

CAPITAL MARKETS UPDATE



December 21, 2009

MARKET COMMENTARY

• The bankruptcy court approved GGP's plan of reorganization for \$10.25B of the company's properties, including Ala Moana Mall. The reorganization included extending existing loans for an average term of nearly 6-1/2 years at the current non-default rate (average coupon of 5.33%). The reorganization plans for an additional \$2B of properties are expected to be approved shortly.

• The Fed and FDIC continue to promote policies that favor CRE loan restructuring rather than the sale of loan or REO assets. A recent FDIC ruling states that restructured loans should not be "adversely classified", even if the current collateral value is below the loan balance, if the restructured loan is "prudently underwritten". The fact that a loan that is being paid on a current basis will be considered a strong indicator that the loan should not be classified.

• CRE delinquency rates continue to climb, with Trepp reporting that overall delinquency rates on CMBS reached 5.52% in November, led by lodging at 13.47%. Recent reports by Deutsche Bank and other institutions suggest that office property delinquencies will continue to climb through 2010 even as the worst of the problems in retail and lodging begin to abate.

The severity of many of the loan losses being reported are quite stunning. A \$55M loan on Palm Beach Mall in West Palm Beach, FL is currently appraised at a value which represents a loan loss exceeding 85% while the recent sale of a Chicago hotel generated a net loan loss in excess of 95%.

• This will be our final capital markets report for 2009. It is an understatement to say that we look forward to closing the books on what was probably commercial real estate's worst year ever. However, the prospects for 2010 are much brighter than we would have imagined even six months ago. Liquidity is returning to the market, as evidenced by the powerful resurgence of the public REITs, the ability of private REITs to raise capital from retail investors, increased lending activity by life companies and the successful execution of the market's first securitizations in more than 18 months. The market will not be truly healthy until fundamentals improve, which won't happen until we see steady employment gains, but improved liquidity is a critical first step to seeing a return to a healthy transaction market. Best wishes for the holidays and a toast to what we hope will be the beginning of a healthy and prosperous new decade.

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RECENT DEALS/CLOSINGS/QUOTES – DEBT

Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Industrial	Fixed	Life Company	L + 400	65%	5 Years	30 Year
Multi-Family Rehab	Fixed	Bank	6.50%	65%	3+1+1	30 Year
Multi-Family Construction	Floating	Life Company	L + 550 (min. 7.5%)	60% LTC	3+1+1	I/O/Full Recourse
Industrial Portfolio	Mezzanine	Opportunity Fund	12.00%	80%	3+1+1	I/O
Warehouse	Fixed	REIT	8.00%	70%	5 Years	30 Year/1% fee
Suburban Office	Floating	Bank	L + 400	60%	3+1+1	25 Year/2% fee
Office	Floating	Bank + Mezzanine Fund	L + 600	65%	5 Years	30 Year/1.5% fee
Retail - Credit Anchor	Fixed	Investment Fund	8.00%	70%	7 Years	30 Year
Multi-Family	Fixed	Agency	T + 180	55%	10 Years	30 Year
Industrial - Major US Market	Fixed	Bank	6.50%	65%	3 Years	25 Year
Office	Floating	Bank	S + 350	60%	5 Years	30 Year/1% fee
Suburban Office	Fixed	REIT	7.75%	65%	5 Years	30 Year/3% fee
Office	Fixed	Life Company	6.70%	57%	4 Years	30 Year/Par

RECENT DEALS/CLOSINGS/QUOTES - EQUITY

Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments
Multi-Family	JV Equity	Opportunity Fund	22%	80%/20%	50% above 20%
Industrial Development	JV Equity	Opportunity Fund	22%	80%/20%	20% above 10%, 30% above 16%
Single Family	JV Equity	Private Equity	20%+	90%/10%	30% above 10%
Note	JV Equity	Opportunity Fund	25%	90%/10%	20% above 15%
Office	JV Equity	Life Insurance Company	18%	98%/2%	10% above 13%, 25% above 15%
Land	JV Equity	Opportunity Fund	25%	95%/5%	20% above 10%, 30% above 16%, 40% above 22%

SENIOR & SUBORDINATE LENDING SPREADS

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	60 - 65%*	1.35 - 1.60	T + 425 - 475
Fixed Rate - 10 Years	55 - 67%*	1.35 - 1.50	T + 300 - 380
Floating Rate - 5 Years			
Core Asset	<65%*	1.30 - 1.50	L + 350 - 450
Value Add Asset	<65%*	1.25 - 1.40	L + 400 - 600
Mezzanine Moderate Leverage	60 - 75%	1.05 - 1.15	L + 800 - 1,400
Mezzanine High Leverage	75 - 85%		L + 1,200 - 1,700

* 65 - 70% for Multi-Family (non-agency), Libor floors at 2-4%

BASE RATES

	December 21, 2009	Two Weeks Ago	One Year Ago
30 Day LIBOR	0.23%	0.23%	0.50%
U.S. Treasury			
5 Year	2.36%	2.19%	1.38%
10 Year	3.63%	3.44%	2.15%
Swaps		Swap Spreads	
5 Year	2.74%	0.38%	
10 Year	3.78%	0.15%	

10-YEAR FIXED RATE RANGES BY ASSET CLASS

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	55 - 65%	T + 340	T + 390
Strip Center	55 - 60%	T + 380	T + 425
Multi-Family (non-agency)	65 - 70%	T + 300	T + 350
Multi-Family (agency)	70 - 75%	T + 205	T + 240
Distribution/Warehouse	60 - 65%	T + 360	T + 380
R&D/Flex/Industrial	55 - 65%	T + 370	T + 410
Office	55 - 65%	T + 325	T + 370
Hotel	50%	T + 420	T + 490

* DSCR assumed to be greater than 1.35x

Cushman & Wakefield Sonnenblick Goldman has advised on the sale of more than \$20 billion of loans during the past 15 years, including more than \$2 billion in 2008 alone. For information on this report or on how we can assist you in selling, buying or restructuring debt, please contact any C&WSG office or:

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