



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

4/29/14

CLARITY ON WHEN SHORT-TERM INTEREST RATES WILL BE ON THE RISE IS AS ELUSIVE AS EVER, CAMBRIDGE REALTY CAPITAL CHAIRMAN SAYS

The Federal Reserve's Open Market Committee (FOMC) meeting in March failed to produce any major surprises. That's the good news.

The bad news, if you can call it that, is that clarity on when short-term interest rates will likely be on the rise again is as elusive as ever. On this subject, committee members have varying opinions depending upon their individual assessments of economic growth, inflation numbers, employment totals and other factors, says Cambridge Realty Capital Companies Chairman Jeffrey A. Davis.

He says a PulsePoints blog post on the www.cambridgecap.com website points out that four Fed officials believe short-term interest rates, stuck near zero since 2009, could reach 1 percent by the end of 2015. And an increasing number of Fed officials believe the rate could be 2 percent or higher by 2016.

"Of course, these assumptions are based on projections that may or may not materialize," he noted.

Davis says analysts have long speculated on what factors the Fed uses when deciding how to exercise monetary policy. It has been widely assumed that the main drivers have been the unemployment rate, the labor participation rate, the rate of inflation and the pace of economic growth, but this list appears to be expanding.

"The new Fed Chair, Janet Yellen, says the central bank is also looking at broader measures of employment, not just the unemployment rate. In the mix are the U5 and U6 measures that include marginally attached workers who want to work but haven't looked recently, and part-time workers who want full time employment," Davis said.

During a press conference following the FOMC meeting, the central bank leader indicated that the Fed is also closely monitoring global financial markets and how international activity is impacting the domestic economy. And, she reminded, the Fed continues to focus on wage growth when analyzing inflationary pressures.

"When people think of inflation they tend to think of prices, but wage increases across the labor force can also lead to inflation. Historically, the Fed has raised interest rates when inflationary pressures have increased," Davis noted.

He thinks some important clues regarding where the new Fed Chairman's priorities will be were telegraphed during the brief speech she delivered at her ceremonial swearing in event in the nation's capital.

As expected, Ms. Yellen promised to help restore the health of the economy and to promote a strong and stable financial system. And, like her predecessor, she emphasized the need for stronger regulation of the banking system to prevent another crisis.

However, uniquely, the new Chairman also stressed the importance of the Fed's work to the average American. And she promised to "never forget the individual lives, experiences and challenges that lie behind the statistics we use to gauge the health of the economy."

In her speech she noted that the unemployment rate "represents millions of individuals who are eager to work but struggling to provide for themselves and their families. When we make progress toward our goals, each job that is created lifts this burden for someone who is better equipped to be a good parent, to build a stronger community and to contribute to a more prosperous nation."

According to Davis, one conclusion that can be drawn from this is that the new Fed leader appears more willing than some of her colleagues to tolerate higher inflation in exchange for maximum employment. Rates will no doubt rise sooner or later but the status quo seems stuck in place for now, which may be good news for senior housing/healthcare borrowers still hoping to take advantage of today's low rates.

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](tel:3123571601) 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.

###

Contact:

Evan Washington

Phone: [\(312\) 521-7610](tel:3125217610)

Fax: (312) 357-1611

E-Mail: ew@cambridgecap.com