Greetings from the corner office in Miami.

The volatility continues in the stock market as 401Ks drop to 101Ks, only to be quickly replenished in the following week. This takes me back to the time when I first started in banking, and was taught the phrase "Lend on dirt, you can't get hurt". Real estate is much less volatile and with low interest rates, everything works or does it? The South Florida real estate market is starting to mature, with growth returning to the low single digits as opposed to the low double digits across all product lines. Occupancy rates are back to the 2007 benchmark of stabilized assets and rental rates, both of which are peaking. Thus, we are likely half way through our eight-year real estate cycle in South Florida. Below is our commentary on interest rates, and the financial and real estate markets.

KEY RATES

***STABLE*: Prime** is	**3.25%.**	(30 days ago, **3.25%**;	3 mnths ago, **3.25%**;	1 yr ago,	**3.25%**)
***STABLE*: Libor** (30 day) is	**.19%.**	(30 days ago, **.19%**;	3 mnths ago, **.19%**;	1 yr ago,	**.17%**)
***RISING*: T-Bill** (10 yr.) is	**2.07%.**	(30 days ago, **2.17%**;	3 mnths ago, **2.32%**;	1 yr ago,	**2.51%**)
***RISING*: Swaps** (10 yr.) is	**2.00%.**	(30 days ago, **2.26%**;	3 mnths ago, **2.40%**;	1 yr ago,	**2.61%**)

As illustrated, short-term rates have shown nominal movement and will likely continue to stay "near zero" through the remaining months of 2015 and into early 2016. Bond rates have recently dropped, but there has been 30 basis point volatility during the past 3 months, as the fragile international economies have become more pronounced. Swap rates are less than the corresponding treasuries (which is very rare), as corporate bonds are being aggressively hedged and the market's thought that Libor will remain low. Thus, when you hear bond traders saying that rate increases are already "baked into the interest rate market" that is referring to the longer Bonds, which have bounced around similar to the stock market. Transactional spreads on real estate loans have widened in effort to soften this volatility, but again, they remain at historical lows. We are highly confident that the FED will likely raise rates during the first quarter of 2016.

MARKET COMMENTARY

- **Recent Transactions.**
  - $8M apartment facility. The asset was a stalled condo sale and disposition, deferred maintenance and retenating issues were prevalent. We worked through them with borrower and the lender closed a 10-year, non-recourse loan at 4.15%.

  - $20M ground lease facility. The asset is leased to a privately held company, with unreported financial statements. We worked with lender to do a nominal holdback and borrower guarantees, to mitigate risks and closed a 10-year, non-recourse loan at 4.65%.

  - $50M CTL portfolio. We facilitated the acquisition of various retail transactions with cap rates of 5% to 6%, with the focus on assembling a pool for bulk resale in the mid 4s. This is an ongoing assignment.

- ***Apartments/Condos.*** These assets continue to be the driving force in the strengthening of the South Florida economy. There are over 40,500 condo units (310+ towers) being proposed/under-development for South Florida with the breakdown of 70% in Miami-Dade

(+$875/SF prices); 20% in Broward (+$575/SF prices) and 10% in West Palm Beach (+$535/SF prices). The South American/European Model for requiring buyer deposits in the 50% to 60% range is now non-existent and we are back to the norms of 20% deposits, climbing to 40% and "pocket listings" for many assets continue to be the norms. Banks are being highly selective, with most transactions being syndicated to mitigate risks. Again, rents are peaking, as the markets stabilize. Downtown Miami, Brickell and Mary Brickell Village apartment rents are nearing $3.00/SF and vacancies are still under 4%. The torrid 20% growth in rents over the past 18 months is now moving to the norms of 3% to 4%.

- ***Industrial.*** The strongest market in South Florida continues to be the institutional grade, Airport West Market with vacancies of 5%, which is the stabilized mark. New tenants are looking for volume (28' to 36' clears), T5 efficient lighting and enhanced security features. Rents are in the $9.50sf - $10/sf ranges on an industrial gross basis and the new space is closer to $12/sf.

- ***Office.*** South Florida office vacancies are stabilizing. The class "A" markets of Brickell Ave. and Coral Gables have bounced back very well with vacancy rates of 15% and falling, as newly developed space is limited to Brickell City Centre. Downtown vacancy rates are just under 20% and likely to climb with the migration to newly proposed buildings. CBD rents are now above $42/SF, with marginal growth expected in the future.

- ***Retail.*** South Florida retail vacancy rates are stabilizing with most vacancies under 5%. The scarcity of land continues to dampen new construction, with new tenants providing their own renovation proceeds for the limited retail space. The overall rates are above $29/SF NNN and trending higher, with new, urban centers above the $50/SF mark.

- ***Banks, life companies and capital markets.*** Small to middle market banks have seen continued growth in the $2M to $30M loan ranges, underwriting is rigorous, competition is fierce, but deals are getting done. Regional and Superregionals are being very selective and the activity has been solid, but the focus is on larger, syndicated transactions. Capital markets are clearly back, as 2015 will likely see the breaching of $110+ Bil in total production, up 20% from 2014 (±$91 Bil). While there is homogeneity, still in products and pricing; brands and relationships will be the key in executions and spreads have been volatile. Similarly, life insurance companies and Agencies continue to look for higher quality assets, as we head into the waning months of 2015, debt allocations are gone or dwindling rapidly. Our recommendation is to strike early in 2016, while rates are low and aggressiveness with deal structuring points are high.

- ***Expanded products.*** We have teamed up with an international hedge fund to provide short-term mortgages under $25M, with rates starting at 7%. The focus is on Florida, Texas and Mid-Atlantic assets, expedited underwriting and closings, most occurring in two to three weeks. This has been a very reliable source of bridge financing for us and our clients. 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, due diligence and advisory services to meet our client's needs.

CAPITALQUEST COMMITMENT

We are now in a market that is stabilizing and interest rates are going to rise, as the FED looks to stave off the continuation of near zero interest rates, despite a fragile economy. Take advantage of the rates NOW, as we move into 2016, as transactional interest rates will breech 5% for the coveted multifamily and CTL loans, and be extremely diligent when chasing yields, in secondary locations.

We get business done and provide efficient, profitable solutions. This year, again, we rolled up our sleeves and executed on many complex and challenging transactions. 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, 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 encourage you to peruse our website, www.CapitalQuest.net , which includes a News Section to keep you abreast of the ever-changing market conditions and provides insights to financing and asset opportunities.

Thank you to our many clients who have utilized our many services and strengthened the CapitalQuest Brand. We look forward to being part of your continued successes in 2016; to earn your business and solidifying your trust.

John and the CapitalQuest Crew.

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