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Holliday Fenoglio Fowler, L.P.

EXCELLENCE

IN REAL ESTATE CAPITAL MARKETS SOLUTIONS

DEBT PLACEMENT | INVESTMENT SALES | PRIVATE EQUITY & CORPORATE FINANCE | STRUCTURED FINANCE | LOAN SALES | LOAN SERVICING

CAPITAL MARKETS OVERVIEW

January 20, 2011







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CAPITAL MARKETS OVERVIEW

- **Where have we come from over the past 18 months?**
  - 2009 – No meaningful liquidity / dearth of opportunities
  - 2010 – 1st Q to 3rd Q – No lack of capital (Debt or Equity) / Scarcity of Product
  - 2010 – 4th Q – Abundance of Capital / Increased product flow / Human Resource issues
- **What do metrics look like currently?**
  - HFF transacted $19.9 Billion in 2010 vs. $8.9 Billion in 2009
  - Largest Pipeline since 2006 at $30 Billion coming into 2011
  - Market as a whole:
    - - U.S. Investment Sales
    - - Cap rates / unlevered IRR's
    - - Debt Capital
    - - Fannie / Freddie
  - Size is not a problem

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CAPITAL MARKETS OVERVIEW

- **What do we expect in 2011?**
  - Most believe interest rates will rise
  - Correlation between Interest Rates and Cap Rates
    - Positive leverage is the rule on buy-side metrics
    - Short on duration curve
    - 8-10% compound rent growth vs. 100 b.p. expansion
  - Watch alternative yields in other asset classes – all about relative value
    - Mortgages vs. Corporate Bond yields
    - Most believe stock market is fully priced
  - Sales volume will increase in 2011
    - Top Tier 1 Capital Banks
    - Special servicers
    - Foreign capital is plentiful
    - 2011 estimate - $175-$200 Million

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CAPITAL MARKETS OVERVIEW

- Prices for everything but Core will decrease 5-10% in early 2011
- Mezzanine financing – 8.5-9.0% up to 85% LTV
- Typical Joint Venture Equity Structure

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