



CAMBRIDGE

Senior Housing & Healthcare Capital

125 SOUTH WACKER DRIVE | SUITE 1800 | CHICAGO, IL 60606 | M 312-357-1601 | F 312-357-1611

WWW.CAMBRIDGECAP.COM

PRESS RELEASE

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FED'S DECISION ON INTEREST RATES LEAVES HEALTHCARE BORROWERS WITH OPTIONS

Now that short-term interest rates appear to be poised to move higher in carefully orchestrated increments, Cambridge Realty Capital Companies Chairman Jeffrey A. Davis has this advice for senior housing/healthcare borrowers: "Don't fight the Fed."

At the December meeting of the Fed's Open Market Committee, members unanimously voted to advance the Fed Funds Rate .25 percent, with the promise that prudent advances in future months will attempt to slowly restore normalcy to the capital markets. The Fed Funds Rate is the target interest rate banks charge each other to borrow Fed funds overnight.

"Even though the long anticipated increase in the Fed Fund rate was modest, the Fed's decision to make this move was huge," Mr. Davis said.

Cambridge is one of the nation's leading senior housing/healthcare lenders, with more than \$4.5 billion in closed senior care mortgage loans. Mr. Davis says the Fed's latest move means the central bankers, in an increasingly rare moment of unanimity, believe the economy has improved significantly, is ready to stand on its feet, and no longer needs monetary policy incentives to prosper and grow.

"Of course, quarterly messages from the Fed's Open Market Committee can and do change. However, for now, the Fed appears to be satisfied that an important corner has been turned," he said.

Armed with this information, Mr. Davis says senior housing/healthcare borrowers effectively have two options. They can either play it safe or take a more risky approach.

"One way to interpret the Fed's message is that interest rates are indeed on an upward trajectory. No one knows where this momentum may or may not go, but the safe bet is to take risk out of the equation by turning variable rate loans into fixed rate mortgages and limiting borrowing as much as possible.

"The risky play has borrowers continuing to expand and acquire new properties in a climate that projects relatively low interest rates as the new normal," he said.

Privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties, Cambridge today has three distinctive business units: FHA-insured HUD loans, conventional financing, and investments and acquisitions. The company is one of the nation's leading senior housing and healthcare debt and equity capital providers, with more than 400 closed senior housing transactions totaling more than \$4.5 billion since the early 1990's, when the firm began its specialization in providing senior housing capital.

Cambridge has consistently ranked among the country's top five FHA-insured HUD lenders (now HUD Lean) over the last 15 years and offers an array of conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company's principal

investment strategy includes direct property acquisitions, joint ventures and sale/leasebacks. The company has acquired 16 facilities totaling approximately \$60 million.

Cambridge is the creator of *The Signature Experience*[™], a four-step process designed to transform the traditional lender/borrower relationship and identify “ideal” capital solutions for worthy projects. The company has a national origination office in Los Angeles, and numerous correspondent and brokerage relationships nationwide.

Cambridge publishes the bi-monthly Capital Wisdom(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients as well as monthly updates of other relevant news and breaking trends. Additional information is available on the Cambridge website, www.cambridgecap.com, and Cambridge can be reached at (312) 357-1601 or via e-mail to info@cambridgecap.com. The firm also has embraced social media and networking via Twitter at <http://twitter.com/cambridgecap>, via Facebook at <http://www.facebook.com/cambridgecap>, via blog at www.cambridgecap.com/blog and via LinkedIn at <http://www.linkedin.com/companies/454232>, where information on the firm and its employees can be found.

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Contact:

Evan Williams

Phone: [\(312\) 521-7610](tel:(312)521-7610)

Fax: (312) 357-1611

E-Mail: ew@cambridgecap.com