



CWC Capital Markets Update

March 2016

CWC Capital Markets Update, March 2016

CWC Capital introduces its Markets Update. We focus on the fundamentals and trends affecting national commercial real estate debt markets. Our approach is to synthesize and present information gathered from various industry research, public information sources, and our own research. Please see last page of this presentation for the various sources of third-party information set forth herein.

The Economy

- The unemployment rate remained unchanged in February at 4.9%. While the participation rate improved to 62.9%, it still remains below the 10-year average.
- Job growth noted in construction, furniture manufacturing, building materials, specialty contractors, and garden stores. Maximus Ten-X notes that it is likely fueled by multi-family and residential construction trend.
- Macro trends of low (or negative) interest rates continue with the 10 year UST finishing at 1.73%, testing 2012's lows. Implied inflation at 1.42% continued its long-term decline, along with WTI crude also near historic lows in the \$30s/bbl range.

Property Markets

- Effective Rent Growth - National average of 3.16% experienced in property sectors with multi-family leading at 4.98% and retail lagging at 2.16%.
- Vacancy Rates – Slight improvement in retail and office (20-40bps) to 10.00% and 16.30% respectively, however multifamily saw an increase of 20bps to 4.40%. Industrial reports the lowest vacancy rate (8.60%) since 2010.
- Property price growth trends continued during 2015 with multifamily reaching 1.31x year-end 2006 levels. Retail, Hotel, Office, Industrial at 1.27x, 1.03x, 1.02x, and 1.12x respectively.
- In January 2016, Moody's / RCA reported their first decline in Office and Industrial prices in six years (1%).

Debt Capital Markets

- Conduit originations and issuance have slowed significantly as market volatility, liquidity, and risk retention all begin to apply. Current year issuance lags 2015 comparable by nearly 30%.
- Credit spreads on new issue long AAAs have widened by 33bp since 12/31, while BBBs have widened by approximately 225bp. Spread widening and volatility is has led some lenders to widen average loan coupons by 15 to 40bp this year.
- Delinquency trends continue to improve, with 4.10% overall rate, less than half of 2010's high.

Three trends we are watching

- Maturity wave and risk retention - potential for increased loan defaults as liquidity recedes from securitized markets due to risk retention, bank capital rules, and regulatory requirements.
- Transformation of the lending base - as conduit lenders and securitized markets withdraw, could be an opportunity for new balance sheet or long-term lenders to enter the space.
- Follow-on impacts of oil and gas price declines – impact ripples through transportation, manufacturing, consumer debt, autos, housing, commercial real estate.

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Sector Focus–Multifamily

- Since the financial crisis, the proportion of multi-family lending shared between the securitized conduit market and the Agencies has changed dramatically. Wells Fargo research indicates that conduit multifamily loans declined from a peak of \$127bn in 2007 to \$59bn currently. Meanwhile, Agency CMBS in the same period increased from less than \$100bn to \$398bn.
- Current delinquency rates are less than 1bp for Agencies versus 250bp for conduit loans.
- According to CBRE, the US homeownership rate remains well below the historical average at 63.8% as of YE 2015. This rate has increased two consecutive quarters from 63.4% as of 2Q 2015.
- With fairly consistent rent growth, high occupancies, and Agency financing support, the multifamily sector has experienced the highest appreciation rates of any CRE sector, but also the most robust building. Recent increases in vacancy rates may be worth focusing on.

Multifamily National Averages

Year	Deliveries	Vacancy	Eff Rents	Price/Unit	Rent Grow	Price Appr
2004	106,144	6.70	848	90,528	n/a	n/a
2005	93,227	5.70	866	107,028	2.12%	18.23%
2006	95,205	5.80	891	113,416	2.89%	5.97%
2007	100,630	5.70	930	95,251	4.38%	-16.02%
2008	119,330	6.70	974	84,671	4.73%	-11.11%
2009	138,775	8.00	993	81,953	1.95%	-3.21%
2010	101,691	6.60	964	99,503	-2.92%	21.41%
2011	43,489	5.30	987	103,330	2.39%	3.85%
2012	81,399	4.60	1,011	120,789	2.43%	16.90%
2013	135,614	4.30	1,050	115,919	3.86%	-4.03%
2014	179,358	4.20	1,085	132,159	3.33%	14.01%
2015	191,982	4.40	1,125	148,546	3.69%	12.40%
10 Year Average					2.36%	2.74%

(REIS, Real Capital Analytics, CWCapital)

Delinquency Statistics

Type	Conduit			
	FREMF	Co-Op	MHP	MF
Balance	123,159	1,516	9,664	52,982
Loans	7,741	506	1,799	6,730
30 Days	-	-	-	0.28
60 Days	-	-	-	0.13
90 Days	0.01	-	0.06	0.25
Maturity	-	0.20	0.33	0.30
FCL/REO	-	-	1.67	1.55
Del Total	0.01	0.20	2.06	2.51

(Trepp)



Market Data

	2005	2006	2007	2008	2010	2012	2014	2015	1yr	5yr	10yr
Economic											
UNEMPLOYMENT	4.90	4.40	5.00	7.30	9.30	7.80	5.60	5.00	-0.6%	-4.3%	0.1%
PARTICIPATION RATE	66.00	66.40	66.00	65.80	64.30	63.60	62.70	62.60	-0.1%	-1.7%	-3.4%
GDP	3.30%	2.70%	1.80%	-0.30%	2.50%	2.30%	2.40%	1.90%			
CPI-TTM	3.20%	1.77%	3.76%	-0.40%	1.15%	1.30%	-0.05%	1.44%	1.49%	0.29%	-1.76%
UST IMPL INF	2.33%	2.30%	2.31%	0.11%	2.30%	2.45%	1.68%	1.54%	-0.14%	-0.76%	-0.79%
Interest Rate											
1M LIBOR	4.34%	5.35%	5.23%	1.75%	0.32%	0.27%	0.17%	0.43%	0.26%	0.11%	-3.91%
Fed Funds	4.16%	5.24%	4.24%	0.16%	0.18%	0.16%	0.12%	0.24%	0.12%	0.06%	-3.92%
Prime	7.15%	8.25%	7.33%	3.61%	3.25%	3.25%	3.25%	3.37%	0.12%	0.12%	-3.78%
UST2	4.41%	4.82%	3.05%	0.76%	0.61%	0.25%	0.67%	1.06%	0.39%	0.45%	-3.35%
UST10	4.39%	4.71%	4.04%	2.25%	3.30%	1.78%	2.17%	2.27%	0.10%	-1.03%	-2.12%
2/10 Spread	-0.02%	-0.11%	0.99%	1.49%	2.69%	1.53%	1.50%	1.21%	-0.29%	-1.48%	1.23%
Real10	2.06%	2.41%	1.73%	2.14%	1.00%	-0.67%	0.49%	0.73%	0.24%	-0.27%	-1.33%
Vacancy (REIS)											
Multi	5.70%	5.80%	5.70%	6.70%	6.60%	4.60%	4.20%	4.40%	0.20%	-2.20%	-1.30%
Retail	6.80%	7.10%	7.50%	8.90%	11.00%	10.70%	10.20%	10.00%	-0.20%	-1.00%	3.20%
Office	14.70%	13.40%	12.60%	14.50%	17.60%	17.10%	16.70%	16.30%	-0.40%	-1.30%	1.60%
Industrial	n/a	n/a	n/a	n/a	13.60%	12.10%	11.20%	8.60%	-2.60%	-5.00%	n/a
Hotel											
Rents (REIS Effective)											
Multi	891	930	974	993	987	1,049	1,124	1,180	4.98%	3.91%	3.24%
Retail	16.6	17.16	17.57	17.39	16.51	16.58	17.16	17.53	2.16%	1.24%	0.56%
Office	20.39	22.21	24.55	24.61	22.09	22.98	24.19	24.98	3.27%	2.62%	2.25%
Industrial	n/a	n/a	n/a	n/a	4.21	4.27	4.46	4.56	2.24%	1.66%	n/a
Hotel											
National \$PSF (RCA)											
Multi	107,028	113,416	95,251	84,671	99,503	120,789	132,159	148,546	12.40%	9.86%	3.88%
Retail	158	174	169	181	152	228	198	214	7.68%	8.09%	3.50%
Office	197	232	255	200	222	226	223	237	6.65%	1.37%	2.02%
Industrial	62	67	69	63	51	62	69	74	7.40%	8.99%	1.98%
Hotel	133,060	136,505	117,311	89,941	138,350	121,202	134,398	140,122	4.26%	0.26%	0.53%
National Cap Rate (RCA)											
MF	6.22%	6.23%	6.23%	6.58%	6.55%	6.12%	6.05%	5.82%	-0.24%	-0.74%	-0.41%
Ret	6.78%	6.66%	6.68%	7.10%	7.61%	7.22%	6.63%	6.42%	-0.21%	-1.19%	-0.36%
Office	7.07%	6.69%	6.63%	7.26%	7.57%	7.10%	6.75%	6.69%	-0.06%	-0.87%	-0.38%
Ind	7.33%	7.14%	7.12%	7.73%	8.23%	7.49%	6.99%	6.50%	-0.50%	-1.73%	-0.83%
Hotel	9.01%	8.92%	8.85%	9.02%	8.21%	8.14%	8.14%	8.36%	0.22%	0.15%	-0.65%
Risk Premium											
MF	1.83%	1.52%	2.19%	4.33%	3.25%	4.34%	3.88%	3.55%	-0.34%	0.29%	1.71%
Ret	2.39%	1.95%	2.64%	4.85%	4.31%	5.44%	4.46%	4.15%	-0.31%	-0.16%	1.76%
Office	2.68%	1.98%	2.59%	5.01%	4.27%	5.32%	4.58%	4.42%	-0.16%	0.16%	1.74%
Ind	2.94%	2.43%	3.08%	5.48%	4.93%	5.71%	4.82%	4.23%	-0.60%	-0.70%	1.29%
Hotel	4.62%	4.21%	4.81%	6.77%	4.91%	6.36%	5.97%	6.09%	0.12%	1.18%	1.47%
Conduit Market											
Conduit Issuance	141,256	175,257	194,894	10,707	5,075	32,645	58,483				
Cumulative Default	19.14%	23.71%	30.53%	27.87%	0.07%	0.46%	0.09%				
Cumulative Loss	4.07%	6.25%	6.29%	7.66%	0.00%	0.00%	0.00%				
Performance											
Delinquent % Total	0.86	0.43	0.39	1.21	8.90	8.76	4.78	4.10	(0.68)	(4.80)	3.24
Perf SS	0.45	0.26	0.22	0.63	4.39	2.68	1.33	0.82	(0.51)	(3.57)	0.37
Approx SS %	1.11	0.56	0.50	1.50	12.44	10.96	5.98	4.92	(1.06)	(7.52)	3.81
Loans Maturing (\$)	-	-	-	-	-	29,645	29,896				
Defltd aftr 90 days	-	-	-	-	-	10,176	1,585				
Effective Payoff	-	-	-	-	-	65.7%	94.7%				
Liquidated	3,097	1,932	1,095	1,298	7,833	9,973	17,442	3,442			
Net Loss	949	534	355	335	3,647	3,177	7,787	1,493			
Severity	30.6%	27.6%	32.4%	25.8%	46.6%	31.9%	44.6%	43.4%			

(Various Sources)

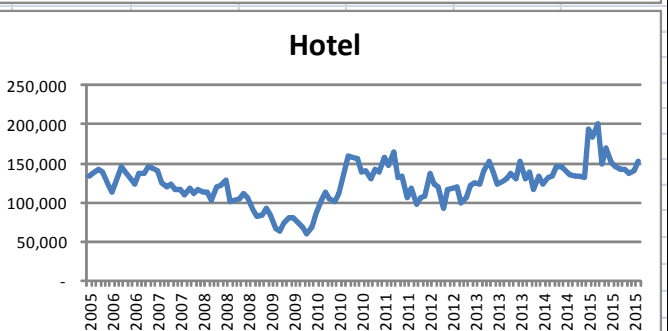
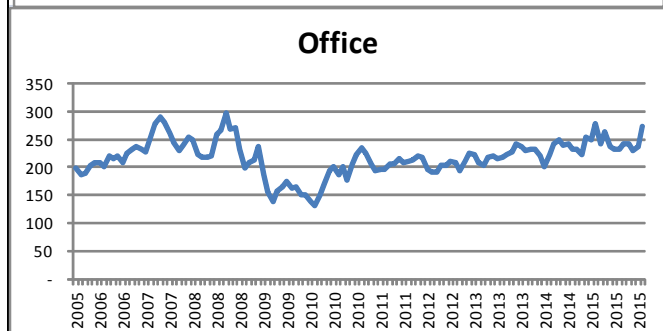
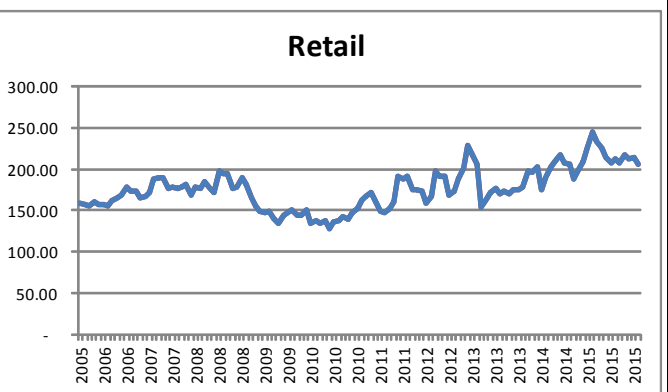
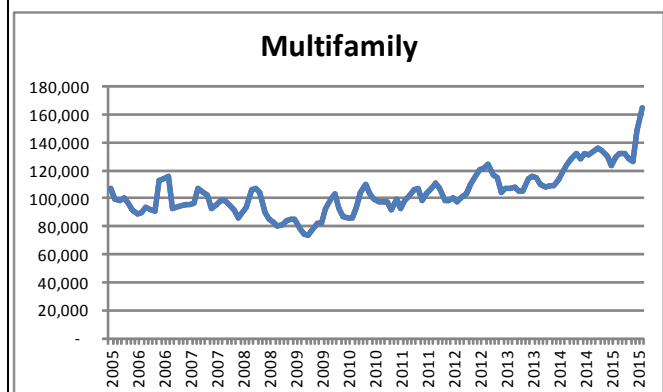
CRE Fundamentals and Charts

Year End	National Average price / unit				
	MF	Retail	Hotel	Ofc	Ind
2005	107,027.7	158.3	133,060.5	197.5	62.1
2006	113,416.2	174.3	136,504.5	232.4	66.7
2007	95,251.4	168.9	117,311.2	255.0	68.6
2008	84,671.0	181.3	89,940.8	199.7	63.1
2009	81,953.2	144.0	59,012.2	151.5	47.3
2010	99,502.6	152.1	138,350.5	222.2	51.3
2011	103,329.8	174.8	98,186.8	213.3	60.1
2012	120,788.9	228.0	121,202.3	225.8	62.1
2013	115,918.7	178.3	129,720.0	230.7	64.8
2014	132,159.3	198.4	134,397.7	222.6	69.3
2015	148,545.7	213.7	140,122.2	237.4	74.4
Peak	164,771.4	244.8	201,238.3	298.5	78.7
Trough	73,804.9	128.0	59,012.2	132.0	44.7
Fall fr '06	34.93%	26.55%	56.77%	43.20%	33.07%
Peak Date	Jan-16	Mar-15	Apr-15	Aug-08	Sep-15
Trough Date	Sep-09	Jun-10	Dec-09	Mar-10	Apr-10
Curr vs '06	31.0%	22.6%	2.7%	2.2%	11.5%
Curr vs Pk	-9.8%	-12.7%	-30.4%	-20.5%	-5.4%
Curr vs Tr	101.3%	66.9%	137.4%	79.8%	66.6%

5yr GR	8.3%	7.0%	0.3%	1.3%	7.7%
10yr GR	3.3%	3.0%	0.5%	1.9%	1.8%
Volatility	12.9%	14.2%	n/n	19.4%	11.9%

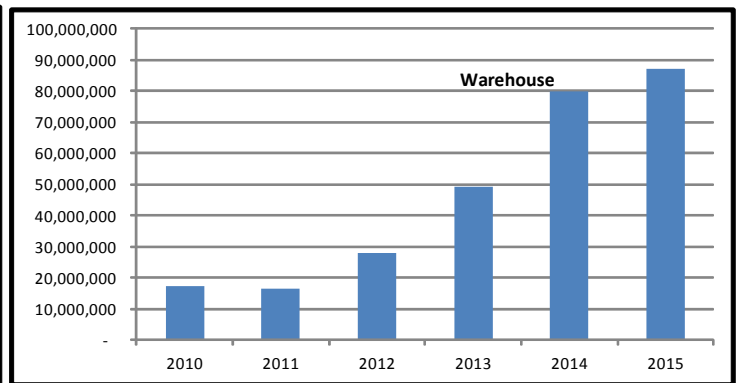
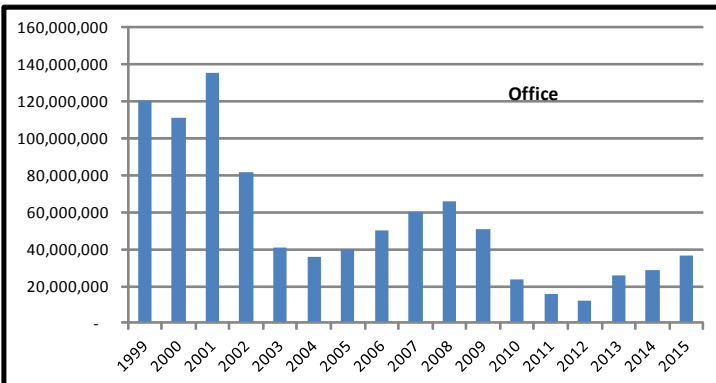
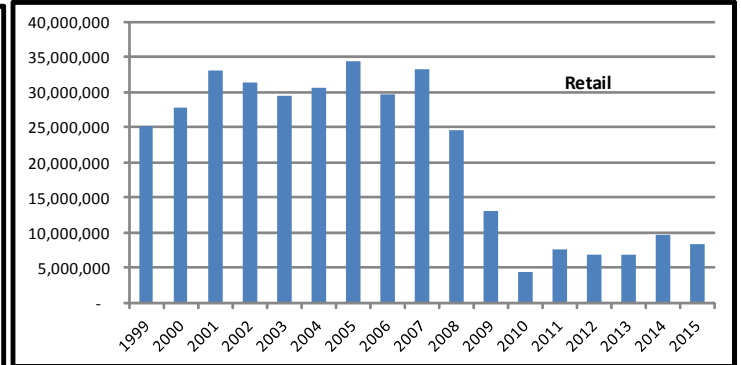
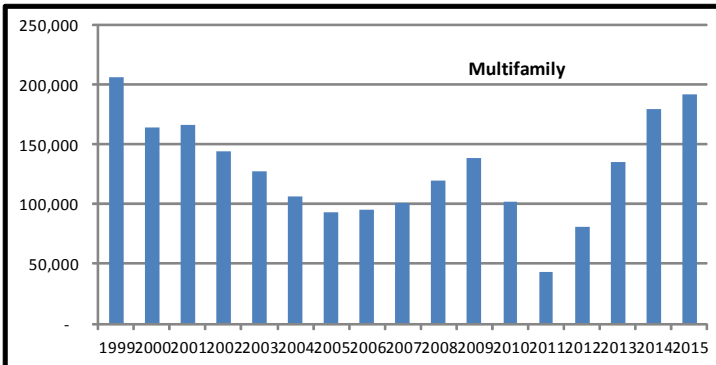
Year End	Vacancy Trend				
	MF	Retail	Hotel	Ofc	Ind
2005	5.70	6.80	-	14.70	-
2006	5.80	7.10	-	13.40	-
2007	5.70	7.50	-	12.60	-
2008	6.70	8.90	-	14.50	-
2009	8.00	10.60	-	17.00	-
2010	6.60	11.00	-	17.60	14.00
2011	5.30	11.00	-	17.40	13.20
2012	4.60	10.70	-	17.10	12.10
2013	4.30	10.40	-	16.90	9.50
2014	4.20	10.20	-	16.70	9.00
2015	4.40	10.00	-	16.30	8.60

Year End	Rent Growth Trend				
	MF	Retail	Hotel	Ofc	Ind
2005	2.89	3.23	-	3.19	-
2006	4.38	3.37	-	8.93	-
2007	4.73	2.39	-	10.54	-
2008	1.95	(1.02)	-	0.24	-
2009	(2.92)	(3.68)	-	(8.86)	-
2010	2.39	(1.43)	-	(1.52)	-
2011	2.43	(0.06)	-	2.04	(0.48)
2012	3.86	0.48	-	1.95	1.91
2013	3.33	1.51	-	2.22	1.64
2014	3.69	1.96	-	3.02	2.76
2015	4.89	2.16	-	3.22	2.24



Commercial Property Deliveries by Year (derived from REIS)

Year	Multi	Retail	Hotel	Office	Industr	Notes
1999	205,818	25,126,000	-	120,280,000	-	
2000	164,674	27,727,000	-	111,061,000	-	
2001	166,124	33,013,000	-	134,904,000	-	* Note multifamily deliveries and supply continued growth
2002	143,957	31,369,000	-	81,422,000	-	
2003	127,591	29,416,000	-	41,016,000	-	* Multifamily vacancies increase slightly.
2004	106,144	30,596,000	-	35,475,000	-	
2005	93,227	34,438,000	-	39,792,000	-	* Continued slow growth of retail and office product remains at levels near post crisis levels
2006	95,205	29,627,000	-	49,879,000	-	
2007	100,630	33,254,000	-	59,902,000	-	
2008	119,330	24,545,000	-	65,450,000	-	* Significant deliveries of Industrial and warehouse space
2009	138,775	13,142,000	-	50,548,000	-	
2010	101,691	4,499,000	-	23,375,000	17,234,000	* Industrial and warehouse report biggest improvements in national occupancy levels.
2011	43,489	7,625,000	-	15,440,000	16,598,000	
2012	81,399	6,778,000	-	12,443,000	28,002,000	
2013	135,614	6,883,000	-	25,959,000	49,178,000	
2014	179,358	9,776,000	-	28,287,000	80,009,000	
2015	191,982	8,326,000	-	36,642,000	86,962,000	



(Derived from REIS)



Securitized Markets 2016

PRICING	Shelf	SERIES	AMOUNT	SPSERV	B-PIECE	#PROP	#LOAN	LCF AAA	BBB
Conduit Market									
01/22/16	CFCRE	2016-C3	703.55	CWCAM	Seer Capital	67	38	162	725
01/26/16	CSAIL	2016-C5	936.42	Rialto Capital	Rialto Capital	241	59	155	-
01/27/16	COMM	2016-CCRE28	1,026.80	Midland	KKR	119	49	155	830
02/03/16	CGCMT	2016-GC36	1,155.94	Wells Fargo	Eightfold	104	58	157	750
02/03/16	WFCMT	2016-C32	959.98	Rialto Capital	Rialto Capital	152	112	151	750
02/12/16	MSBAM	2016-C28	955.65	C-III Asset Mgt	C-III Capital	161	42	165	725
02/18/16	WFCMT	2016-NXS5	875.13	Rialto Capital	Rialto Capital	116	64	165	925
02/19/16	MSCI	2016-UBS9	666.61	CWCAM	Ellington	222	31	165	650
02/23/16	JPMCC	2016-C1	1,021.91	Midland	Ellington	110	50	166	-
03/03/16	COMM	2016-DC2	806.20	CWCAM	Seer Capital	91	64	173	825
SASB Market									
01/29/16	MSCI	2016-PSQ	173.40	Wells Fargo	-	1	1	185	-
02/04/16	JPMCC	2016-ATRM	585.00	Midland	-	30	1	-	450
02/10/16	BAML	2016-SS1	166.00	Aegon USA	-	1	1	145	250
02/17/16	225 Liberty	2016-225L	778.50	Trimont	-	1	1	160	390
02/19/16	COMM	2016-787S	640.00	Wells Fargo	-	1	1	160	350
03/04/16	BAML	2016-ASHF	325.00	Wells Fargo	-	17	1	-	500
03/08/16	GSM	2016-RENT	349.75	Wells Fargo	-	61	1	-	390
Agency									
01/05/16	FREMF	2016-KF13	875.88	CWCAM	Harbor Group	48	48	76	-
01/14/16	FREMF	2016-SB11	109.97	KeyBank	Sutherland	55	55	130	-
01/15/16	FREMF	2016-K504	587.41	CWCAM	Providnc / Benefit	22	22	55	-
01/22/16	FREMF	2016-KBAM	841.00	Wells Fargo	Principal	27	27	70	-
01/27/16	FREMF	2016-K52	1,395.79	CWCAM	Torchlight	96	91	90	650
02/04/16	FREMF	2016-KJ03	316.30	KeyBank	Berkshire Group	38	43	115	-
02/04/16	FREMF	2016-SB12	167.02	Centerline	Axonic Capital	67	67	115	-
02/11/16	FREMF	2016-KLH1	1,493.67	Trimont	Annaly Capital	28	28	70	-
02/25/16	FREMF	2016-SB13	400.89	Arbor	Axonic Capital	160	160	105	-
03/03/16	FREMF	2016-KF14	1,486.41	Wells Fargo	Bridge Invest	83	83	65	-
03/09/16	FREMF	2016-KLH2	1,379.82	Situs	Canada Pension	26	26	70	-
01/19/16	FNMA	2016-M1	945.68	-	-	157	157	-	-
02/09/16	FNMA	2016-M2	926.58	-	-	180	180	-	-

(Commercial Mortgage Alert, CitiBank Research)



Sources

The third-party Information set forth herein is derived from the following sources:

Bloomberg

CBRE Capital Markets

Citibank Research

Commercial Mortgage Alert

CRE Direct

FHLMC

Intex Solutions

Maximus Ten-X

Morningstar Research

Real Capital Analytics

REIS

Trepp Information Systems

US Bureau of Labor Statistics

US Federal Reserve

US Treasury

Wells Fargo Research

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