***Greetings from Miami*,**

Miami hosted the annual Urban Land Institute (ULI) meeting last week to a packed house and while most of the speakers echoed somber notes, there was a lot of unity and camaraderie in the hallways between sessions. Colleagues were echoing our comments of "*We have been here before and we can get through this".* However, over the next six months, it will likely be a familiar theme from a summer family vacation "*Are we there yet?*" That will be the imposing question that the financial industry will be facing, as well as the volatile stock and real estate markets. As we wrap up 2008, here are some insights on the coming months.

- Cap rates have climbed to 7%+ for apartments and GSA transactions, with most real estate transactions trading in the 8% to 9%+ ranges. Capital is available, but LTVs are limited to 65% to 75% and fixed rates for a five year or greater loan are above 7%.

- Bank assets (REO, real estate owned or delinquent) have become very attractive acquisitions for investors with 3 to 5 year hold time horizons. The TARP ($700 Bil stimulus package) has tempered some of the quick sales, as this has allowed banks to recapitalize their balance sheets. However, there will still be great opportunities in REO assets in the next six months. Currently, residential investors are taking advantage of the short sales, as banks are unloading these condos/single family homes through auctions and foreclosure sales.

- Apartments; GSA (Govt. Leased) and Medical Office buildings continue to be the strongest assets and lender's appetites for theses classes are still solid. Office and Industrial buildings have slowed as vacancy rates have increased to the low teens in most MSAs. Moderately priced flagged hotels with strong reservation systems and management are scrambling for the remaining business traveler and short term vacationer, and margins are being squeezed at high end properties by internet sales discounting.

- Retail will likely go through a downsizing as sales continue to decline and big ticket items stay in inventories. Stores such as Circuit City, Gap, Pier One, Sears, Home Depot and Starbucks are having significant financial problems, with many stores being closed and leases renegotiated. Preholiday discounts at most large retailers have started in late October in efforts to survive into 2009. But as consumer confidence has fallen sharply in the past six months, store closings and early year bankruptcies will continue to occur in 2009.

- On a positive note, deals are getting done. Old relationships are being recast with a refreshed sense of zeal and new relationships are being forged by professionals. Snake oil and credit default swaps have never been quick fix cures for ailments, just hard work and prudent investments for the long term successes. Below are key rates as of 11.3.08.

Prime is **4%.**	(30 days ago, **4.5%**;	3 months ago, **5%**;	1 year ago, **7.5%**)
Libor (30 day) is **2.36%.**	(30 days ago, **4.11%**;	3 months ago, **2.46%**;	1 year ago, **4.68%**)
T-Bill (10 yr) is **3.93%.**	(30 days ago, **3.73%**;	3 months ago, **4.10%**;	1 year ago, **4.65%**)

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 have also consulted with many of them on the disposition of the REO 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 opportunities.

As always, continued success in late 2008 and in 2009; 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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