

## APARTMENT MARKET REPORT

August 31, 2019

### DEBT MARKETS

- Treasuries yields fell approximately 40bps in the month of August primarily due to continued concerns of slowing global growth and the ongoing trade dispute with China. The 10yr UST is currently yielding around 1.55%, only 23bps higher than the all-time low of 1.32% set in 2016.
- Agency spreads have widened from 50-100bps since the beginning of the Q3 as both GSE's are trying to slow production due to origination volume concerns and political pressure to reduce market share. In addition, the customary pricing discounts for green initiatives and affordability have become very limited.
- The pullback from the GSE's has created an opportunity for other capital sources to fill the void in the multifamily financing market. Life Companies, CMBS, Banks, and Debt Funds remain active and competitively priced. Non-GSE lenders are anxious to capture multifamily business as most are underweight in the asset class due to the agencies' dominant market share.

### EQUITY MARKETS

- Multifamily transaction volume totaled \$81B through Q2 2019 (RCA). This represents a 11% increase over 2018's first half total of \$73B. Q2 transaction volume was up 19% YoY. The average price per unit is \$167,000, up approximately 10% YoY.
- Private capital continues to increase market share and comprises the largest portion of the buyer pool at 67%, increasing steadily from only 45.7% in 2011. Institutional capital has been net sellers in 2019, but still represent the 2nd largest portion of the buyer pool at 20.2%, down from 24.8% in 2018. Cross-Border capital comprises 6.2% of YTD transaction volume and REIT's account for 5.1%.
- Real estate capital raised by global funds fell to a five-year low to \$29B at the end of Q2 2019, down from \$46B in Q1 and \$38B in Q2 2018 (Preqin). There are currently 797 real estate funds seeking to raise a combined \$253 billion, up from 634 funds with total fundraising targets of \$219B as of Q2 2018.

CAPITAL	MAX LTV	COUPON	DSCR
Credit Company	Up To 85%	4.25%-6.00%	<1.00 -1.25x
Life Company	Up To 70%	3.00%-4.00%	1.25 -1.30x
Bank	Up To 75%	2.85%-4.00%	<1.00 -1.20x
Agency / Conduit	See Indicative Pricing Below		1.25 -1.35x

INVESTMENT PROFILE	LEVERAGED IRR
Core	6%-9%
Core-Plus	10%-13%
Value-Add	14%-17%
Opportunistic/Development	+18%

Cushman & Wakefield is not a direct seller servicer or DUS lender. Through our correspondent agreements, C&W acts as an advisor to our clients for capital raises, including Fannie, Freddie & FHA executions.

### INDICATIVE PRICING

GSE FIXED*	DSCR/LTV	INDEX	SPREAD*	COUPON*
5 YR	1.25x / 75%	1.40	3.00	4.40
7 YR	1.25x / 80%	1.50	2.70	4.20
10 YR	1.25x / 80%	1.55	2.65	4.20
CONDUIT	DSCR/LTV	INDEX	SPREAD	COUPON
5 YR	1.25x / 75%	1.35	+/-2.30	3.65
10 YR	1.25x / 75%	1.45	+/-2.00	3.45
10 YR w/Sub debt	1.10x / 85%	1.45	+/-2.60	4.05

GSE 7-YR ARM*	INDEX	SPREAD*	COUPON*	CAPPED RATE
1.00x / 75%	2.10	2.60	4.70	3rd Party
1.10x / 65%	2.10	2.40	4.50	3rd Party
1.30x / 55%	2.10	2.10	4.20	3rd Party
OTHER PROGRAMS	INDEX	SPREAD	COUPON	COMMENTS
HUD A7	N/A	N/A	3.10	Excludes MIP
HUD 223(f)	N/A	N/A	3.10	Excludes MIP
HUD 221(d)(4)	N/A	N/A	3.80	Excludes MIP

\* Indicative GSE spreads assume no pricing waiver. Pricing waivers can be obtained and may significantly reduce rates depending on the loan size, market, property condition, borrower, and other relevant factors.

### 10-YEAR AGENCY AND RATE TRENDS

