

BOND STREET CAPITAL NEWS

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REGIONAL MARKET UPDATE

This is the first in a series of articles by our Regional Directors providing an overview of their markets from a valuation, economic and lending perspective.

Detroit & West Michigan Commercial Market Update by Bob Henry

The Metro Detroit real estate market has seen an economic slowdown increasing vacancies across all property types. The lack of significant job growth in the area, fueled by the overall sluggish automotive industry, has reduced occupancy levels and office rents throughout all submarkets. However, many businesses are forecasting a rebound in the Metro Detroit economy in the coming years and are continuing to invest.

The metro Detroit unemployment rate dropped to 6.6 percent-its lowest level in 15 months. Meanwhile, according to the April 2007 Metro Detroit Purchasing Managers Index, the index rose 2.1 points to 56.3 and Employment moves to 58.3. For two months in a row the PMI overall index has been above 50, indicating an expansion in manufacturing activity. This growth has been driven by rising new orders, higher production, and expanding employment. Although there is currently expansion in manufacturing activity, Anthony Sanna of Detroit's Integra Realty Advisors feels **it will be a few more years before the real estate sector becomes healthy again.**

The slow pace of improvement poses challenges to the market. Corporate layoffs over the past three years, have created a significant supply of office and industrial space. **Retail space appears to be the most favored investment sub-category for yield investors, which has kept cap rates comparably low.** Apartment investment activity still remains strong, especially for Class A & B product. Owners who historically haven't been sellers are now going to market to take advantage of aggressive pricing in a struggling environment.

Anthony Sanna says while sales and leases of large office and industrial properties are sluggish, smaller companies are looking to purchase buildings in the 10,000 sq ft range. As more of this size building come on the market, prices have begun to drop to a level where it is cheaper to buy and own, then to renew a long term lease and sales are definitely increasing in this sub-market.

FEATURED LOAN PROGRAM

The Seller Second Program

Property Types: General commercial plus blanket loans on multiple SFR's, small multi's, mixed use in different locations.

Type: Permanent

LTV: Up to 75% on first and allowing for a 95% combined Loan to Value!

Program Highlight: Required borrower equity is dependent on property type and loan size. Underwritten on a combined DSCR of 1.10

RECENTLY CLOSED LOAN



\$1,230,000

Lansing Office Building
Office/Retail
Lansing, MI
Portfolio

Despite the challenges facing the southeastern Michigan real estate market, other markets around the state have enjoyed steady growth in occupancy and development. From Ann Arbor to Grand Rapids, **west Michigan is moving along at a slow but steady pace.** Grand Rapids downtown market is enjoying their highest occupancy in years and there are several downtown Class A office buildings planned.

The medical mile along Michigan Avenue is taking shape with research and bio-science companies looking for places to grow, as a result of the announcement that Michigan State University's is relocating its medical school to this area. This new addition will bring the downtown student population to nearly 40,000 students.

West Michigan is alive and well and we are aggressively lending in this area!

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Deal Challenges/Deal Solutions

23 Days to Close - Only 5% Down!

The Challenge: The Borrower wants to buy a 24 unit (twelve duplexes on one parcel) property with **5% down and must close by year end.** The seller who has tax consequences set the timetable and would NOT close after the year end. Seven appraisal firms were initially contacted but none could deliver in time. Another major problem: **the out of state borrower only had 5% to put into the deal** knocking him out of almost all conventional programs!

The Solution: First, to deal with the 5% down, we put the borrower into our high leverage program CLTV program providing a competitively priced 75% first and permitting the 20% seller carry back. With that problem solved, how can you get an appraisal done on time in a small community at year end? With a team of over 55 Branch and corporate offices, Bond Street called on our Branch Office closest to the property to call in a favor from a local appraiser. Our local office got the deal pushed to the front of the line. The appraisal was received in two weeks and **the loan funded on December 31st.**

The Result: A VERY HAPPY BORROWER!

Interest Rates	
Index	Current Rates
Prime	8.25%
1 Year T	4.93%
5 Year T	4.74%
10 yr. T	4.81%
30 yr. T	4.97%
1 Mo. Libor	5.32%
3 Mo. Libor	5.35%
1 year Swap	5.35%
30 year Swap	5.49%

DETROIT QUICK STATS

	Changes From Last		
	Current	Yr.	Qtr.
Vacancy	24.43%	Up	Up
Lease Rate	\$19.46	Dwn.	Dwn.
Net Absorption	-27,899	Up	Dwn.
Construction	162,800	Ntrl.	Dwn.

Join Team Bond Street

We are looking for experienced commercial loan originators that want to help service our growing customer base. We also offer Branch Office opportunities for select companies.

Please contact **Ned Hosken at 818-336-4107** for information.

Bond Street Capital

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