Commercial Real Estate
Monthly Recap

CORAMERICA
A NASSAU RE COMPANY

For the period ending: June,2017

Monthly Commentary

The key takeaways from the MBA's First Quarter 2017 Commercial/Multifamily DataBook indicate market activity downshifted at the start of 2017. Markets continue to move forward, but the rapid increases in property values, transaction volumes and other fundamentals that characterized the post-recession period have given way to more regular changes tied to the economy as well as supply and demand. Highlights include:

• Property sales started 2017 slowly, with Q1 sales of the major property types down 19 percent compared to Q1 2016. Multifamily led the declines – with sales transactions 35 percent lower than what was seen a year earlier. Sales of office properties were down 15 percent, retail was down 10 percent, and industrial properties were up 3 percent.
• Multifamily properties remain the key force behind overall mortgage origination trends, and the GSEs continue to drive multifamily originations. Loans originated for GSEs increased by 33 percent year-over-year, commercial bank loans increased 11 percent, life insurance companies' loans were essentially flat from first quarter of last year, and loans originated for CMBS decreased 17 percent.
• Total commercial/multifamily debt outstanding rose to $3.01 trillion at the end of the first quarter, the first time it has broken the $3 trillion mark. Multifamily mortgage debt outstanding rose to $1.17 trillion, an increase of 2.0 percent from the fourth quarter of 2016.
• Growth in property incomes and property values, coupled with low interest rates, have facilitated refinancing. By the end of the second quarter, the industry has largely worked through the so-called 'wave of maturities'.

June was another active month in new issue conduit space, as 5 deals priced ($4.96b), bringing the YTD total to $20.7b across 22 deals. This actually brings 1H 2017 conduit issuance ahead of 1H 2016 conduit issuance of $19.6b. Excluding a one-off conduit deal brought by Ladder that priced wide to traditional conduit, pricing for the LCF AAA ranged from S+91 to S+94. For conduit mezz, AA- ranged from S+137-145 and A- ranged from S+175-190. The general consensus so far this year is that risk retention collateral (2017 vintage) does not look significantly more conservative than 2016 from an underwriting perspective, although the pricing suggests that investors are putting some premium on the vintage. On the SASB front, 8 deals priced for $4.52b, with 4 floaters, 3 fixed rate deals and one fixed/floating deal pricing this month. In addition, three CRE CLOs priced (1.37b) priced into very strong demand. Secondary spreads on pre-RR bonds were 1-2bps tighter at the top of the stack with AA- a touch wider. A- and BBB- were 5-15bps tighter as credit outperformed. New issue volumes are expected to slow somewhat as we head into mid-summer, but as of now, at least 3 conduit deals and two SASB are slated to come to market in July.

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	0.1% / 5.8%	6.2%	-0.1% / 10.3%	11.1%	-0.2% / 5.2%	6.5%
Net Absorption	197,560	123,173	69,736	76,122	71,632	109,367
Net Deliveries	218,952	139,136	68,949	97,691	58,213	109,414
Rent Growth	2.40%	2.10%	1.70%	1.80%	2.00%	1.10%
Sales ($ millions)	$84,886	$60,450	$86,122	$75,976	$25,903	$30,401

	Logistics		Light Industrial		Lodging	
	12 Mo. Change / Current	Hist. Avg.	12 Mo. Change / Current	Hist. Avg.		YTD
Vacancy Rate	-0.3% / 6.6%	10.0%	-0.3% / 3.3%	5.6%	**Occ. Growth**	0.5%
Net Absorption	176,641	105,245	34,731	35,029	**RevPAR Growth**	3.4%
Net Deliveries	170,525	110,921	16,941	32,652	**Supply Growth**	1.7%
Rent Growth	6.90%	2.00%	5.90%	2.10%	**ADR Growth**	2.9%
Sales ($ MM)	$14,496	$10,309	$10,541	$10,187	**Sales ($ MM)**	$4,500

Source: Costar (Apartments, Office, Retail, Logistics, Light Industrial) as of 7/11/2017 and JLL (Lodging) as of Q1 2017.
"Hist. Avg." vacancy is over the last 10-years.

Market Briefs / Activity

- **Grocery Stores Disrupted?** Following Amazon's announced plans to purchase Whole Foods, what are the future prospects for the U.S. grocery sector and the implications for U.S. retail real estate? Read More…
- **The Mid-Year 2017: The CRE Market Tries to Keep Its Balance:** Trepp outlines the major risks facing the commercial real estate sector. Read More…
- **E-Commerce by Retail Category Finally Revealed by U.S. Census Bureau.** Data released by the U.S. Census Bureau for the first time provides a much anticipated breakdown of internet sales by retail category. The data, though available for only 2015 and subject to revision, reveals a few key points: 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	1.22%	0.17%	16.2%
3-Month LIBOR	1.30%	0.10%	8.3%
5-Year Treasury	1.88%	0.12%	6.8%
7-Year Treasury	2.14%	0.12%	5.9%
10-Year Treasury	2.30%	0.09%	4.1%
30-Year Treasury	2.83%	-0.03%	-1.0%
10-Year Swap	2.28%	0.13%	6.0%
Dow J	21,350	340.6	1.6%
NASDAQ	6,140	(58.6)	-0.9%
S&P 500	2,423	11.4	0.5%
Gold	1,242	(32.70)	-2.6%
Crude Oil	46.04	(2.28)	-4.7%

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%	177	2
7-Year	Agency *	75%	200	2
10-Year	Agency *	65%	175	-1
10-Year	Agency *	80%	198	-1
12-Year	Agency *	75%	210	2
15-Year	Agency *	75%	213	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+65	-3.8	-5.47%
Corp.	AA	T+65	-8.5	-11.53%
Corp.	A	T+88	-4.2	-4.50%
Corp.	BBB	T+140	-0.9	-0.67%
Corp.	BB	T+243	6.0	2.53%
CMBS	AAA	T+92	-1.00	-1.03%
CMBS	AA	T+138	4.00	2.90%
CMBS	A	T+191	-3.00	-1.52%

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 -3.93 bps on 6/30.

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