Greetings from the corner office in Miami.
Real estate continues to be the "*GOLD*" standard, as the economy strengthens and that is no "*BULLion*". Here is our commentary on the real estate and financial markets and their opportunities.

HOT MONEY

- Apartments are the belle of the ball. Cap rates are in the low 5s on most product and lenders are sub 4s in rates. There continues to be a paradigm shift to rental properties, including single family and condominium portfolios purchased as rental pool investments. We have recently closed short term loans and lines of credit on these products, with investors generating mid-teen returns. However, long term Agency lending, despite a 10% allocation reduction from last year, is still the popular debt choice with an estimated $56 Bil in production this year and any shortfall is being generously handled by the capital markets.

- Low levered, class "A" office and industrial buildings have garnered similar pricing, with life companies and pensions funds competing heavily for these loans. Commercial building occupancies are stabilizing again at the 2008 levels, with rents slowly rising.

- Retail and triple net tenants are generating strong interest, based on the S&P credit ratings and strength of their sales/SF. The low debt rates continue to compress overall cap rates, however we are seeing an uptick in floors instituted by lenders and are strongly recommending fixing in long term debt now.

MARKET COMMENTARY

- ***Banks, life companies and capital markets.*** Small to middle market banks have seen the most growth and are the most competitive in transactions between $2MM to $20MM, underwriting is rigorous and pipelines are full. Conduits are ramping up and taking advantage of the low rates, agency curtailments and investor appetites for the well-priced "B pieces" and higher risked assets. Their hopes are to stem the life companies/pension funds steady growth and market share. Conduits closed $48.2 Bil. of transaction volume in 2012 and they are expected to surpass $65 Bil. this year, we have also found conduit "Brands" do matter in rates and loan structures.

- ***Commercial and residential markets.*** Asset quality is the key, garnering the lowest debt rates and strongest investor appetites. Commercial assets above $15MM are being acquired by institutional investors utilizing lines of credit or cash, provided they are underwritten conservatively and are in tier one locations. Secondary locations and smaller assets have relied on local investors and bank or conduit debt, while residential assets are being acquired for cash, then pooled and refinanced. South Florida continues to see an influx of Brasilian and Venezuelan investors with shifts in their economies political climates.

- ***Expanded products.*** We have teamed up with a South Florida hedge fund to provide short term mortgages under $5MM, with rates starting at now 7%. The focus is on Florida assets, expedited underwriting and closings, most in two to three weeks. While our focus is to place debt and equity, and has been since the inception of CapitalQuest Group, we continue to expand our breadth of services to include: Asset sales and advisory services to meet our client's needs.

KEYS TO SUCCESS IN 2013

- Concentrate on key locations for development and acquisitions, with strong demographics and walkability to entertainment centers, mass transit and employment. Miami is becoming one of those cities being elevated to top ten status in the US, as it will become a 24 hour city with the development of Swire's CitiCentre (4.3MM SF mixed use project) and the surge of Mary Brickell Village and downtown. Multifamily assets are full and their recent rental increases are two to three times the current CPI rate of 3%.
- Be very diligent when chasing yield in secondary and tertiary locations. There will only be a modicum of growth for these assets.
- ***Lastly, lock in long term rates now on core assets and acquisitions. Low leveraged debt is being secured at or below 4%. The long term upside of saving 150-200 bpts far outweighs the 25 bpt savings in the short term.***

KEY RATES

Prime is **3.25%.**	(30 days ago, **3.25%**; 3 months ago, **3.25%**; 1 year ago, **3.25%**)
Libor (30 day) is **.20%.**	(30 days ago, **.20%**; 3 months ago, **.22%**; 1 year ago, **.24%**)
T-Bill (10 yr.) is **1.71%.**	(30 days ago, **2.02%**; 3 months ago, **2.03%**; 1 year ago, **2.30%**)
Swaps (10 yr.) is **1.78%.**	(30 days ago, **2.07%**; 3 months ago, **2.06%**; 1 year ago, **2.25%**)

CAPITALQUEST COMMITMENT

We get deals done and provide efficient, profitable solutions. Last year, we sold underperforming assets, restructured and procured new debt for our clients, saving them tremendous cashflow and generating profits. We have decades of institutional experience and our focus is providing accurate and timely solutions from: Loan structuring, loan placements, financial advisory, asset sales and loan sales/dispositions. Our investment banking and equity relationships are superb, 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. 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 during 2013 and we would like to be a part of it.

John and the CapitalQuest Crew.

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