



Insight beyond the rating.

CMBS Outlook

Is it back and here to stay?

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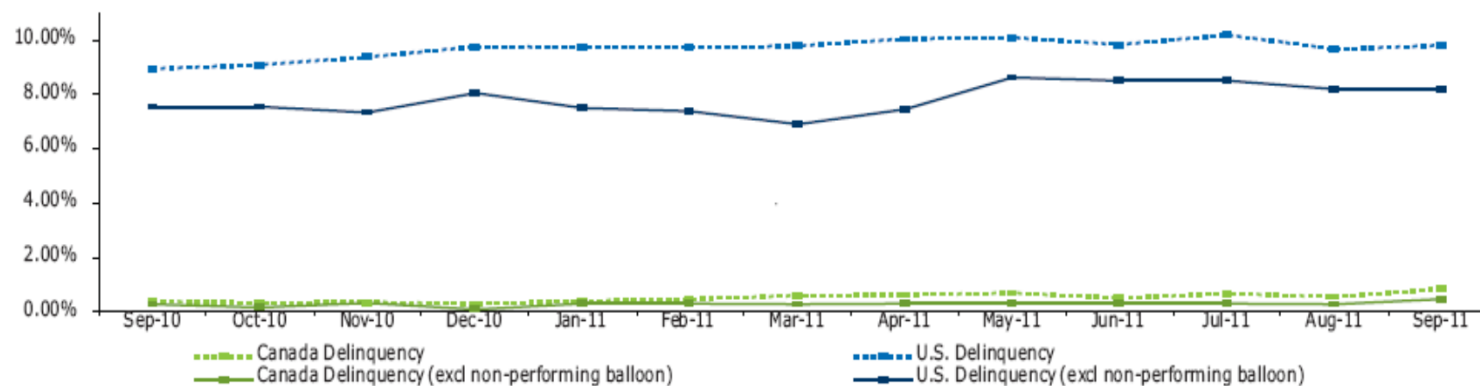
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CMBS 1.0 – The Legacy Deals



- Delinquencies remain high
- Maturities increasing each year
- Structure works but needs some improvement
 - Interest shortfalls abundant
 - Complicated workouts and lack of transparency
- Conflicts of Interest

2010-2011 Month over Month CMBS Delinquency



CMBS 2.0 – The New Frontier



- Really CMBS 1.1
 - Same Basic Structure
 - New ideals
 - Appraisal Reduction Fixes
 - No double dip on fees
 - Operating Advisor
- Industry participants are “uncertain”
 - Goldman/Citi deal pulled
 - Spreads widened
 - New origination is stalled
 - CS shuttered shop, Starwood retooled, others considering status

Challenges



- Regulation
 - Unintended consequences
 - No lack of new regs or new regulators
- Lack of Investors
 - Spread disconnect
 - No buyers of the belly
- Economy
 - Europe
 - Politics
 - Double Dip or Hit Bottom
 - Link to Residential Market



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What are we seeing?



- Freddie Mac
 - Multi-family issuance
 - Senior living & Assisted living
 - Student housing
 - Section 8
 - Volume \$18 - \$22 Billion in 2012
- Conduit CMBS
 - 4th Quarter is slow and 1st Quarter expected to be slow
 - May reach \$25-35 Billion in 2012
 - Retail in tertiary markets
 - Lumpy pools, moving to more diversified
- CRE NPL
 - Seeing some traction here, hypothetical and real

Capital Needs



- Capital is flowing readily to:
 - Institutional properties in Tier 1 markets
- Capital Needs:
 - Loans below \$10 million
 - Tertiary and Rural markets
 - Recapitalize Borrowers/Transactions – Equity Gap

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