



**MERIDIAN**  
PROPERTY COMPANY



20-Year 504 Fixed Rate for May of 2009 is:  
**5.37%**

## 504 Rates Stay Low

Although not quite at the program low of 5.25% in April, for May 504 rates stayed near historic lows in spite of month-to-month gains in the 10 year Treasury rates. Over the month, the 10 year Treasury increased approximately .3% while the 504 rate increased just slightly above .1%. This is caused by a reduction in the "spread" that the 504 investors receive, which has continued its six month decline.

## Timing the Market

While many think that there could be further declines in the commercial real estate market, **one key** component of affordability is interest rates and you are not likely to see rates this good for very long.

Interest rates for 504 are already at historic lows, and while they could go lower, history and economics argue against it. In spite of prime at 3.25%, most banks are lending further away from prime and bank rates in the 7% range and higher are becoming the norm.

The two main costs of buying a commercial property are a combination of the price of the property and the interest rate on the financing for that property. This is particularly important with long term fixed rate financing like 504 loans. While some predict that commercial property values will decline further, the actual cost of buying a commercial property to business owners is a combination of rate and price and may have already reached bottom when you look at the whole picture.

If you have any questions please feel free to contact:

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