CAMBRIDGE
Realty Capital Companies

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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FEDERAL FUNDS RATE APPARENTLY POISED TO MARK TIME, WHICH COULD BE GOOD NEWS FOR SENIOR HOUSING/HEALTHCARE BORROWERS

Are we entering a "new normal" period in which the Federal Reserve Board elects to keep the federal funds rate lower than its historical norms for an extended period of time?

A PulsePoints blog post on the Cambridge Realty Capital Companies website, www.cambridgecap.com, suggests the markets appear to be arriving at this conclusion.

The federal funds rate is the interest rate member banks charge each other on actively traded balances held at the Fed. Banks with surplus balances in their accounts lend those balances to institutions in need of larger balances, typically on an overnight basis.

The federal funds rate has narrowly fluctuated between 0.06 percent and 0.25 percent since January 2009, when the Fed moved to aggressively lower short-term interest rates in an effort to stimulate economic growth.

"When the year began the expectation was that interest rates would rise as the Fed began winding down its QE3 quantitative easing bond purchasing program and increasing the fed funds rate. However, while the Fed has begun to wind down the QE3 program it hasn't raised the fed funds rate," said Cambridge Chairman Jeffrey A. Davis.

"Most economist are now saying this isn't likely to happen until sometime during the middle of next year," he noted.

Davis says the thing for senior housing/healthcare borrowers to watch closely is how long-term interest rates are responding to these developments. Surprisingly, against this backdrop, yields on 10-year Treasury notes dropped from 3 percent in January to about 2.50 percent in May as demand for these securities rose.

"Although other factors are involved, it's becoming increasingly clear that the fed funds rate is impacting 10-year Treasuries. This is important to borrowers because HUD rates tend to move up and down more or less in tandem with what's going in with these securities, and conventional commercial mortgage rates may be influenced by Fed policies as well."

Davis says a theory that's gaining traction amongst analysts is that investors are starting to believe that regardless of when the Fed decides to raise the fed funds rate it will still keep it low relative to historical norms. The Fed said as much itself in a March statement, noting that even after employment and inflation are near mandate-consistent levels economic conditions may for some time warrant keeping the target federal funds rate below levels the Fed's Open Market Committee views as normal in the long run. "We're advising clients that the outlook for rates in the immediate future is not as bleak as some feared only a few short months ago," 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(TM)*, 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 athttp://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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Contact:
Evan Washington
Phone: (312) 521-7610
Fax: (312) 357-1611
E-Mail: ew@cambridgecap.com