

Economy stabilizing, Fed's Beige book says

WASHINGTON (MarketWatch) -- The economy appears to be stabilizing across much of the country, led by a pickup in factory activity and a long-awaited improvement in residential real estate, according to the Federal Reserve's latest update on activity released Wednesday.

"Most regions reported some improvement in residential real estate," the Fed said. But the Beige Book report also shows that consumers are still grappling with the aftermath of the collapse. The

Fed report said that consumer spending was flat. Retailers are not adding to inventories, instead keeping them in line with low sales levels.

Another tentative sign of a recovery came from reports of slight pickups in demand for temporary workers in many districts.

But the most glowing reports, such as they were, came from the factory sector. "The majority of reports indicated that manufacturers were cautiously optimis-

tic," the report said. Several districts reported some gains in new orders.

While the home market may have hit bottom, the same can't be said for commercial real-estate, according to the report. Demand for office space is falling and nonresidential construction activity is continuing to decline, the Fed said.

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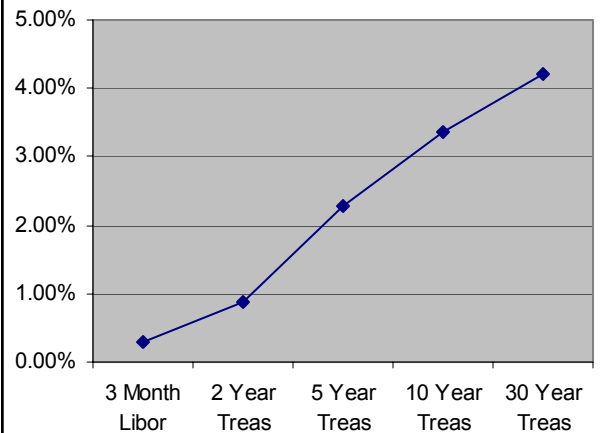
Market Indices

	Sept. 10, 2009
Prime	3.25%
3 Month Libor	0.30%
5 Year Treasury	2.27%
10 Year Treasury	3.36%

Representative Spreads *

Project	Spread
Multi Family	300+
Office	350+
Industrial	350+
Retail	350+

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Multifamily Lending Environment Heats Up!

Over the past several months much has been said about the lack of liquidity available in the marketplace. As underwriting standards continue to evolve, one asset class has emerged as the beneficiary of some much needed attention.

Multifamily housing is currently enjoying one of the best interest rate environments in recent memory as several financing options remain available through a

variety of different loan programs.

Although some traditional lenders have tightened their lending requirements, various government sponsored enterprises and related agencies have remained active in providing construction financing, permanent financing, and (up to) 24 month forward commitments.

By way of example, Paragon recently procured a loan at 85% of value at a rate of

5.95% based on a 35 year term and amortization. Paragon also provided a 120 day rate lock on a \$12 million construction project currently in lease-up. Lastly, Paragon financed a \$4 million senior housing project which featured an astonishing rate of 5.07% and an 80% loan to value ratio.

For more information contact Paul Nichols at 785-9000 ext 124.

* Representative spreads are indicative of class A properties with 75% loan to value on a 20 to 30 year amortization. Lower leveraged loans will result in a spread reduction.