

## Float & Fees, Warehouse Lines & IPO:

Where are commercial/multifamily firms making income & sourcing funds?

**BEEKMAN ADVISORS**

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Presented by:

John Cibinic, Partner - Beekman Advisors

Jeff Majewski, Senior MD & COO - CBRE Capital Markets

Ira Strassberg, CFO - Berkeley Point Capital

# Topics



- Panelist Introductions & Background
- Income Statement
  - Driving earnings
  - Public Company Data
  - Key trends
- Balance Sheet
  - Sourcing capital
  - Public Company Data
  - Key trends
- Discussion / Questions

# Panelist Introductions & Background

Panelist	Title / Firm / Location
John Cibinic	Partner Beekman Advisors McLean, VA <a href="mailto:john.cibinic@beekmanadvisors.com">john.cibinic@beekmanadvisors.com</a>
Jeff Majewski	Senior Managing Director & COO CBRE Capital Markets Houston, TX <a href="mailto:Jeff.Majewski@cbre.com">Jeff.Majewski@cbre.com</a>
Ira Strassberg	CFO Berkeley Point Capital Bethesda, MD <a href="mailto:ira.strassberg@berkpoint.com">ira.strassberg@berkpoint.com</a>

# Earnings – Deconstructing the Income Statement

	<b>Debt Origination</b>	<b>Mortgage Servicing</b>	<b>Other Business Lines</b>
Revenues	Loan Volume	Portfolio Size	NIM/Portfolio Carry
	Origination Fees	Servicing Fees	Fund Mgt. Fees
	Market Premiums	Escrow/Ancillary Earnings	Carried Interest
	W/H Carry	Yield Maintenance	Property Sales
	MSR Gain	MSR Amort/Write off	Other Services
Expenses	Compensation / Commission		
	IT / Systems		
	Vendors / Outsourced Functions		
	Facilities / Overhead		
	New Staff / Growth Initiatives (R&D Cost)		
	Non-Cash / Other		

# Selected Public Company Income Statement Data

## Sample YTD Metrics from June 30, 2012 10-Q's

Firm	Orig. Volume Growth	Svc. Port. Growth	Yr over Yr Revenue Growth	Yr over Yr Net Inc. Growth	OMSR Gain % Trend	Orig Fee / Premium % Trend	Wtd. Avg. Svc. Fee Trend
Walker & Dunlop	+11%	+14%	+14%	-15%	Up	Up	Up
Centerline*	+62%	+4%	+34%	+83%	Down	Down	Up
HFF	+36%	+6%	+3%	-20%	Down	Down	Flat

\* Centerline Mortgage Banking Segment only

# Earnings – Key Trends

- Transaction volumes – velocity due to refinance/recap vs. sales
- Interest rates – state of yield curve and outlook for changes
- Portfolio size – new originations vs. portfolio runoff and defaults
- Fee rates – origination and weighted average servicing fee trends
- Capital flows – CMBS / Agency / Portfolio; growth & earnings impact
- Collateral performance - property fundamentals & values
- Regulatory landscape changes – Agencies & banks
- Others?

# Capital – Fuel for the Balance Sheet

<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
MSR	W/H or Portfolio Debt	Entrepreneurs/Founders
Cash/Liquidity	Corporate Debt	Parent Company B/S
Loans - pre-sold/trading	Reserves	Private Equity Funds
Loans - portfolio	Accrued Expenses	Public Equity / IPO
Goodwill/Intangibles	Other	JVs or Minority Interest
Fixed Assets		Retained Earnings
Other		

# Public Company Balance Sheet Data

Item	Market Data
Warehouse Line of Credit	<ul style="list-style-type: none"><li>• Priced as a spread to LIBOR</li><li>• Provided by major banks (e.g., BofA, Wells, JPM, TD, PNC, Capital One) and Fannie Mae (ASAP)</li><li>• Advance rates of up to 100% for agency loans</li><li>• Spreads of 115 bps to 350 bps, many at 200 bps</li></ul>
Corporate Debt	<ul style="list-style-type: none"><li>• Availability and pricing depends on size, capital structure and diversity of revenues/assets</li><li>• Range of pricing (L + 163 for JLL vs. L + 300 for CHC)</li><li>• WD term debt priced at L + 250 with 3:1 DSCR and max 40% LTV (as measured by servicing)</li><li>• May require parent or principal to co-sign</li><li>• Sourced from banks and some private equity firms</li></ul>
IPO's	<ul style="list-style-type: none"><li>• Few "pure play" public mortgage bankers; scale and growth prospects can be issues</li><li>• Median IPO across sectors: ~ \$120mm offering and ~ \$400mm market cap</li><li>• WD went public in 2010; +70% since offering</li><li>• Others (largely mortgage REITS) have seen mixed results</li></ul>



# Capital – Key Trends



- Debt – availability and terms
- MSRs & Intangibles – impact of portfolio and assumption changes
- Regulatory Impact – reserves, capital ratios and other standards
- Private Equity – what interests them and why
- Public Equity / IPO – market appetite and scale
- Others?