HOW TO GET THE BEST LOAN FOR COMMERCIAL PROPERTIES

Presented by:

Shahin Adeli

Senior Vice President

Debt & Structured Finance

May 7th, 2025

CBRE

HOW TO GET THE BEST LOAN FOR COMMERCIAL PROPERTIES

Agenda

I. CBRE/What we do

II. Property types

III. Current state of the commercial real estate market

IV. Lending market

   I. Private Banks

   II. Life Insurance Companies

   III. National Banks

   IV. Credit Unions/Regional Banks/Asian Banks

   V. Investment Funds/CMBS/Agency/Debt Funds

   VI. Private Capital

   VII. Preferred Equity/Mezz

VI. Valuation

VII. Loan qualification

VIII. Types of financing

IX. Structure

X. How have higher rates impacted CRE

XI. Current state of the lending market

XII. How to get the best loan

XIII. Closed financing examples

XIV. Questions and answers (Q&A)

CBRE

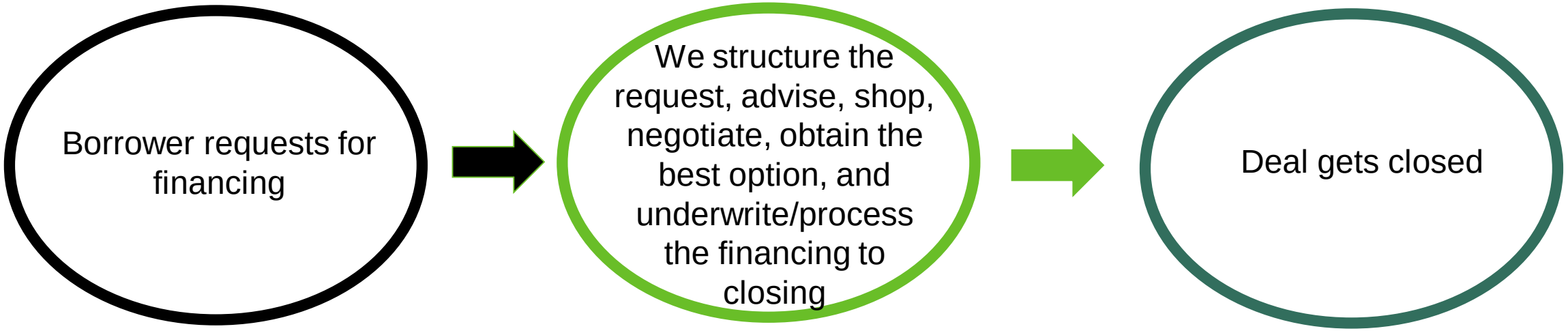
CBRE

- CBRE Group, Inc. is the world's largest commercial real estate services and investment firm, with more than 105,000 employees (excluding affiliate offices). CBRE has been included in the Fortune 500 since 2008, ranking #122 in 2025. It also has been voted the industry's top brand by the Lipsey Company for 20 consecutive years, and has been named one of Fortune's "Most Admired Companies" in the real estate sector. Its shares trade on the New York Stock Exchange under the symbol "CBRE."

  CBRE offers a range of integrated services, including facilities, transaction and project management; property management; investment management; appraisal and valuation; property leasing; strategic consulting; property sales; mortgage services and development services.

CBRE

WHAT WE DO AT CBRE DEBT AND STRUCTURED FINANCE



PROPERTY TYPES

Positives/Negatives of different types of commercial real estate

- **Retail**

+ Credit tenants provide stability and favorability, NNN lease structure, & longer-term leases.

- High re-tenanting costs, many retailers are threatened by ecommerce growth, & changing trends

- **Office**

+ Greater returns and value creation

- High vacancy (work from home/hybrid office use), low market value, less favorable financing options, etc.

- **Industrial**

+ Low vacancy, high demand, & fundamentals supporting ecommerce growth

- High competition to purchase, lower returns, & threats due to global markets.

- **Multifamily**

+ Low vacancy, shortage of supply, ease of lease up, & lowest financing rates

- Lower returns, increasing operation costs, & management intensive.

- **Special Purpose**

+ Greater returns and opportunity to increase value

- Less potential tenants with more risk of vacancy and less favorable financing terms

CBRE

CURRENT STATE OF THE COMMERCIAL REAL ESTATE MARKET

Multifamily

Average Rents and Occupancy

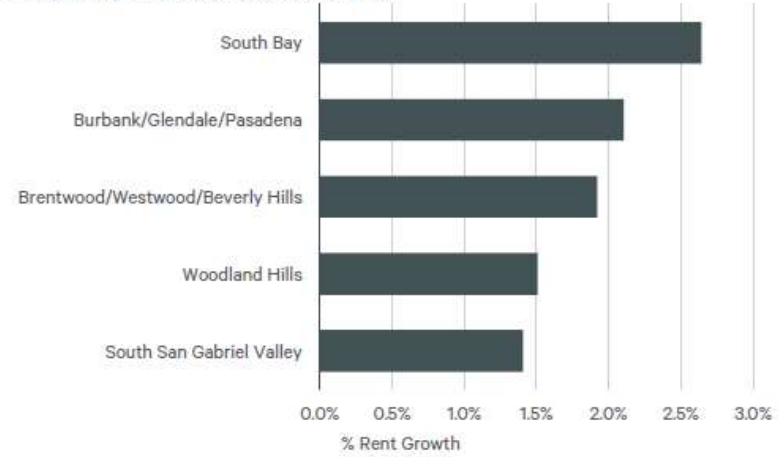
FIGURE 5: Rent Change Q-o-Q and Average Rent Trend

Source: CBRE Econometric Advisors, Q1 2025.

FIGURE 6: Occupancy Change Q-o-Q and Occupancy Rate Trend

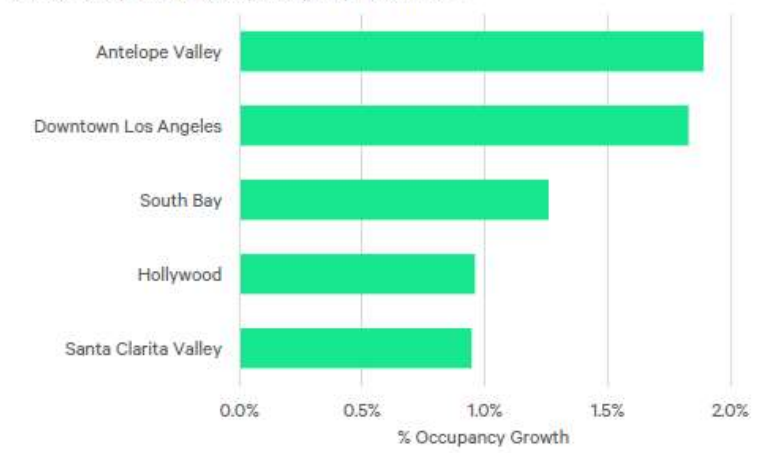
Source: CBRE Econometric Advisors, Q1 2025.

FIGURE 7: Top Submarkets by Rent Growth Y-o-Y



Source: CBRE Econometric Advisors, Q1 2025.

FIGURE 8: Top Submarkets by Occupancy Growth Y-o-Y



Source: CBRE Econometric Advisors, Q1 2025.

CBRE

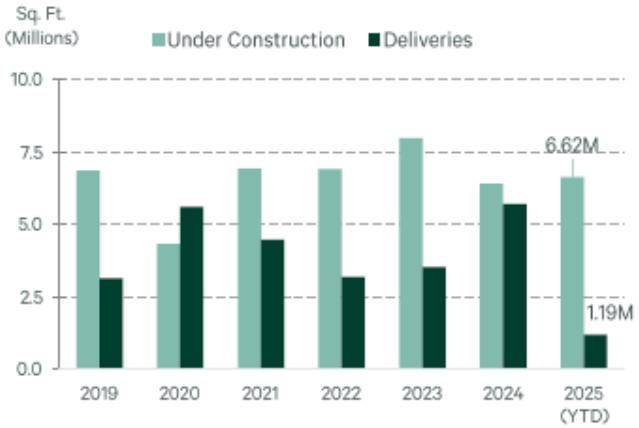
CURRENT STATE OF THE COMMERCIAL REAL ESTATE MARKET

Industrial

FIGURE 5: Direct Asking Lease Rates

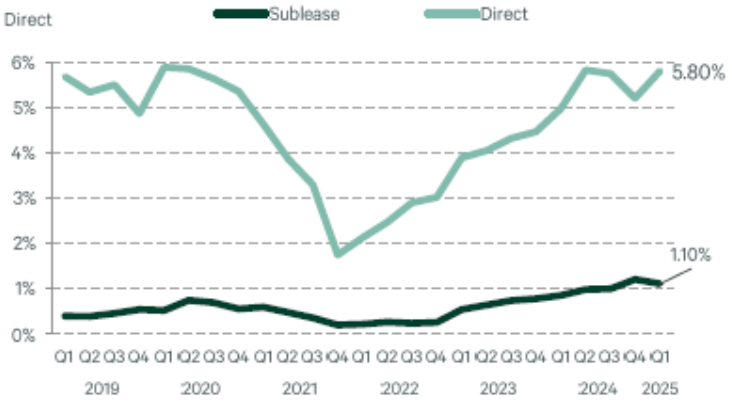
Source: CBRE Research, Q1 2025.

FIGURE 7: Development Pipeline



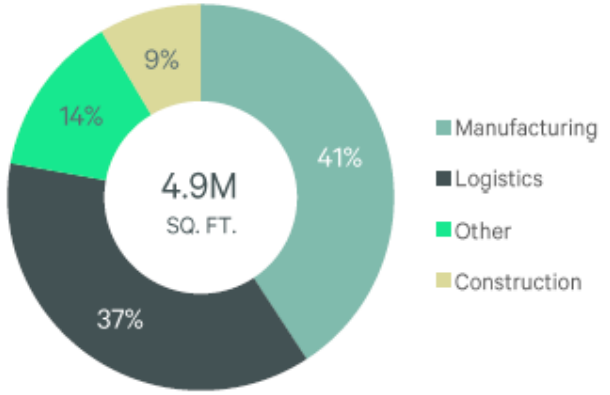
Source: CBRE Research, Q1 2025.

FIGURE 6: Direct & Sublease Availability



Source: CBRE Research, Q1 2025.

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q1 2025.

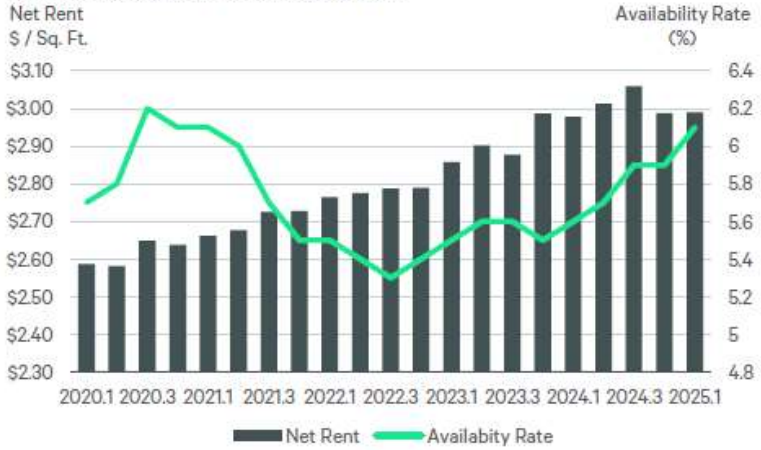
CBRE

CURRENT STATE OF THE COMMERCIAL REAL ESTATE MARKET

Retail

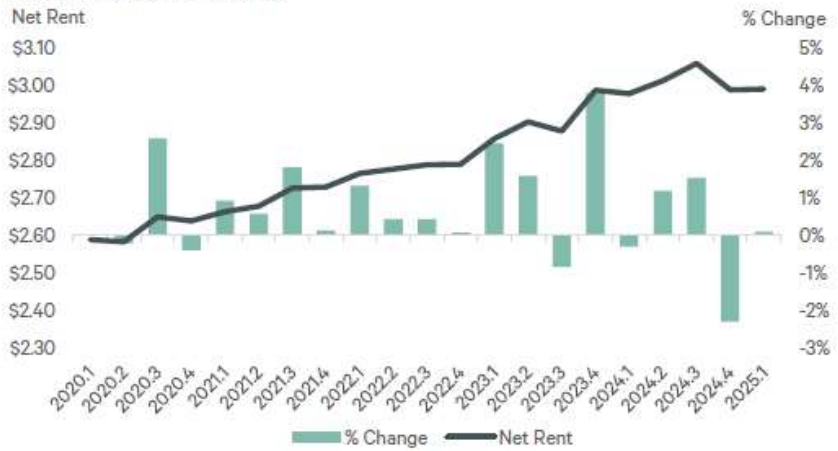
Asking Rents & Availablity

FIGURE 5: Net Asking Rent and Availability Rate



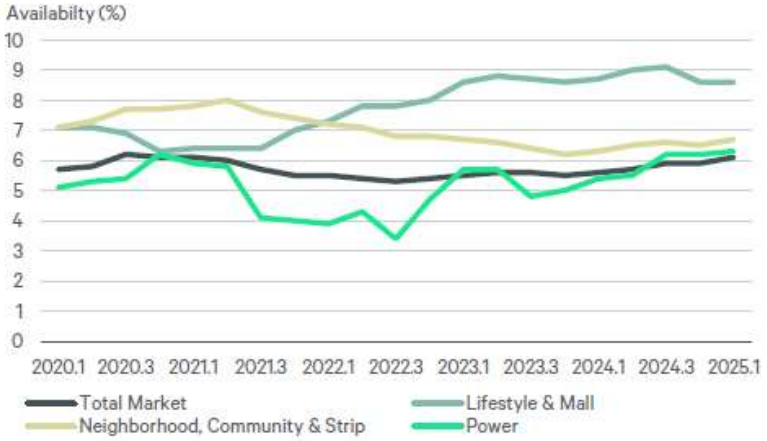
Source: CBRE Econometric Advisors, Q1 2025.

FIGURE 6: Net Rent and % Change



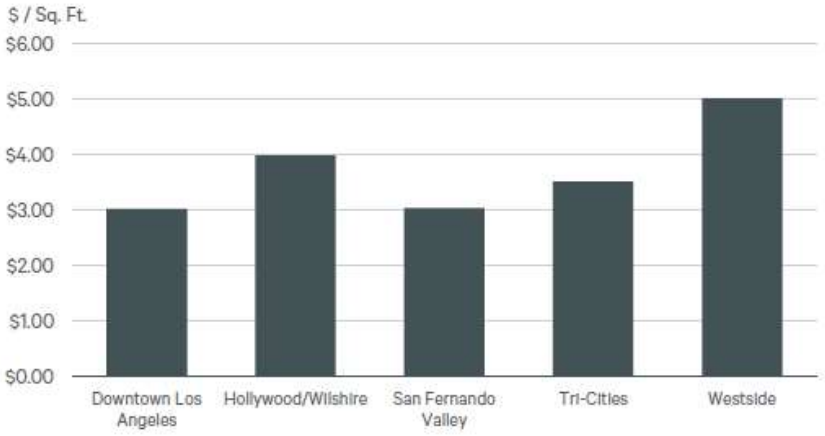
Source: CBRE Econometric Advisors, Q1 2025.

FIGURE 7: Availablity by Center Type



Source: CBRE Econometric Advisors, Q1 2025.

FIGURE 8: Top 5 Submarket by Net Rent



Source: CBRE Econometric Advisors, Q1 2025.

CURRENT STATE OF THE COMMERCIAL REAL ESTATE MARKET

Office

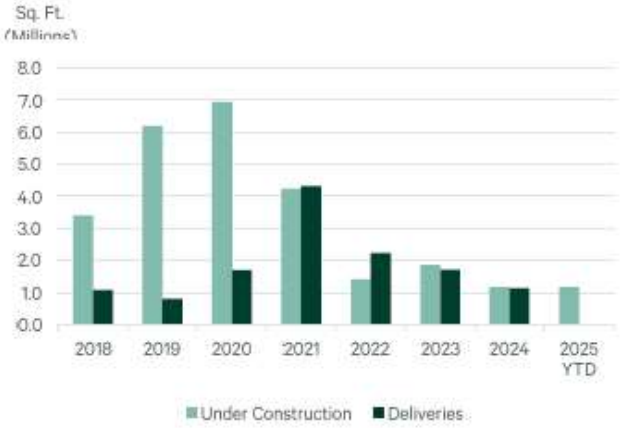
FIGURE 5: Direct Lease Rates by Class

Source: CBRE Research, Q1 2025.

FIGURE 6: Direct Vacancy by Class

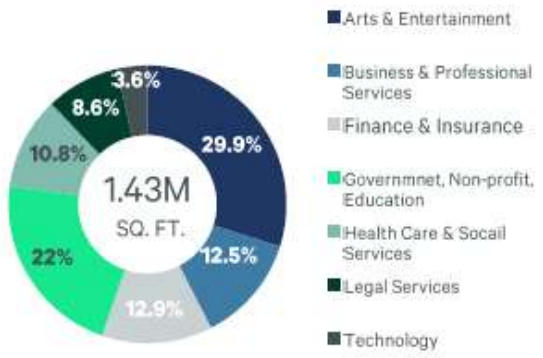
Source: CBRE Research, Q1 2025.

FIGURE 7: Development Pipeline



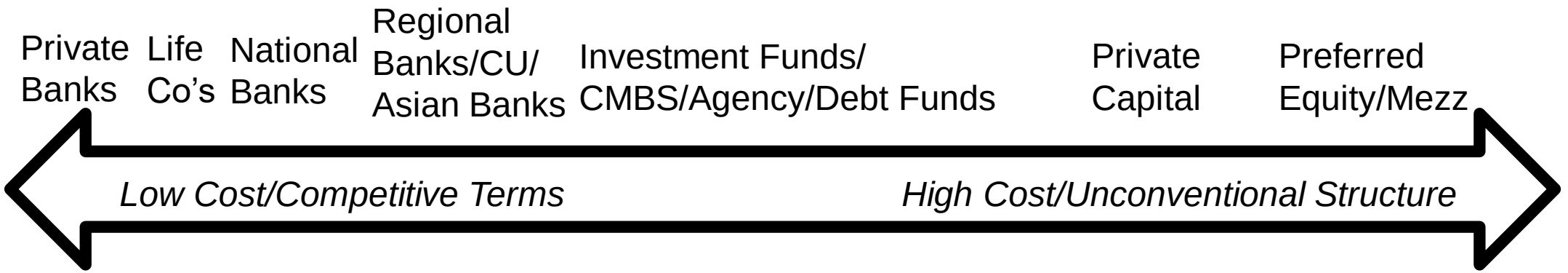
Source: CBRE Research, Q1 2025.

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q1 2025.

LENDING MARKET



CBRE

PRIVATE BANKS

Terms:

- Low rates
- Shorter term or floating rate
- Large loan amounts
- Low leverage

Collateral:

- Selective collateral
- 4 major property types
- Core locations

Sponsor:

- Sponsor driven
- High deposit account
- High net worth/liquidity/cash flow

Process:

- Standard processing time
- Flexibility on structure
- Convenient

CBRE

LIFE INSURANCE COMPANIES

Terms:

- Low rates
- Long term fixed
- Large loan amounts
- Low leverage
- High prepayment penalty

Collateral:

- Selective collateral
- 4 major property types
- Core locations

Sponsor:

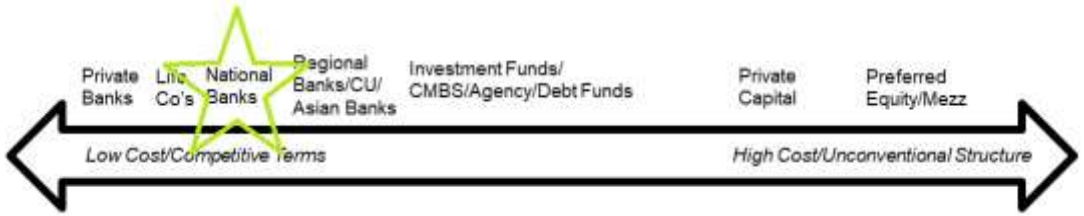
- Generally non-recourse
- Experience is important but not heavily sponsor driven

Process:

- Standard processing time
- More reports needed and higher transaction costs
- Higher structure/covenants

CBRE

NATIONAL BANKS



Terms:

- Low rates
- Short and long term fixed
- Small to medium loan amounts
- Medium to high leverage
- Flexible prepayment penalty

Collateral:

- 4 major property types
- Geographically limited

Sponsor:

- Generally Recourse
- Sponsor driven
- High net worth/liquidity/cash flow

Process:

- Standard to long processing time
- Less reports needed and lower transaction costs

CBRE

REGIONAL BANKS/CREDIT UNIONS/ASIAN BANKS

Terms:

- Low rates
- Short and long term fixed
- Small to medium loan amounts
- Medium to high leverage
- Flexible prepayment penalty

Collateral:

- Open to different collateral
- Greater flexibility on geographic location

Sponsor:

- Generally Recourse
- Sponsor driven
- High net worth/liquidity/cash flow

Process:

- Flexibility on structure
- Standard processing time
- Less reports needed and lower transaction costs

CBRE

INVESTMENT FUNDS/ CMBS/AGENCY

Terms:

- Low rates and long term fixed
- Interest Only
- Medium to large loan amounts
- Medium to high leverage
- High prepayment penalty

Collateral:

- Open to different collateral
- Greater flexibility on geographic location

Sponsor:

- Generally non-recourse
- Not sponsor driven

Process:

- Standard processing time
- More reports needed and higher transaction costs
- Higher structure/covenants

CBRE

PRIVATE CAPITAL

Terms:

- Higher rates and short term
- Interest Only
- Small to large loan amounts
- High leverage
- Low prepayment penalty

Collateral:

- Open to different collateral
- Greater flexibility on geographic location

Sponsor:

- Recourse or Non-recourse
- Not sponsor driven

Process:

- Quick processing time
- Low reports needed and Low transaction costs
- Flexible Structure

CBRE

PREFERRED EQUITY/ MEZZANINE

Terms:

- Highest rates and short term
- Interest Only/Deferred
- Small to large loan amounts
- Highest leverage
- Minimum yield required

Collateral:

- Open to different collateral
- Greater flexibility on geographic location

Sponsor:

- Recourse or Non-recourse
- Not sponsor driven

Process:

- Quick processing time
- Low reports needed and Low transaction costs
- Flexible Structure

CBRE

VALUATION

I. Income Approach
   I. Rent roll
   II. Profit and loss statements/NOI
   III. Cap rate
   IV. Value = NOI/Cap rate

II. Sales Comparable Approach
   I. Price per square foot, per unit, etc.
   II. Adjustments

III. Cost Approach
   I. Cost to replace
   II. Land value

CBRE

LOAN QUALIFICATION

Repayment

- Primary source of repayment:
  - Subject property cash flow
- Secondary source of repayment:
  - Subject property valuation
- Tertiary source of repayment:
  - Borrower Financial strength

Underwriting Metrics

- Loan To Value (LTV)
  - LTV = $\frac{\text{Total Loan Amount}}{\text{Appraised Value}}$
- Debt Service Coverage Ratio (DSCR)
  - DSCR = $\frac{\text{Net Operating Income (NOI)}}{\text{Total Debt Service (P\&I)}}$
- Debt Yield (DY)
  - DY = $\frac{\text{NOI or Underwritten NCF}}{\text{Total Loan Amount}}$

CBRE

TYPES OF FINANCING

Permanent Financing

- Loan Term: 5, 7, 10-year
  - 15, 20, 25, 30-year terms available but less common
- Rate: Fixed vs. Floating
- Lender Fee: 0% to 1%
- Amortization: Interest Only vs. Amortization
- Business Plan: Hold, Refinance, or Sell

Bridge/Construction Financing

- Loan Term: 1, 2, 3, 5-years
- Rate: Floating
  - Libor/SOFR, Treasury, Swap, Prime
- Amortization: Interest Only
- Lender Fee: .25% to 2%
- Business Plan: Hold, Refinance, or Sell

CBRE

STRUCTURE

- Short Term Vs. Long Term
- Business Plan
- Strategy
- Flexibility
- Leverage
- Cost
- Loan Term
- Loan Features

CBRE

HOW HAVE HIGHER INTEREST RATES IMPACTED CRE

- Reduced demand for CRE
- Reduced cash flow for CRE
- Reduced leveraged returns
- Decreased loan amount
- Decreased valuation
- Inhibited refinance of existing loans

- Created buying opportunities with value creation

CBRE

CURRENT STATE OF THE LENDING MARKET

FIGURES | U.S. CAPITAL MARKETS | Q1 2025

Investment & Lending Activity Rise

▲ $88.4 B	▲ $4.3 B	▲ 2.7%	▲ 143
Total Investment Volume[1]	Cross-Border Inflow	NCREIF One-Year Return	RCA Commercial Property Price Index

Arrows indicate change in growth rate from the same quarter in the previous year.
[1]Based on MSCI Real Assets transactional database, which includes entity-level and excludes development site transactions and confidential deals.

▲ 292	▼ 59.9%	▼ 64.5%	▲ 6.9%	▲ 10.3%
Lending Momentum Index	Commercial LTV	Multifamily LTV	Average Loan Constant	Average Debt Yield

Arrows indicate change in growth rate from the previous quarter.

Executive Summary

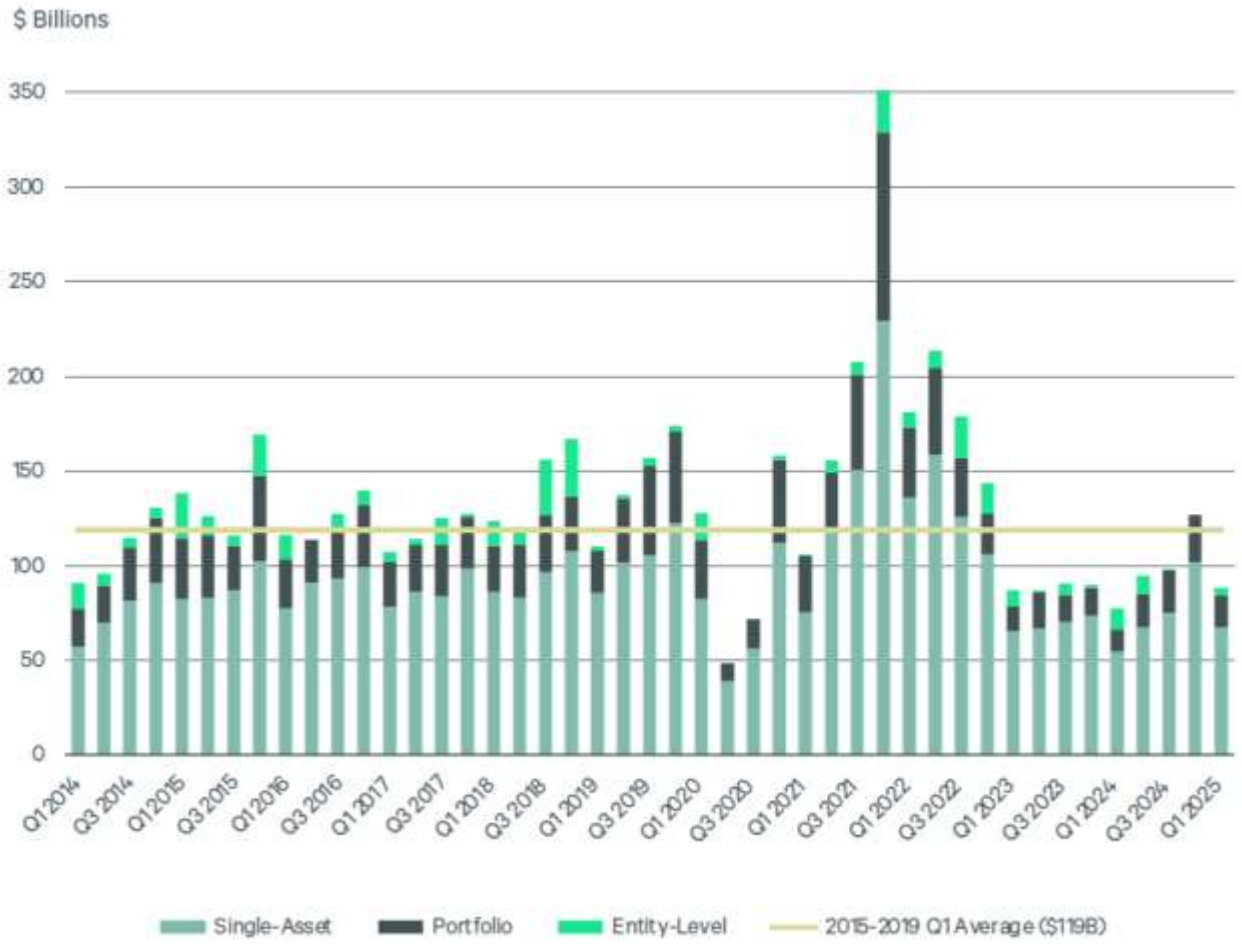
- Commercial real estate investment volume increased by 14% year-over-year in Q1 to $88 billion.
- The CBRE Lending Momentum Index increased by 13% quarter-over-quarter and 90% year-over-year in Q1, buoyed by increased financing amounts.
- Private investors were the biggest buyers, accounting for $51 billion of Q1 investment volume, followed by institutional investors with $20 billion.
- Inbound cross-border investment increased by 7% year-over-year in Q1 to $4 billion, led by the industrial sector.
- Banks were the biggest non-agency lenders, accounting for 34% of Q1 loan closings, followed by CMBS (26%) and life companies (21%).
- Commercial and multifamily spreads tightened by 29 and 26 basis points (bps), respectively, from a year ago. This is based on loans with a permanent, fixed-rate, seven-to-10-year term and a 55-to-65% loan-to-value (LTV) ratio.

CBRE

CURRENT STATE OF THE LENDING MARKET

Figure 1
Commercial real estate investment volume

- U.S. commercial real estate investment volume increased by 14% year-over-year in Q1 to $88 billion.
- Trailing four-quarter volume increased by 18% year-over-year to $408 billion, the highest total since Q3 2023.
- Single-asset investment volume rose by 23% year-over-year to $68 billion, while portfolio sales increased by 49% to $17 billion.
- While entity-level investment volume declined by 65% to $4 billion, it was an improvement from the previous quarter, which had no entity-level transactions.



Note: Volume excludes development site transactions.
Source: CBRE Research, MSCI Real Assets, Q1 2025.

CBRE

CURRENT STATE OF THE LENDING MARKET

Figure 3
Investment volume by sector,
Q1 2025 vs. Q1 2024

- Multifamily remained the leading property sector for investment volume with a 33% year-over-year increase in Q1 to $29 billion.
- Industrial & logistics had the second highest Q1 volume with $22 billion, up by 23% year-over-year.
- Retail investment volume rose by 2% year-over-year in Q1 to $16 billion, while office investment fell by 23% to $13 billion.

	Total ($ Billions)				Total ($ Billions)			
	Q1 2025	Q1 2024	Change (%)	Market Share (%)	Trailing 4 Quarters Ending Q1 '25	Trailing 4 Quarters Ending Q1 '24	Change (%)	Market Share (%)
All Types of Investment								
Multifamily	28.8	21.7	33.2	32.6	153.9	113.7	35.4	37.8
Industrial	21.6	17.6	23.0	24.5	100.0	84.7	18.0	24.5
Retail	16.3	16.0	1.6	18.4	54.9	56.2	-2.3	13.5
Office	12.7	16.6	-23.3	14.4	59.1	56.2	5.2	14.5
Hotel	5.2	3.9	34.9	5.9	24.8	23.8	4.0	6.1
Other	3.7	1.8	104.2	4.2	14.9	9.8	52.1	3.7
Total	88.4	77.5	14.0	100.0	407.7	344.6	18.3	100.0
Single-Asset Investments Only								
Multifamily	24.5	18.0	36.3	36.3	117.2	94.6	23.9	37.6
Industrial	15.3	12.6	22.0	22.7	70.9	60.8	16.6	22.7
Retail	9.7	9.7	-0.4	14.3	44.7	41.6	7.5	14.3
Office	11.1	9.6	15.6	16.4	49.9	42.1	18.4	16.0
Hotel	4.4	3.5	25.9	6.6	20.6	20.1	2.9	6.6
Other	2.5	1.4	87.0	3.7	8.6	6.6	30.2	2.8
Total	67.6	54.7	23.5	100.0	311.9	265.7	17.4	100.0
Portfolio Asset Investments Only								
Total	16.8	11.2	49.4		81.6	59.1	38.1	
Entity-Level Asset Investments Only								
Total	4.0	11.6	-65.4		14.2	19.7	-27.9	

Note: Totals include single-asset, portfolio and entity-level transactions. "Other" includes senior housing and excludes development sites. Some numbers may not total due to rounding.
Source: CBRE Research, MSCI Real Assets, Q1 2025.

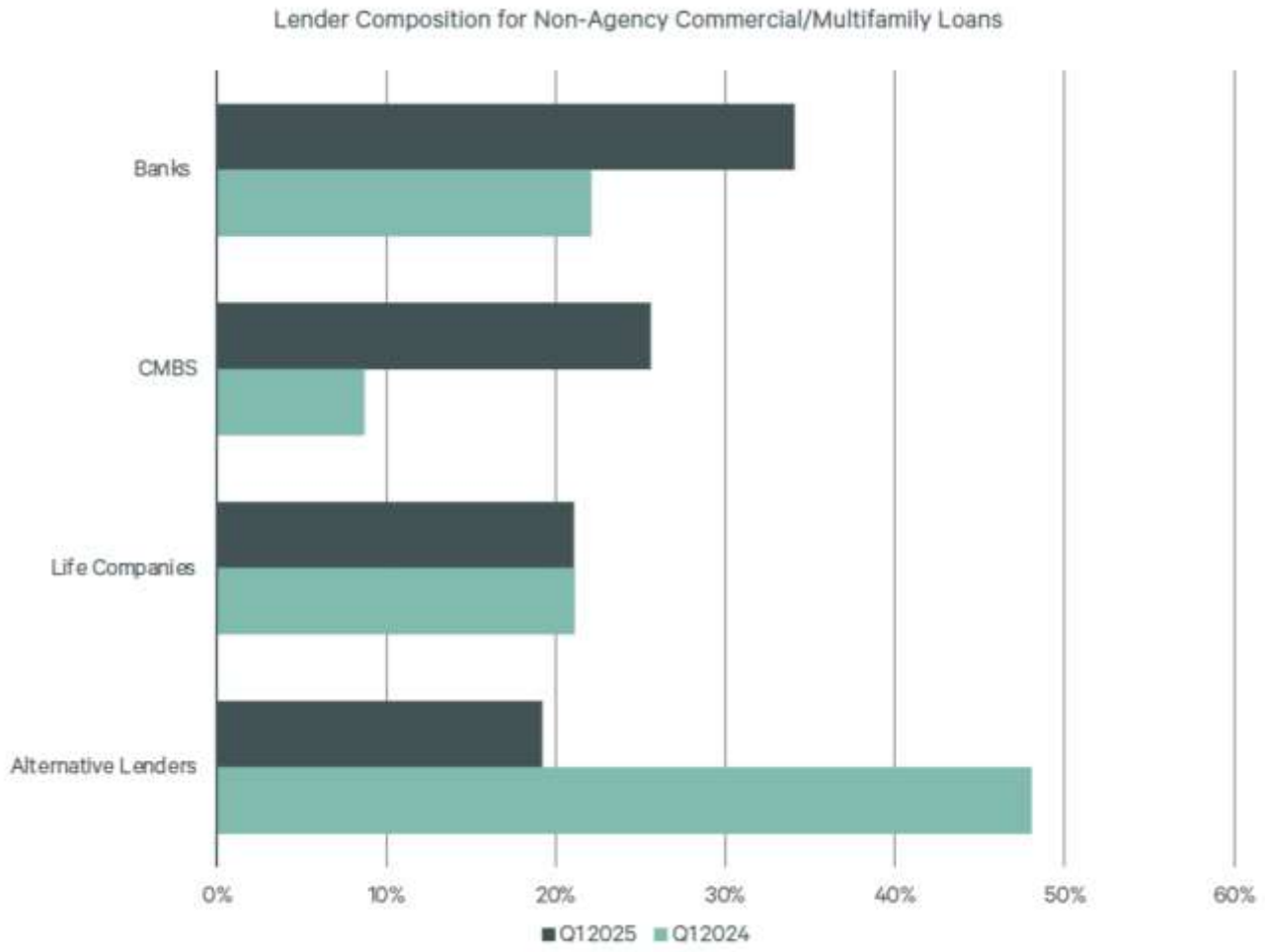
CBRE

CURRENT STATE OF THE LENDING MARKET

Figure 11

Banks, CMBS lead in Q1 loan closings

- Banks accounted for 34% of loan closings by non-agency lenders in Q1, up from 22% a year ago.
- For the first time since 2019, CMBS emerged as the second most active lending group, accounting for 26% of closed non-agency loans in Q1, up from 9% a year earlier. By the end of Q1, year-to-date private-label CMBS issuance industrywide was 132% higher than last year.
- Life companies maintained a 21% share of non-agency loan volume in Q1, consistent with last year.
- Alternative lenders accounted for the remaining 19% of non-agency loan closings in Q1, down from 48% a year ago. While still active, debt funds are exercising caution in the current market environment and are facing heightened competition, resulting in a 17% year-over-year decline in origination activity in Q1.



Source: CBRE Capital Markets, CBRE Research, Q1 2025.
Note: Reflects non-agency commercial/multifamily loans.

CBRE

CURRENT STATE OF THE LENDING MARKET

Figure 15
Underwriting measures more conservative in Q1

- Solid lending momentum and origination activity have led to higher debt service coverage ratios (DSCR) and debt yields. The average DSCR rose to 1.37 in Q1 2025 from 1.34 in Q4 2024, while the average debt yield increased to 10.3% from 9.4%. However, these increases may indicate that lenders are becoming more risk averse and ensuring that borrowers can meet their debt obligations.
- With elevated benchmark yields, the average mortgage interest rate and average loan constant both rose by 30 bps quarter-over-quarter to 6.1% and 6.9%, respectively. Average underwritten cap rates increased by 24 bps quarter-over-quarter to 6.1%.
- Credit markets are generally exhibiting caution due to government policy and economic uncertainty impacting Treasury yields. The average LTV ratio fell to 62.2% in Q1 2025 from 63.0% in Q4 2024, reflecting a more conservative lending environment.

Key Underwriting Measures	Q1 2025	Q4 2024	Q1 2024	Q1 2023
Debt Service Coverage Ratio	1.37	1.34	1.34	1.37
Loan-to-Value (LTV) (%)	62.2	63.0	60.9	59.1
Cap Rate (%)	6.1	5.9	6.0	5.6
Amortization Rate (%)	8.2	5.8	7.6	7.4
Percent Partial or Full Interest-Only	75.3	80.6	77.6	78.5
Percent Full Interest-Only	41.4	32.2	34.2	43.0
Loan Constant (%)	6.9	6.6	6.9	6.4
Interest Rate (%)	6.1	5.8	6.1	5.7
Debt Yield (%)	10.3	9.4	9.7	9.5

Source: CBRE Research, Q1 2025.
Note: Amortization rate reflects the average percentage of origination balances scheduled to pay down over the loan term.

CBRE

HOW TO GET THE BEST LOAN

In closing

- Understand the risks/benefits, value, and strategy of the property
- Understand the different types of capital available
- Define your business plan, strategy, and structure
- Employ the best team to structure, advise, and obtain the best financing for you

CBRE

CLOSED FINANCING EXAMPLES

Example A

$14,000,000
50 Unit Multifamily Property
Lawndale , CA
Refinance

- Mitigated concerns of lack of historical financial support for underwriting, low transitional global cash flow, and complex borrowing entity structure.
- Provided a $2.1 million earnout to be advanced within 24 months from closing.
- 6.34% fixed for 5 years, 30-year amortization, 70% LTV, and 1.20x DSCR.

CBRE

CLOSED FINANCING EXAMPLES

Example B

$2,750,000
47 Unit Multifamily Property
Torrance, CA
Refinance - Mezzanine Loan

- Custom tailored loan terms for complex ownership structure and unique current situation.
- Maximized loan proceeds by underwriting to a 8.6% Debt Yield and 75% LTV.
- 6.0% current pay, 8.0% accrual, loan term coterminous with senior, and 1% lender fee.

CLOSED FINANCING EXAMPLES

Example C

$2,286,000
Retail Property
Cleveland, OH
Refinance

- Mitigated concerns of 17% vacancy at the property and low appraisal value.
- Mitigated concerns of short-term leases and high tenant rollover risk.
- 3 years of Interest Only, 10-year loan term, 1.25x DSCR, no prepayment penalty

CBRE

CLOSED FINANCING EXAMPLES

Example D

$2,800,000
Car Wash Property
Palm Desert, CA
Purchase

- Mitigated concerns of a double escrow with a new sale leaseback transaction and the tenant not open for business by loan closing.
- Successfully closed within the time allocated per the purchase contract.
- 6.41% fixed for 5 years with a 10 year term, 30-year amortization, and 65% max LTV.

CBRE

CLOSED FINANCING EXAMPLES

Example E

$1,865,000
Car Wash Property
Las Cruces, NM
Purchase

- Mitigated concerns of a new sale leaseback transaction and missing borrowing entity documentation.
- Closed in 6 weeks from application to successfully meet the close of escrow timeframe
- 6.25% fixed for 5 years, 25-year amortization, 65% max LTV, and 5%, 1%, 0% prepayment penalty.

CLOSED FINANCING EXAMPLES

Example F

$6,800,000
110k SF Office Building
San Francisco, CA
Purchase

- Mitigated concerns of 28% occupancy and note purchase structure with deed in leu of foreclosure.
- Provided for future advances totaling $1 million for tenant improvements and leasing commissions.
- 9.5% Interest Only, 24-month term, 70% LTV, non-recourse, and 1.5% lender fee.

CBRE

CLOSED FINANCING EXAMPLES

Example G

$2,200,000
7 Unit Multifamily Property
Gardena, CA
Refinance

- Mitigated concerns of 58% vacancy at the property, high loan to cost, and high stabilized price per unit.
- Underwrote loan proceeds to stabilized NOI projection and provided $370k in cash out.
- 10.48% Interest Only, 65% LTV, non-recourse, and 1.71% lender fee.

CBRE

CLOSED FINANCING EXAMPLES

Example H

$2,020,000
New Construction SFR
Venice Beach, CA
Refinance

- Mitigated concerns of high price per foot valuation and limited borrower experience.
- Bridge loan provided time to sell the newly construction single family home and provide for a 1 year interest reserve.
- 8.40% Interest Only, non-recourse, and 1.0% lender fee.

QUESTIONS AND ANSWERS

For more information regarding this presentation please contact:
Shahin Adeli
Debt & Structured Finance: Senior Vice President
C +1 415 302 2426
Email. Shahin.Adeli@cbre.com

CBRE