***Greetings from Miami*,**

Hurricane season is upon us and Florida appears to have dodged the latest threat, Ike. But as Yogi Berra says "It aint over till it's over" with Texas and Louisiana likely feeling the brunt of storm.

While the pending election is too close to call, the FED is expected to keep rates were they are throughout the end of the year, as the economy continues to remain stagnant and jobless rates and layoffs are climbing. The breaking news is that Fannie Mae and Freddie Mac have been placed in conservatorship, which will add short run liquidity and stability to the housing crisis and bond markets. However, there will likely be a ratcheting back in the next 12 months of financial products and loan terms for single family homes. The intervention occurred as bank portfolio's and reserve allocations were flush with Fannie/Freddie notes and further declines in the bond markets would have been crippling. Now to the good news…….

What's HOT: Medical office buildings; Apartments and Industrial buildings.

What's NOT: Development loans and Land; Office Buildings, Hospitality and non-grocery anchored or low sales/SF anchored retail (Gap/Sears/Pier One/Old Navy/Rite Aid/Blockbuster).

Current, mortgage spreads (as of, 9/8/08) in basis points are listed below.

	Banks	**Life Co.**	**CMBS**
Multifamily	P+ 25 / L+200-250	T+240-265	T+375-400
Office	P+ 50 / L+225-275	T+260-285	T+395-425
Retail	P+ 50 / L+225-275	T+255-285	T+390-425
Industrial	P+ 50 / L+200-250	T+250-275	T+385-420
Hospitality	P+ 100 / L+250-325	T+295-325	T+425-475

Prime is **5%.**	(30 days ago, **5%**;	3 months ago, **5%**;	1 year ago, **8.25%**)
Libor (30 day) is **2.49%.**	(30 days ago, **2.49%**;	3 months ago, **2.39%**;	1 year ago, **5.50%**)
T-Bill (10 yr) is **3.73%.**	(30 days ago, **4.10%**;	3 months ago, **3.91%**;	1 year ago, **4.65%**)

As illustrated, the CMBS spreads have gone up significantly (100 bpts) in the last 60 days, and they remain highly volatile. CMBS bonds remain clogged on investment bank's and super regional bank's balance sheets, with asset sales (bank loans) showing little stabilizing relief to portfolios. The preferred asset class remains apartments, as the Agencies (Freddie Mac and Fannie Mae) are focused on quality assets, but with the intervention, significant delays in closings are occurring. The super regional banks have shown moderate activity, with the existing relationships getting the most attention. Underwriters and credit officers have taken hard stances with new clients and lately, a swashbuckling approach with some of their existing ones, which has lead to many opportunities and new clients with the smaller, regional banks. Certainty of execution, has once again become piedmont to loan pricing and recourse. The strength of borrower's cash flow, credit capacity and track records have continued to be the keys in getting deals done.

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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