CIASF
COMMERCIAL INDUSTRIAL ASSOCIATION OF SOUTH FLORIDA

2014 ANNUAL COMMERCIAL FINANCING REPORT


Get the Specialized
Financing You Need!
Start building on your business ideas with Popular Community Bank, a local expert in the South Florida market. Whether you are a new business just starting out or a growing business looking to expand, gain access to our exceptional service and an extensive array of banking products, ranging from a state-of-the-art business online banking platform, to flexible terms on business loans and lines of credit,* to a suite of cash management services. Our experienced commercial lending team is ready to help you.
Call today!
Jose R. Vazquez, Jr.
Director of Commercial Banking
305-938-0141
Ana Garcia
Team Leader Commercial Real Estate
786-953-1107
Luis Vanegas
Commercial Relationship Officer
786-953-1124
PopularCommunityBank.com
THE HUMAN SIDE OF BANKING
POPULAR COMMUNITY BANK®
EQUAL HOUSING LENDER
*Subject to credit approval. ©2014 Banco Popular North America. Member FDIC.

THE CIASF ANNUAL COMMERCIAL FINANCING REPORT FOR 2014

The Commercial Industrial Association of South Florida Inc., "CIASF" is a non-profit organization of business leaders involved in the development, design, construction, sales, and leasing of Industrial and Commercial Real Estate in South Florida.

For information about membership or sponsoring an event call
CIASF Executive Director Gail Ackermann at:

Commercial Industrial Association of South Florida
11098 Marin Street, Coral Gables, FL 33156
Tel: 305.667.7113 | Fax: 305.667.7116 | info@ciasf.com

CIASF

CIASF.COM

2014 PANELISTS

Charles J. Foschini, CBRE
Vice Chairman of South Florida Markets

A nationally recognized market leader in real estate investment banking, Charles has led CBRE as its Vice Chairman in the capital markets division, dominating the state's loan activities and defining their presence in Florida. He is responsible for business development and the structuring of complex debt and equity investments throughout the region. Since opening the office, Charles has been involved in the sale and financing of more than 450 investment properties totaling over $10 billion in value, including several landmark single asset transactions in excess of $200 million dollars.

Widely respected throughout the industry and the firm, Charles has consistently been honored as a recipient of the Colbert Coldwell Circle, which recognizes the top 3% of commissioned salespeople at CBRE. Charles currently serves on the Debt & Equity Finance division's G-20 leadership council, which functions as the employees' liaison to senior management on issues of importance to both our clients and the firm, and was the 2005 winner of the CBRE's Innovation Award for his team's cutting edge business practices.

In 2010, he received the following accolades: Top 225 professionals at CBRE; Recipient of the first annual Charles J. Foschini Award for the debt & equity professional that demonstrates a unique ability to reinvent himself and his team with an innovative approach to the business; Spirit Award Winner for CBRE South Florida; and Top 5 CBRE in Florida and #1 Debt & Equity Finance Professional in Florida in 2012.

Omar Ojeda, Total Bank
Senior Vice President
Director of Small Business

Omar Ojeda has more than 18 years of experience in the banking industry. A graduate of Florida International University, he began his career at Ocean Bank in 1996 and quickly moved up the ranks. While at Ocean Bank he held several positions in the Commercial loan operation department, Commercial Real Estate, and Small Business Administration Department. During those years he was involved in underwriting, closing, and servicing commercial real estate and Small Business Administration (SBA) transactions.

Ojeda served as Vice President/ Relationship manager in 2008 before making a transition to TotalBank as Senior Vice President/Director of Small Businesses. At TotalBank, he is responsible for providing support to a network of approximately 23 lenders throughout 21 banking centers and corporate lending offices. In addition, he heads the SBA division of TotalBank which has become the most active community bank in Miami-Dade County for this type of lending since 2008.

His work has earned him several notable awards including the 2011 Corporate & Professional of the Year by the Realtors® Commercial Alliance of Miami (RCA MIAMI); the most active SBA 504 Lender for 2011, 2012 and 2013 by the Florida Business Development, and the City of Hialeah Award of Merit in 2007. He is also director of Florida Business Development, a non-profit organization involved with the SBA, and serves on the board of directors of the Commercial Certified Industrial Member (CCIM) Miami Chapter.

Jesus R. Garcia, Ocean Bank
Senior Vice President & Relationship Manager

Jesus R. Garcia, Senior Vice President in Ocean Bank's Commercial Real Estate Lending Department, has 22 years' experience in nearly all aspects of South Florida business banking. For much of that time, he has been responsible for commercial real estate portfolios, combining his strong skills in sales and credit risk management.

Mr. Garcia joined Ocean Bank in his current position in 2009. He is responsible for developing new relationships at the bank while managing a portfolio of more than $120 million. Since joining the bank, he has brought in $200 million in loans.

Before joining Ocean Bank, Mr. Garcia was Senior Vice President for Commercial Lending at Regions Bank, where for eight years he successfully developed business and won numerous sales awards, while structuring, negotiating and administering all kinds of commercial real estate transactions.

From 1992 to 2001, Mr. Garcia rose through the ranks at Republic National Bank and Sun Trust Bank, assuming positions of increasing responsibility.

Mr. Garcia received his B.S. in finance and international business from Florida Atlantic University, graduating summa cum laude with a host of academic awards. Raised in Cuba, Venezuela, and the United States, he is fluent in Spanish. He is licensed by the Federal Aviation Administration as an Airframe and Powerplant mechanic. He lives in Miami.

2014 MODERATOR

Kenneth H. Thomas, Ph.D.

Moderator

Kenneth H. Thomas, Ph.D. is one of the nation's leading experts and authors on the Community Reinvestment Act of 1977 (CRA). Dr. Thomas has advised state and federal bank regulators on CRA and related public policy issues, including training federal bank CRA examiners.

He has testified before Congress and federal bank regulators several times on the CRA and related bank regulatory and public policy issues. He has written two books on CRA, and many of the recommendations in them were directly implemented into current bank regulations. He has also consulted with numerous banks on CRA as well as launched a national CRA investment mutual fund. Most of his CRA consulting is assisting banks in preparing for their upcoming CRA exams and securing community development investments.

He grew up in Miami and received a B.S.B.A. degree with High Honors in Finance from the University of Florida; an M.B.A. in Finance from the University of Miami; and, an M.A. in Finance and Ph.D. in Business and Applied Economics with a major in Finance from The Wharton School of the University of Pennsylvania.

Dr. Thomas taught finance at the University of Miami. He later joined the Finance Department faculty at Wharton where he taught Banking and Monetary Economics for 42 years, in addition to numerous Wharton Executive Education banking programs. He received an "Excellence in Teaching" award from Wharton in 2001 and 2004.

He is a regular speaker and writer in the banking and thrift industries and is regularly quoted in local, regional, national, and international articles on these topics. He has appeared frequently on ABC radio, Bloomberg radio and TV, CBC, CNN, CNBC, MSNBC, Nightly Business News, and NPR.

Kenneth H. Thomas, Ph.D.
August 6, 2014

South Florida Real Estate Lending Before and After the Crisis©

The financial crisis began in August 2007, and the «good times» in banking ended that Summer. December 31, 2006 is the most relevant "pre-crisis" data point, since 2006 was the year the housing bubble burst; also, the Great Recession did not start until late 2007. The current comparable "postcrisis" data point is December 31, 2013. This analysis uses FDIC data to compare real estate lending by commercial banks in South Florida ("SF"), Florida ("FL") and nationwide ("US") before and after the financial crisis using these two data points.

The number of SF banks fell from 79 to 65 during the crisis mainly as a result of failures but also some mergers. The number of banks statewide dropped from 306 to 198, a loss of more than 100 banks, representing *a more than one-third decrease in the industry in just seven years*. Florida led the nation in bank failures in 2010 and was near the top in the most other crisis years. The number of US banks shrunk by more than one-fifth, going from 8,691 to 6,821. There is no doubt that the banks and the financial sector bore the burden of the financial crisis and Great Recession. Banking was a tough place to be during the last seven years!

We first look at overall bank lending trends before focusing on Real Estate ("RE") lending trends. The FDIC reports that "net loans and leases," which is gross loans less reserves, for SF banks fell from 75% to just 64% of assets. This was a huge 11% drop over the last seven years, and it was much worse than the 8% drop in lending in FL (74 to 66% of assets) or the 7% drop nationwide (from 60 to 53% of assets).

This means that the housing crash, financial crisis and Great Recession hurt overall lending here in SF much worse than throughout the nation. Specifically, SF lending was hurt about 50% more than the nation (11% vs just 7% drop), and this helps explain why we were the Ground Zero for the burst housing bubble.

> "When the real estate market sneezes, the Florida economy and especially its banks catch a cold!"

Florida has long been a "Real Estate State" in the same way Kansas is an Agricultural State and New Jersey is a Commercial and Industrial State. As goes the real estate market, so goes the banking. As they used to say about GM and the US economy, "When the real estate market sneezes, the Florida economy and especially its banks catch a cold!" Banks in other big states like CA, NY, TX, IL, etc. are nowhere near as dependent on RE as FL banks. In my opinion, Florida banks are more dependent on real estate than banks in any other state in the nation.

This helps explain why we lost over one-third of our banking industry during the crisis. SF and FL banks had nearly two-thirds of their lending in RE vs. just over one-third for all US banks prior to the crisis. All RE lending dropped since then, and it makes up about half of SF and FL lending compared to just over one-fourth nationwide.

Specifically, South Florida suffered a huge hit in RE lending from 66% to 48% of assets, a very significant 18% plunge. This was slightly larger than the 16% decline throughout Florida (from 65% to 49% of assets). However, both of these RE decreases were much less than the nationwide decrease of just 10% (from 38% to 28% of assets) over this same period. Yes, we are the Sunshine State, but the sun did not shine on Florida Real Estate starting in mid- to late 2006.

In summary, SF RE lending is off by nearly TWICE as much as national trends, down 18% of assets vs just 10% for the nation. Again, just like banking, the Real Estate industry was a very tough place to be in during the last seven years. However, nothing is as bad as a convoy of black SUVs full of FDIC officials pulling into a bank's parking lot just before "closing" time on Friday!

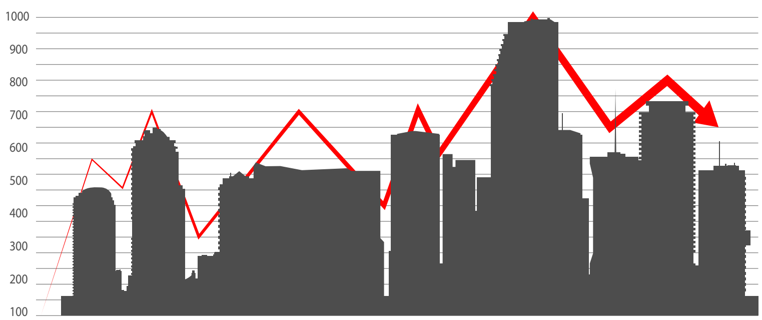
The FDIC reports five major RE loan categories: Construction and Land Development ("CLD"), Commercial Real Estate ("CRE"), Multifamily Residential, 1-4 Family Residential ("1-4"), and Farmland. The portion of Multifamiy and Farmland loans in SF and FL were basically unchanged during the crisis, but there was a big drop in CLD and 1-4 lending and an increase in CRE lending.

CLD lending in SF banks fell dramatically from 12% to just 3% of assets, and the statewide drop was even worse - from 16% to just 3% of assets. The portion of such lending by all US banks was just one-third of that for FL banks, but nationwide CLD lending also fell dramatically from 5% to just 1% of assets.

Hence, CLD bank lending was by far the biggest single casualty of the crisis. These data can be roughly interpreted to mean that if you have a big parcel of undeveloped land out west near the Everglades, it is roughly FOUR times harder to get CLD financing for it from a SF bank now vs the "good old days" in 2006 based on lending as a percent of assets.

The critical 1-4 family category is the bread and butter lending that puts people into homes and hopefully keeps them there. This very significant category was *down by half* in SF from 36% to just 18% of assets between year-end 2006 and 2013. This is a huge difference and can be roughly interpreted to mean that it is twice as difficult now vs in 2006 to get such a loan from a SF bank based on their actual lending portfolios during those periods.

Part of this big drop in 1-4 lending is due to increased and tougher rules from the bank regulators and the new Consumer Financial Protection Bureau, which make it harder to qualify for a home loan. A casual observer might say that in 2006 you brought a large envelope of documents to the bank for a home loan application whereas today you need a briefcase of documents and perhaps another one with cash for a bigger down payment!



Comparing year-end 2006 to 2013, 1-4 lending for FL was down from 29% to 21% of assets (an 8% drop) and the entire US was down 23% to 16% of assets (a 7% drop). Consequently, the 18% plunge in 1-4 lending by SF banks was more than twice the comparable decrease at FL and US banks. The big question, of course, is who if anyone will make up for this big shortfall?

CRE lending at SF banks was actually up from 14% to 22% of assets, representing an 8% gain during the crisis. FL banks had a larger portion of CRE loans as of year-end 2006 at 17%, but it also increased to 21% of assets, a 4% gain, by year-end 2013. Both SF and FL banks had roughly twice the portion of CRE lending as all US banks in 2006 (just 8%), but represented nearly three times the portion as of year-end 2013, since such US lending remained constant at 8% of assets during the crisis.

To sum up, overall lending as a percentage of assets at SF banks during the crisis was down by 11% compared to 8% in FL and 7% in the US. Of the lending that is still being done by SF banks, there have been some major changes by category, namely a huge 18% drop in RE lending, again more than the 16% FL drop or the 10% US drop during the crisis.

So, where have SF and FL banks been increasing their lending? The short answer is Commercial and Industrial ("C&I) loans. C&I loans grew from just 7% of assets as of year-end 2006 to 13% of assets to year-end 2013 for SF banks. Thus, this new type of favored (but also very competitive) lending almost doubled for SF banks and also for FL banks where it increased from 6% to 12% of assets. Meanwhile, this category stayed about the same for all US banks going from 10 to 11%. This means SF and FL banks now actually exceed the US C&I average where in 2006 we were just over half of it; this represents a major shift in lending patterns.

In summary, our SF banks cut 1-4 family lending in half but doubled down on C&I lending. This would not be a big concern if we were a C&I state like NJ with businesses up and down the NJ Turnpike rather than a Real Estate state with homes, condos, and apartments (and lots of vacant land) up and down the FL Turnpike.

The potential problem is simple: we may have too many banks chasing too few good (C&I) business prospects, and the result may be what I call "subprime" commercial loans. As was the case with subprime residential loans, the problems will not show up until several years later, especially when we have our next economic downturn.

eNEWS

An Electronic Newsletter from CBRE Capital Markets

July 31, 2014

www.cbre.com/capitalmarkets

Key Rates

	Prime	5-Yr T	10-Yr T	1-M LIBOR	DJ Avg.	10-Yr Swap Spread
7/31/14	3.25%	1.75%	2.56%	0.15%	16,563	14.0 bps
6/26/14	3.25%	1.63%	2.54%	0.15%	16,866	10.7 bps
Year Ago	3.25%	1.65%	2.46%	0.19%	14,769	17.0 bps

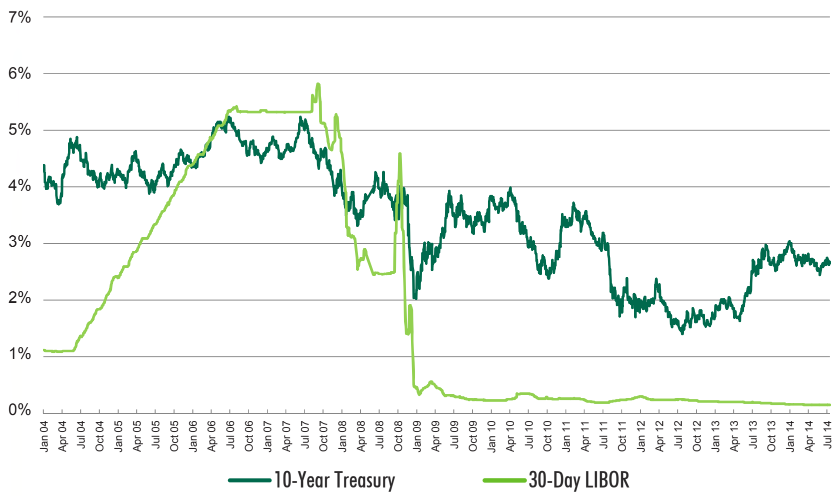
Source: Bloomberg, Federal Reserve

Interest Rate Projections

	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
10 Year (Avg.)	2.81%	3.03%	3.17%	3.35%	3.48%
Fed Funds (Avg.)	0.25%	0.25%	0.25%	0.26%	0.27%
1 Month LIBOR (Avg.)*	0.16%	0.16%	0.17%	0.26%	0.44%

Source: Bloomberg Monthly News 7/31/14, *Chatham Financial 7/28/14

Average 10-Yr Treasury vs. 30-day LIBOR



Market Briefs

For the first half of the year, commercial property sales volume totaled $184.0 billion which represents a 23% increase from the same period last year. According to Real Capital Analytics (RCA), overall investment trends remained solidly positive across all property types in Q2 with volume gains accelerating.

- RCA also reports that cap rate compression moderated somewhat in Q2 as investors await a rise in rates—interest rates or rental rates and continue to broaden their horizons in search of yields.

- Trepp, LLC's July 2014 CMBS Delinquency Report states that the CMBS market continues to show delinquency rate improvements extending over fourteen months. Trepp also states that the overall US CMBS delinquency rate is now 6.04%, down from 8.48% just one year ago.

Recently Closed Deals

Asset Type	Loan Amount	Financing Type	Lender Type	Index/Spread	Rate	LTV	Term	Amortization
Office	$47,000,000	Floating	Debt Fund	L + 525 bps	5.41%	75%	3 years	IO
Multifamily	$31,000,000	Fixed	Debt Fund	S + 214 bps	5.04%	60%	10 Years	5 Years IO, then 30 Years
Office	$69,600,000	Floating	Debt Fund	L + 475 bps	4.90%	72%	3 Years	IO
Office	$86,800,000	Floating	Debt Fund	L + 385 bps	4.00%	75%	3 Years	IO
Multifamily	$49,800,000	Floating	Bank	L + 185 bps	3.55%	70%	5 Years	IO
Office	$35,000,000	Fixed	Debt Fund	S + 207 bps	4.78%	75%	10 Years	4 Years IO, then 30 Years
Office	$41,250,000	Floating	Bank	L + 180 bps	1.97%	50%	3 Years	IO
Multifamily	$51,230,000	Fixed	Agency	T + 140 bps	4.06%	65%	10 Years	5 Years IO, then 30 Years

About Us

CBRE Capital Markets combines the top investment sales, finance and investment banking businesses into a single, fully integrated global service offering. As the recognized worldwide leader in the acquisition and disposition of income-producing properties for third-party owners and as a leader in debt and structured financing for all properties, we offer our clients complete capital markets solutions everywhere around the globe. In Q12014, CBRE led the industry with $17.88 billion of investment sales and loan activity nationally*. In 2013, CBRE ranked as the #1 investment sales firm overall according to Real Capital Analytics.

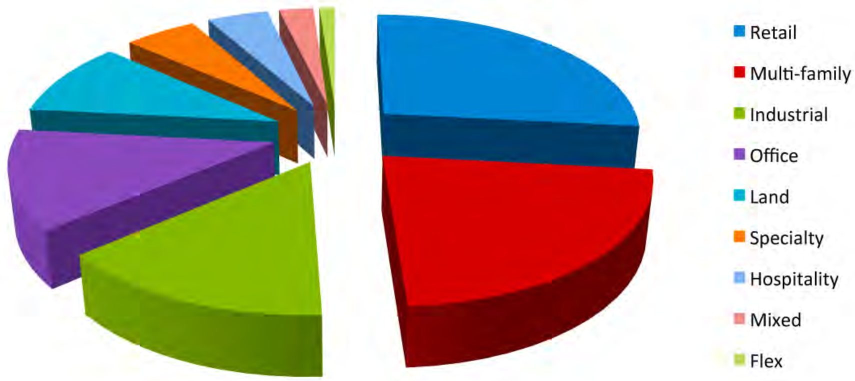
*US Investment Sales data as reported by RCA. Data does not include CBRE's individual property sales less than $2.5M.

Charles Foschini
Vice Chairman
777 Brickell Ave
Suite 900
Miami, FL 33131
T +1 305 381 6424
Charles.Foschini@cbre.com

CBRE

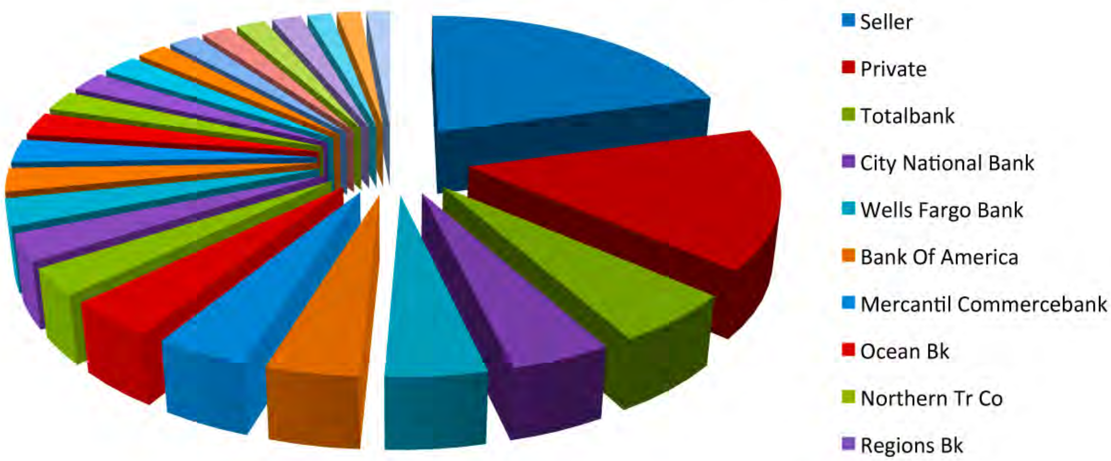
SOUTH FLORIDA DATA

LOANS BY PROPERTY TYPE

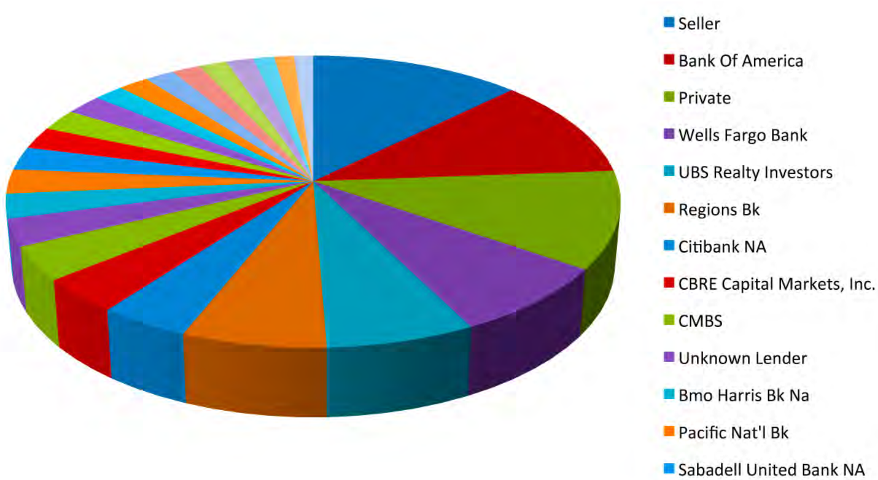


SOURCE: DATA PROVIDED BY COSTAR FOR PROPERTY SALES IN SOUTH FLORIDA CLOSED BETWEEN AUGUST 2013 AND JULY 2014 WITH LOANS OF $1 MILLION OR GREATER. WE BELIEVE THE DATA TO BE ACCURATE BUT IS NOT GUARANTEED.

LENDERS BY NO. LOANS MADE



LOANS FUNDED BY:



THANK YOU TO SAMANTHA BLANCO, STUDENT AT THE UNIVERSITY OF FLORIDA, AND SUMMER INTERN, FOR DEVELOPING THE DATA AND INFORMATION, THE CHARTS, AND OTHER CONTRIBUTIONS TO THIS REPORT.

HEARD IN THE LOAN COMMITEE

"We here at FNBSM pride ourselves on keeping an open mind and doing our best to think outside the box in order to meet our clients' needs. We have set goals to continue growth of non-owner occupied Commercial Real Estate in our portfolio while using traditional underwriting criteria with a keen eye on cash flow. Superior service and a very quick turnaround are our keys to success."

Veronica Flores, Executive Vice President, First National Bank of South Miami

"The 'human side of banking' means that we have a culture of reaching out to fulfill the needs of each client. We find financial solutions to help manage and grow our clients' business. We actively lend across all lines of business, with competitive rates and terms on commercial real estate, C&I and small business loans."

Israel Velasco, Florida Region Executive, Popular Community Bank

"Florida has recorded three consecutive years of record-breaking visitation numbers and 2013 was a record year for the South Florida tri-county area hotel performance including the Florida Keys. While Ocean Bank continues to be a major provider of all types of commercial loans, we have been a major and active player in the Hotel product market. Our focus is primarily on flagged hotels with financially strong sponsorship and experienced management; we also have financed a few considered "boutique" properties as well. Since 2012 and through today, we have financed over 20 properties for an aggregate dollar amount of approximately $250 million and we currently have an active "pipeline"."

Sam Monti, Executive Vice President and Chief Credit Officer, Ocean Bank.

"Capital is aggressive and continues to evolve as more competitive as we move deeper into the current cycle. New sources continue to emerge creating challenges in finding the best source for the opportunity and structuring a loan that is strategically aligned alongside the hold period of an operator's investment strategy."

Charles Foschini, Vice Chair, CBRE Capital Markets

"The current financing environment for commercial transactions has brought a substantial increase in activity for TotalBank over the course of the last twelve months. Committed to quality commercial real estate, TotalBank offers competitive rates, terms and a variety of options for both refinancing and purchasing. Owner occupied and income-producing properties with strong cash flows and experienced operators continue to have an edge and greatly benefit from our products and our services."

Omar Ojeda, SVP/Director of Small Business Lending, SBA Department

METRO 1 SETS THE STANDARD WITH METRO1.COM

METRO1

WE SHAPE NEIGHBORHOODS™

ABOUT US | PRESS | BLOG | VIDEOS | CONTACT | (305) 571 9991

SEARCH COMMERCIAL | SEARCH RESIDENTIAL | NEIGHBORHOODS | M1 DEVELOPMENT | SERVICES | OUR TEAM

BROKERAGE, MANAGEMENT & DEVELOPMENT

Keyword Search GO

COMMERCIAL

WE SHAPE NEIGHBORHOODS™

VISIT METRO 1.COM TODAY!

305.571.9991 | INFO@METRO1.COM | | METRO1.COM

HELPING BUSINESS GROW

FNBSM COMMERCIAL LOANS

First National Bank of South Miami is committed to assisting you in the management of the financial needs of your business.

No matter what your business needs financing for, we have the ideal credit solution to meet those needs. We can help guide you through several financing options, as they relate to your needs.

We take pride in delivering the financing you need to help your business thrive while providing you with exceptional service at competitive rates.

PRODUCTS

Commercial Loans
Real Estate Financing
Equipment Financing
Lines of Credit
Term Loans
Small Business Loans

SERVICES

Trust and Wealth Management
Remote Deposit
ACH Origination
Merchant Card Processing
Mobile Banking
Mobile Deposit
Bank to Bank Transfers
Online Financial Management
Internet Banking
Online Bill Pay

First National Bank of South Miami

FNBSM SOUTH MIAMI 5750 Sunset Drive

FNBSM THE FALLS 8941 SW 136th Street

FNBSM GABLES 3399 Ponce De Leon Blvd

305.667.5511 | **www.fnbsm.com**