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Provides Real Estate Consulting and Lending Service.

Gary S. Meyers, President
GMeyers@CommercialCorpFinance.com
Direct: 224-715-5555 Private Fax: 847-557-1260

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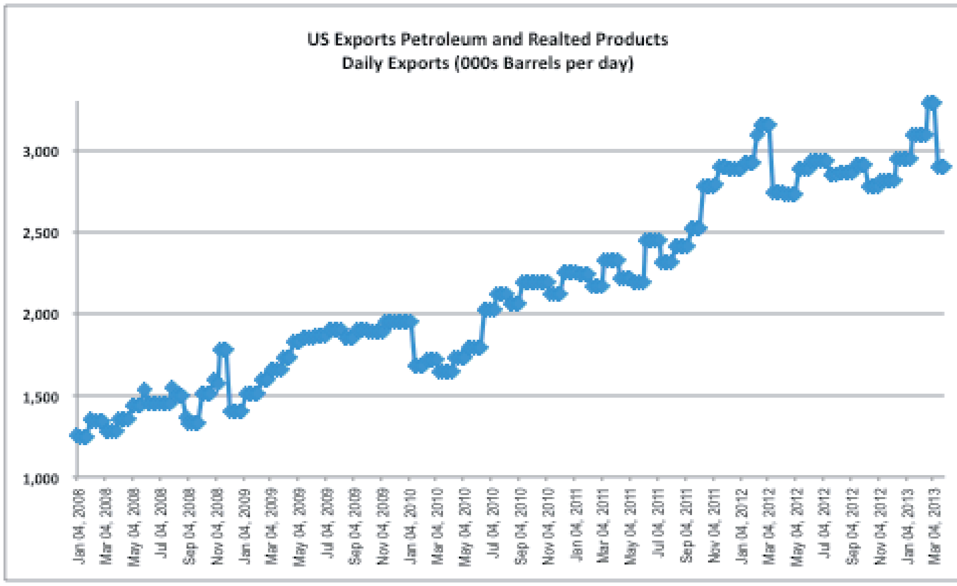
THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

More Oil Coming From Bakken



Source: US. Energy Information Administration Graphic and analysis: The Meyers Report

North Dakota and the Bakken Field (shale oil) production has hit an all-time high, according to the US Energy Information Administration. In January of 2011, the daily output was 350,000 barrels per day. By December 2012, output had climbed to 750,000 bpd. The increase has been largely due to technological advances, particularly hydraulic fracturing (fracking), which is used by 95% of the wells in the state. The first quarter of 2013 has seen a bit of a slowdown, largely because of snow storms and the delay in the development of much needed pipelines. Currently, most of the oil is shipped by truck, which is impacted by weather, unlike rail and the delayed pipelines.

In the early 2000s, many experts were complaining that the US could not be a major producer of oil, because we only had 3% of the world's reserves. They were wrong. Our reserves are greater than the Saudis. And, that does not include natural gas or coal, both of which will eventually be liquefied on a mass-produced basis.

Forecast: US production of crude is up to over 7 million barrels per day, with Saudi Arabia at 9.1 million while they can do 11 or 12 million. The International Energy Agency is forecasting that by 2020 US production of petroleum and related products will surpass Saudi Arabia; we believe it will happen by the end of 2017—or sooner.

Trade Deficit. This past week, the US February trade deficit ($43.0 billion) came in lower than expected, largely due to record exports of petroleum and related products. At $32.1 billion, our petroleum imports are down 11% from the same time last year.

China the importer. Coming out of London last week, the Organization of the Petroleum Exporting Countries (OPEC) forecast that by the end of next year, (2014), China will overtake the US as the world's largest oil importer. Currently the Chinese are importing 6 million barrels daily, while US imports will fall below that level. The Chinese know that we are a very stable source for exports, much more so than the Middle East and Venezuela. Look for the Chinese to be cooperative as they see the US as a key component in fueling their economic growth—on multiple levels. Our stability also is the reason that Chinese are buying houses on our West coast, particularly in Northern California, causing a mini-housing price surge there.

HUMOR

Those elected to Congress ought to wear uniforms like NASCAR drivers. Then we could identify their corporate sponsors.

"A President needs political understanding to run the government, but he may be elected without it." President Harry S. Truman

THE MEYERS REPORT Economic Notes

Commercial Real Estate Loan Trends

At 4.07%, interest rates for SBA 504 (real estate-based) loans are still very low. However, they have been rising gradually for the past four months, since bottoming out at 3.80% in December of 2012. The April bond sale, which will determine rates for this month, is expected this week.

Over the past three weeks, HUD M-F loans also raised slightly, with the current market price (including MIP) is at 3.55% for refinances and purchases. HUD construction-to-perm loans also are higher at 4.05%. Agency products for M-F continued their decline, 0.01% to 0.28% for the period.

Insurance company funding sources are looking for deals and have rates lower than those shown below. However, they are looking for LTVs of 65-70%.

Commercial Real Estate Loan Trends

Type	Term Yrs.	Current Rate	Three Wks ago	Am. Yrs.	LTV
HUD 223(f)*	35	3.55%	3.52%	35	83%
HUD 221(d)4*	40	4.05%	3.92%	40	83%
FNMA M-F	30	5.27%	5.36%	30	80%
FNMA M-F	10	4.13%	4.27%	30	80%
FNMA M-F	7	3.70%	3.92%	30	80%
		Mar.	Jan.	2 mo.	
SBA 504	20	4.07%	3.99%	+0.08%	
Bridge loan	3	4.5-7.5%	I.O.		70%
Hard money	3	10-12.5%	I.O.		65%

* Includes MIP

Robert Genetski's Weekly Financial Update & Stock Impact Gauge

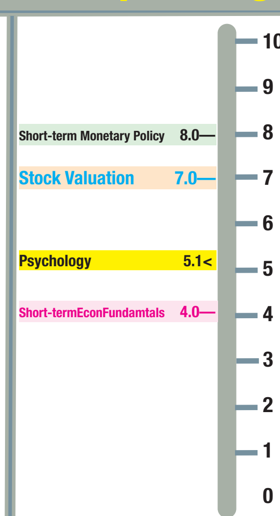
	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	1.76	relatively stable
Equities: S&P 500	2000	1560	heading higher
Equities: Dow Jones	16,000	14,606	heading higher

Friday's employment report was unusually weak. I suspect previous numbers overstated the economy's growth and the latest ones understate it. On balance, the economy appears to be performing much as it had been since last summer.

Market Outlook Most stocks moved lower this past week amid a wide divergence in key indexes. The overall market fell by 1½%. Small cap stocks were particularly hard hit as the Russell 2000 fell 2%. Large caps did best with the Dow eking out a modest gain.

The overall market fell through two support levels on above-average volume. It found support on Wednesday and Thursday just above its 50-day average. All major indexes remain above their 50-day averages and all have performed better than the overall market.

With the overall market finding support at its 50-day average and with the 10-day averages above the 50, investor psychology remains positive. However, both trading volume and the behavior of the overall market point to potential weakness. Hence, I recommend maintaining equity positions midway between neutral and fully-invested.



Ratings for forces impacting stocks	10 is best — means no change > change for better < the other direction

Long-term interest rates fell by roughly 10 basis points this past week. The decline brought the 10-day averages below the 50-day averages for rates on both corporate bonds and 10-year T-Notes. The negative cross raises the odds of a further decline in long-term rates.

A further decline in long-term rates is only likely if stock prices were also to fall. If stock prices increase (as I suspect they will) long-term interest rates are likely to be relatively flat.