Greetings from Miami,

Now that our "StayCation" is over, we have traded in our SUVs with the cash for clunkers rebate for compacts and our kids are heading back to class, it is time to engage in the real stimulus to our economy, commercial real estate transactions.

The recession is now starting to appear in our rear view mirror and the business climate is beginning to brighten. For the last 12 months, the conduit market has been frozen, insurance companies tended to their portfolios and the larger banks focused on ways to stem the flow of non-performing assets (currently, $38 Bill in non-performing bank loans) and burgeoning reserve increases. They did so by curtailing lending and moving most assets to cited rather than non-performing classifications. The smaller regional banks continued to lend, but on a very selective basis, adding rigidity to underwriting and limiting transactions to under $15MM. The term "zombie loan" was created to denote a $15MM+ loan that was performing, but unable to be refinanced under virtually any terms because of the lack of financing. These loans remained in existing portfolios as short term extensions and modifications were granted, which has now led to the $250 Billion in loans needing to be refinanced over the next 12 months.

Below are our expectations and recommendations for the next six months.

- Industrial assets have surpassed apartments as the strongest asset class in the commercial sector. Cap rates for both are in the low 8s, followed by office (mid 8s) and retail (high 8s) in South Florida, while Orlando (-25 bpts), Tampa (+25 bpts) and Jacksonville (+25 bpts) round out the major MSAs in Florida. Hospitality assets have surpassed 9.5% cap rates, for major MSAs, and 10%+ for all others. Nationally, the strongest markets include DC, Dallas, Denver and Baltimore. Until there is stability in the bond market and Fannie Mae and Freddie Mac finish their reorganization, apartments financing will suffer. Conventional and low income financing continues to be tied to the bond market and the Agencies ability to access and help stabilize it.

- Residential assets have bottomed. Great locations, which have dropped 15% to 25% in value, are now seeing contracts at those asking prices or premiums. Average locations, which have dropped 25% to 40% in value, are being sold by brokers in the normalized 90% to asking price ranges. Marginal single family locations and the majority of the condominium assets have taken the 50%+ reductions in values and are relegated to cash buyers or investors, with a minimum of a 2-4 year hold expectation.

- TALF monies are now being expanded to include conduit and commercial transactions, which will allow banks to remove some of the toxic assets from balance sheets and free up reserves for the regulators and lending to commence again. Midsized banks will either take advantage of this program or opt to be acquired by stronger banks at their current, bargain stock prices. Most importantly, this will add the needed stability to the bond market, allowing larger banks, Agencies and life companies to take advantage of this greater flexibility and resume lending.

- There are significant opportunities in most real estate markets today, and now is the time to capitalize on them. Work with those who are professionals, value your time and are skilled at what they do. Our clients and contacts are vast and are excellent resources. They have been built over time, through numerous successful transactions. Fostering those relationships and expanding them now will reap significant rewards as we move up the real estate cycle.

- Lastly, many of our clients have become dear friends, and I just wanted to personally thank you for the past three years and our mutual successes. It has been many of you, who have allowed smiles and laughs to enter our lives, while the financial and real estate markets had come unglued. Friendships that have endured for 20+ years are now becoming the most special of all to me.

Below you will find key financial rates and our commitment to you.

Key Rates

Prime is **3.25%.**	(30 days ago, **3.25%**; 3 months ago, **3.25%**; 1 year ago, **5%**)
Libor (30 day) is **.27%.**	(30 days ago, **.32%**; 3 months ago, **.45%**; 1 year ago, **2.46%**)
T-Bill (10 yr) is **3.48%.**	(30 days ago, **3.95%**; 3 months ago, **2.92%**; 1 year ago, **3.80%**)

CapitalQuest Commitment

We get deals done. Our investment banking and equity relationships 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 have also consulted with many of them on the disposition and restructuring of the troubled loans/assets on their balance sheets. Our focus is providing accurate and timely solutions to the financial needs of our clients from: loan structuring, loan placements, financial consulting, asset sales and loan sales/dispositions. Our website, www.CapitalQuest.net includes a News Section to keep you abreast of the ever changing market conditions and provides insights to financing and asset opportunities.

We wish you continued success in the balance of 2009 and we look forward to being and would like to be, a big part of it.

John and the CapitalQuest Crew.

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

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