

# CAPITAL MARKETS UPDATE



## APARTMENT MARKET REPORT

Week Ending: January 22, 2010

### DEBT MARKETS

- The Treasury Department has announced its unlimited support for Fannie Mae and Freddie Mac through 2012. As a result, the Agencies have been provided with relief for their portfolios which were rapidly approaching the portfolio limits.
- As lenders struggle to place capital, bridge lending for projects in lease up or partially completed with a viable agency execution for an exit strategy has gained popularity.
- In light of the financial crisis, there is talk of the largest overhaul of Wall Street since the repeal of the Glass-Steagall act. The reform would effectively ban banks from running their own trading desks as well as investing or having any ownership in hedge funds or private equity.

Capital	Max LTV	Spreads	Index	DSCR
Credit Company	Up To 75%	6.3%-9.8%	LIBOR	1.10 -1.25x
Life Company	Up To 65%	3%-3.5%	T-Bills	1.30 -1.45x
Bank	Up To 75%	3%-4.5%	LIBOR	<1.00 -1.20x
Agency	See Indicative Pricing Below			1.20 -1.35x

### EQUITY MARKETS

- The mood at NMHC was dramatically more positive than last year as virtually everyone is ready to buy; however, almost no one is ready to sell.
- Buyers are nervous about continued cap rate compression for core stable assets due to the limited number of quality offerings to hit the market in 2009.
- It is expected that the volume of REO offerings and the quality of REO assets is expected to increase dramatically in 2010. That said, lenders are wary to repeat the "sell at any number" approach of the RTC days and are taking a much more systematic and patient approach on unloading assets.

Investment Profile	Leveraged IRRs
Core	12%-15%
Core-Plus	15%-19%
Value-Add	19%-25%
Opportunistic	+26%

Cushman & Wakefield Sonnenblick Goldman, through strategic agreements, can provide Fannie, Freddie & FHA executions.

### INDICATIVE AGENCY PRICING

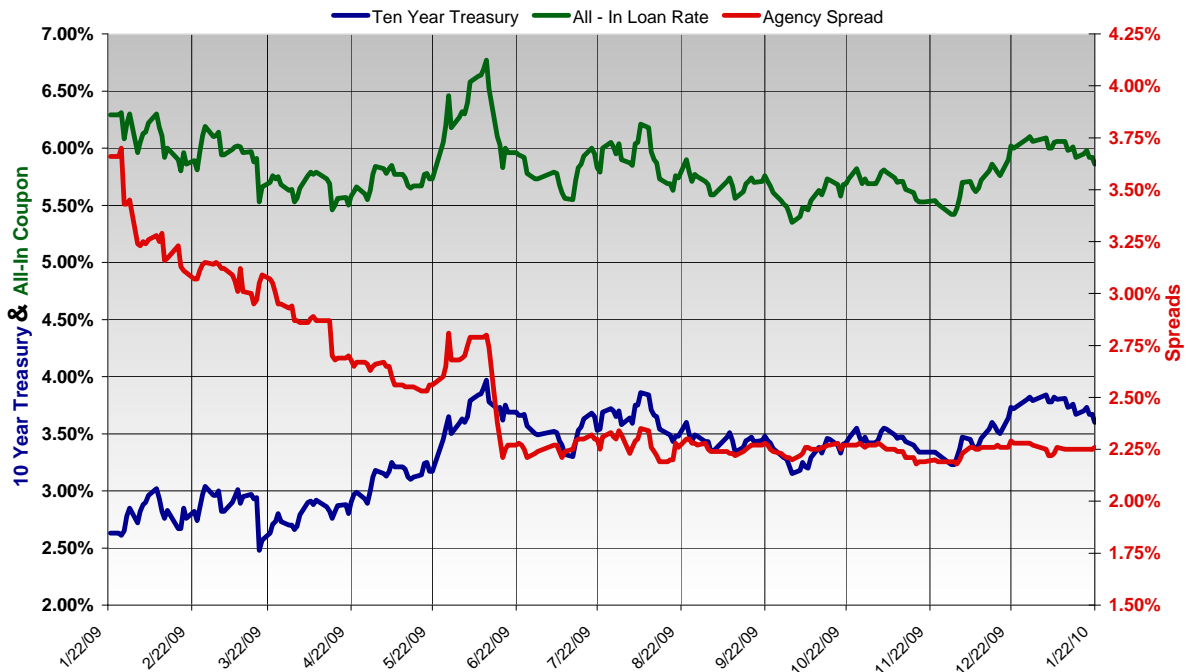
Fannie Fixed	DSCR/LTV	Index	Spread	Coupon
5 YR	1.25x / 80%	2.35	2.54	4.89
7 YR	1.25x / 80%	2.85	2.39	5.24
10 YR	1.25x / 80%	3.60	2.26	5.86

Fannie ARM	Index	Spread	Coupon	Capped Rate
5 YR	0.23	4.27	4.50	7.50
7 YR	0.23	4.41	4.64	7.64
10 YR	0.23	4.45	4.68	7.68

Freddie CME	DSCR/LTV	Index	Spread	Coupon
5 YR	1.30x / 70%	2.35	N/A	N/A
7 YR	1.25x / 75%	2.85	2.18	5.03
10 YR	1.25x / 80%	3.60	2.02	5.62

Other Programs	Index	Spread	Coupon	Comments
7-YR Capped ARM	0.06	4.02	4.08	7.50% cap
Freddie 10 YR	3.60	2.47	6.07	Portfolio loan
HUD 223(f)			5.10	Includes MIP

### 10-Year Agency and Rate Trends



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