



*Greetings from the corner office in Miami.*

While ChatGPT is nice, it tends to miss a lot of the granular nature of the real estate business, which is exactly what we intend to provide. We are in the PEOPLE business and our focus is to wade through the weeds, jump into the deep end of the pool and provide market insights and solutions for all your real estate needs.

### **Hot Takes**

- Short term interest rates are coming down over the next 6 months (we expect cuts of a total of 75 bpts). However, these cuts are already priced into the long-term rates, i.e., 5-10 year bonds. We expect the 10 year treasury to remain in the 3.9% to 4.15% band, in that timeframe. The sweet spot today, for real estate financings, is 5 years, with most transactions priced in the low to mid 5% ranges.
- Apartment and industrial products will continue to be the best hedges for inflation. Office and retail have maximized occupancies and there is a heightened sense of volatility in the coming 6 months, as tariff passthroughs are becoming permanent and job reports show fragility in the labor markets.
- Real estate has always been location, location, location, but now, a big factor is also timing. Spreads have significantly compressed, as dollars are chasing deals, but there is a continued focus on the quality of the assets; and rigorous underwriting and due diligence, at the forefront, when evaluating them. Transactions are taking much longer from inception, so start the process early. We encourage our clients to deal with professionals, in order to move to the finish line and close.
- Lastly, match assets with liabilities; fixing rates now, will have long term benefits, given the inverted yield curve. We continue to press clients hard on this, as stabilized assets should be funded on a longer-term basis. Then, the focus can be on revenue generation and expense curtailments.

### **Key Rates**

Interest rates have remained in a 25 basis point range, on the long end, and the yield curve remains inverted. Again, spreads coming in, have been the stimulus for transactions to be consummated.

**Prime**        **7.25%.** 30 days ago, **7.5%**; 90 days ago, **7.5%**; 1 yr. ago, **8.5%**.  
**SOFR**        **4.14%.** 30 days ago, **4.34%**; 90 days ago, **4.35%**; 1 yr. ago, **5.11%**.  
**T-Bill(10yr)** **4.13%.** 30 days ago, **4.26%**; 90 days ago, **4.38%**; 1 yr. ago, **3.72%**.

### **Permanent Financing**

Permanent lenders are compressing spreads to facilitate deal flow, but the underwriting is rigorous. Bank pricing is in the 5.25%-5.75% ranges, for most commercial products on 5 year loans and recourse is the norm. Leverage is up to 70% LTVs for commercial properties and 75% for multifamily. Non-recourse is limited to lower leveraged, stabilized assets, with excellent track records. Pension funds and life company spreads are tighter, but the focus remains on high quality, stabilized assets. CMBS is in the 6% to 6.25% ranges on all product types, with low LTVs and again, rigorous underwriting. Agency

lenders are the most active, consummating 75% of the apartment transactions, with rates in the 4.75%-5.25% ranges.

### **Construction Financing**

Construction lending is down significantly, as developers and general contractors are still finding it hard to pin down costs. Labor costs are high and there are shortages. Vendors are doing their best to absorb a portion of the tariffs, but the higher passthroughs are commencing. Recourse is standard, which allows for the most favorable pricing and pricing is in the range of SOFR + 225 to 275. Non-recourse loans are pricing at SOFR + 300-425, with LTCs of 55% to 60%.

### **Bridge Financing**

Bridge lending has been very active, with tightening spreads and an increased appetite for construction lending and unique products. Increased competition in this sector has been the root cause, with many developers opting for the higher rates and structure flexibilities (non-recourse, earn-outs and higher LTVs). Pricing starts at SOFR + 275-425 for 1-2 year transactions.

### **Mezzanine & Preferred Equity**

Mezzanine loans, B-notes, and preferred equity capital providers are available, but the execution has been very selective. Bridge financing and C+PACE (equipment and retrofit items) lending options have replaced much of this portion of the capital stack.

### **CapitalQuest Outlook and Commitment**

Take advantage of the volatile interest rates **NOW** and match assets with liabilities. The best options today are fixed 5 year transactions, to mitigate the volatility in the long-term markets.

We efficiently structure, execute and get business done. Our decades of institutional experience and focus, enables us to provide accurate and timely solutions in the areas of: Loan structuring, loan placements, financial advisory, asset sales and loan sales/dispositions. Our investment banking and equity relationships are superb, as banks, bridge lenders, 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.

Our focus has always been on our clients, if you need guidance, reach out and we will use our 38+ years of experience and skills to get it done, quickly and efficiently. To all, continued and lasting success.

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

*- JPM -*