

STRAIGHT FROM THE MARKET*(Deals done within the past 90 days.)*

Type of Loan	Location	Lender	Amount	Rate	Fee	Term	Amortization	Loan to Cost/Value
Multifamily Rehab	Middletown, Ohio	Agency	\$5.3M	5.89%	Par	18 yrs.	30 yrs.	85% LTC
Office Const./Perm	Pittsburgh	LC	\$14.83M	5.75%	.75%	10 yrs.	25 yrs.	80% LTC

Features: PW Funding closed this forward commitment in mid-November for the substantial rehabilitation of the 120-unit Robin Spring Apartments in Middletown, Ohio. The affordable housing deal was funded through Fannie Mae's DUS Fixed-Rate Credit Enhancement for Tax-Exempt Bonds as a direct bond purchase with a DSC of 1.20. If funded today, the rate would not substantially differ.

Office Const./Perm Pittsburgh LC \$14.83M 5.75% .75% 10 yrs. 25 yrs. 80% LTC

Features: Principal Real Estate Investors provided construction/permanent financing for this 107,000 s.f. building, which is expected to be completed in 2006. The six-story office is 75% pre-leased and located in the Oakland part of Pittsburgh. The Oakland sub-market is a strong area in a generally weak office market. Pittsburgh has an office vacancy rate of about 19% and is expecting only modest job growth in the next few years.

Assisted Living Attracts GE, CapitalSource

Credit companies such as **GE Commercial Finance** and **CapitalSource Finance** expect to see steady opportunities this year for underwriting acquisition deals for assisted-living facilities. The industry has become more attractive to lenders, as it has stabilized over the past several years after a spate of bankruptcies and restructurings. Drumming up recent activity, public companies are divesting themselves of properties financed by 10-year mortgages back in the mid-1990s because those loans are starting to come due. Lenders enamored with rental rate growth between 4% and 5% are going up to 90% LTV for these properties.

The down side is that a lot of capital is flowing back into this asset class because it's back in favor. Cap rates are going down as more money pursues these deals. Assisted-living facilities that once traded at 10% cap rates are going for 8% and lower. Still, lenders are seeing smoother operators borrowing — operators who can run the business vs. just make deals and construct nice buildings.

GE's Healthcare Financial Services division, run by Managing Director **Greg Scrine**, prefers portfolio deals and stabilized properties, although it will do lease-up if necessary for a small portion of a portfolio. In the case of lease-up, GE prefers deals in larger metro areas because properties in rural areas tend to struggle if they're not leased-up. It considers properties of Class B quality or better.

GE does both fixed- and floating-rate loans and will consider LTV up to 85%. Loan terms are between two and seven years with amortization up to 25 years. Spreads are currently 2.5% to 3.75% over LIBOR or Treasury. Loan sizes range from \$5M to \$250M. GE did close to \$1.2B in business in its long-term care unit in 2004, about half of which

went for senior housing. It expects that proportion to continue in 2005.

CapitalSource expects an uptick in its assisted-living lending in 2005. The lender's **Healthcare Real Estate Group**, run by **Jim Pieczynski**, sees acquisition financing opportunities as public chains sell off properties. In 2004 CapitalSource's health-care division generated more than \$300M in loans and expects to duplicate that number this year.

For assisted-living facilities, CapitalSource looks for projects with six to seven times earnings before interest, taxes, depreciation, amortization, and rental payments. It will go up to 90% LTV. Pricing is variable, between 5% and 6% over LIBOR. A typical term is five years. Loan sizes range from \$1M to \$100M. CapitalSource is also a HUD MAP lender, which allows it to fund a bridge loan and then underwrite a HUD loan for a perm.

One competitor in the assisted-living space is **Dominion Healthcare Financial**, one of the few private lenders to specialize in the health-care niche. Dominion, which competes primarily with credit companies for health-care deals, sees opportunities as the baby boomers start coming through the doors of long-term care facilities in droves looking for room at the inn.

Wealthy baby boomers will be able to afford newer, better-located, resort-like facilities. Dominion, headed by **Paul Horvitz**, offers refis and acquisition loans from \$5M for assisted-living properties. It looks for up to 75% LTV and 1.35 DSC. Pricing is about 6.5%, fixed for five years and variable for another five, with a 25-year amortization. In 2005, Dominion hopes to close slightly higher than the \$600M in loans it funded in 2004.