

DECEMBER 16, 2009

THE NEW LANDSCAPE OF REAL ESTATE FINANCING:

The Real Estate Capital cycle:

- Capital seeks yield
- Debt and equity yields driven down (excess supply)
- Markets get hot and overdone
- Capital tightens, becomes constrained
- Debt and equity yields driven up (scarcity)
- Capital stack is recalibrated
- Capital seeks yield
- Debt and equity yields driven down

Modern Political History of Real Estate Finance:

- 1982 Garn-St Germain Depository Institutions Act
- 1986 Tax Reform Act (TRA) of 1986
- 1989 FIRREA
- 1990 Drexel Burnham declares bankruptcy
- Early 1990's - Growth of Real Estate Private Equity funds and servicers
- 1990-95 RTC securitization, KIMCO, CMBS
- 1995-2006 REIT's, Public Homebuilders
- 1999 Gramm Leach Bliley Act - repeals Glass Steagall
- 1999-2006 growth of alternative structuring and distribution strategies
- 2003 FNMA and FHMC buys \$81BB in subprime securities
- 2004-06 FNMA and FHMC buys \$434BB in subprime securities

Regulatory and Accounting guidance:

- Pass, Special Mention, Substandard, Substandard non-accrual, Doubtful, Loss, TDR.
October '09 FFIEC guidance
- 100/300
- Obama SFR plan

The Changing Landscape:

- Roles of I/Bank-Commercial combos, National Banks, Regional Banks, and Community Banks in the real estate capital markets
- Almost Perfect Storm
- TALF
- Demand based lending
- Advance rates, Coverage ratios, Re-margining/Re-sizing covenants, Sponsorship
 - o Single Family: Land, A&D, Production housing, Condos, Fractionals
 - o Commercial - Big Four: Land, A&D, Development, Term
 - o Esoterics: Land, A&D, Development, Term