

NOTES FROM CREFC MIAMI, FLORIDA JANUARY 2017



For the 3rd consecutive year, a Valbridge Property Advisors contingent attended the annual CREFC conference. The meetings were held the first week of January at the Loews resort in sunny Miami, Florida; except for the unwelcome day of rain, wind, and cool temperatures.

Following are a few notes that might be of interest.

Multi Family

- Multifamily debt exceeds \$1 trillion
- GSE's account for 44% of the debt
- Freddie believes their business can increase 5% in 2017
- About 50% of Fannie loans in 2016 were for purchases
- Fannie is projected to have a volume of \$54 billion in 2017

Rent growth is expected to slow to 3%, down from 4.5%

Markets that may see 5% growth include Portland and Seattle

Appreciation in value is also slowing

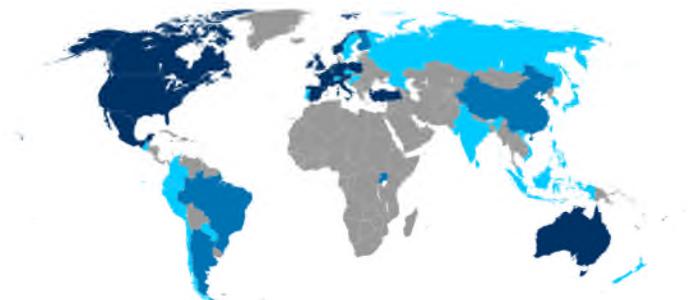
New York City is adding 13% new inventory to the market. NYC will join overbuilt markets such as Dallas, Atlanta and Nashville.

Foreign Investments

US is the number 1 place for safe investment

Favorite foreign investments are multi-family and industrial

There is foreseen change in this trend



Interest rates

A survey of CBRE brokers says prices have adjusted 25 basis points since the rise in interest rates. So far, very few deals have been re-traded or terminated.

Government Actions

Marty of CREFC indicated tax reform is inevitable. It could be radical on the commercial side, but not as much on the personal side. There is some support for the elimination of the interest deduction.

There will be GSE reform in Q3 or Q4 of 2017.

Special Servicers

Risk to special servicers of not being enough funds in event of unexpected expenses or litigation

Advance Committees are being established to assist with expenses to alleviate special servicers from taking a hit.

Lending Trends

Insurance companies have shown the lowest losses of all lenders

Banks are now lending in every market, and on all property types. There is no over leveraging as in past cycles. Smaller banks have been pulling back, primarily due to regulatory concerns.

Portfolio transactions are down significantly

Life companies were up in volume for the first two quarters of 2016, while CMBS is down. Bank lending also increased

Forecast for 2017 is for bank lending to be flat, CMBS to be down, and life companies to increase.

The CMBS implementation of the 5% risk retention will have a negative impact. CMBS is pulling back from the higher leverage deals. This is creating uncertainty on takeout's (maturing loans)



CREFC Portfolio Session

A great number of refis will require a capital infusion due to higher equity requirements.

There will likely be a broadening of cap spread between asking price and contract price.

