Multi-Family Loan Update

June 5, 2000

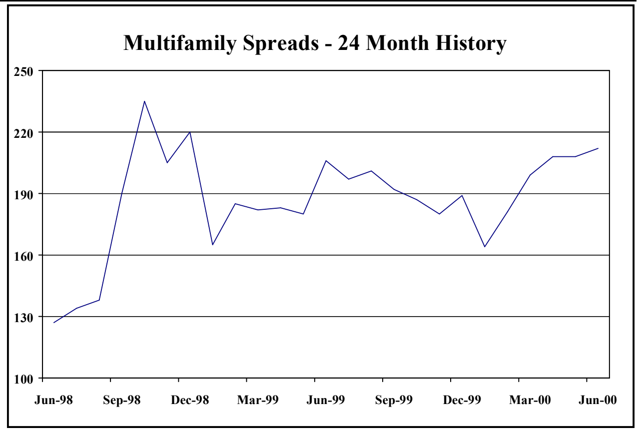
The first five months of the year are complete and it looks like we better get used to higher rates. The 10-year Treasury is fluctuating between 6-6.5%, and multifamily spreads have stabilized in the low 200's. Multifamily rates have remained between 8-8.5% for May. However, most experts expects treasuries to increase to at least 7% by mid-summer meaning multifamily rates will tip 9% before too long.

The most interesting phenomenon of the current marketplace is the compression of rates for low LTV or long term financing. In the past few years, we have seen significant reductions in spreads for lower LTV's. However, with the strong demand for multifamily loans and the implicit floor on rates created by alternative investment opportunities (AAA CMBS or corporate bonds), we see a smaller reductions in spreads for lower LTV transaction. For example, a 65% LTV transaction is typically priced at 180-190 vs. 200-210 for a full 80% deal.

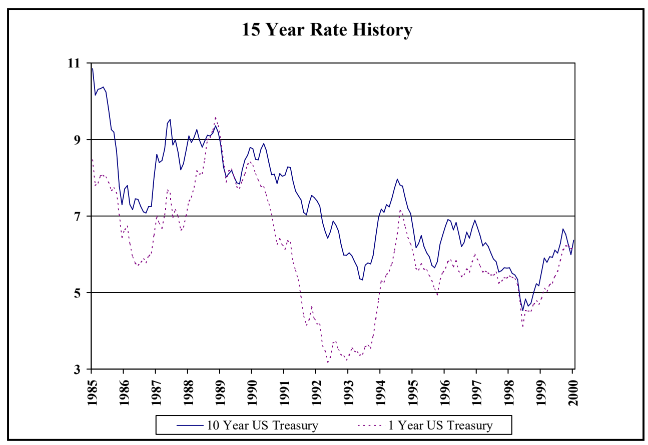
Similarly, the price of longer term financing has dropped since the yield curve has inverted. The cost of a 10 year fixed rate loan is almost equal to the initial rate for a floating rate LIBOR deal. We also have seen Freddie Mac offering quotes for 25 or 30-year fully amortizing loans at a scant 20-30 bps higher than a 10-year loan. In our opinion, this seems like a bargain.

At this time, we see the multifamily finance market in a very competitive situation. Spreads for conduits, the agencies and life companies are very close, though conduits using an actual/360 calculation are effectively quoting a higher price. Most deals seem to be pricing at between 200 bps to 220 bps for a 10-year deal. HUD 223 (f), HUD's refinance program, is also within that range. With prime at 9.5%, the banks are the highest pricing entity, but we still hear about individual banks quoting rates between 8 1/2% - 9%.

As our survey shows, spreads have been relatively flat for the last month, and despite the 50 bps increase by the Fed, the 10 year Treasury is down slightly, resulting in a moderate reduction in multifamily rates. The best rates are still coming from the agencies, but given the small difference between quotes from all market participants, we recommend borrowers get multiple quotes for each deal to ensure the best price.



Market Rate Watch			
	6/1/00	Last Month	Last Year
Fed Funds	6.81%	6.03%	4.45%
30 Day LIBOR	6.66%	6.70%	
1 Year Treasury	6.34%	6.25%	4.96%
5 Year Treasury	6.52%	6.77%	5.58%
10 Year Treasury	6.28%	6.56%	5.62%
30 Year Treasury	6.01%	6.32%	5.83%
Prime	9.50%	9.00%	7.75%
"AAA" 10-YR CMBS	176 Bps	163 Bps	111 Bps



Multifamily Spreads/Rates					
	Floating Rate			Fixed Rate	
	Index	Spread	Initial Rate	6/1/2000	Last Month
Freddie Mac	30-day Libor			190-210 BPS	190-210 BPS
Fannie Mae (DUS)	30-day Libor			8.50%-8.70%	8.50%-8.70%
Conduits	30-day Libor			200-230 BPS	200-230 BPS
Life Company Loans	90-day Libor			190-230 BPS	190-230 BPS
HUD (223 (f))	-			8.25%-9.00%	8.25%-9.00%
Banks	30-day Libor			8.50%-9.50%	8.50%-9.50%

- Based on current market survey and index rates as of 6-1-00. Rates/Spreads for a fixed rate loan are based on a typical 10-year term, 25-30 year amortization with a 75%-80% LTV

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