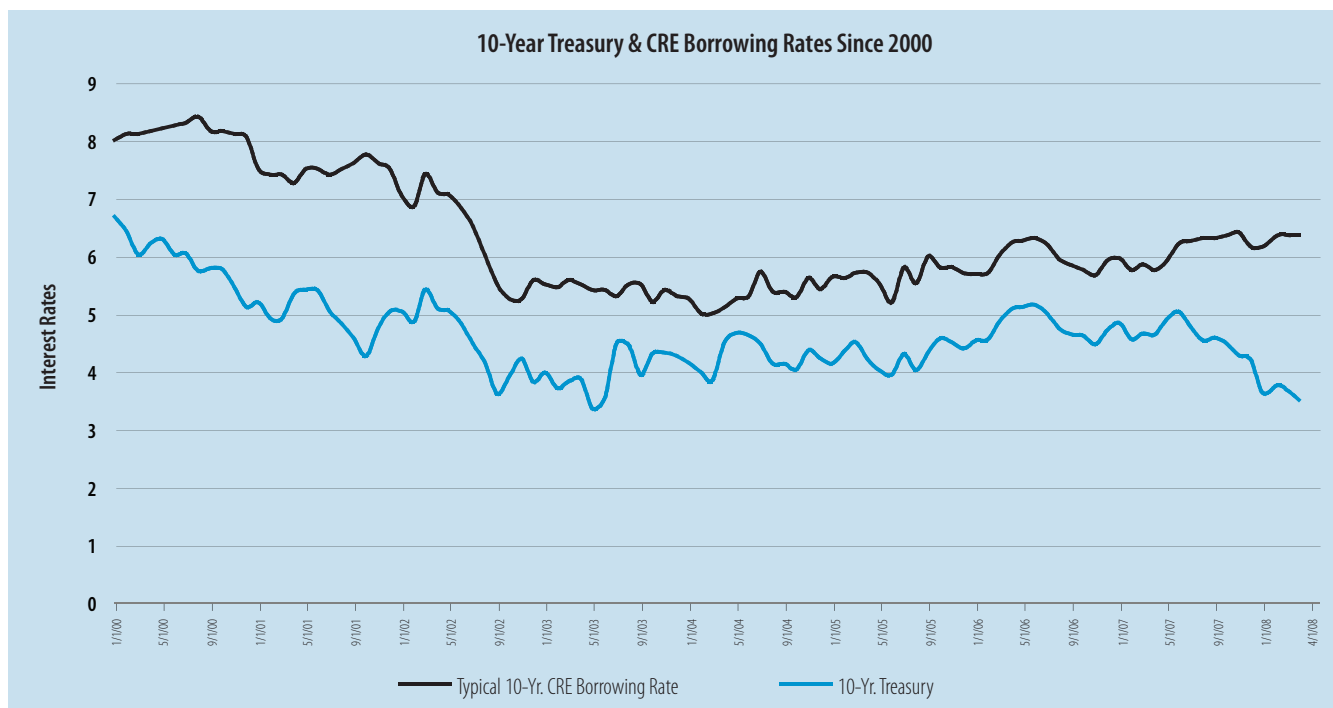


Grandbridge Real Estate Capital Capital Markets Update | 5.01.08

Global credit conditions continue their capricious charge as investors contemplate the state of the economy and risks associated with the Federal Reserve's rate-cutting strategy. Debt and equity markets remain volatile and risk premiums among all asset classes have continued to fluctuate as investors digest recent market events such as the Fed-backed bailout of Bear Stearns, the housing crisis, and rising energy costs. However, on the positive side, commercial real estate fundamentals remain robust and borrowers continue to access debt at historically attractive rates.

The yield on U.S. Treasuries has been the silver lining amidst recent economic uncertainty. Increasing Borrowing spreads have mainly been offset by the decrease in U.S. Treasuries; created by investors' fleeing the stock market and flooding to the safe-haven of Treasuries. As evidence, earlier this spring the yield on the 10-year U.S. Treasury was 3.34%—a five year low. However, this catalyst of historically low interest rates may be subsiding as the benchmark 10-yr US Treasury has risen over 35 basis points in the last few weeks. The Fed recently lowered the Fed Funds rate by .25% but suggested an end to their rate-cutting philosophy. This implies stronger economic conditions could rally investors out of treasuries and drive yields higher. The below graph illustrates the widening gap between treasuries and all-in commercial real estate interest rates.



Multifamily transactions are currently the most sought after property type by lenders. Fannie Mae remains the most active and aggressive lender for multifamily borrowers and Grandbridge Real Estate Capital's Fannie Mae Department continues to close transactions that include interest rates well below 6.0%.

Fannie Mae Rates as of 5.01.2008

Term / YM Period	Treasury	80% / 1.25X		65% / 1.35X		55% / 1.55X	
		Spread	Rate	Spread	Rate	Spread	Rate
5 / 4.5	2.98%	2.51%	5.49%	2.33%	5.31%	2.13%	5.11%
7 / 6.5	3.27%	2.29%	5.56%	2.15%	5.42%	1.99%	5.26%
9 / Fixed + 1	3.56%	2.20%	5.76%	2.06%	5.62%	1.90%	5.46%
10 / 9.5	3.70%	2.13%	5.83%	1.99%	5.69%	1.83%	5.53%

*These indicative spreads are for immediate funding, Actual / 360 pricing and are intended to serve as a general indication. Actual spreads can vary based upon actual deal terms

Due in part to the reduced supply of funds from CMBS and portfolio lenders, local and regional banks are beginning to fund a larger share of commercial real estate loans. These banks can be very competitive with shorter term money; but borrowers often incur recourse and shorter fixed-rate terms. Grandbridge is well connected with active bank lenders and will engage these sources while evaluating the best capital source for a real estate transaction.

The Bottom Line is that despite continued economic and capital market volatility, real estate fundamentals remain robust and deals are still getting done at historically low interest rates. Grandbridge is well positioned to provide access to the most competitive debt and equity available for all commercial real estate transactions. Grandbridge's broad investor base is one of the strongest in the industry and includes leading insurance companies, CMBS lenders, pension fund advisors, and commercial banks as well as proprietary products. The company is a Fannie Mae DUS® (Delegated Underwriting and Servicing) lender, a Freddie Mac Program Plus® seller/servicer and an active participant in multifamily products insured by the Federal Housing Administration (FHA). Grandbridge placed nearly \$7 billion in real estate transactions in 2007 and closed 121 loans totaling more than \$875 million during the first quarter of 2008.

Please contact Tony Carlson at 612-341-7886 with inquiries on specific transactions or to discuss the market in general.