

Capital Markets Briefs

A Synopsis of Current Trends

- The FOMC meeting last week proved to be a non-event for the markets with the 10 yr essentially remaining range bound at previous levels. Markets seemed to favor Clinton in Monday night’s debate as the curve flattened over the course of the day Tuesday. January fed funds continue their rally, now pricing in a 46% chance of rate hike this year. Next September’s fed funds is now the earliest contract fully pricing in a rate hike. The market is pricing a 20% to 25% chance of a raise, which is down from the low 30% range last week. Policy makers are publicly split, with Fed Chair Yellen and Vice Chair Fischer saying recent economic data supports raising rates, and Fed Governor Brainard saying there is little need to worry about inflation picking up so there is little need to rush to raise rates.
- In the mortgage market, MBS spreads were stable/flat during the month of August into September and remain at or near YTD lows amid very heavy new issuance. The immediate effects of Brexit and the global search for yield have tightened spreads on 10 and 12 year loan terms as much as 15-20 bps. Dealer inventories are full, however, and market volatility is expected to be high with uncertainty surrounding leading up to the Presidential election, all of which will put upward pressure on spreads. We are already seeing some softness in the SARM market with recent trading being very choppy.
- More broadly, multifamily mortgage market liquidity remains very good, although the majority of the flow is heading toward the agencies. Both Fannie Mae and Freddie Mac now expect to have record years, likely \$105B to \$110B total, up from \$90B in 2015. Banks’ and life companies’ appetite has decreased in comparison to the first half of 2016. The banks are getting pickier due to regulatory concerns, and many of the life insurance companies have already hit their allocations for the year. CMBS spreads have stayed fairly flat with AAA’s pricing in the S+100 to 110 range. However, CMBS is still not competitive on a spread basis, so their production is anticipated to be down year over year. Agency spreads have increased slightly as they both manage the production so as to not exceed their production caps, but with all in rates still 4% or less; it continues to be a great time to borrow money. Call your CBRE professional to get a quote from our stable of competitive lenders.

Lending Rates

Freddie Mac									
FIXED RATE PRICING	Leverage 1.25x/80%			1.35x/65%		FLOATING RATE PRICING	Leverage 75%		
	Term	Spread	Rate	Spread	Rate		Term	Spread	Rate
	5 year*	2.54% - 2.64%	3.66% - 3.76%	2.29% - 2.39%	3.41% - 3.51%		7 year ARM	2.24%	2.76%
	7 year	2.32% - 2.42%	3.71% - 3.81%	2.07% - 2.17%	3.46% - 3.56%		Priced over 1 month Libor. Prepay consists of 1 year lockout, 1% thereafter. Third party interest rate cap required.		
	10 year	2.27% - 2.37%	3.83% - 3.93%	2.02% - 2.12%	3.58% - 3.68%				
	Pricing based on standard yield maintenance. *DSCR/LTV parameters may vary on 5 year structures.								
Fannie Mae									
FIXED RATE PRICING	Leverage 1.25x/80%			1.35x/65%		FLOATING RATE PRICING	Leverage 75%		
	Term	Spread	Rate	Spread	Rate		Term	Spread	Rate
	5 year*	2.59% - 2.69%	3.71% - 3.81%	2.39% - 2.49%	3.51% - 3.61%		10 year SARM	2.60%	3.12%
	7 year	2.26% - 2.36%	3.65% - 3.75%	2.06% - 2.16%	3.45% - 3.55%		7/6 ARM*	2.39%	2.91%
	10 year	2.23% - 2.33%	3.79% - 3.89%	2.03% - 2.13%	3.59% - 3.69%		Priced over 1 month Libor. Prepay consists of 1 year lockout, 1% thereafter. Third party interest rate cap required. *Embedded cap with max rate of 7.54%.		
	12 year	2.35% - 2.45%	3.91% - 4.01%	2.15% - 2.25%	3.71% - 3.81%				
Pricing based on standard yield maintenance. *DSCR/LTV parameters may vary on 5 year structures.									
FHA									
	Term	Leverage*	Spread (10-YR T)	Rate**	Pricing based on lock out for 1 year, then 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1%, 0% thereafter. Over the yield of 10-year treasuries. Includes mortgage insurance premium of 0.60%-0.77%; based on estimated spreads and actual treasury yields at time of quote sheet preparation. *Market rate projects. Affordable transactions have lower DSC and higher loan ratios. **Rate includes MIP. Certain affordable projects may qualify for lower MIP.				
Apartment New Construction	40	1.176/85%	2.49%	4.05%					
Apartment Refinance	35	1.176/85%	1.91%	3.47%					
Healthcare New Construction	40	1.45/75%	2.61%	4.17%					
Healthcare Refinance	35	1.45/80%	1.96%	3.52%					

The rates for Freddie Mac, Fannie Mae and FHA as published are indicative only, based on information collected and are subject to change at any time without notice. Freddie Mac, Fannie Mae and FHA price each loan individually. Freddie Mac and FHA does not publish pricing. Freddie Mac, Fannie Mae and FHA have not pre-approved any of these rates.

Life Companies				
Leverage 65%			Leverage 50%	
Term	Spread	Rate	Spread	Rate
5 year	1.85% - 2.20%	2.97% - 3.32%	1.60% - 1.70%	2.72% - 2.82%
7 year	1.72% - 1.90%	3.11% - 3.29%	1.35% - 1.55%	2.74% - 2.94%
10 year	2.05% - 2.30%	3.61% - 3.86%	1.60% - 2.25%	3.16% - 3.81%
Spreads quoted over comparable U.S. Treasury Index. With the decline in Treasury yields interest rate floors are becoming more prevalent among life cos. Interest rate floors vary widely and currently range between 3.25% - 4.0% on 10 year deals. New pockets of floating rate money available at L + 224-260 bps; U/W focused on target Debt Yields (8% +).				

Banks				
Leverage 70%			Leverage 65%	
Term	Spread	Rate	Spread	Rate
5 year	1.75% - 2.00%	2.90% - 3.15%	1.60% - 2.25%	2.75% - 3.40%
7 year	1.85% - 2.23%	3.11% - 3.49%	1.65% - 2.00%	2.91% - 3.26%
Spreads quoted over LIBOR; Rates calculated over comparable Swap Index. Actual rates may contain additional lender credit spread in quoted rate; 7-year money not as readily available; aggressive terms available based on depository relationship. Some level of recourse generally required for bank loans, particularly for LTVs greater than 65%.				

Spreads and rates shown are for indication purposes only and subject to change. Actual spreads/rates achievable on individual loans will reflect the quality of the asset, sponsorship, location and market.

Recent Closings Transactions completed by CBRE’s Multifamily Debt & Structured Finance Team

CLOSING	TYPE	LOAN AMOUNT	RATE	PURPOSE	TERM	AMORTIZATION	MSA
Sep 2016	Fannie Mae Floating	\$114,945,000	2.83%	Acquisition	10	10 yr I/O; 30 Amort.	Seattle, WA
Sep 2016	Life Company	\$87,790,000	3.99%	Construction	8	8 yr I/O	Minneapolis, MN
Sep 2016	Fannie Mae Fixed	\$46,500,000	3.64%	Acquisition	12	4 yr I/O; 30 Amort.	Boston, MA
Sep 2016	Fannie Mae Fixed	\$42,960,000	3.70%	Acquisition	10	3 yr I/O; 30 Amort.	Ocala, FL
Sep 2016	Life Company	\$38,000,000	3.65%	Refinance	20	30 Fully Amort.	Charlotte, NC
Sep 2016	Fannie Mae Fixed	\$35,881,000	3.57%	Refinance	10	7 yr I/O; 30 Amort.	Phoenix, AZ
Sep 2016	REIT	\$34,100,000	5.25%	Refinance	3	3 yr I/O	Minneapolis, MN
Sep 2016	FHA Lending	\$32,811,000	3.16%	Refinance	35	35 Fully Amort.	Orlando, FL
Sep 2016	Credit Company	\$31,500,000	6.02%	Acquisition	3	3 yr I/O	Las Vegas, NV
Sep 2016	Fannie Mae Fixed	\$27,622,000	3.21%	Acquisition	10	10 yr I/O; 30 Amort.	Austin, TX