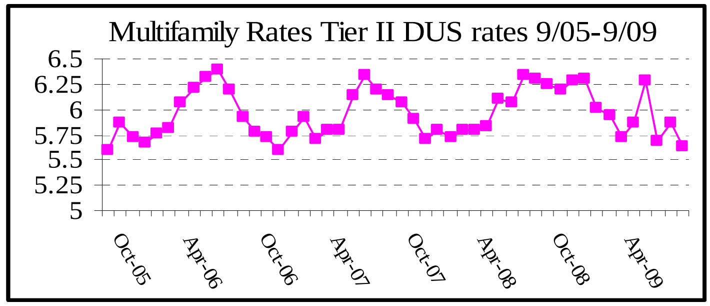
Key Rate Indices	Current	Last Month	Change
6 month Libor	0.76%	0.93%	-17 Bps
1- year Libor	1.33%	1.50%	-17 Bps
Prime	3.25%	3.25%	-
Fed Funds	0.25%	0.25%	-
1 year CMT	0.44%	0.50%	- 6 Bps
5-Year Treasury	2.40%	2.51%	- 11 Bps
10-Year Treasury	3.40%	3.48%	- 8 Bps



Rate Update

Much to my surprise the recent treasury auctions have been strong. It seems foreign borrowers are still interested in U.S. Government debt and the Fed has indicated they will keep rates low for the foreseeable future. This means treasury rates are down across the board, on both the short and long securities.

Everyone seems to think we are out of the woods and the economy is strengthening. The stock market is up and the discussion is all about the economy starting to grow. Experts are saying the recession is over. That may, or may not, be true for the larger economy, but commercial real estate its clear we have not hit the bottom. Office and Retail property cash flows continue to weaken and multifamily properties are still seeing higher vacancy rates, pressure on rents and increasing expenses.

For all types of commercial real estate including multifamily the buy-sell equation is still in imbalance. The number of sales has started to increase, but most sales seem to be distressed properties, either from banks or with bank short sales. The only exception to this is sellers who are strategically selling to create a cash hoard in order to take advantage of future deals. For the most part sellers still seem to think their properties are worth more than the market is indicating and most buyers are still waiting for lower prices before they start getting serious..

As for commercial lending the only glimmer of activity in the commercial estate lending area continues to be multifamily. For multifamily properties loan options are still relatively plentiful and rates are very good. In fact current rates on larger loans (those by Freddie, Fannie and FHA/HUD) are at or near lows for the last 18 months. Spreads have seemed to have stabilized and rates, at least for agency debt, are as low as they have been in the last 4 years with 10 year loans at 5.5% and 5 year below 5%. I don't expect rates to go much lower even if treasuries drop. You are also seeing some pressure on Freddie and Fannie to make deals work. While they are still conservative compared to '07, they are more aggressive than they were earlier in the year.

Because of their ability to get leverage FHA/HUD still seems to be the lender of choice. Their rates are unbelievable at 5.5% (including MIP) for a 35 year loan. The issue is that deals continue to flood into this execution. This has caused concerns about HUD insurance authorization and lengthening processing times. FHA/HUD does not have authorization to finance all the deals in process. While it is highly likely congress will approve additional authorization there is nothing to stop them from increasing the MIP when doing so. More importantly the flood of business is causing a slowdown in processing times as good HUD processers, appraisers and other professionals are overwhelmed with work. This has caused processing times on 223 (f) deals to lengthen from the traditional 4-6 months to 6-8 months and in some cases longer.

The news for smaller properties (under $5 million) typically financed by banks is not as positive. The options are fewer and the rates are not as good. More banks seem to be cutting back on lending or offering more conservative terms. The good thing is rates are staying steady in the 6% - 6.5% range. Also, if you have a property over $1 million you may be able to get a Fannie Mae small loan from one of the few lenders offering this execution. These loans carry a yield maintenance prepayment premium, but are offering rates in the mid to high 5% range.

With rates at recent lows it's probably a good time to think about financing. If you have a loan that's able to be refinanced in the next 18 months I suggest you start looking at lending options today. It's possible we will see slightly lower rates, but I think it is unlikely. Additionally, there is some concern about the future of Freddie and Fannie. We know they are supporting the multifamily business today, but if that changes we don't know who will replace them or if they will have as attractive rates.

MFLoan-Blog – The difference between 30/360 and actual/360 and why should you care? Do you know how your lender calculates your monthly payment and amortization schedule? It's not as simple

Multifamily Rates*				
	Loan Terms		Fixed Rate	
	Min. DSC	**Max. LTV**	**5-Year**	**10-Year**
Freddie Mac	**1.25-1.40x**	**65%-80%**	**4.50% - 5.50**	**5.50% - 6.00%**
Fannie Mae (DUS)	**1.20-1.40x**	**70%-80%**	**4.50% - 5.50**	**5.50% - 6.00%**
FHA/HUD	**1.175%**	**85%**		**5.50% - 6.00%**
Life Companies	**1.30-1.50x**	**65%**	**6.00% - 7.50%**	**5.75% - 7.50%**
Banks	**1.20-1.30x**	**70% - 75%**	**5.75% - 7.00%**	**N/A**

* FHA loans are 35 year fully amortizing and include MIP. Data is based on informal survey of lenders. .

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If you would like additional information on multifamily rates or are looking for a loan on any type of apartment project please give me a call at 847-421-2217 or send me an e-mail us at Aklingher@mfloan.com