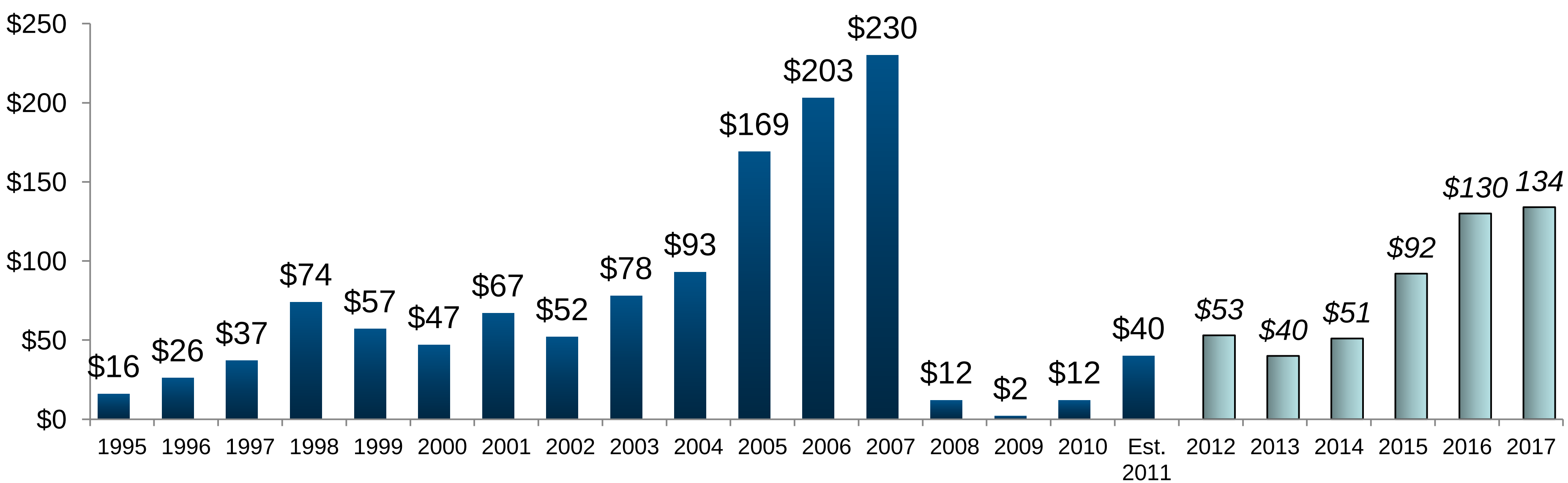
CMBS 2.0 – A Slow Start

- After a three-year hiatus, CMBS is beginning to ramp-up again
- Traditional lenders such as life insurance companies and some banks have been more active as well as new private equity funds
- However, as we saw this summer, the recovery is fragile and characterized by fits and starts

Historical U.S. CMBS Issuance / Maturities
($ billions)



Source: Commercial Mortgage Alert & GSREA, LLC estimates, Barclays, Intex

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Current Debt Metrics & Commentary

- Senior Loans
  - Apartments
    - up to 75% LTV
    - 7-8% Debt Yield/ 30 yr. amortization
    - T+200 Agency or T+260 non-agency (with floors)
  - Office
    - up to 70% LTV
    - 8-10% Debt Yield/ 30 yr. amortization
    - T+320 to 370
  - Hotels
    - up to 70% LTV
    - 10-12% Debt Yield/ 30 yr. amortization
    - T+350 to 400
- Mezzanine Loans
  - Up to 90% LTV, +8% Debt Yield, 9-16% rate

- Challenges
  - Equity Gap still prevalent – slows market clearing
  - Uncertainty caused by Macro Event Risk
  - Underlying NOI fundamentals improving but still tepid
  - The recent “Risk-Off” sentiment affected the entire capital stack

Slow job recovery relative to prior recessions