CRE Underwriting Trends - NY & NJ Banks

CEIS REVIEW INC.

Elizabeth Williams, Managing Director - Special Projects

75 Broad Street, Suite 820, New York, NY 10004 P 212.967.7380 F 212.967.7365

3191 Coral Way, Suite 201, Miami, Florida 33145 P 305.442.6088 F 305.442.6086

CEIS Review provides loan review, stress testing and related services for over 120 community banks located throughout the United States. As part of the loan review process, CEIS gathers underwriting statistics for transactions that were originated or renewed over the previous 12-18 months from the date of the subject loan review. In this initial publication, our analysis focuses on trends observed in underwriting Commercial Real Estate (CRE) income properties among banks located in New York and New Jersey. Future publications may include assessments of trends elsewhere in the United States, including the South Florida marketplace, as well as analysis of trends in underwriting owner occupied CRE. We welcome your feedback and input as to the focus of future publications.

Summary

Recent regulatory publications and articles in the financial press have highlighted regulator concerns regarding competition among banks, particularly in the low-interest rate environment of today and the past several years. The OCC's Semiannual Risk Perspective issued in June 2015 notes "Competitive pressures, the search for revenue growth, and the ongoing low-interest-rate environment continue to challenge bank risk management and influence risk appetite." The report goes on to say that "….many banks are changing their underwriting standards and granting more policy exceptions to bolster their competitive position."

CEIS' analysis of $8.6 billion in transactions booked at a sampling of 54 New York and New Jersey based banks between 3Q13 and 1Q15 suggests that competitive pressures continue to increase, as seen in the following:

- Average Loan to Value (LTV) ratios have remained within a relatively narrow band (59% to 63%), though increasing steadily over the past three quarters with the peak of 63% realized in the most recent period.

- Loans with LTVs of 75% or more also have been steadily increasing, peaking at 14% of amounts financed in 4Q14, declining modestly to 12% in 1Q15. Retail property loans have the highest proportion of LTVs of 75% or more, with 20% of loan amounts in this category. While underwriting standards for some banks allow LTVs of up to 75%, this indicates that a greater proportion of underwriting is taking place at or above the upper limit of underwriting standards.

- Average Debt Service Coverage (DSC) ratios have fluctuated within a 10 basis point band of 1.66x – 1.76x. Notably, mid-sized banks ($600 million to $3.5 billion) have reported average DSC ratios below those of other size categories for four out of the past five quarters.

- Competition may be most intense for mid-sized banks. Over the past three quarters, average LTVs at mid-sized banks have increased from 61% to 66%, while average DSC ratios have declined from 1.72x to 1.63x. This is particularly apparent in the Multifamily segment, where average LTVs among mid-sized banks have increased from 56% in 2Q14 to 64% in 1Q15, while average DSC's have declined from 1.87x to 1.56x in the same timeframe.

- Pricing tends to be inversely proportionate to bank size, with smaller banks (<$600 million in total assets) generally reporting higher average interest rates and larger banks ($3.5 billion or more) reporting lower average rates. This may be a reflection of perceived increased risk associated with smaller properties (typically financed by smaller banks) with their smaller / less diverse tenant base, or other factors.

- Non-recourse financing has proliferated beyond the NYC Multifamily market, where a combination of supply constraints and extent of rent control have helped to ensure continued low vacancy rates and turnover. Beyond Multifamily, non-recourse transactions were seen in all property type segments, including Mixed Use (66% of amounts financed), Office (58%), Retail (36%), Industrial (32%) and all Other (25%). While one would expect transactions with non-recourse financing to have stronger credit metrics, this was not the case for Multifamily, Mixed Use or the overall average LTV comparisons, where loans with recourse had lower average LTVs.

- The Multifamily segment is the largest in the dataset at just under $3 billion. Overall, average Multifamily LTVs have remained relatively stable at +/- 62%, though they have been increasing at mid-sized banks, peaking at 67% in 1H14 and 1Q15.

- Focusing on the NYC Multifamily market (i.e., properties located in the five NYC boroughs) which has seen intense competition in recent years, banks headquartered in NJ reported higher average LTVs (66%) versus banks based in NY (59% average LTV). NJ-based banks reported lower average DSC (1.42x) than their NY-based counterparts (1.67x) and a higher proportion of non-recourse financing (75% NJ versus 64% NY). Notably, the average loan size was substantially higher among the NJ banks ($6.9 million) versus the NY banks ($2.6 million), perhaps suggesting that the differences reflect differences in risk associated with larger / smaller property types.

- Smaller banks generally report stronger underwriting metrics with lower average LTVs and higher average DSC ratios, though with the exception of the Office segment. Here, smaller banks appear to be taking on more risk with higher LTVs / lower DSCs (though with all loans having some degree of recourse to owners / sponsors).

Dataset Overview

The dataset supporting this edition includes 1,687 transactions totaling $8.6 billion in outstandings or commitments selected from a sampling of 54 loan review client portfolios located in New York State and New Jersey. The dataset focuses on loans financing CRE income properties and generally <u>excludes</u> the following:

- Owner-occupied CRE;
- Construction or land development loans;

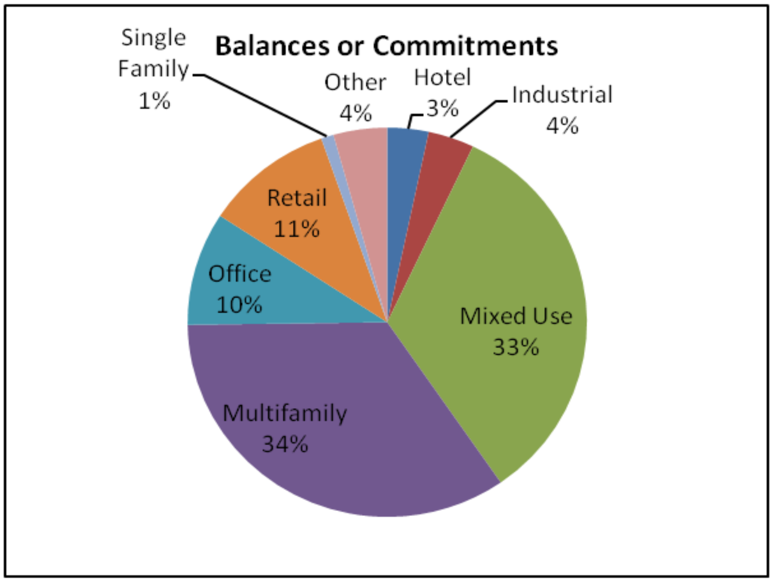
- Standby letters of credit;
- Criticized or classified loans (i.e., rated Special Mention, Substandard or Doubtful);
- Situations where the CRE collateral was obtained in an abundance of caution or where it represents supplemental collateral; and
- Loans underwritten based on the cash flow of a personal guarantor.

Some notes regarding the underlying data and associated metrics.

- The transaction amounts in the dataset are as of the date of CEIS' loan review for the subject bank. These "as of" dates ranged between 7/31/13 and 3/31/15. The subject loans were originated within 12 months prior to the loan review "as of" date; therefore, the amounts are not materially different from those at the time of origination. For participations, the amount represents the subject bank's share of the transaction.
- CEIS used the "note date" or origination date to identify the loan vintage for each transaction.
- The frequency of CEIS' loan reviews can impact the timing of when loans are added to the dataset. Clients with semi-annual or annual loan review frequency may have transactions originated in 4Q14 or 1Q15 which had not yet been subject to a loan review as of the time of this report.
- In some cases (mainly LTV and DSC ratios), the averages represent "straight" averages which are not weighted by transaction size. Thus, the LTV for a $50 million transaction carries the same weight as that for a $5 million loan. We also show these averages in the context of bank size, which aids in analyzing them. In other cases, the results represent more of a weighted average; such cases are typically described as "average of amounts financed", "percent of total dollars", or similar terminology.

Dataset Composition

Loans in the current dataset are centered in those financing multifamily properties, which totaled approximately $3.0 billion and represent 34% of the total dollars and 40% of the number of transactions. Mixed use properties comprise the next largest segment at 33% of total dollars and 23% of the number of loans, followed by retail properties (11% of the dollars / 13% of the number of loans) and office (10% of the dollars / 7% of the number of loans).



As shown below, the Multifamily segment reports both the highest average LTV ratio at 63% (versus an average of 61% for the dataset as a whole), the lowest average DSC of 1.63x (1.71x average for all property types), lowest average interest rate at 3.77% (4.12% overall average) and highest level of nonrecourse financing at 74% of total dollars (60% overall average). These statistics likely reflect a combination of intense competition in the segment as well as perceived lower level of credit risk based on segment performance in the past cycle. Somewhat surprisingly, the Retail segment also reports above average LTV (62%) and below average DSC (1.65x), though lower levels of nonrecourse financing (36%) may provide some degree of risk mitigation.

Property Type	Dollars	% of Total	# Loans	% of Total	# Banks	Avg LTV	Avg DSC	Avg Rate	% $ Non-Recourse
Multifamily	2,966,851,433	34%	675	40%	42	63%	1.63x	3.77%	74%
Mixed Use	2,871,486,674	33%	389	23%	45	60%	1.70x	4.08%	66%
Retail	898,315,610	10%	212	13%	40	62%	1.62x	4.24%	36%
Office	811,926,797	9%	115	7%	34	59%	1.80x	4.19%	58%
Industrial	321,399,059	4%	77	5%	28	56%	1.86x	4.42%	32%
Hotel	287,985,967	3%	43	3%	19	60%	2.04x	5.79%	23%
Single Family	87,756,314	1%	64	4%	23	61%	1.86x	5.50%	17%
All Other	374,493,089	4%	112	7%	37	56%	1.89x	4.55%	28%
Total	**8,620,214,943**	**100%**	**1,687**	**100%**	**54***	**61%**	**1.70x**	**4.12%**	**61%**

*Represents the total number of bank in dataset (does not represent sum of the number of banks for each property type as most bank have more than one property type and the sum would not be meaningful).

CEIS also analyzed the dataset transactions based on bank size (as determined by total assets as of 3/31/15). The distribution of the number of transactions is fairly balanced across the three size categories, with the largest banks (≥ $3.5 billion) accounting for 38% of the number of transactions, followed by the middle category ($600 million to $3.5 billion) comprising 32% and the smaller banks (<$600 million) representing 30%. As would be expected, dollars financed are skewed toward the larger banks, with the largest banks accounting for 69% of the dataset amounts. Interestingly, the smaller banks (<$600 million in total assets) report the lowest average LTV (57%), roughly average DSC (1.70x) and lowest percent of non-recourse financing (17%), all while obtaining the highest average interest rate (4.73%). Of course, this may reflect a number of factors, including some risk bias for smaller properties (with a smaller / less diverse tenant base), a more conservative underwriting approach, more targeted client base, or other factors.

Bank Asset Size	Dollars ($000)	% of Total	# Loans	% of Total	# Banks	Avg LTV	Avg DSC	Avg Rate	% $ Non-Recourse
≥ $3.5 b	5,977,862	69%	646	38%	8	62%	1.77x	3.71%	67%
$600mm-$3.5 b	2,017,366	23%	541	32%	21	62%	1.64x	4.04%	52%
< $600 mm	624,987	7%	500	30%	25	57%	1.69x	4.73%	17%
Total	**8,620,215**	**100%**	**1,687**	**100%**	**54**	**61%**	**1.70x**	**4.12%**	**60%**

Asset size “as of” 3/31/15 based on Call Report data obtained via SNL Financial.

As would be expected, the collateral properties in the dataset are concentrated in NY, NJ, CT or neighboring PA, with just 11% of the dollars associated with properties located elsewhere. The Office category had the highest concentration of properties located outside of this area (24% of total dollars). The geographic profile of the dataset collateral location is summarized below.

% of $	Multifamily	Mixed Use	Office	Retail	All Other	Total
NYC	50%	72%	32%	32%	34%	52%
NY - Other	6%	3%	13%	9%	14%	7%
NJ	23%	13%	29%	23%	39%	22%
CT	3%	0%	1%	2%	2%	2%
PA	9%	4%	1%	16%	2%	6%
Other	9%	8%	24%	18%	9%	11%
Total	100%	100%	100%	100%	100%	100%

NYC = Five boroughs (Manhattan, Brooklyn, Queens, Bronx and Staten Island).

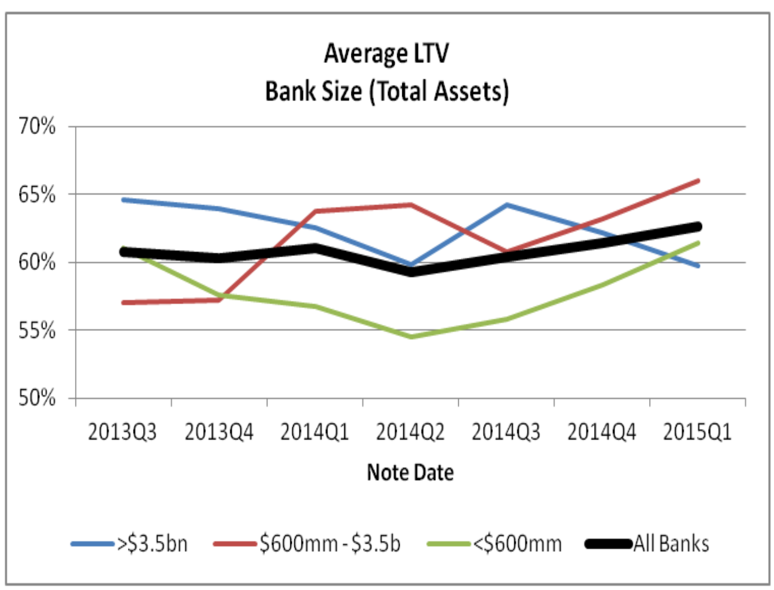
As shown below, the purpose of the dataset transactions was roughly split between those refinancing existing debt with some level of equity recapture (35% of total amounts), acquisitions (32%) and straight refinances (29%), with an additional 4% for “other” purpose.

Purpose	Dollars	% of Total	Avg LTV	Avg DSC	Avg Rate	% $ Non-Recourse
Acquisition	2,737,984,072	32%	64%	1.60x	4.25%	65%
Refinance + Equity Recap	3,047,270,382	35%	60%	1.74x	3.96%	60%
Refinance	2,488,072,063	29%	58%	1.75x	4.16%	54%
Other	346,888,426	4%	58%	1.81x	4.29%	58%
Total	**8,620,214,943**	**100%**	**61%**	**1.70x**	**4.12%**	**60%**

Trends in Underwriting Statistics

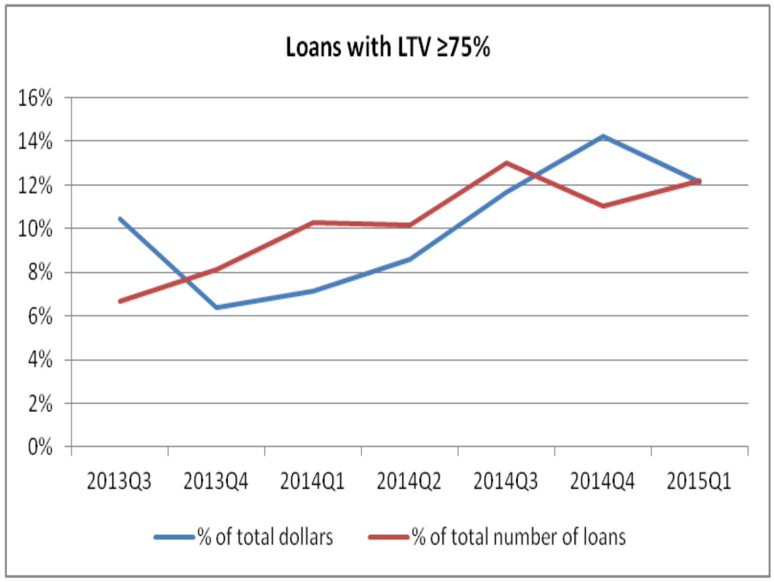
As the economy in general and CRE market in particular continue to improve following the last downturn, bank regulators have voiced concern regarding increased competition among lenders. This increased competition is believed to be pressuring underwriting standards and potentially setting the stage for increased defaults or losses in the next downturn.

CEIS reviewed trends in select underwriting metrics for the dataset as a whole, as well as by the asset size of the subject banks. In this section, the results represent a composite of all property types; trends for individual property types are discussed later in this report. Trends in key underwriting statistics are summarized below.

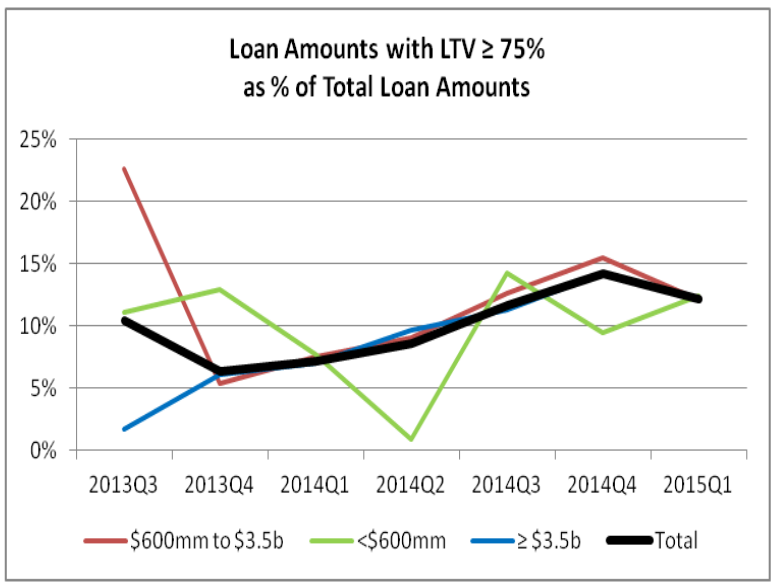


<u>Loan to Value</u>: Among the NY and NJ -based banks with loans in CEIS' dataset, the effects of competition are evident in some underwriting criteria. As shown here, the average LTV for all banks has remained within a relatively narrow band of 59% to

63%, though with an increasing trend evident for the past three quarters. Smaller banks (<$600mm in total assets) have consistently underwritten to lower LTVs than banks in other size categories, though even here the trend over the past few quarters is increasing.

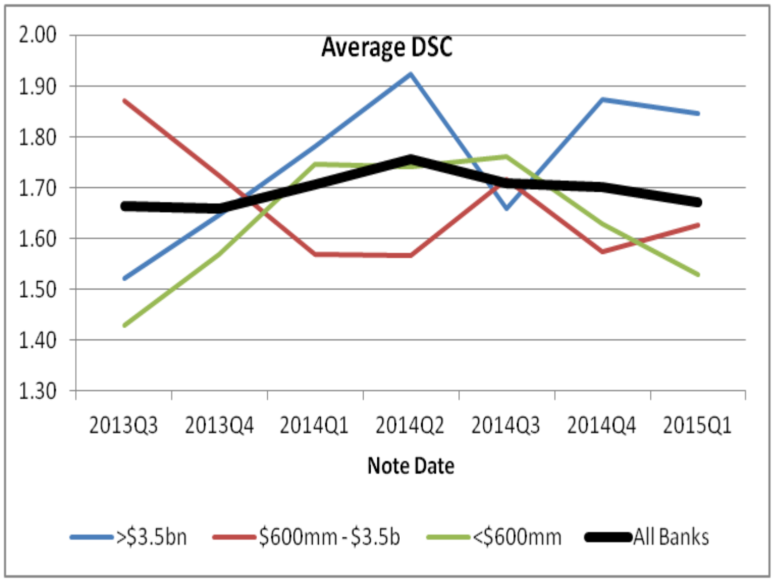


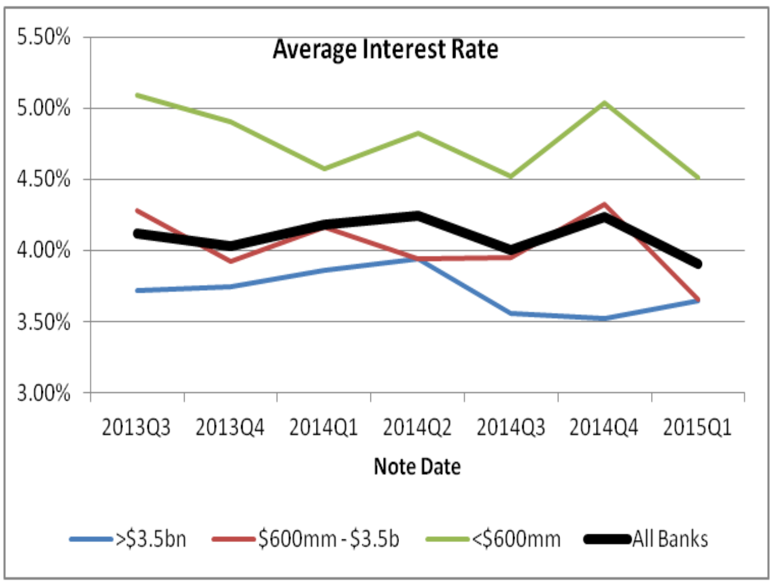
While averages can be informative, it is also useful to examine trends at the upper end of the LTV range. In general, the proportion of new / renewed loan volume with LTV ratios ≥ 75% ("higher LTV loans") has been increasing. Over the referenced timeframe, higher LTV loans have increased from a low of 6% of total dollars to a high of 14%, with the peak coming in 2014Q4. A similar pattern exists in terms of the number of higher LTV loans, which have increased from a low of 7% of total loans to a peak of 13%, with the highpoint observed in 2014Q3. In the most recent period, high LTV loans represented 12% of both the number and dollars of loans underwritten.



Analyzing the volume of high LTV loans by bank size shows that the largest and the mid-size banks in the dataset have nearly identical trends in recent periods, with high LTV loans representing an increasing proportion of new and renewed loan volume. CEIS acknowledges that a number of banks in the NYC market set their maximum LTV for some property types at 75%, it is clear that the mid-sized and larger banks are frequently underwriting to (or above) this upper limit. While this could reflect different underwriting characteristics for larger property sizes, it may also indicate increasingly competitive conditions among banks in these size ranges.

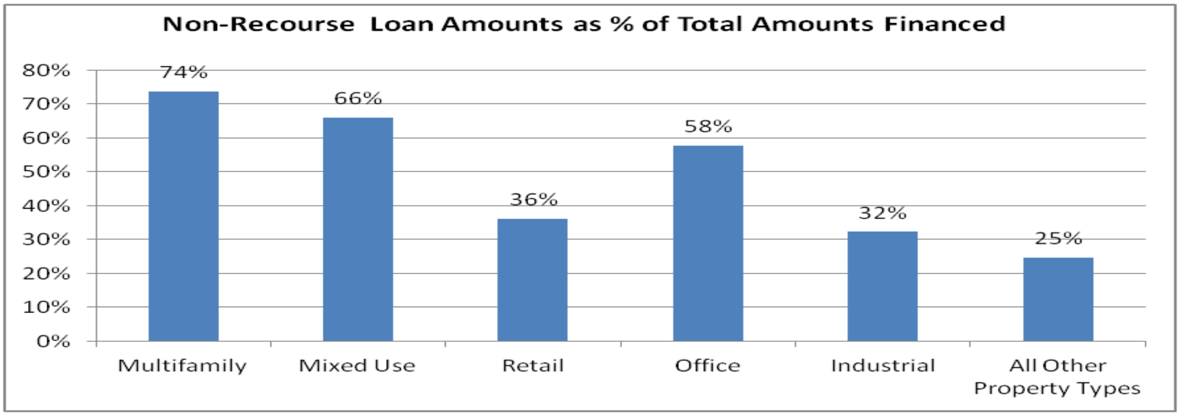
Debt Service Coverage: Similarly, the composite average debt service coverage ratios (all banks / all property types) remained within a 10 basis point band of 1.66x – 1.76x. Mid-sized banks ($600 million to $3.5 billion in assets) have reported lower average DSC ratios for four of the past five quarters, perhaps indicative of increasingly competitive conditions. The average for smaller banks has been declining for three consecutive quarters.





Pricing: Average interest rates for the loans in the dataset have ranged between 3.90% and 4.25%, with the low point recorded in the most recent period. The smaller banks in the dataset have consistently had interest rates well above the overall average, ranging between 4.51% and 5.09%, though the low point was again seen in the most recent period. At the same time, loans booked by larger banks ($3.5 billion in assets or more) have had lower than average rates, ranging between 3.52% and 3.94%. While this could reflect variations in competitive conditions and underwriting standards, it may also be due to perceived lower risk associated with financing larger properties which have a larger / more diverse tenant base.

Recourse: Non-recourse financing (i.e., no guarantee from or legal recourse to an owner or sponsor) has long been a common feature of multifamily lending in the New York City market. In this market, a unique combination of limited supply, rent regulation covering the majority of units and high proportion of the population being renters have kept vacancy rates at low levels and cash flows relatively stable (notwithstanding the recent rent "freeze" by the NYC Rent Guidelines Board on two year lease renewals). However, as shown below, non-recourse financing has become more common for other property types.



Summary statistics by property type are shown below. While one would expect non-recourse transactions to exhibit stronger credit metrics (thereby supporting the ability to finance on this basis), LTV ratios for non-recourse loans were higher for the multifamily, mixed use and overall data set averages. This suggests that banks may benefit from establishing underwriting standards to determine whether transactions qualify for non-recourse financing.

	All Loans		Multifamily		Mixed Use	
	Recourse*	**Non-Recourse**	**Recourse***	**Non-Recourse**	**Recourse***	**Non-Recourse**
Average LTV	59.7%	62.1%	60.3%	63.9%	58.6%	61.2%
Average DSC	1.66x	1.77x	1.59x	1.66x	1.61x	1.85x
Average Rate	4.49%	3.57%	4.25%	3.47%	4.39%	3.55%
Amounts* ($000)	3,451,000	5,162,638	781,548	2,184,919	974,940	1,896,547

	Office		Retail		Industrial	
	Recourse*	**Non-Recourse**	**Recourse***	**Non-Recourse**	**Recourse***	**Non-Recourse**
Average LTV	61.3%	51.9%	62.5%	61.0%	56.1%	52.9%
Average DSC	1.71x	2.12x	1.58x	1.75x	1.83x	2.02x
Average Rate	4.23%	3.99%	4.33%	3.95%	4.54%	3.73%
Amounts* ($000)	344,021	467,906	574,541	323,775	217,651	103,748

*Recourse includes full and limited guarantees. Situations limited to standard "bad boy carve-outs" are considered non-recourse. Above excludes situations where recourse is not applicable (public companies, etc).

Bank Location (Headquarters)

CEIS also analyzed the differences in average credit metrics based on the location of the bank (headquarters). Results for all property types are shown below, followed by results for some of the larger property type categories.

Bank HQ Location	Loan Amounts	Avg Loan Size	Avg LTV	Avg DSC	Avg Interest Rate	% of $ Non-Recourse
All Property Types - All Property Locations						
New Jersey	4,195,895,636	5,609,486	64%	1.56x	3.86%	63%
New York	4,424,319,307	4,706,723	58%	1.82x	4.33%	57%
Multifamily – All Property Locations						
New Jersey	1,899,552,505	5,880,968	66%	1.52x	3.60%	81%
New York	1,067,298,928	3,032,099	60%	1.74x	3.93%	61%
Multifamily – Property Located in NYC						
New Jersey	717,693,976	6,900,904	66%	1.42x	3.48%	75%
New York	765,792,968	2,604,738	59%	1.67x	3.89%	64%
Multifamily – Property Located in NJ						
New Jersey	673,306,853	4,156,215	64%	1.59x	3.70%	85%
New York	11,983,881	3,994,627	67%	1.62x	4.09%	97%
Mixed Use – All Property Locations						
New Jersey	934,612,676	5,733,820	64%	1.50x	3.85%	64%
New York	1,936,873,998	8,570,239	56%	1.84x	4.25%	67%
Mixed Use – Property Located in NYC						
New Jersey	458,645,624	5,333,089	62%	1.46x	3.71%	66%
New York	1,598,268,851	8,830,215	55%	1.84x	4.23%	69%
Mixed Use – Property Located in NJ						
New Jersey	352,665,963	5,263,671	67%	1.56x	4.08%	56%
New York	5,638,510	2,819,255	68%	1.48x	4.25%	0%

In most categories, loans booked at banks based in New Jersey had higher average LTV's, lower average DSC and interest rates and higher proportion of non-recourse loans. Of course, this could reflect different market conditions in the two states. However, taking the Multifamily property type as an example, and focusing only on those loans with collateral properties located in NYC, the NJ-based banks reported average LTVs of 66% versus 59% for NY-based banks; average NYC Multifamily DSC was 1.42x for NJ banks versus 1.67x for the New York banks. The NJ-based banks also have a substantially larger average loan size ($6.9 million) than their NY-based counterparts ($2.6 million) in this category, suggesting that some of the differential in credit metrics could be due to financing of larger properties that may be perceived as having a somewhat lower risk profile.

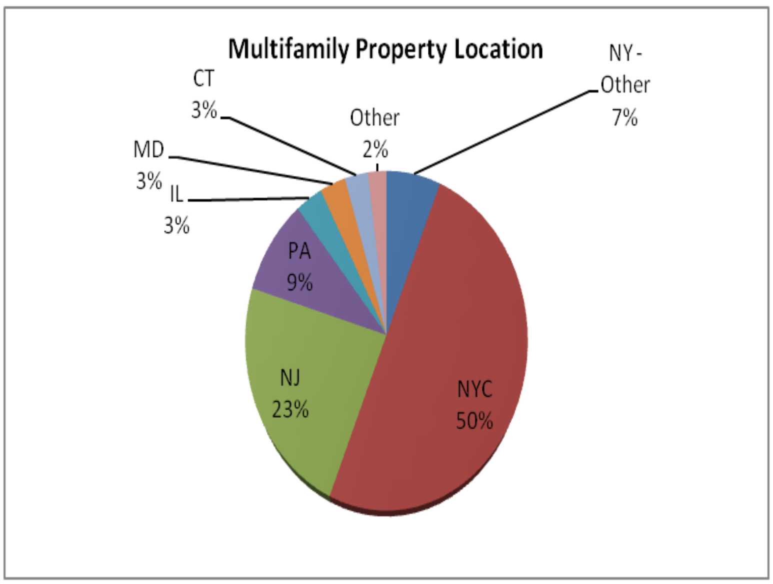
The following pages provide summary-level "snapshots" for some of the primary property types included in the dataset.

Multifamily Snapshot

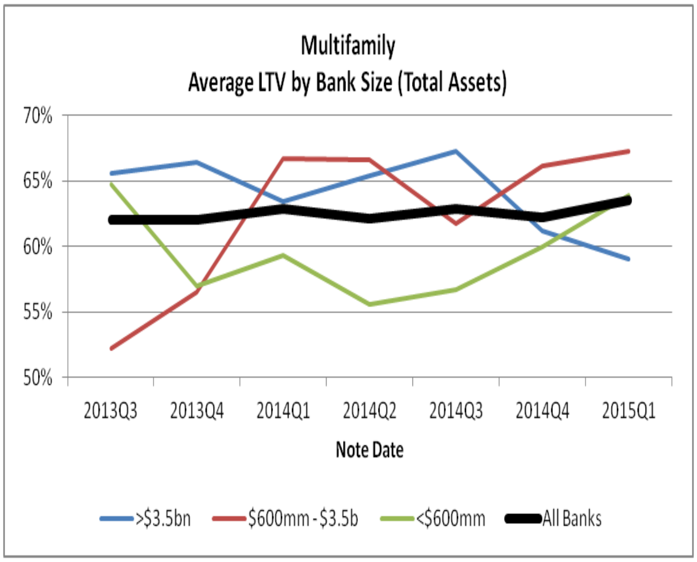
Loans financing multifamily properties comprise the largest segment of the dataset at just under $3 billion (34% of the dollars and 40% of the number of loans). Competition has been intense in this segment, particularly in the NYC area, as many banks have sought to gain market share in what has been a lower risk asset class in past cycles.

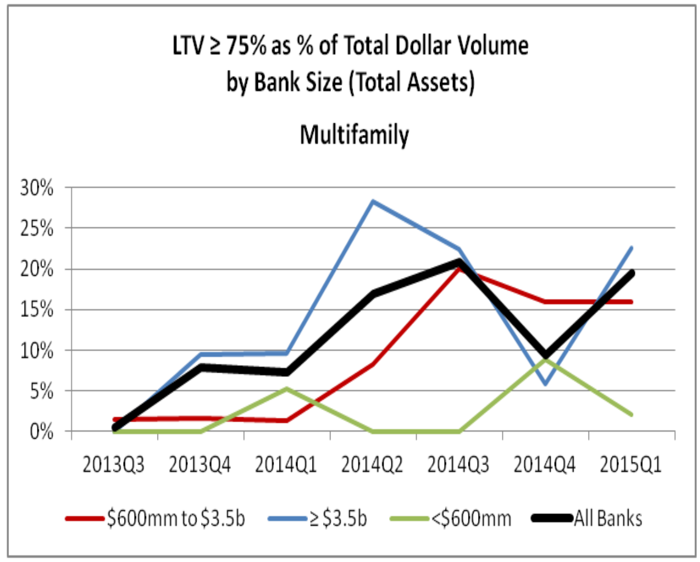
- Most of the loans amounts are secured by property located in NY or NJ (80% of the total).
- Overall, LTV ratios have remained relatively stable at +/- 62%. However, LTV ratios at mid-sized banks have been generally increasing, including the past two quarters, peaking at 67% in 1H14 and 1Q15. While smaller banks have generally underwritten to lower than average LTV's, LTVs in this segment have been increasing steadily for the past four quarters.
- The proportion of loan amounts with LTVs ≥ 75% has been generally increasing, though with some fluctuation. The increasing trend is most evident for the mid-sized banks . Larger banks saw an earlier spike in such activity, followed by declines, though increasing again in the most recent quarter.
- DSC trends are mixed, though the past two quarters have seen divergent trends among the larger banks (increasing average DSC) and the mid-size and smaller banks (declining average DSC).
- Interest rates are generally declining, likely reflecting competitive conditions. Smaller banks have continued to record higher rates than larger competitors.

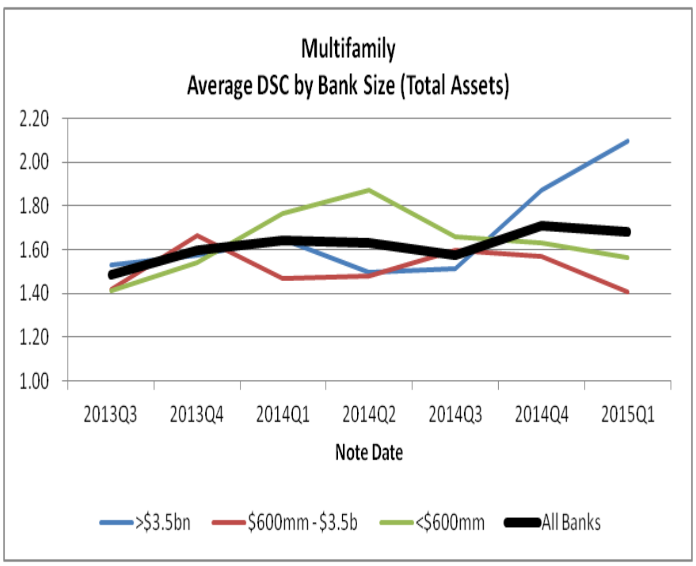
Bank Size (Total Assets)	Total Loans	# Loans	Avg LTV	% LTV ≥ 75% ($)	Avg DSC	Avg Rate	% of $ Non-Recourse
>$3.5 B	1,930,951,726	273	64.3%	16%	1.67x	3.53%	76%
$600mm - $3.5 B	808,892,995	199	64.1%	11%	1.53x	3.60%	79%
<$600mm	227,006,712	203	58.6%	3%	1.70x	4.25%	35%
All Banks	**2,966,851,433**	**675**	**62.5%**	**14%**	**1.63x**	**3.77%**	**74%**

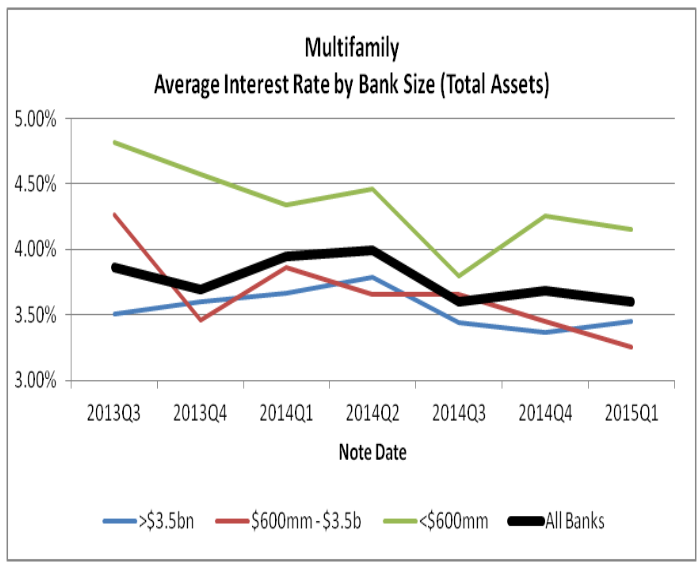


Multifamily Snapshot (continued)









Note: 2015Q1 Avg DSC for large banks (>$3.5b) somewhat skewed by a small number of market loans with DSC in excess of 7.0x. Excluding these loans reduces the large bank average for 2015Q1 to 1.52x.

Multifamily – NYC Property Location – Snapshot

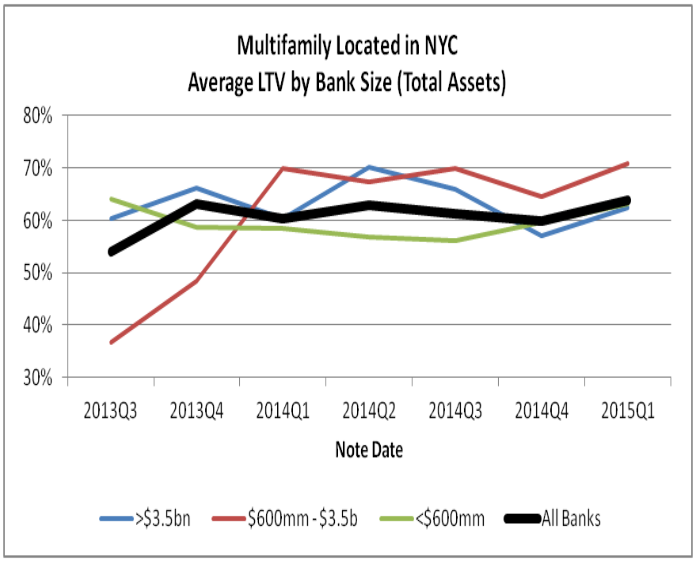
As a subset of the aggregate multifamily segment, loans financed by multifamily properties located in one of the five NYC boroughs total $1.5 billion. The larger banks have dominated this segment in terms of dollars, with a total of $1.0 billion (69% of the total), though the smaller banks in the dataset account for the largest number of loans at 179 (45% of the total). Notably, the mid-sized banks report higher average LTVs and lower average DSCs than their larger or smaller brethren, possibly indicative of more intense competition (from larger and smaller banks). Smaller banks report the lowest average LTV along with the highest average DSC and rates.

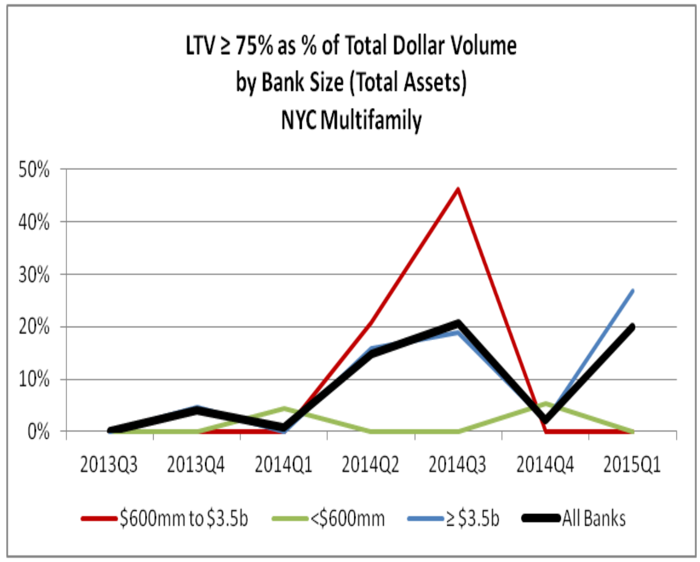
- Aside from 2Q13, overall LTVs have remained in a relatively narrow band, though LTVs for the mid-size banks have generally been higher.
- Loan amounts with LTVs ≥ 75% have been almost entirely seen in mid-sized and larger banks, peaking in 3Q14 at 46% of total dollars for the mid-sized banks and declining sharply thereafter. Among the larger banks, higher LTV loans rose to 19% in 3Q14, declined to near zero in 4Q14, and then increased again to 27% in 1Q15. While a number of banks in the NYC market set their maximum LTV for multifamily financing at 75%, it is clear that the mid-sized and larger banks are frequently underwriting to (or above) this upper limit).

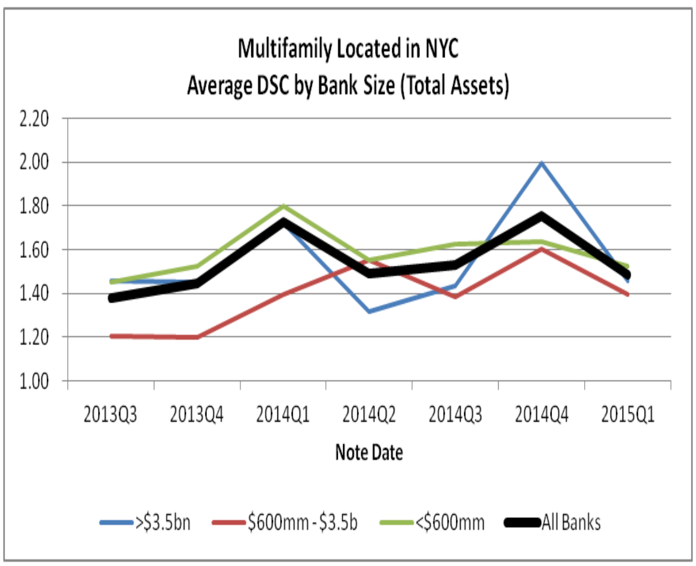
Bank Size (Total Assets)	Total Loans	# Loans	Avg LTV	% LTV ≥ 75% ($)	Avg DSC	Avg Rate	% of $ Non-Recourse
>$3.5 B	1,016,800,113	150	62.7%	11%	1.62x	3.40%	76%
$600mm - $3.5 B	277,578,538	69	64.3%	11%	1.49x	3.48%	72%
<$600mm	189,108,293	179	58.6%	2%	1.63x	4.21%	30%
All Banks	**1,483,486,944**	**398**	**61.1%**	**10%**	**1.60x**	**3.78%**	**69%**

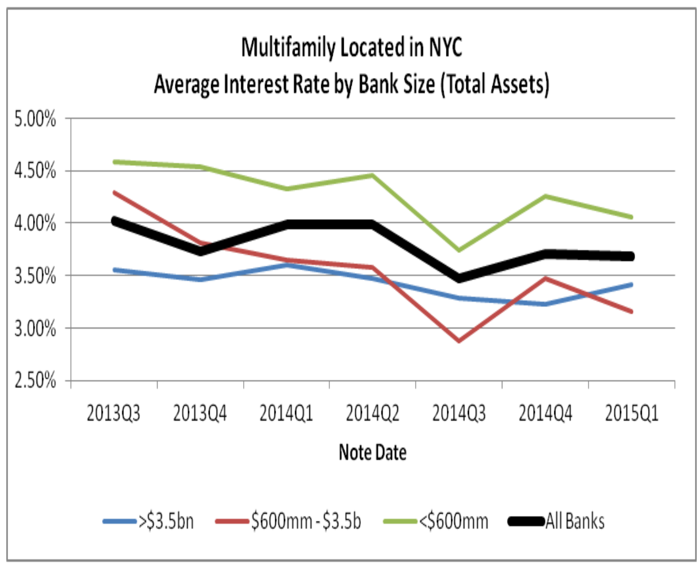
Total Assets as of 3/31/15.

Multifamily NYC Property Location Snapshot (continued)









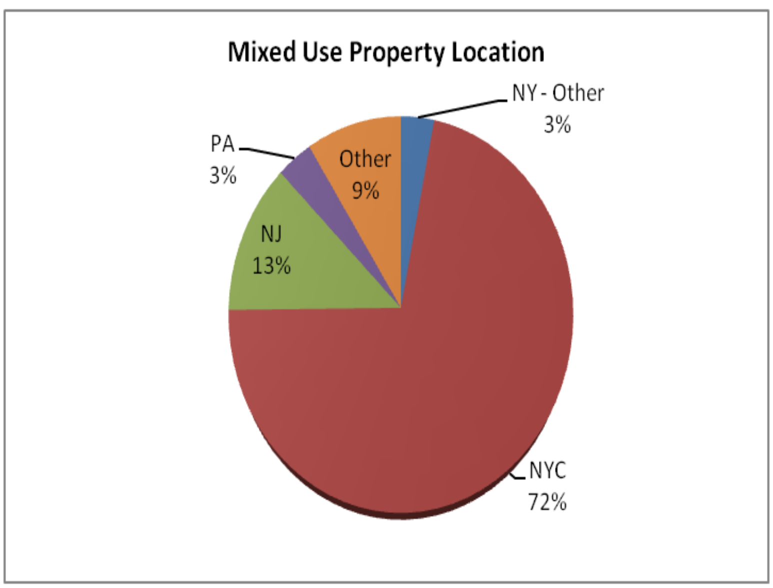
Mixed Use Snapshot

Mixed use properties represent the second largest property type in the dataset, totaling just under $2.9 billion. Larger banks dominate this type of financing in terms of loan amounts (83% of total dollars), though loan counts are more evenly distributed with 40% associated with larger banks, and 30% each for the mid-sized and smaller banks. Smaller banks underwrite lower LTV ratios, though also lower average DSCs in this case. Larger banks have substantially larger proportions of non-recourse financing (71% of dollars). Most collateral properties are located in NY (75%) or NJ (13%).

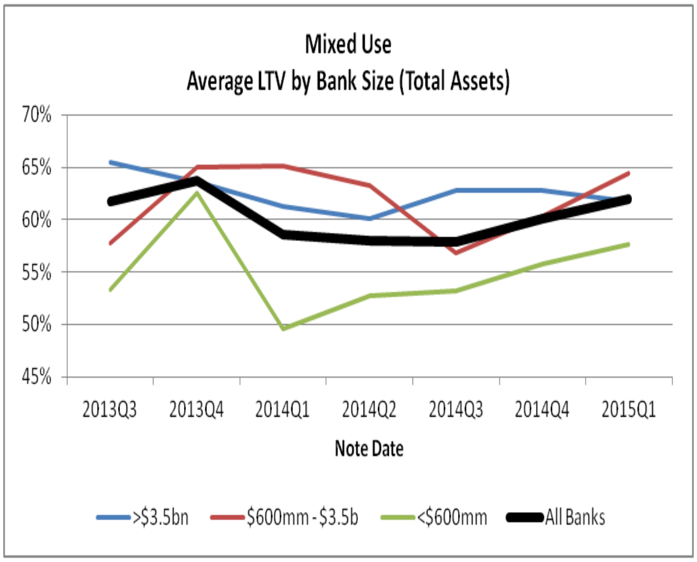
- In 2014, average LTV's trended downward through 3Q14 before increasing over the past two quarters. Interestingly, LTV's at the upper end of the range (≥75%) have been most volatile among the smaller banks, though the peak of 34% in 4Q13 mainly reflects a low level of activity.
- In 2014, average DSCs remained with a range of 1.63x to 1.77x, though with an increasing trend over the past two quarters to a peak over the referenced timeframe of 1.78% in 1Q15.
- Interest rates show similar patterns as with Multifamily, with general declining trend and with rate levels in inverse proportion to bank size (higher rates for smaller banks, lower rates for larger banks).

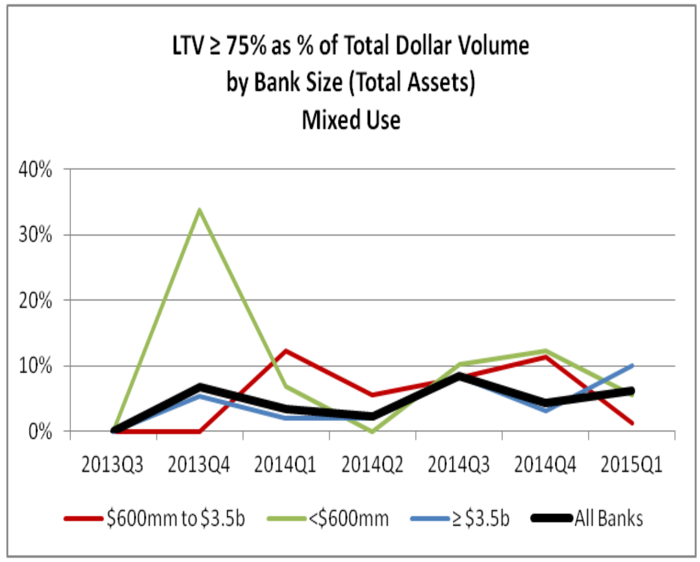
Bank Size (Total Assets)	Total Loans	# Loans	Avg LTV	% LTV ≥ 75% ($)	Avg DSC	Avg Rate	% of $ Non-Recourse
>$3.5 B	2,377,924,629	156	62.2%	5%	1.82x	3.63%	71%
$600mm - $3.5 B	363,509,158	116	61.8%	6%	1.66x	3.88%	51%
<$600mm	130,052,887	117	54.0%	10%	1.57x	4.84%	10%
All Banks	**2,871,486,674**	**389**	**59.6%**	**5%**	**1.70x**	**4.08%**	**66%**

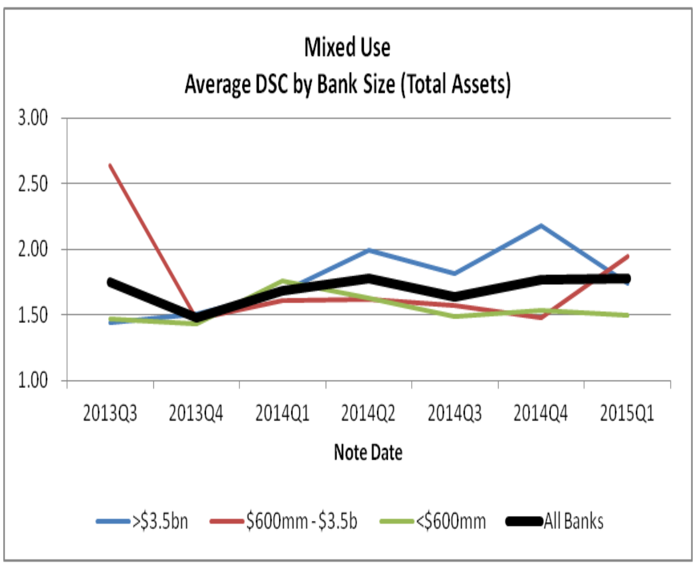
Total Assets as of 3/31/15.

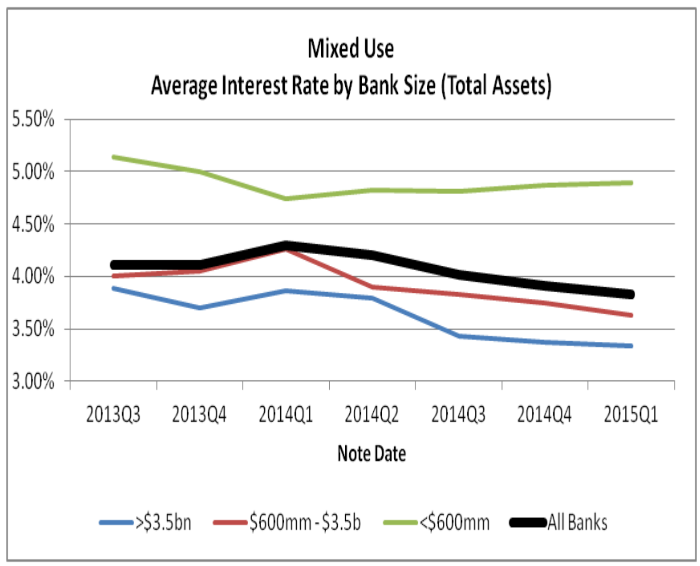


Mixed Use Snapshot (continued)









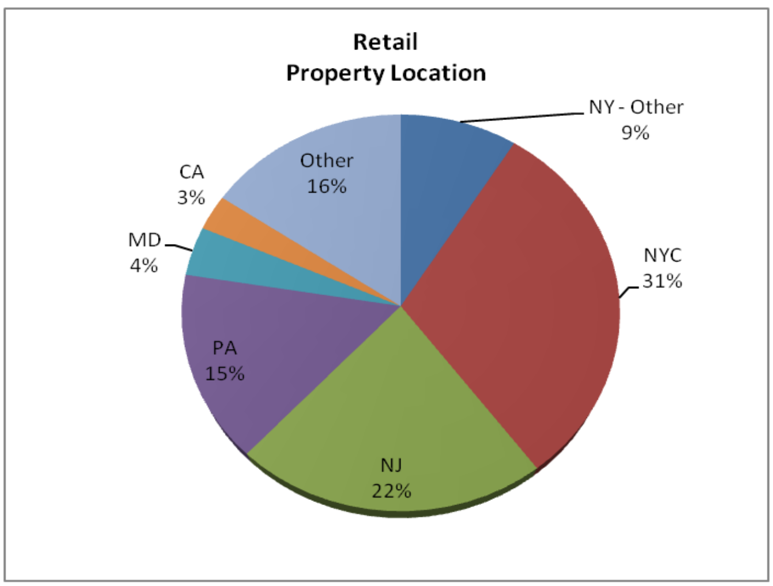
Retail Snapshot

The Retail segment has the highest level of exposure outside of NY or NJ, with 38% of loan amounts secured by properties located outside of these two states. The largest concentration outside of this area is in neighboring PA (15%), followed by Maryland (4%) and California (3%). Larger banks provide 58% of total loan amounts, followed by mid-sized banks with 32% and smaller banks with 11%. Notably, approximately 41% of loan amounts provided by larger banks were on a non-recourse basis; mid-size banks provided a comparable level of non-recourse financing (38%), while such financing was limited to 3% of loans for smaller banks.

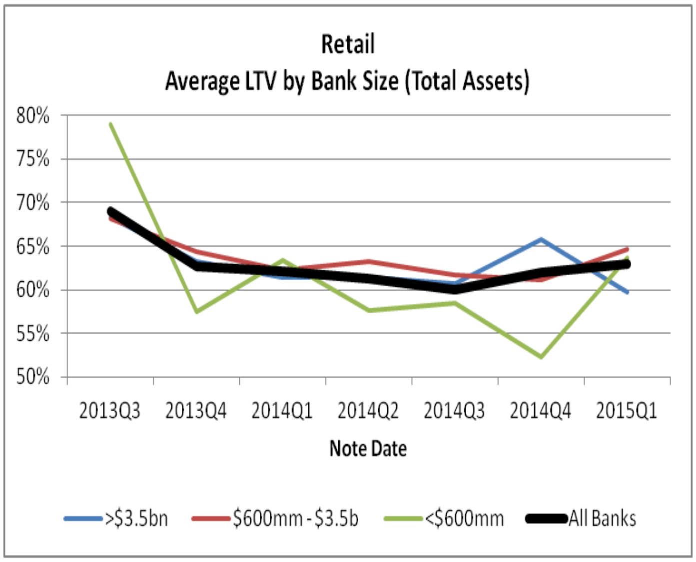
- LTV ratios trended downward in 2014, though increasing in the most recent two quarters.
- While the LTV trend grade shows larger banks generally tracking the overall average (with the exception of a spike in 4Q14 and decline in 1Q15), the data charge below shows that the larger banks have a relatively high percent of "higher LTV" loans, with 25% of loan amounts having LTV of 75% or more. The overall percentage of "higher LTV" loans of 20% for the Retail segment is the highest segment average, with the next highest being Multifamily at 14%.

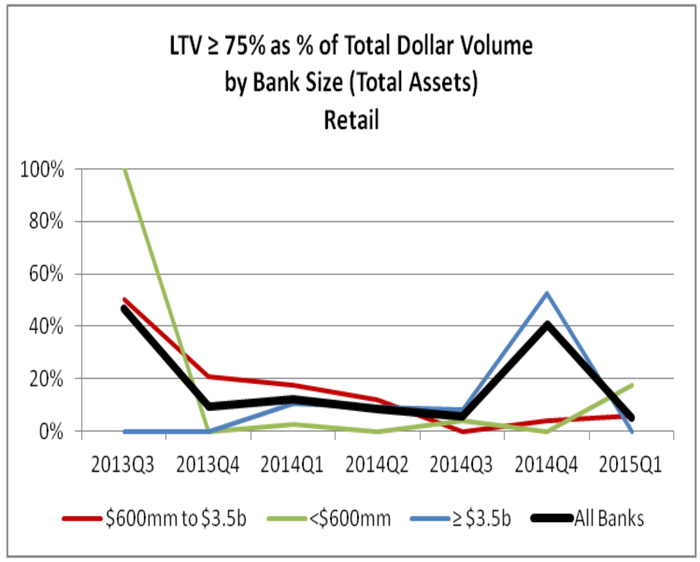
Bank Size (Total Assets)	Total Loans	# Loans	Avg LTV	% LTV ≥ 75% ($)	Avg DSC	Avg Rate	% of $ Non-Recourse
>$3.5 B	516,998,580	80	62.3%	25%	1.70x	3.89%	41%
$600mm - $3.5 B	287,359,461	83	63.4%	16%	1.58x	4.22%	38%
<$600mm	93,957,569	49	59.6%	7%	1.56x	4.87%	3%
All Banks	**898,315,610**	**212**	**62.1%**	**20%**	**1.62x**	**4.24%**	**36%**

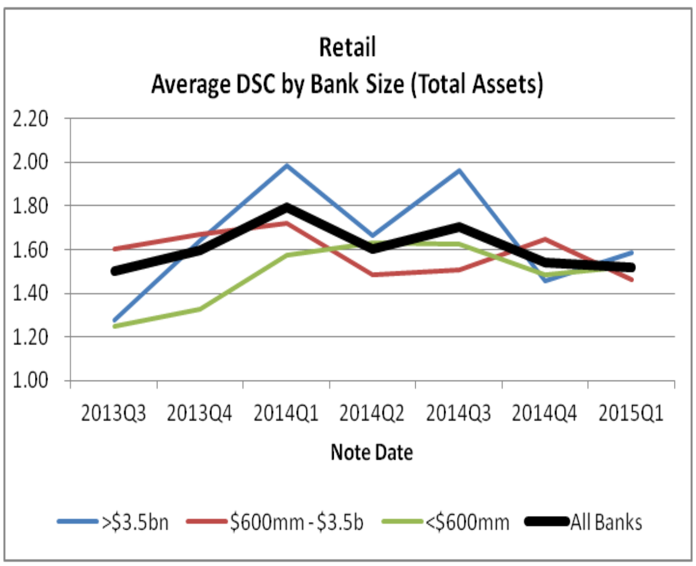
Total Assets as of 3/31/15.

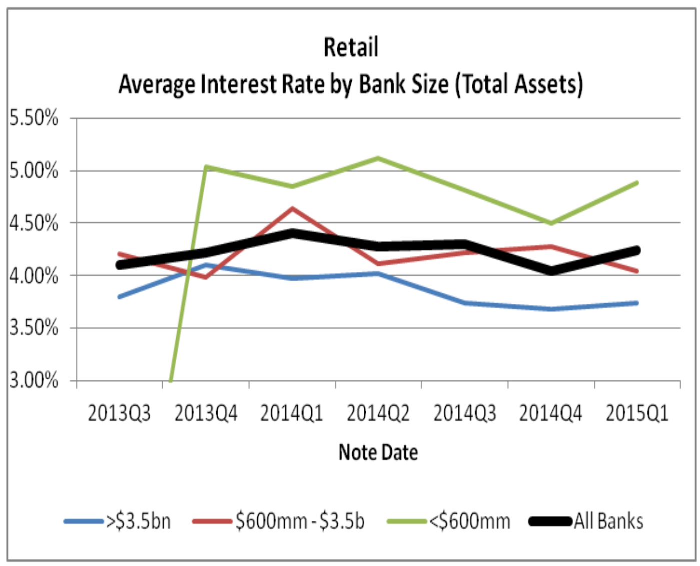


Retail Snapshot (continued)





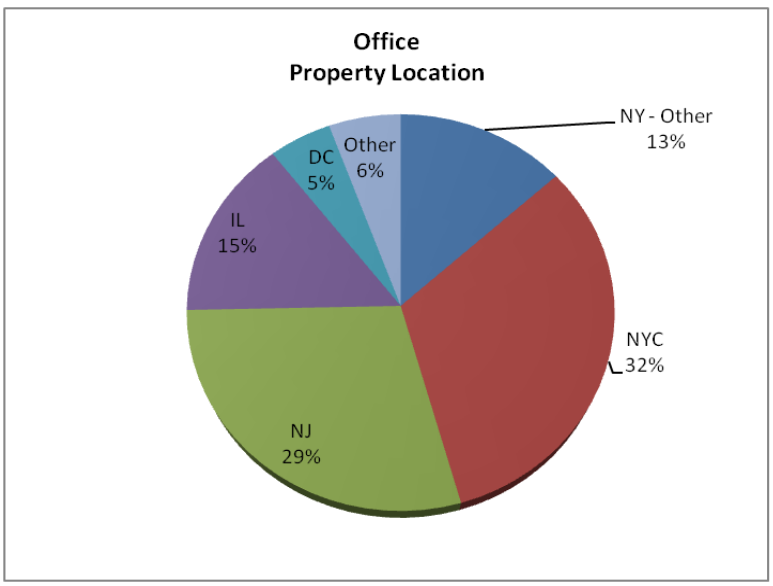




Office Snapshot

- Like the Retail segment, the Office portfolio includes a higher proportion of loans outside of the NY / NJ market, with 26% secured by properties located outside of these two states.
- Unlike the Retail or other segments, smaller banks appear to take on more risk in financing Office properties, with higher average LTVs than the mid-sized or larger banks (and a high 39% of amounts financed with 75% or higher LTV) and lower average DSCs. Higher average pricing may be reflective of this increased risk. However, all of the Office financing provided by smaller banks includes some degree of recourse, perhaps providing some risk mitigation.

Bank Size (Total Assets)	Total Loans	# Loans	Avg LTV	% LTV ≥ 75% ($)	Avg DSC	Avg Rate	% of $ Non-Recourse
>$3.5 B	561,363,615	53	58.3%	4%	1.81x	4.14%	68%
$600mm - $3.5 B	210,899,675	39	58.3%	1%	1.80x	3.97%	40%
<$600mm	39,663,507	23	63.3%	39%	1.75x	4.62%	0%
All Banks	**811,926,797**	**115**	**59.3%**	**5%**	**1.80x**	**4.19%**	**58%**



Office Snapshot (continued)