



# Marabella Commercial Finance News Letter

Marabella Commercial Finance

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## Stagflation and The Federal Reserve's Options

### Stagflation and the Fed's Options

With the Federal Funds rate recently trading at approximately 5.25% and the 10 Year Treasury at 4.95% the Fed is still trying to put the brakes on inflation. Many economists today feel this will be a period of Stagflation.

The last time we had Stagflation similar to today was in the 1970's due to Opec's coordinated reduction in the supply of oil in this period which nearly doubled the world price for oil causing a shock to the economy. At that time oil prices caused stagflation in most industrial countries. Many economists attributed the stagflation of the 1970's to the shock caused by higher oil prices.

Faced with an adverse supply

shock, a policymaker controlling aggregate demand, such as the Federal Reserve, has a difficult choice between two options. The first option, is to hold aggregate demand constant. In this case, output and employment are lower than the natural rate. Eventually, prices will fall to restore full employment at the old price level. But the cost of this process is a painful recession.

The second option is to expand aggregate demand to bring the economy toward the natural rate more quickly. If the increase in aggregate demand coincides with the shock to aggregate supply, output will stay constant and prices will increase. In this case the Fed is said to accommodate the supply shock. The drawback of this option is that the price level is permanently higher. There is no way to

adjust aggregate demand both to maintain full employment and to keep the price level stable.

### Current Estimated Rates For Net Lease Properties.

At this time we are seeing CMBS permanent financing for Walgreen, CVS, Lowes, Kohls and other A Rated Tenants trading in the 100 to 125 basis point range which equates to 5.95% to 6.25% fixed interest rate. This financing would be for a 30 year amortized loan due in ten years. For Rite Aid and Eckerd financing spreads are in the 120 to 140 basis point range which equates to 6.15% to 6.35%.

For smaller Net Lease transactions Life Lenders, Bank Lenders and Institutional Lenders are quoting rates (Jack In The Box, Advance Auto, Auto Zone, CSK Automotive, Chuck E Cheese, Family Dollar, Dollar General Etc) in the 6.375% to 7.50% range depending on length of loan term, amortization, credit quality, amount of down payment and quality of location (all rates and terms subject to change without notice).

## Marabella Commercial Finance Closes Financing on 19th Jack In The Box, First Taco Cabana Property and First Burger King Property.

Marabella Commercial Finance most recently originated financing for it's 19th Jack In The Box transaction and First Taco Cabana restaurant. The borrower was seeking longer term fixed rate loans with attractive low rates and loan proceeds to match the loan balances that were being refinanced. Marabella Commercial Finance customized a 10-year-term with

20 year amortizations for both properties. The rate was fixed at 6.45%. Total loan proceeds came in at \$1.8 Million.

In addition Marabella Commercial Finance closed it's first Burger King Franchisee Leased Property. A 30 year amortization due in 10 years (fixed for 5 then adjustable) was ar-

ranged for the buyer. The start rate was 7.69% for the first five years. Loan proceeds came to \$900,000. Buyer came into Marabella after being re-traded with an other lender/broker.

To get a quick quotation for your Net Lease Property transaction call us today at (760) 479-0800.

