



**COMMERCIAL MORTGAGE
SECURITIES ASSOCIATION**

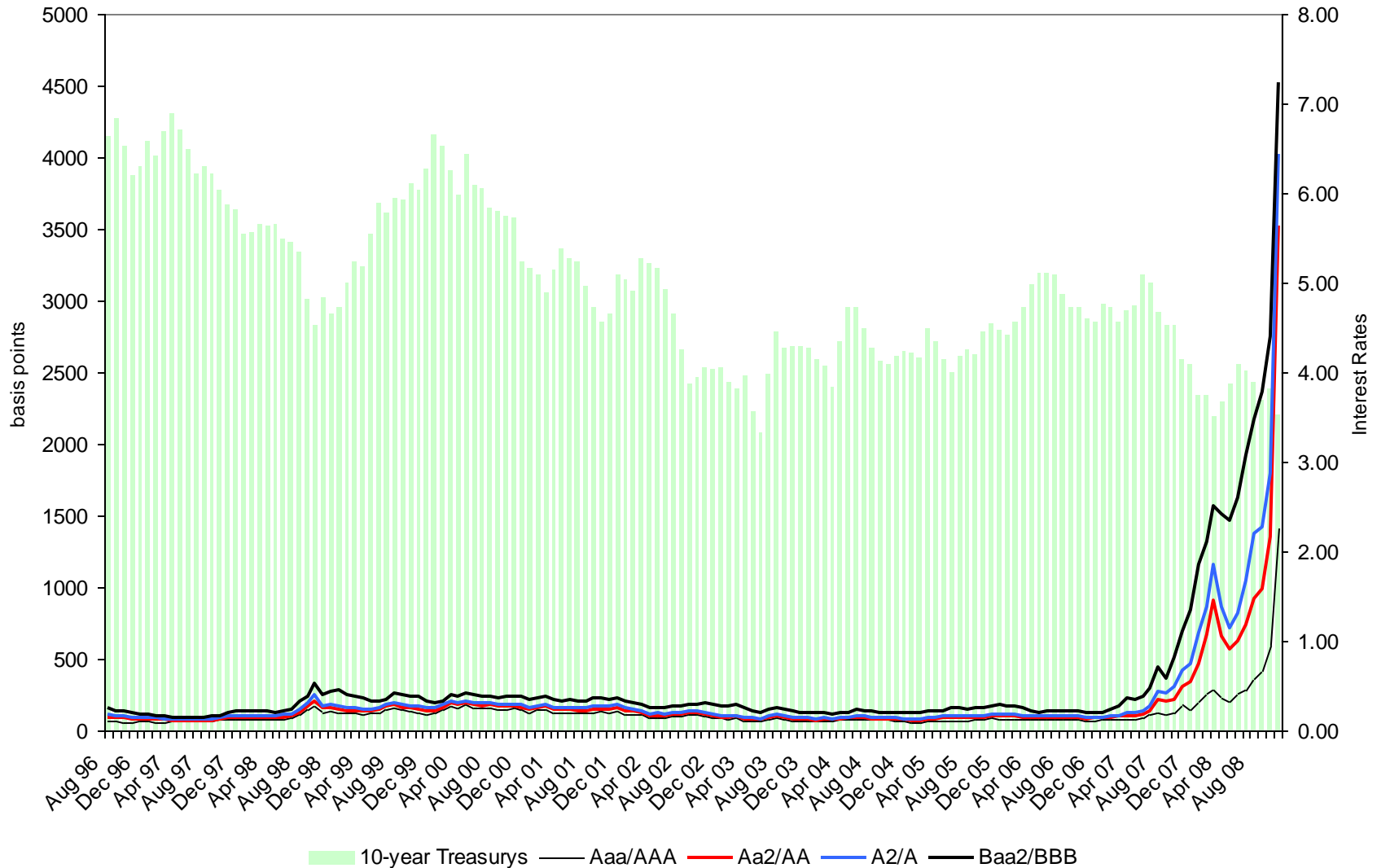
Promoting the ongoing strength, liquidity, and viability of commercial real estate capital market finance worldwide



➤ **Investor Landscape**

➤ **Spread and Return
Continued Volatility**

CMBS Spreads Over 10-Year Treasuries: Investment Grade Monthly



Source: Morgan Stanley. Generic AAA spreads from August 1996 to December 2004; Super Senior AAA from January 2005 to present.

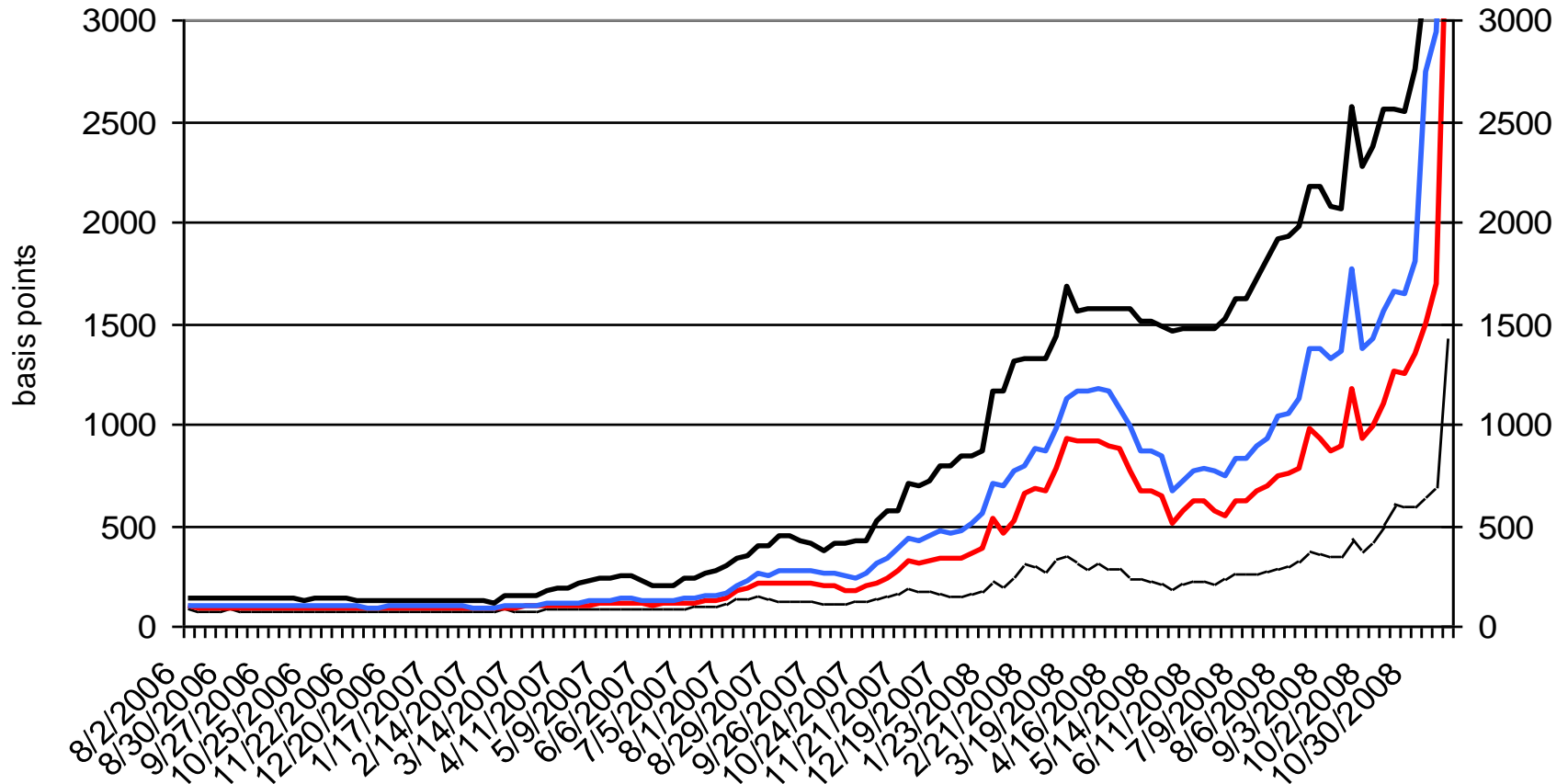
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CMBS Weekly Spreads to 10-Year Treasuries

CMBS Spreads to Treasuries: August 2006 to November 2008

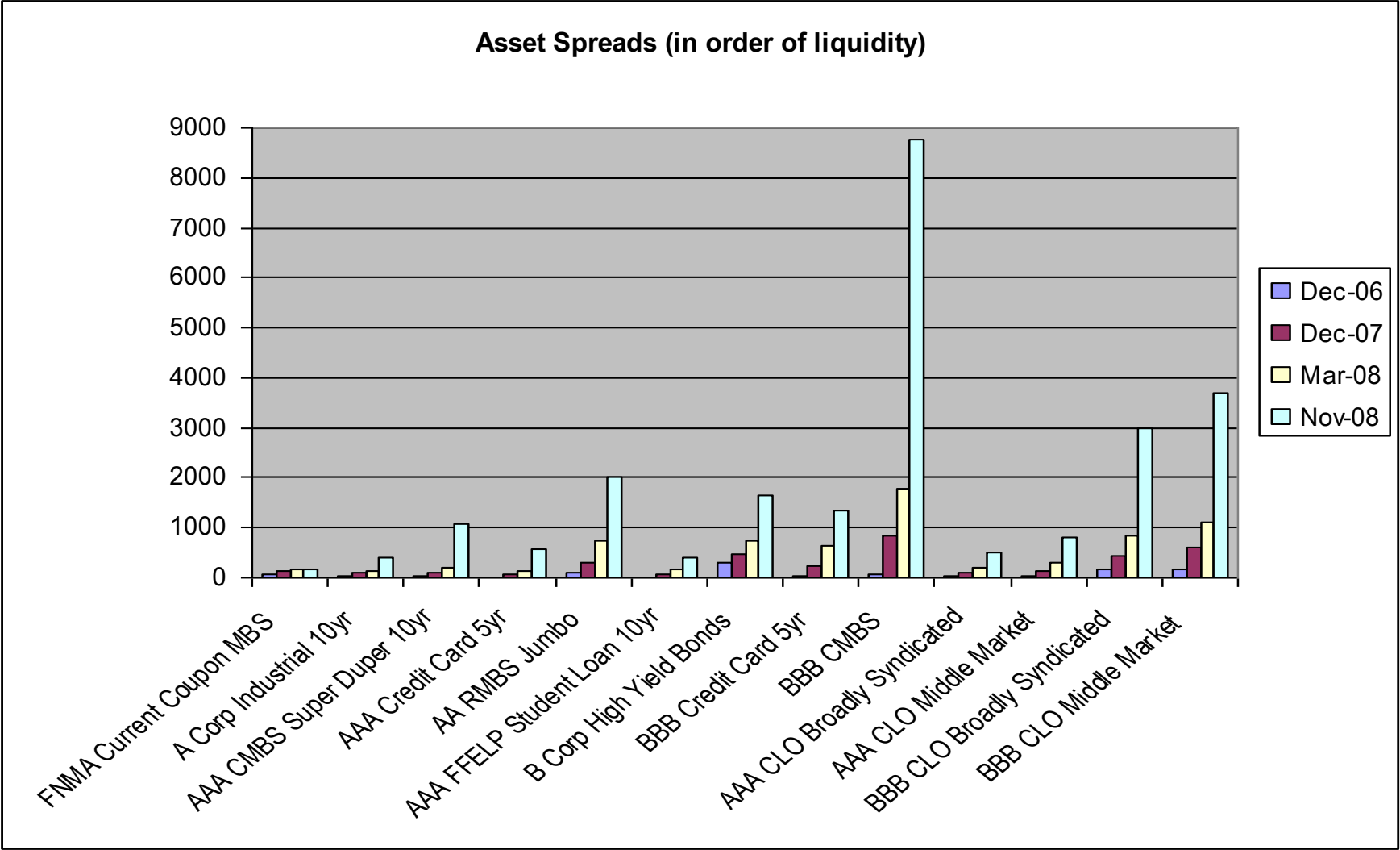
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Source: Morgan Stanley

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Unprecedented Spread Widening in all ABS



Source: Wells Fargo

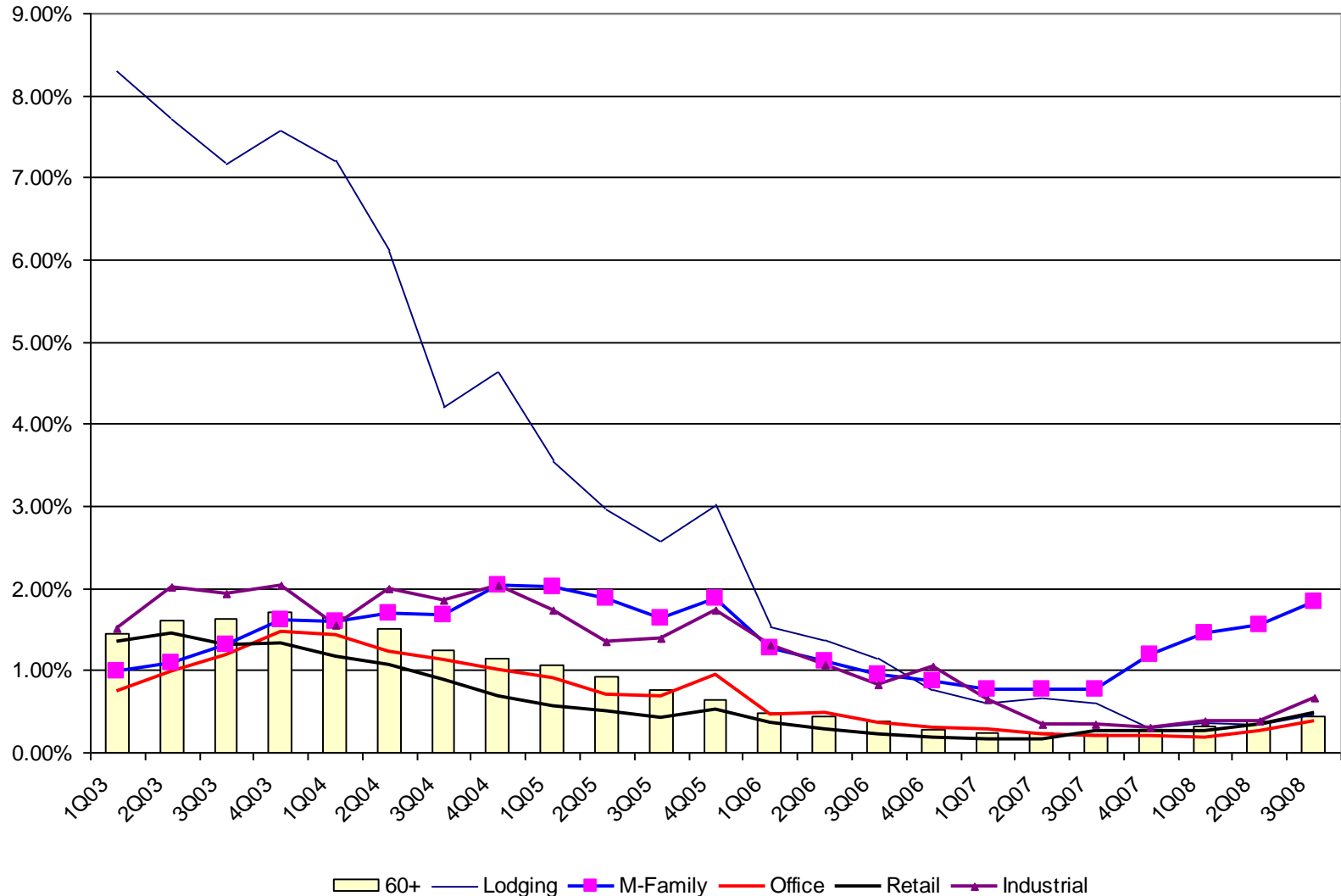
CMBS Spreads – Illiquidity

• As of 11/7/2008

	<u>JPM</u>	<u>CS</u>	<u>Citi</u>	<u>ML</u>
AAA duper	635	650	600	575
AAA AM	1100	1100		1000
AAA AJ	1400	1500	1400	1350
AA	1650	2200	1750	1700
A	2150	2800	2400	2700
A-	2450			
BBB+	2900			
BBB	3300	4500	3500	4200
BBB-	3750	5500	3700	

- Lower rated classes are difficult to mark due to lack of trading
- Buyers have been unwilling to buy CMBS due the following technicals:
 - De-leveraging has forced sales into the market
 - Lack of financing
 - Wide bid-ask spreads
 - Money managers fear of redemptions; selling to raise cash to meet redemptions and margin calls
 - Stigma of owning structured mortgage products
 - Buying protection is very expensive

CMBS Delinquencies by Property Type



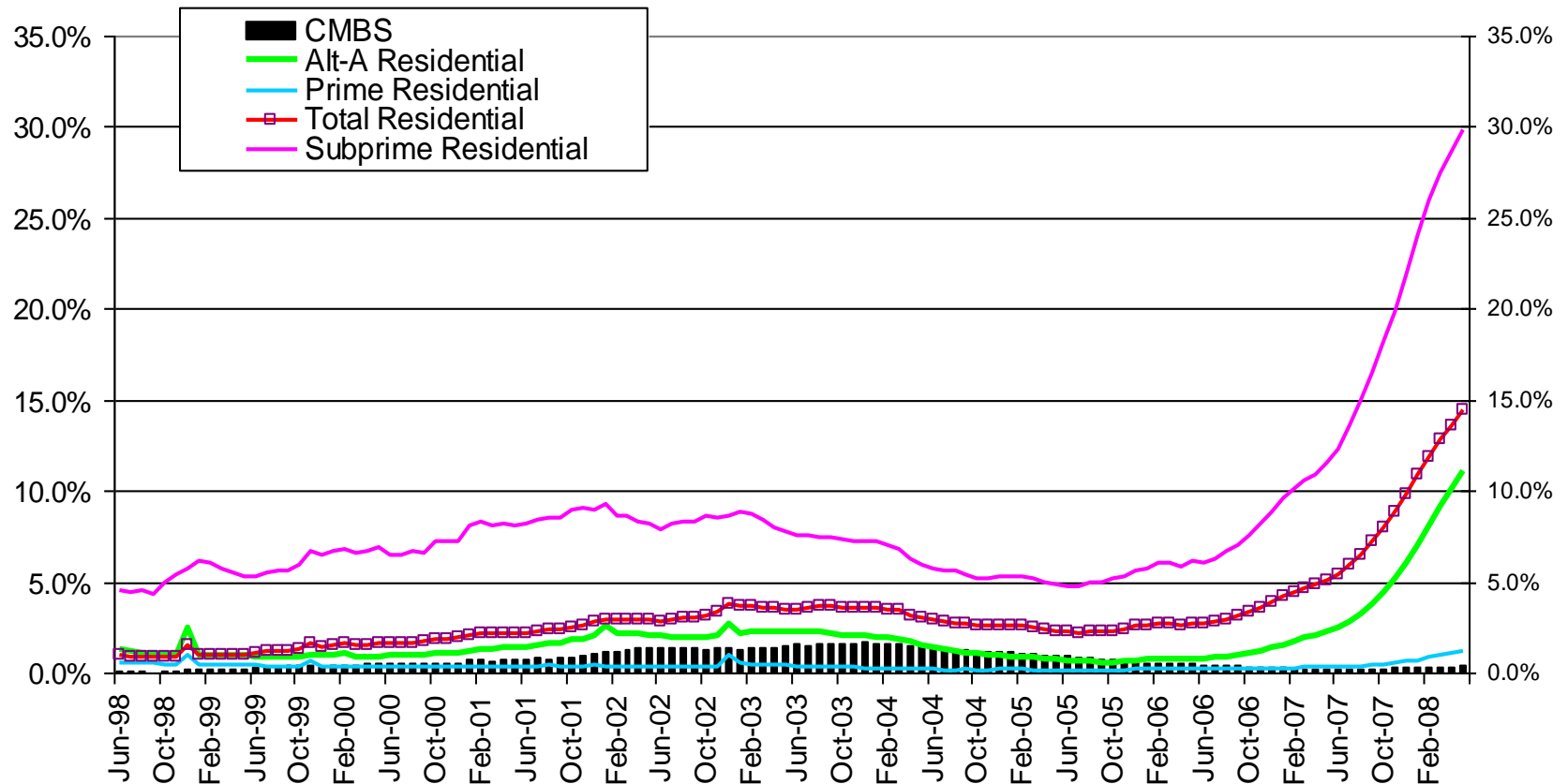
Source: Trepp LLC

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CMBS vs. RMBS Delinquencies

Securitized Mortgages: Residential vs. Commercial (60+ day)
by dollar securitized



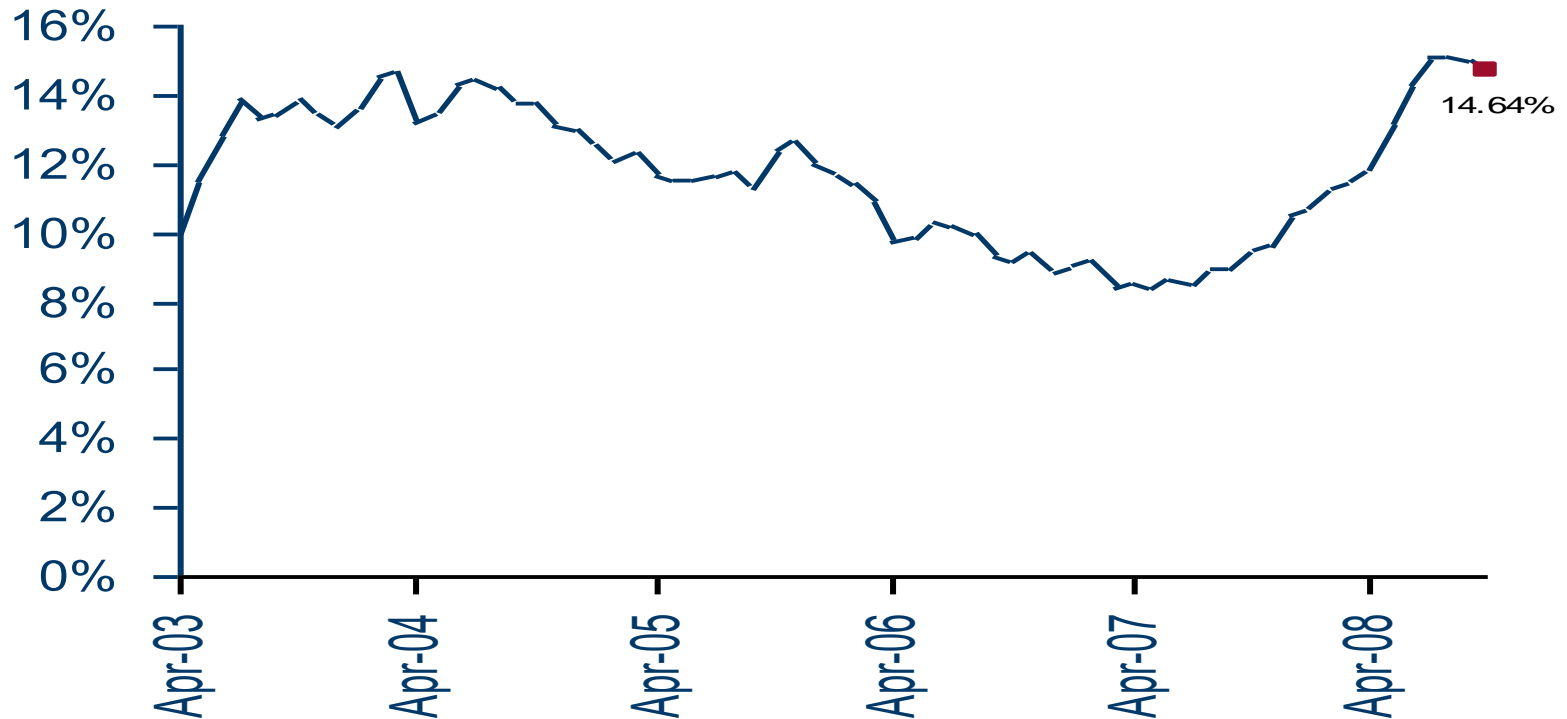
Source: CMSA, JPMorgan, LoanPerformance, Trepp, Inc.

Delinquency figures are dollar based (not loan count) and includes loans that are 60+, 90-day delinquent in addition to loans in process of foreclosure and REO. Residential includes loans on residential investment properties, manufactured housing and a limited amount of multifamily holdings. CMBS are commercial mortgages, all properties types, securitized as commercial mortgage backed securities. Historical data subject to quarterly revisions.

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% of Loans on Servicer Watchlist

(1998 – 2007 Vintage)

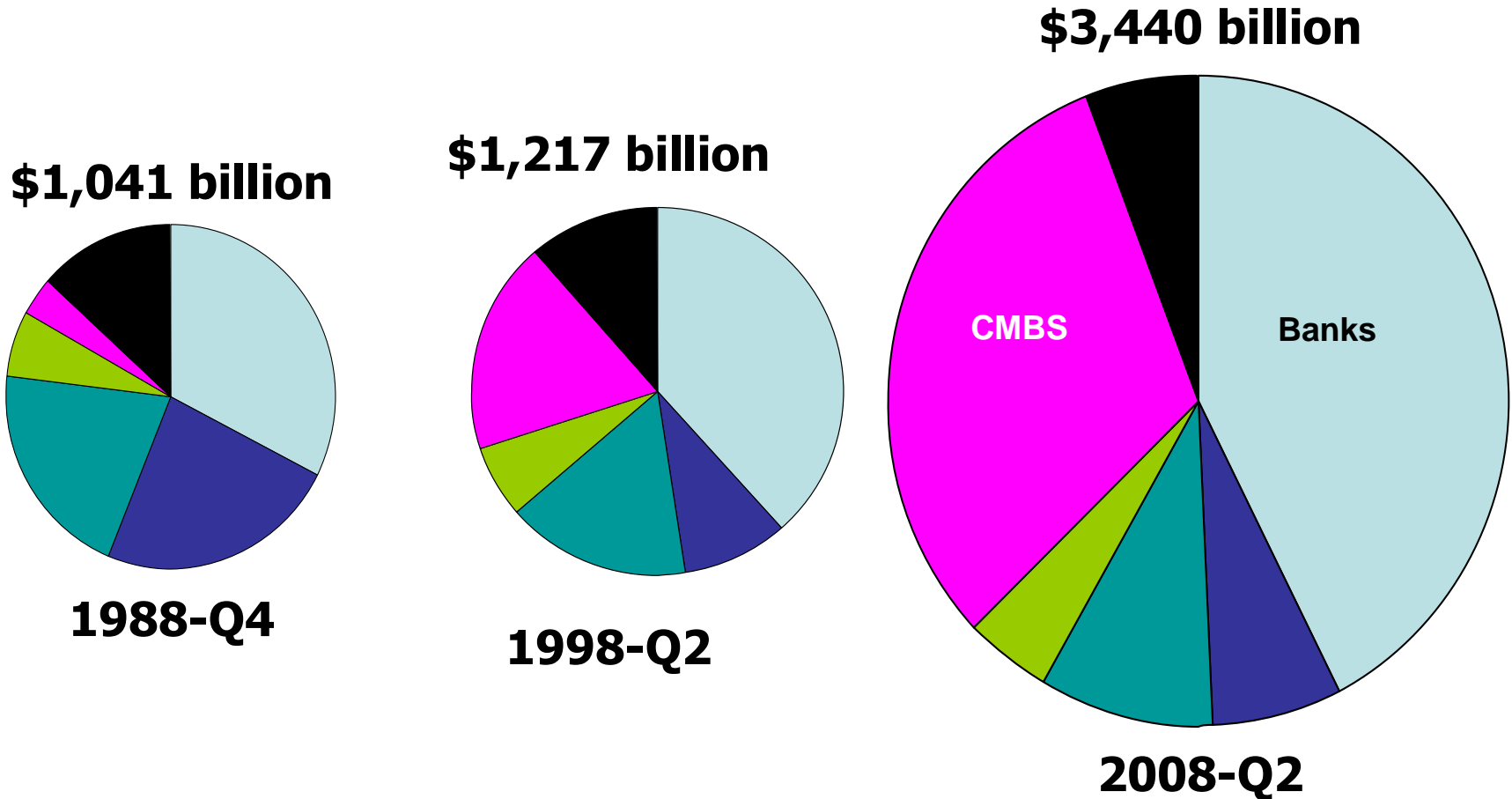


- **As of October 2008, 14.64% of all loans are on master servicer watchlists.**

Source: Wells Fargo, JPMorgan, Moody's

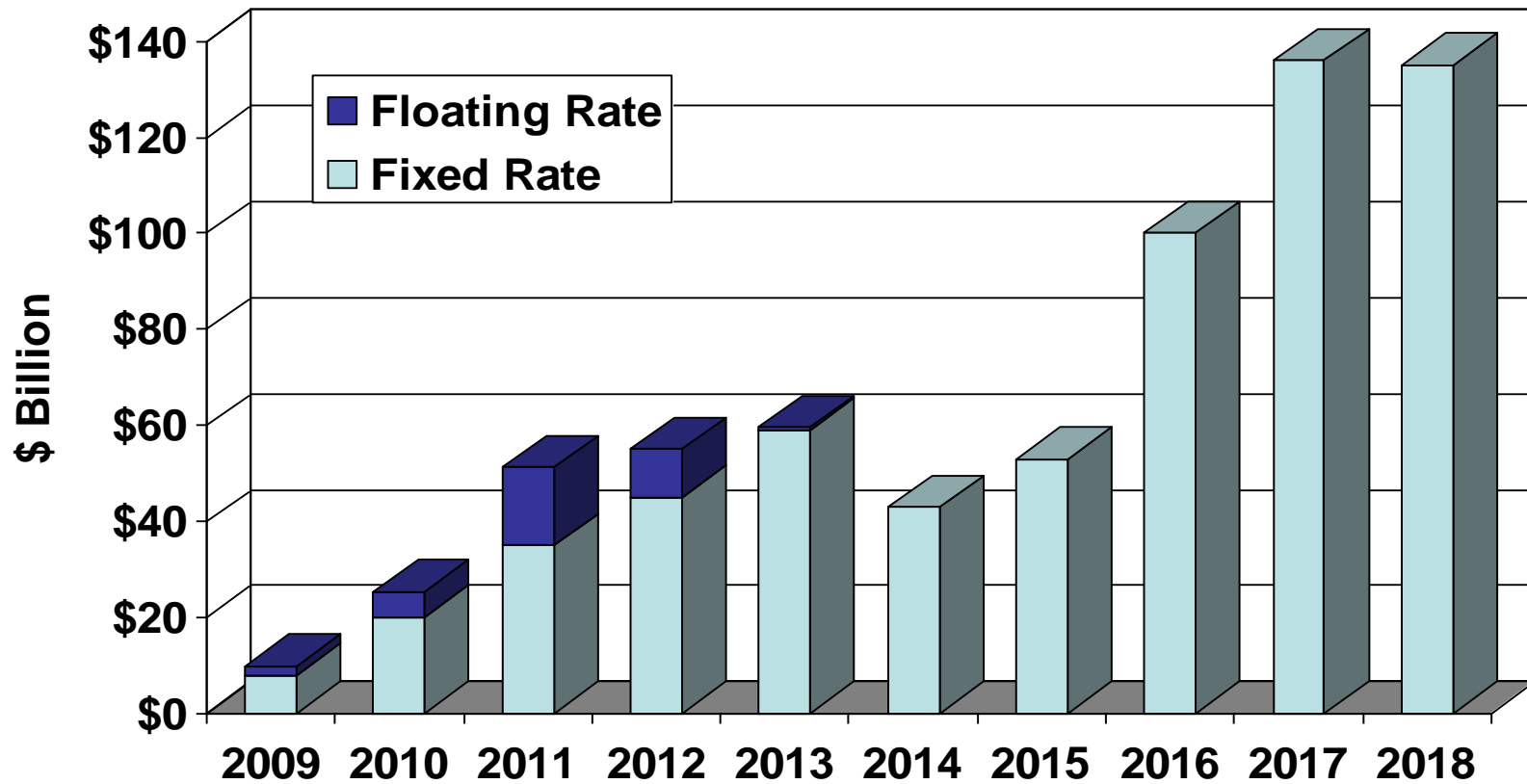
Commercial Mortgage Debt Outstanding

By source of funds

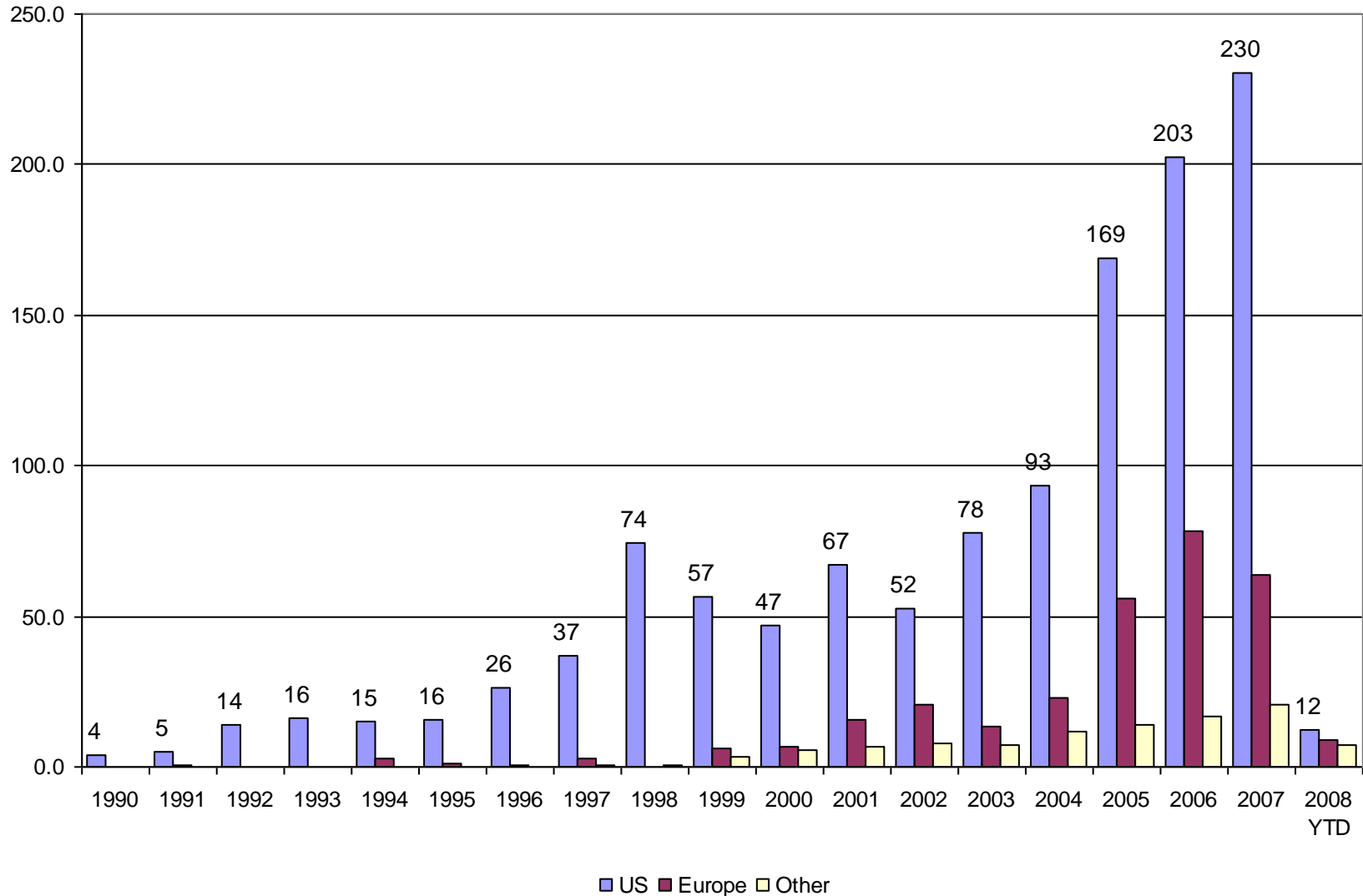


Source: NAREIT, Federal Reserve Flow of Funds Accounts of the United States

CMBS Loan Maturities



CMBS Issuance (\$ billions)



Source: Commercial Mortgage Alert.

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Top Loan Contributors to Fixed Rate CMBS

CMBS Lenders	Active in 2009	2007	2006	2005
Wachovia	X	24.2	20.6	16.2
Credit Suisse	√	14.7	16.0	12.8
Bank of America	√	15.6	13.9	13.9
JP Morgan	√	11.9	12.5	9.9
Lehman Brothers	X	14.8	11.7	8.6
Deutsche Bank	√	9.6	11.3	10.0
Morgan Stanley	√	13.8	10.7	9.7
Merrill Lynch	X	8.6	8.6	8.6
RBS Greenwich	√	9.2	7.9	7.7
Bear Stearns	X	9.6	7.8	6.9
Goldman Sachs	√	8.5	5.3	6.7
UBS	√	9.7	5.2	3.4

Source: RBS, Commercial Mortgage Alert

Treasury Responses

■ TARP

- ▶ Troubled Assets Relief Program
- ▶ Capital Infusion into Financial Institutions

■ TALF

- ▶ Term Asset Backed Securities Loan Facility
- ▶ Financing for ABS but does not yet include CMBS

Next Hope?

■ ALF

