

DEBT & EQUITY FINANCING ALTERNATIVES AND SUMMARY DESCRIPTION

Updated November 2008

FINANCING OPTION	TYPE	EXPLANATION	TYPICAL REQUIREMENTS	SOURCES	ACCESS	CURRENT TERMS					ADDITIONAL COMMENTS
						ESTIMATED COST OF CAPITAL	DSCR COVERAGE	POINTS	TERM (YRS)	AMORT	
CONSTRUCTION LOAN AGAINST TAKE-OUT	Debt	Finance project until permanent loan or other repayment source can be funded.	successful track record, financial strength, equity and guarantee.	Mostly commercial banks and some insurance companies.	Poor	Mostly LIBOR + 350bps to 500bps.	Loan level tied to takeout CF based on today's market comps	Min of 1	Tied to completion	Interest Only	*Repayment source is often a forward commitment loan or proceeds from pre-sale. Fully non-recourse is increasingly rare.
OPEN-ENDED CONSTRUCTION LOAN	Debt	Finance project <i>without</i> take-out or other repayment source in place.	Strong sponsor and project with market support at stressed CF levels.	Banks and thrifts.	Poor	P&3+ or LIBOR & 350bps+	Loan level tied to anticipated take-out or sellout	Min of 1	Tied to expected timing of take-out	Interest Only	*Best availability for multifamily. *Substantial pre-leasing required for leveraged projects. *Typically 30%-35% equity required.
INTERIM LOAN	Debt	Shorter term primarily floating rate loan.	Creditworthy Borrower and acceptable property collateral.	Mostly thrifts, and banks & alternative PE finance platforms.	Fair	275bp to 400bps over LIBOR. Fixed Rate option 325-275 over like maturity treasury.	1.20x+ to 1.25x+, 1.40x for hotel on in place CF	Min of 1	1 to 3 plus extensions extensions to total of 5 yrs	Usually interest only.	*For borrowers contemplating additional NOI ramp up, sale and/or those expecting better fixed rates later.
LIFE COMPANY PERMANENT LOAN	Debt	Fixed rate medium to long term financing available on an immediate funding basis on leased buildings.	Creditworthy Sponsor and a property of A or B quality.	Insurance companies.	Fair	Range from 250bps to 325bps over like term Treasury.	As low as 1.25 for apartments & office 1.30+ for other property types	0 to 1/4	5 to 30	15 to 30 yrs.	*These lenders have been deluged with business as a result of the CMBS lenders exiting the market. Leverage levels have come in to ~60% range.
CONDUIT LOAN	Debt	Fixed rate medium to long term financing available on an immediate funding basis on leastabilized buildings.	Single asset or cross collateralized & and a property of A to C quality.	Lenders who securitize loans for sale as mortgage backed securities.	None	Not pricing.	N/A	N/A	N/A	N/A	*The CMBS exit for these conduit loans is nonexistent at present, nor origination activity.
FANNIE MAE & FREDDIE MAC	Debt	Medium to long term financing available for apartment properties and assisted living facilities.	Creditworthy borrower. Apartment property of C+ quality or better or A quality assisted living.	DUS for Fannie and Program Plus for Freddie Lenders.	Good	Tiered pricing typically 225bps to 275bps over like term Treasury.	1.20	None	7 to 30	25 to 30 yrs	*Supplemental and variable rate programs available. *Look to Apartment Financing Matrix for more detailed information.
TAX- EXEMPT FINANCING (unenanced)	Debt	Tax exempt financing on a long term basis.	Project must be deemed to have public purpose.	State HFA's, Bond Funds and a few banks.	Aadaquate	100bps to 150bps over like term Treasury maturity.	1.15-1.25	2+plus cost of issuance	10 to 35	25 to 35	*Construction /Permanent loan. *Most activity is housing or health care related.
TAX- EXEMPT FINANCING (enhanced)	Debt	Tax exempt financing on a long term basis backed by a strong guarantor.	Project must be deemed to have public purpose.	Bond issuer and credit enhancer (bank, agency, FHA).	Adequate	Variable at SIFMA + 100-150 including credit enhancement.	1.15-1.25	2+ plus cost of issuance	10 to 40	25 to 40	*Rate caps often required on floating rate transactions. *Fixed rates also available (e.g. with FHA enhancement).
MEZZANINE LOAN	Debt	Higher interest rate subordinate loan designed to substitute for a portion of required equity.	A high return property requiring outside investment up to 70% - 85% of capital stack.	Investment banks, private investors and opportunity funds.	Fair	Range from 11% to high teens.	1.1	Varies but >1	Mostly 1 to 5	Varies	*The structure of this type of loan varies widely. Lender forecloses on pledged equity interest and enters org structure on default.
LAND & LAND DEVELOPMENT LOAN	Debt	Finance land acquisition, engineering, and infrastructure improvements.	Land with value that substantially exceeds the loan amount.	Banks, opportunity type lenders.	Poor	Varies widely.	Loan to values usually limited to 50% or less.	Wide range	1 to 3	Interest Only	*The global credit crisis has negatively impacted the underwriting of land loans.

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PREFERRED EQUITY	D/E	Similar to mezzanine loan but always has participation to IRR hurdle and is not secured by property.	Strong, experienced developer with a property that is perceived to have good appreciation prospects.	PE and opportunity funds.	Fair	15% to 20+% preferred return plus share of equity & income.	N/A	N/A	Investment horizon typically 3-7 years	N/A	*Reserved for a top quality asset. * Target IRR can reach 20%+. * Participation in cashflow and residual of 25 to 75%. *Capital Stack can reach 95% of cost.
DEBT / EQUITY JOINT VENTURE	D/E	Finance 90% to 100% of cost by combination of debt & equity.	Usually reserved for top developers and premier projects.	Insurance companies and pension funds, institutional investors.	Adequate	Pricing cannot be generalized.	Varies	0 to 1	N/A	N/A	*Reserved for a top quality asset. * Some sources fund construction, others provide takeout. * Target IRR on equity is in the 15% to 20%+ range, depending upon level of leverage used.
SYNDICATION (LIMITED PARTNERSHIP)	Equity	The sale through a limited partnership vehicle of the rights to cash flow, depreciation and/or tax credits.	A property that has investment appeal to syndicators because of reliable cash flow or tax credits.	Investment bankers (syndicators) who sell partnership interests to individual investors and corporations.	Adequate	Return to L/P range widely.	N/A	N/A	N/A	N/A	*Properties offering highly reliable cash flow. *All property types are now being offered.

Estimated Spreads By Property Type and Quality (Spreads over 10 year Treasury for 10 year term)

Property Types	Low Leverage <60%	Modest Leverage 60% - 75%	High Leverage 75 - 85%	
Apartments	2.25%	2.50%	3.00%	Lower spreads apply for FHA deals.
Office	2.50%	2.75%	3.00%	
Industrial	2.50%	2.75%	3.00%	
Anchored Retail	2.50%	2.75%	3.00%	
Assisted Living	2.50%	2.75%	3.00%	
Hotels	3.00%	3.75%	4.50%	

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