

3RD QUARTER 2010

KEYNOTES

Your insight to the Commercial Real Estate Finance Market
A publication of Keystone Commercial Capital

Scott Holland • Charlie Williams
Jon Krieger • Jim Cooper • Ryan Nelson
Britt White • Fred Bentzen • Gene Kim
Ben Van Horn • Ann McCartney

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The sentiment at Keystone is that despite the economic gloom portrayed by the media, the commercial mortgage glass is half FULL. Through eight months of 2010, our producers have closed 33 loans totaling over \$310,000,000. In addition, we have another 15 loans committed or under application totaling \$200,000,000 that should fund this year. These transactions have included various product types located nationwide and financed by a mix of Life Insurance Companies, GSE's (Fannie, Freddie, and HUD), and Banks.

The driving force behind the increased activity has been threefold: **Favorable Interest Rates, Increased Funding Allocations, and Opportunistic Investors.**

Interest Rates continue to creep lower as the year progresses. Despite some volatility in the underlying indices (e.g. US Treasury, LIBOR), Life Insurance Companies have adjusted spreads to keep most interest rates under 5.5%. While the GSE's continue to offer incredibly attractive rates on multi-family, manufactured housing and healthcare assets, Life Insurance Companies are aggressively competing for this product on both a rate and proceeds basis and are winning their fair share of this business.

Life Insurance Companies had **Increased Funding Allocations** for commercial real estate investment in 2010 and all indications point to even higher allocations for 2011. Many feel that with the drastic real estate value reset that has occurred over the past 24 months there is great opportunity to originate solid commercial mortgages at current asset valuations. This in turn has allowed Life Insurance Companies to begin increasing leverage, in some cases to 70% -75% on these adjusted values, and compete on a wider array of transactions.

Opportunistic Investors who have survived are lining up to take advantage of "discounted" values and favorable loan terms. The sellers of top tier, well located projects are fielding multiple competitive offers for their real estate assets. In addition, owners with favorable leverage positions on existing mortgages are benefiting from the current, attractive debt market to lock in low interest rates for both the short and long term.

Recent Transactions



\$10,650,000
Multi-Family



\$4,000,000
Office



\$25,000,000
Medical Office

Market Yields

Index	9/13/10	1 Mo. Prior	6 Mo. Prior
30 Day Libor	0.26%	0.27%	0.23%
5 Year Treasury	1.53%	1.48%	2.43%
10 Year Treasury	2.75%	2.74%	3.73%

Interest Rates

Rate Structure	Low	High	Average
Variable	4.50%	6.00%	4.75%
5 Year Fixed	4.12%	6.00%	5.00%
10 Year Fixed	4.75%	6.50%	5.75%

Keystone Commercial Capital conducts a bi-monthly survey of 33 correspondent Life Insurance Companies and other select lending sources. This data is the source for the above rate guidelines and therefore should be considered as an estimate.

For more information on interest rates or a specific quote for a transaction please call us or visit our website at www.keystonecommercialcapital.com.