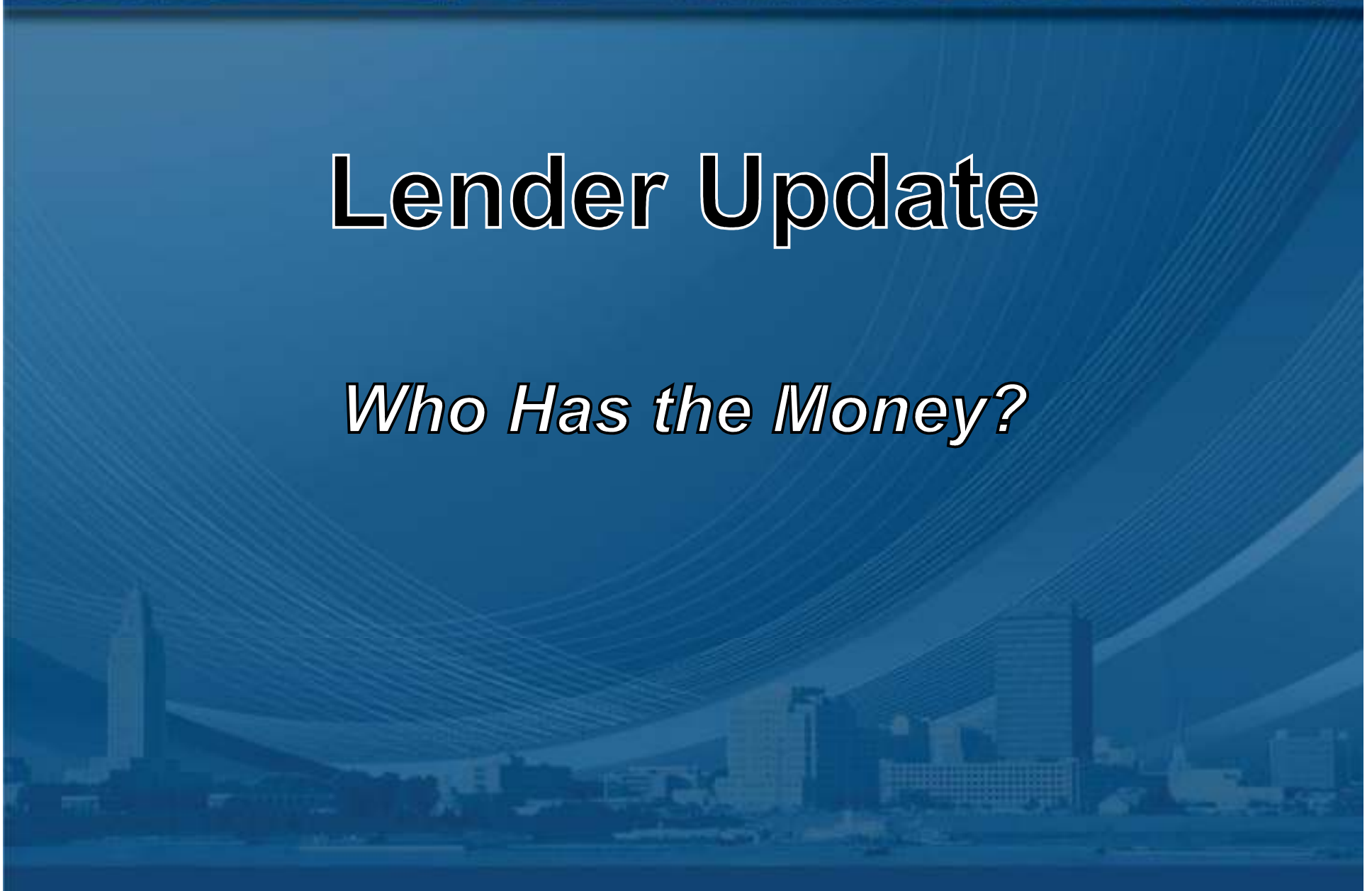
PERMANENT FINANCING

	Apartments	Industrial	Office	Retail
Spread Over Base				
Minimum	0.70%	0.91%	0.90%	0.80%
Maximum	6.10%	6.12%	6.08%	7.46%
Average	2.79%	3.06%	2.99%	3.19%
Interest Rate				
Minimum	3.46%	3.67%	3.66%	3.56%
Maximum	8.86%	8.88%	8.84%	10.22%
Average	5.55%	5.82%	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





- To a great extent, these lenders have dealt with their credit quality issues and are back in the market, albeit cautiously.
- “Cautious year”
- Preference is existing projects with good history over new construction.
- Sponsorship is critical.
- Takeout strategy is helpful to recycle capital for larger institutions.



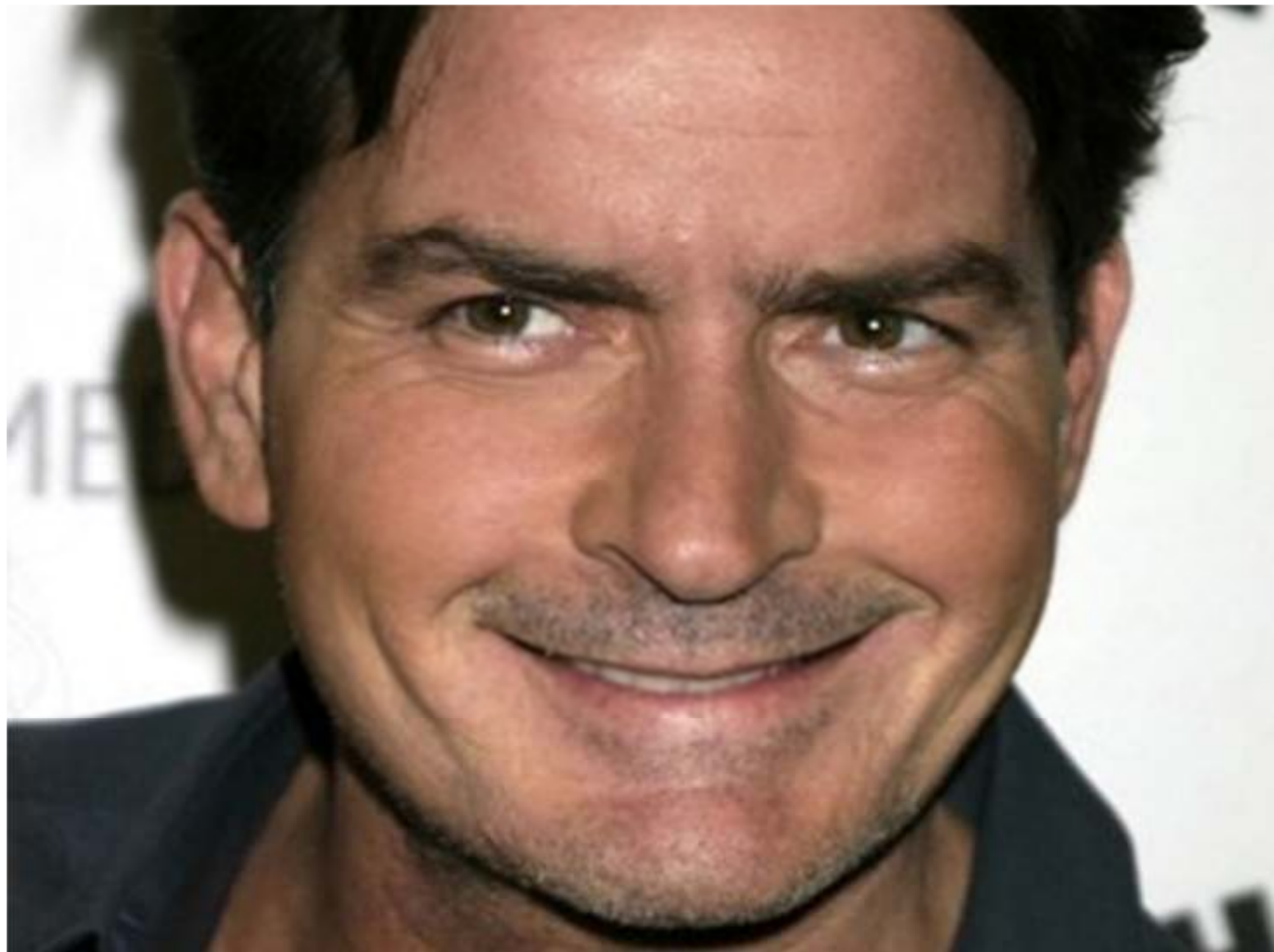
Conduits and Other Securitized Lenders



MICHAEL DOUGLAS CHARLIE SHEEN DARYL HANNA



WALL STREET





- Securitized lenders have been relatively inactive for a few years.
- While there has been some activity in other parts of the country, we will probably not see conduit lending in our markets for some time.
- The scary news concerns upcoming maturities of these loans without avenues to refinance or limited avenues that will require significant principal reductions.

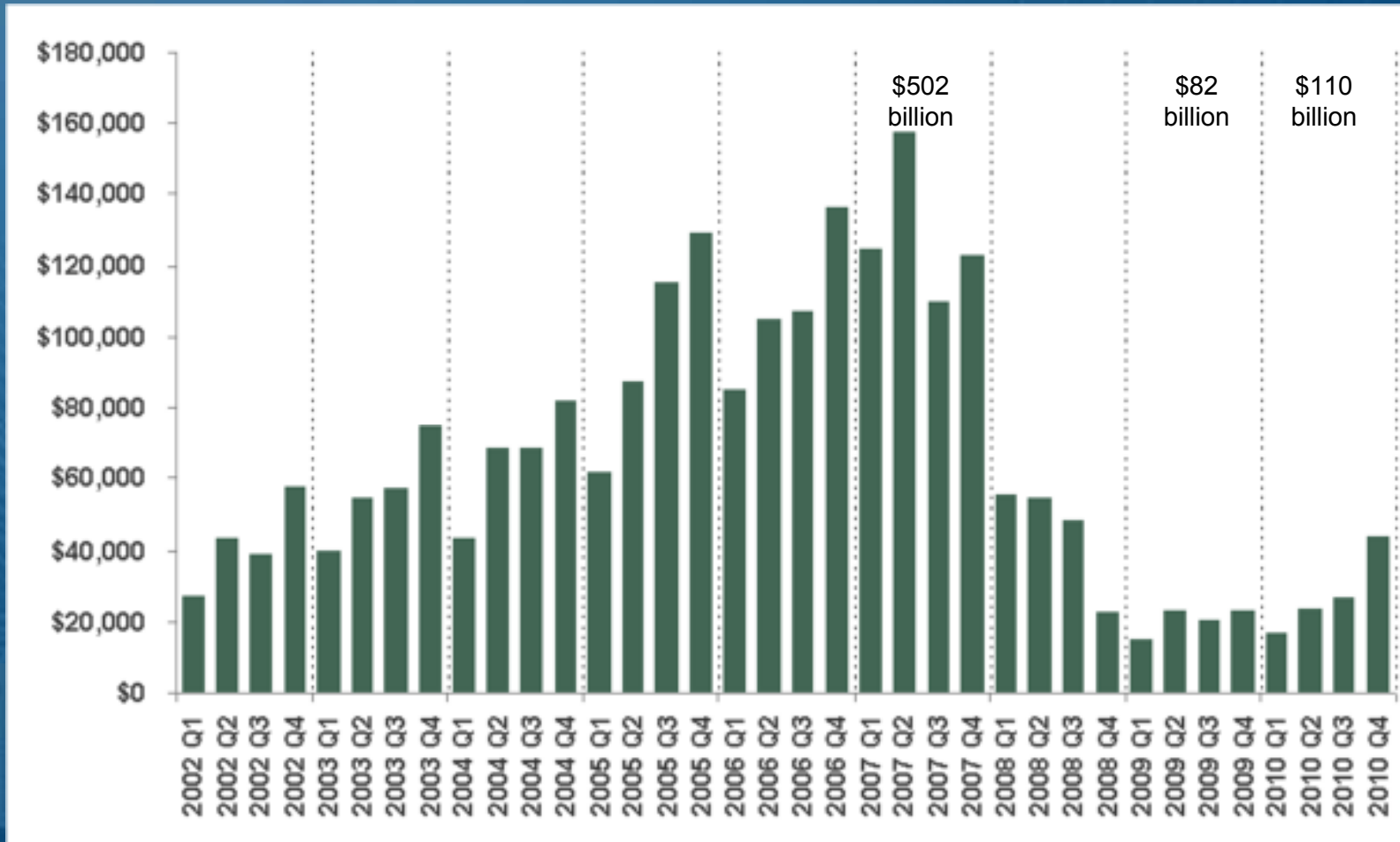


Life Insurance Companies

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



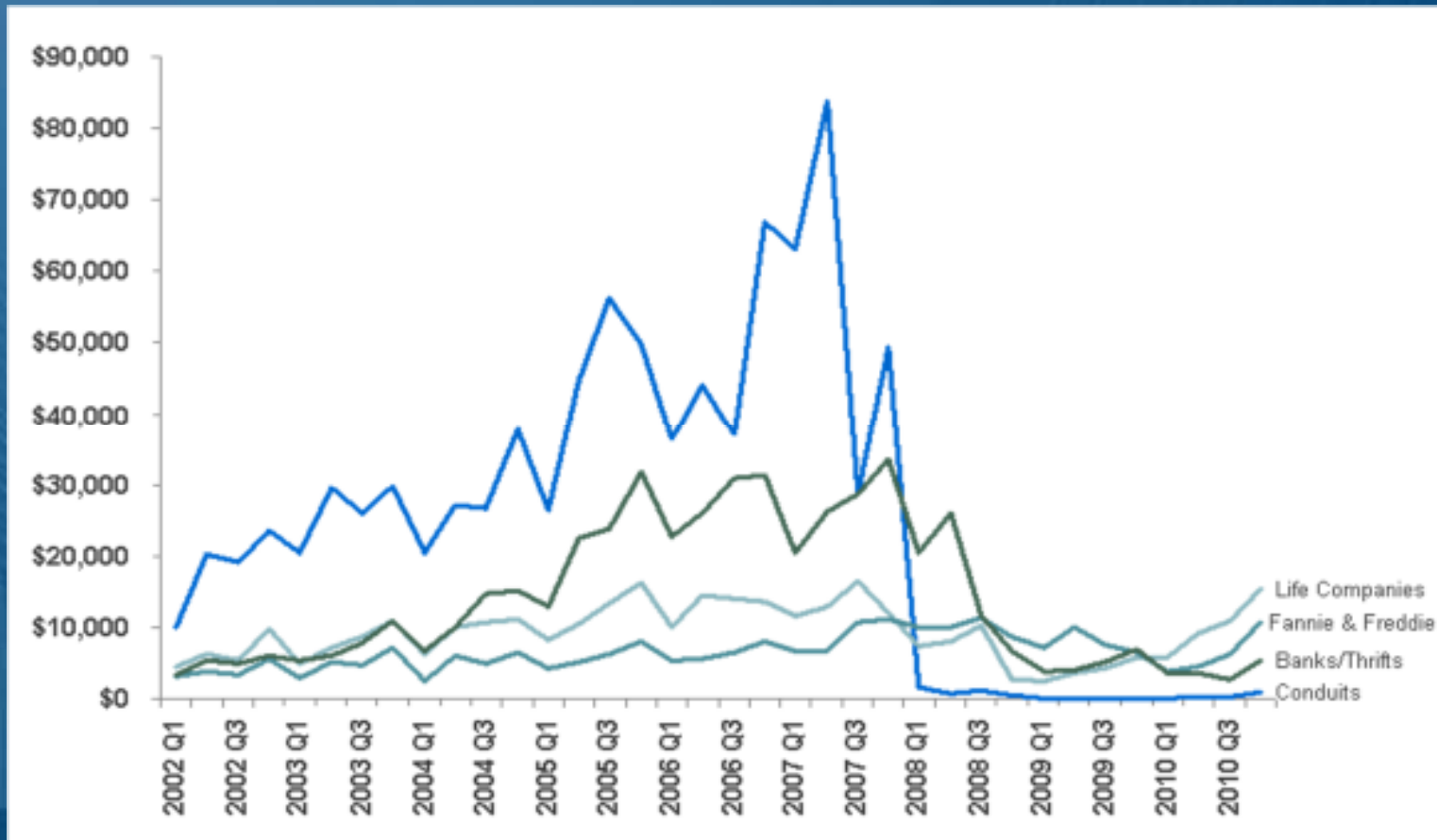
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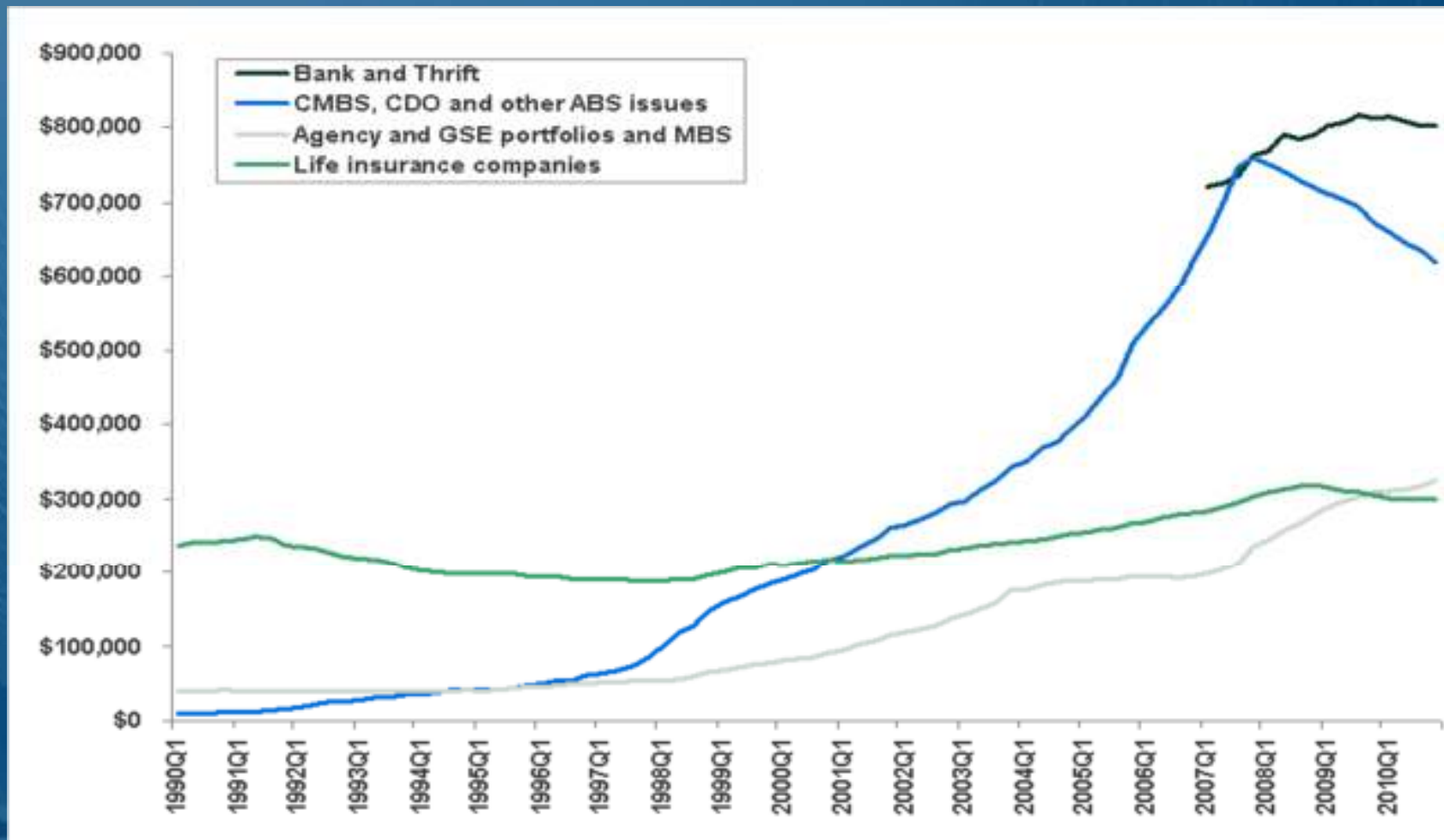
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Genworth Financial

2010 Production \$110,000,000

2011 Objective \$500,000,000

- To date, Genworth has had an extremely active 2011. So far, they have closed \$40M and have 20 loans totaling \$122M under application or in the approval/closing process.



Symetra Financial

2010 Production

\$600,000,000

2011 Objective

\$1,200,000,000

- Symetra is a 70 year old company that sells annuities and life insurance. They have a very strong balance sheet with too much cash on hand.
- Symetra had \$22B in assets at the end of 2010. It now has 7% in real estate and wants to increase that number to 12%.
- Loan size in the \$1m - \$10M range for all property types.

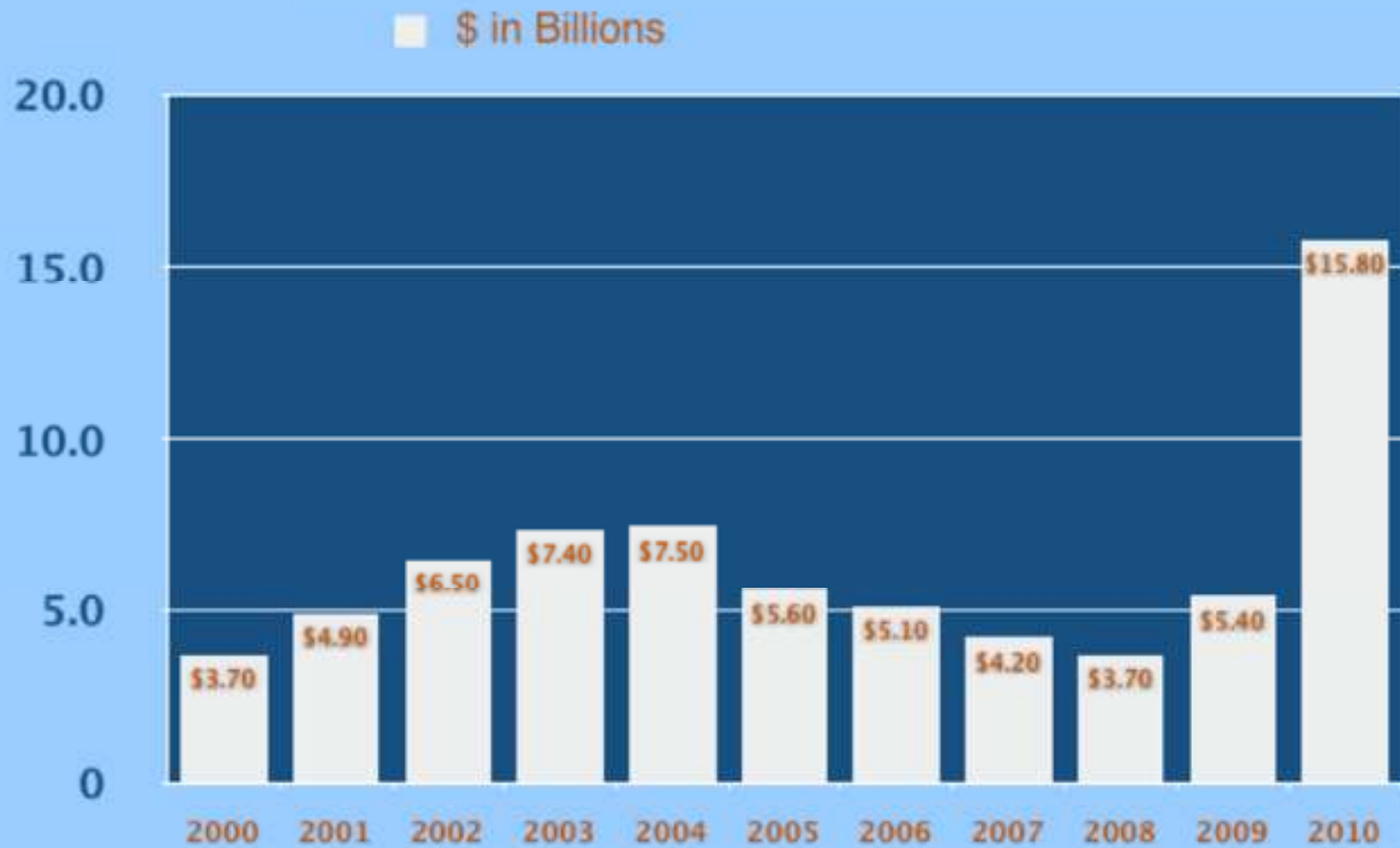
The image shows the exterior of a large, modern building with a grid of windows. A sign on the left side of the building reads "DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT". The building has a distinctive architectural style with a grid of windows and a prominent entrance area with a curved canopy.

DEPARTMENT
OF
HOUSING
AND
URBAN
DEVELOPMENT

US Department of Housing and Urban Development

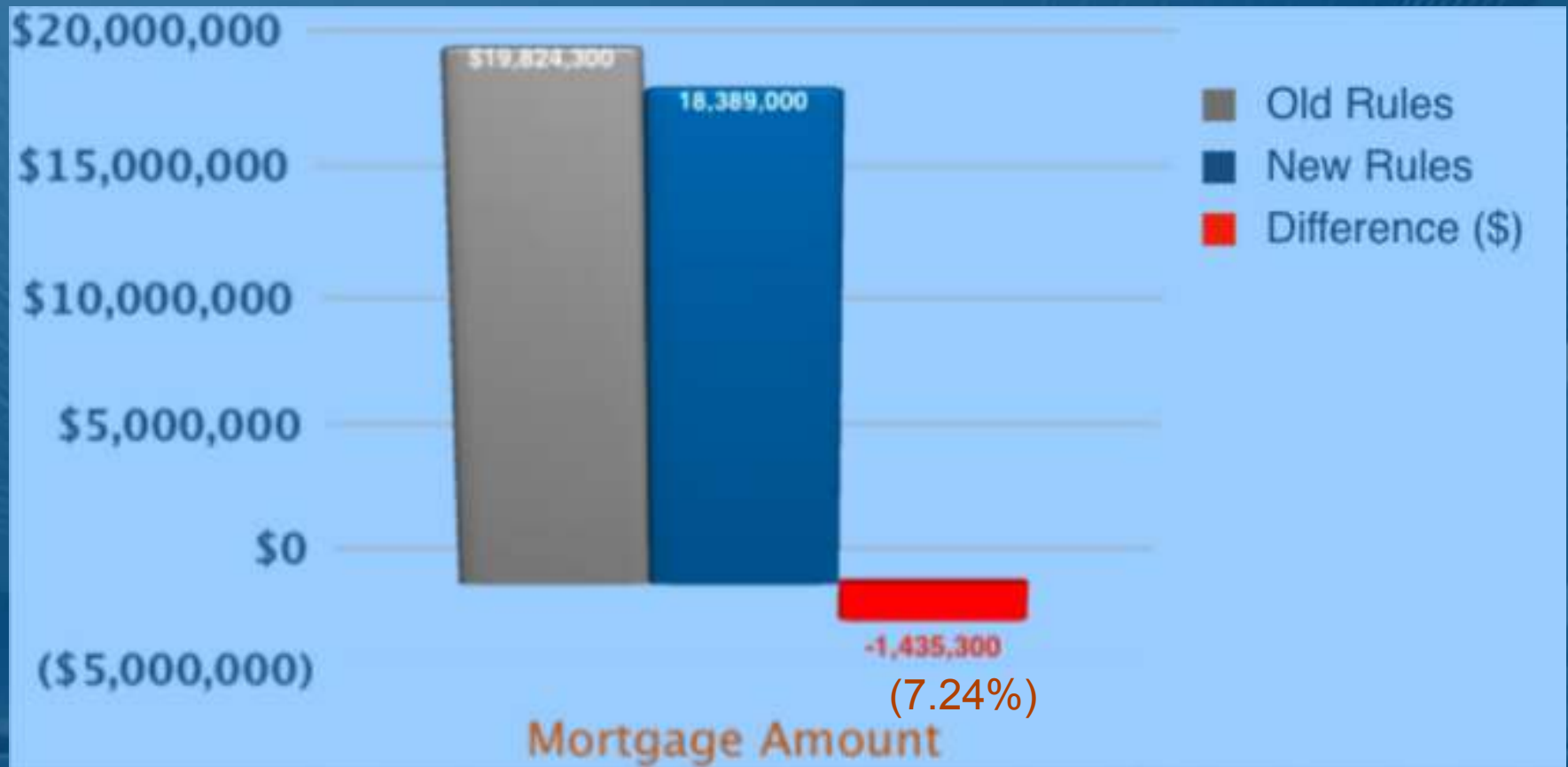
J. Mark Madderra
Madderra & Cazalot


FHA Endorsed Mortgages



New Construction 221(d)(4)

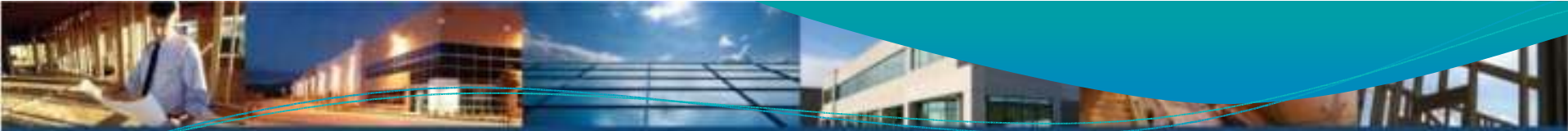
Before & After





223(f) Refinance Loan to Value/Cost Changes

Deal Type	Old	New
202 Refinance	90%	90%
Rental Assistance	85%	87%
Affordable (LIHTC)	85%	85%
Market Rate	85%	83.3%



Major 223(f) Refinance Program Changes

- Physical Occupancy greater than 85% for 6 consecutive months required
- Underwritten at a maximum of 93%
- New Cash Out Restrictions
- Higher Reserves (\$250/unit minimum)
- Market Conditions given greater weight



Why use FHA Programs?

- Only significant source for Seniors and Healthcare Financing
- Best execution for most Affordable Transactions
- Significantly lower interest rates than any fixed rate competitor



FannieMae



Fannie is still looking at every market for deals, though certain market are designated as “pre-review” and are more difficult to do.

No underwriting changes

Standard pricing around 210 bps to 225 bps over the Treasury, so all in rates are around 5.60% to 5.75% for basic deals.

Sponsorship credit is important.





Freddie typically looks for bigger sponsors and high quality deals

No underwriting changes

Standard pricing is lower than the standard Fannie pricing, though Fannie competes well with Freddie on these larger deals

Sponsorship credit is important

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