

**Real Estate Finance  
This Week**

Single-family land acquisition, development and construction lenders such as HomeStreet Bank and Diversified Funding compete against Bank of America, KeyBank and other big banks for deals.

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Conduit lenders GMAC Commercial Mortgage, ARCS Commercial Mortgage and Prudential Mortgage Capital get aggressive for extended-stay hotels.

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Lenders representing both Fannie Mae and Freddie Mac, including Reilly Mortgage and ARCS Commercial Mortgage, use the best parts of each entity to streamline the refi process.

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Leverage buyout firms, such as First Industrial Realty Trust, compete with W.P. Carey and IStar Financial to form JVs for industrial sale/leasebacks.

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Residential condominium lenders Regional Capital Group and California Savings Bank have become more cautious for construction and conversion deals, but are still closing transactions as other big players like CWC Capital pull back from the condo market.

**Page 8****Life Companies Get More Active For Retail**

Whether it is big box, grocery-anchored or lifestyle centers, financing for retail properties is shaping up to be a food fight as life companies become more active and aggressive to take back some of the market share lost to conduits, joint ventures made up of REITs and equity players — and to a lesser extent, banks. With that in mind, **Allstate Investments, AXA Equitable Life Insurance Company** and **MetLife Real Estate Investment** are among the life companies making moves.

Industry insiders have heard this tune before. While conduit lenders aggressively win retail deals on pricing, LCs vow to find a better way to compete. But a combination of conduits anxious to capture the deals to help balance CMBS offerings and satisfy bond investors, and LCs unwilling to step outside the comfort of their own lending parameters — long term plays at lower LTV — have always limited the level at which LCs could compete for retail business. Things may be shifting a bit, however, if recent deals and conversations with correspondents are any indicator.

For example, many LC correspondents came away from the MBAA convention in Orlando in February speaking of meetings where LCs made it clear that they are willing to do more than talk about stepping up in the retail lending arena. This would seem to be a key strategic move since it is a mortal lock conduits like **JP Morgan Mortgage Capital, Merrill Lynch, Wachovia Securities** and **Credit Suisse First Boston** won't do anything other than get more aggressive when bidding on retail loans.

*Continued on Page 4***Conduits Line Up for Med Office Perms**

Investors targeting medical office buildings are seeing a ready supply of conduits willing to close deals. Lenders like the diversity of underwriting a multi-tenant property with staggered lease terms, especially when the tenant is practicing medicine, a profession known for its stability. **PNC Real Estate Finance, LaSalle Bank, Wachovia Securities, JPMorgan Mortgage Capital** and **Wells Fargo** are among the conduits competing for top-notch medical office building perms.

Look for medical office building perm activity to remain strong as new development in places like San Diego feeds the need for long-term financing. A lot of institutional equity seeks medical office building deals, which often means a lower loan to value. For these low-leverage deals, look for spreads to dip below 1%.

The appetite for medical office buildings was recently highlighted by the announcement by tenant-in-common sponsor **Triple Net Properties** — a billion-dollar-a-year player — that **Danny Prosky** will head the company's new healthcare division, and will emphasize on medical office buildings on hospital campuses. Prosky sees this healthcare play as providing better-than-average, risk-adjusted returns. He's looking to close around \$200M in deals in this sector in 2006.

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### STRAIGHT FROM THE MARKET

(Deals done within the past 90 days.)

Type of Loan	Location	Lender	Amount	Rate	Fee	Term	Amortization	Cost/Value
Land Acquisition	Chico, Calif.	Private Lender	\$19.1M	Prime +5%	N/A	18 mos.	I/O	70% LTC

Features: Private lender Mountain Funding LLC, based in Charlotte, N.C., closed a land acquisition and predevelopment loan for 250 acres in Chico, Calif. The loan's 18-month term includes one six-month extension. The lender priced the loan to adjust at 5% over prime. The project will be a residential and mixed-use development of more than 2,000 housing units as well as commercial, retail and civic amenities. The project, known as Meriam Park, will incorporate parks into a master plan and feature attached condos and single-family homes. Ray Wicken, Western managing director of Mountain Funding, has been focused on land acquisition loans. Wicken liked the developer and location in the deal, although the property was not fully entitled. The borrower is New Urban Builders, a Chico homebuilder operating in the market for six years.

Type of Loan	Location	Lender	Amount	Rate	Fee	Term	Amortization	Cost/Value
Senior Housing Acquisition	Morton, Ill.	Credit Company	\$5.257M	5.4%	N/A	35 yrs.	35 yrs.	85% LTV

Features: GMAC Commercial Mortgage wrote this fully amortizing, fixed-rate mortgage for the acquisition of a skilled nursing home under the FHA 232/223F program. Morton Terrace Care Center is a 44,187 s.f. property. GMAC also wrote a \$3.414M loan for an adjacent skilled-nursing facility, Morton Villa Care Center. That 30,315 s.f. property on 3.67 acres is 90% occupied. SVP Thomas Sigrist of GMAC's Chicago healthcare office arranged the deals.

## Single Family Lenders Slow, But Steady

The data can get spun beyond recognition, but it looks like slowdown city for single-family housing. That's a slowdown, not a meltdown. Sales of new homes plunged 10.5% in February, the largest amount in nearly nine years, while the median price of a new home dropped for the fourth straight month, providing fresh evidence that the nation's once-booming housing market is cooling off.

However, with a fundamentally sound economy and core inflation remarkably well behaved, economists believe housing is likely to see a moderate slowdown in 2006. It shouldn't be anything dramatic like the bursting of the bubble in stock prices at the start of this decade. Also significantly underpinning the whole matrix are millions of aging citizens in North America, developed Asia and Europe looking for steady returns that they (or their employers and governments) believe can be achieved by owning commercial real estate.

Seattle-based **HomeStreet Bank** writes single-family acquisition, development and construction loans in Idaho, Hawaii, Oregon and Washington. SVP **Jeff Todhunter** has seen some slowdown in the sector, beginning last fall. All in all, Todhunter remains rather bullish for the next few years for the Pacific Northwest. Todhunter identified a new trend in this sector: heightened concerns over rising construction costs. As for interest rates, Todhunter sees them creeping a little higher, not a whole lot, with a good long-term perspective.

HomeStreet's big project loans will top \$20M, with LTVs up to 75% and LTC about 80%. Lending volume for HomeStreet's residential production exceeded \$1B in 2005, and the bank is looking for simi-

lar, though possibly slightly lower, volume in 2006. About two-thirds of HomeStreet's single-family lending is for vertical construction, with the other third for land development financing.

Other lending companies HomeStreet bumps into include **Bank of America**, **KeyBank** and regional players like **Sterling Savings Bank** and **Washington Trust**. Staying out West, executive VP **Paul Sargent** of Scottsdale, Ariz.-based **Diversified Funding Group** still likes single-family land AD&C loans, especially in light of the murky climate for condos. Single-family deals look attractive as long as Arizona and the Southwest continue to grow. That will keep the market healthy. Sargent does have some concern, however, about value outstripping demand.

On a land deal, Diversified Funding will typically lend 50% to 60% of value, with mezz funds taking that ratio higher. In February, Diversified Funding closed a \$1.8M acquisition loan for a 120-acre site in Chino Valley, Ariz. Diversified Funding approved the deal based on the borrower's exit strategy and personal financial assurances.

And in a bigger recent play, Diversified Funding did a \$28.5M acquisition and predevelopment loan for 480 acres in Buckeye, Ariz., two miles south of the Sundance master-planned community. That project includes 1,637 residential units, school and park sites and 30 acres of commercial land.

Diversified Funding is a direct lender and pension fund adviser that typically funds deals up to \$30M for land and income-producing projects, primarily in Arizona and the Southwest.

**DEALMAKER DATABANK**

<u>Institution/Address</u>	<u>Phone/Fax/Contact Name</u>	<u>Lending Activity</u>
Allstate 3075 Sanders Road Northbrook, IL 60062	(847) 402-8767 Fax: (847) 402-4346 Thomas Jensen	Life company lends on mainstream income property.
California Savings Bank 830 Market St. San Francisco, CA 94102	(415) 772-7682 Fax: (415) 901-9515 Richard Caldwell	Savings & loan portfolio lender writes loans for condo projects.
Column Financial 3414 Peachtree Road NE, Suite 400 Atlanta, GA 30326	(404) 239-5300 Fax: (404) 239-0419 Kieran Quinn	Conduit lender writes loans for specialty properties as well as office, industrial, retail, multifamily and hotel.
CWCapital 63 Kendrick St. Needham, MA 02494	(781) 707-9300 Fax: (781) 707-9397 Michael Berman	Conduit lender, Fannie Mae DUS lender, FHA lender writes loans for condo projects
Diversified Funding Group, LLC 7595 E. McDonald Drive Suite 120 Scottsdale, AZ 85250	(480) 556-8142 Fax: (480) 556-5301 Paul Sargent psargent@dfgusa.com	Direct lender and pension fund adviser writes single-family land AD&C loans.
Freddie Mac 8200 Jones Branch Drive McLean, VA 22102	(703) 903-2411 Fax: (703) 903-2759 Richard Syron	Government-sponsored entity that offers a range of services and products for real estate lending.
First Industrial Realty Trust 888 Seventh Ave., Suite 1101 New York, NY 10019	(212) 757-4110 Fax: Robert Miceri	Sale/leaseback provider buys industrial buildings.
GE Commercial Real Estate Finance 16479 Dallas Parkway Bent Tree Tower Suite 500 Addison, TX 75248	(972) 728-7519 Fax: (972) 728-7621 Dan Smith	Lender and JV equity partner that invests in major commercial income property types.
GMAC Commercial Mortgage 8614 Westwood Center Dr., Suite 630 Vienna, VA 22182-2233	(703) 749-4360 Fax: (703) 749-4399 Bruce Lowrey	Conduit writes loans for extended-stay hotels.
Greystone Servicing Corp. 419 Belle Air Lane Warrenton, VA 20186	(540) 341-2100 Fax: (540) 341-2121 Mary Lensar	Agency lender specializes in multifamily lending.
HomeStreet Bank 2000 Two Union Square 601 Union Street Seattle, WA 98101	(206) 389-6292 Fax: (206) 389-7779 Jeff Todhunter	Commercial bank writes single-family land AD&C loans in the Northwest and Hawaii.
JP Morgan Chase 10940 Wilshire Blvd. Suite 2200 Los Angeles, CA 90024	(310) 893-2330 Fax: (310) 893-2399 Brad Wilmot brad.Wilmot@jpmmc.com	Conduit writes loans for medical office buildings.
LaSalle Bank 135 S. LaSalle St. Chicago, IL 60603	(312) 904-2000 Fax: (312) 904-0900 Charles Krawitz	Conduit writes loans for medical office buildings.
MetLife 10 Park Ave. Morristown, NJ 07960	(973) 355-4448 Fax: (973) 355-4460 Paul Wilson	Life company writes loans for income properties.
PNC Real Estate Finance. 10851 Mastin St. Overland Park, KA 66210	(913) 253-9633 Fax: 253-9717 David Morrow	Conduit writes loans for medical office buildings.
Prudential Mortgage Capital Co. 4 Embarcadero Center, Suite 2700 San Francisco, CA 94111-4180	(888) 263-6800 Fax: (415) 296-7237 Fred Van Overbeek	Conduit writes loans for extended-stay hotels.
Regional Capital Group 110 Center Blvd. Marlton, NJ 08053	(856) 983-4800 Fax: (856) 983-5001 Paul Braungart paulb@regionalcapital.com	Conduit lender writes mortgages for student housing facilities.
United Trust Fund 701 Brickell Ave., 13 <sup>th</sup> Floor Miami, FL 33131	(305) 358-7711 Fax: (305) 358-4002 Jim Nolan	Sale/leaseback provider buys industrial buildings.
Wells Fargo Commercial Mortgage 5938 Priestly Drive, Suite 102 Carlsbad, CA 92008	(760) 438-2153 Fax: (760) 438-8710 Tony Petosa	Conduit writes loans for medical office buildings.

*This information updates the Crittenden Directory of Real Estate Financing™. Contacts not listed can be found in the directory.*

## Life Companies Get More Active...

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A recent deal made by Allstate Investments may be a sign of things to come from LCs. Allstate wrote a \$255M mortgage to refinance an 11-property portfolio of shopping centers in California and Nevada. The 75% LTV loan was swapped from a floater to a fixed rate, but what's interesting are the terms. The borrower wanted to maintain flexibility so 50% of the loan is due in six years, the other half in seven years. Also, the funding was done in four separate tranches to coincide with the maturing of the different loans.

While Allstate is hungry for retail deals in regions with fast growing economies, and the portfolio fit into that niche, the loan is also a good illustration of the lender's willingness to deal and make something happen. Another factor in Allstate landing this business is that two of the centers already had Allstate paper and the lender wanted to hang onto the business and expand its relationship with the borrower.

MetLife has become more active in recent months, targeting deals involving grocery-anchored centers as well as full blown regional malls, even going as far as Puerto Rico for a five-year fixed deal worth \$100M. MetLife is most comfortable with institutional borrowers, with a soft spot for REITs. While the LC has always found comfort in fixed-rate deals of five and 10 years, it is willing to structure floaters at three, five and seven years and will build a deal with A & B notes. The ground floor is \$10M and LTV runs between 75%-80%, although the lender becomes more flexible on terms as that number goes south.

Though AXA Equitable Life Insurance isn't a big lender, it recently made a \$50M loan on a center in Riverhead, N.Y. A fixed-rate deal on a 100% occupied center dominated by credit tenants made the deal easier to make. Having a sponsor like the **AFL CIO Building Investment Trust** helped make the deal more palatable as well.

## Conduits Aggressive for Extended-Stay Hotels

More lenders are competing for extended-stay hotel perms as inflated development costs are keeping supply in check. Look for conduits to close more deals with lower coverage ratios, an acknowledgment that the lending world has evolved and become more aggressive. **GMAC Commercial Mortgage, ARCS Commercial Mortgage and Prudential Mortgage Capital Company** are all vying for extended-stay perm paper for their conduits.

The combination of more lenders on the hospitality scene and a somewhat clogged pipeline of new development projects have attracted the attention of the conduit community.

Look for better pricing to come with higher coverage, with spreads still in the neighborhood of 1.2% to 1.35% over Treasury. For the cheapest pricing, look for the coverage to generally be between 1.4 and 1.6 DSC.

In the past, a 1.4 DSC based on historical operating results was the minimum. Now, as CMBS investors have become more accepting of lower coverage ratios and rating agencies' underwriting assumptions have become more aggressive, a dollar of cash flow from a high-quality hotel property is supporting more leverage than it did a couple of years ago. A DSC of 1.2, based not only on historical cash flow but pro-forma as well, has become more commonplace.

Lenders are quite comfortable with the supply-demand equation for extended-stay properties, which tend to be a bit more expensive to build given the kitchen component. Prices for commodities like steel, lumber and concrete are higher today than they were a year ago. In addition, events like Hurricane Katrina have put a premium on construction labor, yet another hit to the developers' bottom-line. These economic realities

have quelled barrier-to-entry fears among perm lenders.

The extended-stay niche has matured with premier flags like Residence Inn and Homewood Suites, and lenders have taken note. ARCS, not known as a premier hospitality lender, recently closed on a deal involving a Homewood Suites property in Hartford, Conn. The 10-year term with a 25-year amortization schedule was priced at 5.765%. This niche also proved itself in the midst of calamity, as occupancy for this sector was relatively stable in the days following 9/11.

Lenders take comfort that extended-stay attracts business travelers at a time when corporate America has money to spend. Extended-stay properties also offer fatter operating margins compared to other offerings in the upscale lodging world, still another balance-sheet consideration that attracts loan dollars.

## Conduits Line Up for Med Office Perms...

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Triple Net has done \$500M in commercial real estate deals with Wachovia Securities since September 2005 and \$780M with LaSalle since January 2001. Triple Net President **Louis Rogers** prefers doing business with conduits that have responsive counsel and an efficient closing system. He laments doing deals with lenders who defer to legal departments that end up costing the borrower time and money while attempting to enlarge the minutiae by renegotiating seemingly every point of a transaction.

**Matthew Nurkin**, who directs acquisitions for **Cogdell Spencer**, a REIT with an appetite for medi-

cal office buildings, has seen lenders become more sophisticated in their underwriting of this property type. Sometimes a deal will involve a ground lease, and some lenders are more willing than others to consider this type of moving part in the structure of a loan.

JPMorgan's **Brad Wilmot** observes that conduits tend to be more comfortable than life companies when underwriting a medical office building involving a ground lease. Of course, the lender is attracted to fee simple deals as well, and recently closed on a \$15.875M loan for a medical office building in Downey, Calif.

The DSC was 1.2 and the LTV was close to 80% LTV.

Medical office building developers such as **Pacific Medical Buildings**, who are active in the Southwest, are following the population swell, with medical office building development following on the heels of residential growth. Some of these properties are off-campus, in growing suburbs, perhaps housing a diagnostic facility or the offices of individual medical professionals. Conduits are following in wake of this development, willing to finance these deals when the fundamentals warrant it.

## Fannie Mae, Freddie Mac Streamline Refi Process

The apartment market has garnered plenty of attention the past couple of years and no shortage of investment capital and acquisition activity. Conduit lenders and life companies as well as credit companies have fought successfully for a piece of the finance pie with agency lenders. **Freddie Mac** and **Fannie Mae** have been beaten on price and proceeds by other lenders on acquisition deals so the pair have drawn a line in the sand regarding refi plays, and in particular, loans already in their portfolios. To lenders like **Reilly Mortgage Group**, **ARCS Commercial Mortgage** and **CharterMac Capital Mortgage**, this means the government-sponsored entities are willing to designate more of the workload to the lenders and streamline the refi process to be sure the business doesn't walk.

Freddie Mac and Fannie Mae have been in the headlines more for their cooperation on federal investigations into accounting scandals than for the business of buying loans and keeping housing capital liquid. However, the accounting crises' haven't prevented the two agencies from realizing that other lenders have picked their pockets when it comes to apartment lending. That said, Freddie Mac and Fannie Mae both see the rising interest rate environment as the perfect time for them to not only hang onto loans in their portfolio looking to refi, but also to capture business from borrowers who are in adjustable-rate mortgages and see their payments rising.

Reilly Mortgage, which has both Freddie Mac and Fannie Mae platforms, has seen the two agencies

move to make the refi process quicker, turning more of the deal over to the lender. Head of Production **Lamar Seats** has seen Freddie Mac leading the charge on proceeds, trying to give borrowers more cash in 2005, but Fannie Mae has now come to the cash out party ready to deal. Though much has been made in the CMBS market about lenders backing away from interest-only strips, Freddie Mac and Fannie Mae are still aggressive with interest-only structures when it comes to refi's. In particular, Freddie Mac is at home with interest only on low leverage deals. Reilly has also seen some flexibility on terms, with agencies more willing to write shorter terms for borrowers unsure of what their exit strategy will be.

At ARCS, **Holli Leon** is looking for volume in refi's with both agencies down a bit from last year. With pre-payment and yield maintenance coupled with rate creep, some borrowers may not be able to make a refi pencil out. ARCS has also seen both agencies move aggressively to keep loans in their own portfolios when it comes to refinancing.

One method ARCS has seen work for both Fannie Mae and Freddie Mac is increased use of rate lock and increasing the speed of the lock. Leon has seen an application on Monday and had the loan locked before it was time to call it a week. Interestingly, ARCS has seen a move toward longer-term agency loans, since the yield curve is flattening and the pricing difference between a 10-year and a 15-year loan is so small.

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## JVs Compete for Industrial Sales/Leasebacks

In a world replete with mergers and acquisitions, the sale/leaseback is one way for an investor to cash out value in a deal and still retain access to the place of business. Leveraged buyout firms are using the sale/leaseback as an asset monetization tool that helps them pay down the debt generated by a takeover.

**First Industrial Realty Trust** and **United Trust Fund** have recently formed JVs to bolster their sale/leaseback capacity and reach, thereby helping them compete for deals with the likes of **W.P. Carey** and **IStar Financial**.

First Industrial has paired with a fund managed and advised by **UBS AG** to go after single-tenant industrial properties. The JV will look to leverage \$300M in equity into \$900M worth of deals. **Robert Micera**, the national head of Net Lease Investments for First Industrial, has seen sale/leasebacks gain in popularity in the past few years, with more institutional capital in search of industrial properties because these investors see the property as being a relatively stable asset class with upside potential.

Micera sees the JV with UBS AG as a way for First

Industrial to capture a great breadth of transactions offering a variety of lease terms. The JV looks for an investment horizon of seven to 10 years, but First Industrial can offer longer terms that it will keep on its own books. This one-stop shop approach allows a seller with a portfolio of properties, representing a variety of lease terms, the convenience to deal with a single entity instead of multiple buyers.

First Industrial has done terms as short as 18 months and as long as 25 years. Deal size generally starts at \$1M. It will consider all types of credit, from unrated private companies to investment grade.

United Trust has allied with **GE Real Estate Business Property** to consider sale/leasebacks sized \$50M and up. For its own balance sheet, United Trust's deal size starts at \$5M. It looks for triple-net leases from 10 to 25 years. EVP and CFO **Jim Nolan** puts more emphasis on credit when evaluating deals than what sector the company represents. It seeks nationally listed public companies with a minimum net worth of \$50M, but will also consider strong private companies.

## Student Housing Demand Strong

Just like demand for oil extends far beyond what the eye can see, so too does demand for loans in the student-housing sector. Student housing communities offer a real estate investment niche with attractive fundamentals, as colleges and universities have been unable to add new housing to handle rising enrollment. And today's sophisticated college students demand more lifestyle choices; so off-campus housing designed specifically to their needs is a growing business consideration. To that end, there is a continual shortage of student housing, both on campus and off campus. Many students prefer to live off campus, but still near enough to campus.

Among those keeping a close eye on this vibrant sector is **Paul Braungart**, president and CEO of **Regional Capital Group**. RCG likes this product and will entertain loan requests, picking and choosing as they go along. The New Jersey-based conduit lender recently closed one student hous-

ing deal and is currently evaluating another. The deal that RCG concluded involved a \$3M short-term bridge loan to rehab a project called University City, located adjacent to the University of Pennsylvania in Philadelphia.

The other deal, currently being scrutinized, is located within two blocks of Temple University. Braungart outlined the sweet spot for RCG deals to be in the \$500T to \$5M range, although loans can go higher. A new program recently launched at RCG is a new lending fund called RCG1. The company is looking to do \$100M loan volume in that new fund.

In related news, **Lowe Enterprises Investors**, on Feb. 15, announced a JV with **Realty Capital Company** and **Blue Vista Sponsor Equity Fund**, to acquire the Bermuda Run Apartments, a 165-unit student housing community located less than a mile from Georgia Southern University in Statesboro, Ga. The deal price was undisclosed, but **Blecker**

**Seaman**, managing director of Lowe, is looking to build the Lowe portfolio in the growing market sector. Los-Angeles-based Lowe manages \$2B in real estate assets. Its student-housing portfolio consists of 1,460 units in Florida, Texas, Minnesota and Georgia. Blue Vista has participated in deals valued at more than \$684M, including \$244M in student housing properties. RCC has sponsored acquisitions valued at more than \$150M since 2003.

Elsewhere, investment firm **W.P. Carey** provided Corinthian Colleges \$52M in build-to-suit financing. The sale/leaseback will fund construction of two new student housing facilities, a 164-unit apartment complex in Blairsville, Pa., and a 156-unit apartment complex in Laramie, Wyo. Carey acquired the facility on behalf of its income-generating real estate fund and will lease the properties under two separate 20-year leases. Carey acts as principal in deals from \$5M to \$500M.

## Lender Notes...

### The Buzz

It's never a good idea when your company is in the middle of a \$5B earnings restatement for your CFO to suddenly leave. It's even worse when the Feds have been camped out in your lobby so long that they are on a first name basis with the janitorial staff and you have just announced another delay in reporting earnings. Nevertheless, that is exactly what is happened at **Freddie Mac** where **Martin Bauman** is out.

Bauman, who came to Freddie Mac after 30 years at PricewaterhouseCoopers, will stay on until May as a SVP and will do some consulting for Freddie Mac after that. The government-sponsored entity says that Bauman's departure will not sidetrack the filing of earnings in May.

Bauman joined Freddie Mac in April 2003, signing a two-year contract that was later extended one year. In December, Bauman and Freddie Mac signed an agreement that stated that if Bauman remained until December 2007 he would receive a \$1M cash bonus as well as \$1M in stock options. Bauman attributed his departure to the fact that all that was left to right the good ship Freddie Mac was to upgrade the computer systems, a task he had no desire to be a part of.

As a parting gift, Freddie Mac is paying him the bonuses anyway, as well as \$540T in salary. The company has hired an exec search firm to find a new CFO; COO **Eugene McQuade** will assume the duties on a temporary basis.

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**CWCapital** is all about growth. Take a look at the acquisitions of **Allied Capital's** servicing operation and **Crimi Mae** and it is easy to see this company wants to expand. It took a big step toward beefing up its **HUD** business when it hired **Michael McCullough**, the former director of Multifamily Development at HUD. Look for McCullough to ride herd on HUD strategy and to help pump up CWCapital's affordable housing platform. In 2005, CWCapital moved from 11<sup>th</sup> up to seventh nationally in HUD originations and already has enough HUD loans in the pipeline to triple its 2005 volume, according to **Dee McClure**, the lender's national HUD director. McCullough will not be locked into HUD and will also assist with the lender's **Fannie Mae** platform.

### ***Fannie Mae, Freddie Mac Streamline Refi Process...***

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At CharterMac, VP **Patti Saylor** is seeing borrowers exploring all avenues for refis, from agencies to life companies, to in-house portfolio quotes. For CharterMac, this is good news since it has many plat-

forms to offer borrowers. The lender has seen favorable reaction from borrowers on both agency platforms and early rate locks. Freddie Mac and Fannie Mae are stretching on proceeds as well as

interest-only structures to win new business. CharterMac has noticed this strategy has been effective for the agencies when competing for refi business with conduits.

At the same time, the lender hired **Wendy Rubin-Fitzgerald**, formerly of **Greystone Servicing**. Fitzgerald has substantial experience in both affordable and market rate multifamily and structured finance

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The **GMAC Commercial Mortgage** sale has finally closed with new numbers and a parent company **General Motors Acceptance Corp. Commercial Holding** has a new name, **Capmark Financial Group Inc.** In August 2005, the lender signed a deal with a consortium comprised of takeover specialists **KKR, Goldman Sachs Capital Partners** and **Five Mile Capital Partners** to sell off a 60% equity position in GMACCM.

The strategy was to raise cash for troubled parent GM, while at the same time busting free to qualify GMACCM for its own credit rating. The final deal calls for the consortium to pick up a 78% equity position for \$1.5B. The final equity ownership picture for GMACCM looks like this: the consortium owns 75%, the consortium management 3% and GMAC 21%. General Motors Acceptance Corp., will also be buying \$250M worth of Capmark preferred stock.

At the same time as the closing, GMACCM repaid GMAC \$7.3B in inter company loans and Capmark closed on a \$10.75B loan facility thanks to a syndicate of banks which includes **Citigroup, Credit Suisse First Boston, Goldman Sachs, RBS, JP Morgan** and **Bridge Bank**. Capmark drew down on the facility immediately to pay off the \$7.3B in loans. All told, parent company GM netted \$8.8B by selling the 78% equity piece and loan repayment. The cash infusion is crucial for the struggling car maker, especially in light of recent revelations involving possible union worker buyouts. GM has also placed GMAC on the block, a company valued at \$13B.

Insiders at GMACCM indicate that no changes to either existing platforms or programs are anticipated for the company that had \$29B in originations last year. The company is a direct lender in addition to being a correspondent for life companies and pension funds and a **FHA**, Fannie Mae and Freddie Mac lender. It services \$276B in loans.

## Some Pullback in Condo Lending

Bank economists predict the housing market to cool over the next two years as mortgage rates gradually increase toward 7% by the end of 2007. Total home sales are expected to decrease 8% from last year's record level. But are those statistics scary, or just a drop in the ocean? When it comes to condo lending, **CWCapital** is a little bit bearish these days. **Regional Capital Group** and **California Savings Bank** are cautious, but still doing business.

While some may chatter about the end of a two-year condo explosion or a five-year single-family boom, there remains this: The global real estate market is still floating on an absolute sea of cash, and there is no end in sight to the weight of money coming into commercial real estate capital markets. In 2005, a stunning \$475 billion poured into commercial real estate investments worldwide, a 21% jump from 2004. And that volume will almost certainly be surpassed in 2006.

CWCapital President **Michael Berman** describes the current posture of his company as clearly in a pullback mode. Healthy condo markets remain, but CWCapital is very cautious right now. In CWCapital's backyard of Boston, for example, condo sales have been heating up in areas surrounding the city. In many areas of the country, the condo market is becoming overbuilt. The time it takes to sell a condo is increasing. The San Diego market is experiencing some softening, and Miami is trending that way also.

Berman forecasts that as interest rates continue rising, that trend will increase and further dampen demand. He is particularly concerned about markets where there is a big supply of high-end condos. Berman would also like to see supply and demand come into a little more balance. Despite these uncertainties, CWCapital hasn't been warming the condo bench. Not by a long shot. In the last eight months,

CWCapital closed about \$800M in condo deals, including mezz and first mortgages. CWCapital is about to close on new construction condo deals in New York and the Washington, D.C., area. In late 2005, CW closed three floating rate condo conversion deals in California: \$139.6M in San Ramon, \$95M in San Jose and \$59.7M in Santa Ana.

California Savings Bank recently closed \$203M in bridge financing for two condo projects in the Washington, D.C., area. The borrower secured a \$127M loan for a 12-building, 584-unit project in Herndon, Va. California Savings Bank also supplied funds for developer Fairfield Residential, which sought the \$76M loan as bridge financing for a 404-unit resort-style project in Germantown, Md.

California Savings Bank Chief Lending Officer **Richard Caldwell** continues to seek loan opportunities for well-located deals in select West Coast and national markets. Overall, California Savings Bank is in a cautious condo underwriting mode, but is not withdrawing from competition by any means. The savings and loan portfolio lender hopes to approach \$1B in total loan volume for 2006. Loans range from \$5M to \$150M. California Savings Bank competes well, offering small bank process with a significant balance sheet. There are not many small banks that can do \$200M deals without selling part of the loan. Looking forward, Caldwell sees urban demand for affordable housing continuing to outpace supply.

At Regional Capital Group, President and CEO **Paul Braungart** is also proceeding with a bit more caution. He is still seeing condo conversions, with heavy activity in the Southeast. In Century City, Calif., the Westfield Group proposed a \$500M transformation of its Westfield Century City shopping center that would include 260 luxury condos. Westfield has reportedly already invested \$150M in the makeover.

### Customer Service

Tel: (800) 421-3483 Fax: (415) 475-1516  
E-mail: [market@crittendenonline.com](mailto:market@crittendenonline.com)

### Editorial

Newsroom Tel: (415) 475-1522  
Newsroom Fax: (415) 475-1576

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