

Commercial/Multifamily Real Estate Finance Update

November 7, 2007

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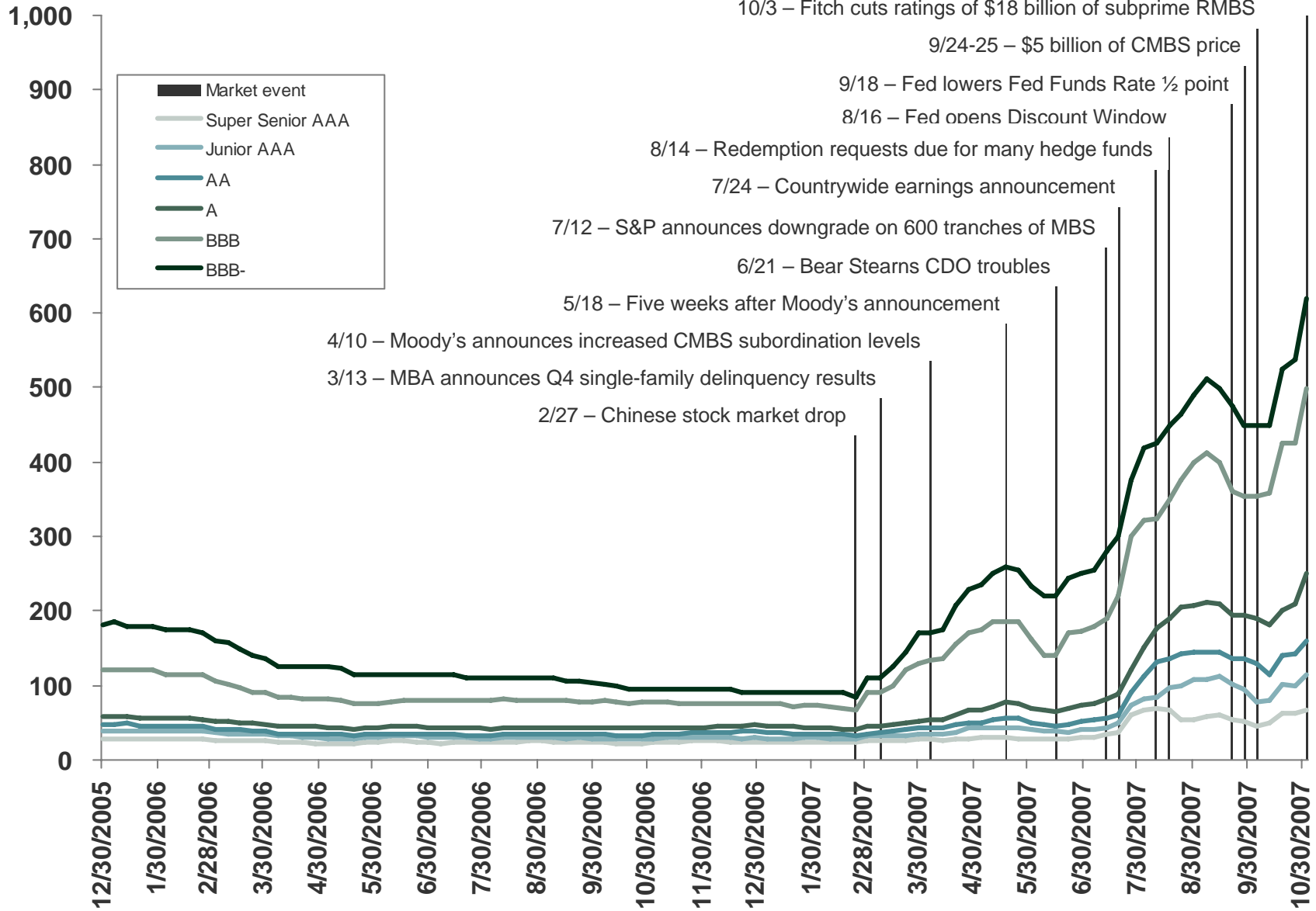
Historical CMBS Delinquencies 30+, Foreclosure and REO



Source: CWCapital, Morgan Stanley and Intex

Credit Markets

CMBS Spreads to Swaps (in Basis Points)



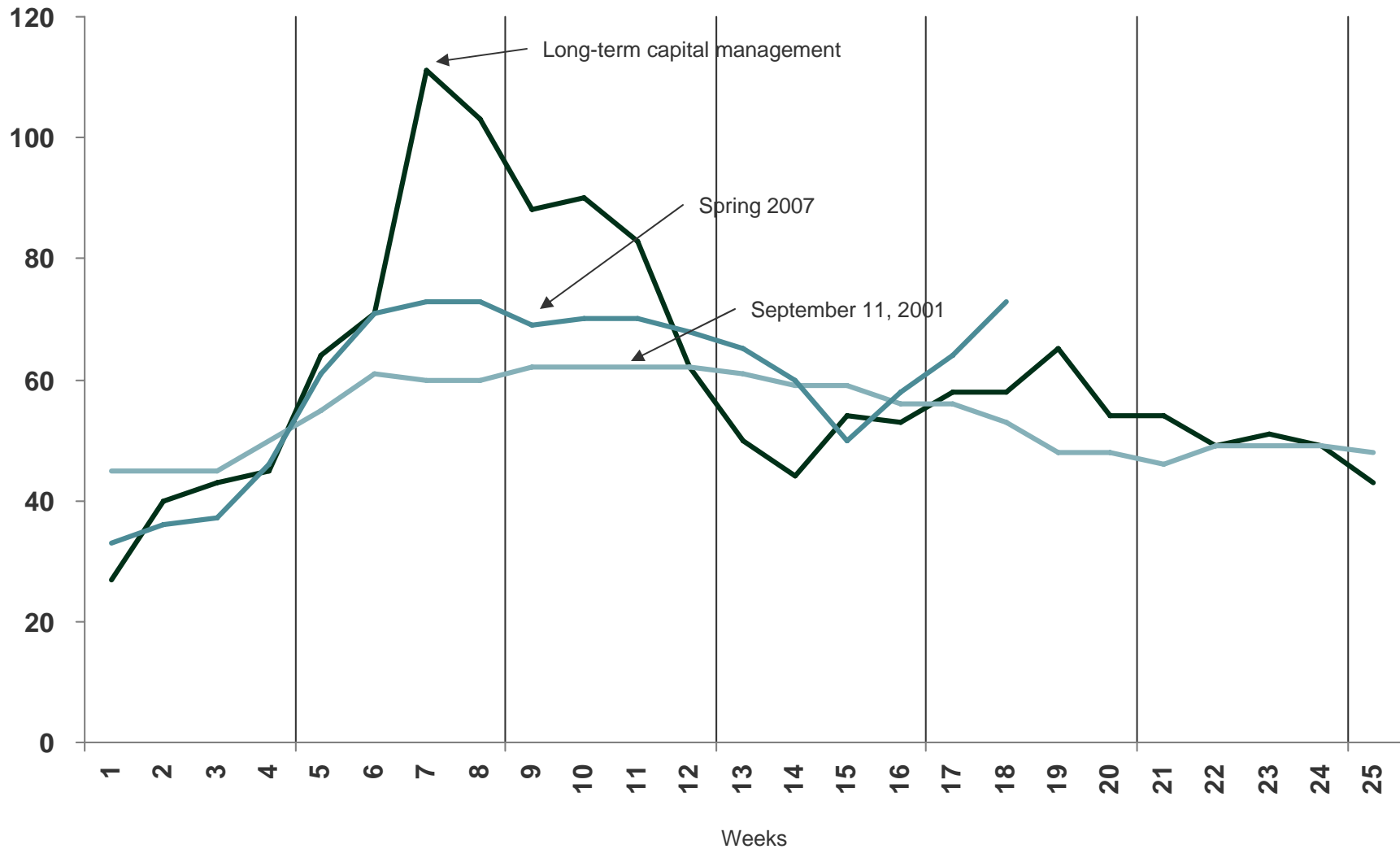
11/1 – Analyst report on Citigroup dividend threat
 10/3 – Fitch cuts ratings of \$18 billion of subprime RMBS
 9/24-25 – \$5 billion of CMBS price
 9/18 – Fed lowers Fed Funds Rate ½ point
 8/16 – Fed opens Discount Window
 8/14 – Redemption requests due for many hedge funds
 7/24 – Countrywide earnings announcement
 7/12 – S&P announces downgrade on 600 tranches of MBS
 6/21 – Bear Stearns CDO troubles
 5/18 – Five weeks after Moody’s announcement
 4/10 – Moody’s announces increased CMBS subordination levels
 3/13 – MBA announces Q4 single-family delinquency results
 2/27 – Chinese stock market drop

AAA CMBS Spreads



Source: Morgan Stanley

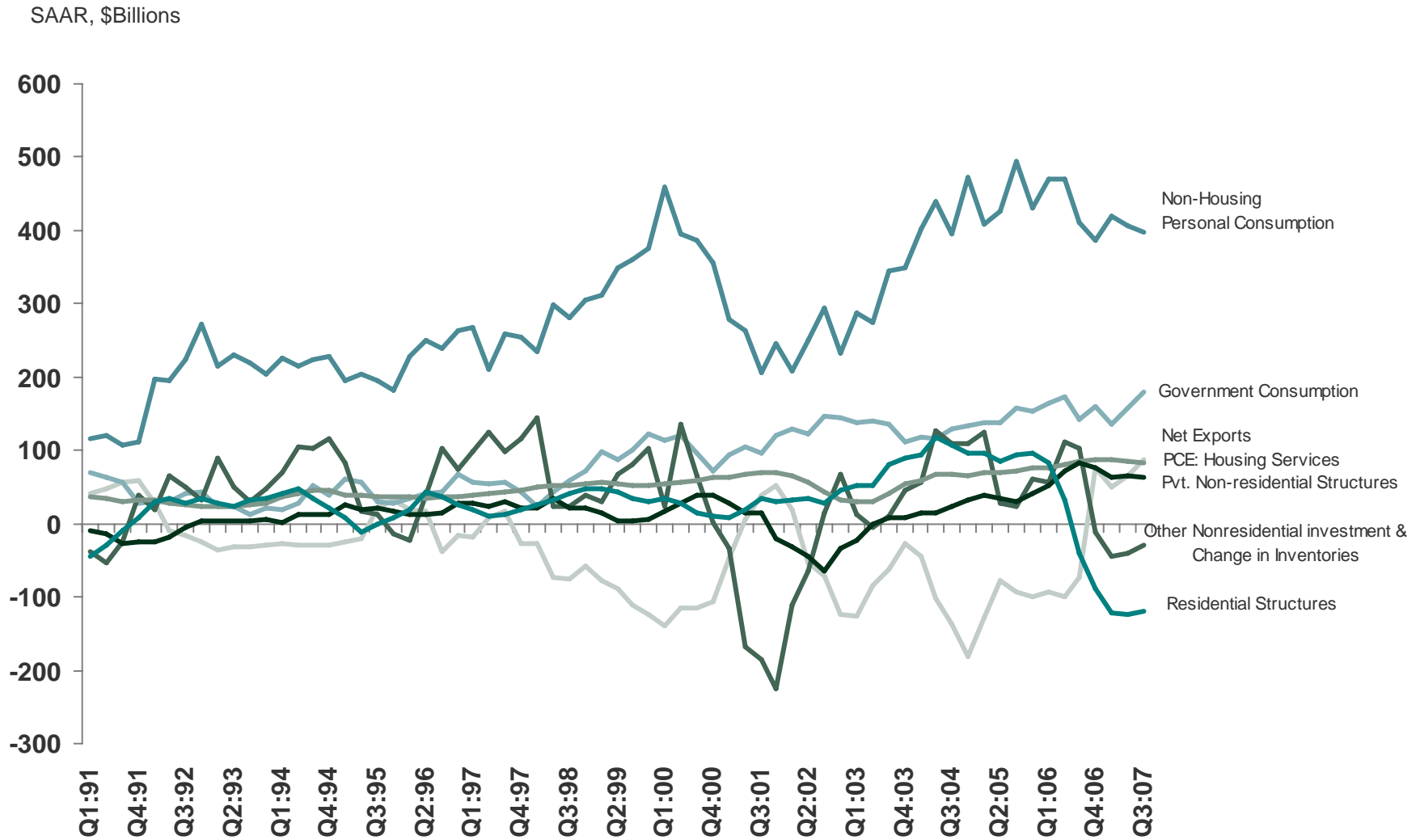
AAA CMBS Spreads in the Aftermaths of Major Credit Market Events



Source: Morgan Stanley

Economic Growth & Demand

Selected Year-over-year Contributions to Changes in Real Gross Domestic Product

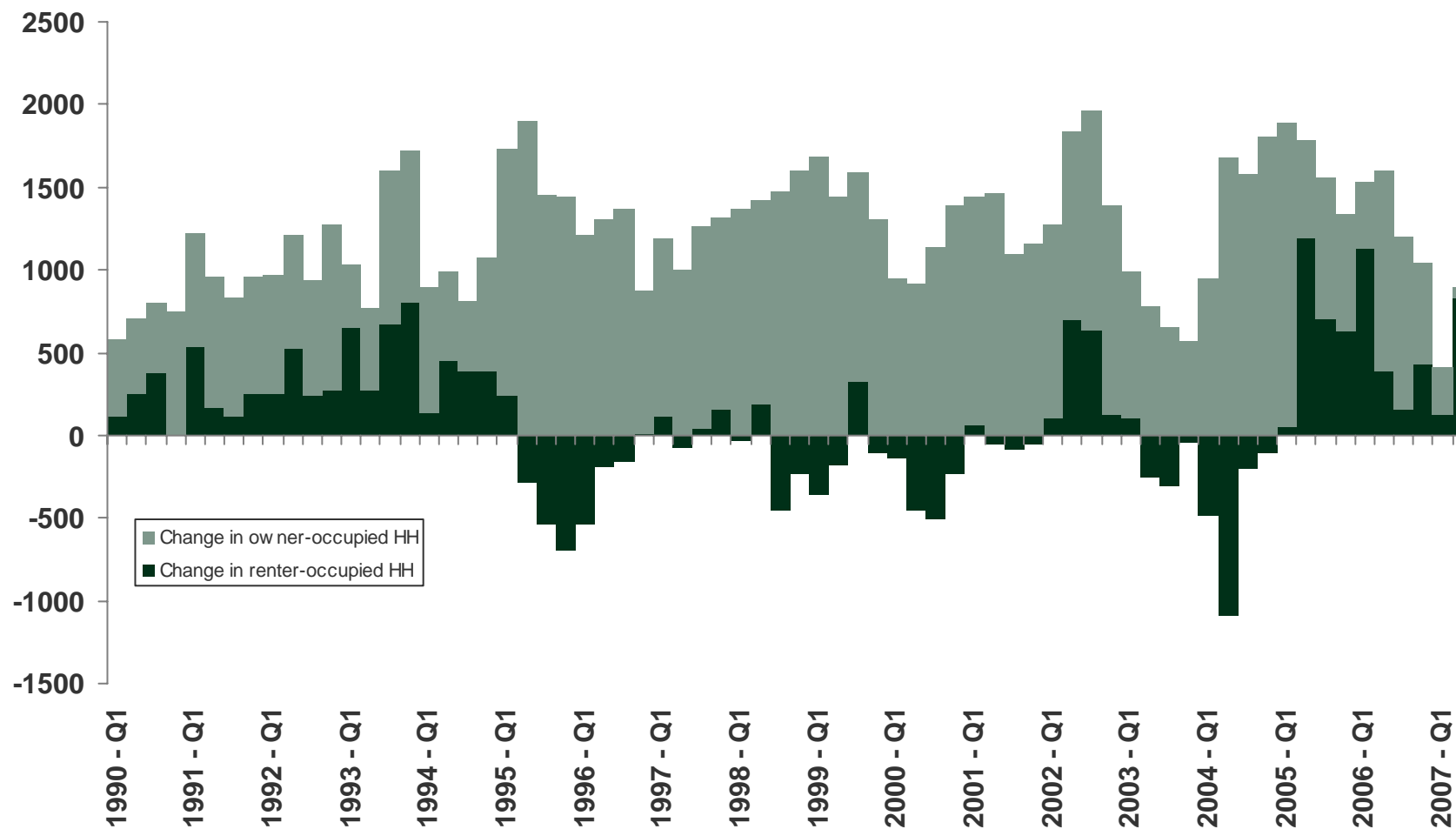


Source: Bureau of Labor Statistics.

Change in Number of Owner- and Renter-occupied Households, Year-over-year (additive)

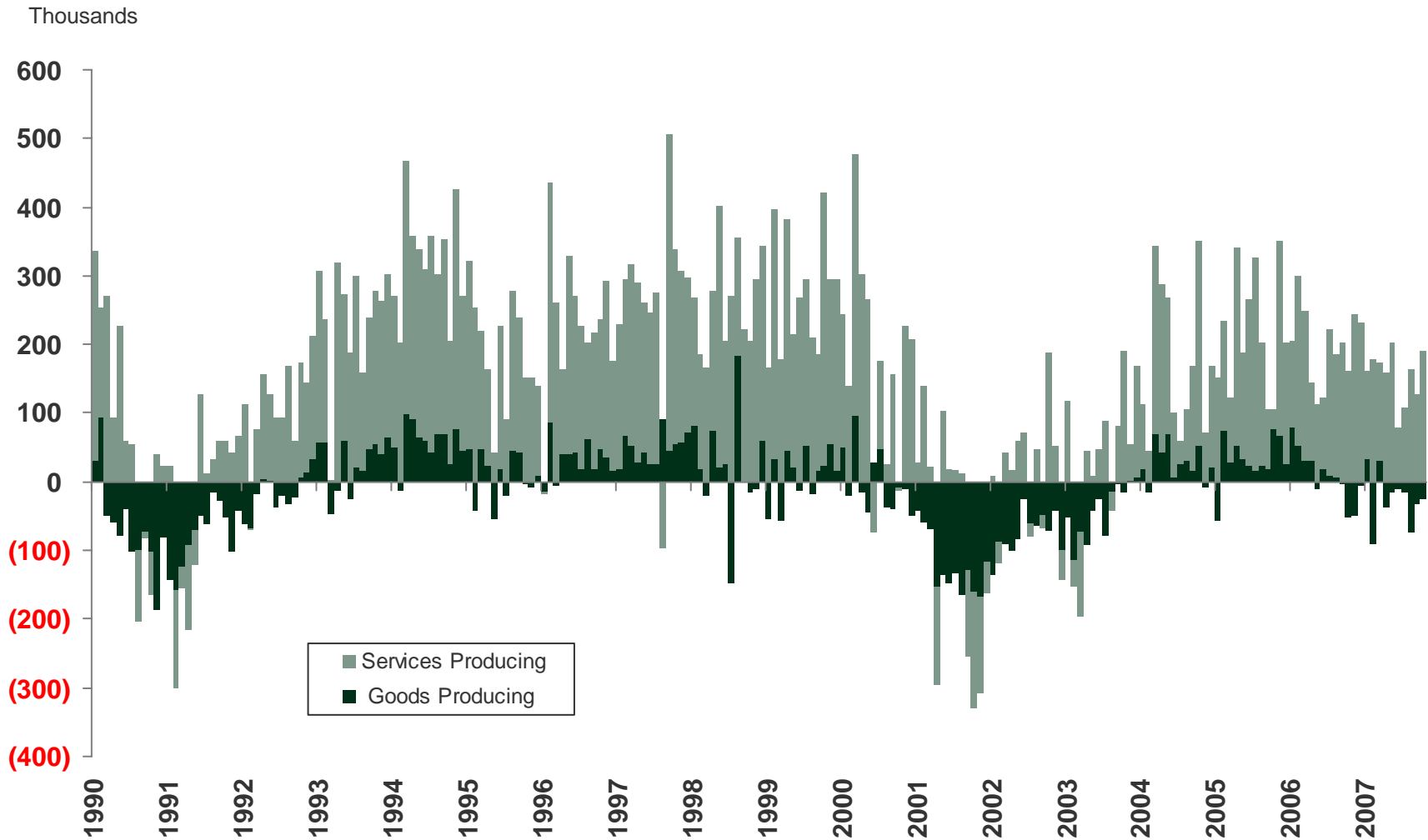


Thousands of households



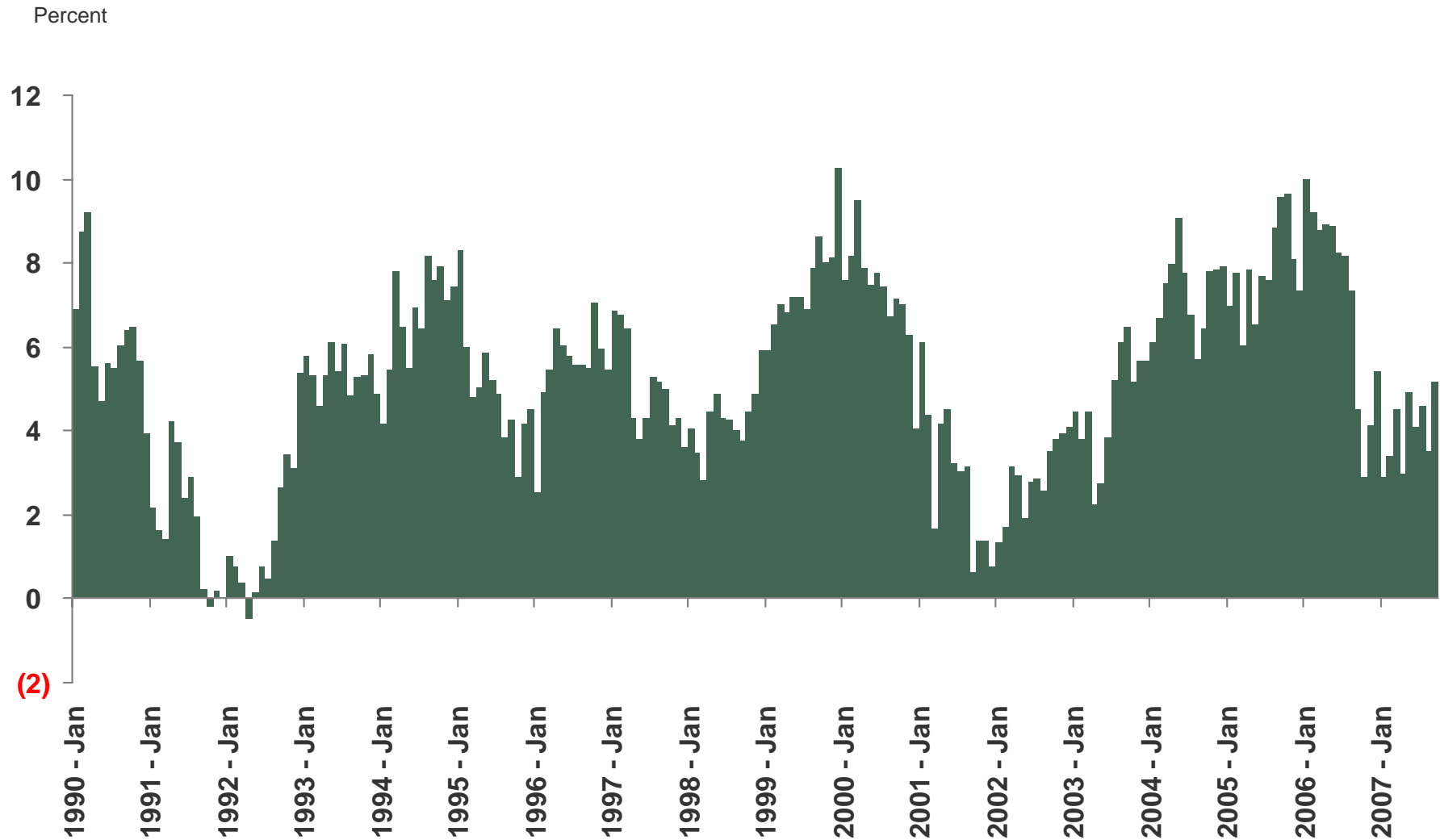
Source: Census Bureau and MBA

Month-over-month Change in At-place Employment (additive)



Source: Bureau of Labor Statistics.

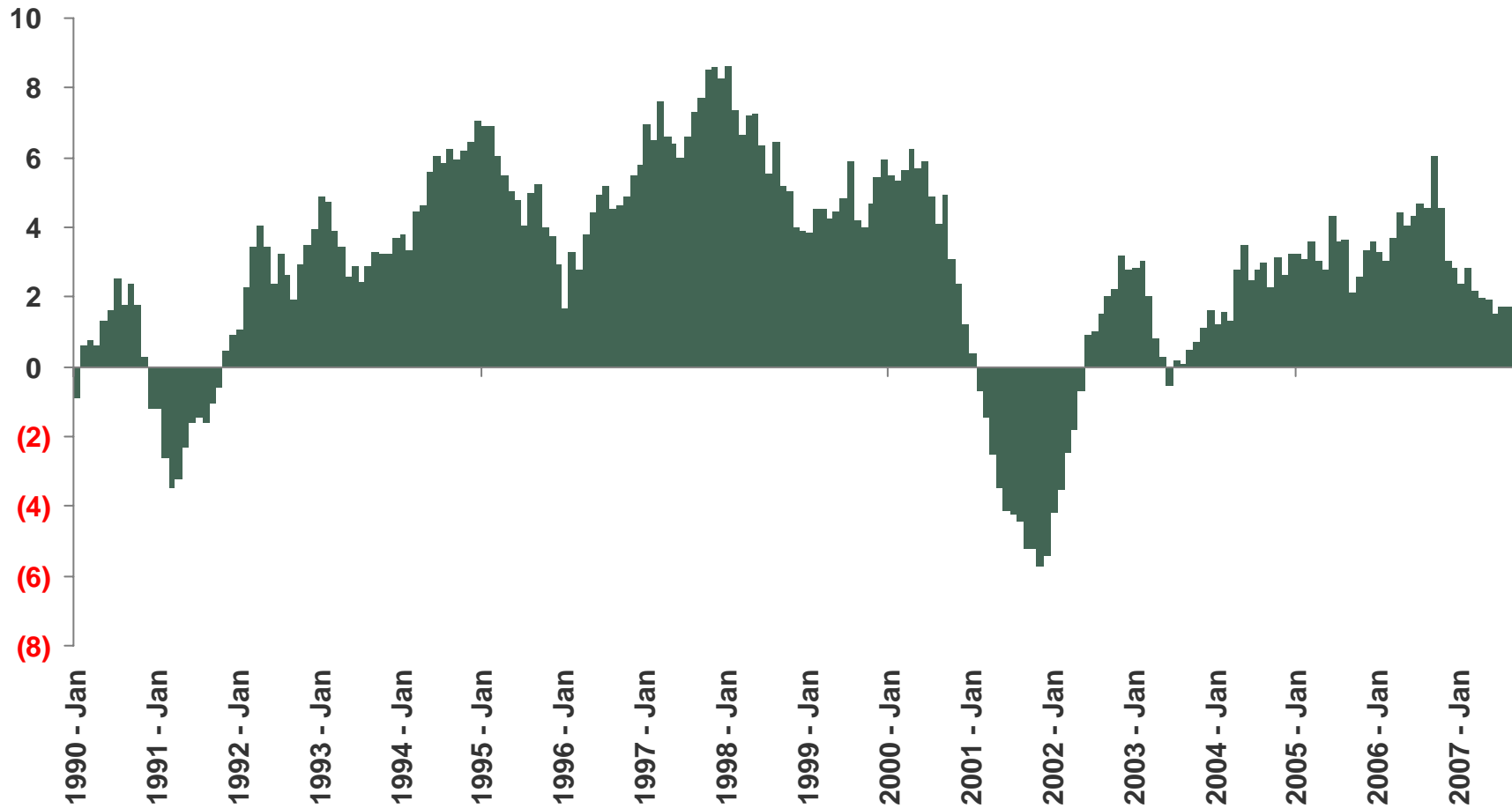
Percent Change in Retail Sales Year-over-year, excluding motor vehicle and parts dealers



(2)

Source: Census Bureau and MBA

Percent Change in the Industrial Production Index, Year-over-year



Source: Federal Reserve Board and BLS

Commercial/Multifamily Property Markets

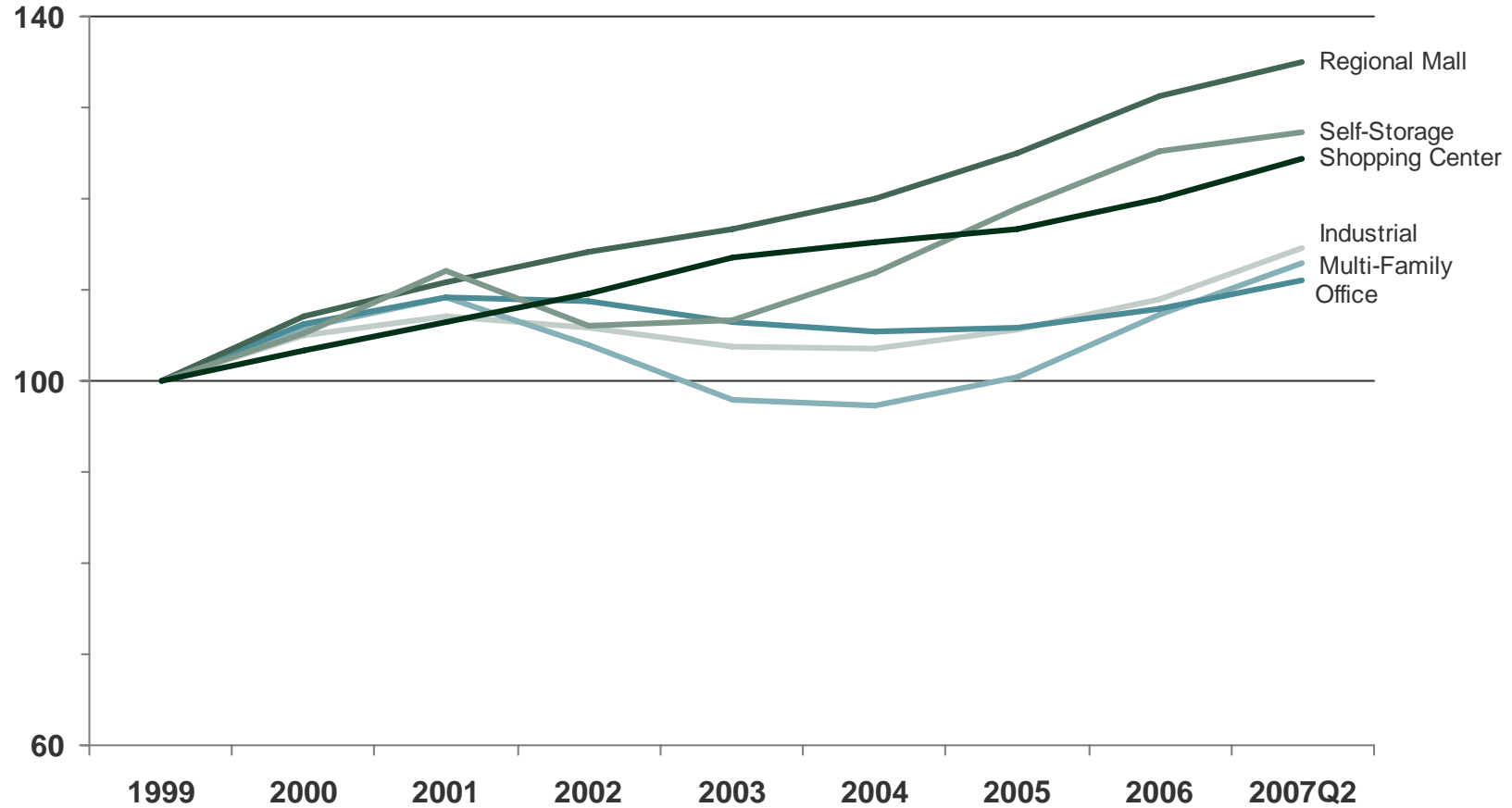
“The Perfect Calm”

- Improving Property Markets
 - + Capital Availability
 - + Innovations in Capital Markets
-
- = Strong commercial/multifamily mortgage markets

Indexed Median REIT/REOC “Same Store” Net Operating Income (NOI) by Property Focus

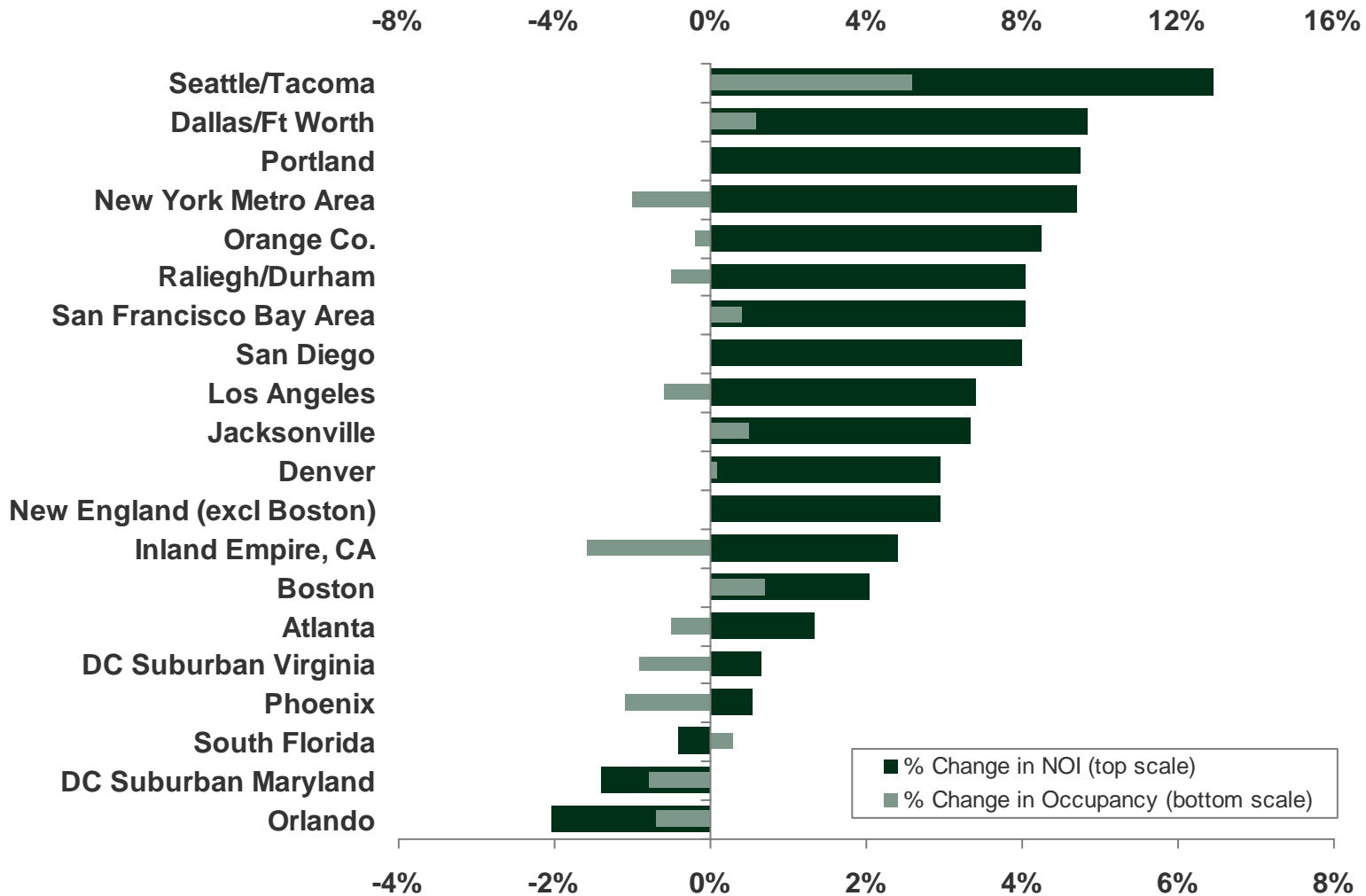


1999 NOI = 100

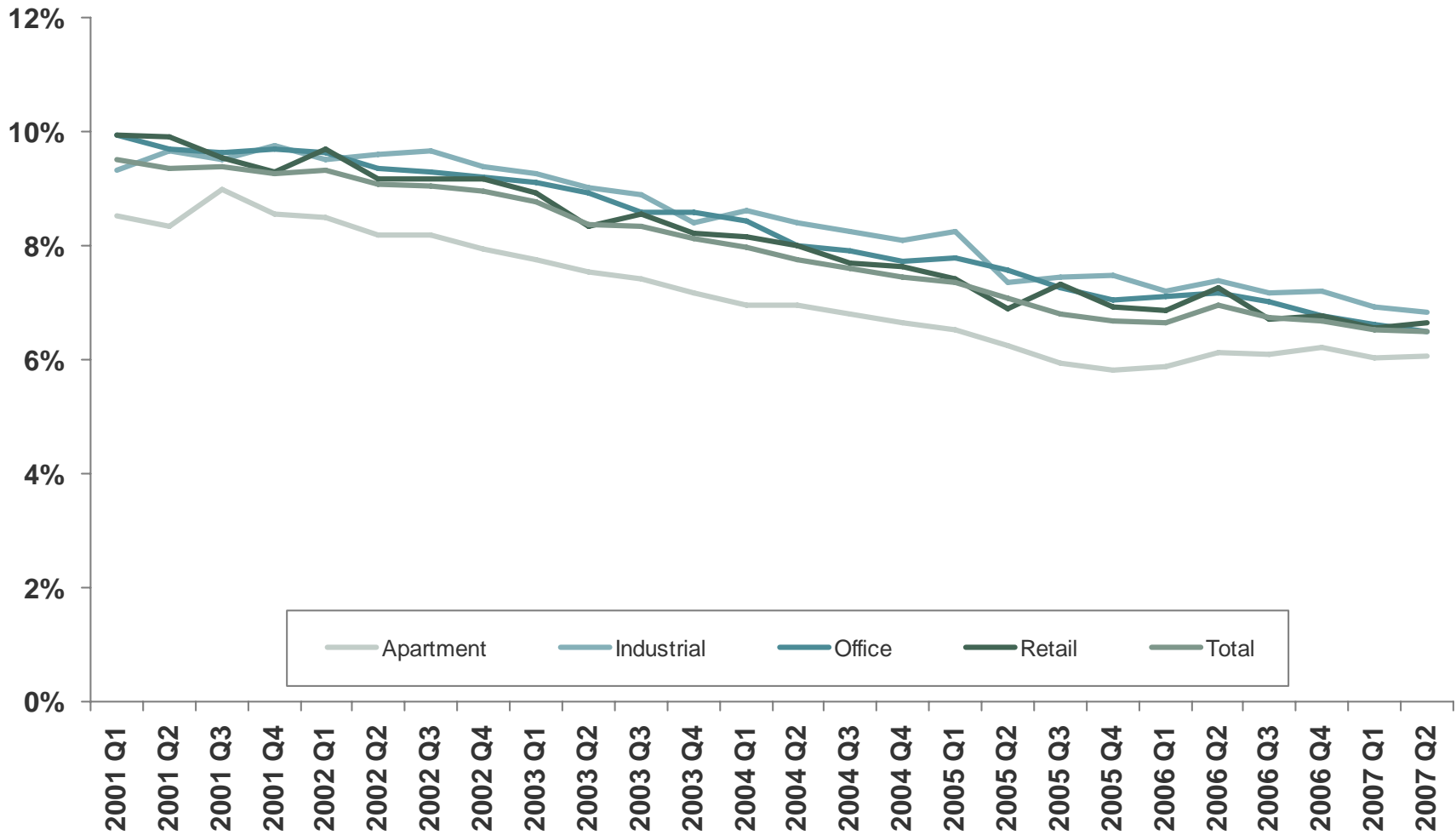


Source: MBA and SNL Financial, Charlottesville, VA 434.977.1600,
http://www.snl.com/real_estate/

Equity Residential REIT Same Store Results Third Quarter 2007 vs. 2006

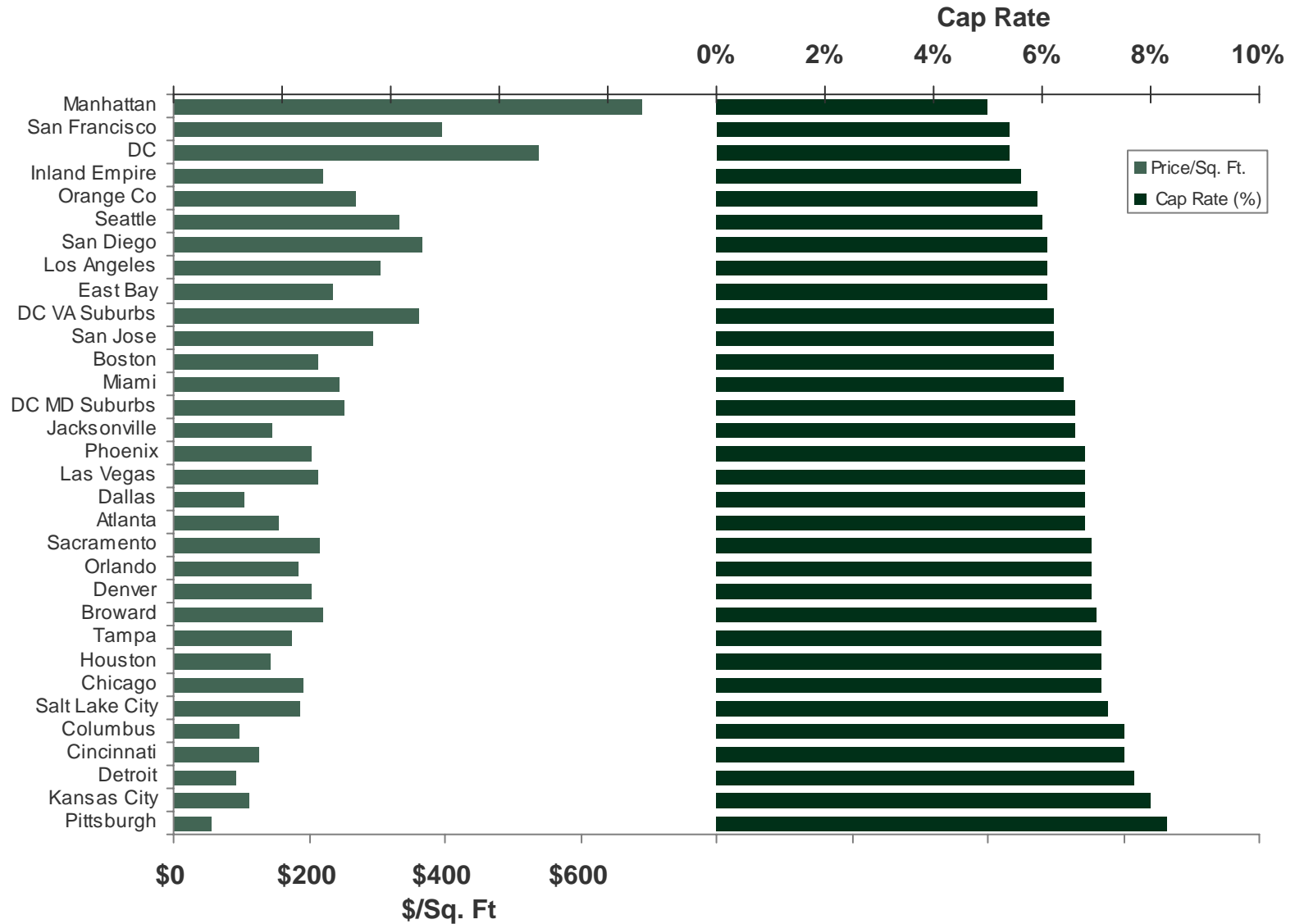


Commercial/Multifamily Capitalization Rates Properties and Portfolios \$5 million and greater



Source: Real Capital Analytics

Price per Sq. Ft and Cap Rate on Office Property Sales in Selected Markets, YTD September 2007

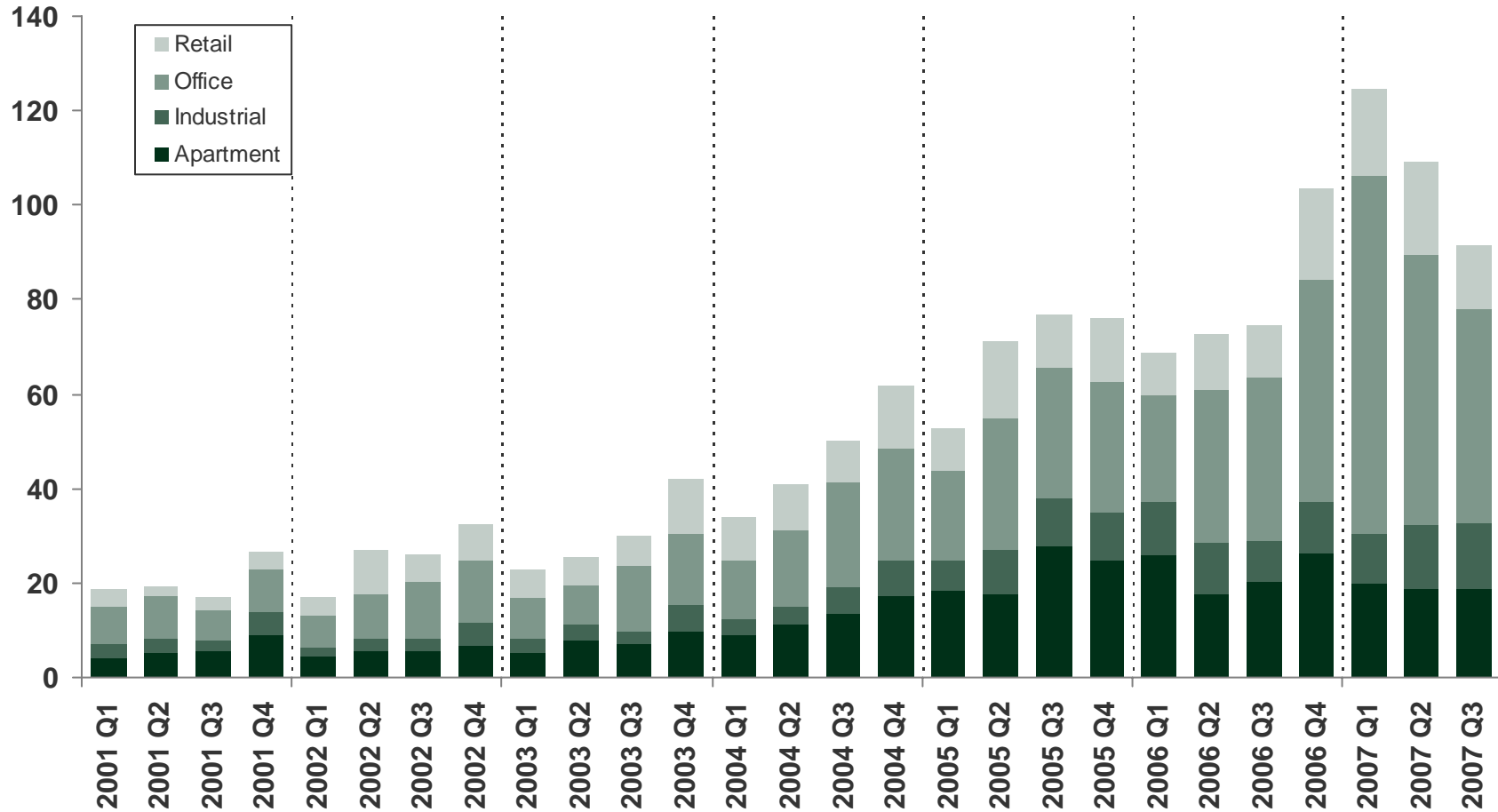


Office property transactions reported closed or in contract
 Properties \$5 mil. or more.
 Source: Real Capital Analytics

Commercial/Multifamily Property Sales Volume Properties and portfolios \$5 million and greater

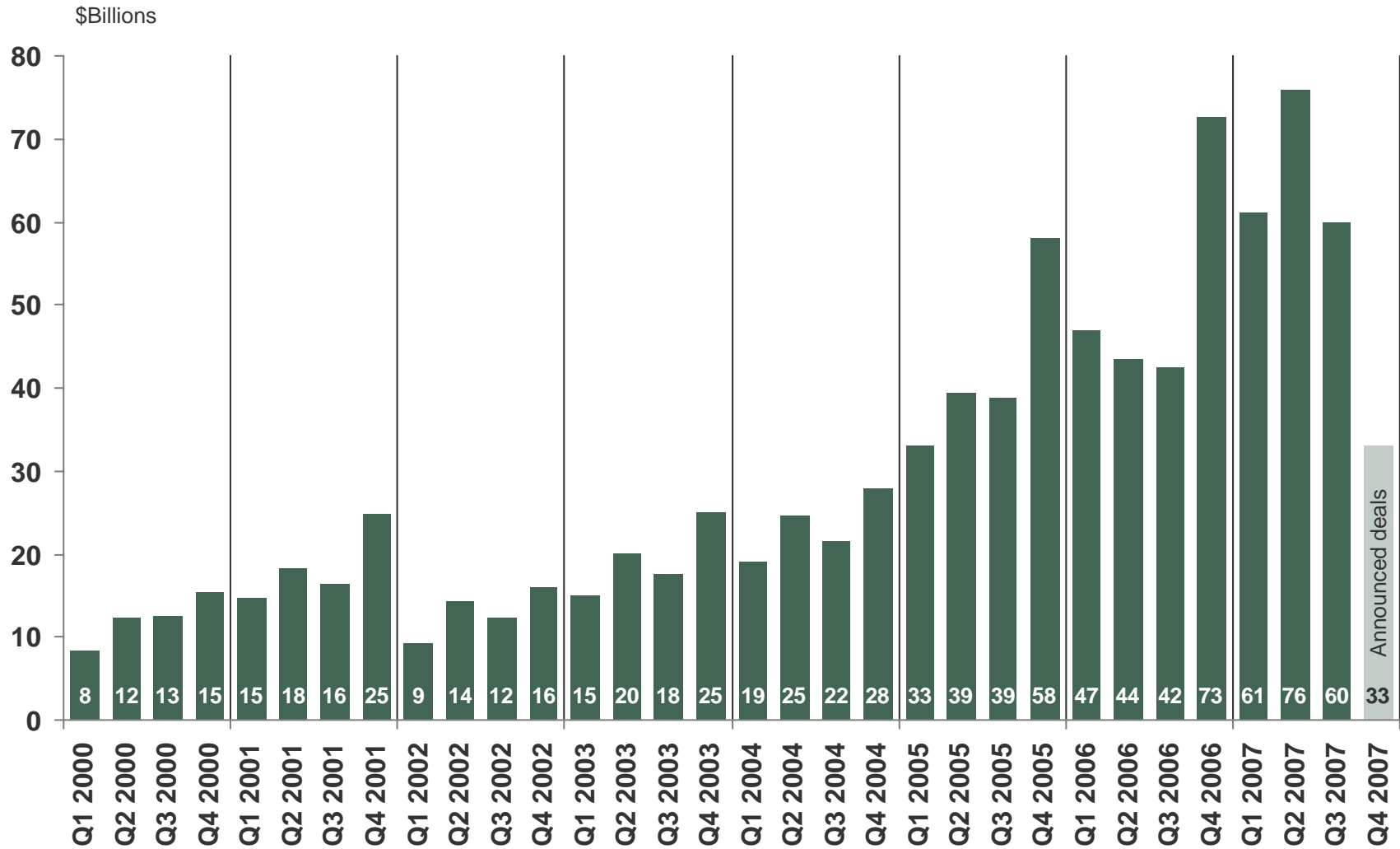


\$Billions



Source: Real Capital Analytics

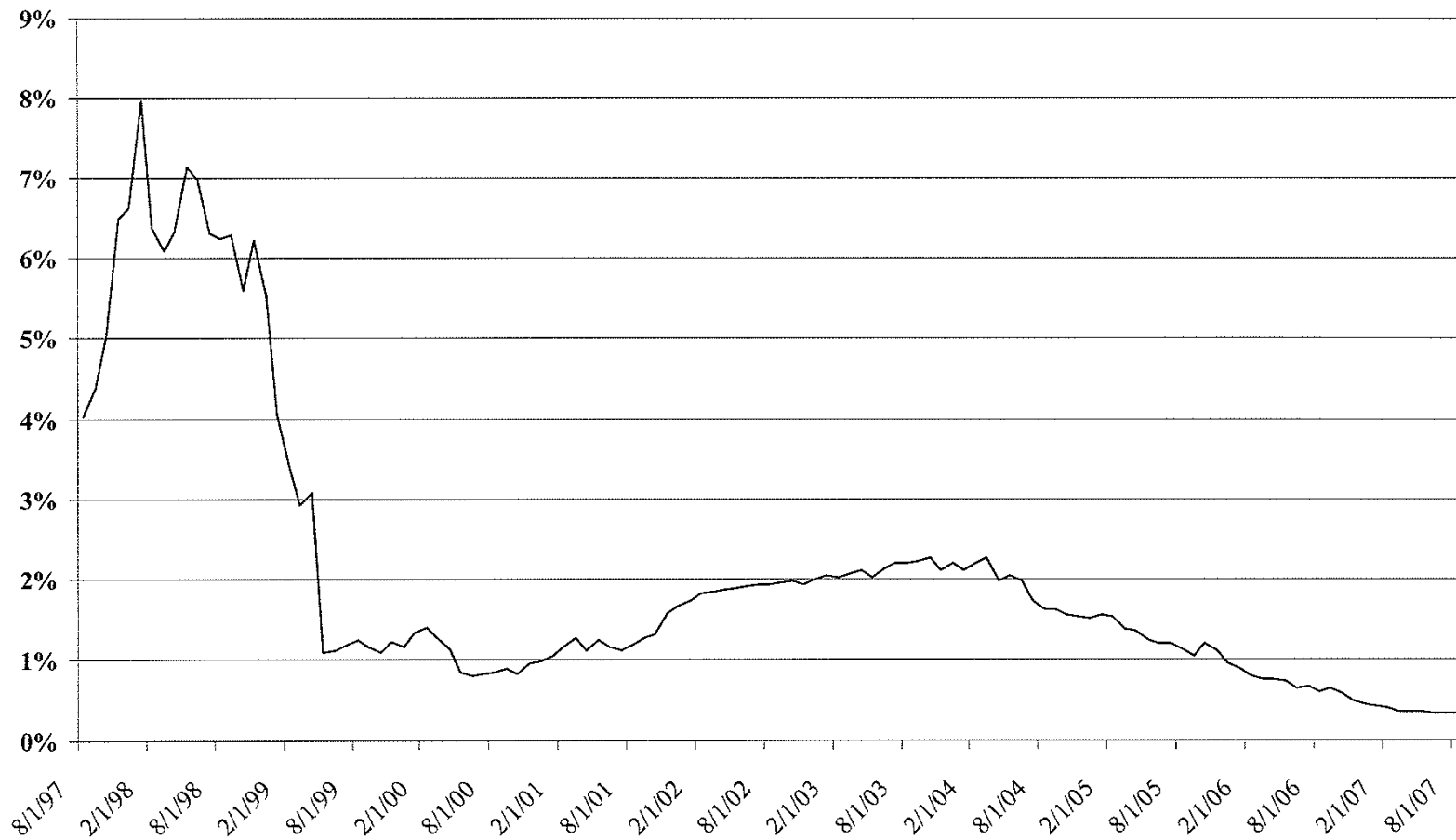
CMBS Issuance



Source: CMAAlert.com

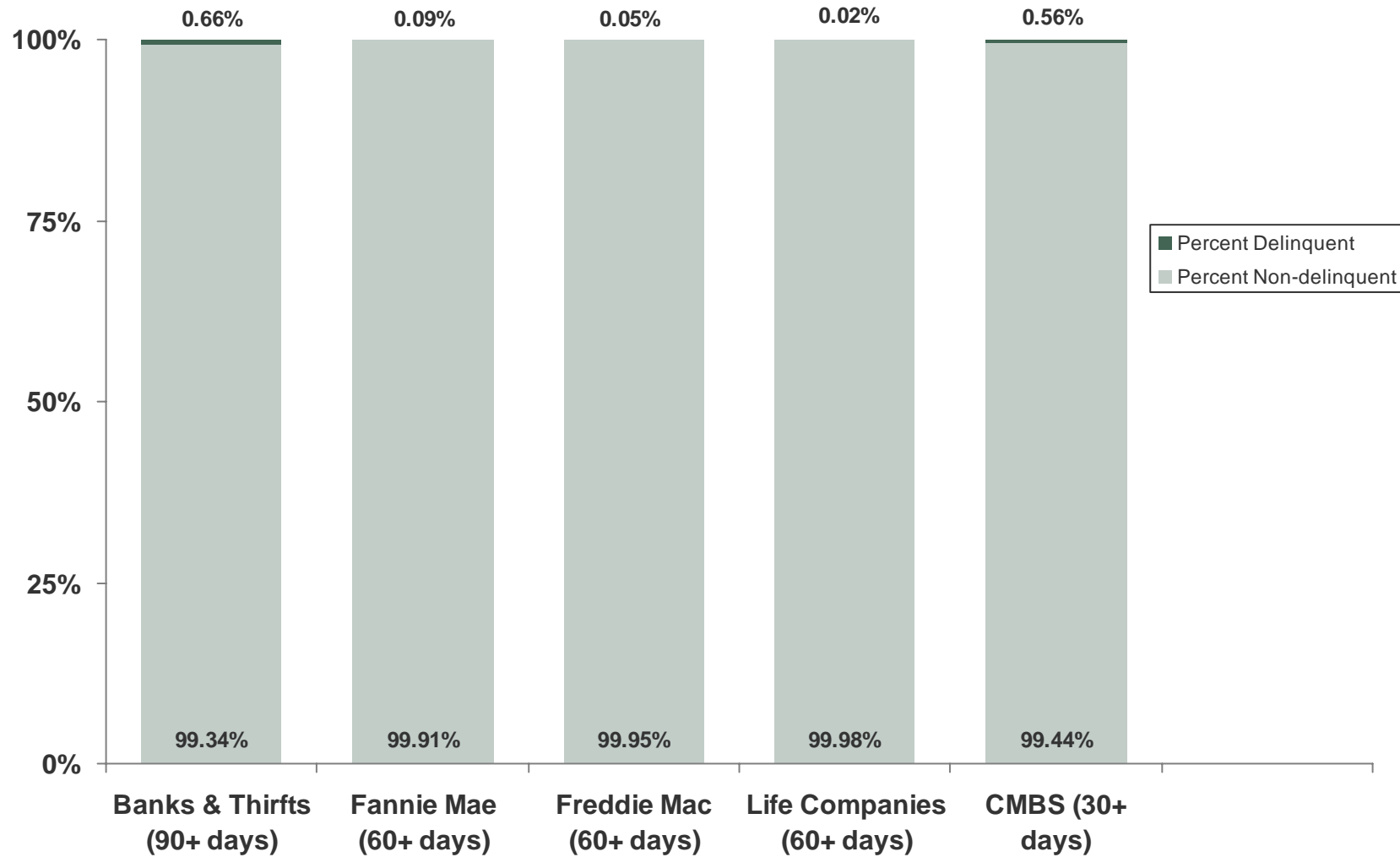
Performance

Historical CMBS Delinquencies 30+, Foreclosure and REO



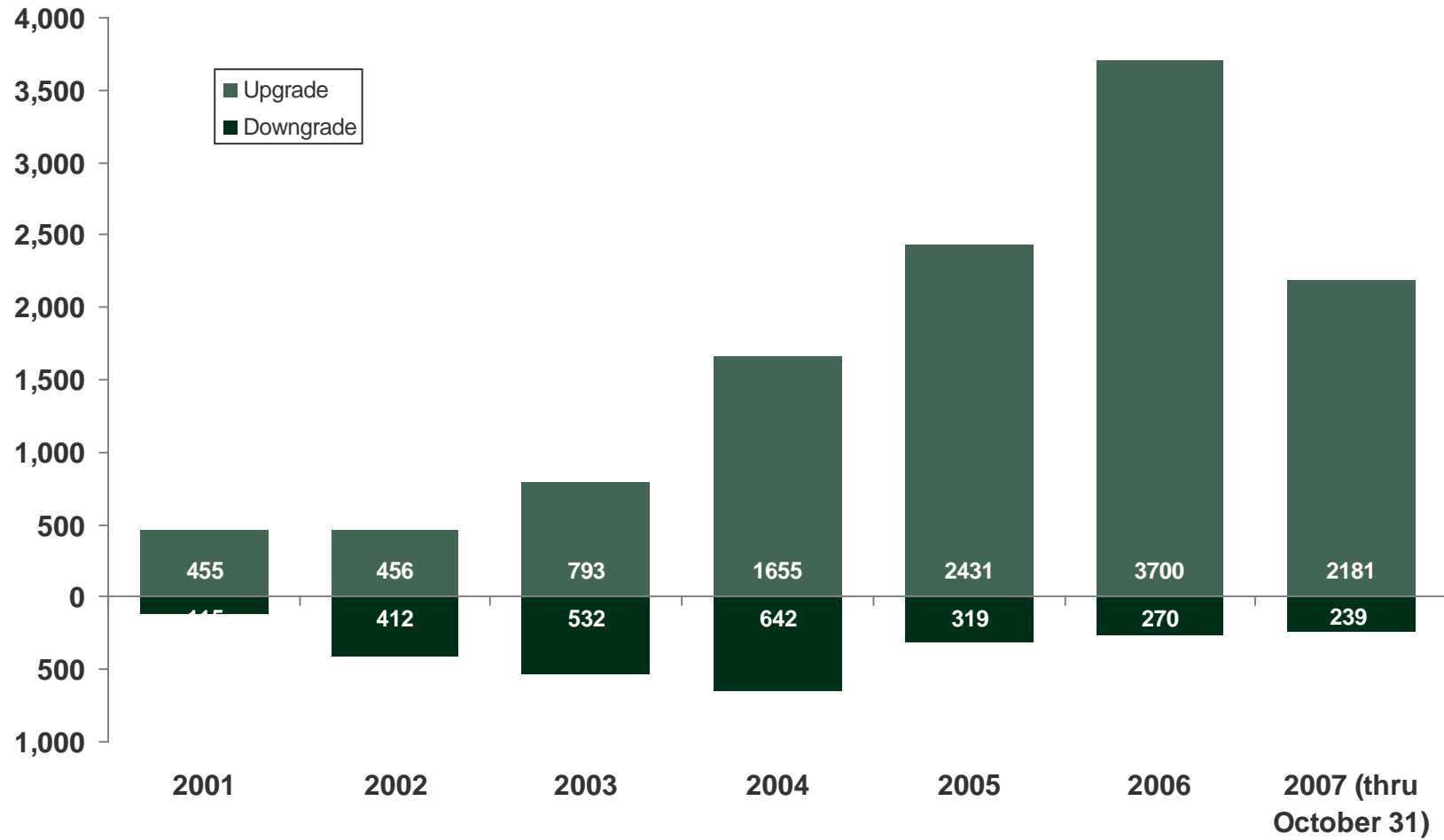
Source: CWCapital, Morgan Stanley and Intex

Multifamily Delinquency Rates by Investor Group, June 30, 2007



Source: Fannie Mae, Freddie Mac, ACLI, FDIC and Morgan Stanley.

Summary of CMBS Upgrades/Downgrades by Year of Action



Source: Banc of America Securities

Looking Ahead

MBA Economic Forecast

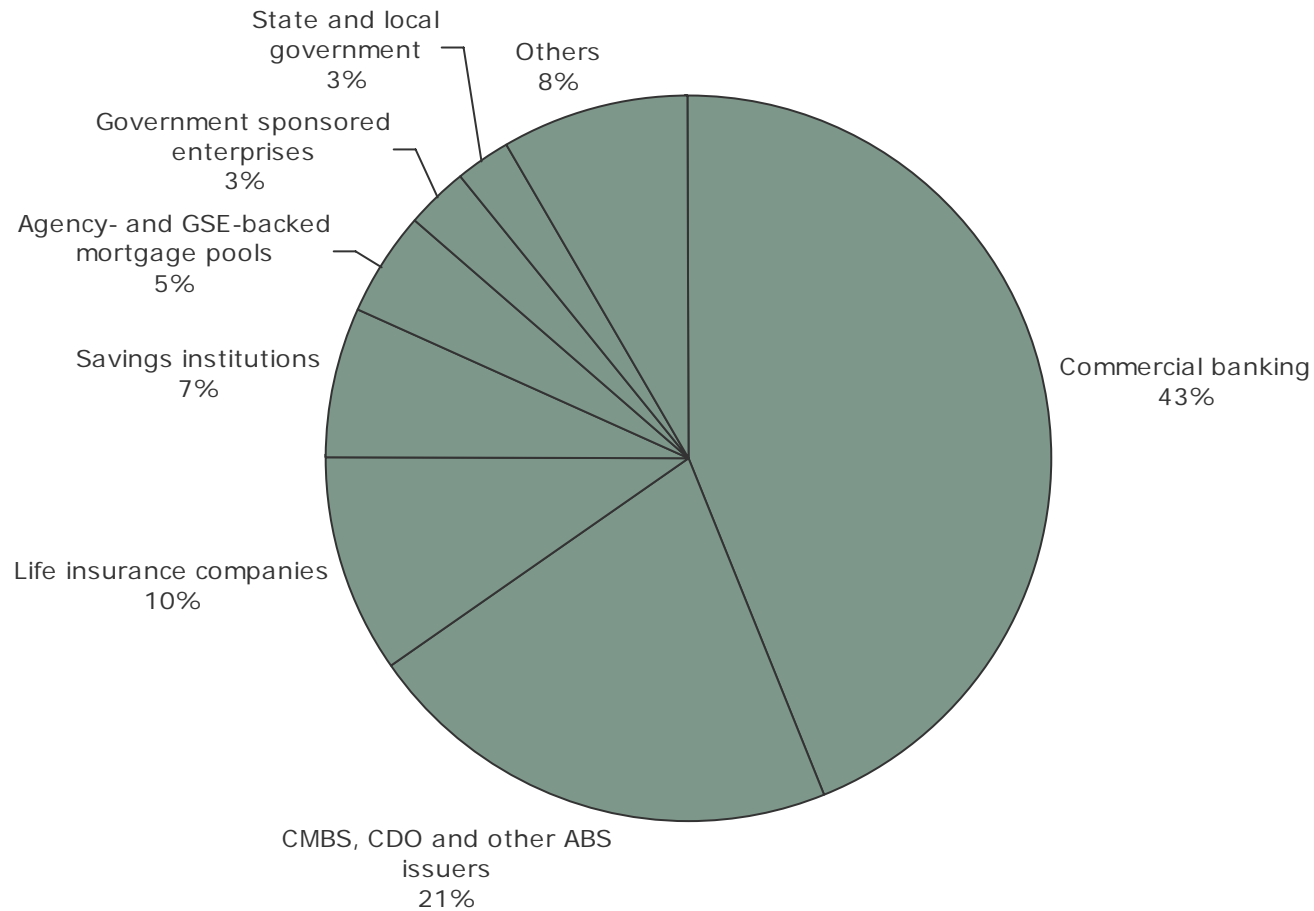
October 17, 2007



	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i><u>Percent Change, Annual Rate</u></i>												
Real Gross Domestic Product	4.8	2.4	1.1	2.1	0.6	3.8	2.9	1.4	2.1	2.4	2.7	2.8
Personal Consumption Expenditures	4.4	2.4	2.8	3.9	3.7	1.4	2.9	2.7	2.0	2.1	2.1	2.1
Business Fixed Investment	13.3	4.2	5.1	-1.4	2.1	11.0	4.2	6.1	3.9	3.6	3.7	3.9
Residential Investment	-0.7	-11.7	-20.4	-17.2	-16.3	-11.8	-16.3	-19.4	-15.1	-7.8	1.2	6.1
Govt. Consumption & Investment	4.9	1.0	0.8	3.5	-0.5	4.1	3.2	1.6	1.6	2.0	1.8	2.0
Net Exports (Bil. Chain 2000\$)	-640	-627	-634	-597	-612	-574	-566	-581	-574	-559	-546	-537
Inventory Investment (Bil. Chain 2000\$)	38	51	54	17	0	6	17	18	29	30	30	29
GDP Deflator	3.4	3.5	2.4	1.7	4.2	2.6	0.5	1.6	2.5	2.2	2.0	1.8
Consumer Prices	1.9	5.0	3.1	-2.1	3.8	6.0	1.8	2.4	2.3	2.3	2.1	1.9
<i><u>Percent</u></i>												
Unemployment Rate	4.7	4.7	4.7	4.5	4.5	4.5	4.6	4.8	4.9	5.1	5.2	5.1
Federal Funds Rate	4.5	4.9	5.3	5.2	5.3	5.3	5.1	4.6	4.5	4.5	4.5	4.5
10-Year Treasury Bond Rate	4.6	5.1	4.9	4.6	4.7	4.8	4.7	4.7	4.8	4.9	5.0	5.0

Case Studies: Commercial/Multifamily Operations

Commercial/Multifamily Mortgage Debt Outstanding by Investor Group, Q4 2006

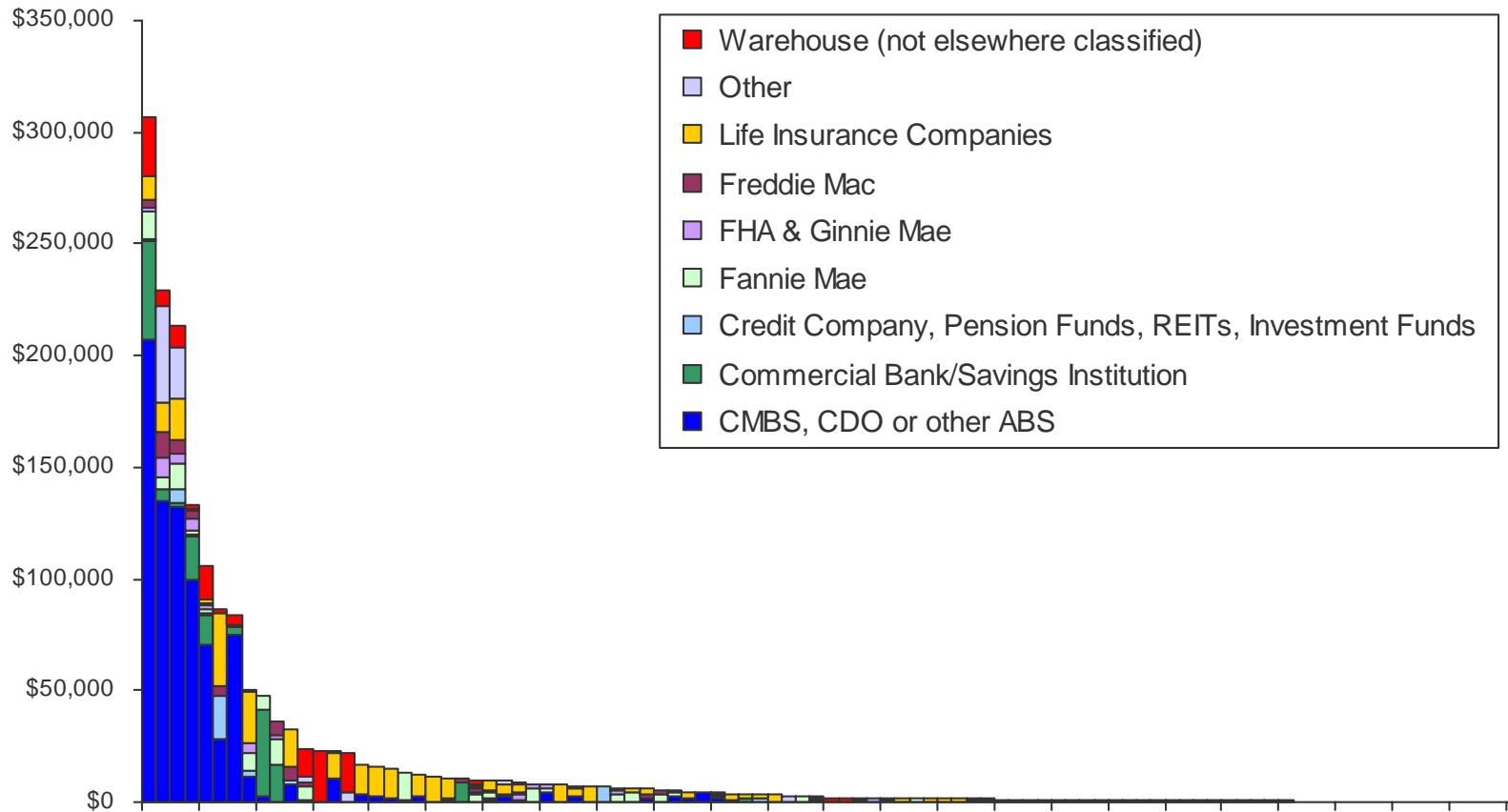


Source: Federal Reserve Board

Commercial/Multifamily Master and Primary Servicing, By Investor Group



Servicing Loan Volume by Investor Group (\$thousands)



Concentration: Top 10 firms = 76% of volume

Diversification: Top investor-group servicers have become less focused on that group

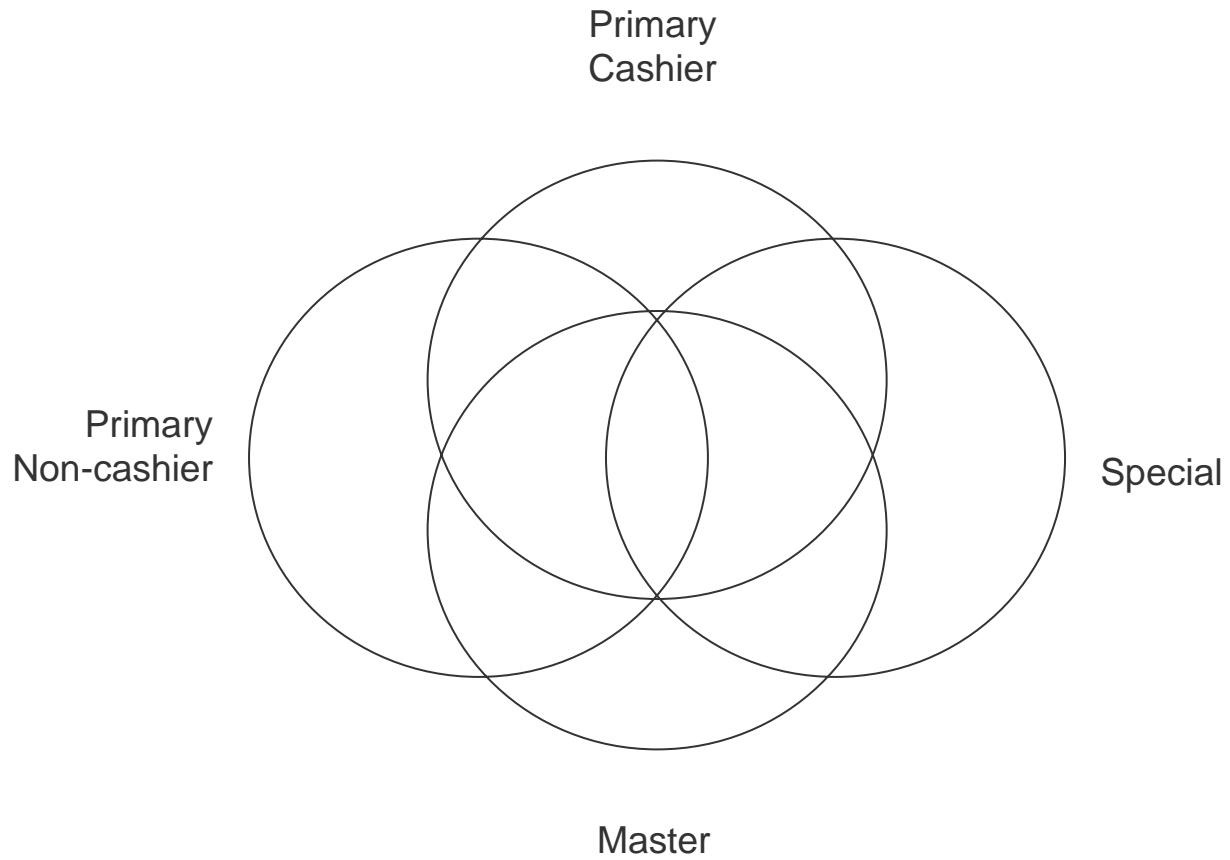
-Top 10 CMBS servicers: 61% of their portfolios are CMBS loans (was 63% in 2001)

-Top 10 GSE servicers: 12% of their portfolios are GSE loans (was 33% in 2001)

-Top 10 Life Co. servicers: 24% of their portfolios are Life Co. loans (was 47% in 2001)

Source: MBA

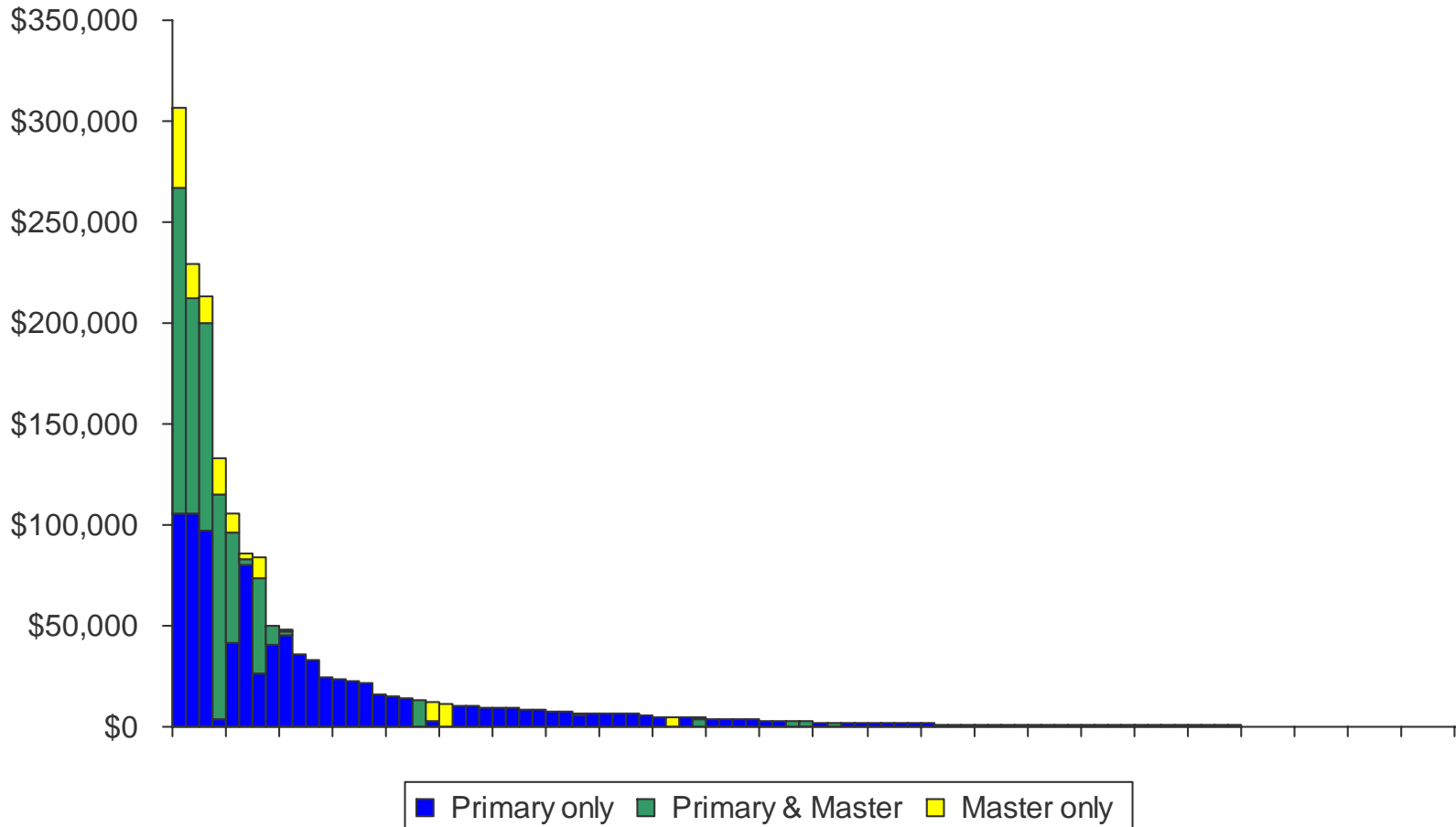
Diversity of Roles



Commercial/Multifamily Servicers Roles, Master and Primary Servicing



Servicing Loan Volume by Role (\$thousands)



Specialization: Wide Disparity in Roles -- Top 10 servicer's share of activity

Source: MBA

- Primary only: 62%
- Primary & Master: 95%
- Master only: 80%

- Total Primary: 75%
- Total Master: 93%

Varying Business Objectives/Priorities:

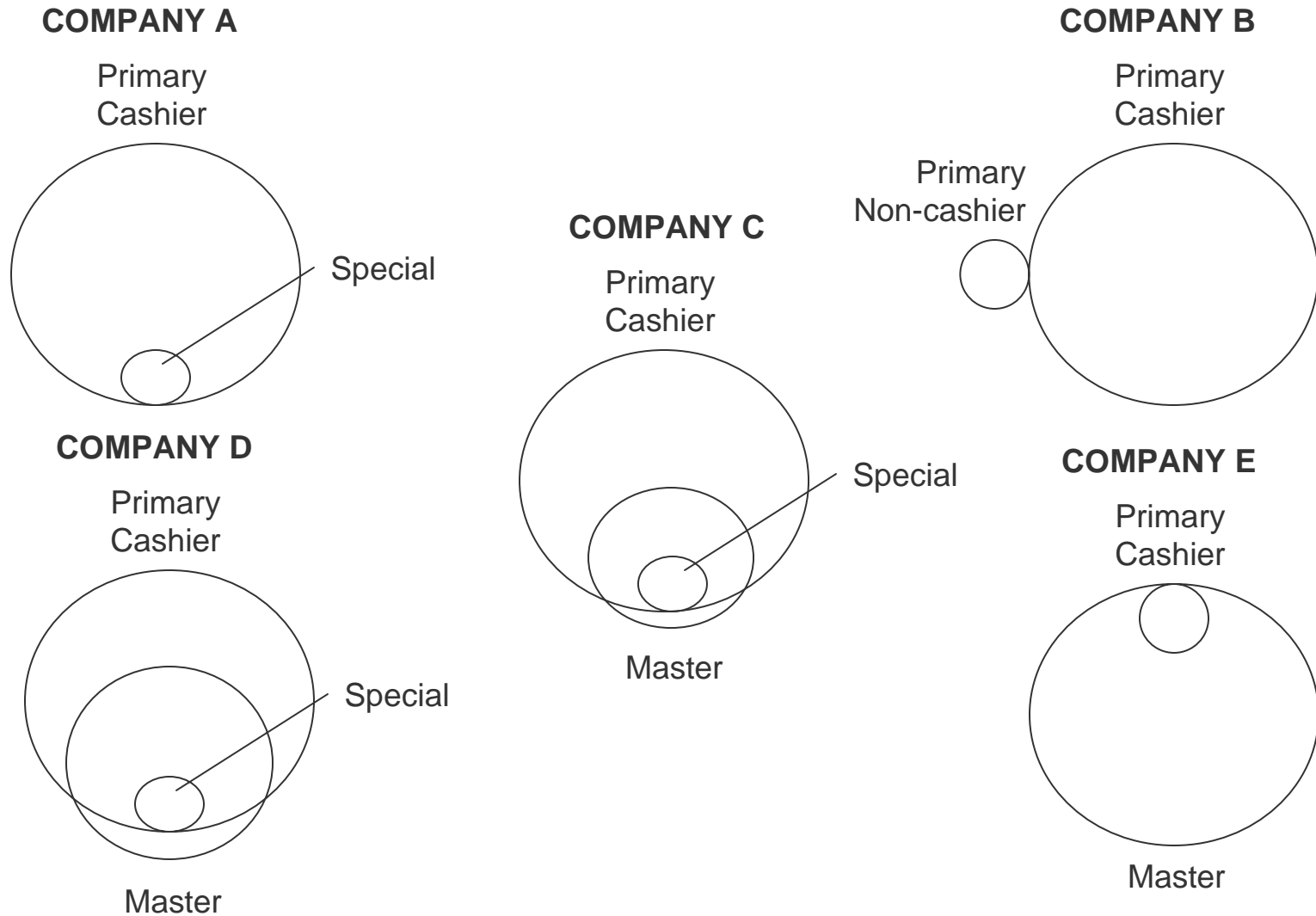
Focus on Repeat Borrowers – Link Servicing to Origination

Servicing as a Profit Center

Portfolio Oversight/Risk Prevention

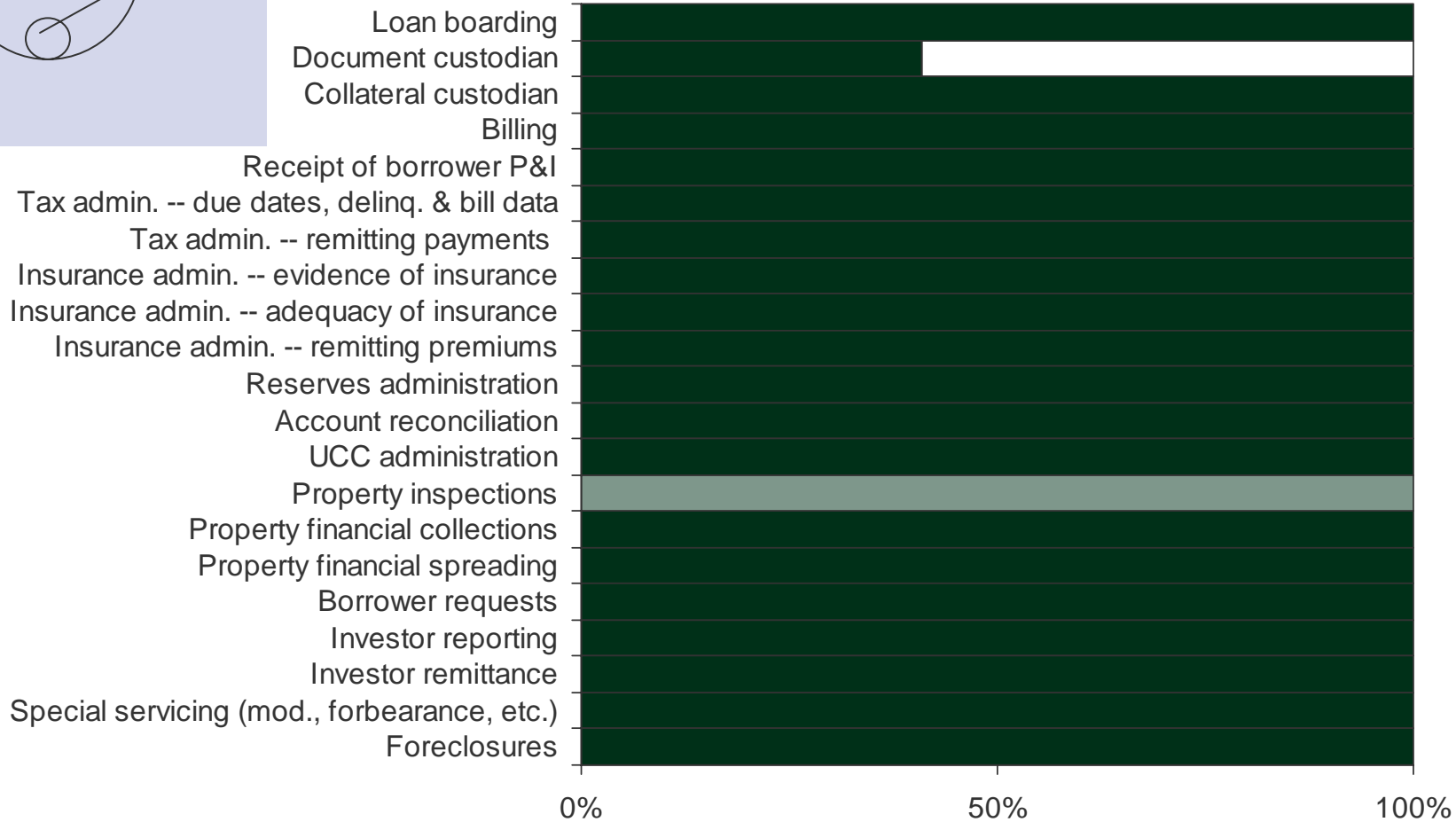
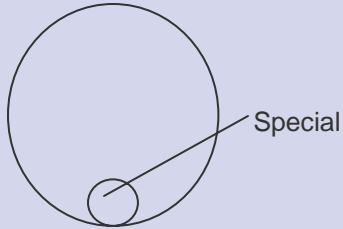
Servicing Models

Sample Servicers and their Roles



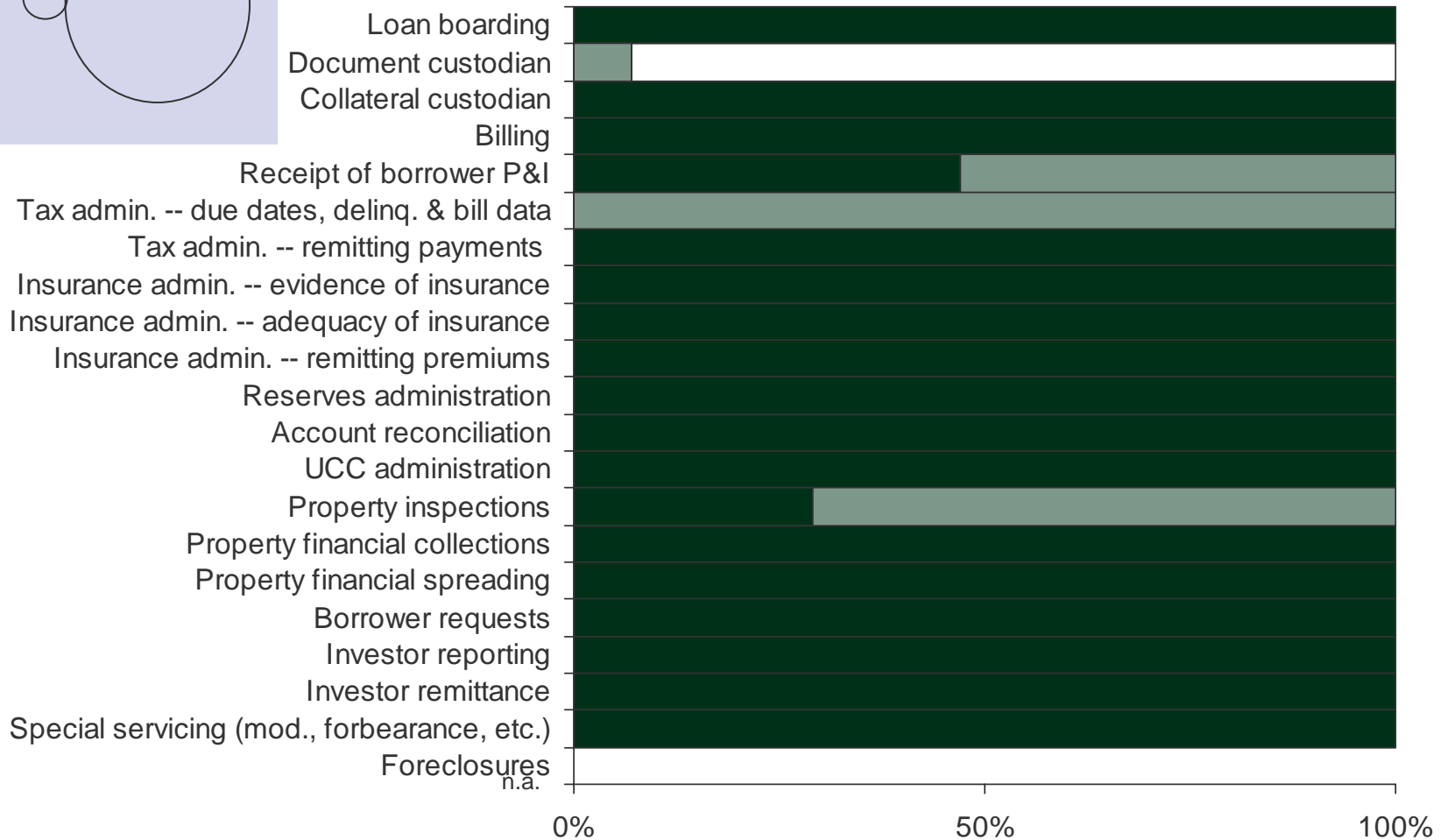
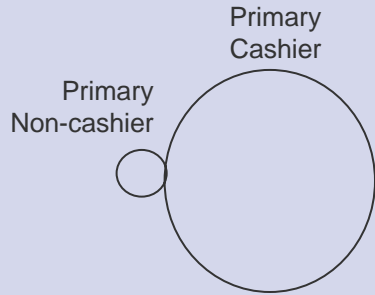
COMPANY A

Primary
Cashier



Source: MBA

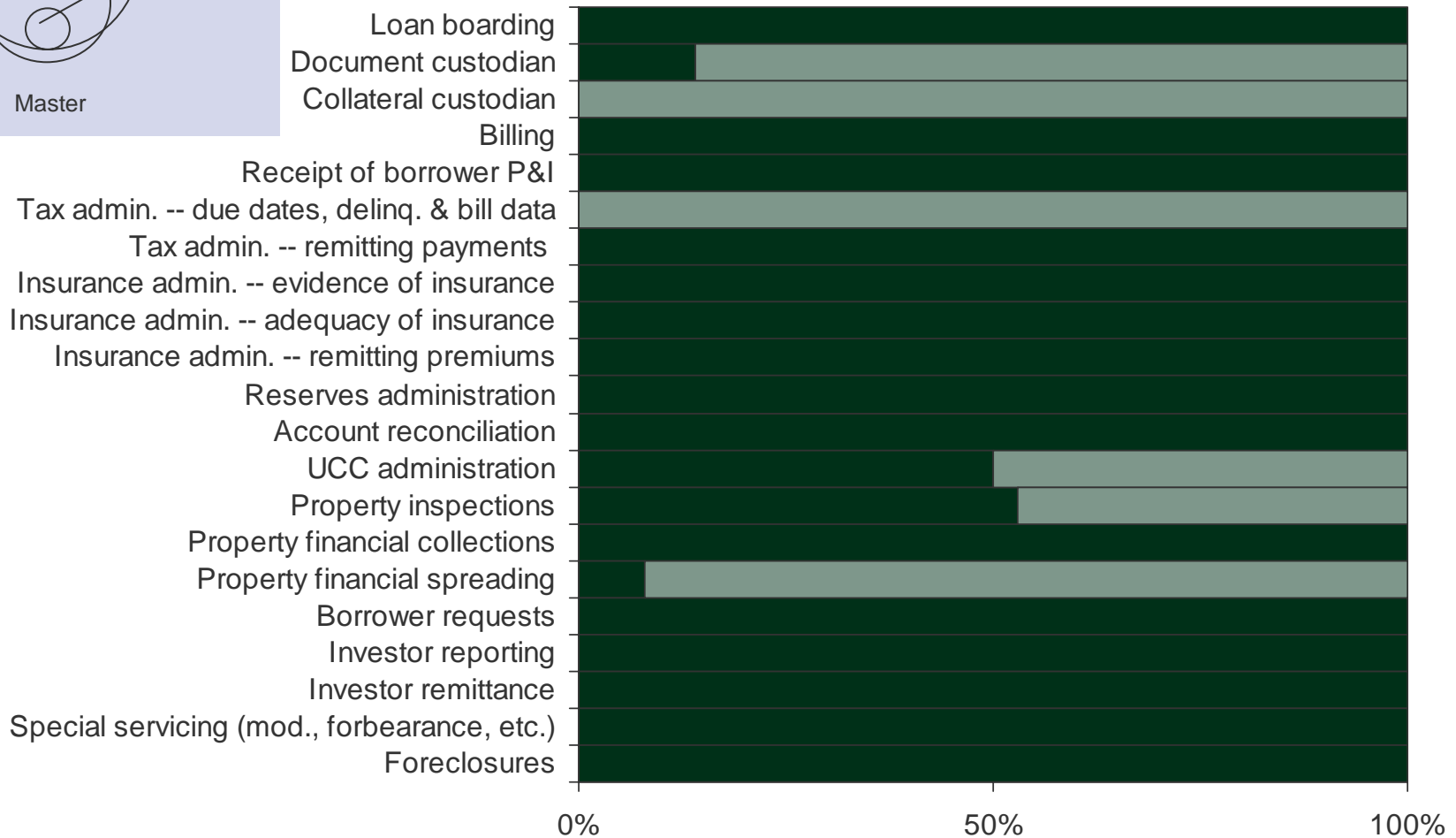
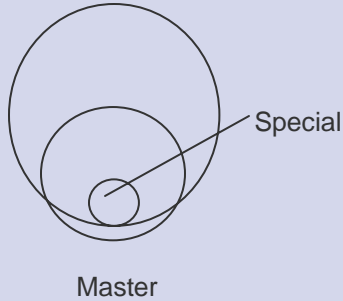
COMPANY B



Source: MBA

COMPANY C

Primary
Cashier

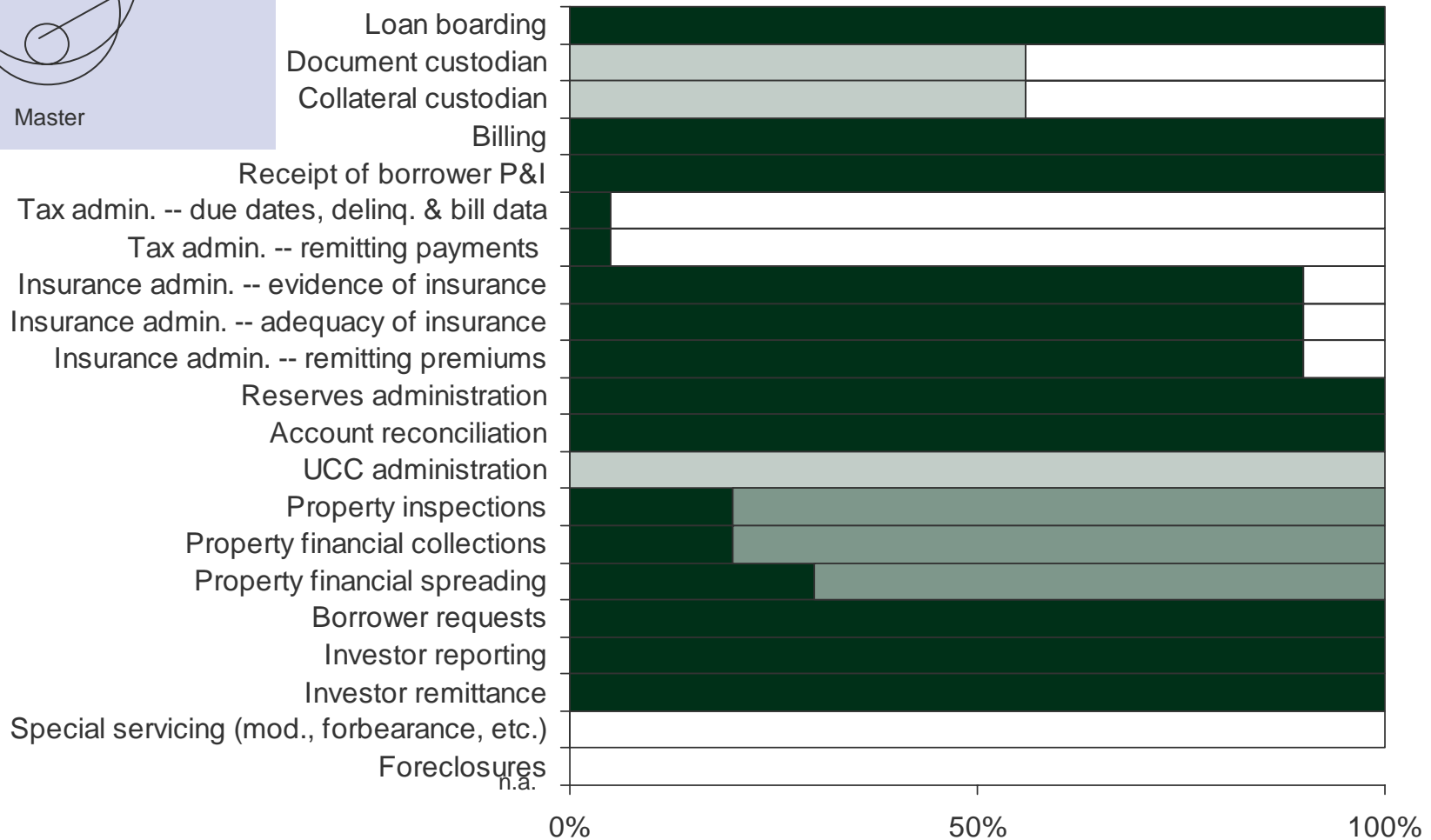
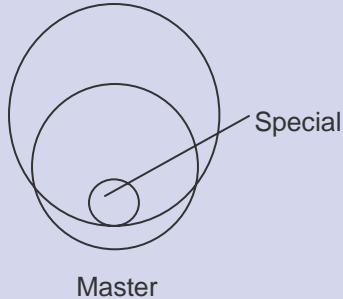


■ Dedicated CRE servicing staff performs	■ Firm staff who are NOT CRE servicing staff performs
■ Outsourced: Performed under firm name by non-firm staff	□ Some other company performs

Source: MBA

COMPANY D

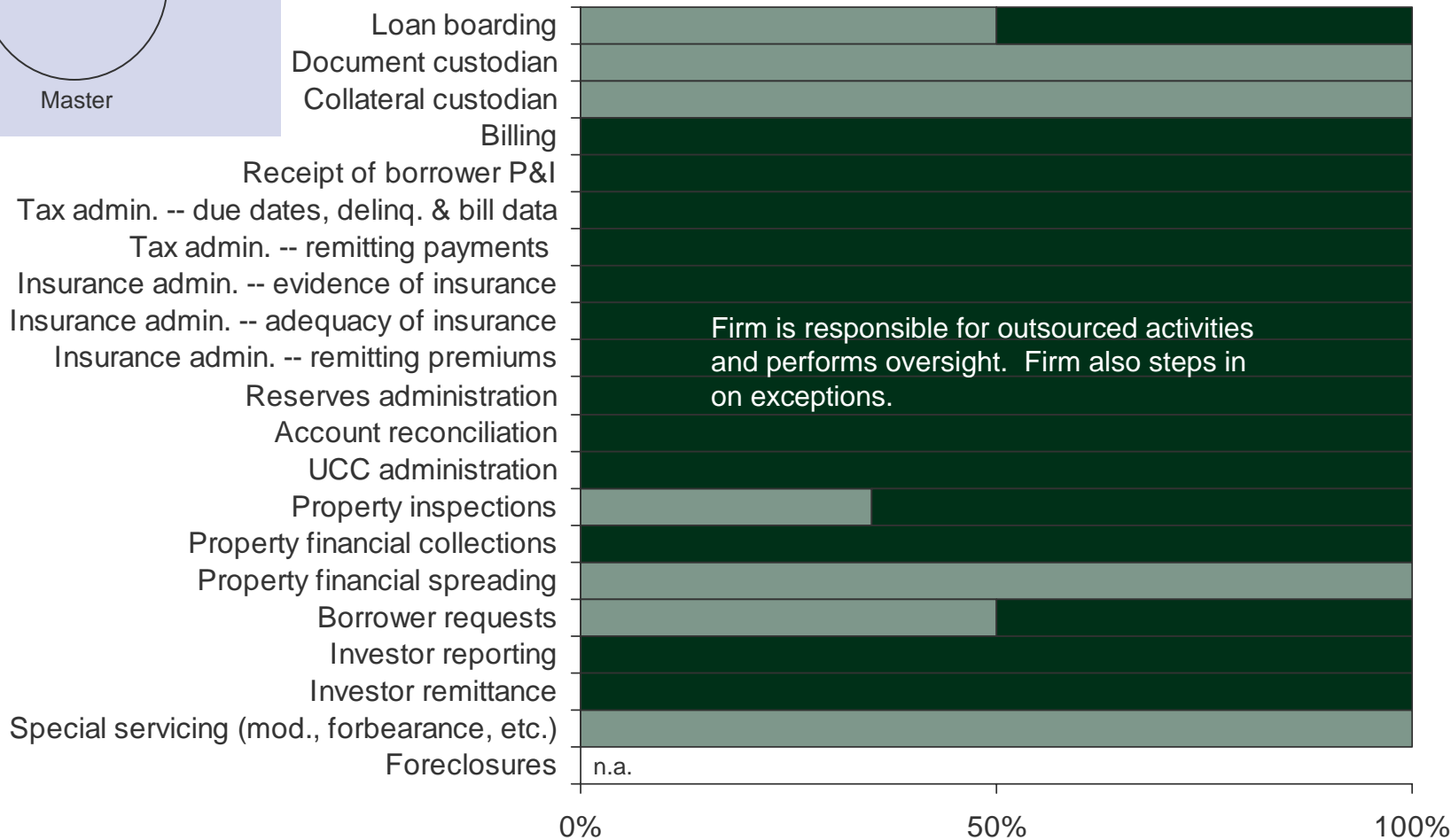
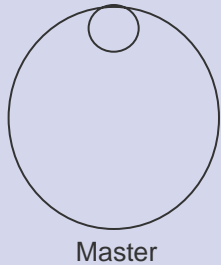
Primary
Cashier



Source: MBA

COMPANY E

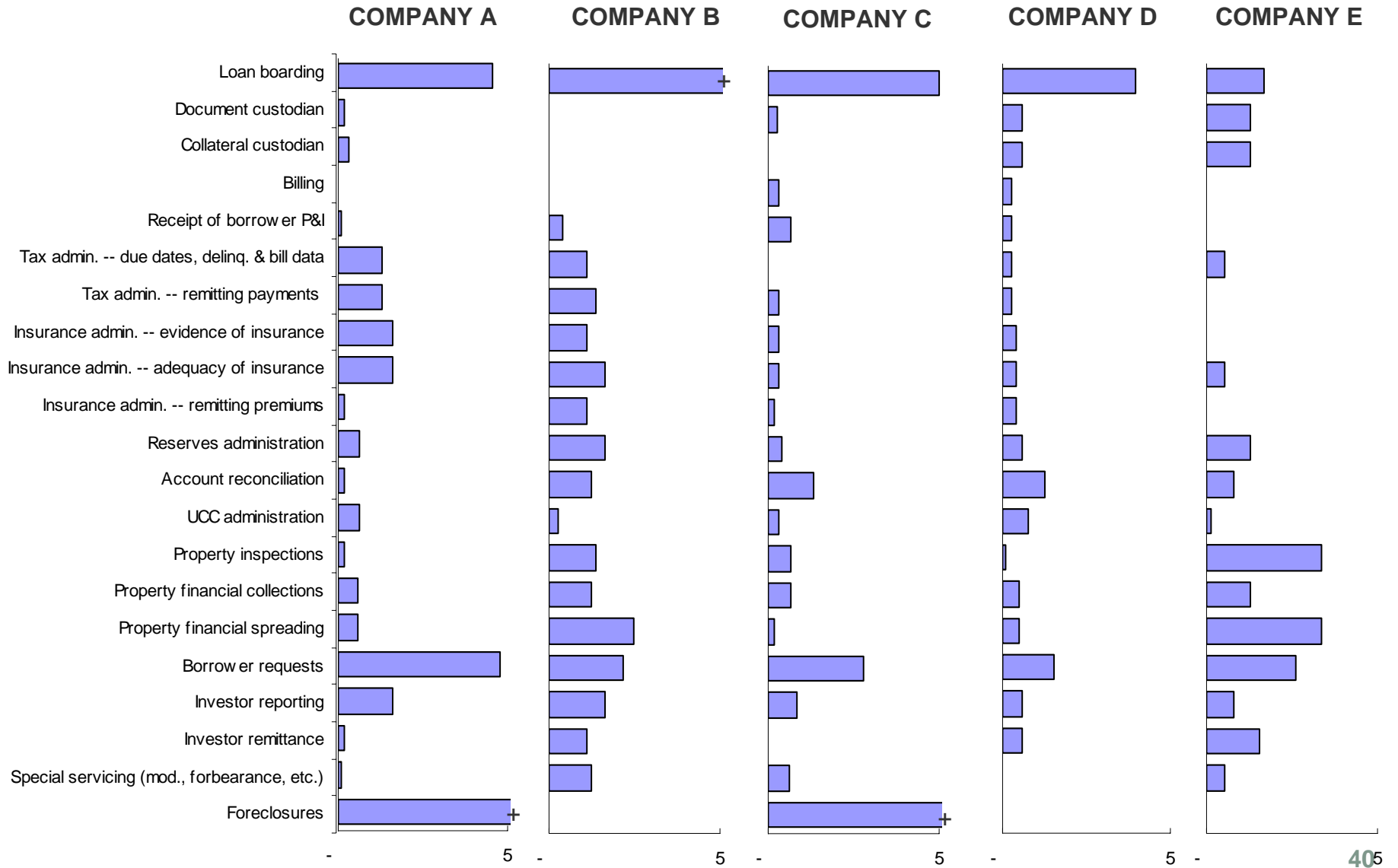
Primary
Cashier



■ Dedicated CRE servicing staff performs	■ Firm staff who are NOT CRE servicing staff performs
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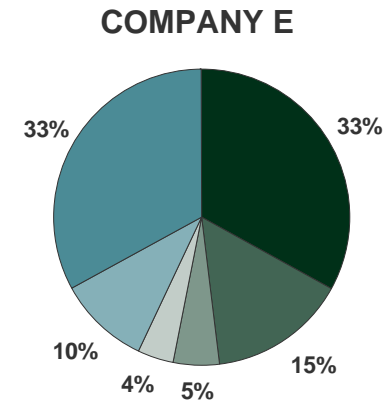
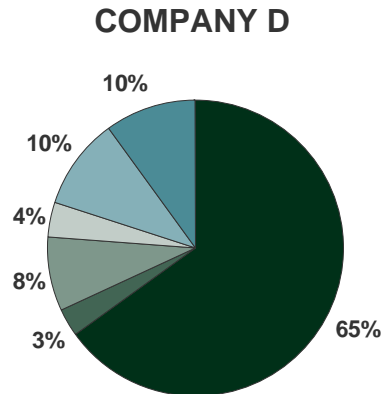
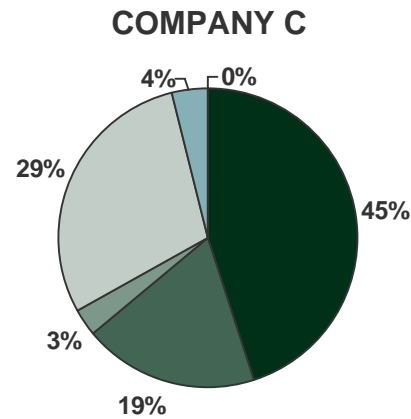
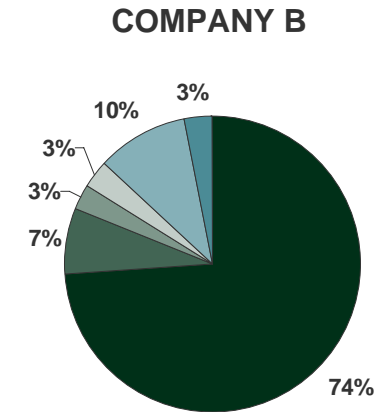
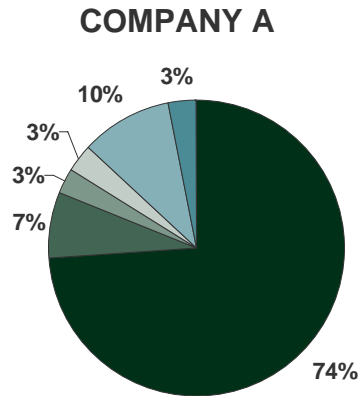
Source: MBA

Task-specific FTEs per 1,000 Loans



Distribution of Servicing Costs

Personnel
 Technology
 Occupancy
 Other overhead
 Vendors
 Other outsourced



Ballpark estimates that are not standardized across servicers. One servicer may include costs and activities that others do not, and different servicers may characterize expenses differently.

Source: MBA

How the Top Companies Grew



WACHOVIA



CWCAPITAL



CAPMARK



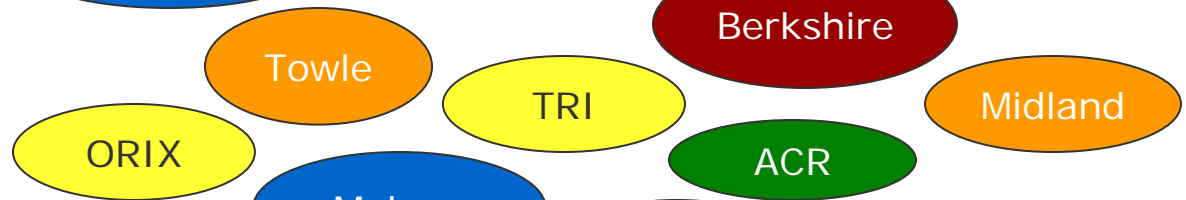
PNC



WELLS FARGO



KEY BANK



CBRE



DEUTSCHE BANK



PRUDENTIAL



Originations Rankings

Servicer Rankings

DUS underwriting staffing (2006)

Property Inspection Processing (2007)

Property Financials Processing (2008)

Contact Information & MBA Resources



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www.mortgagebankers.org/research

Research Institute for Housing America:

<http://www.housingamerica.org>

Home Loan Learning Center:

<http://www.homeloanlearningcenter.com>

MBA Newslink:

<http://www.mortgagebankers.org/NewsandMedia/MBANewsLink>