

CRITTENDEN
REAL ESTATE FINANCE CONFERENCE
SMALL BALANCE LENDING TRENDS

Research Presented by:
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Boxwood Means, LLC

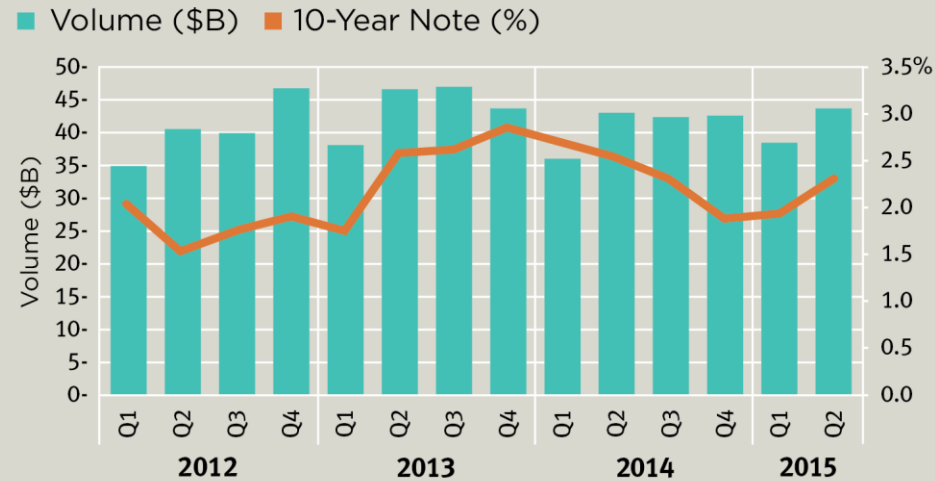
September 17, 2015

COMPANY BACKGROUND

- 📄 Specialists in CRE valuations and data analytics in the small commercial property and loan markets since 2003.
- 📄 Deliver 500 valuation reports per month to bank and non-bank lender-clients nationwide via SmallBalance.com
- 📄 Proprietary analytics include: small commercial price indices (SCPI); forecasts; and small-cap CRE property sales and small balance originations research

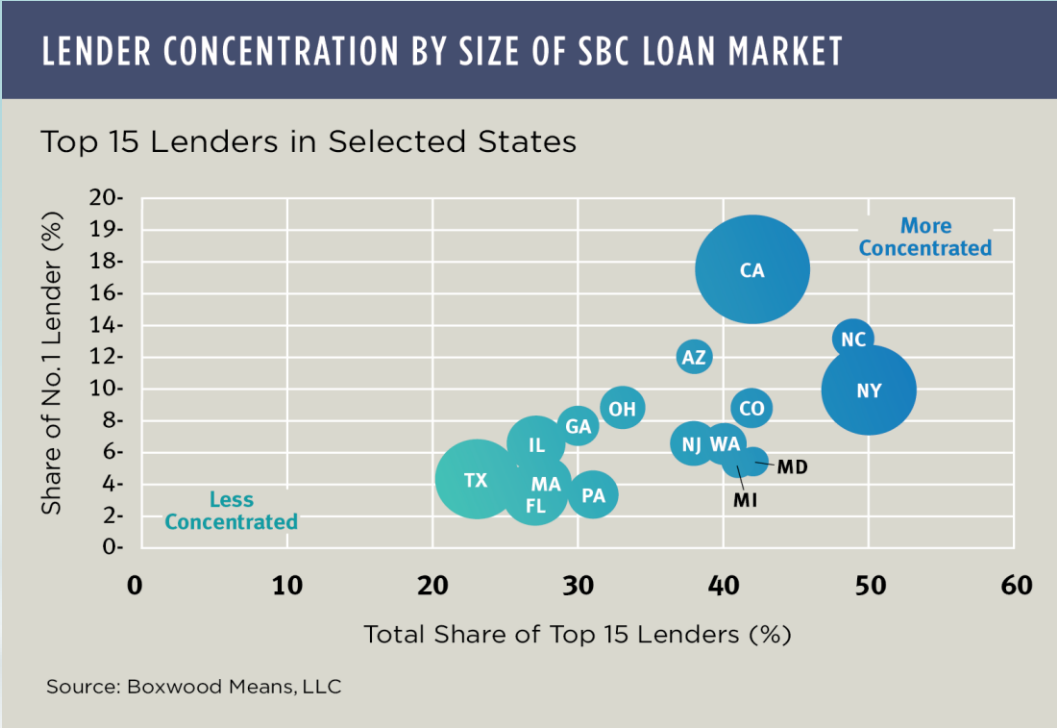
ORIGINATIONS ARE HIGHER THAN THIS TIME LAST YEAR

SMALL BALANCE LOAN ORIGINATIONS TREND



Source: Boxwood Means, LLC; FDIC

COMPETITION IS STIFF AT THE LOCAL LEVEL

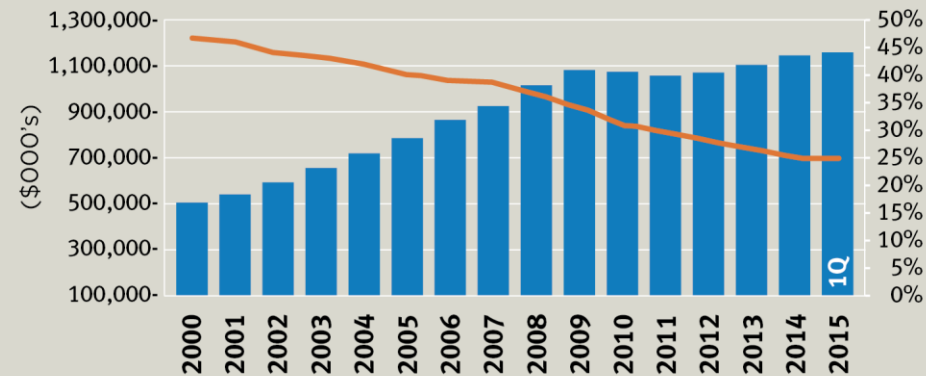


BANKS' LOSS OF SBRE LOANS IS OTHER LENDERS' GAIN

BANK SMALL BUSINESS REAL ESTATE LOANS (<\$1MM) OUTSTANDING

As Percentage of Total Non-Residential Bank CRE Loans

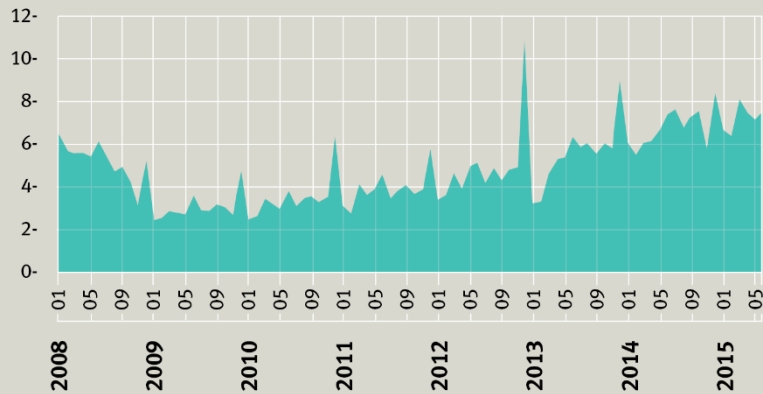
■ Total Loans ■ Small Loan Share (right axis)



Source: Boxwood Means, LLC; FDIC

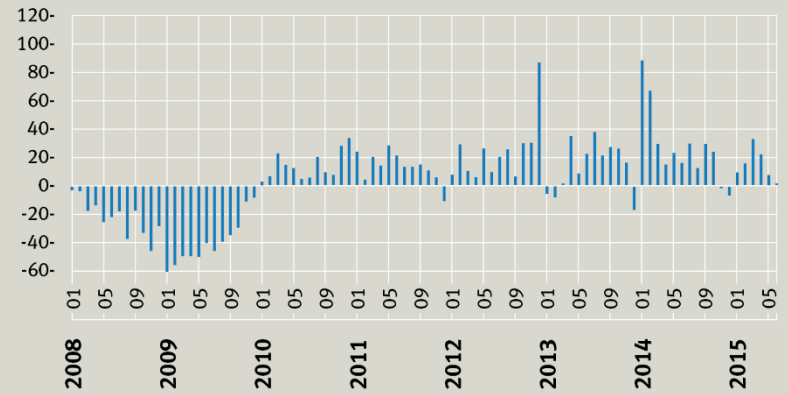
SMALL CAP PROPERTY SALES ARE ON RECORD PACE

SALES VOLUME TREND | Property Sales (\$B)



Source: Boxwood Means, LLC

ANNUAL CHANGE IN SALES VOLUME (%)

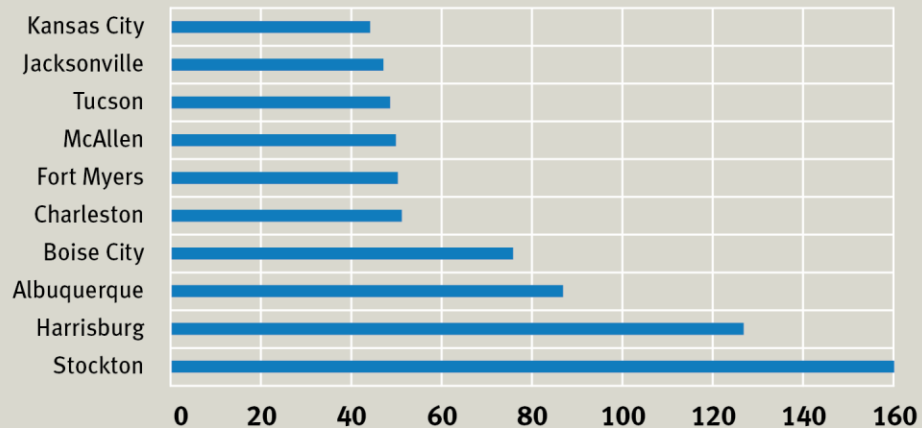


Source: Boxwood Means, LLC

STRONG SALES GROWTH IN SMALLER MARKETS

TOP 10 CITIES FOR SALES GROWTH

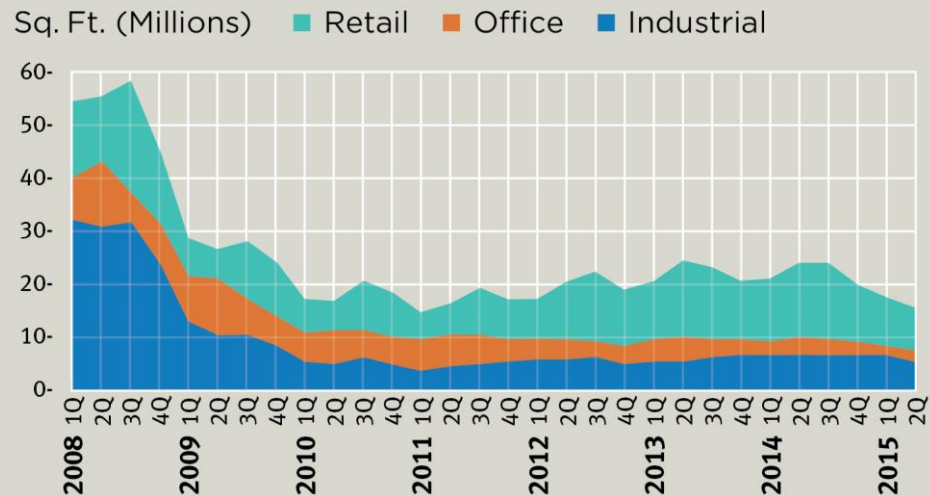
First Half of 2015 Volume vs. Last Year



Source: Boxwood Means, LLC

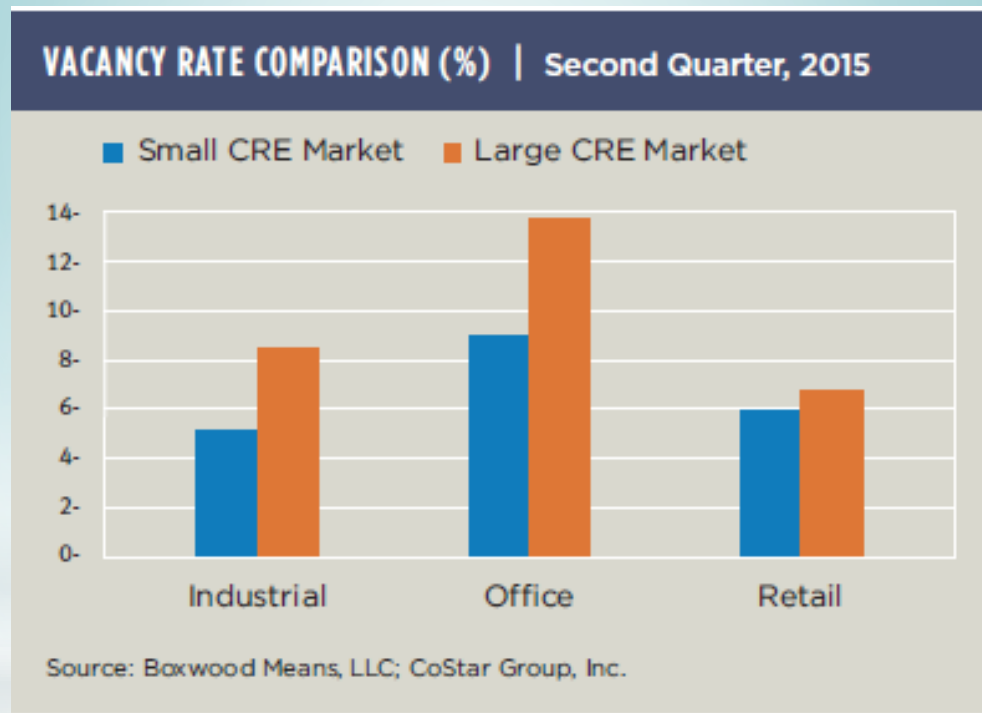
WEAK SUPPLY PIPELINE UNDERLINES MARKET STRENGTH

SMALL CAP CRE NEW CONSTRUCTION TRENDS

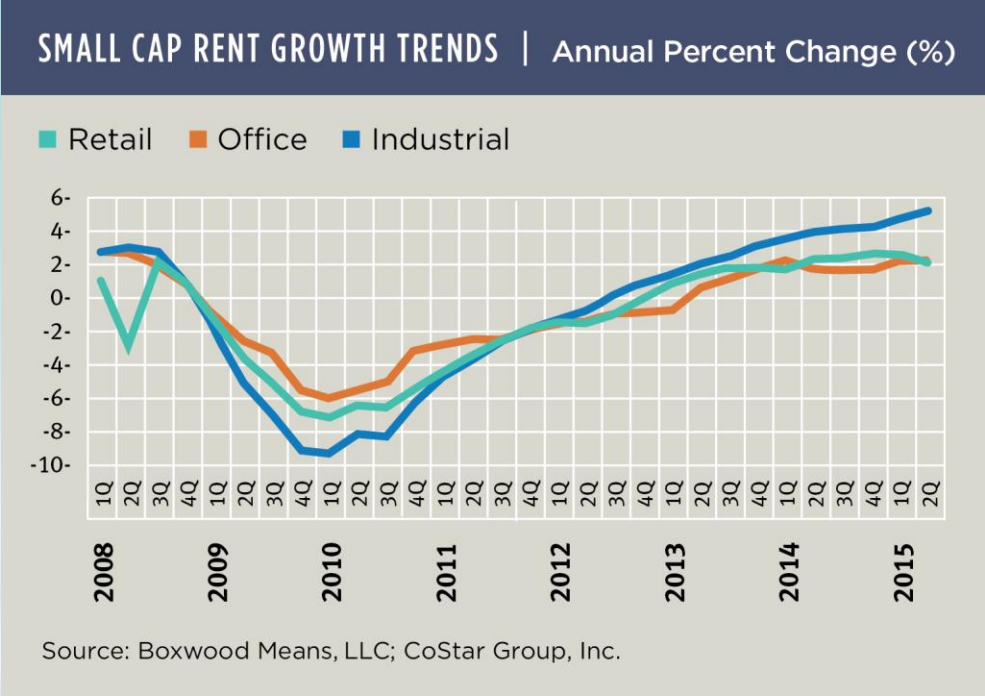


Source: Boxwood Means, LLC; CoStar Group, Inc.

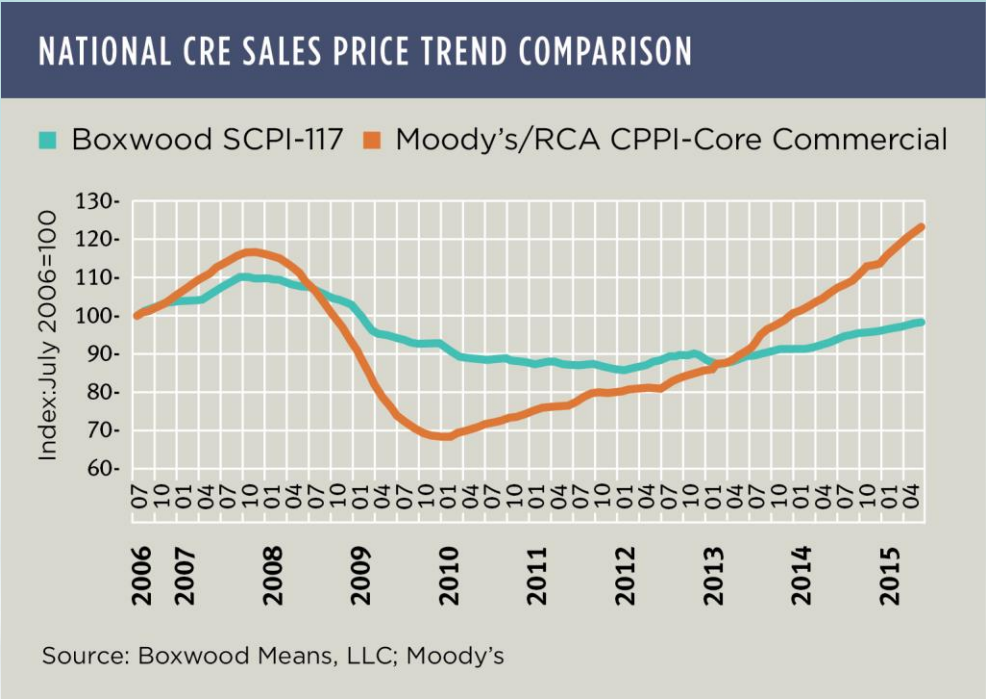
VACANCIES ARE LOW IN ABSOLUTE AND RELATIVE TERMS



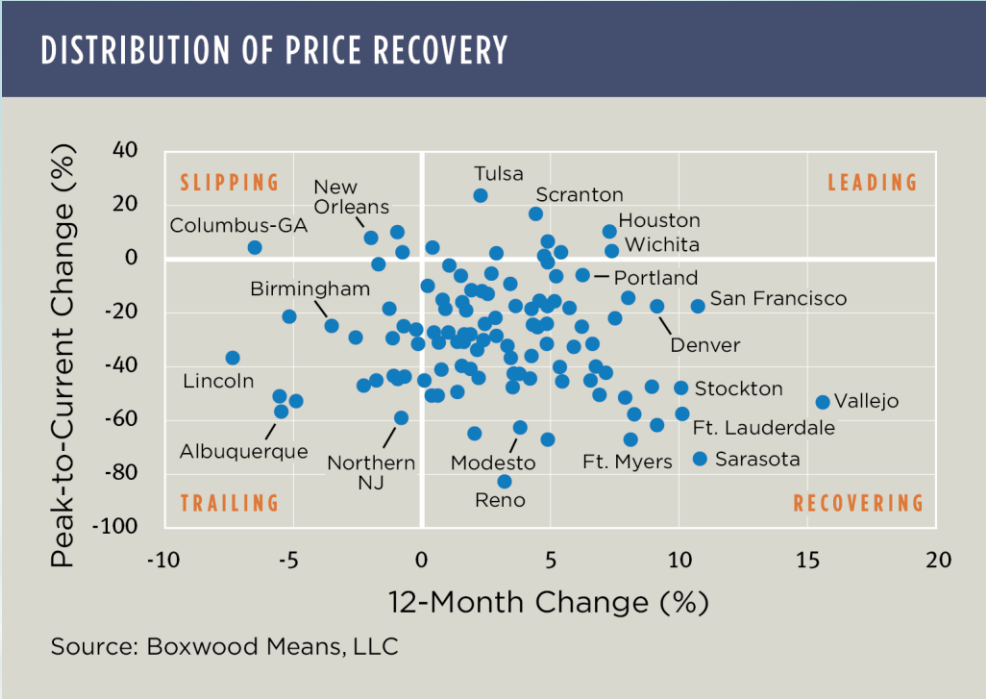
LOW SUPPLY, TIGHT VACANCIES...HIGHER RENTS



SMALL CAP PRICES ARE RISING BUT TRAIL THE INSTITUTIONAL MARKET



MOST MARKETS ARE RECOVERING, ALBEIT AT VARYING PACE



TAKEAWAYS

- Vigorous space market fundamentals will continue, bolstering investment and capital markets.
- Most favored sector: Industrial
- Originations will likely hit \$170 Billion this year but with sustained heavy lender competition for loans.
- Property sales will likely eclipse 2014's \$81 Billion as fundamental values grow more transparent.
- Small cap prices are climbing at a modest pace; will likely rescue more underwater borrowers.

Thank you.

Come visit us at our Ballroom Foyer table and pick up our latest research report

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