

# CAPITAL MARKETS UPDATE



## APARTMENT MARKET REPORT

Week Ending: November 19, 2010

### DEBT MARKETS

- Construction financing has begun to thaw; although the lending market remains very thin as financing has become more conservative and very dependent on relationships coupled with the fact that most markets remain overbuilt or don't have rent levels to justify new construction.
- The government-sponsored entities (GSEs) have concentrated much of their lending activity at the higher end, spreading their largest loans among the most active buyer groups at that level. GSEs have backed 59% of all acquisitions above \$25 million, and 41% of all transactions between \$10 and \$25 million.
- Rates for the 10 year UST continue to climb (more than 35 bps in the last month) in spite of the FED's newly announced \$600 billion asset purchase program.

Capital	Max LTV	Coupon	DSCR
Credit Company	Up To 75%	5.25-7.5%	1.10 -1.25x
Life Company	Up To 70%	3.50%-5.50%	1.30 -1.35x
Bank	Up To 75%	4.00%-6.00%	<1.00 -1.20x
Agency	See Indicative Pricing Below		1.20 -1.35x

Cushman & Wakefield Sonnenblick Goldman is not a direct seller service. Through our correspondent agreements, CWSG acts as an advisor to our clients for capital raises, including Fannie, Freddie & FHA executions.

### EQUITY MARKETS

- While only 42 funds announced closings during the first six months of the year — compared with 48 during the first half of 2009 — a handful of large global funds pushed their year-to-date fund-raising total for 2010 substantially higher than the same period in 2009. Through the first two quarters, investment managers closed funds with equity capital totaling approximately \$36.2 billion, far exceeding the \$23.4 billion raised during the first half of 2009.
- Per Real Capital Analytics, the number of apartment sales valued in excess of \$25 million has spiked by 176% year-over-year. Due in part to the abundance of GSE financing. Institutional buyers, accounting for 34% of transactions over \$25 million, have edged out private investors and public REITs. Private buyers have been far more active than any other investor group in the other, lower price tiers.

Investment Profile	Leveraged IRRs
Core	8%-10%
Core-Plus	13%-17%
Value-Add	17%-23%
Opportunistic	+24%

### INDICATIVE PRICING

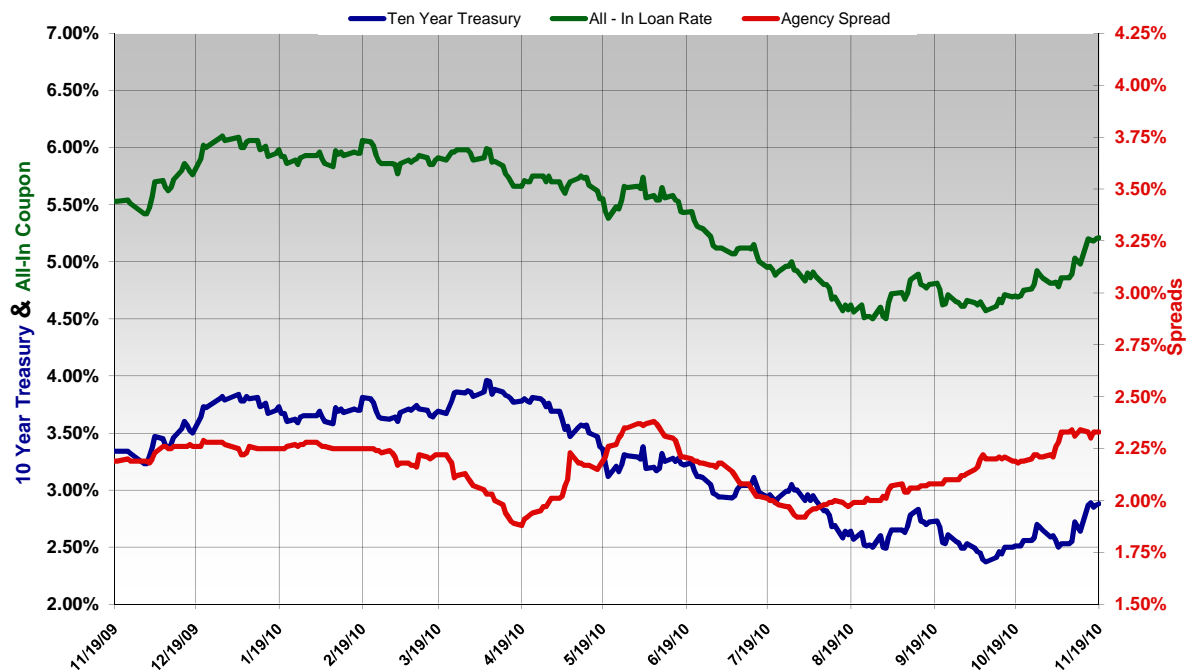
Fannie Fixed	DSCR/LTV	Index	Spread	Coupon
5 YR	1.25x / 80%	1.22	2.59	3.81
7 YR	1.25x / 80%	1.85	2.49	4.34
10 YR	1.25x / 80%	2.64	2.34	4.98

Fannie ARM	Index	Spread	Coupon	Capped Rate
5 YR	0.26	4.27	4.53	7.53
7 YR	0.26	4.41	4.67	7.67
10 YR	0.26	4.45	4.71	7.71

Conduit Pricing	DSCR/LTV	Index	Spread	Coupon
5 YR	1.25x / 75%	1.22	+/-2.73	3.95
7 YR	1.25x / 75%	1.85	+/-2.65	4.50
10 YR	1.25x / 75%	2.64	+/-2.36	5.00

Other Programs	Index	Spread	Coupon	Comments
HUD A7	N/A	N/A	4.20	Includes MIP
HUD 223(f)	N/A	N/A	4.20	Includes MIP

### 10-Year Agency and Rate Trends



**New York - HQ**  
1290 Ave of Americas  
8th Floor  
New York, NY 10019  
T 212 841 7500  
F 212 841 5002

**Atlanta**  
55 Ivan Allen Jr. Blvd.  
Suite 700  
Atlanta, GA 30308  
T 404 875 1000  
F 404 875 4637

**Boston**  
125 Summer St.  
Suite 1500  
Boston, MA 02110  
T 617 330 6966  
F 617 330 9499

**Los Angeles**  
601 S. Figueroa St.  
Suite 4700  
Los Angeles, CA  
90017  
T 213 955 5100

**San Diego**  
4435 Eastgate Mall  
Suite 200  
San Diego, CA 92121  
T 858 452 6500  
F 858 452 3206

**San Francisco**  
One Maritime Plaza  
Suite 900  
San Francisco, CA 94111  
T 415 397 1700  
F 415 397 0933

**Washington, D.C.**  
1717 Pennsylvania Ave., NW  
Suite 500  
Washington, DC 20006  
T 202 467 0600  
F 202 293 9049