National Association of REALTORS®

Commercial Lending Trends 2015

COMMERCIAL Real Estate

NATIONAL ASSOCIATION of REALTORS®

COMMERCIAL LENDING TRENDS 2015

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THE NATIONAL ASSOCIATION OF REALTORS®, *"The Voice for Real Estate,"* is America's largest trade association, representing 1.0 million members involved in all aspects of the residential and commercial real estate industries.

COMMERCIAL LENDING TRENDS 2015

INTRODUCTION

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Based on the *Expectations & Market Realities in Real Estate 2015: Scaling New Heights* report—released by Situs, RERC, Deloitte and the National Association of REALTORS®—commercial real estate (CRE) has been riding a wave of improved macroeconomic conditions and bullish capital markets. During 2014, gross domestic product rose, employment growth accelerated toward the latter part of the year, and stock market indices reached new heights. Consumer confidence improved as the year progressed and oil prices sharply declined, offering strong wind in the sails of economic activity. As the Federal Reserve concluded its quantitative easing program, its target funds rate remained unchanged, as inflation continued below its target range of 2 percent.

Commercial vacancy rates declined for the core property types. Availability is expected to continue contracting for office, industrial and retail properties in 2015 and beyond. Vacancies for apartments are estimated to rise, due to gains in supply. Commercial rents have risen across the board, and are projected to advance this year to the tune of 2.5 percent to 3.7 percent.

CRE sales volume continued its positive trend in 2014, with $438 billion in closed transactions, compared with $361 billion in 2013, based on data from Real Capital Analytics (RCA). Most of the transactions reported by RCA are based on data aggregated at the top end of the market—above $2.5 million.

In contrast to the large commercial transactions reported by RCA, commercial REALTORS® managed transactions averaging $1.6 million per deal, frequently located in secondary and tertiary markets, and focused on small businesses and entrepreneurs. The 2015 Commercial Real Estate Lending Trends shines the spotlight on this significant segment of the economy—a segment which tends to be somewhat obscured by reports on large Class A commercial properties.

Lending conditions in REALTOR® markets notched another year of sustainable recovery. As CRE asset prices strengthened, financing and lending conditions improved in 2014. The main sources of capital for commercial REALTORS®' clients remained local and regional banks, which made up 58 percent of funding in 2014.

The incidence of failed transactions, due to lack of financing reached a new low. REALTORS® cite uncertainty from legislative and regulatory initiatives as the most relevant cause of bank capital shortage for CRE.

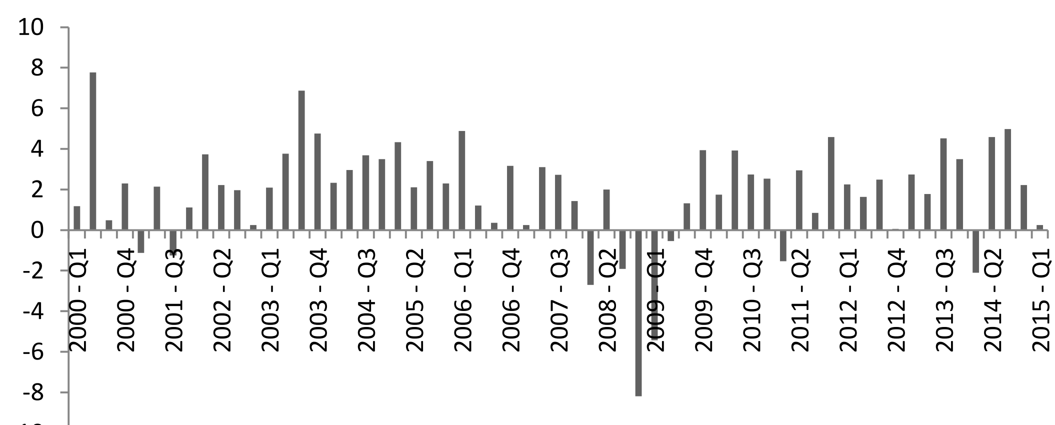
ECONOMIC OVERVIEW

Economic activity advanced 2.4 percent in 2014, adding wind in the sails of commercial real estate. Gross domestic product declined at an annual rate of 2.1 percent in the first quarter of the year. The second and third quarters reversed direction, with GDP gaining at 4.6 percent and 5.0 percent annual rate. The fourth quarter experienced a deceleration in momentum, advancing at 2.2 percent annual rate.

First, business investments offered solid performance during the year. Even during the cold first quarter 2014, business spending rose 1.6 percent. The second and third quarters of the year notched annual growth rates in excess of 8.0 percent, followed by a weaker fourth quarter. Toward the tail-end of the year companies cut back on equipment spending. Double-digit cuts in purchases of industrial and transportation equipment led to declines in overall equipment investment. Spending on information processing equipment—computers and peripherals—remained a bright spot. Business investments in commercial real estate rose at an uneven pace, with the last quarter proving the softest at 2.6 percent. During the latter half of the year, companies upped their investments in intellectual property products—software, R&D, along with entertainment, literary and artistic works.

Second, with declining global economic growth pushing the U.S. dollar's parity higher, export growth moderated throughout 2014. Imports of goods and services rose, while the balance of trade remained negative to the tune of about $472 billion by year-end.

Real GDP (SAAR, Chn.2009$) % Chg - Annual Rate



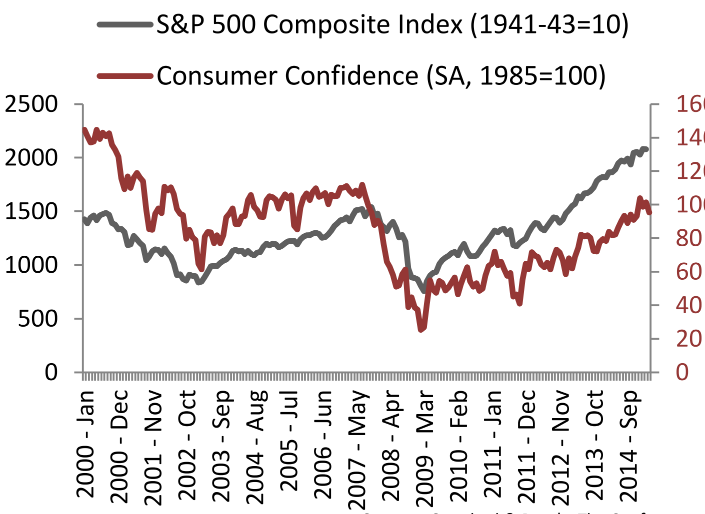
Source: BEA

ECONOMIC OVERVIEW, CONTINUED

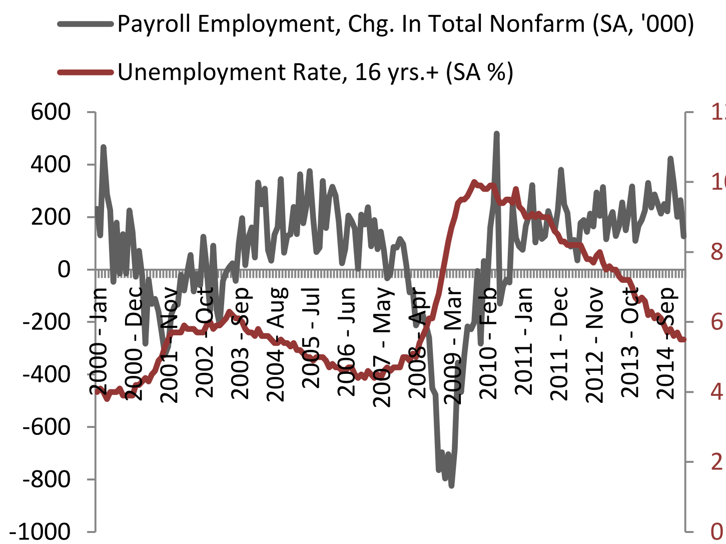
Third, consumer spending continued as the driving force of economic activity. Consumer expenditures gained during 2014 with each successive quarter, rising from an annual rate of 1.2 percent in the first quarter to 4.4 percent in the fourth quarter.

Declining gasoline prices, which dipped to $53 per barrel by December 2014, provided much-needed relief for consumers. In addition, rising employment and higher household wealth encouraged consumers to spend more on both goods and services. Durable goods were particularly popular during the year, with consumers spending on vehicles and auto parts, furniture and household appliances, as well as recreational vehicles and equipment. Auto sales reached an annual level of 17 million vehicles as of December 2014.

Consumer spending on services rose during the year, to close the last quarter with a 4.3 percent annual rate of growth. Spending on recreation, hotels and restaurants gained, along with expenditures on financial services and insurance.



Sources: Standard & Poor's, The Conference



Source: BLS

The employment landscape offered a positive view during 2014. Payroll employment advanced 1.9 percent on an annual basis, an uptick from the 1.7 percent gain recorded in 2013. The end of the year was particularly encouraging, as employment figures rose at the strongest pace, adding 850,000 new jobs in the fourth quarter. That brought the total net gain in 2014 jobs to over 2.6 million employees. The unemployment rate dropped to 5.7 percent for the fourth quarter, the lowest of 2014. The fourth quarter also registered an improvement in wages and salaries. Real personal income (adjusted for inflation) advanced 2.9 percent year-over-year.

Consumer confidence—as measured by the Conference Board—picked up toward the tail end of last year, rising to 92.7 in the fourth quarter, from 80.5 in the first quarter 2014. The University of Michigan's Consumer Sentiment Index also rose, to its highest value since the first quarter 2007, reaching 89.8 in the fourth quarter.

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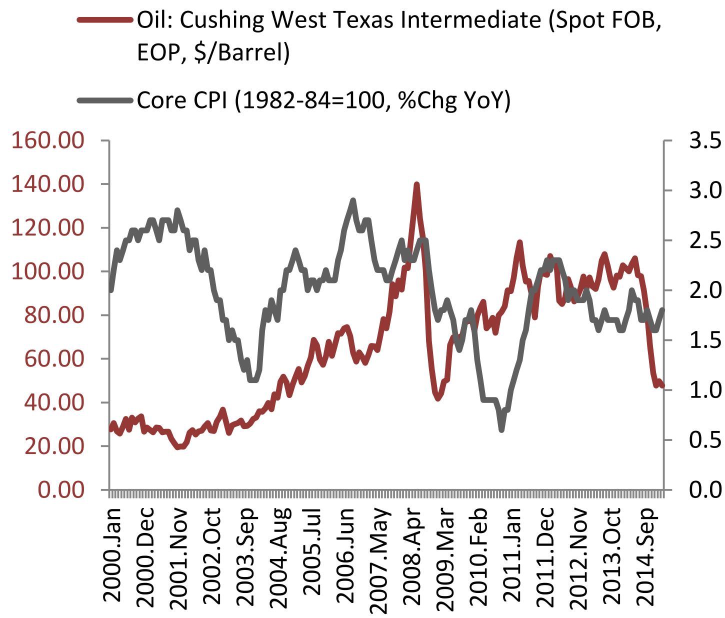
ECONOMIC OVERVIEW, CONTINUED

Fourth, government spending—a major GDP component—offered mixed results during 2014. At the federal level, yearly spending growth was negative. The only exception came during the third quarter, and the close of the government's fiscal calendar, when large defense layouts bumped government spending into positive territory. The picture was brighter for state and local governments. After cuts during the first quarter 2014, state and local governments, enjoying rising property tax revenues, increased their spending during the remaining three quarters of the year.

The outlook for the remainder of 2015 remains positive, with GDP projected to close the year 2.7 percent higher on an annual rate. Payroll employment is expected to advance at an annual rate of 2.1 percent, leading to higher consumer confidence. Even as the Fed ended its quantitative easing program, and signaled its intent to increase rates, U.S. inflation remains contained. Inflation is expected to reach 0.3 percent in 2015.

Oil Prices and Inflation



Sources: BLS, EIA

U.S. Economic Outlook

	2013	2014	2015	2016
	History		Forecast*	
GDP g.r. (%)	2.2	2.4	2.3	3.0
Nonfarm Payroll Employment, g.r. (%)	1.7	1.9	2.0	2.1
Consumer prices, g.r. (%)	1.5	1.6	0.3	3.2
Consumer Confidence (1985=100)	73	87	99	101
Unemployment rate (%)	7.4	6.1	5.4	5.3
30-Year Government Bond Yield (%)	3.4	3.4	3.0	4.2
30-Year-Fixed Mortgage Rate (%)	4.0	4.2	4.0	5.2

*Source: NAR, May 2015

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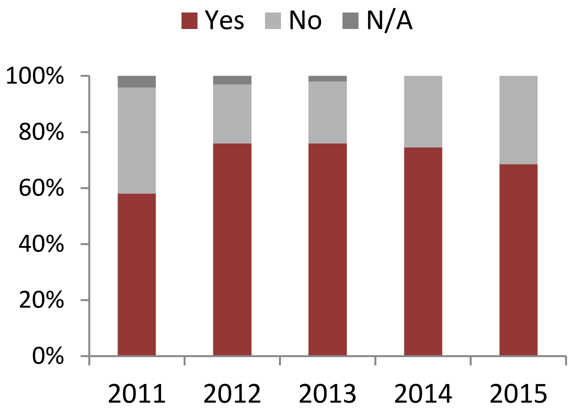
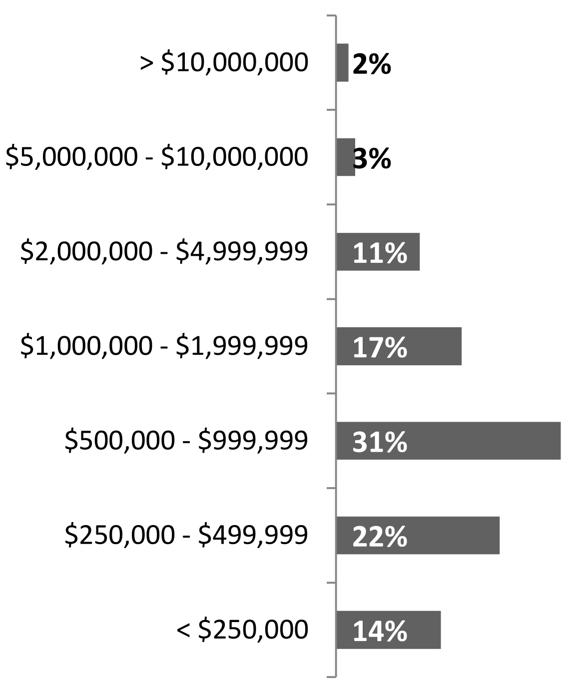
Did you close a sale in the past 12 months?



Average value of sale transaction



Fundamentals

Commercial real estate continued on an upward trajectory in 2014, building on improving fundamentals and investment momentum. In tandem with rising economic conditions, fundamentals strengthened during the year. Growing net absorption led to declining vacancies and accelerating rent growth. As employment gains are expected to continue into 2015, demand for commercial space is expected to advance.

The apartment sector remained the best performer, with national vacancies hovering around 4.0 percent. However, a significant new supply of apartment units entered the market during the year, leading to concerns about oversupply in some markets. As household formation advanced, demand remained brisk, keeping rent growth at a 4.0 percent rate.

Demand for apartments is expected to remain strong, as the pace of household formation closes on historical averages. However, 2015 will mark the first year since the recession that supply will likely outpace demand. Apartment net absorption is estimated to reach 172,000 units in 2015. New apartment completions will add 230,000 units on the market this year. The volume of new space is expected to lead to an increase in apartment vacancies from 4.1 percent in the first quarter to 4.3 percent by the fourth quarter 2015. Rent growth is likely to slow from above 4.0 percent over the past few years to 3.7 percent in 2015.

Industrial properties found favorable conditions in 2014 as international trade continued growing and higher consumer spending drove demand for warehouses. The industrial sector also experienced a boost from solid gains in online retail sales. National vacancies for industrial buildings dropped in the single digits during the year, leading to higher rents.

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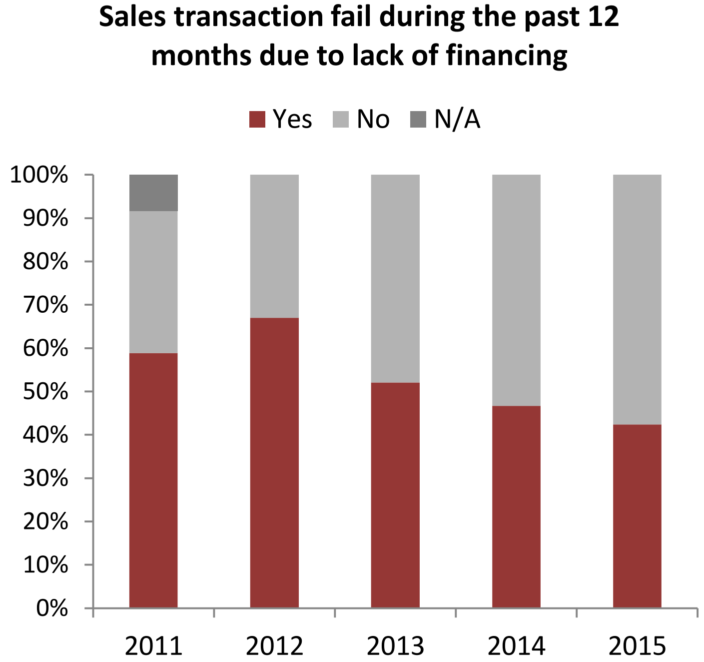
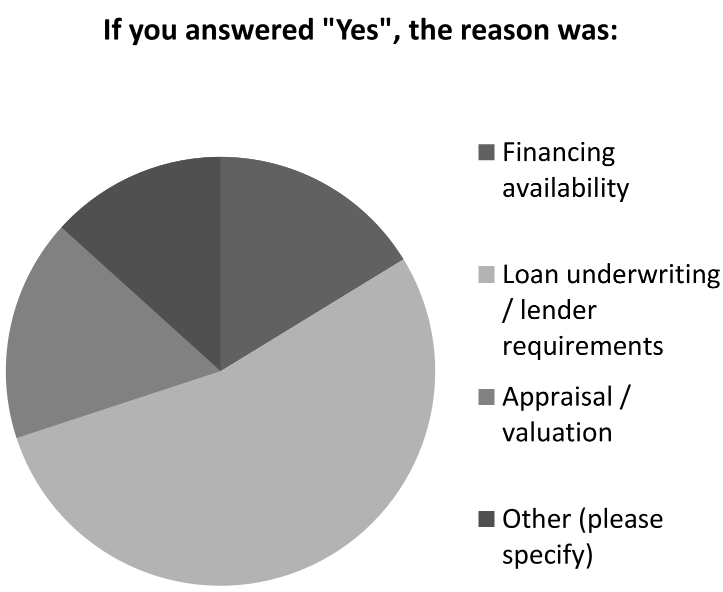
Net absorption of industrial space is estimated to total 102.2 million square feet this year. With new supply projected to reach 82 million square feet, availability rates will likely decline to 8.3 percent by the fourth quarter. Industrial rents should experience a 3.0 percent gain for the year.

Professional and business services added the highest number of net new jobs in 2014. The improving employment landscape in office-using industries drove demand for office space. However, the move to shrink worker footprint and squeeze more employees into existing spaces gained broader acceptance across most industries, including government. Not surprisingly, office vacancies remained at a fairly elevated level.

Office net absorption is projected to total 47.7 million square feet in 2015. As supply of new office space is expected to reach 33.6 million square feet, vacancy rates should continue a gradual decline to 15.7 percent by the end of the year. Office rents are forecast to rise 3.3 percent in 2015.

With consumers keeping spending on an upward trajectory, the retail sector has posted positive demand matched by restrained supply, leading to declining vacancies and moderately growing rents. However, space utilization is undergoing a transformation, as retail outlets are scaling back floor space in favor of e-commerce distribution channels. Retail net absorption is expected to reach 15.7 million square feet nationally in 2015, lowering vacancies to 9.6 percent by the last quarter of the year. Rents are projected to rise 2.5 percent this year.





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Investments

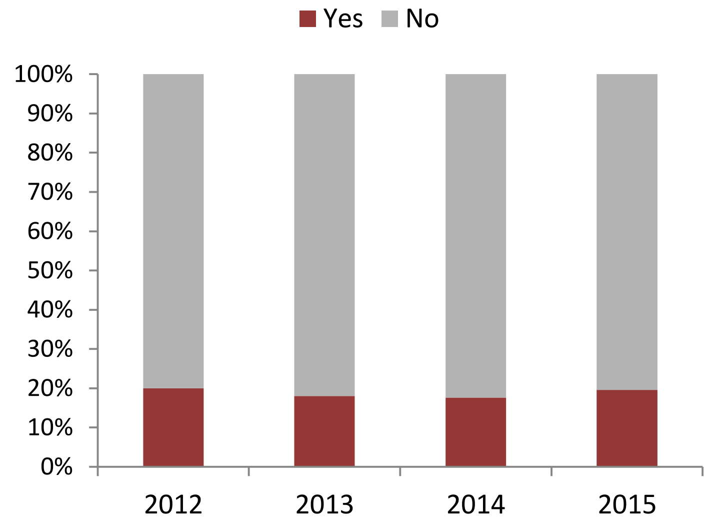
Commercial real estate investment trends were positive in 2014, following on last year's tail winds. Sales of large CRE transactions (LCRE)—over $2.5M—advanced 21 percent year-over-year in, totaling $438 billion, based on Real Capital Analytics (RCA) data. Investor demand for properties continued on an upward path, as economic fundamentals, broadening lending sources and capital followed returns. With global economies moderating in 2014, the U.S. property market became an even stronger contender for cross-border investors, as well.

The broad-based market improvement continued to lift investments in 2014. Secondary and tertiary markets remained on the list of investor destination during the year, due to higher yields. However, top markets returned to the forefront as capital sources consolidated in pursuit of top-tier properties.

In comparison to the high-end deals, 86 percent of commercial REALTORS® posted transactions below the $2.5 million threshold in 2014. Although many REALTORS® participate in transactions above $2.5 million per deal, they serve a segment of the commercial real estate market for which data are generally not as widely reported, which we term the small CRE transactions (SCRE).

Based on National Association of REALTORS® (NAR) data for the SCRE market, sales volume increased 35 percent on a yearly basis in 2014. The strong increase mirrored the renewed investor interest in stabile market and properties offering higher yields.

Sales to International Clients/Investors



Prices for REALTORS® commercial transactions advanced 8 percent year-over-year in 2014, a much slower pace than in LCRE transactions. The data underscore an important point about the recovery and growth in SCRE markets. The rebound in smaller markets was delayed by three years and the rate of price growth has been shallower. Averaging year-over-year price growth rates SCRE markets during the 2009-14 period illustrates the steep post-recession decline in asset valuations. Even with the recovery of the past two years, sales price growth in the SCRE markets from 2009 to 2014 remains negative.

In 2014, inventory shortage dominated the list of concerns for SCRE markets. Cap rates averaged 8.1 percent over the year, a 40 basis point decline from 2013. Yields in SCRE markets continued to offer a premium compared with the 6.8 percent average recorded in LCRE transactions during 2014.

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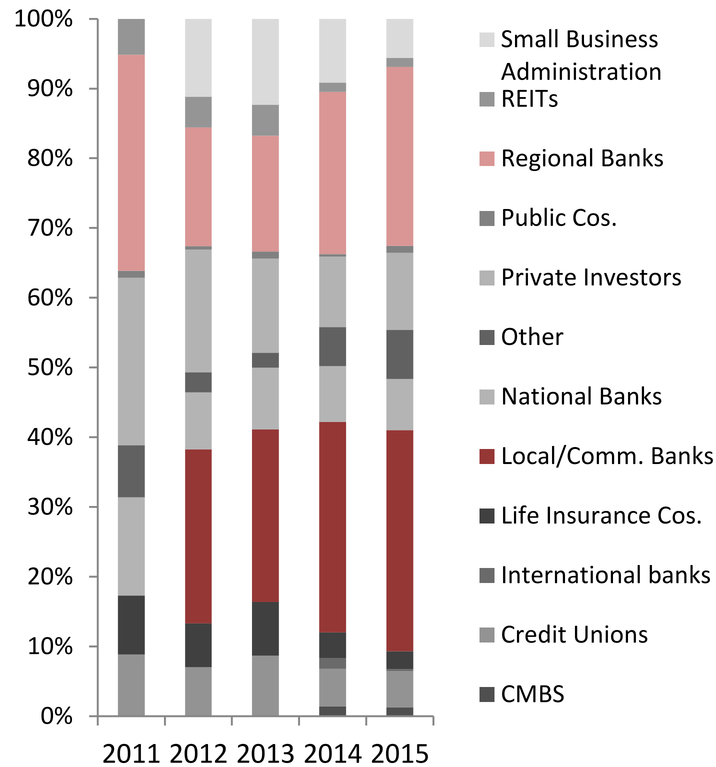
Capital Markets / Lending

During 2014, commercial real estate capital availability continued growing, building on the tail winds from 2013. Major capital providers found new energy in revitalized commercial markets and competed for deals, leading to steep acceleration in prices for some property sectors, especially apartments and CBD office buildings.

On the debt side, national banks accounted for the bulk of capital providers, riding the wave of low interest rates and offering low cost floating rate lending. According to CBRE Research, national banks increased their market share to 37 percent in 2014 from 32 percent in 2013. Government-sponsored enterprises (GSEs) were the second largest debt originator, dominating the financing in the multi-family segment. CMBS conduits and life insurance companies also increased their originations. Life insurance companies accounted for 26 percent of the debt universe, while CMBS originators represented 24 percent of debt financing.

On the equity side of CRE financing, private equity accounted for 44 percent of capital, followed by listed and non-listed REITs, which made up 34 percent of financing in 2014, according to Situs RERC. Pension funds, both domestic and cross-border were the third largest capital provider group, representing 15 percent of the equity market. The remainder groups comprised of corporations, commercial banks, foreign investors and others.

Providers of CRE Financing



Based on NAR's 2015 survey data, the capital picture displays a fundamentally different landscape. Local and community banks were the largest lending group in REALTORS®' commercial markets in 2014, accounting for 32 percent of transactions. Local and community banks gained market share from 2013, when they made up 30 percent of the market.

The second largest capital source in 2014 comprised of regional banks, which captured 26 percent of REALTORS®' commercial deals, a slight increase from the 23 percent in 2013.

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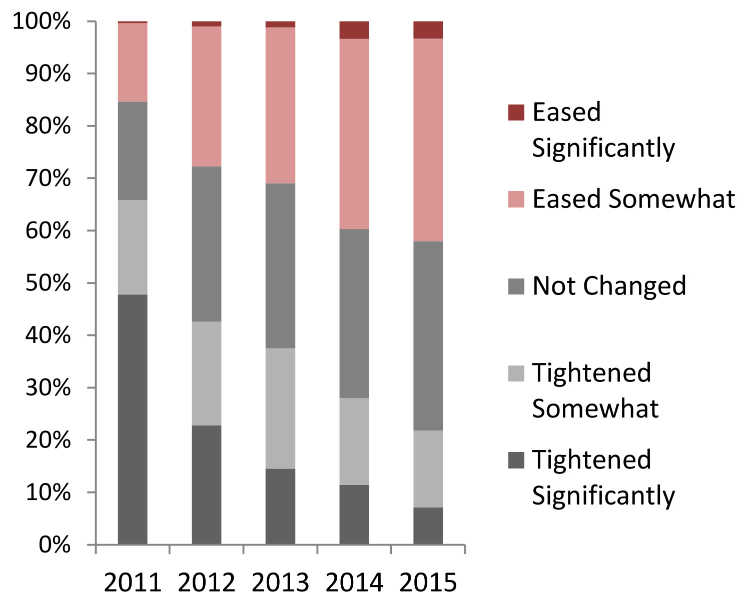
Capital Markets / Lending, Continued

Private investors were the third main capital providers, accounting for 11 percent of deals during 2014. National banks came in fourth place, with 7 percent market share. The Small Business Administration and credit unions made up 6 percent and 5 percent, respectively, of transactions. Life insurance companies were much less active in REALTOR® markets, representing 3 percent of deals, while CMBS conduits accounted for only 1 percent of funding, tied with REITs and public companies.

The lending survey highlights the marked differences in the LCRE markets versus the SCRE markets. Debt financing represents a much-larger portion of capital in SCRE markets, whereas LCRE deals benefit from significant equity contributions.

In addition, as regional and community banks account for 58 percent of all capital in REALTOR® markets, the raft of financial regulations which has hit the industry over the past six years has left a deeper impression on available capital for CRE deals. With higher costs of compliance and higher capital reserve requirements for CRE loans, regional and community banks have shouldered a proportionally larger share of the costs, leading to more cautious lending activity. In 2014, 22 percent of REALTORS® reported tightening lending conditions, compared with 28 percent in 2013. While the figure points to an improving capital market, the pace and volume remains slower than for LCRE markets.

Change in Lending Conditions over Past Year



Avg. Debt Service Coverage Ratio = 1.3

Methodology of NAR's 2015 CRE Lending Survey

Within the framework of improving market conditions, NAR Research conducted a national survey of commercial real estate members, focused on lending conditions.

In March 2015, NAR invited a random sample of 49,485 REALTORS with an interest in commercial real estate to fill out an online survey. A total of 791 responses were received for an overall response rate of 1.6 percent.

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SURVEY RESULTS: Highlights

- **69%** of respondents closed deals in 2014

- REALTORS® closed an average of **8** commercial transactions

- **96%** of sales were valued at or below **$5 million**

- **Cash** comprised **28%** of all transactions

- **59%** of transactions had financing with **LTV** equal to or higher than 70%

- **20%** of respondents had **international** clients/investors

- Sales composition:
  - Office CBD: 9%
  - Office Suburban: 12%
  - Industrial Warehouse: **15%**
  - Industrial Flex: 9%
  - Multi-family: **14%**
  - Retail Strip Center: 12%
  - Retail Mall: 1%
  - Land: **19%**
  - Hotel: 2%
  - Other: 8%

- Net operating income (**NOI**) of sold/leased properties **increased** in **48%** of markets over the past five years

- **Lending** conditions **eased** in **42%** of respondents' markets

- Top **sources** of capital:
  - Local/community banks: **32%**
  - Regional banks: **26%**
  - Private investors: **11%**
  - National banks ("Big four"): 7%
  - Small Business Administration: 6%
  - Credit unions: 5%
  - Life insurance companies: 3%
  - REITs: 1%
  - CMBS: 1%
  - Public companies: 1%
  - International banks: 0.3%

- **26%** used the **Small Business Administration** refinance program

- **42%** of sales **failed** due to **lack of financing**
  - Loan **underwriting** standards caused **62%** of financing failures
  - **19%** caused by **appraisals/valuation**
  - **19%** due to financing availability

- **16%** of deals **failed** to secure **re-financing**, compared with 50% in the 2012 report

- Debt-to-service coverage ratio (**DSCR**) was **1.3**.

- **58%** of respondents find insufficient CRE bank capital due to:
  - Legislative/regulatory initiatives: **24%**
  - Reduced NOI, values & equity: **20%**
  - Financial regulatory uncertainty: **20%**
  - U.S. Economic uncertainty: **14%**
  - Disposition of distressed assets: 7%
  - Pooling/packaging of CMBS:4%
  - Global economic uncertainty: 3%

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SURVEY RESULTS: Market Environment

Reduced net operating income of the Subject Property and the Borrower, values and equity positions (larger equity contribution to the transaction and lower loan-to-value) have a HUGE impact on the decisions lenders are considering and making. Money does NOT seem to be the problem.

- Missouri

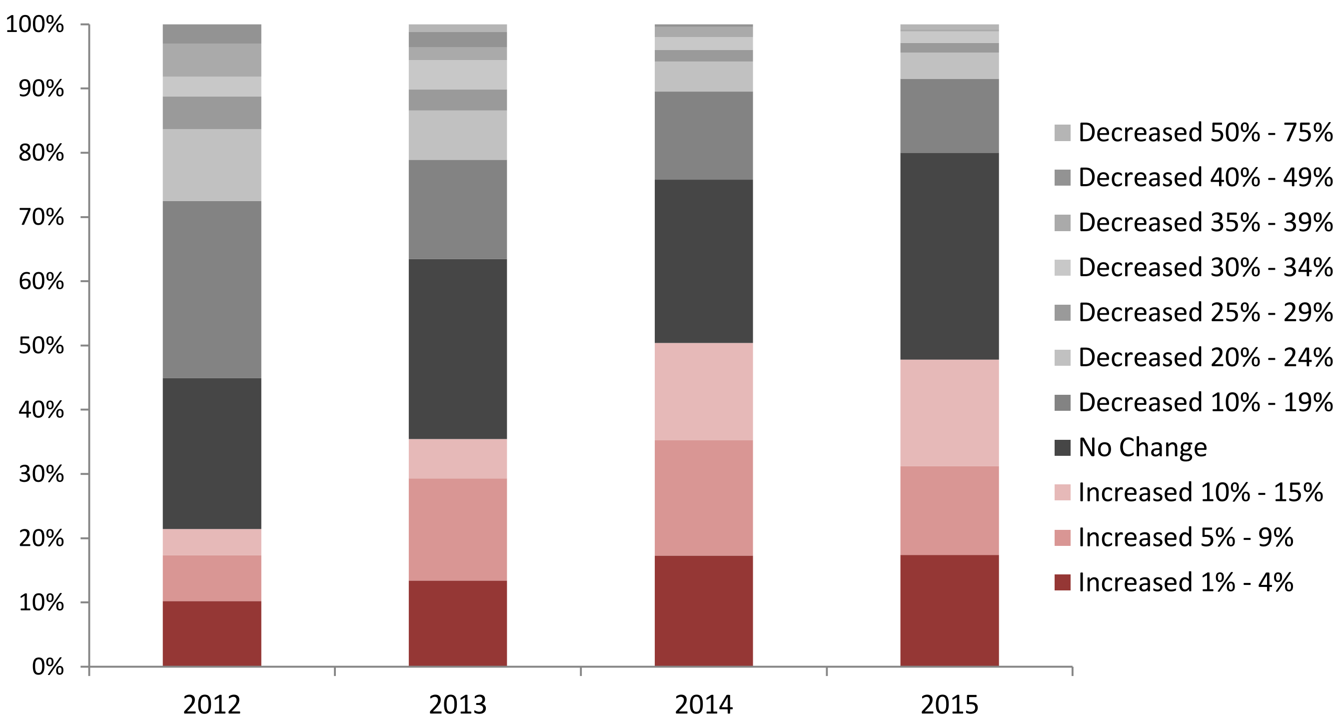
Economic uncertainty is a close third choice to item 3 above. The 'local' commercial investor remains hard-hit by the recent recession. Significant vacancy still exists for many 'neighborhood' centers.

- New York

Declining rates of return. 7% today is reduced by low annual increases to the point of leases being a detriment the longer they are in place and that affects a bank and buyer being attracted to them. Net present value of future dollar return: 10% every 5 years ends up being a loser in the long run not being able to stay even with historic 3% or 4% inflation.

- Montana

Change in net operating income ($/SF) of properties sold/leased from 4th quarter of 2007 to 4th quarter of past year



SURVEY RESULTS: Market Environment

In 2008: 150 mil SF of Retail Construction took place. Then came Dodd-Frank. Since then: less than 40 mil SF of Retail Construction has taken place despite plummeting vacancy (national less than 6%) and increasing rents. The banks cannot finance good projects due to Dodd-Frank.

- Connecticut

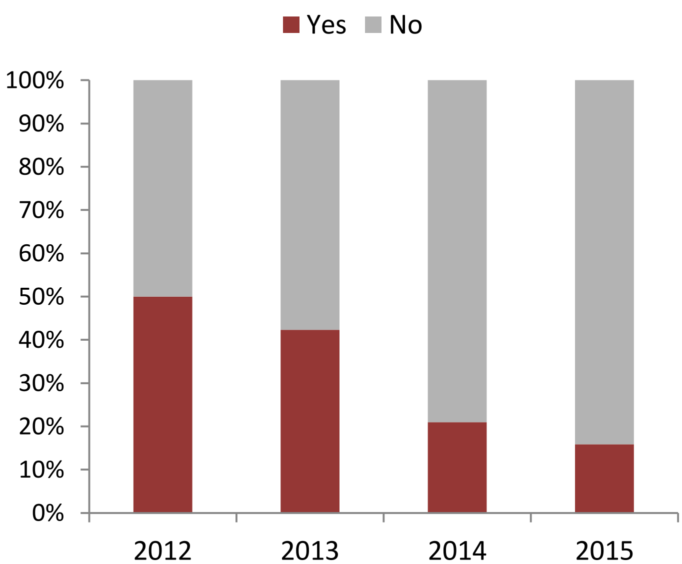
Dodd-Frank has done missives to the sale of Farms, home must be valued at 35% of sales price.

- North Carolina

Government over-regulation stifles growth.

- Indiana

Re-financing transaction failed during the past 12 months



Rhode Island has unique issues due to infrastructure problems, unemployment and state regulation. Ex. Solar farms can't connect to aging grid.

- Rhode Island

[…] Best market in my 40 year history. These are the "good ole days"!

- Tennessee

The property taxes are out of control, especially for commercial properties.

- Illinois

Dodd Frank is a HUGE problem for financing in multifamily. Blame it on Elizabeth Warren too. Community banks are not as active as they have been in the past because of regulatory issues. All of them have a ton of money but DC has tied their hands.

- Oklahoma

Vacant Land is Always a Problem.

- California

Future Flood Insurance rates are a big issue in Florida Commercial Real Estate

- Florida

For Michigan there is a lack of commercial users for the number of commercial properties that are available.

- Michigan

SURVEY RESULTS: Market Environment

Many areas need to determine what businesses can profitably operate in their markets. For example, information transmission centers work well in Las Vegas due to the stable dry climate conditions. The northeast infrastructure for certain fashion needs performs well at lower operating costs than in other areas such as Houston. Brooks Brothers makes clothing items in New Jersey and Massachusetts. The medical industry in certain major metropolitan areas operates better than others.

- Nevada

We live in a distressed area it makes it very hard to start or maintain a business in small town America.

- New York

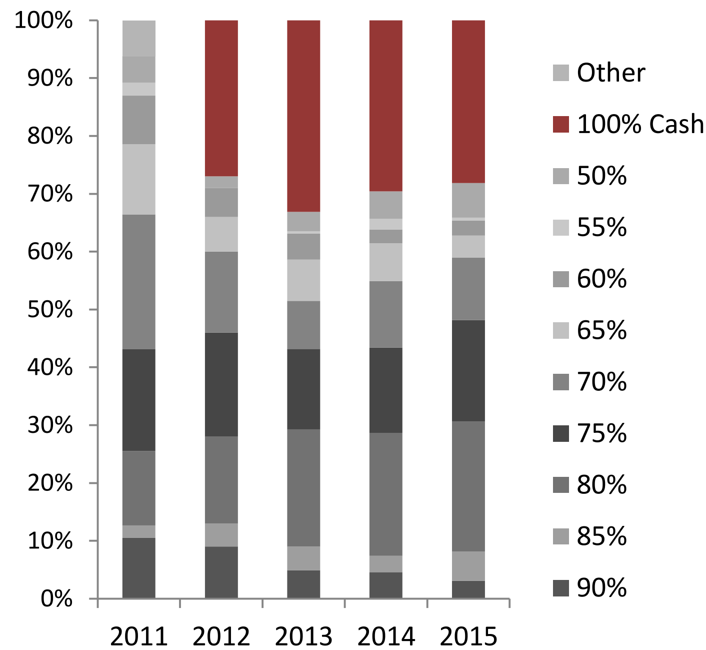
The greatest problem in our location is that almost all sales are to/for national credit tenants. Local buyers are simply not in the market. Whether it is because they have already checked and found financing not available or just lack the confidence in the local economy to support expansion or addition of new business, I have not been able to determine. My belief is that they are generally just not able to compete anymore.

- North Carolina

Our area is Bradford County (PA) We had their Marcellus Shale and gas drilling going on in our area from 2009 to 2012. We were doing many commercial properties at that point most people that came and had deep pockets and had their own financing in place. Since then we've seen a major downturn they've moved on, left behind many vacant buildings and warehouse space. […]

- Pennsylvania

Average Loan-to-Value for CRE Transactions



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SURVEY RESULTS: Lending Environment

All lending sources (Banks, CMBS, Life Companies and other) have sufficient capital, but most have raised the bar on the quality level of the Borrower and the real estate with the applicable "rollover risk" still being a major underwritten concern!!!

- Ohio

Banks are doing well but they make it hard to do business, and is hard to move forward in an environment like this.

- Louisiana

Banks have been very aggressive to get deals financed.

- New York

The hardest part is when a loan representative makes promises they cannot keep.

- California

The money is cheap, but still very difficult to obtain.

- North Carolina

The rules put in place for the big banks are handcuffing the regional and community banks.

- North Carolina

There is plenty of money available for qualified buyers of commercial properties.

- Texas

When lenders begin lending again, the demand backed up by buyers is very high and the economy will perk along. No money - no recovery.

- Georgia

Banks have gotten much more aggressive for owner occupied transactions.

- Wisconsin

Banks will make loans to select buyers and even to other less qualified buyers but require much larger down payment which is out of buyer's ability to raise.

- Texas

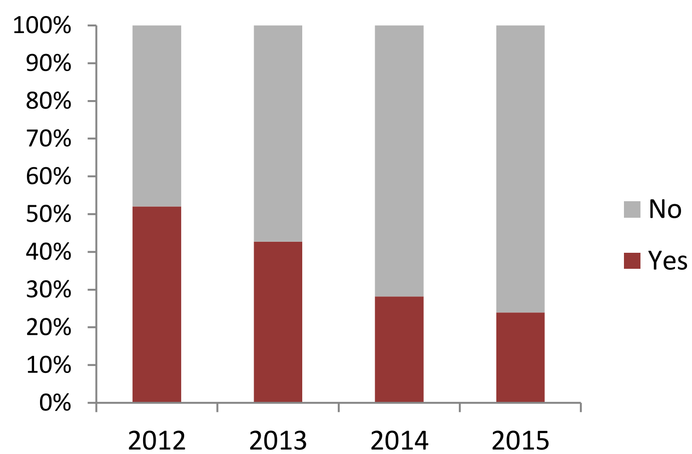
Big banks are not making loans to small companies anymore...only to big businesses.

- Ohio

Collateral isn't allowed, only cash in bank to borrow against - which is hindering financing tremendously.

- Texas

With properties where re-financing was an issue, if the owners provided an existing or new property lease with NOI at levels similar to the pre-2006 period, did the property still fail to secure re-financing?



SURVEY RESULTS: Lending Environment

Commercial funding is a problem. I have a great property on the market for 1 year and no takers.
- Illinois

Commercial land loans almost non-existent.
- North Carolina

Commercial money is available but revenue of projects remains uncertain in this economy. Government leases command low rates. New construction is difficult as rents in office space lag behind and make debt service coverage difficult. This will change with high occupancy. It always does.
- Virginia

Fed control of banking is handicapping the otherwise free and open market. In thirty years I have never seen such perverse controls within the markets.
- Michigan

Fiat money makes the numbers go up but not the intrinsic value.
- Virginia

Financing has not been a problem with reasonable transactions.
- Massachusetts

Financing in resort area for commercial is extremely difficult to find. Nearly all deals are cash. It straps the commercial growth of these areas and leads to higher than average unemployment.
- Delaware

Generally speaking only local banks are lending commercially. It takes twice as long to get a loan and the underwriting requirements are too restrictive.
- Kentucky

Generally, entrepreneurs have vision and are way ahead of the cultural curve while banks operate seemingly in a closed cave and compensate for their lack of skill with aggressive rates and terms, or an unrealistic client process.
- Pennsylvania

Great time to sell, terrible time to buy. Banks have money that needs placed, but they will regret some of their current placements. Federal regulations force them to lend though in order to make enough money to pay for all of the regulatory burden! Next crash is coming... I will sit it out and go shopping in 2 years.
- Utah

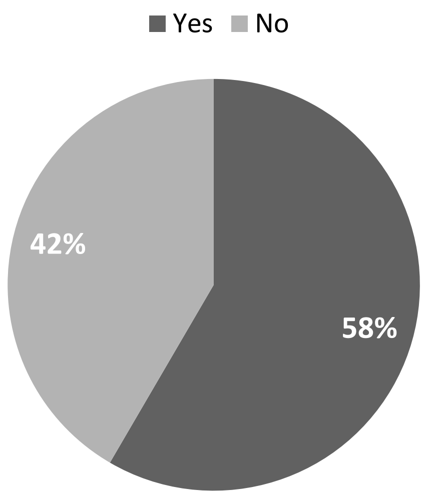
I think the banks have let down the entire country. They are mindless lemmings and have abandoned their role in the greatest economy.
- North Carolina

I think there's enough money available, the problem is not the Banks; it's the borrower's inability to qualify for financing.
- California

Just refinanced 3 properties from $150,000 to $1,000,000. Low loan to value deals.
- Colorado

SURVEY RESULTS: Lending Environment

Does bank capital for CRE remain an obstacle for sales?



The federal government is the single biggest problem with the US economy. There are too many regs. We also have a Congress and a President who fail to lead.

- Arizona

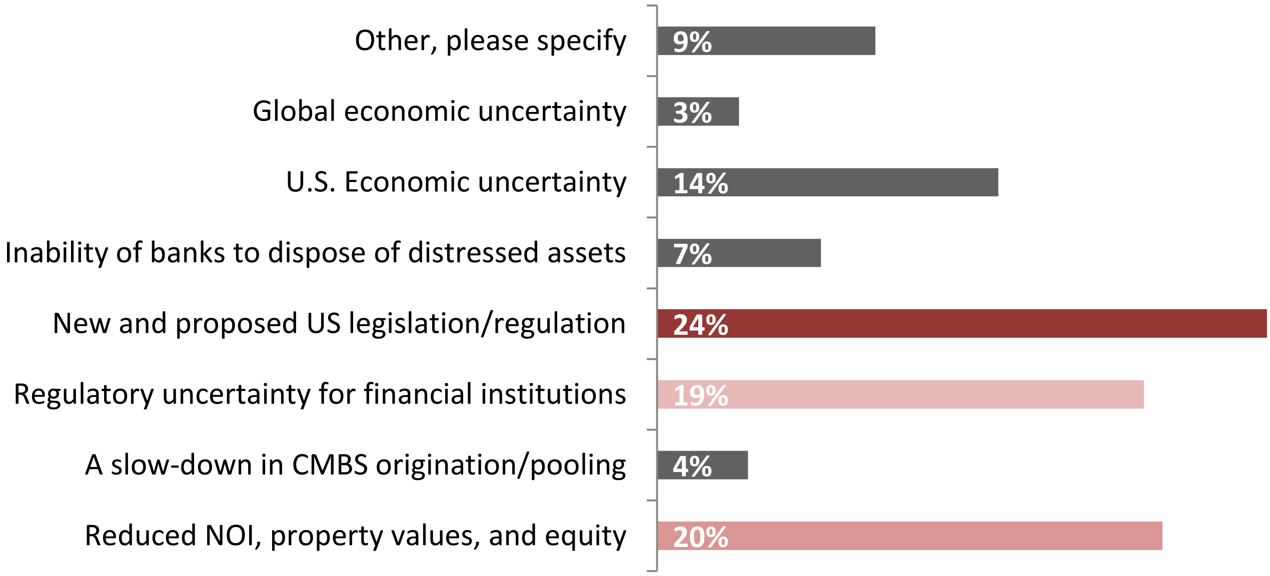
Excessive regulations and self-imposed bank red tape have made commercial borrowing difficult for legitimate customers.

- California

Congress needs to enact JOB Bill, there is much that can be done. Just repairing the infrastructure of the country will create 10 million jobs. People need disposable income to get this economy going.

- Connecticut

Most relevant cause for lack of bank capital available for CRE lending



SURVEY RESULTS: Lending Environment

Large National Banks only want big commercial (new) development; they do not want to lend on small properties. Small local banks have no funds and cherry pick.

- Washington

Lenders have tons of cash they want to lend at very favorable rates, but to well qualified borrowers/projects with solid reputations.

- Utah

Lenders' memories are short. We are seeing some bad lending that will not be sustainable.

- Iowa

Lending for owner occupied buildings is not a problem. It is more for the investment properties where the owner is not a tenant.

- Michigan

Loan underwriting and debt/coverage ratios need to be loosened for the commercial sales market to gain traction.

- Illinois

Many, many obstacles to getting a loan. Even experienced loan brokers aren't sure of their deals until the very end of the process.

- California

Most banks are loosening up on lending to non-owner occupied buildings.

- New York

Most Banks do not have Commercial/Industrial monies at a reasonable rate.

- Pennsylvania

Most people say they will talk to their bank for commercial loans.

- California

Not sure if local banks use FDIC as the excuse, or if the FDIC does in fact comb through their loan files with interference with normal business terms.

- Maryland

Secondary market commercial financing terms are either so burdensome that it's not worth the process, or terms so tough that purchasers do not see the value in financing and just pay cash for smaller commercial deals.

- New Mexico

Slow in processing loans. Abnormal waiting time to be funded.

- Illinois

Small businesses cannot obtain funding from the large banks.

- Florida

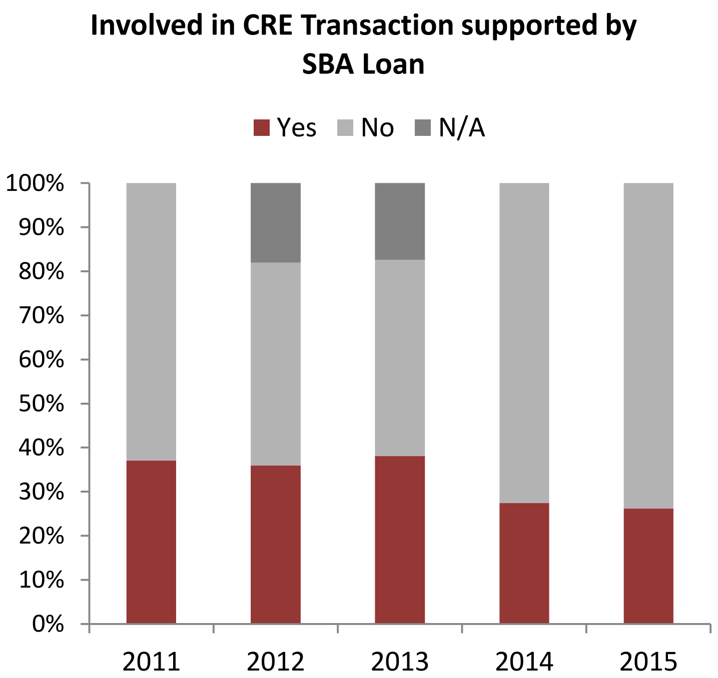
Takes longer to get financing, and a lot more involved. It is not a certainty on lending for commercial transactions. The level of scrutiny is overboard and needs adjusting to reasonable lending practices.

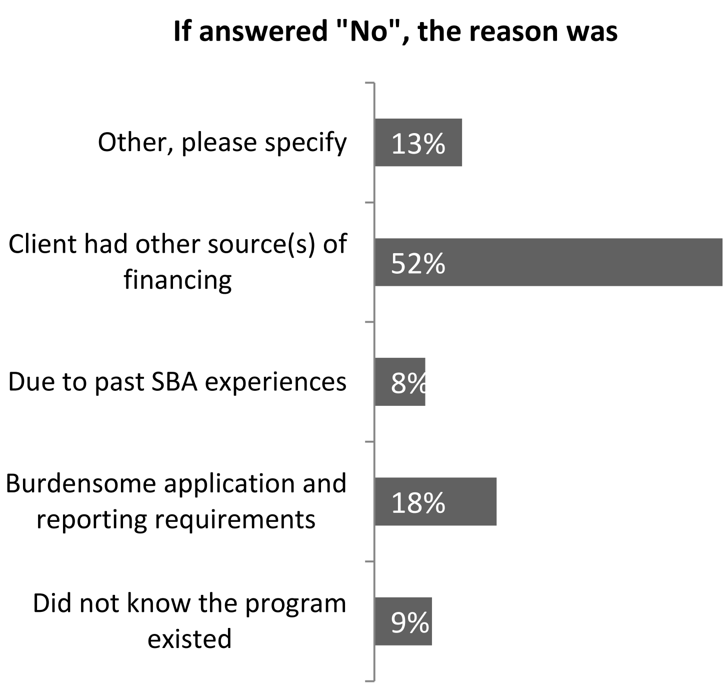
- Washington

The banks all have the same sales pitch. They desire owner occupied, or medical office and have no land financing programs.

- Florida

SURVEY RESULTS: Lending Environment





The appraisal industry continues to use bad practices of not checking out real comparable properties when looking to value a new build.
- Alabama

The biggest hurdle I see is not the ability to get financing, it is getting an appraisal that brings the value. Appraisers are appraising with trepidation.
- Arizona

While we did not lose a sale due to financing we had 2 sales where the sale price was reduced because the appraised value came in lower than the original sale price
- Connecticut

Out-of-market appraisals remain an obstacle; 300% CRE limitations remains an obstacle; credit worthiness of tenants remains an obstacle.
- Delaware

Appraisals do not take into account the real costs of new construction and mandated energy efficiency requirements.
- New Hampshire

Appraisals are becoming harder to come by. Appraisers won't go to the effort of explaining differences in properties to establish better pricing.
- Oregon

Bank cannot make loans due to Dodd-Frank.
- Texas

NATIONAL ASSOCIATION OF REALTORS®
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If you have questions or comments regarding this report or any other commercial real estate research, contact George Ratiu, Director, Quantitative & Commercial Research, at gratiu@realtors.org.

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