

# COVID-19 IMPACT ON LENDING



## Dear Clients, Colleagues and Friends,

The current real estate market has seen significant volatility, but it's important to note that the debt & equity markets remain open for business. Majority of lenders/investors are actively quoting deals with alternative parameters and structural elements to insulate assets' risk profiles from the volatility. This fluctuation has stemmed primarily from the uncertainty surrounding current events that have quickly become our new normal. These unfortunate events have only just altered the way we need to do business going forward.

On a positive note, the Fed has recently cut rates on more than one occasion, which has historically proven to be a method to inject much-needed liquidity into the economy to initiate positive trajectory. This outcome ultimately promotes refinancing and acquisition lending. These circumstances have created an interest rate environment that is yielding the most compelling pricing we have seen historically. This marketplace has created a very borrower friendly environment in combining the historical low's and lender's strong liquidity positions.

Specifically, the market for CMBS and permanent debt conservatively remains open with deals on their current pipeline. New deals will be reviewed and priced with max leverage around 70% LTV and less. The ability to secure an interest only component has either been tightened or in some cases deleted, whereas 25-30-year amortization schedules are being favored in lieu of these interest only periods. The debt fund and floating rate market is still optimizing their ability to provide flexible options for borrowers, especially given the current market conditions where demand for tangible real estate investments will only strengthen versus stocks, bonds and/or other intangible investments. These lenders are focused on the sponsor's ability to execute their business plan, however there is an added importance on the real estate property-level and market-level fundamentals. Based on some recent quotes we have received, below is a quick sketch of some "down-the-fairway" bids from various capital sources.

## LENDER PRICING

TYPE	CMBS	DEBT FUND	BANK	BANK	LIFE CO
FIXED/FLOATING	FIXED	FLOATING	FLOATING	FIXED	FIXED
MAX LTV/LTC	70%	70-75%	60%	60%	60%
RATE	4.50%	L+450	L+350-450	5.00%	4.00%
AMORTIZATION	30 YEAR AM	I/O	I/O - 25 YEAR AM	25 YEAR AM	I/O - AM
TERM	5-10 YEARS	3+1+1	3-5 YEARS	5-7 YEARS	10+ YEARS

