Commercial Real Estate
Monthly Recap

CorAmerica
A NASSAU RE COMPANY

For the period ending: July, 2017

Monthly Commentary

CBRE reported continued growth and stability for the U.S. lending market. Despite an increase in short-term interest rates by the Federal Reserve in June, capital markets remained quite favorable in Q2, with rising equity prices, tight spreads and limited volatility. The yield curve has flattened over the past quarter, reflecting the Fed's interest rate policy changes. CBRE's Lending Momentum Index, which tracks loans originated by CBRE Capital Markets, shows that loan closings edged higher between March and June, and are 27% above the year-earlier level. Volume improved across all major lending groups, as capital is readily available. Reflecting the favorable capital market environment, CMBS issuance revived in Q2 and is well ahead of 2016's pace. CBRE's measure of loan underwriting continued to show stabilization in Q2. Overall average debt service coverage, LTV's and debt yields were virtually unchanged from the previous quarter.

The July new issue calendar was relatively robust for a summer month, with four conduit deals pricing for $3.575b, bringing the YTD total to $24.3b across 26 deals. Pricing for the LCF AAA ranged from S+91-99, AA- ranged from S+135-150 and A- ranged from S+160-190. In SASB space, nine deals priced this month. There were five fixed rate deals ($1.3b) and four floating rate deals ($2.35b) for a total of $3.6b. While the number of SASB deals seems high, dealers have been seeing such strong demand given the lack of recent supply that several deals were either entirely preplaced or primarily preplaced before being announced. Secondary spreads on pre-RR bonds were tighter across the board. Spreads were 2-4bps tighter in AAA, which is a strong performance given the overall level of rates. AA- spreads were only about 2bps tighter, as they continue to lag other classes given the unique position in the capital stack (not AAA, but not enough yield for credit buyers). A- and BBB- were 10-15bps tighter as credit continues to outperform. We would expect August to be relatively light on the new issue front, although we already know of at least two conduit deals slated to come to market in early 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	0.0% / 5.7%	6.2%	-0.1% / 10.2%	11.1%	-0.1% / 5.2%	6.5%
Net Absorption	210,801	122,908	69,547	76,038	67,235	109,635
Net Deliveries	221,639	139,325	68,465	97,629	58,434	109,708
Rent Growth	2.30%	2.10%	1.70%	1.80%	2.00%	1.10%
Sales ($ millions)	$88,755	$60,377	$92,802	$76,135	$27,192	$30,404

	Logistics		Light Industrial		Lodging	
	12 Mo. Change / Current	Hist. Avg.	12 Mo. Change / Current	Hist. Avg.		YTD
Vacancy Rate	-0.2% / 6.5%	10.0%	-0.3% / 3.3%	5.6%	**Occ. Growth**	0.5%
Net Absorption	168,605	104,854	31,298	35,100	**RevPAR Growth**	3.4%
Net Deliveries	168,153	110,815	16,769	32,667	**Supply Growth**	1.7%
Rent Growth	6.50%	2.00%	5.60%	2.10%	**ADR Growth**	2.9%
Sales ($ MM)	$16,420	$10,348	$11,602	$10,209	**Sales ($ MM)**	$4,500

Source: Costar (Apartments, Office, Retail, Logistics, Light Industrial) as of 8/3/2017 and JLL (Lodging) as of Q1 2017.
"Hist. Avg." vacancy is over the last 10-years.

Market Briefs / Activity

- **Goodbye LIBOR:** The U.K. Financial Conduct Authority announced yesterday that LIBOR, the long-time global interest rate benchmark, will be eliminated by 2021. CBRE Research and Capital Markets professionals concluded that although the banking and securities industries have relied on LIBOR for the past 50 years to determine short-term interest rates, its elimination will have little impact on the cost of borrowing. Read More…
- **Freddie Mac: Multifamily Market Will Continue to Grow, Hitting Records In 2017:** Outlook authors Steve Guggenmos and Sara Hoffman find that the multifamily market will continue to grow for the rest of 2017 and into 2018. Although the market will continue to moderate from cyclical highs, demand for rental housing units will remain steady. As a result, Freddie Mac is predicting that origination volume is likely to hit another record in 2017, reaching $270 and $280 billion.. Read More…
- **Capital Market Conditions Moderate, But Remain Favorable:** Commercial real estate investment volume totaled $109.2 billion in Q2 2017, down by 4.8% from Q2 2016. A decline in retail center investment was the main driver of the volume drop, while other sectors were nearly on par with prior-year totals. Industrial was the only sector to post a year-over-year increase (10.4%) 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	1.23%	0.01%	0.8%
3-Month LIBOR	1.31%	0.01%	0.8%
5-Year Treasury	1.84%	-0.04%	-2.1%
7-Year Treasury	2.12%	-0.02%	-0.9%
10-Year Treasury	2.30%	0.00%	0.0%
30-Year Treasury	2.90%	0.07%	2.5%
10-Year Swap	2.25%	-0.03%	-1.3%
Dow J	21,891	541.5	2.5%
NASDAQ	6,348	207.7	3.4%
S&P 500	2,470	46.9	1.9%
Gold	1,273	31.10	2.5%
Crude Oil	50.17	4.13	9.0%

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%	176	-1
7-Year	Agency *	75%	199	-1
10-Year	Agency *	65%	171	-4
10-Year	Agency *	80%	194	-4
12-Year	Agency *	75%	207	-3
15-Year	Agency *	75%	212	-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+60	-5.0	-7.69%
Corp.	AA	T+65	0.0	0.00%
Corp.	A	T+81	-7.0	-7.95%
Corp.	BBB	T+130	-10.0	-7.14%
Corp.	BB	T+225	-18.0	-7.41%
CMBS	AAA	T+85	-6.00	-6.25%
CMBS	AA	T+128	-9.00	-6.34%
CMBS	A	T+180	-10.00	-5.13%

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 -4.60 bps on 7/31.

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