

For the period ending: April, 2017

Monthly Commentary

The MBA release their Quarterly Index of Commercial/Multifamily Mortgage Bankers Originations for the first quarter of 2017, showing a nine percent increase in commercial and multifamily mortgage loan originations for the first quarter of 2017, compared to the same period last year. In line with the seasonality of the market, first quarter originations were 27 percent lower than the fourth quarter of 2016. Multifamily properties remain the key force behind overall originations trends, with the GSEs continuing to dominate multifamily originations. Matching broader investment themes, financing backed by industrial properties also picked up, while retail declined. [Click here](#) for a link to the First Quarter 2017 Commercial/Multifamily Mortgage Bankers Index.

We saw a significant slow down in the new issue market in April, as only 2 conduits priced for a total of \$1.9b, bringing the YTD total to \$10.6b across 11 deals. In addition, 2 SASB deals priced for a total of \$1.76b, with \$1.25b coming from a deal backed by a large pool of cold storage facilities. In the conduit space, the first deal of the month to price was the BNK4 deal (4/5) which was able to price tighter than the prior deal at all tranches. It took all the way until 4/28 for the second deal to price (Citi/DB), which likely benefited from the lack of supply as it was able to price its AAA LCF bond 3bps tighter than BNK4 even though interest rates were actually lower. Away from the AAA though, the mezz priced wider at all tranches versus the BNK4 deal. In secondary, generic non-RR spreads from AAA LCF down through the A- tranche were either side of flat, with BBB- tighter by roughly 15-25bps. Tighter trading risk retention bonds were generally wider on the month, particularly in the mezz tranches. While average to wider names were flat to tighter in the A- space, lower rates put pressure on the sub S+200 A- space which helped push the RR bond spreads wider. May is expected to be a busy month in both conduit and SASB, as dealers look to price deals before the summer starts.

U.S. Property Fundamentals - Key Indicators

	Apartments		Office		Retail	
	12 Mo. Change	Current / Hist. Avg.	12 Mo. Change	Current / Hist. Avg.	12 Mo. Change	Current / Hist. Avg.
Vacancy Rate	0.7%	6.0% / 6.2%	-0.1%	10.4% / 11.2%	-0.2%	5.2% / 6.5%
Net Absorption	153,347	121,074	82,969	75,752	88,380	109,582
Net Deliveries	226,412	137,016	63,107	97,854	56,729	109,867
Rent Growth	2.50%	2.10%	2.50%	1.70%	2.70%	1.20%
Sales (\$ millions)	\$96,391	\$59,719	\$95,359	\$75,528	\$30,613	\$30,411

	Logistics		Light Industrial		Lodging	
	12 Mo. Change	Current / Hist. Avg.	12 Mo. Change	Current / Hist. Avg.		YTD
Vacancy Rate	-0.4%	6.7% / 10%	-0.2%	3.4% / 5.7%	Occ. Growth	0.1%
Net Absorption	175,184	103,893	40,774	34,873	RevPAR	3.2%
Net Deliveries	167,988	109,832	15,281	32,825	Supply Growth	1.6%
Rent Growth	7.50%	1.90%	6.50%	2.00%	ADR Growth	3.1%
Sales (\$ MM)	\$16,107	\$10,189	\$11,678	\$10,135	Sales (\$ MM)	\$29,100

Source: Costar (Apartments, Office, Retail, Logistics, Light Industrial) as of 5/2/2017 and JLL (Lodging) as of Q4 2016. "Hist. Avg." vacancy is over the last 10-years.

Market Briefs / Activity

- **Lenders Still Willing to Finance Retail, but Be Prepared for Extra Scrutiny.** It is not entirely business as usual in a retail sector that has been hit by a double whammy of rising e-commerce sales and shifting consumer shopping patterns. [Read More...](#)
- **Commercial Property Prices Move Sideways.** There appeared to be no clear upward or downward momentum in asset prices in recent months. [Read More...](#)
- **Ten-X: Prices Show Strongest Gains Since November.** Commercial valuations grew by 1 percent during April, the strongest growth seen since the November presidential election, reported by Ten-X, Irvine, CA. Commercial real estate has now risen 9.6 percent over the last 12 months--the strongest rate of annual growth since early 2016--noted Ten-X Chief Economist Peter Muoio. [Read More...](#)
- **U.S. Lending Market Conditions Remain Favorable.** The fairly dramatic increase in long-term interest rates that occurred in late Q4 2016 continued into Q1 2017. While this spike in interest rates grabbed financial headlines, its impact to commercial real estate markets has been fairly limited, especially given the most recent decline in treasury rates. [Read More...](#)

CorAmerica CML Spreads / Current

LTV	5-Year	7-Year	10-Year	20-Year
≤ 50%	145	140	140	150
60%	160	150	150	160
65%	170	160	160	170
70%	195	180	180	190
75%	225	205	205	215

* 20-year priced over the 12-year treasury and fully amortizing.

CorAmerica CML Spreads / Monthly Change

LTV	5-Year	7-Year	10-Year	20-Year
≤ 50%	-5	-5	-5	-5
60%	-10	-10	-10	-10
65%	-10	-10	-10	-10
70%	-5	-5	-5	-5
75%	-10	0	0	0

* 20-year priced over the 12-year treasury and fully amortizing.

Outside Market / Monthly Change

Index	Current	Change	% CHG
1-Month LIBOR	0.99%	0.01%	1.0%
3-Month LIBOR	1.17%	0.02%	1.7%
5-Year Treasury	1.81%	-0.11%	-5.7%
7-Year Treasury	2.09%	-0.12%	-5.4%
10-Year Treasury	2.28%	-0.11%	-4.6%
30-Year Treasury	2.95%	-0.05%	-1.7%
10-Year Swap	2.24%	-0.14%	-5.8%
Dow J	20,941	277.3	1.3%
NASDAQ	6,048	135.9	2.3%
S&P 500	2,384	21.5	0.9%
Gold	1,268	16.70	1.3%
Crude Oil	49.33	(1.52)	-3.0%

Source: WSJ.com; bankrate.com; ycharts.com

Other CML Spreads / Monthly Change

Term	Source	LTV	Spread	Change
10-Year	CMBS	≤ 75%	S+225	-15
7-Year	Agency *	65%	178	0
7-Year	Agency *	75%	201	0
10-Year	Agency *	65%	178	-1
10-Year	Agency *	80%	201	-1
12-Year	Agency *	75%	209	-1
15-Year	Agency *	75%	214	1
Mezz	Various	85%	600-1000	NC

* Indicative pricing for Fannie Mae loans that are \$10+ MM "affordable" and/or "green" properties. Add ~25 bps if sub \$10MM "affordable" and/or "green" property. Add ~33 bps if \$10+MM and it is considered "capped" business. Add ~50 bps if sub \$10 MM and it is considered "capped" business.

Public Benchmarks / Monthly Change

Type	Rating	Spread	Change	% CHG
Corp.	AAA	T+74.46	-1.5	-2.03%
Corp.	AA	T+79.06	-1.9	-2.40%
Corp.	A	T+98.39	-1.6	-1.61%
Corp.	BBB	T+148.25	-2.8	-1.82%
Corp.	BB	T+241	-16.0	-6.23%
CMBS	AAA	T+93.12	-3.00	-3.00%
CMBS	AA	T+141.12	-7.00	-4.61%
CMBS	A	T+186.12	-6.00	-3.06%

Source: Bloomberg Corporate Bond Index; Wells Fargo pre risk-retention CMBS, secondary market spreads. CMBS spreads are shown net of the swap spread, which was -3.88 bps on 4.28.