



ESSEX FINANCIAL GROUP

Commercial & Multi-Family Financing Commentary - June 2010

Life Company Financing:

- * Most life companies are behind on their budgeted commercial mortgage allocations due to the lack of refinance and acquisition activity combined with conservative underwriting and the resurgence of the conduit market.
- * The majority appeared to be more willing to break some underwriting rules at the beginning of the 2nd quarter due to the lack of supply of makeable deals that fit their criteria. However, the European debt crisis and the recent lackluster job growth reports resulted in some taking a few steps back.
- * Approximately 70% of the pack prefer loan sizes of \$3-\$10MM. Less than 10 are able to quote loan amounts above \$20MM without the need to participate with another lender.
- * Low leverage (less than 50%) fixed rates on fully amortized loans for class A properties with credit tenants are currently being quoted as low as 4.5% for 10 year terms.
- * Life company internal valuations have generally followed the market cap rate compression of 50-100 bps over the past 6 months. Maximum LTV's of 65-70% have remained relatively unchanged since the beginning of the year.
- * The number 1 preferred property type for most life companies is quality multifamily and some will stretch to 75% LTV / lower DCR levels to win market share.

CMBS:

- * JP Morgan Chase is currently in the process of securitizing a loan pool of approximately 36 loans encumbering 96 properties totaling 716MM.
- * Goldman Sachs is teaming up with Citigroup and Merrill Lynch on a +/- \$900MM pool. This securitization will follow JP Morgan's by around 30 days.
- * Rates for 10-year terms at 75% maximum LTV range from 5.75-6.50%. Property quality and location generally must be "B+" or better.
- * The initial reception of JP Morgan's pool is rumored to be strong with 85% of the pool designated as the senior tranche priced at swaps plus 140 bps.
- * In the event the pool lead by Goldman Sachs is successfully securitized after JP Morgan's pool, the overall conduit market should gain momentum, lending criteria should loosen up and more conduits will enter the market.
- * Proceeds are usually constrained by the minimum required debt yield (underwritten net cash flow divided by the loan amount) of 10-11%.

Multi-family Financing:

- * The gap between what Freddie Mac and Fannie Mae can offer on rate and proceeds compared to life companies has narrowed significantly since the beginning of the year.
- * Life companies continue to aggressively pursue MF loans as their number 1 preferred mortgage investment. They're eager to diversify into more apartment loans because they've lost market share to the agencies and conduits over the past decade.
- * Several life companies are quoting rates that match what the agencies are offering.

Servicing / Delinquency News:

- * Life companies are requiring increased surveillance in the form of better monitoring and reporting requirements as well as strategic planning assistance from their loan servicers.
- * Current CMBS default rate at 7.24% (30 days + delinquent or REO)
- * ACLI (American Council of Life Insurers) reports life company loan delinquency of only .31% (60 days + delinquent)
- * FNMA delinquency at .79% and Freddie Mac .24% (both 60 + days delinquent)
- Bank and thrifts at 4.24% delinquent (90+ days)

Notable Recent Denver Sale Transactions

	Property / Address	Sale Date	YOC	Sale Price	Price PSF	NRA
Retail	 Coal Mine Shopping Center 6684-6766 Coal Mine Ave Littleton, CO	Jan-10	1976	\$10,050,000	\$82.08	122,446
Industrial/Flex Office	 A bound Solar Building 9586 I-25 E Frontage Road Longmont, CO 80504	Jan-10	1998	\$10,040,000	\$79.44	126,384
 313-317 Inverness Way S Englewood, CO 80112	Apr-10	1980	\$6,760,000	\$93.13	72,590	
 295 Interlocken Blvd. Broomfield, CO 80021	Jan-10	1984	\$6,920,000	\$108.13	64,000	
Office	 Park Meadows Corporate I 10004 Park Meadow Drive Lone Tree, CO 80214	Jan-10	2000	\$11,000,000	\$182.89	60,144
 West End Plaza 1035 Pearl Street Boulder, CO 80302	Mar-10	1981	\$14,500,000	\$320.60	45,227	
 RE/MAX International HQ 5075 S. Syracuse Street Denver, CO 80237	Apr-10	2007	\$13,940,520	\$320.52	233,998	
 Union Tower 165 S. Union Blvd Lakewood, CO 80228	May-10	1982	\$20,250,000	\$101.80	198,916	
 Highlands Ranch Medical 8671 S. Quebec Street Highlands Ranch, CO	Apr-10	1999	\$8,400,000	\$227.82	36,872	
 Crescent VIII 8350 E Crescent Pky Greenwood Village, CO	May-10	1997	\$12,500,000	\$151.95	82,265	
 National Park Service Bldg 12795 W Alameda Pky Lakewood, CO 80228	Jan-10	1988	\$28,277,700	\$169.59	166,745	
Multi-Family	 Cherry Creek Apartments 4550 Cherry Creek Drive S Denver, CO 80246	Jan-10	2002	\$52,000,000	\$148.93	349,146
 7166 at Belmar 7166 W Custer Avenue Lakewood, CO 80226	May-10	2007	\$41,000,000	\$118.31	346,539	
 Vista Lofts 1920 S. University Blvd Denver, CO 80210	Mar-10	2007	\$11,150,000	\$95.49	116,769	

	Non-Recourse Fixed Rates By Asset Class			
	Class A, Low LTV		Class B/C, High LTV	
	5-yr	10-yr	5-yr	10-yr
Industrial	4.50%	5.75%	5.50%	6.25%
Retail	5.50%	6.00%	5.75%	6.75%
Office	5.50%	6.00%	6.00%	6.75%
Multi - Family	3.84%	4.77%	4.26%	5.19%

Recent Loan Closings			
Property	Type	Loan Amount	Lender Type
Coal Mine Center	Retail	\$6,500,000	Life Ins. Co.
The Slifer Building	Office	\$1,500,000	Life Ins. Co.
Bowles Village Center	Retail	\$8,300,000	Life Ins. Co.
Gateway Industrial	Industrial	\$47,000,000	Life Ins. Co.
Airport Distribution Center	Industrial	\$19,000,000	Life Ins. Co.
Beverly Hills Office Plaza	Office	\$6,200,000	Life Ins. Co.
Colorado Center for Reproductive Medicine	MOB	\$8,000,000	Life Ins. Co.

Jeff Riggs Principal 303-843-0440	Mike Jeffries Principal 303-843-9220	Ed Boxer Principal 303-843-9256	Peter Keeper Principal 303-843-6002	Dustin Anderson VP, Production 303-843-4025
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