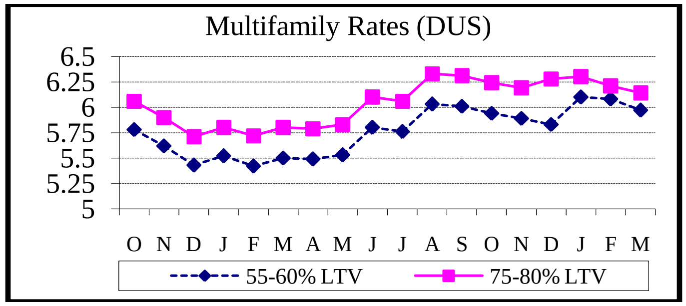
Key Rate Indices	Current	Last Month	Change
Fed Funds Target	0.25%	0.25%	-
Prime	3.25%	3.25%	-
1 month Libor	0.45%	0.41%	+ 9 Bps
6 month Libor	1.80%	1.63%	+ 17 Bps
12 Month Treasury	0.72%	0.51%	+ 21 Bps
5-Year Treasury	1.99%	1.75%	+ 24 Bps
10-Year Treasury	3.02%	2.76%	+ 26 Bps



Rate Update

I spent much of this week listening to experts discuss the state of the commercial real estate industry, the lending market and the economy. Since no one has a real handle on the current market many industry groups such as Marcus and Millichap and Reis are now doing regular updates. I find these conversations interesting, but I am not sure we are really learning much from the discussions given that the market is changing so quickly.

The interest rate market has bounced around quite a bit this month with the 10 year finishing the month 26 Bps above at the beginning of the month. On the short end 1 month LIBOR is up only 9 Bps. The 10 year treasuries have fluctuated during the month moving in a 40 Bps range. However, multifamily mortgage rates have stayed relatively stable. Lenders seem to be setting rates on a nominal basis and not based on a set spread above the index

On smaller loans (under $3 million) rates are generally available in the mid-5% range for 3 year loans, just under 6% for 5 year loans and mid-to-upper 6% range for 10 year loans, when you can find them. For larger properties 3 and 5 year loans are harder to find but available at just under 6% and 10 year loans are available in the low to mid-6% range.

The biggest surprise to me is that rates are this low. While spreads are relatively high compared to historical ranges, most borrowers are not in the market to just lower their rate. Today's borrower has a capital event forcing them to finance. For these borrowers the issue is not what the rate is, but will you lend me enough funds to pay off my existing loan or purchase the property. These decisions are mainly based on LTV levels and the lenders perspective of value (see MFLoan Blog). Lenders could charge higher rates and still win the business.

Whatever the rate or loan amount the issue today is really who is lending. Despite significant pressure on national banks, many just don't have the capital or are too worried about the future to actually make a loan. The multifamily lending market consists of smaller community banks and agency lenders with an occasional regional or national bank doing a very conservative loan for a top borrower. With the dearth of lending sources borrowers have a very difficult time finding a lender.

The most positive news I have heard recently is the expansion of TELF (part of the government bailout) to include AAA Commercial Mortgage Backed Securities. In itself this won't bring back the CMBS market, but does show that the government understands that banks are not the only lending source for commercial real estate. Banks can not fill the lending void left when the capital markets imploded and additional lending sources need to be created (or re-created) in order to maintain a healthy lending marketplace.

MFLoan-Blog –
Apartment Values are dropping and taking your loan with it

In the past much of the discussion about financing apartment projects, or any commercial real estate, was what loan to value (LTV) will the lender accept. While that was, and still is, an important question, it's not the most important question. The most important question is what is the value of your property?

In today's market there are lots of properties available, but there are fewer sales than in the past and those sales that are occurring are generally distressed in some way. Either the borrower is being forced to sell because of a capital event or the lender is selling a property they took back from the borrower. Most owners are holding on to their properties and view the current market as a short (maybe medium) term dip. They don't have to sell today and therefore feel this drop in values doesn't affect them. Continued at our blog - http://mfloan.wordpress.com/

Please visit our blog for articles and weekly updates on the current multifamily financing marketplace.

Multifamily Spreads/Rates*				
	Loan Terms		Fixed Rate	
	Min. DSC	Max. LTV	5-Year	10-Year
Freddie Mac	1.25x	70%-80%	5.75% - 6.25%	5.90% - 6.50%
Fannie Mae (DUS)	1.20x	75%-80%	5.65% - 6.25%	5.75% - 6.25%
Life Companies	1.30x	65%	6.50% - 7.50%	6.25% - 7.75%
Banks	1.20x	75%-80%	5.50% - 7.00%	6.25% - 7.00%
* Based on informal survey of lenders. .				

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