RARE CRE

CRE CAPITAL UPDATE

MARCH 2025

"Capital availability is near the highest level since the Fed began rate hikes in June 2022. Underwriting standards are the most relaxed over the same time frame. Still, the capital markets are rated as historically tight."

Despite these positive trends, the CRE industry is still contending with elevated interest rates, fluctuating economic indicators, geopolitical tensions, and a prevailing 'wait-and-see' attitude ahead of elections which are limiting transaction activity.

While long term yields have steadily fallen since April 2024, they have trended upward since September 2024 fueled by persistent inflation expectations and strong economic data.

Amidst a landscape where lenders, particularly community and regional banks (albeit not universally), have tempered their onboarding of new CRE borrower relationships, capital from non-bank sources continues to aggressively pursue a limited pool of opportunities.

Owners of highly leveraged properties or those in sectors facing challenges like rising vacancy or slow/diminishing rental income growth are grappling with concerns about maturity defaults during difficulties in refinancing.

RARE CRE is a boutique advisory and investment banking firm focused on providing tailored, real estate capital solutions to commercial real estate entrepreneurs.

Our Capital Solutions team is dedicated to delivering white glove, customized debt & equity solutions for owners and developers of multifamily and commercial real estate.

- ✔ Bridge Loans
- ✔ Construction Loans
- ✔ Mezzanine Loans
- ✔ Preferred Equity
- ✔ Fixed-Rate Perm Loans
- ✔ Agency (Fannie/Freddie/HUD)
- ✔ NPL Loans
- ✔ Equity Recapitalizations
- ✔ LP & Co-GP Equity
- ✔ Entity-Level Credit Facilities

WHO'S MOST COMMONLY LENDING AND ON WHAT PROPERTY TYPES?

	MULTIFAMILY*	INDUSTRIAL	OFFICE	RETAIL	SELF-STORAGE	HOSPITALITY
Construction	▪ Banks (selective) ▪ **Debt Fund** ▪ **HUD (workforce)** ▪ **LifeCo**	▪ Banks (selective) ▪ **Debt Fund** ▪ LifeCo (selective)	*Selectively available for pre-leased / build-to-suit / strong sponsors*	*Selectively available for pre-leased / grocery / build-to-suit / strong sponsors*	▪ Banks (selective) ▪ **Debt Fund**	▪ **Debt Fund** ▪ **SBA/USDA**
Construction Completion	▪ **Debt Fund** ▪ **LifeCo**	▪ **Debt Fund** ▪ LifeCo (w/ preleasing)	n/a	n/a	▪ **Debt Fund**	▪ **Debt Fund**
Long-Term / Fixed-Rate Perm Loans	▪ **Agency** ▪ **LifeCo** ▪ **CMBS** ▪ **Banks/CredUnion**	▪ **CMBS** ▪ **LifeCo** ▪ **Banks/CredUnion**	▪ **Banks/CredUnion** ▪ CMBS ▪ LifeCo	▪ **Banks/CredUnion** ▪ **CMBS** ▪ **LifeCo**	▪ **Banks/CredUnion** ▪ **CMBS** ▪ **LifeCo**	▪ **Banks/ CredUnion** ▪ CMBS ▪ LifeCo
Mezz/Pref	▪ **Debt Fund**	▪ **Debt Fund**	▪ **Debt Fund**	▪ **Debt Fund**	▪ **Debt Fund**	▪ **Debt Fund**
Bridge	▪ **Debt Fund** ▪ **LifeCo**	▪ **Debt Fund** ▪ **LifeCo**	▪ **Debt Fund**	▪ **Debt Fund**	▪ **Debt Fund** ▪ **LifeCo**	▪ **Debt Fund**
JV Equity	▪ **PE** ▪ **Family Office** ▪ Crowdfunding ▪ LifeCo	▪ **PE** ▪ **Family Office** ▪ Crowdfunding ▪ LifeCo	▪ PE (selective)	▪ PE (selective) ▪ Family Office (selective)	▪ **PE** ▪ **Family Office** ▪ Crowdfunding	▪ **PE** ▪ Family Office (selective)

** For-sale multi-unit housing (e.g. condo/townhome) construction financing is available from some banks, and several private debt funds in certain markets, particularly with some level of pre-sales.*

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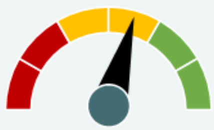
TAKING THE **TEMPERATURE** OF REAL ESTATE CAPITAL MARKETS

CMBS

- CMBS issuance has surged in 2024 compared with 2023.
- Relatively conservative underwriting among CMBS lenders since the GFC should minimize refinancing risk for most sectors despite rising interest rates.
- **What's New:** Fed policy, headline risk, and concerns of recession, albeit to a lesser extent than las year, continue to weigh on CMBS issuances. Recession defensive property types are being prioritized.

Life Companies



- Life Companies continue to underwrite conservatively but are one of the most active and competitively priced loan options in the market.
- 50% to 60% LTV's are most common (DSCR constrained). Strength of borrower's balance sheet is more important than ever.
- **What's New:** Most LifeCo lenders are actively back in the market in the new year.

Construction Loans

- Many banks have pulled back on construction lending, while private debt funds continue to aggressively pursue opportunities.
- Equity requirements remain high as loan proceeds (i.e. LTC) are sized to stabilized, underwritten debt service coverage at elevated rates.
- **What's New:** With construction starts slowing, we're seeing more capital seeking quality projects than the opposite.

Banks & Credit Unions
(Acquisition/Refi Loans)

- The biggest lending pull back in the banking sector, since the Pandemic, occurred in 2023 due to stress in the banking system and financial market volatility.
- Although there is a sense of positivity, increased rates, and higher minimum DSCRs continue to limit loan proceeds.
- Conservative underwriting and borrower strength/PFS continue to be of utmost importance.
- **What's New:** Despite industry troubles, banks still have had the largest share of non-agency loan closings in 2024. Credit Unions have gained share of CRE loans.

Private Debt Funds
(Bridge/Transitional Loans)

- Private debt funds remain active, particularly in the transitional and construction lending space.
- Rates have widened across the board, though the spread between bank rates, and private debt rates has compressed significantly since 2022.
- Strong sponsors and solid business plans will attract capital on the best available terms and pricing.
- **What's New**: There continues to be more private debt capital being deployed than there are quality opportunities. Many debt funds have also expanded their mezzanine and preferred equity offerings.

Agencies
(Fannie/Freddie/HUD)

- Agencies continue to be the most active source of capital for multifamily transactions.
- Rates have considerably increased since the 2020-2021 lows, with the lowest rate possible for low-leveraged deals and natural affordability starting in the high 5's.
- With GSE lending caps, workforce housing continues to be a priority. Class A may not get as competitive execution/pricing. HUD continues to be more in play after relaxing 3-year rule and increasing loan limits.
- **What's New:** Fannie Mae and Freddie Mac financed approximately 40% of CRE transactions in 2024 compared with 40% in 2023 despite a decrease in total volume since 2021.

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RATE SHEET

Current Index Rates 3/27/25	
5yr UST	4.10%
7yr UST	4.23%
10yr UST	4.37%
30d Term SOFR	4.32%
30d SOFR Avg.	4.35%
Fed Funds Rate	4.33%

Past Index Rates 2/21/25	
5yr UST	4.30%
7yr UST	4.38%
10yr UST	4.46%
30d Term SOFR	4.32%
30d SOFR Avg.	4.33%
Fed Funds Rate	4.33%

Fannie Mae Conventional Rates (Multifamily)

TERM	LTV	DSCR	SPREAD	RATE
15-Year	65%	1.35x	110-150	5.65%-6.05%
10-Year	55%	1.55x	100-130	5.37%-5.67%
10-Year	65%	1.35x	110-150	5.47%-5.87%
10-Year	80%	1.25x	130-170	5.67%-6.07%
7-Year	55%	1.55x	100-135	5.23%-5.58%
7-Year	65%	1.35x	110-155	5.33%-5.78%
7-Year	80%	1.25x	135-185	5.58%-6.08%
5-Year	65%	1.25x	155-195	5.65%-6.05%

Freddie Mac Conventional Rates (Multifamily)

TERM	LTV	DSCR	SPREAD	RATE
15-Year	65%	1.35x	140-165	5.95%-6.20%
10-Year	55%	1.55x	105-110	5.42%-5.47%
10-Year	65%	1.35x	110-130	5.47%-5.67%
10-Year	80%	1.25x	125-150	5.62%-5.87%
7-Year	55%	1.55x	110-125	5.33%-5.48%
7-Year	65%	1.35x	130-150	5.53%-5.73%
7-Year	80%	1.25x	145-170	5.68%-5.93%
5-Year	75%	1.25x	145-170	5.55%-5.80%

Life Companies (Multifamily)

TERM	AMORT	LTV	SPREAD	RATE
5-Year	25-30	65%-75%	145-205	5.55%-6.15%
10-Year	25-30	50%-65%	130-175	5.67%-6.12%
10-Year	25-30	65%-75%	155-215	5.92%-6.52%
15-Year	15-25	65%-75%	155-215	6.10%-6.70%
Longer	Fully Amort.	65%-75%	155-215	6.28%-6.88%

** Most LifeCo lenders have index floors.*

FHA/HUD (Multifamily)

PROGRAM	TERM	AMORT	LTV	DSCR	RATE
223(f) Refinancing	35	35	85%	1.176X	5.50%
221(d)4 Constr/Perm	40	40	85%	1.176X	6.00%

** Before MIP of 0.25% to 0.60% (223) / Before MIP of 0.25% to 0.65% (221)*

Life Companies (Commercial)

TERM	AMORT	LTV	SPREAD	RATE
5-Year	25-30	65%-75%	150-210	5.60%-6.20%
10-Year	25-30	50%-65%	150-190	5.87%-6.27%
10-Year	25-30	65%-75%	160-220	5.97%-6.57%
15-Year	15-25	65%-75%	160-220	6.15%-6.75%
Longer	Fully Amort.	65%-75%	160-220	6.33%-6.93%

** Most LifeCo lenders have index floors.*

CMBS (All Property)

TERM	AMORT	LTV	SPREAD	RATE
5-Year	30	65%-75%	250-300	6.30%-6.80%
10-Year	30	65%-75%	225-275	6.18%-6.68%

Bank / Credit Union (All Property)

TYPE	AMORT	TERM	LTV	RATE
Balance Sheet	25	3-15 Yr	Up to 75%	6.02%-8.12%
SWAP/Perm	25	5/7/10 Yr	Up to 75%	5.82%-6.87%
Construction	IO	1-3 Yr	50%-75%*	6.75%-9.00%

Bridge Lenders / Private Debt Funds (All Property)

				Light Value-Add	Deep Value-Add	Construction
TYPE	TERM	AMORT	LTV	RATE	RATE	RATE
Senior	1-3 Years	IO	65%-80%	7.07%-10.32%	8.07%-12.82%	8.82%-13.32%
Mezz/Pref	1-3 Years	IO	80%-90%	10.82%-14.32%	11.57%-15.07%	12.57%-15.82%