

Adding value with strategic creativity combined with long-term relationships. Essex Financial Group is a full service mortgage banking firm serving the Rocky Mountain region.



### 3Q2011 Quarterly Project Financing Overview

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#### Open-Ended Construction Loan

Loan without takeout or source of repayment beyond the construction period.

Requirements: Combination of extremely strong guarantee, equity, location, etc. Loan to cost up to 75%. Preleasing is important.

Lending Sources	Fees	Current Terms			Term (months)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
Mortgage Bankers Commercial Banks Savings Banks	1 - 2%	Prime-1/4 to P+1.5 or 300-600 over LIBOR	65 - 75%	N/A	12 - 48	Interest Only	Loan amount generally limited to lesser of loan to cost of 65%-75% or stabilized loan to value of 65-75%. Recourse.

#### Covered Construction Loan

Construction loan with permanent loan takeout in place.

Requirements: Minimum break-even preleasing or funding date requirements that are achievable. Loan to cost up to 75%.

Lending Sources	Fees	Current Terms			Term (months)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
Mortgage Bankers Commercial Banks Life Companies	3/4 - 1%	Prime + 1/2-1%	65 - 70%	N/A	12 - 48	Interest Only	May allow the borrower to lock rate on the permanent financing during the construction period. Recourse.

#### Permanent Loans

Short to long-term financing on substantially leased projects. Typically non-recourse.

Requirements: Above average project with proven sponsorship. Typically require 85% leased-up & stable net operating income. Typical prepayment penalty in the form of a fixed % or yield maintenance.

Lending Sources: Mortgage Bankers, Life Companies, Pension Funds, Savings Banks, Commercial Banks							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Average Rate Floor			
<b>Floating Rate</b>	1%	250-300 over LIBOR	up to 75%	No Floor	3 - 5	Ranges from interest only to 30 years	Increases rate risk, but eliminates prepayment penalties. Hedge may be required.
<b>Short Fixed Rate Periods</b>	1%	150 - 225 over comp. US treasuries	up to 75%	3%	2-3	20 - 30 years 1 - 5 years I/O avail.	LTV's function of internal lenders value. Lenders underwrite "sustainable" cap rates. 7% low leverage class A MF. 8 - 9 % high LTV on class B/C office, retail, & industrial.
<b>Medium Fixed Rate Periods</b>	1%	225-300 over comp. US treasuries	up to 75%	4.5%-5.25%	4-7	20 - 30 years 1 - 3 years I/O avail.	10 Year Fixed Rates: Low leverage (50-60%) class A properties receive average interest rates of 4.5%. High leverage (70-75%) class B/C properties receive average interest rate of 5.25%.
<b>Long Fixed Rate Periods</b>	1%	250-275 over comp. US treasuries	up to 75%	4.75%	10	20 - 30 years 1 - 3 years I/O avail.	
	1%	300-350 over comp. US treasuries	up to 75%	5.25%	15 - 25	20 - 30 years 1 - 3 years I/O avail.	

#### Securitized / Conduit Loans

Typically 10 year term fixed rated financing.

Requirements: Multi tenant income property with a stable NOI. CMBS model is gaining traction. Most lenders want loans > \$10M - \$5M minimum.

Lending Sources: Mortgage Bankers & Certain Commercial Banks							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
<b>Low Leverage</b> <60% LTV	Par	10 year swaps + 300	60%	1.4	5 - 10	25 - 30 years	Back to basics - funded reserves "As is" LTV.
<b>Moderate Leverage</b> <70% LTV	Par	10 year swaps + 325	70%	1.35	5 - 10	25 - 30 years	Net Cash Flow must be 9.5-10% of loan amount.
<b>High Leverage</b> 75% LTV	Par	10 year swaps + 350	75%	1.3	5 - 10	25 - 30 years	Higher quality properties with long term leases.

#### Credit Tenant Lease

Up to 100% LTV for single-tenant user project.

Requirements: Tenant must be medium to high investment grade.

Lending Sources: Mortgage Bankers, Pension Funds, REITs							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
	Par - 1%	Dependent on tenant credit rating	Up to 100%	Down to 1.00	Co-terminus with primary lease	Co-terminus with primary leave	Loan term and amortization match lease term. Rate dependent on tenant credit rating. Non-recourse.

#### Permanent Participating Loans

Lender takes a share in cash flow and residual in exchange for more aggressive leverage.

Requirements: Experienced real estate investors only. Property must have strong value creation potential.

Lending Sources: Mortgage Bankers, Life Companies, Pension Funds, Private Capital							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
	0 - 2%	Varies based on source and structure	Up to 100%	Down to 1.20	10	30 years	Debt with equity kicker allows the borrower to get higher leverage. Yields based on IRR of 15%+. Requires share of cash flow and residual. Limited availability.

#### Debt / Equity Joint Venture

Finance of 80% of cost by a combination of debt and equity.

Requirements: Experienced real estate investors. Institutional quality properties with high quality cash flow.

Lending Sources: Mortgage Bankers, Life Companies, Pension Funds							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
	0 - 1%	Based on IRR target of 11 - 16%	Up to 90%	Down to 1.20	5 - 10	25 years on debt	Structured as a partnership with the lender. Limited availability. Best suited for multi-family development.

#### Repositioning Loan

1-5 year financing on projects with leasing upside or turnaround situations, or near-term leasing rollover.

Requirements: Property must have good upside potential.

Lending Sources: Mortgage Bankers, Credit Companies, Life Companies							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
	1 - 3%	LIBOR + 350 BPs 5% Floor	Up to 70%	Down to 1.20	Up to 3	Interest only	Popular structure for retail and apartment repositioning. May include exit fees. Generally recourse.

#### Mezzanine Debt

Similar to a second mortgage but secured by partnership interest, not property.

Requirements: Property must be able to support debt coverage at LTV less than 75%.

Lending Sources: Mortgage Bankers, Conduits, Credit Companies, REITs							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
	1 - 3%	10 - 13%	85 - 90%	Down to 1.10 combined	Up to 10	Interest only or 30 years	Allows borrower to increase leverage in situations where the first mortgage prohibits second mortgages. Poss. non-recourse.

#### Non-Recourse Bridge Loan

Short-term loan used to acquire or rehab properties.

Requirements: Need a quick close, or property that is in a transition.

Lending Sources: Mortgage Bankers, Credit Companies, Commercial Banks, Savings Banks, REITs							
Type	Fees	Current Terms			Term (years)	Amortization	Comments
		Rates	Maximum LTV	Minimum DCR			
	1 - 3%	8 - 11%	Up to 85%	Down to 1.10	Up to 3	Interest only	Typically provide up to 75% loan for purchase, with well-defined exit strategy. 20%+ IRR

Abbreviations: LIBOR = London Interbank Offered Rate, IRR = Internal Rate of Return, LTV = Loan to Value Ratio, P = Prime Rate, DCR = Debt Coverage Ratio, REIT = Real Estate Investment Trust

This information is intended to illustrate some of the lending options currently available. Other options may exist. While Essex Financial Group strives to present this information as accurately as possible, no guarantee is made as to the accuracy of the data presented, or the availability of the terms at time of application. Rates and terms are subject to change. Please contact one of our mortgage bankers for up to date rate and term information. For a copy of this chart, contact Jillynn Lubenow at Essex Financial Group via (303) 843-4029 or jlubenow@essexfg.com or log on to our website at www.essexfg.com.

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