

Credit spreads shown are averages based on market rate conclusions for independent debt valuations conducted as of March 31, 2021. The market spread for an individual loan may vary based on property and loan characteristics, including, among others, location, tenant profile, cash flow, and sponsorship.

Fixed-rate loans (<50% LTV)

Property type	Q1 2021 Avg. market spread	Q4 2020 Avg. market spread	Quarterly change
Apartment	1.58%	2.25%	-0.67%
Hotel		Insufficient Data	
Industrial	1.44%	2.12%	-0.68%
Office	2.12%	2.77%	-0.65%
Retail	2.71%	3.26%	-0.55%

Fixed-rate loans (50%-60% LTV)

Property type	Q1 2021 Avg. market spread	Q4 2020 Avg. market spread	Quarterly change
Apartment	1.50%	2.17%	-0.67%
Hotel	3.45%	4.01%	-0.56%
Industrial	1.55%	2.19%	-0.64%
Office	2.12%	2.76%	-0.64%
Retail	2.74%	3.28%	-0.54%

Fixed-rate loans (60%-75% LTV)

Property type	Q1 2021 Avg. market spread	Q4 2020 Avg. market spread	Quarterly change
Apartment	1.73%	2.33%	-0.60%
Hotel	3.71%	4.23%	-0.52%
Industrial	1.60%	2.21%	-0.61%
Office	2.21%	2.91%	-0.70%
Retail	2.83%	3.40%	-0.57%

Floating-rate loans¹

Property type	Q1 2021 Avg. market spread	Q4 2020 Avg. market spread	Quarterly change
Apartment	1.89%	2.11%	-0.22%
Hotel		Insufficient Data	
Industrial	2.06%	2.32%	-0.26%
Office	2.27%	2.47%	-0.20%
Retail	3.03%	3.03%	0.00%

1. Floating-rate data includes senior, bridge, and construction loans. Floating spread ranges vary depending on property type, loan type, LTV/LTC, and other underwriting metrics.

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Base rates

Index	Quarter average			10-day average			Quarter end		
	Q1 2021	Q4 2020	Change	Q1 2021	Q4 2020	Change	Q1 2021	Q4 2020	Change
5-year T	0.62%	0.37%	0.25%	0.87%	0.38%	0.49%	0.92%	0.36%	0.56%
10-year T	1.34%	0.86%	0.48%	1.69%	0.94%	0.75%	1.74%	0.93%	0.81%
5-year swap	0.71%	0.43%	0.28%	0.96%	0.44%	0.52%	1.05%	0.43%	0.62%
10-year swap	1.36%	0.86%	0.50%	1.70%	0.94%	0.76%	1.77%	0.92%	0.85%
1-month LIBOR	0.12%	0.15%	-0.03%	0.11%	0.15%	-0.04%	0.11%	0.14%	-0.03%

Underlying data

Chatham Financial provides independent debt valuation services for a variety of commercial real estate entities including open-end and closed-end private equity funds, separate accounts, private REITs, debt funds, public REITs, and private equity fund daily priced investment vehicles. The information in this report represent averages of market rate and spread conclusions on 1,346 loans. The loan population used for this analysis was limited to loans valued in both Q4 2020 and Q1 2021 with a current date of value as of March 31, 2021, and for real estate investments located in the United States.

Market rate methodology

For the purpose of measuring the fair value of debt, the market rate conclusions represent the most likely lending rate for each individual loan given capital markets and property performance as of the date of value. Considerations in developing a market rate conclusion include property type, location, loan to value ratio, property performance, debt service coverage, and term. Capital market conditions are determined through an observation of recent and applicable loan originations as well as interviews with lenders, capital markets teams, and other market participants.

Spread calculations

The spreads referenced in this report are calculated by subtracting the origination term base rate as of the last business day in the quarter from the market rate conclusion for each loan. For instance, if the market rate conclusion for a 10-year loan is 3.50% and the 10-year Treasury yield as of quarter-end is 1.00%, the implied spread used for this analysis is 2.50%. The average of these spreads are then aggregated by property type and LTV for reporting purposes.

Loan specific considerations

This report is intended to be a reference and guide for general trends in commercial real estate lending markets. Adjustments to the reported spreads are likely necessary for the purpose of marking debt to market to account for loan and property specifics including nuances such as embedded floors, open prepayment periods, the remaining term of the loan, lender type, and individual property performance.

Additional resources

Resources on debt and capital markets as well as debt valuation best practices and white papers can be found on [our website](#). To learn more about our independent debt valuation practice or to speak to a valuation professional, please contact Chatham's Valuations team at valuation@chathamfinancial.com.

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