Greetings from the corner office in Miami.
The real estate financial markets continue to be “catching falling knives, while riding on a unicycle, backwards, down a narrow rope, in the rain”

Hot Takes

- Rates will continue to be volatile, i.e. 50 bpt swings. Start the process early, so you can lock and close quickly; waiting for rates to move first will be highly problematic.
- Apartments and industrial will continue to be the best hedges for inflation.
- Real estate has always been location, location, location, but now, a big factor is timing.
- Match assets with liabilities; fixing rates now will have long term benefits, given the inverted yield curve.

Key Rates

Interest rates have moved significantly, leading to widening of cap rates, on all asset types and compression of loan to values. Over the last 40 days, there has been a 75 bpt. increase in Prime and another 75 bpts. is expected by year end, and there have been 100 bpt. swings (3.05% to 4.09%) in the 10 yr. T-Bill.

Prime is	**6.25%.**	(30 days ago, **5.5%**; 90 days ago, **4.75%**; 1 yr. ago, **3.25%**)
Libor (30 day) is	**3.19%.**	(30 days ago, **2.41%**; 90 days ago, **2.09%**; 1 yr. ago, **.85%**)
T-Bill (10 yr.) is	**3.82%.**	(30 days ago, **3.21%**; 90 days ago, **2.88%**; 1 yr. ago, **1.48%**)

*SOFR and Swap indices, as of late, have been very similar to Libor and T-Bills, ±5bpts.

Lending

Leverage is maxing out at 65%-75% ltvs for most transactions, however, product type, track record, structuring and underwriting are the keys to efficient executions. Clients will get 15-25 bpt. point pricing breaks with reductions in leverage, i.e., 50%-60% ltvs and some recourse flexibility. The Agencies continue to win 85% of the multi business, but will be very short of their 2022 allocations of $78 Bil. Life insurance companies, banks and capital market executions (conduits) have been very selective, as 2022 winds down.

Multis

Cap rates for multis are still hovering at 4%-4.5% and they remain the best in class for real estate. However, short-term and long-term rates are 5.75%-6.5% and ltvs have compressed to 70%-75%, putting upward pressure on cap rates.

Industrial

Cap rates for bulk warehouses are hovering at 5%-5.75%, with financing rates of 6.25%-7%. Supply chains continued to be stressed, from staffing to materials, but this is expected to be reduced over the next 6 to 9 months, as we get back to a more “normal”, albeit choppy economy.

Medical Office

Cap rates for medical offices are hovering at 5.5% to 6.25%, as large investors are heavily investing in top tier assets, close to hospitals. We have been very active in selling and financing these assets.

Retail
Cap rates for retail are hovering at 6.5% to 7% (grocery anchored 5.5%-6%), with financing rates of 6.25% to 7%. Investors have focused their attention on assets, occupied by grocery and other essential tenants. Inflation continues to be very problematic for this sector.

Hospitality
Cap rates for hotels are hovering at 7.5%-8.5%, with financing rates 7.5%-9%. Lenders are focusing on luxury hospitality or major MSA, business properties.

Charter Schools
Cap rates for charter schools are hovering at 6.25% to 6.75% and financing rates of 6.25% to 7%. Though a niche asset class, investors have seen the intrinsic value in the long-term leases with strong, annual rent increases. We have been very active, selling and financing these product types.

Cold Storage/Mini Storage
Cap rates for these assets are hovering at 5.5%-6.5%, with financing rates 6.25% to 7%. Both are considered more operating businesses and large investment firms have been purchasing/investing in these industries.

CapitalQuest Outlook and Commitment
Take advantage of the volatile interest rates **NOW** and match assets with liabilities. Do not wait, in order to forecast the interest rate market; monthly, 50 basis point swings will continue to be the new normal.

We 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 something reach out and we will use our 35+ 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.
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