Commercial Real Estate
Monthly Recap

CORAMERICA
A NASSAU RE COMPANY

For the period ending: August, 2017

Monthly Commentary

According to RCLCO's Q2 2017 Chartbook, capital for real estate debt and equity are still considered abundant. For equity, there is plenty of "dry powder", but fundraising may be moderating. Foreign capital transactions are close to the pace set in 2016. Overall, 2017 real estate transactions are tracking closely to that of 2016. Debt markets remain active with the net percent of banks tightening lending standards relatively flat. Although still dominated by the banks and GSE's, the marketplace has seen a rise in non-bank lenders filling the gaps for capital in the marketplace for construction loans, heavy transitional properties, etc.

Is the retail sector an opportunity? Included below are several articles that discuss the current and future retail environment. CorAmerica continues to evaluate new opportunities in this transitioning sector of the real estate marketplace.

The first half of August was relatively busy with 4 new conduit deals pricing for $3.86b, bringing the YTD total to $28.1b across 30 deals. Pricing for the LCF AAA ranged from S+90-95, AA- ranged from S+140-160, and A- ranged from S+170-202. Given the significant demand for bonds in the secondary market, the weaker new issue prints and variance across deal pricing levels were a little surprising. With lower rates, investors seemed to be less inclined to pay up for risk retention deals that did not appear to be superior in credit versus wider trading names in secondary. In SASB space, 8 deals priced this month. There were 6 floating rate deals ($4.64b) and 2 fixed rate deals ($827mm) for a total of $5.5b. Similarly to last month, several of the SASB deals were at least partially preplaced, including the $1.97b floating rate Motel 6 deal that was entirely pre-placed. Trading volumes in the secondary market were extremely low in the last two weeks of the month. On the month, AAA and AS/AM bonds were quoted flat to a touch tighter, AA- and A- were quoted flat to a few bps wider, while BBB- was quoted about 10-15bps wider. In addition, bonds with higher than average Houston exposure ended the month wider, as investors await more news about the potential impacts of the storm. September is expected to be a very busy month on the new issue front, as issuance was basically shut down for the second half of August.

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	-.05% / 5.6%	6.2%	-0.1% / 10.2%	11.1%	0.00% / 5.2%	6.5%
Net Absorption	233,740	123,526	68,636	76,481	58,545	109,878
Net Deliveries	225,069	139,676	71,325	97,769	58,979	109,836
Rent Growth	2.40%	2.10%	1.50%	1.80%	1.90%	1.20%
Sales ($ millions)	$101,424	$60,654	$99,008	$76,255	$29,772	$30,446

	Logistics		Light Industrial		Lodging	
	12 Mo. Change / Current	Hist. Avg.	12 Mo. Change / Current	Hist. Avg.		YTD
Vacancy Rate	-0.1% / 6.7%	10.0%	-0.2% / 3.3%	5.6%	**Occ. Growth**	0.5%
Net Absorption	157,755	105,125	28,291	35,105	**RevPAR Growth**	3.4%
Net Deliveries	160,649	110,806	16,549	32,671	**Supply Growth**	1.7%
Rent Growth	6.70%	2.00%	5.90%	2.20%	**ADR Growth**	2.9%
Sales ($ MM)	$18,752	$10,388	$12,765	$10,226	**Sales ($ MM)**	$4,500

Source: Costar (Apartments, Office, Retail, Logistics, Light Industrial) as of 8/31/2017 and JLL (Lodging) as of Q1 2017.
"Hist. Avg." vacancy is over the last 10-years.

Market Briefs / Activity

- Report debunks retail apocalypse: More stores opening than closing. - Don't believe the hype -- physical retail is still growing, particular in three key segments. Retailers are opening 4,080 more stores in 2017 than they are closing, according to a new research report from IHL Group, and they plan to open over 5,500 more in 2018. Mass-merchandisers, including off-pricers and value chains, are the fasteest-growing retail segment (+1,905 stores), followed by conveneicne stores (+1,700 stores) and grocery retailers (+674 stores). Read More...

- 6 Types of Retailers That Are Amazon Proof. - The retail landscap has been tumultuous as of late as retailers adjust to changing consumer shopping preferences in favor of experiential retail and online shopping. There have been winners and losers during this transition as e-commerce saturation coupled with Amazon's continued disruptions in the industry have made it difficult for many retailers to hold on. But there have been some notable retail segments standing firm during this time of flux, CNBC reports. Here are the six types of retail that, at present, are Amazon-proof: (Restaurants, Off-Price Retailers, Dollar Stores, Furniture Stores, Grocery Stores, Mass Merchants). Read More...

- Beyond the Headlines: "Is the E-pocalypse Here?" - Despite recent headlines implying that e-commerce is rapidly eroding retail store sales, the fact is that more than 90% of retail sales still occur in physical stores. Online sales are not the exclusive domain of pureplay e-retailers, as more than 50% of online sales are made by brick-and-mortar brands. U.S. consumers prefer combining online and in-store shopping, making omnichannel platforms critical to retailer growth. To execute omnichannel effectively, most brick-and-mortar brands are restructuring industrial footprints and supply chain strategies to enable faster and more cost-effective delivery to consumers. Read More...

- Online Shopping Drives Changes in Real Estate Values in First Half - Values for U.S. retail properties generally fell, even as they rose for industrial properties in the first half of 2017, according to a new survey, as the growth of online shopping reshapes commercial real estate markets. [...] capitalization rates for retail power centers (outdoor shopping hubs dominated by two or three bix box retailers surrounded by shared parking) rose in the first half of 2017 to 7.31% from 6.92% in the second half of 2016. Capitalization rates for neighborhood shopping centers increased to 7.23% from 7.12% during the same time period, CBRE said. 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%	0	0	0	0
60%	0	0	0	0
65%	0	0	0	0
70%	0	0	0	0
75%	0	0	0	0

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

Outside Market / Monthly Change

Indice	Current	Change	% CHG
1-Month LIBOR	1.24%	0.01%	0.8%
3-Month LIBOR	1.32%	0.01%	0.8%
5-Year Treasury	1.70%	-0.14%	-7.6%
7-Year Treasury	1.95%	-0.17%	-8.0%
10-Year Treasury	2.12%	-0.18%	-7.8%
30-Year Treasury	2.73%	-0.17%	-5.9%
10-Year Swap	2.07%	-0.18%	-8.1%
Dow J	21,948	57.0	0.3%
NASDAQ	6,249	(99.5)	-1.6%
S&P 500	2,472	1.3	0.1%
Gold	1,327	53.10	4.2%
Crude Oil	47.09	(3.08)	-6.1%

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

Other CML Spreads / Monthly Change

Term	Source	LTV	Spread	Change
10-Year	CMBS	≤ 75%	S+225	0
7-Year	Agency *	65%	170	-6
7-Year	Agency *	75%	193	-6
10-Year	Agency *	65%	164	-7
10-Year	Agency *	80%	187	-7
12-Year	Agency *	75%	198	-9
15-Year	Agency *	75%	204	-8
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+66	6.0	10.00%
Corp.	AA	T+69	4.0	6.15%
Corp.	A	T+87	6.0	7.41%
Corp.	BBB	T+138	8.0	6.15%
Corp.	BB	T+235	10.0	4.44%
CMBS	AAA	T+90	2.00	2.22%
CMBS	AA	T+136	5.00	3.76%
CMBS	A	T+183	0.00	0.00%

Source: Bloomberg Corporate Bond Index; Wells Fargo pre risk-retention CMBS, secondary market spreads as of COB 7/28. CMBS spreads are shown net of the swap spread, which was -2.07 bps on 8/31.

Dale Helling - Senior Managing Director
dhelling@coramerica.com
515-512-4864

Bill Petak - CEO
bpetak@coramerica.com
310-606-8441

Debbie Slogoff - Senior Managing Director
dslogoff@coramerica.com
310-606-8445