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INVESTMENT GURUS PONDERING LATEST UP-TICK IN INTEREST RATES; A MOMENT OF RECKONING OR SOMETHING MORE POSITIVE THAN THAT?

The recent dramatic up-tick in long-term interest rates has investment gurus pondering what this development portends for the economy in the months ahead.

Have we arrived at a moment of reckoning that will stamp out the recovery or presage dangerous inflation and massive losses by bond investors? Or is something more positive in the offing?

A Pulse Points blog posted on the Cambridge Realty Capital Companies website, www.cambridgecap.com, quotes Nobel Memorial Prize-winning economist Paul Krugman on reasons why he doesn't believe a Greek or Spanish-style debt crisis is likely in the U.S.

Cambridge is one of the nation's leading senior housing healthcare lenders. Chairman Jeffrey Davis summarized the economist's reasons for believing the economy isn't poised to run off the tracks.

According to Krugman, if investors were worried about a European-style debt crisis, a rise in bond yields and a drop in the stock market would likely have occurred. Instead, the stock market rolled on to new highs.

Krugman says inflation expectations have been falling in recent weeks. If investors were betting that inflation rate would rise, relative bond prices would have shown a disparity between bonds that are linked to inflation and bonds that are not. Instead, Krugman says bond prices suggest that investors are now projecting a 2.2 percent annual rate of inflation, which compares with 2.3 percent inflation rate projection from early May.

If investors were predicting a worsening or stagnant economy, the Fed would remain committed to tight monetary policies. And a rise in interest rates would be accompanied by a stronger dollar.

In fact, in recent weeks, the dollar was up 25 percent. But Krugman believes the likely causes for this are strategy changes at Japanese and European central banks, not something the Fed has or hasn?t done.

"We're seeing marked improvement in investor confidence from a few years ago. If investors are right, and Krugman is correct in his analysis, we could see a rise in interest rates sooner than expected," Davis said.

"The take-away for senior housing/healthcare borrowers is that long-anticipated improvements in the economy means bargain-basement interest rates may be ending sooner than expected," 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 nursing home, assisted living and healthcare debt and equity capital providers, with more than 400 closed 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 and joint ventures, sale/leasebacks, conventional and mezzanine debt financing, and the acquisition of distressed debt.

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 e-PULSE!(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, via YouTube at http://www.youtube.com/user/ePulseLive, 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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