***Greetings from Miami*,**

If you wanted to know if that is a light or a train at the end of the tunnel, ask the conductor, Ben "choo choo" Bernanke. He continues to remain tight lipped over the economy and the 25 bpt reduction in the fed funds rate will likely be the last move until the end of summer, or until gas hits $5/gallon and his Smart Car is delivered. Well enough of the levity.

Actually there has been good news in the financial markets as of late; the logjam of CMBS transactions on lender's balance sheets is starting to move into the market with increased success. Investors and B piece buyers are still being very cautious, but with commercial default rates under 3%, deals are getting done. The majority of the commercial transactions are being closed by local and regional banks and the terms are slowly being loosened. However, since no lender wants to recommend something construed as "career damaging", most transactions are taking much longer to underwrite and close, i.e. 75 to 90+ days. The strength of borrower's cash flow, credit capacity and track records have continued to be the keys in getting deals done, as has increased patience in dealing with particular lender nuances and documentation.

Acquisition fundamentals are similar, as strong cash flow and solid tenanted buildings are being quickly added to pension fund and long term investor portfolios, at cap rates 75 to 100 bpts higher than last year. Outside of the condo construction euphoria, commercial construction activities over the past three years have been tempered by conservative underwriting. Thus, oversupply resonates only in the residential markets, which bodes well for commercial activities to rebound in our soft economy. Speculative commercial buyers are non-existent with the lack of interest only, high leveraged financing available and the vulture funds looking to buy condos in bulk are not achieving the return expectations so most of these transactions have stalled.

Current, mortgage spreads (as of, 6/10/08) in basis points are listed below.

	Banks	**Life Co.**	**CMBS**
Multifamily	P+ 25 / L+200-250	T+220-265	T+250-275
Office	P+ 50 / L+225-275	T+240-285	T+300-355
Retail	P+ 50 / L+225-275	T+235-285	T+285-340
Industrial	P+ 50 / L+200-250	T+230-275	T+285-325
Hospitality	P+ 100 / L+250-325	T+285-325	T+325-385

Prime is **5%.**	(30 days ago, **5%**;	6 months ago, **7.5%**;	1 year ago, **8.25%**)
Libor (30 day) is **2.48%.**	(30 days ago, **2.55%**;	6 months ago, **5.24%**;	1 year ago, **5.32%**)
T-Bill (10 yr) is **4.10%.**	(30 days ago, **3.73%**;	6 months ago, **3.51%**;	1 year ago, **4.73%**)

As illustrated, the CMBS spreads have come down approximately 75 bpts in the last 60 days, but they remain volatile, the preferred asset class remains apartments, as the Agencies are scrambling for quality assets. The banks have shown increased activity, but are still being selective with clients and the attractive loan terms. The lower rates are being offset by full recourse and more structured transactions, including the lucrative swaps to fix interest rates.

Our investment banking and equity sources are excellent, as banks, pension funds, life insurance companies and niche hedge funds are consistently giving us access to their limited pockets of low interest, short term and long term funds. We focus on high quality clients and their financial needs including loan structuring, loan placements and financial consulting. Our website, www.CapitalQuest.net includes a News Section to keep you abreast of the ever changing market conditions and provides insights to financing opportunities.

As always, continued success in 2008 and we look forward to being a part of it.

John and the CapitalQuest Crew.

Remember, no matter how much milk is shaken, cream rises to the top.
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