



**MBA's COMMERCIAL REAL ESTATE FINANCE/
MULTIFAMILY HOUSING CONVENTION & EXPO**
Manchester Grand Hyatt, San Diego, Calif.

**The Economy &
Commercial Real Estate Markets**

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Forecast



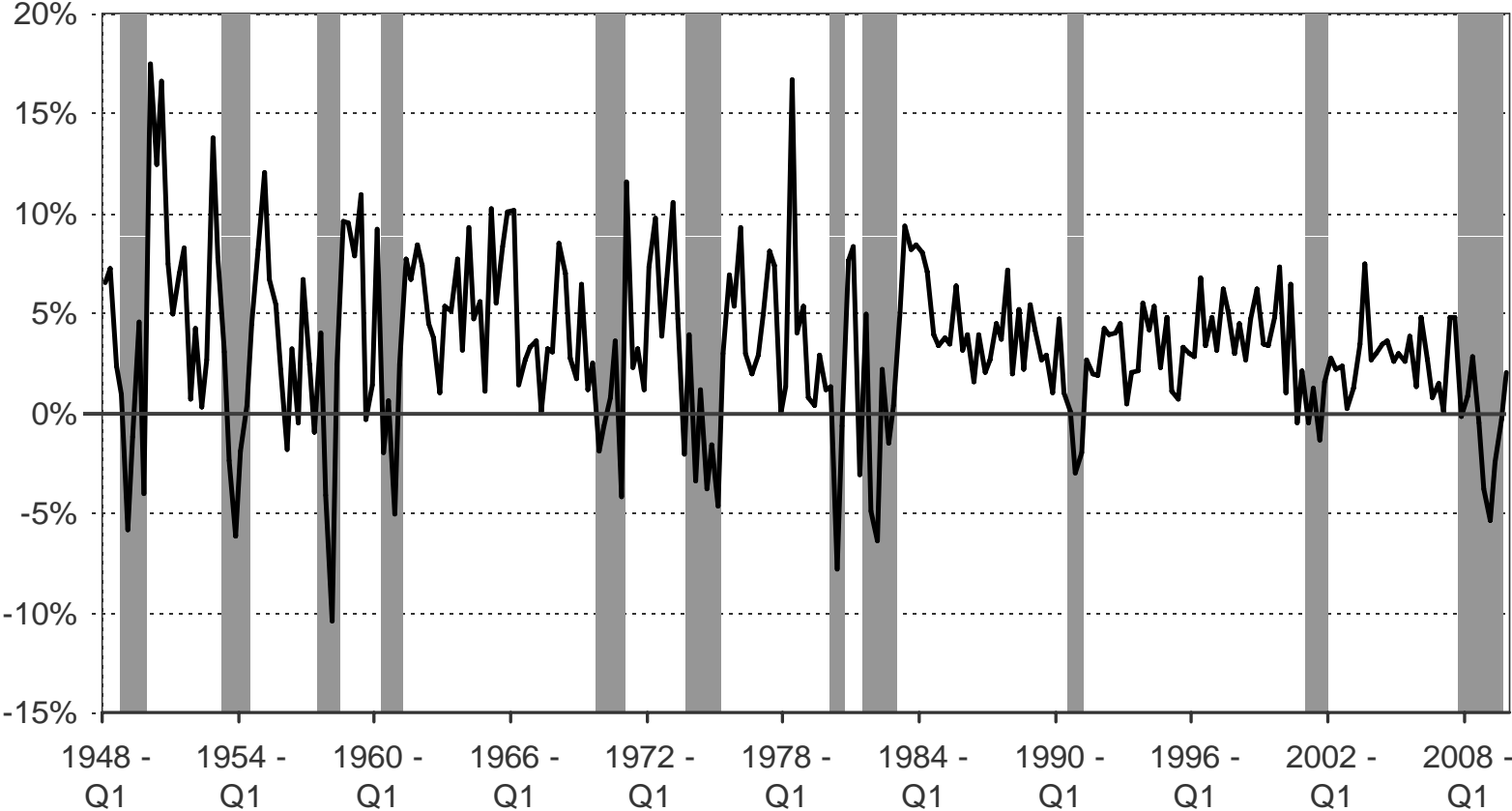
	2009				2010						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010
<u>Percent Change, Annual Rate</u>											
Real Gross Domestic Product	-5.8	-1.7	-0.5	1.2	3.0	3.5	3.7	3.7	-0.2	-1.8	3.5
<u>Percent</u>											
Unemployment Rate	7.8	8.3	8.8	9.2	9.5	9.6	9.5	9.4	5.8	8.5	9.5
Federal Funds Rate	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.5	1.9	0.1	0.3
10-Year Treasury Bond Rate	2.9	3.1	3.2	3.3	3.4	3.5	3.5	3.6	3.7	3.1	3.5

Source: Mortgage Bankers Association

Real GDP Growth

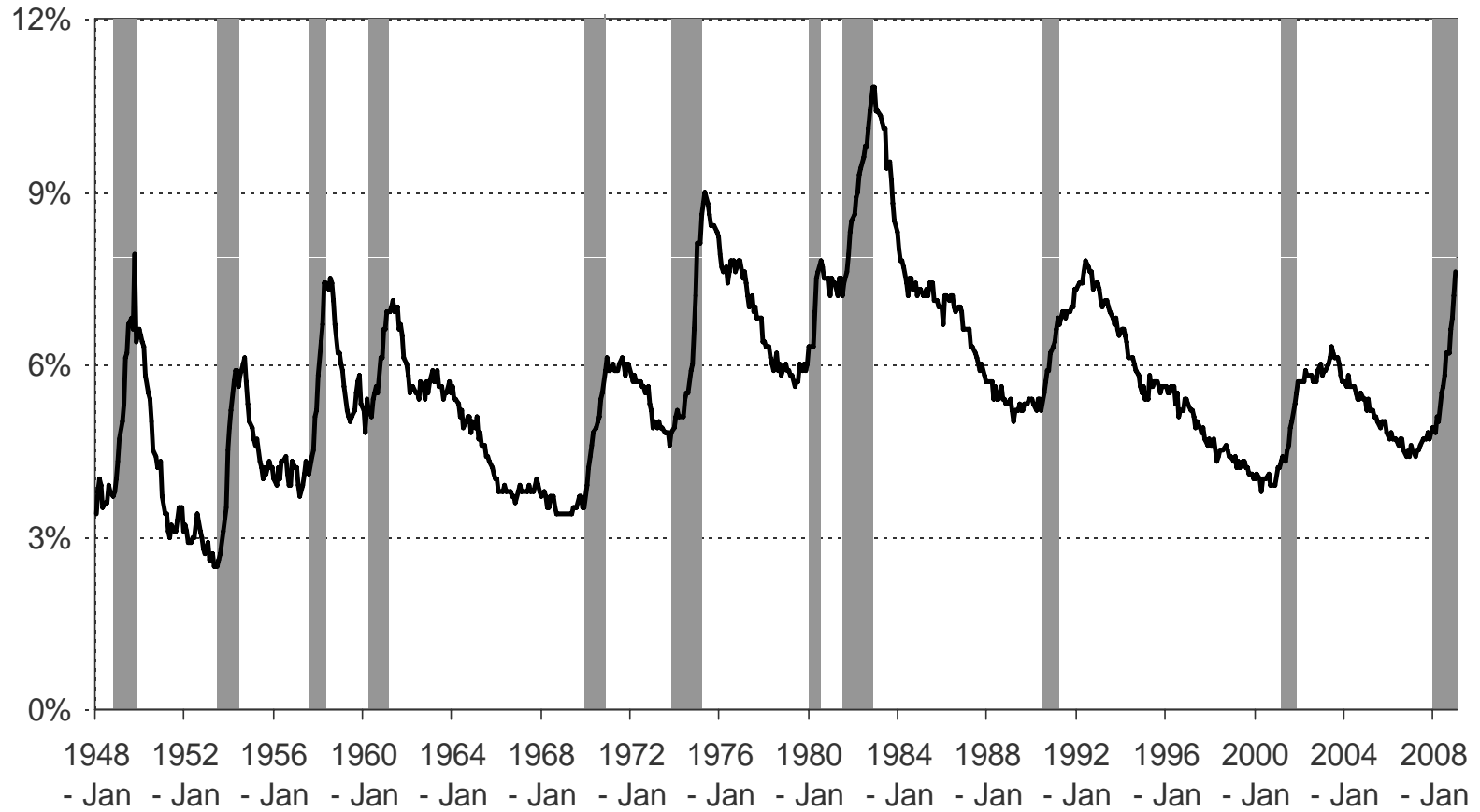


Annualized quarterly growth rates



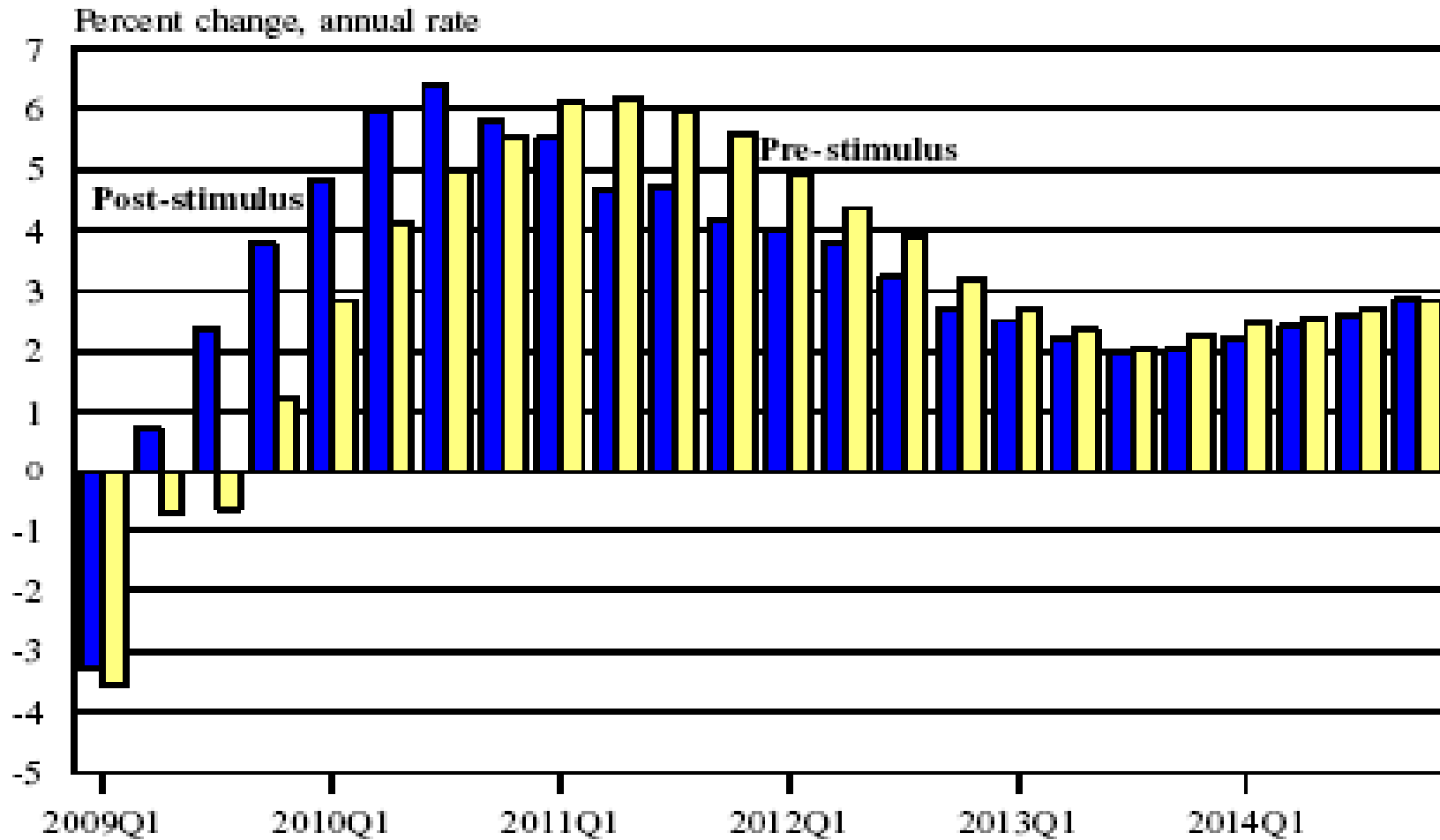
Source: The Bureau of Economic Analysis

Unemployment Rate



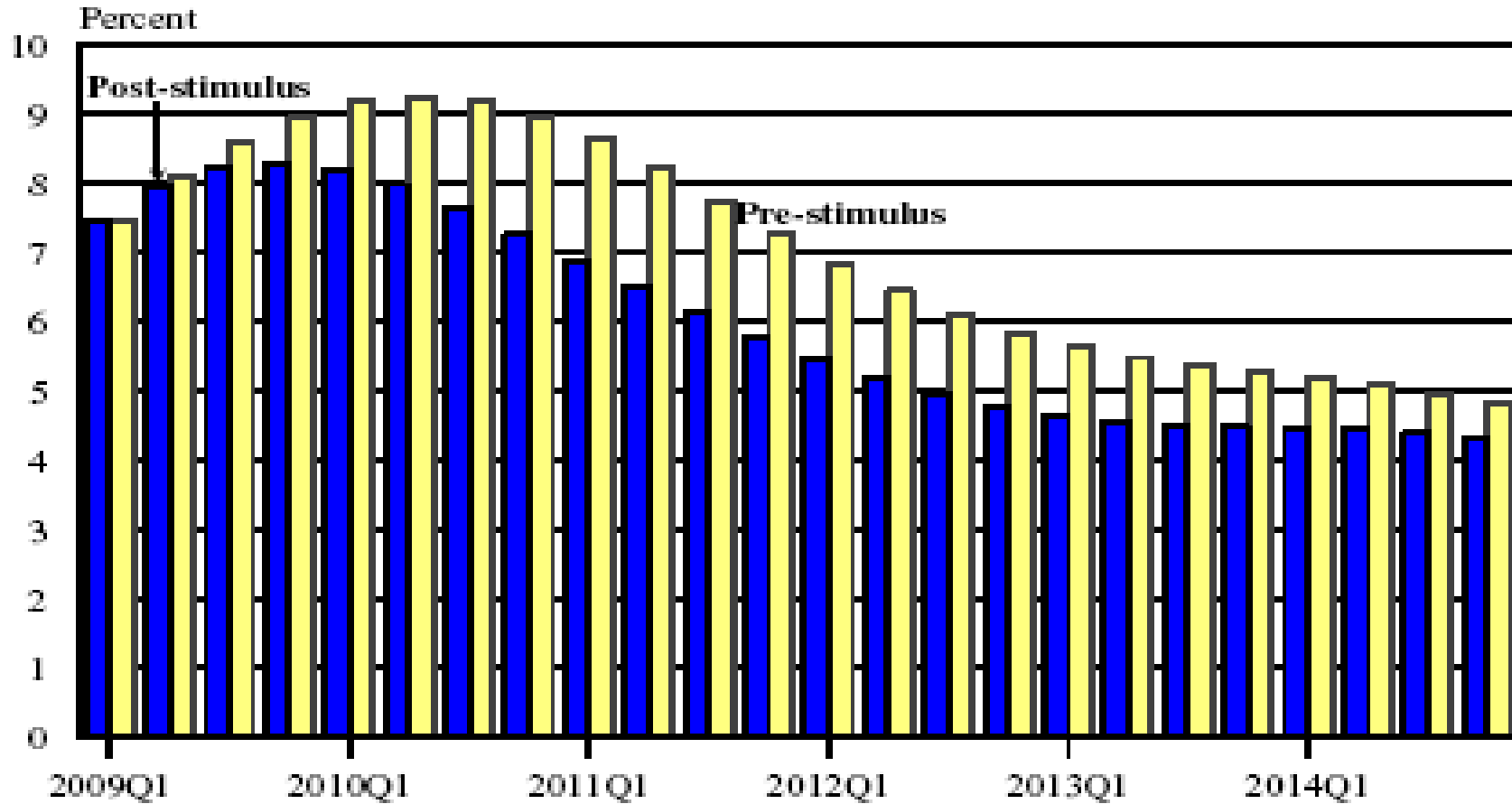
Source: Bureau of Labor Statistics

Fiscal Stimulus Impact on Real GDP Growth



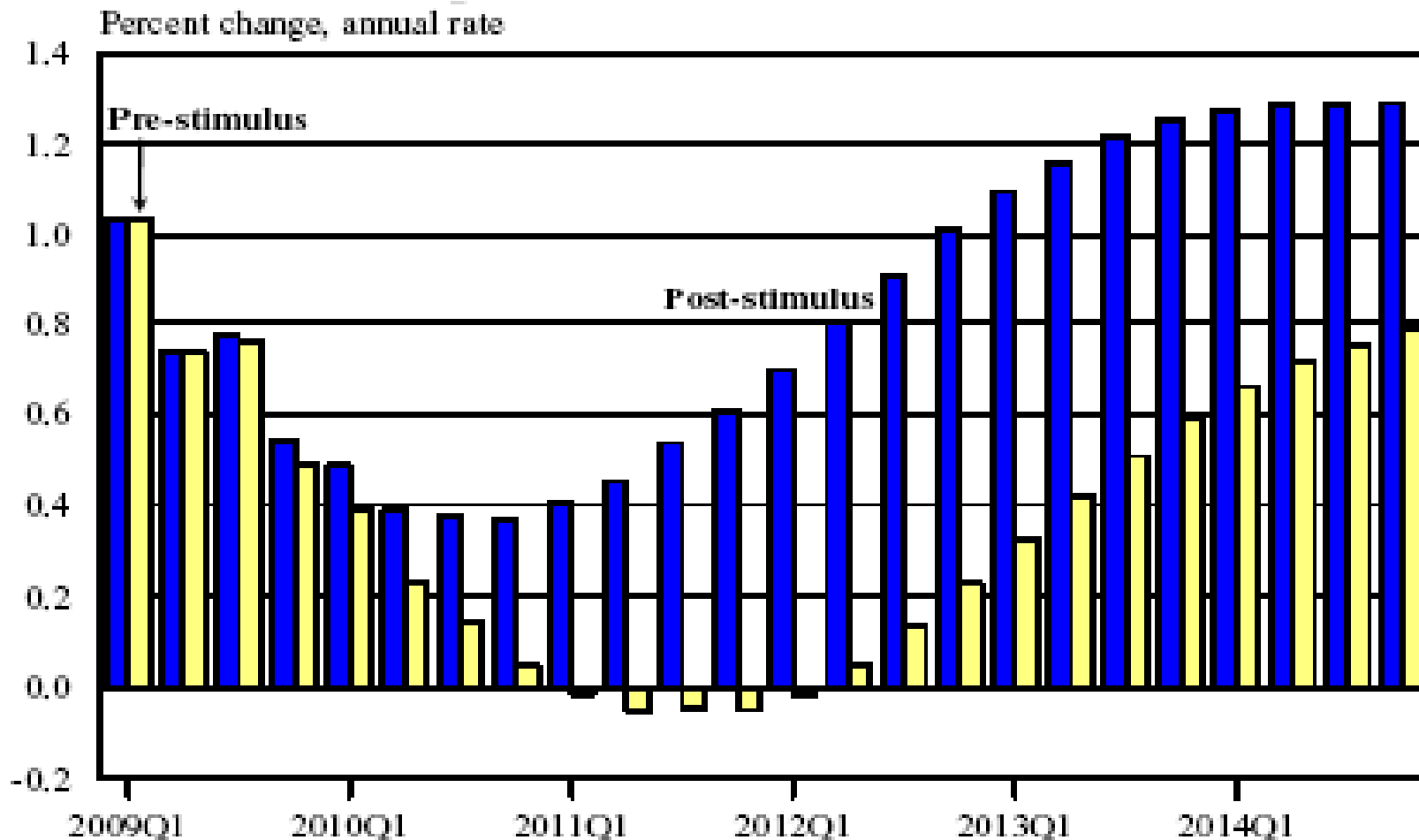
Source: Macroeconomic Advisers, LLC

Fiscal Stimulus Impact on Unemployment Rate



Source: Macroeconomic Advisers, LLC

Fiscal Stimulus Impact on Core Personal Consumption Expenditures (PCE) Inflation



Source: Macroeconomic Advisers, LLC

Potential Components of a Stimulus



- Spending programs
 - » Construction
 - » Nonrecurring needs
 - » Recurring needs
- Tax Cuts
 - » Individual (aimed at spending)
 - » Individual (aimed at investment)
 - » Business (aimed at investment)
 - » Business (aimed at hiring)
- Aid to states to offset budget shortfalls

Limitations on Effectiveness



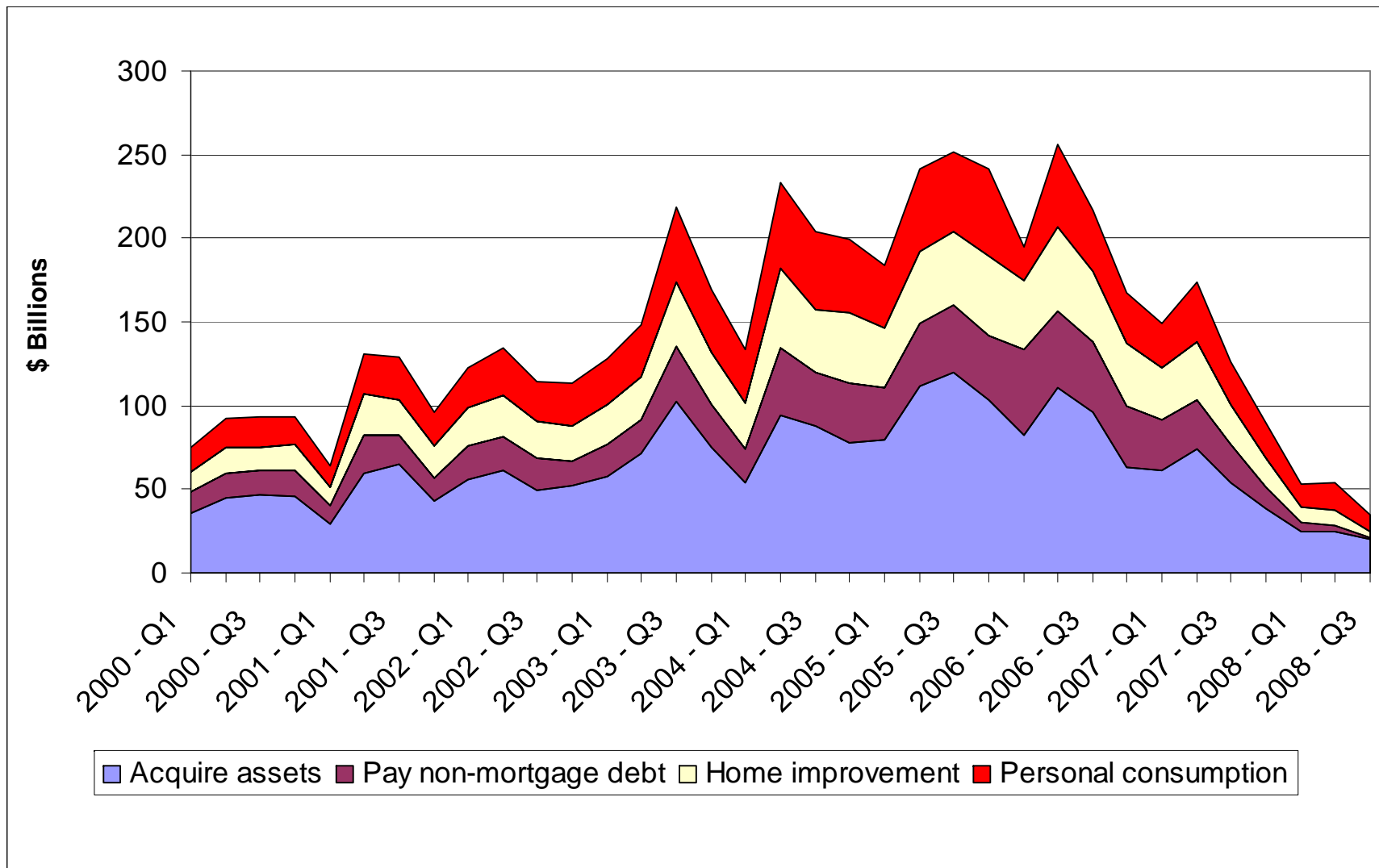
- Wealth effect on individuals from stock market and housing declines
- Psychological effect of layoff announcements and political pronouncements
- Weakened state of major financial institutions

Pace of worldwide loss of financial institution market equity:

Aug 2007 – Mar 2008 (8 months)	\$150B per month
Mar 2008 – Sep 2008 (6 months)	\$260B per month
Sep 2008 – Jan 2009 (4 months)	\$660B per month

Remember the year 1375! – first ban on bank investment in speculative commodities.

Size and Use of Home Equity Extraction 2000 - 2008

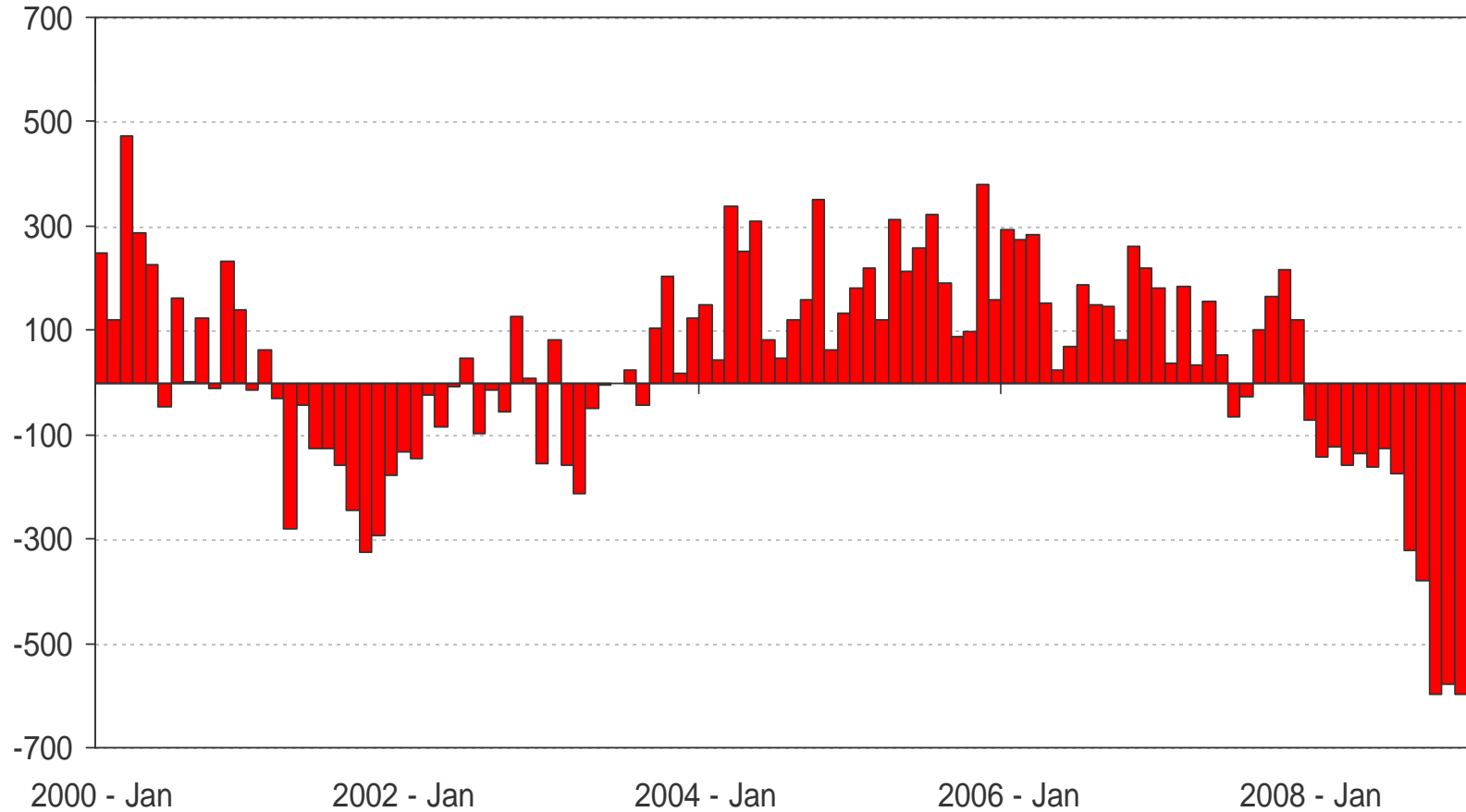


Source: Greenspan & Kennedy, Federal Reserve

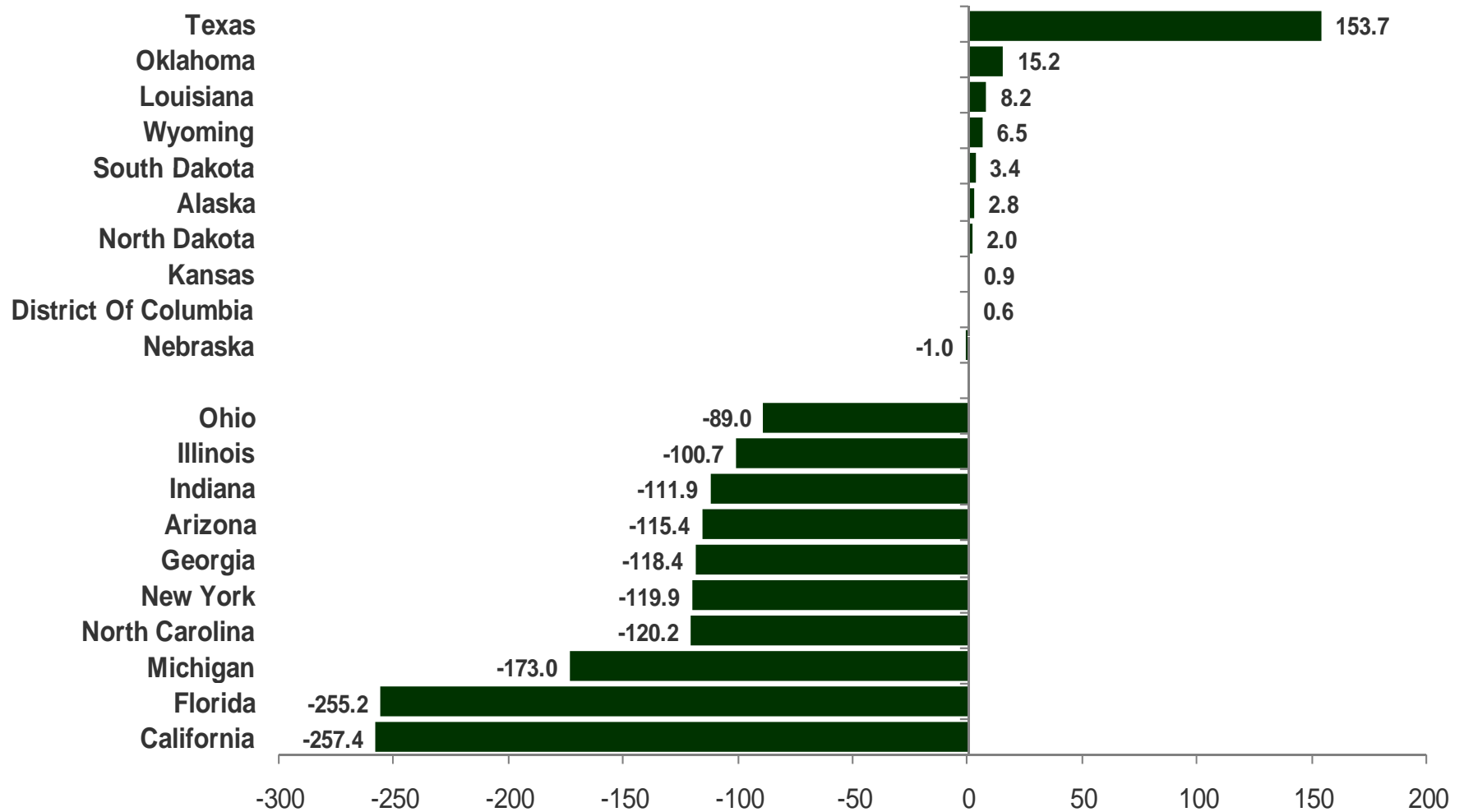
Monthly Change in Nonfarm Payrolls



in thousands

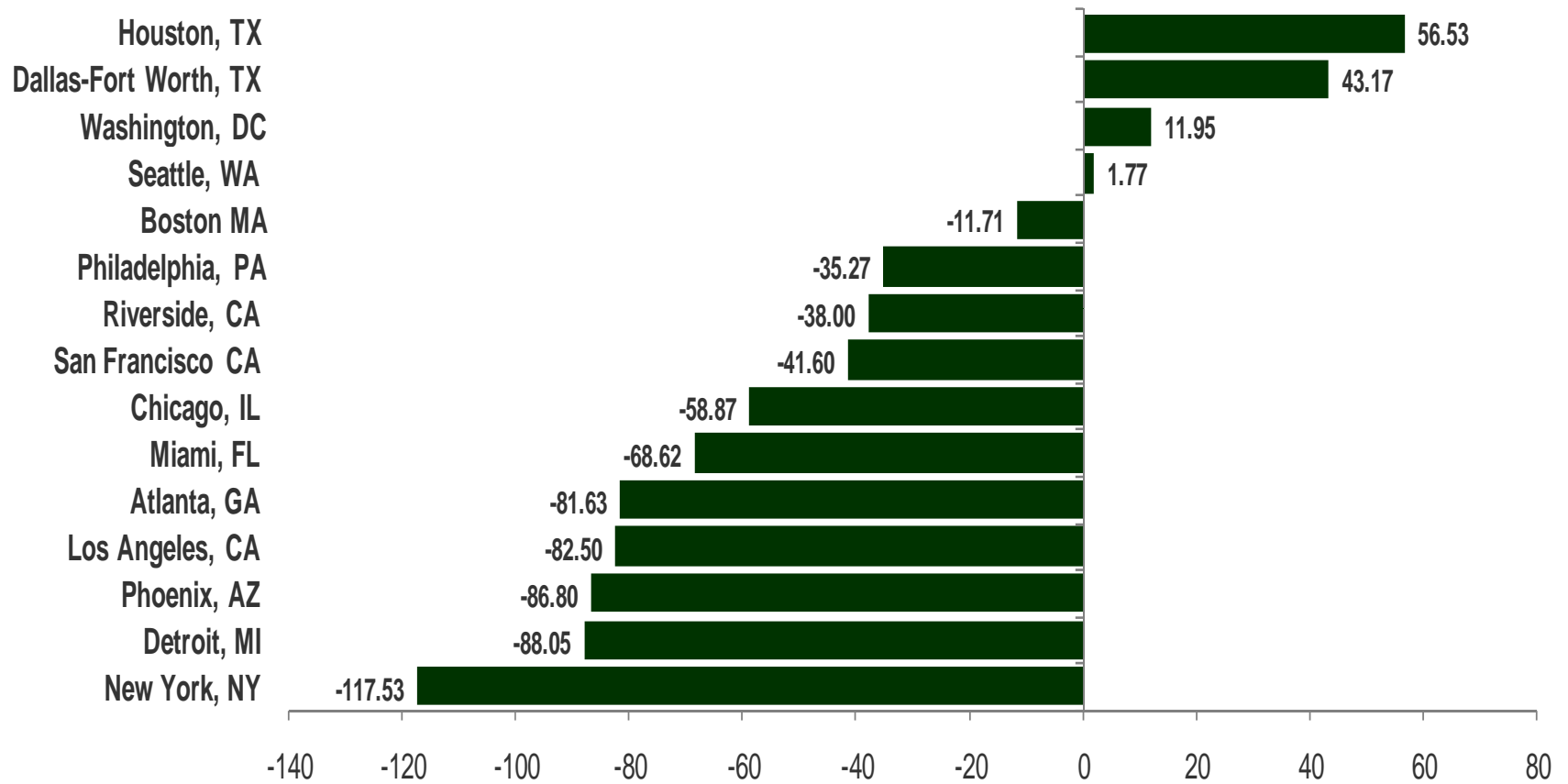


Employment Change: Top-ten and Bottom-ten States December 2007 to December 2008 (in Thousands)



Source: The Bureau of Labor Statistics

Employment Change: 15 Largest MSAs December 2007 to December 2008 (in Thousands)

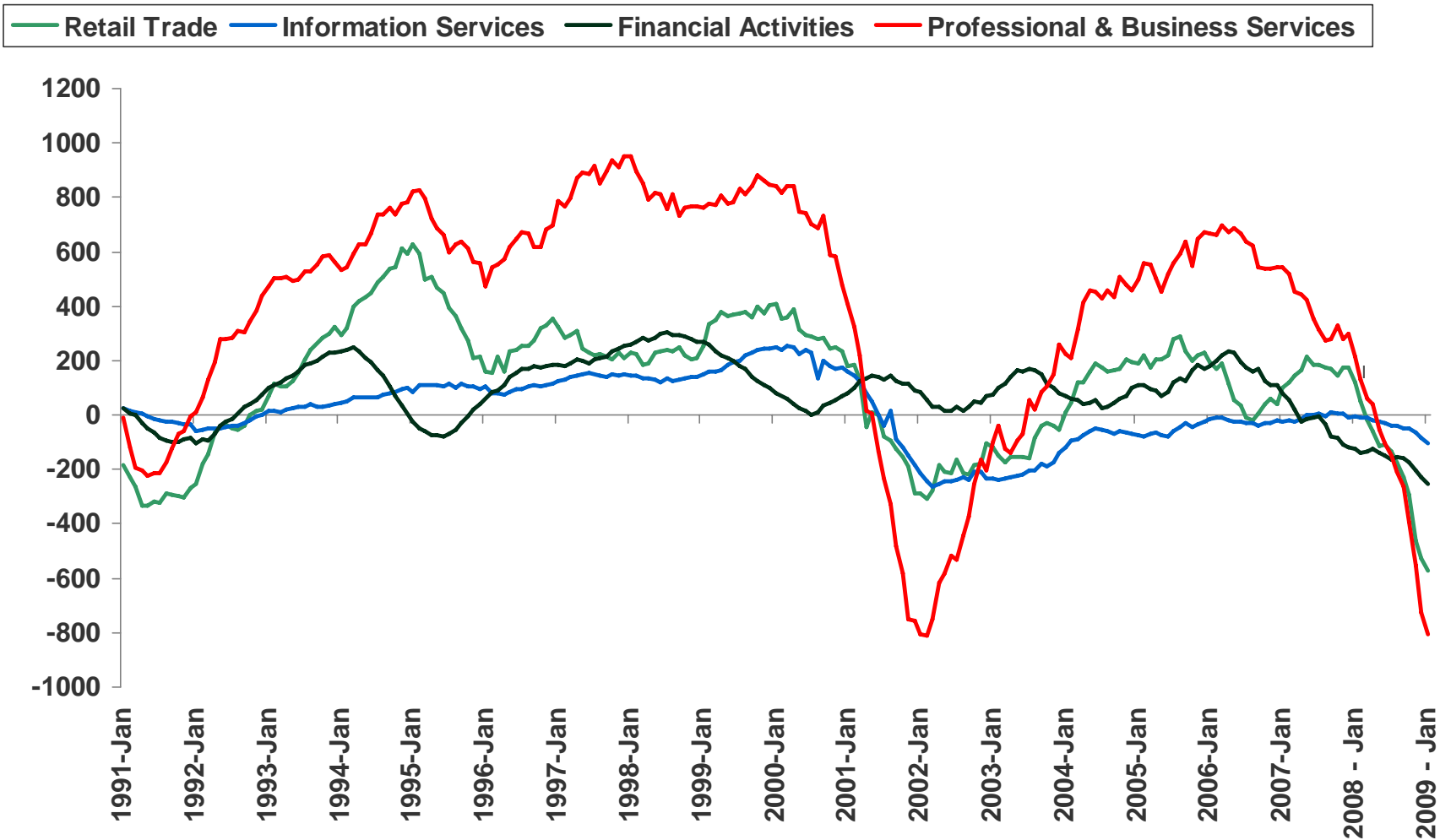


Source: The Bureau of Labor Statistics

Year-over-year Change in Selected Office-demanding Industries

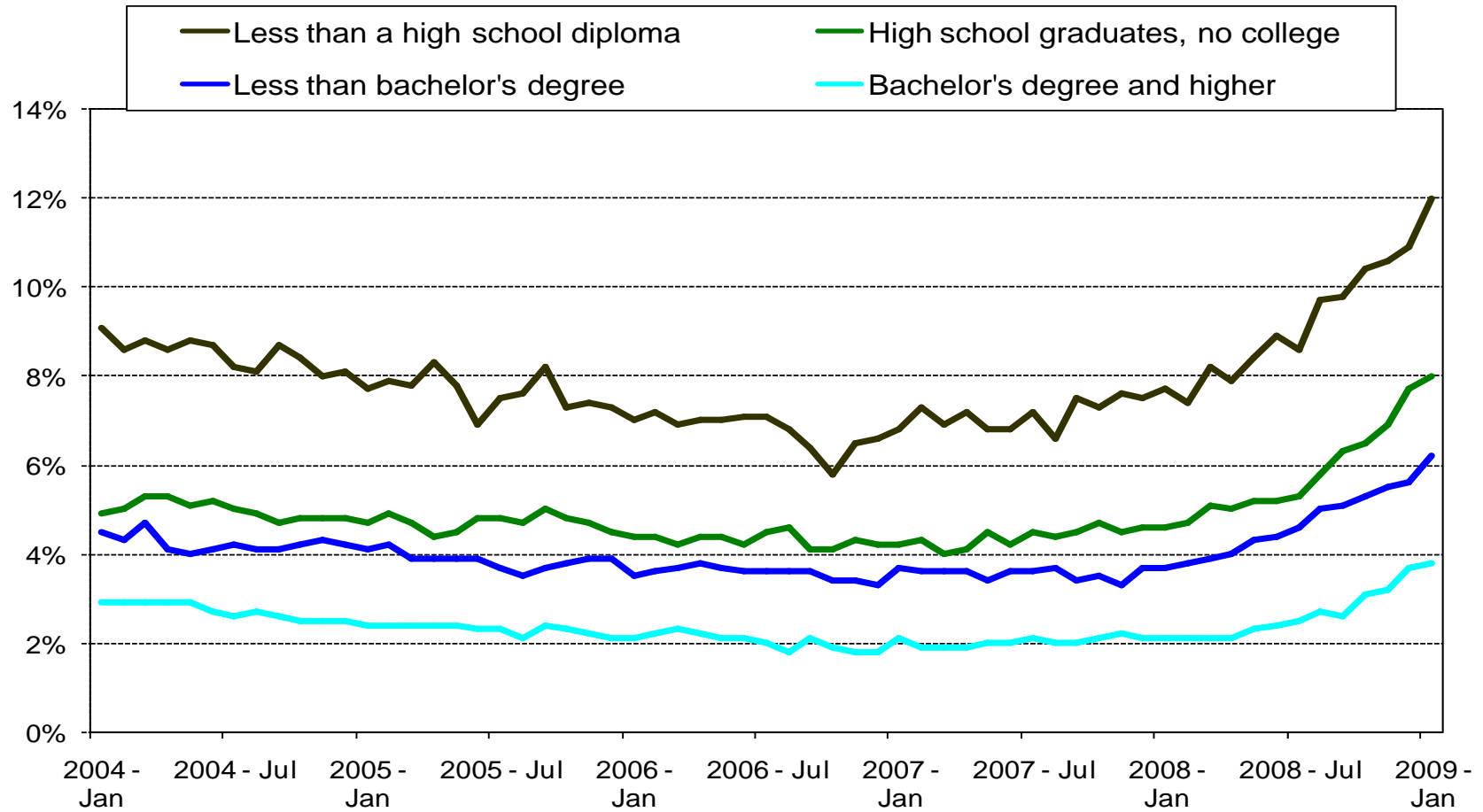


Thousands of jobs, Seasonally adjusted



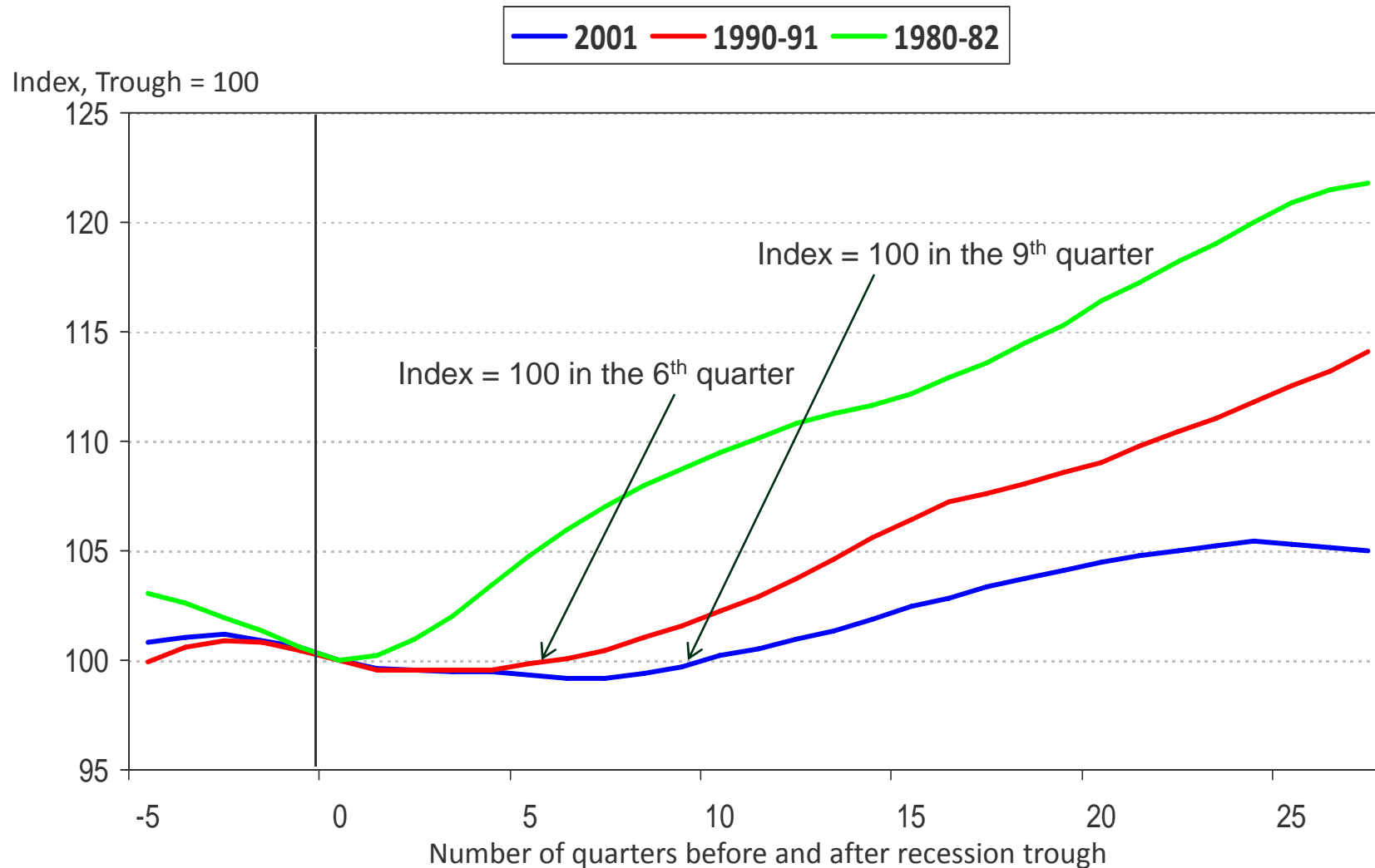
Source: Bureau of Labor Statistics

Unemployment Rates by Education: December 2008



Source: The Bureau of Labor Statistics

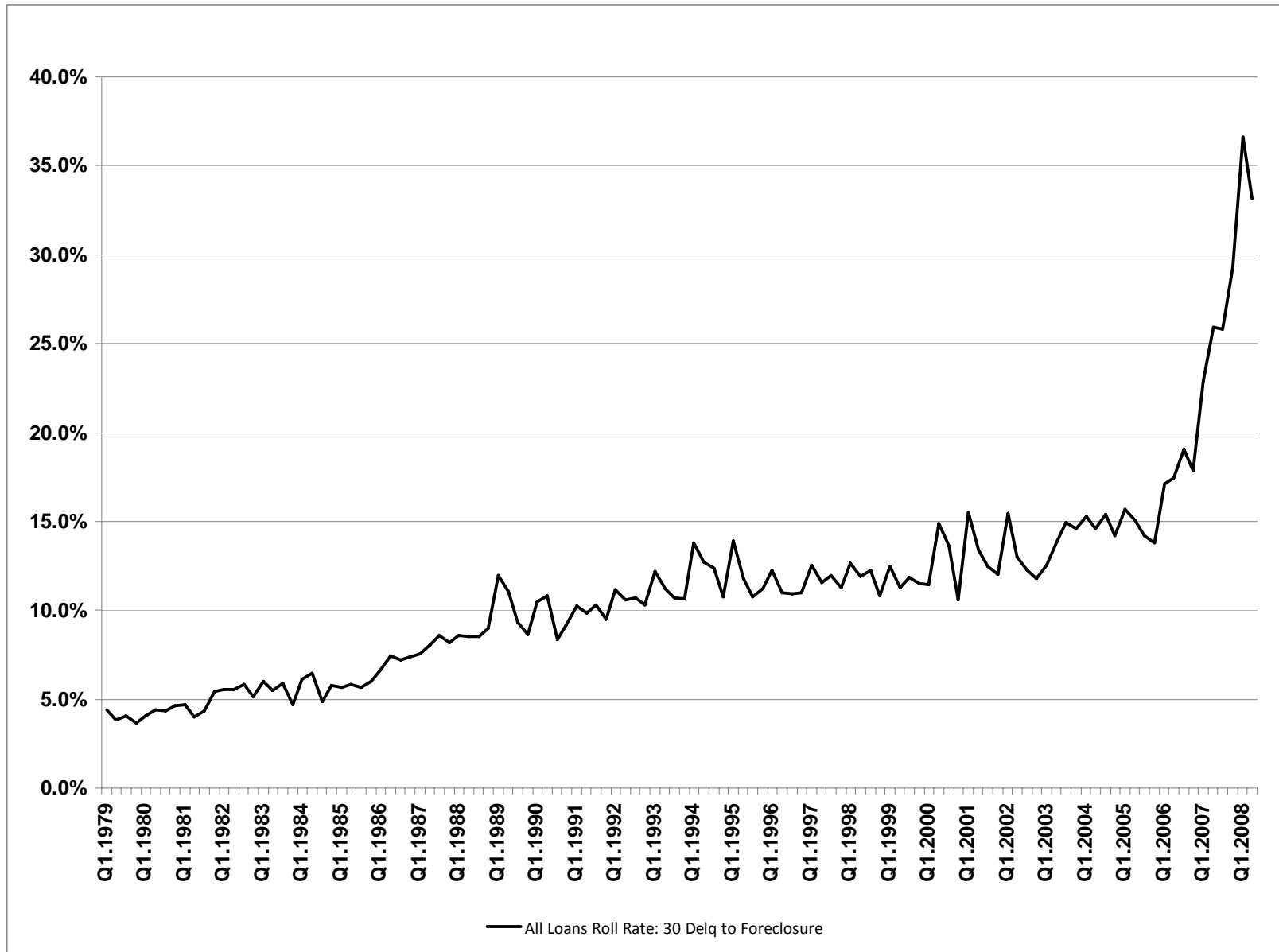
Payroll Employment – Time to Recovery after End of Recession



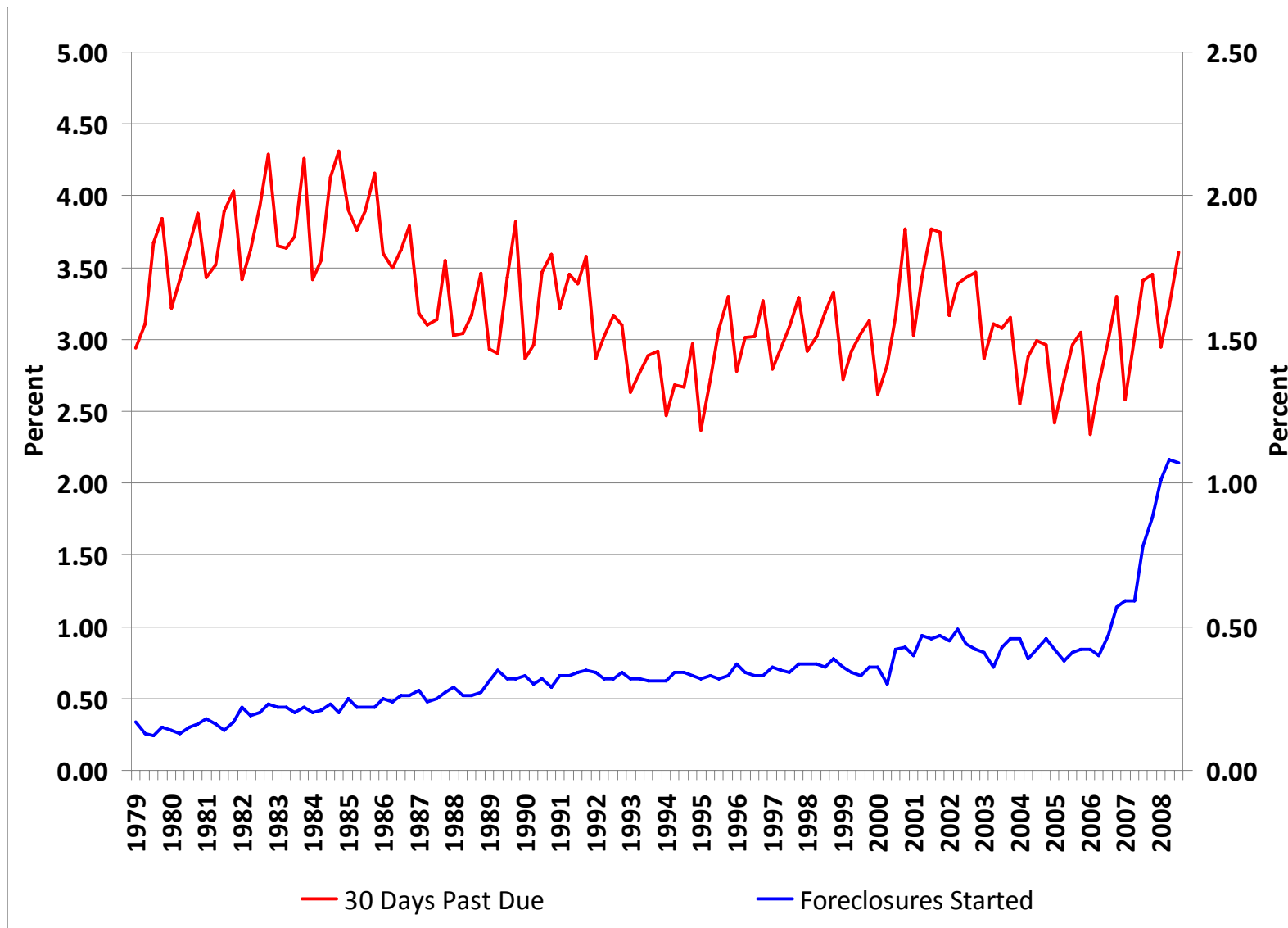
The level of payrolls in the quarter when the recession ended is set to 100

Source: The Bureau of the Labor Statistics, MBA calculation

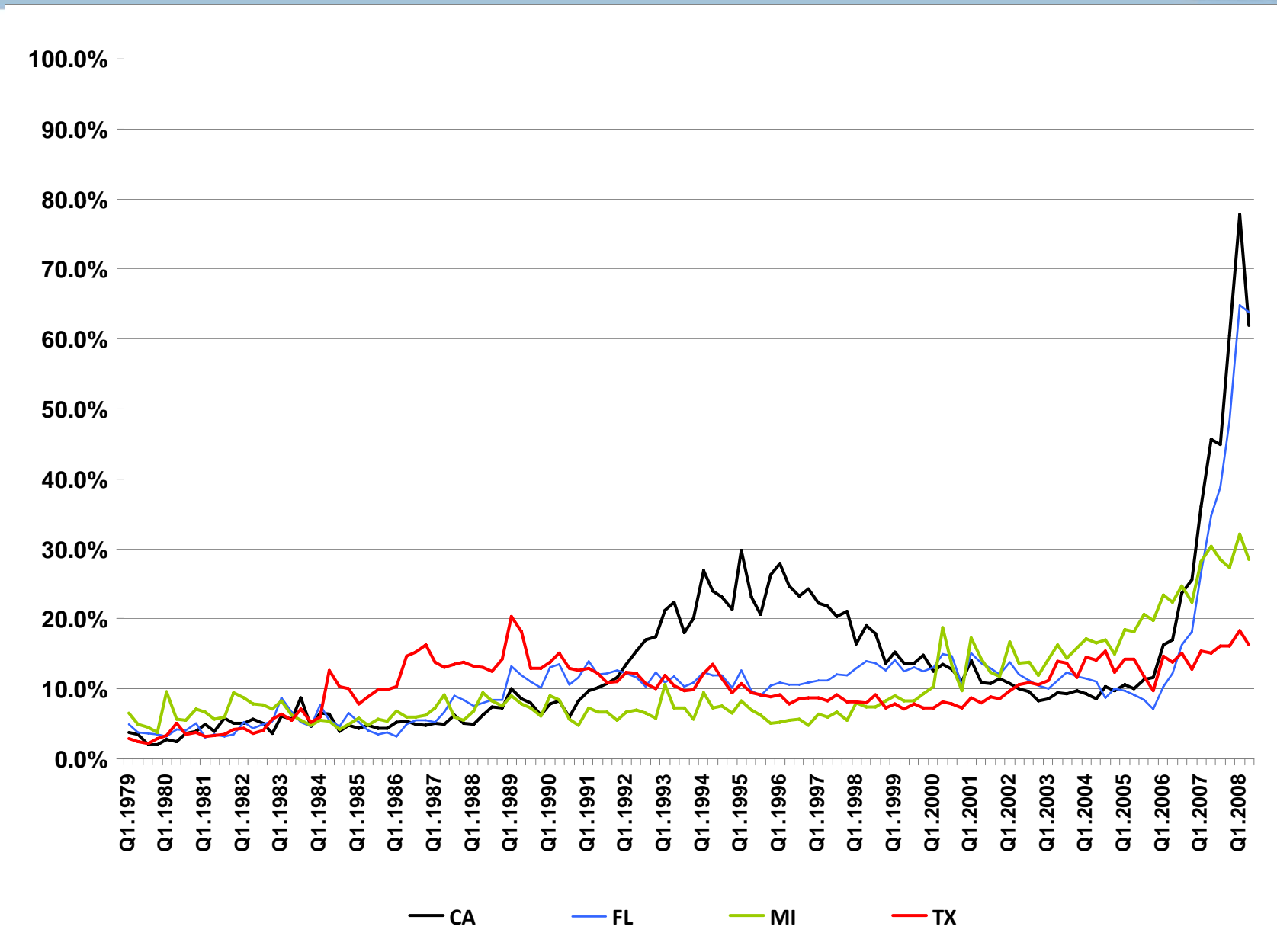
Roll Rates – 30 Day Past Due to Foreclosure Starts



30 Day Delinquency and Foreclosure Start Rates

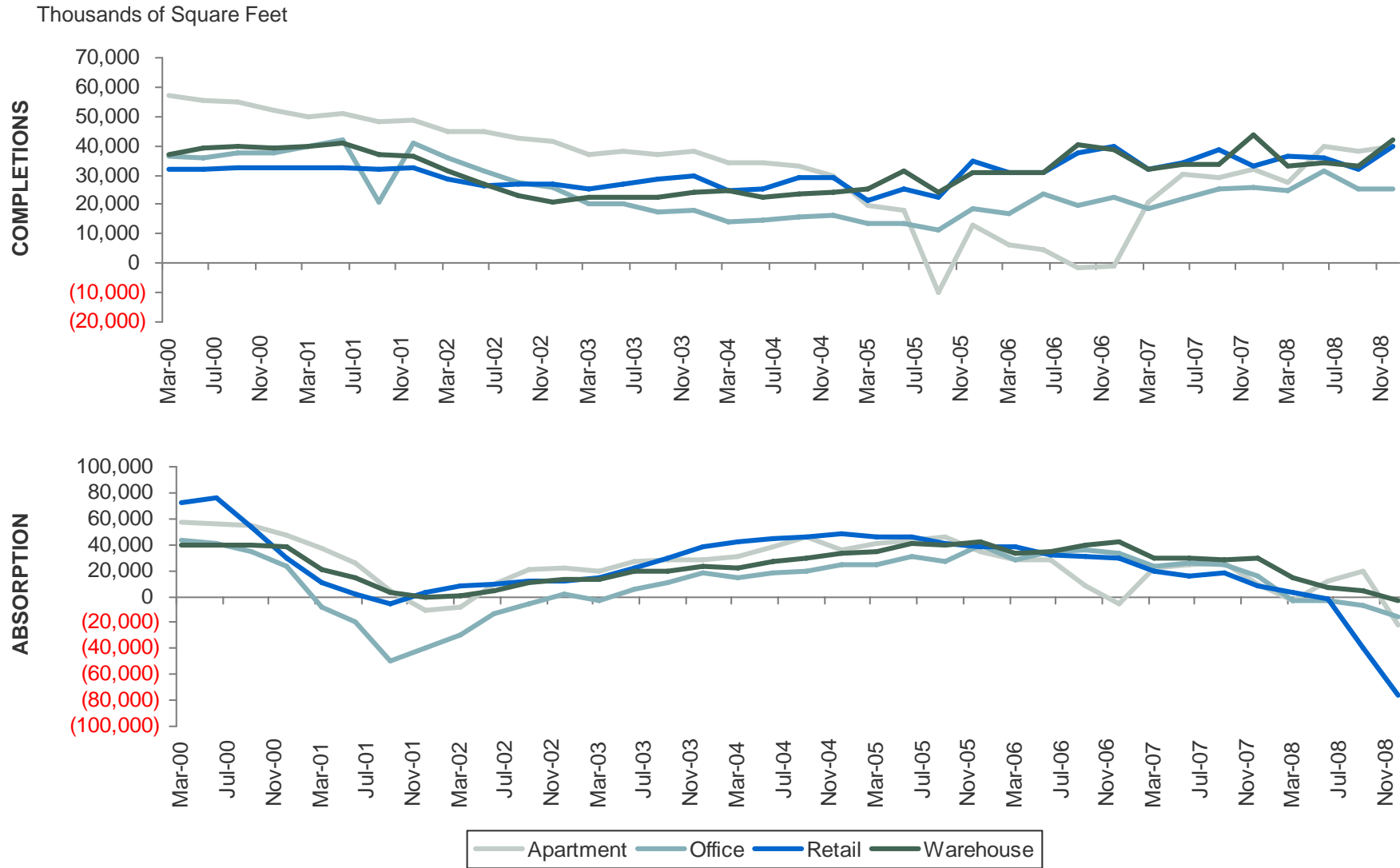


Roll Rates – 30 Day Past due to Foreclosure Started



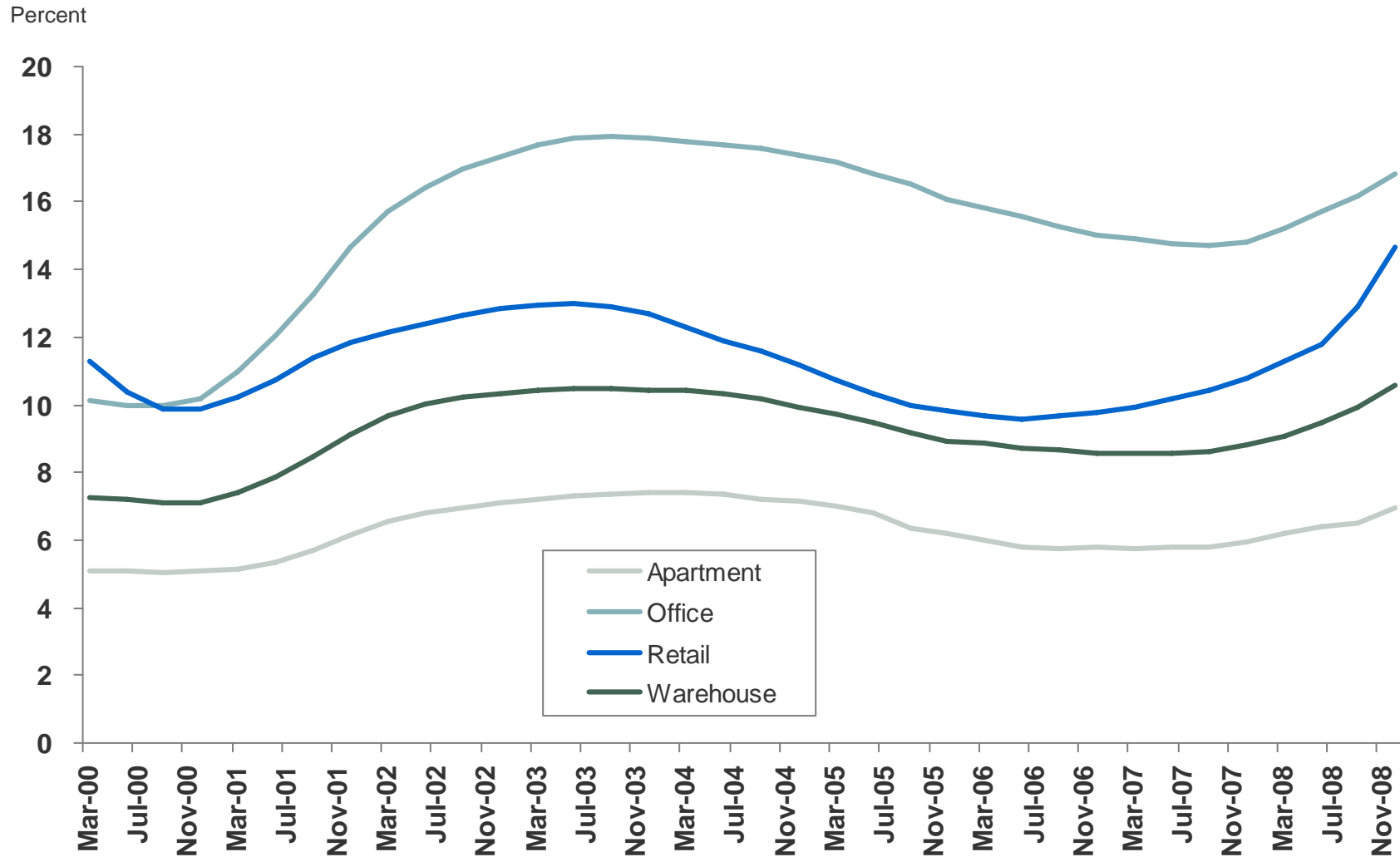
Commercial Real Estate Markets

Completions And Absorption, by Property Type by Quarter



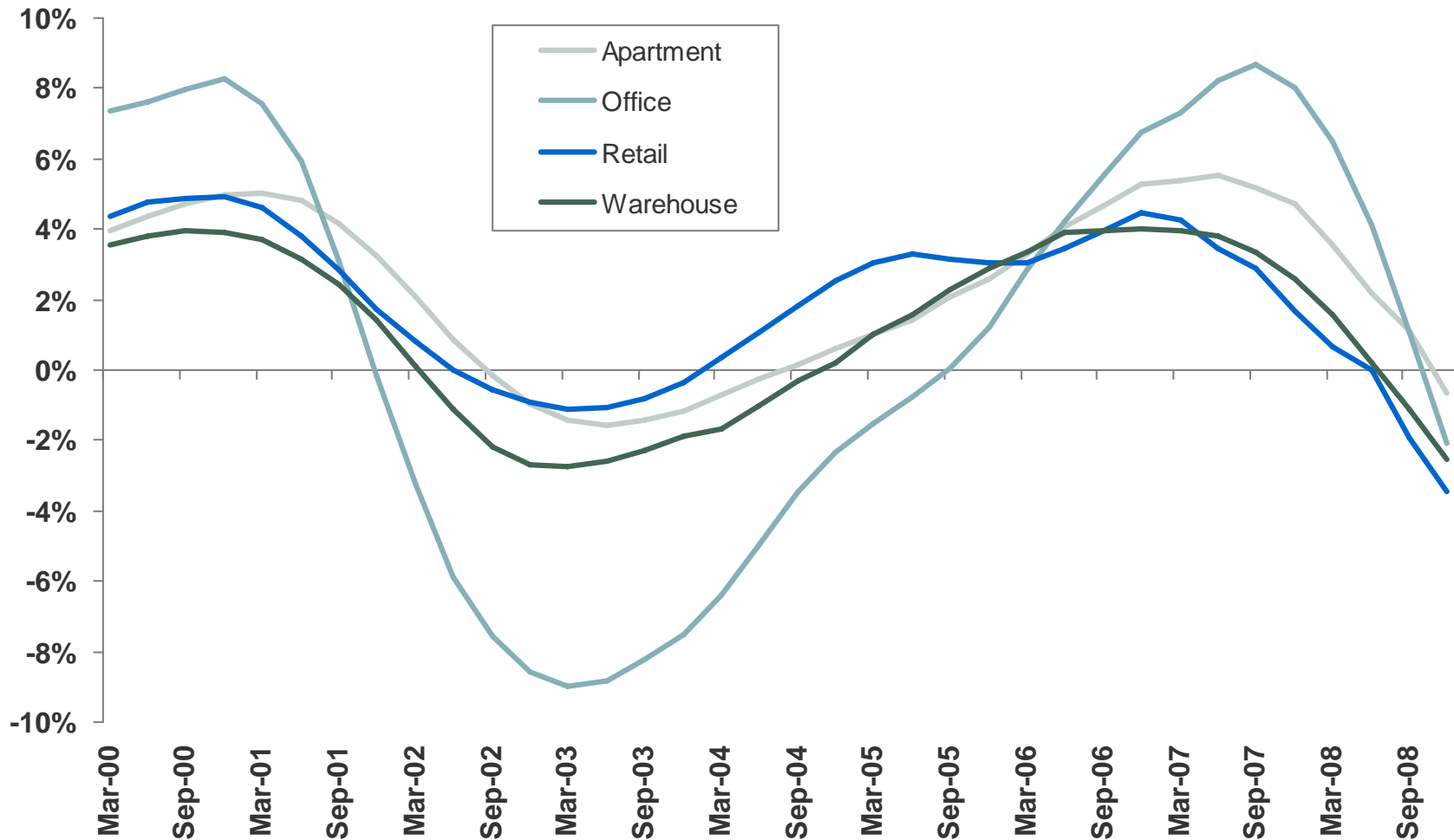
Source: Property and Portfolio Research

Commercial/Multifamily Vacancy Rates, by Property Type by Quarter



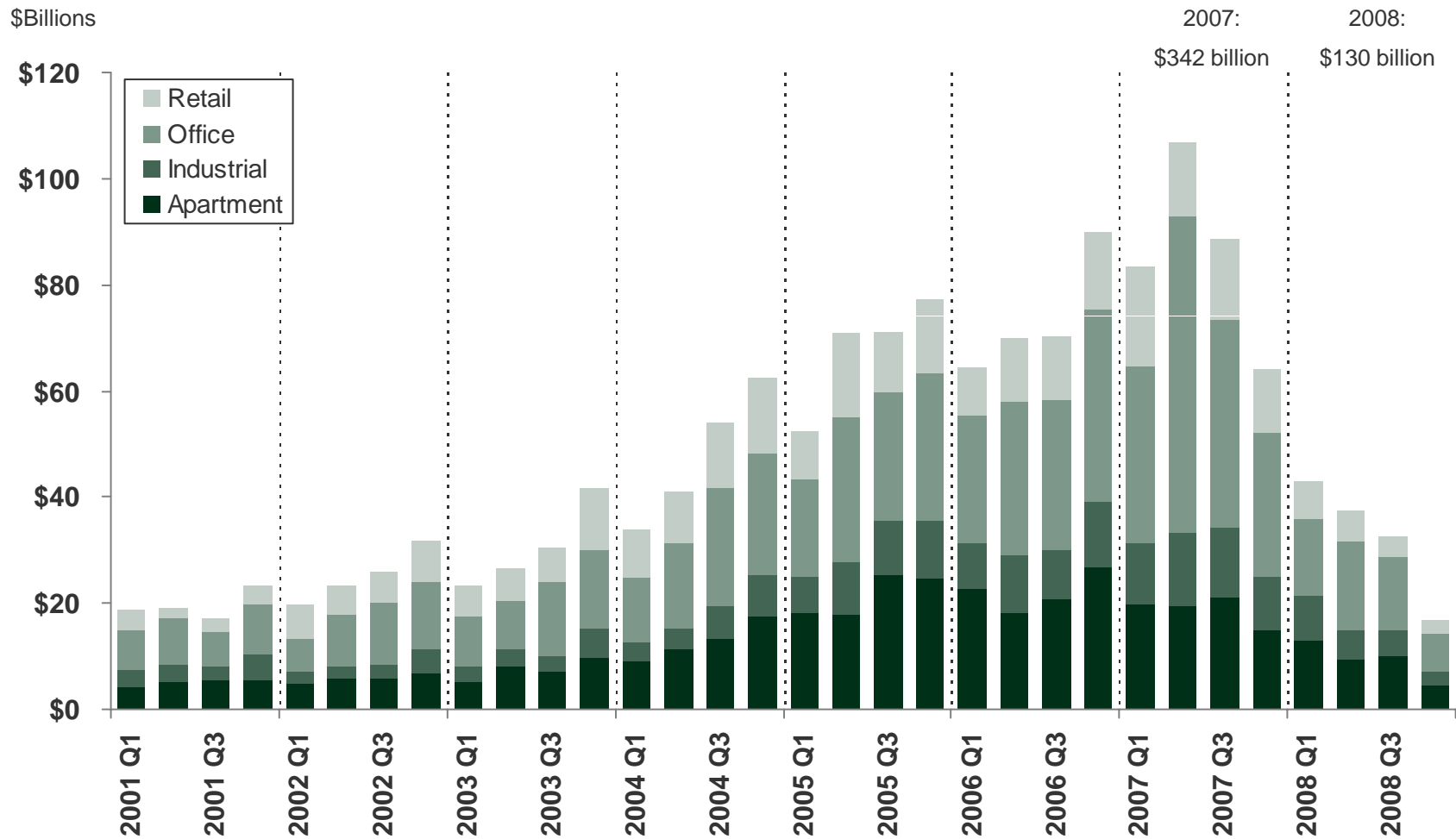
Source: Property and Portfolio Research

Year-over-year Asking Rent Growth, by Property Type by Quarter



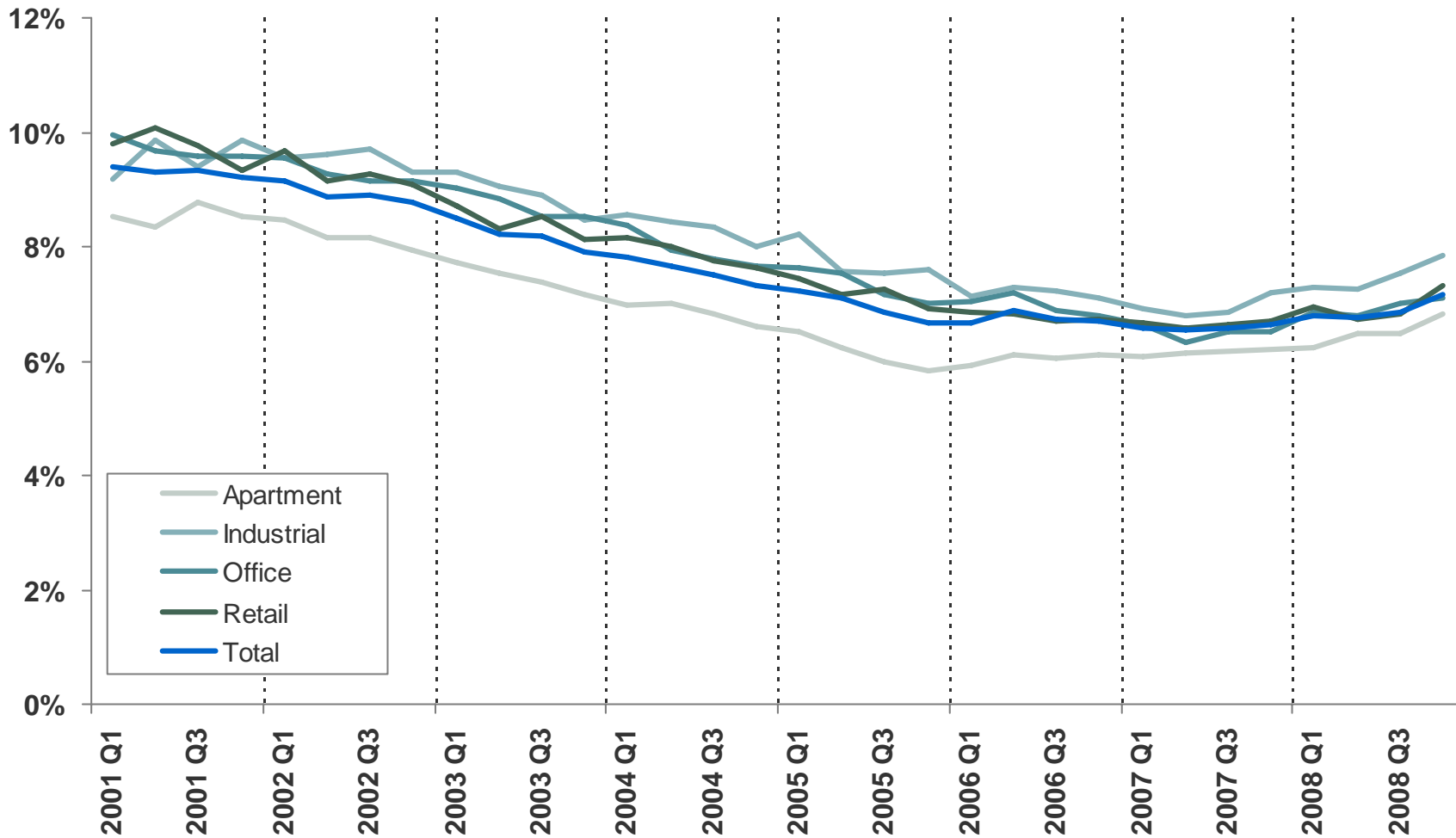
Source: Property and Portfolio Research

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



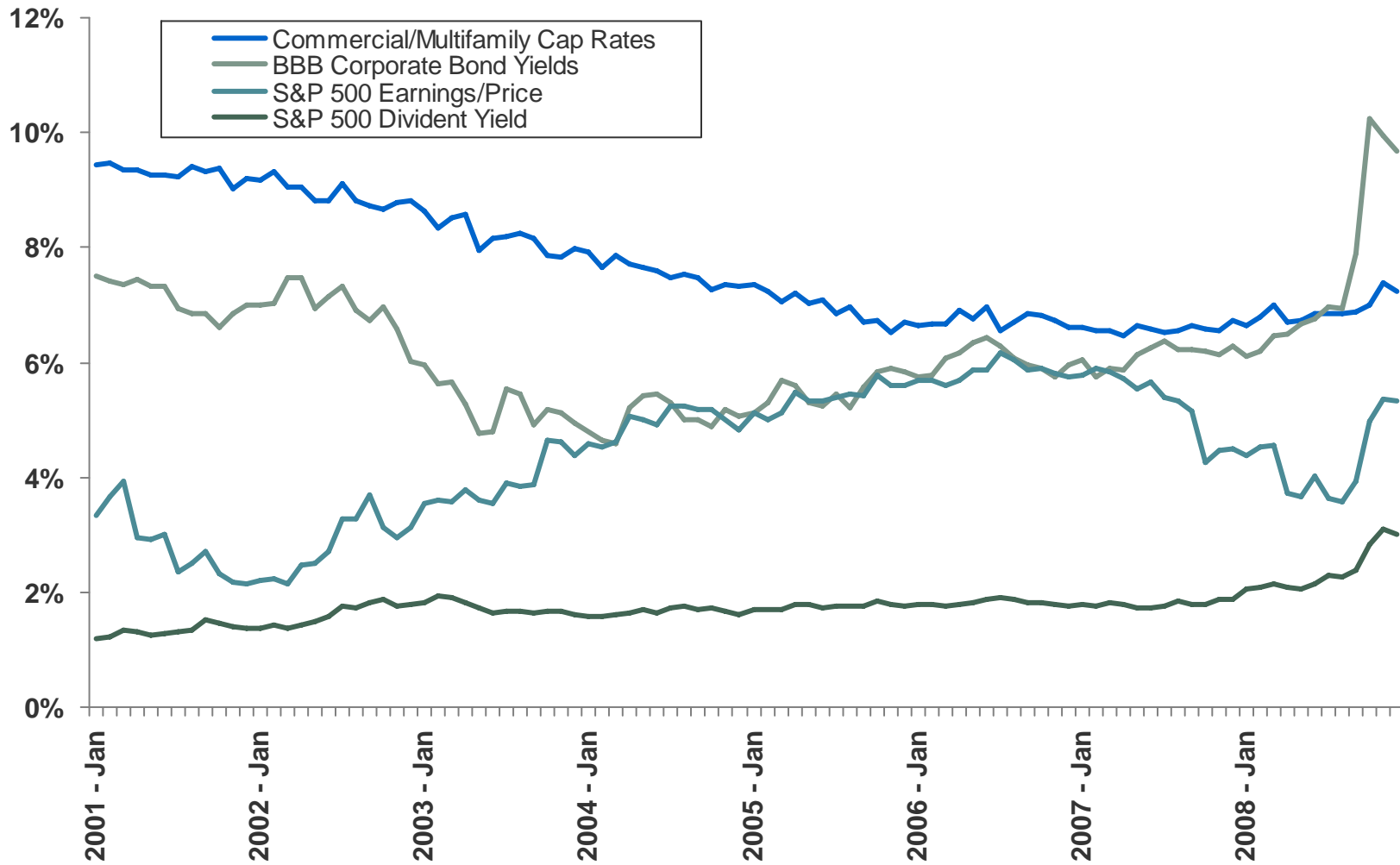
Source: Real Capital Analytics

Commercial/Multifamily Capitalization Rates Properties and Portfolios \$5 Million and Greater



Source: Real Capital Analytics

Selected Yields and Equivalents

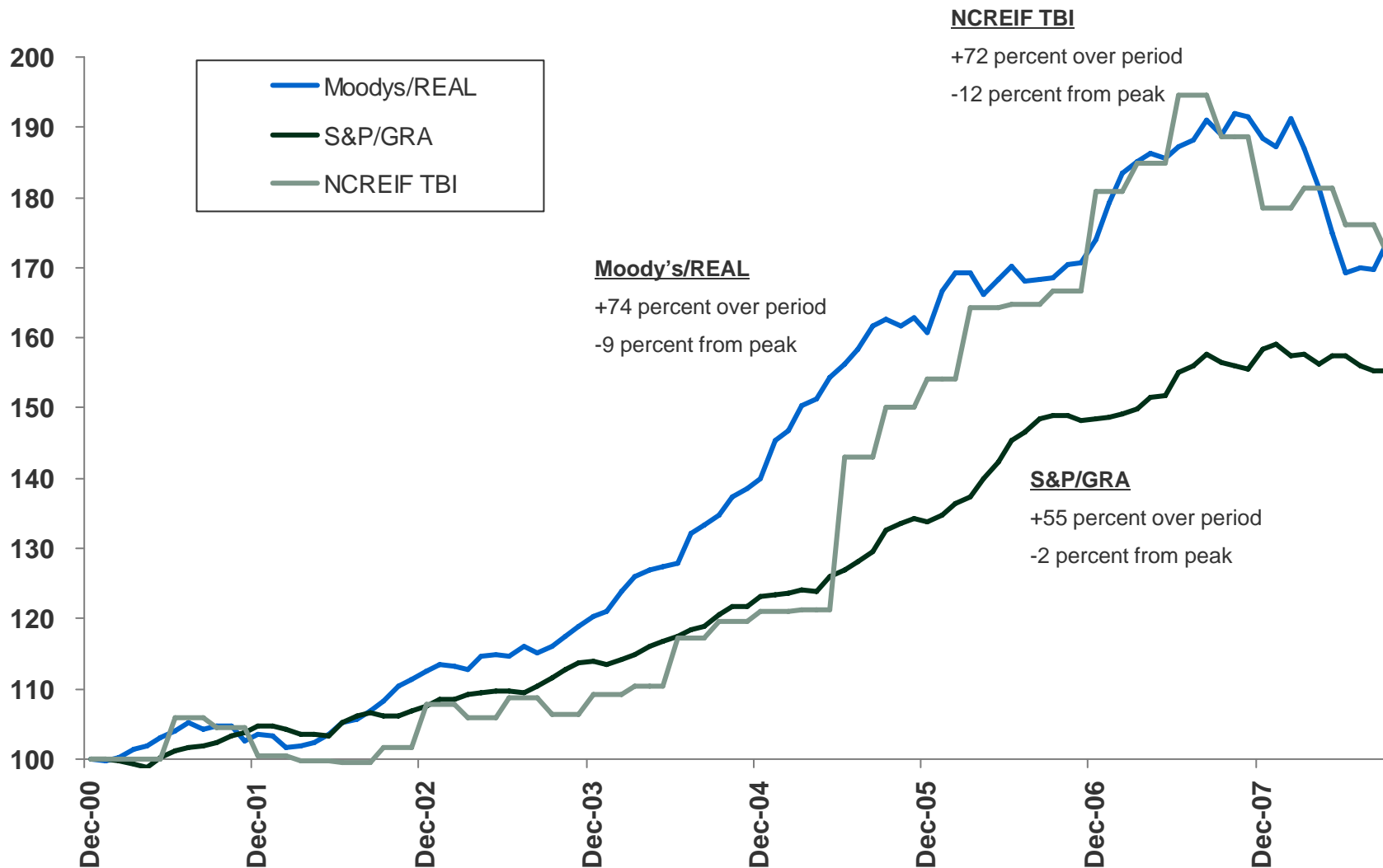


Source: Real Capital Analytics, Merrill Lynch, S&P

Quarterly Indices of Commercial/Multifamily Property Prices (December 2000 = 100)

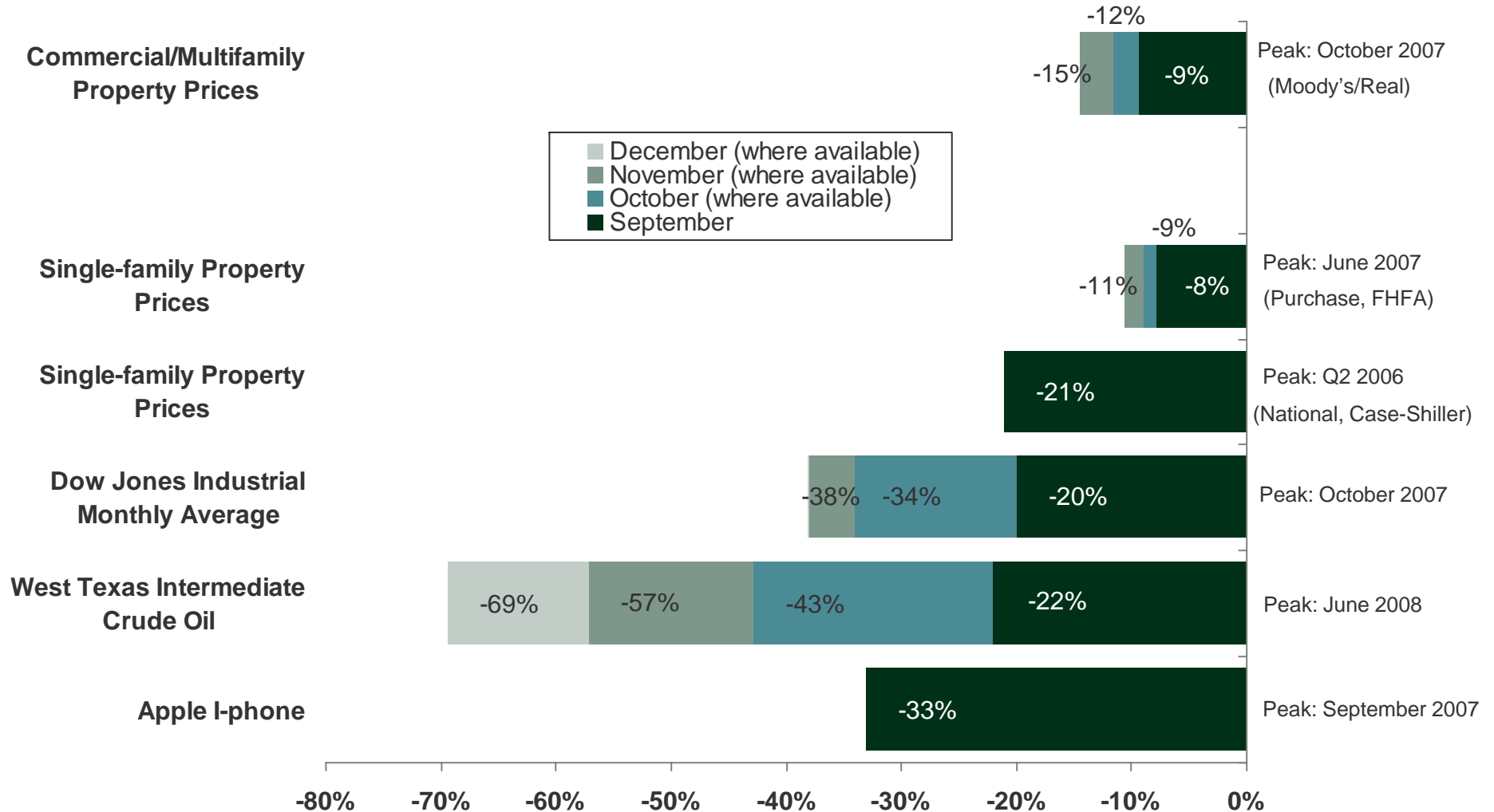


As of Q3 2008



Source: Moody's, MIT, S&P

Change in Selected Prices from their Peaks (Not seasonally adjusted)



Source: MBA, Moody's/Real, S&P, OFHEO, Wall Street Journal, .

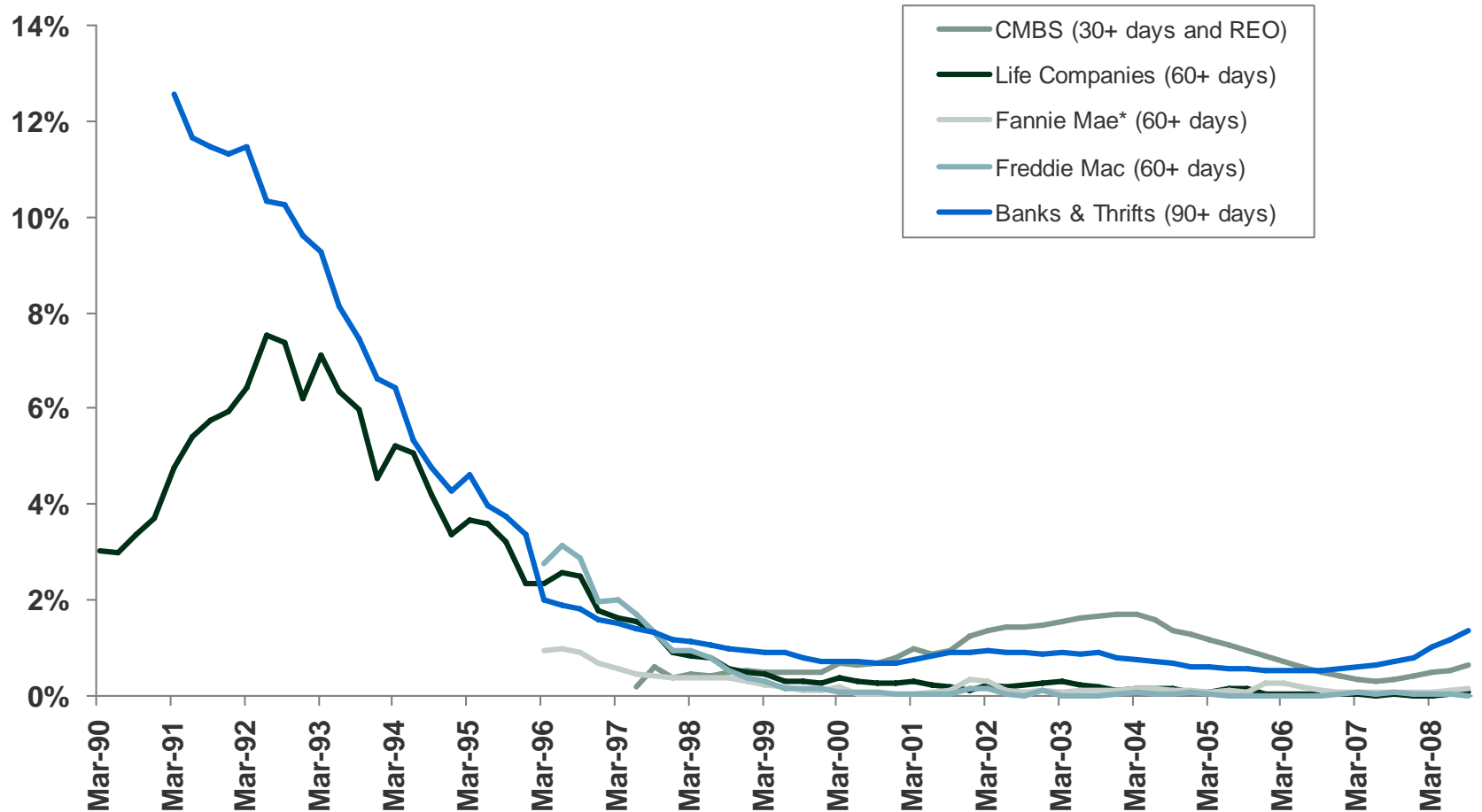


Loan Performance

Commercial/Multifamily Mortgage Delinquency Rates Among Major Investor Groups and Single-family Delinquency Rate



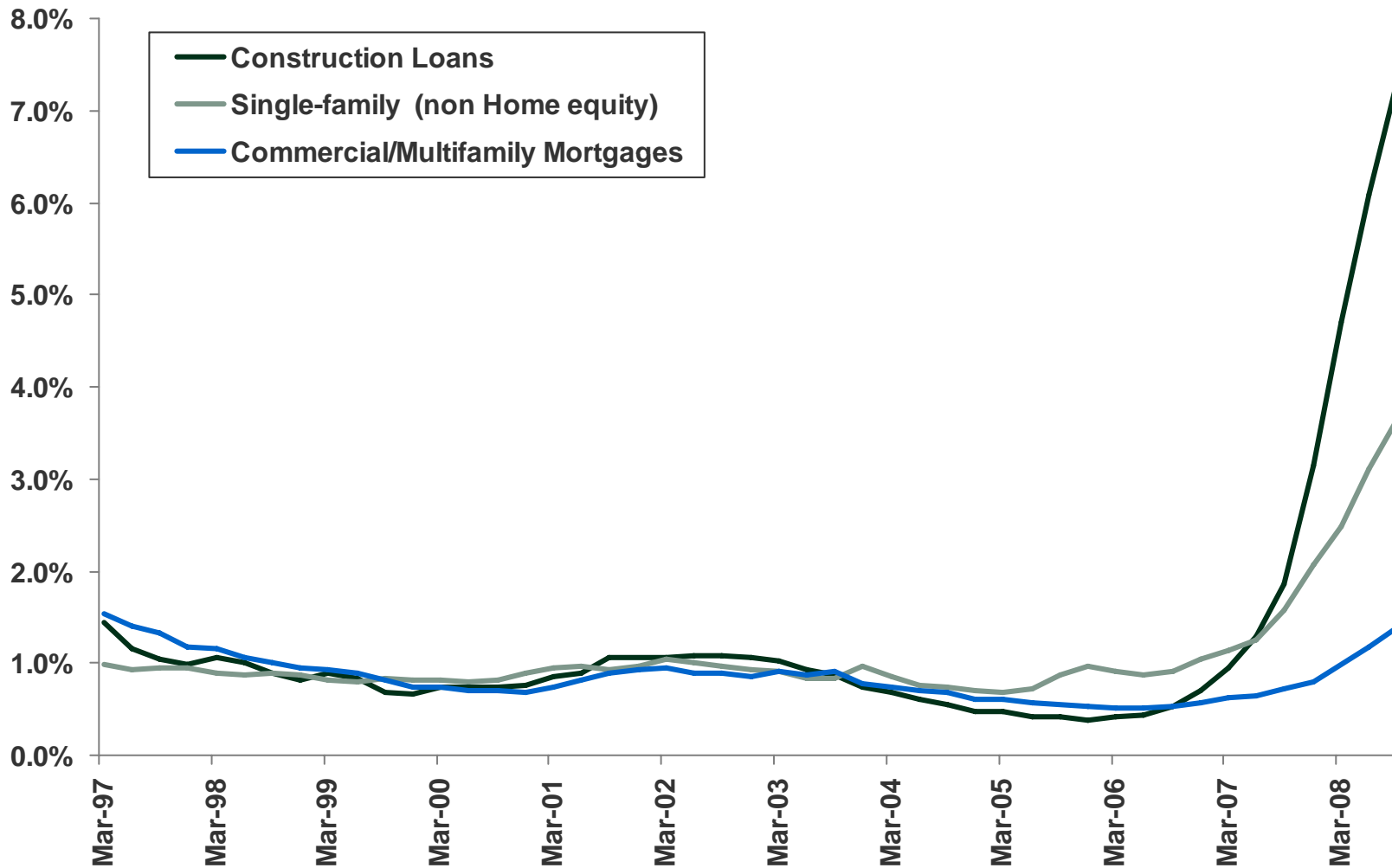
NOTE: Delinquency rates shown are NOT comparable between investor groups. These rates show how performance of loans for each investor groups has varied over time, but cannot be used to compare one investor group to another.



Sources: Mortgage Bankers Association Wachovia Capital Markets, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation.

Data are available for life companies and FDIC-insured banks and thrifts since 1990 and 1991, Fannie Mae and Freddie Mac since 1996 and CMBS since 1997. December figures are not available from Fannie Mae for the years 2000 to 2004. Figures for November are used instead. Prior to 1996, bank and thrift figures are for banks only and also include construction and land loans.

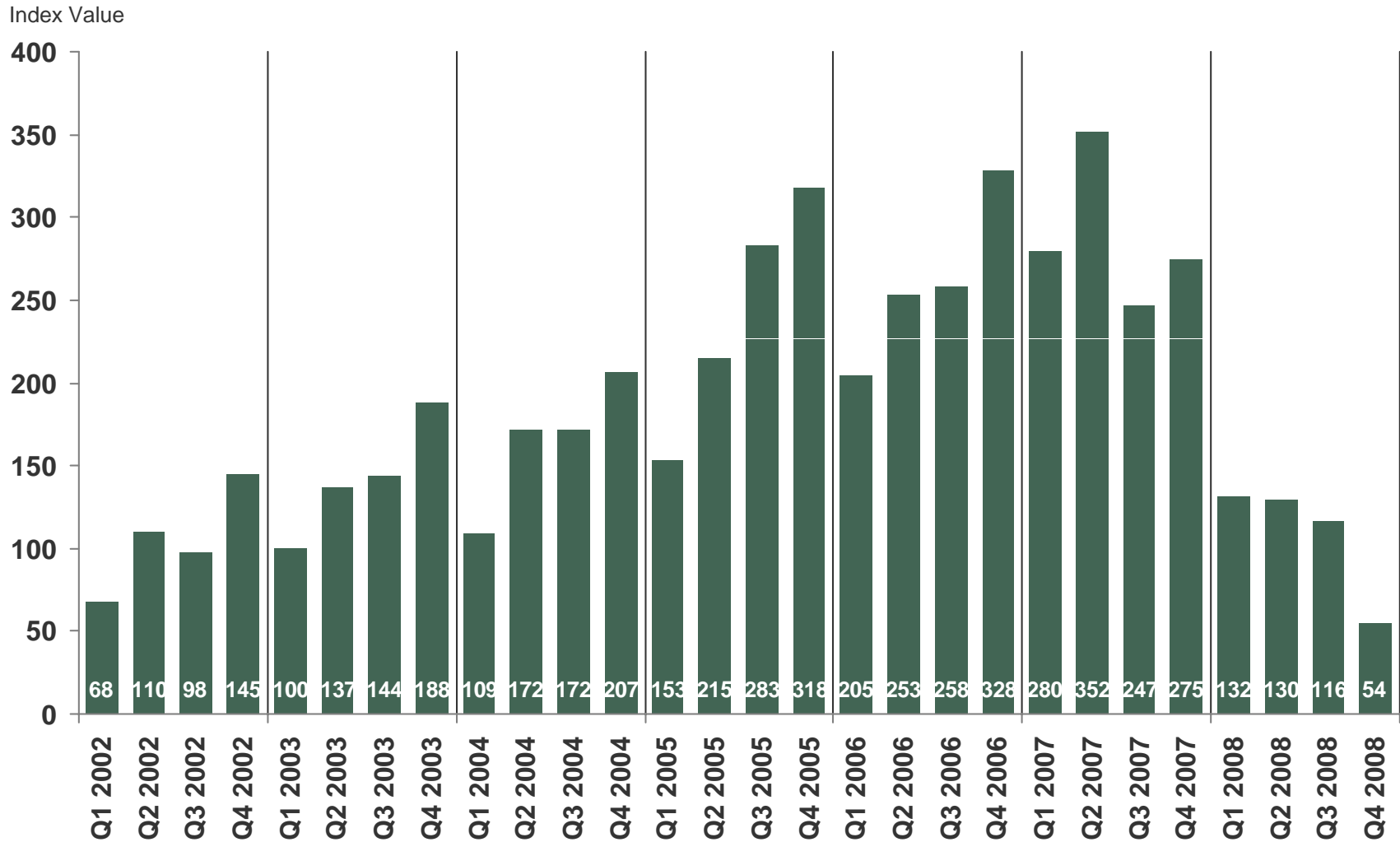
90+ Day Delinquency Rate on Commercial/Multifamily Mortgages, Single-family Mortgages and Construction Loans at FDIC-Insured Banks and Thrifts



Source: Mortgage Bankers Association and FDIC

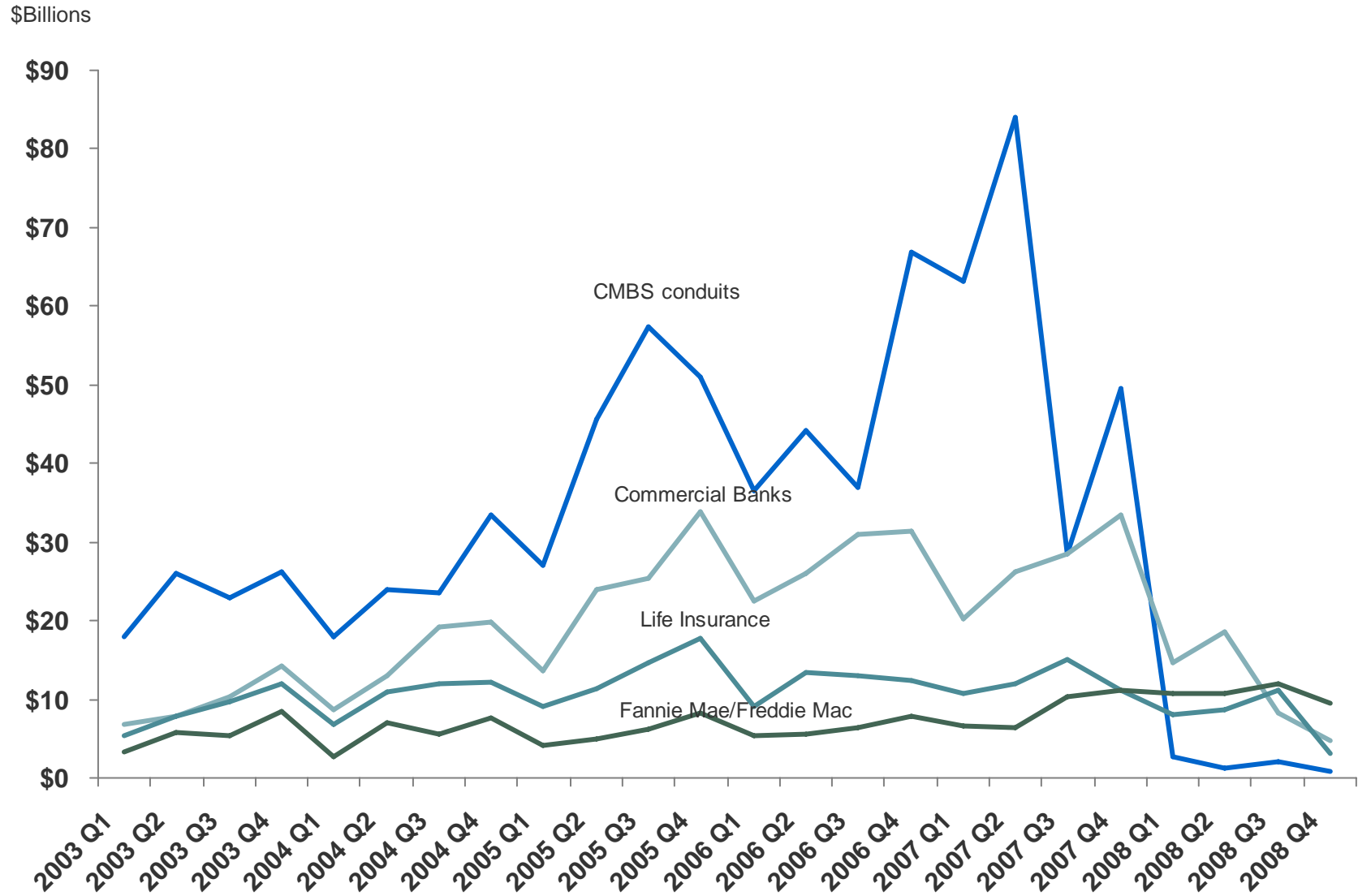
Supply of and Demand for Capital

Index of Commercial/Multifamily Mortgage Bankers Origination Volumes (2001 avg. Qrt = 100)



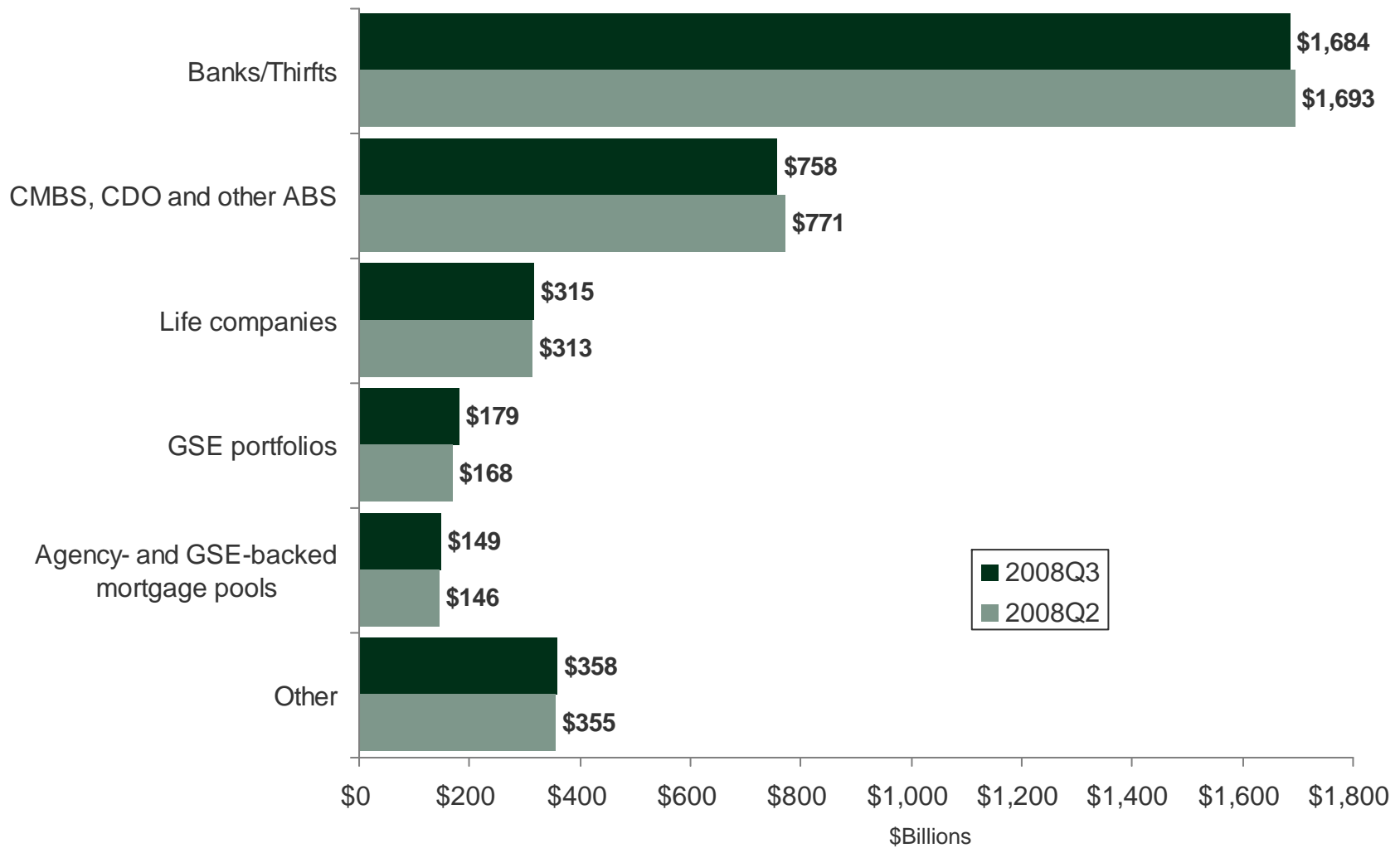
Source: Mortgage Bankers Association

Estimated Quarterly Commercial/Multifamily Mortgage Bankers' Originations, by Investor Group



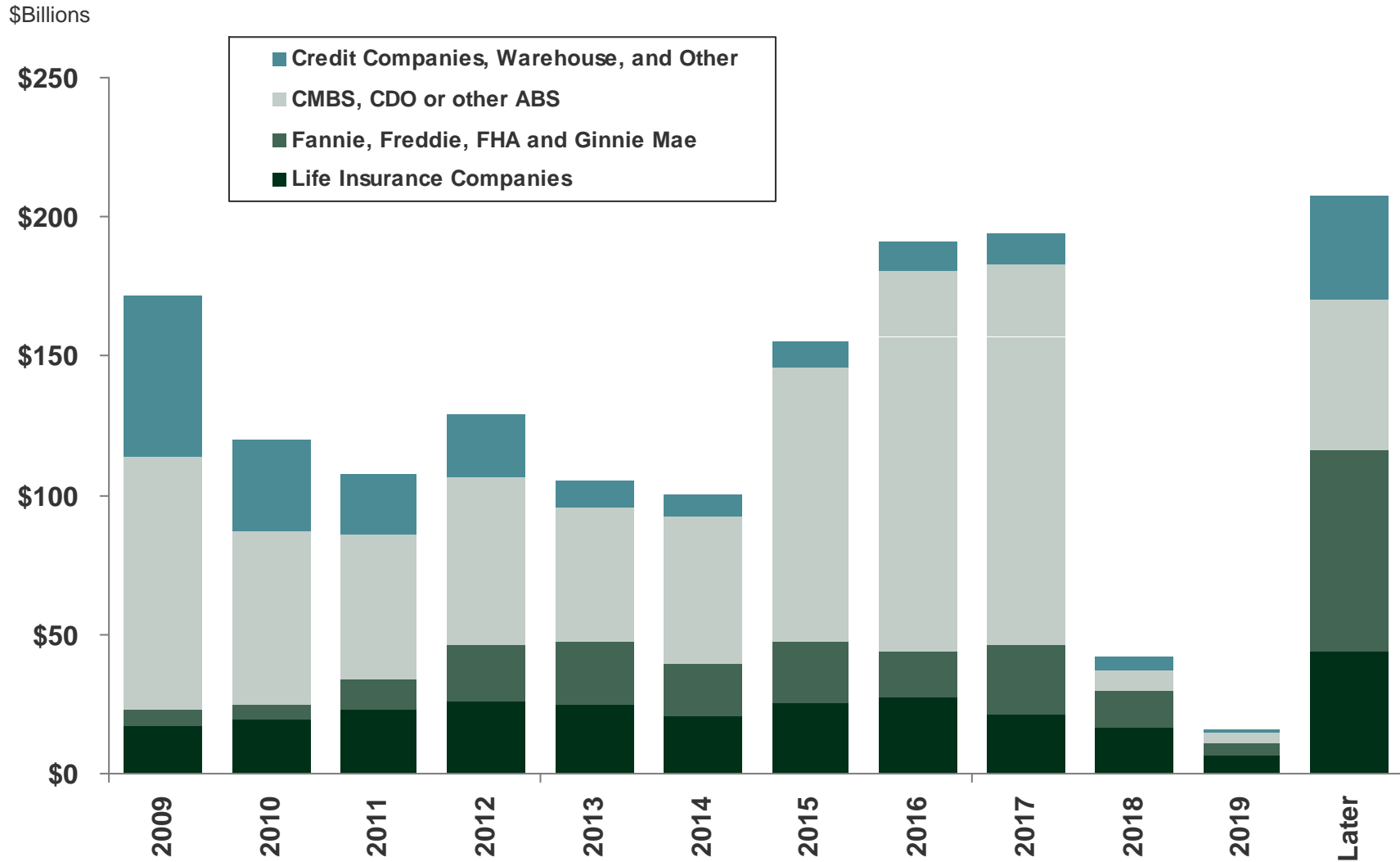
Source: Mortgage Bankers Association

Commercial/Multifamily Mortgage Debt Outstanding, by Investor Group, Q2 2008 to Q3 2008



Source: Federal Reserve Board

Non-Bank UPB of Outstanding Commercial/ Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2008



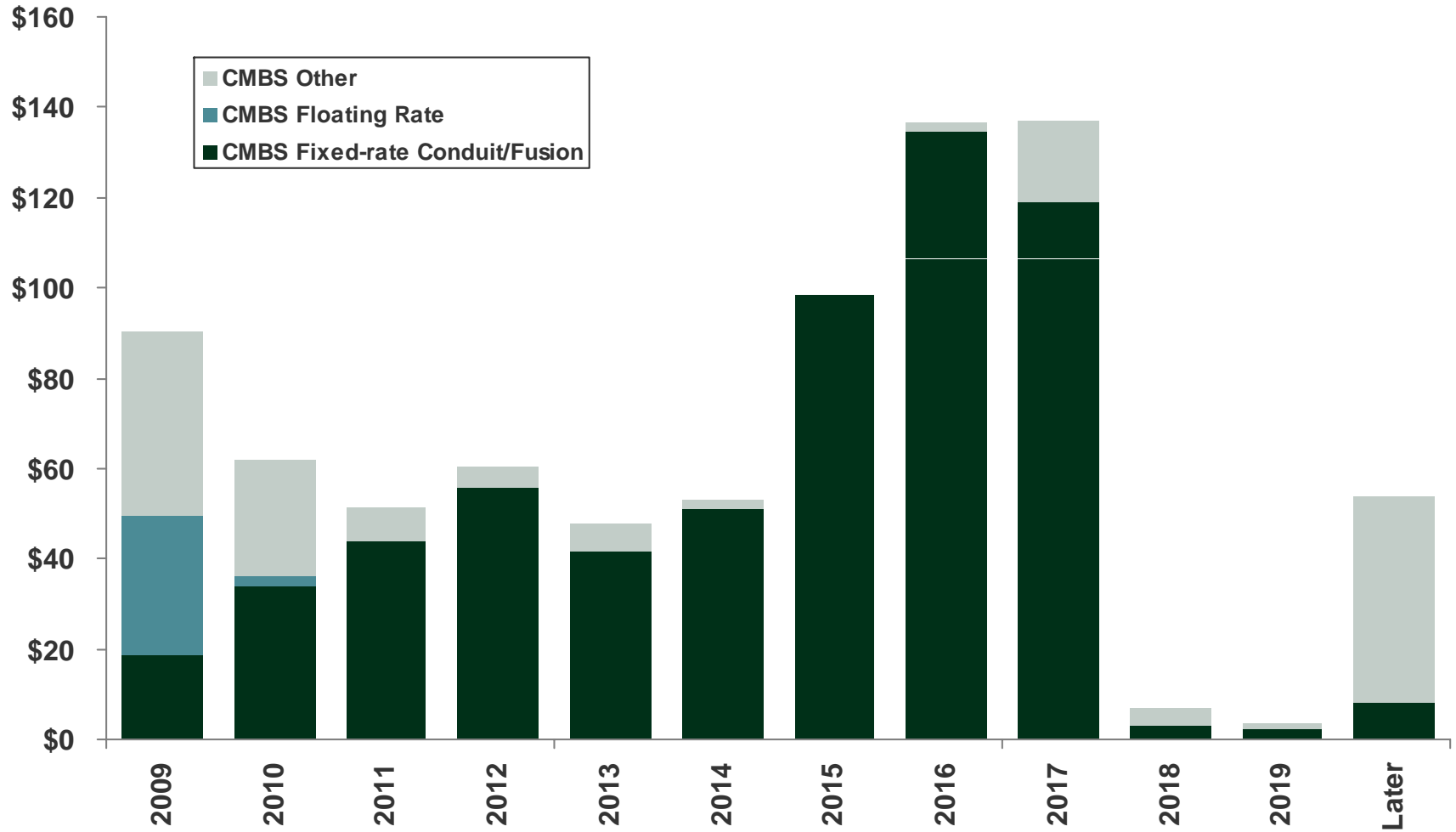
Source: MBA

CMBS market

CMBS, CDO and Other ABS: UPB of Outstanding Commercial/Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2008

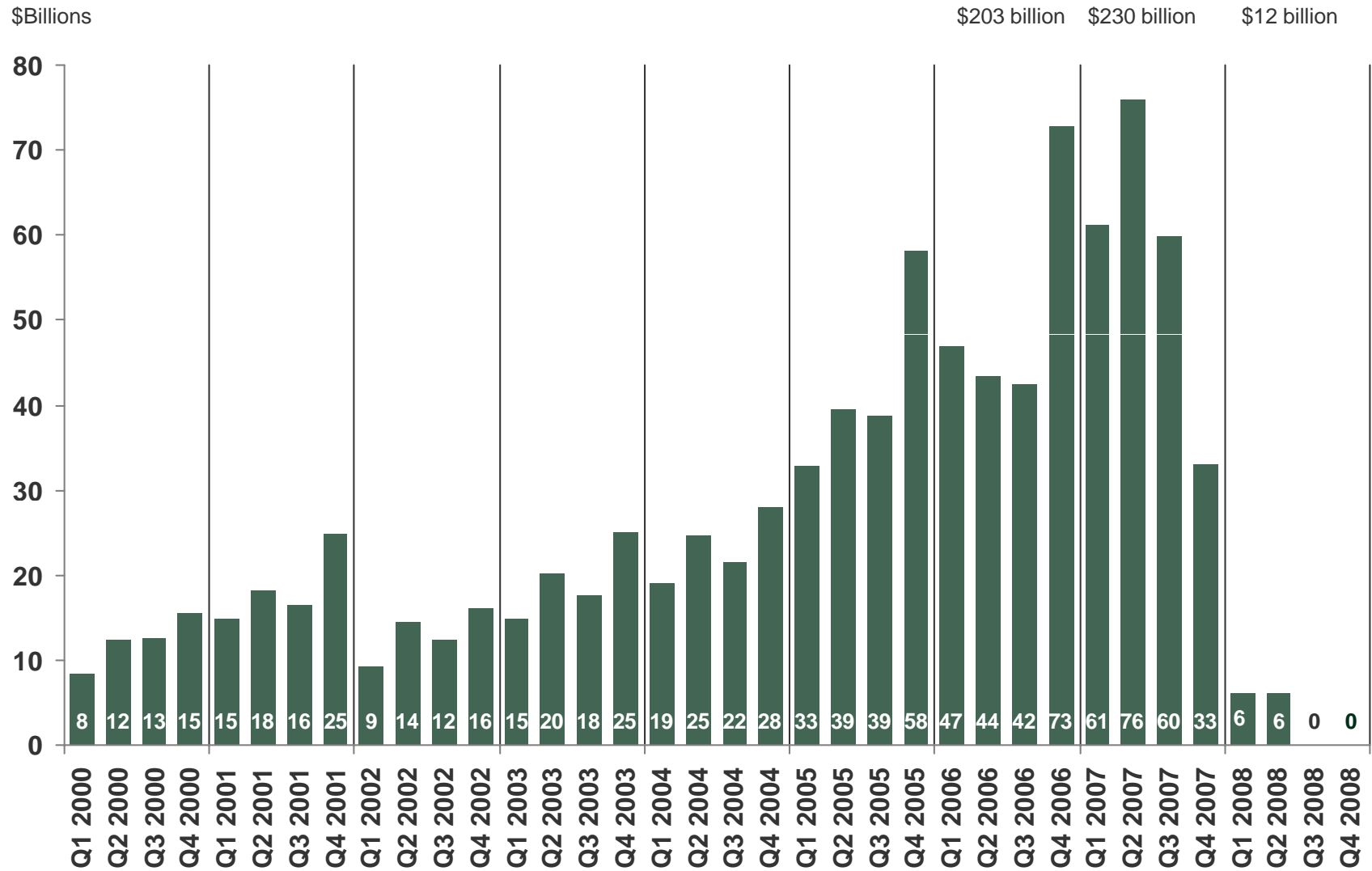


\$Billions



Source: MBA and RBS

CMBS Issuance



Source: CMAAlert.com

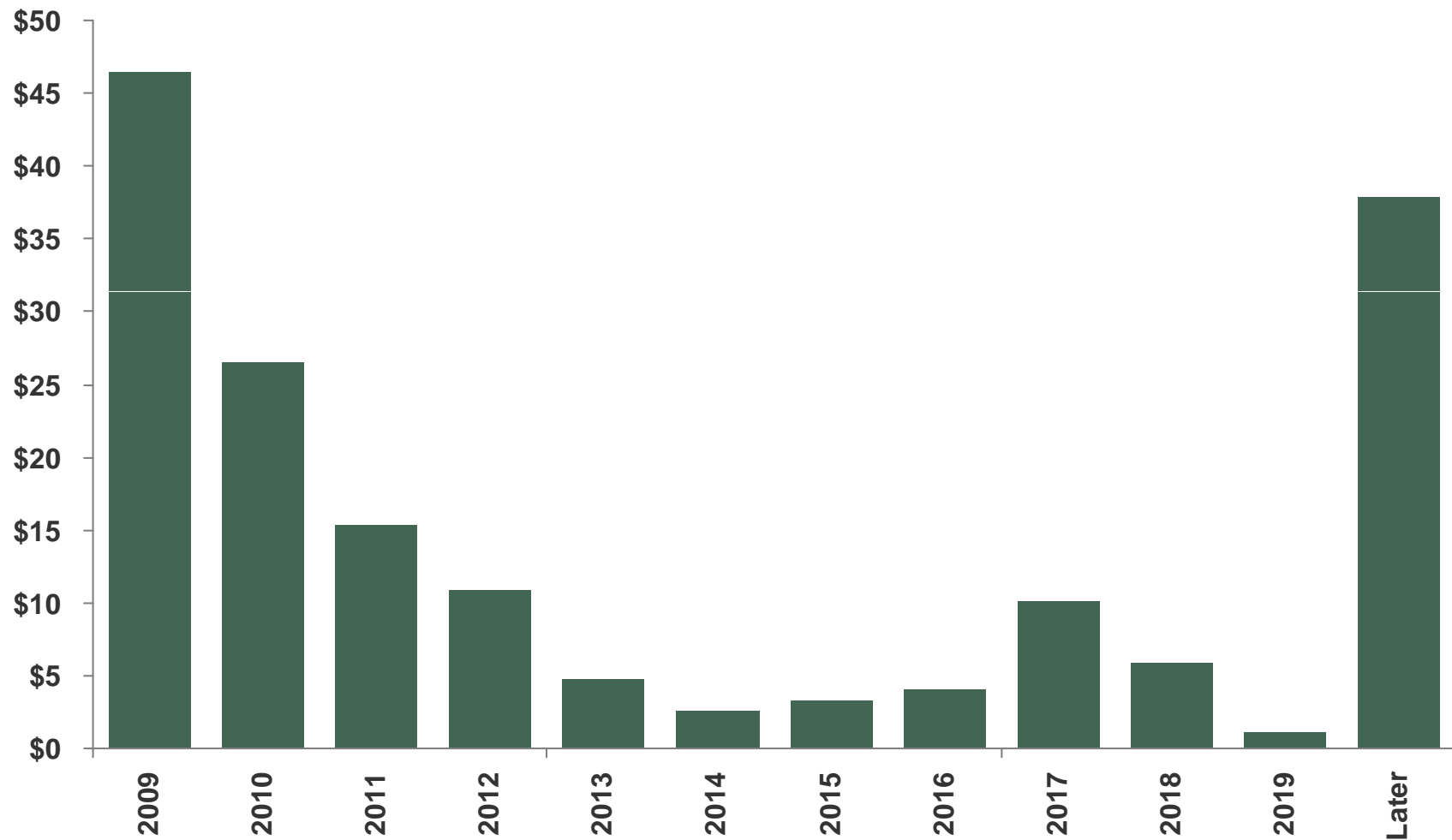


Banks/Thriffs

Commercial Banks & Thrifts: UPB of Outstanding Commercial/Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2008



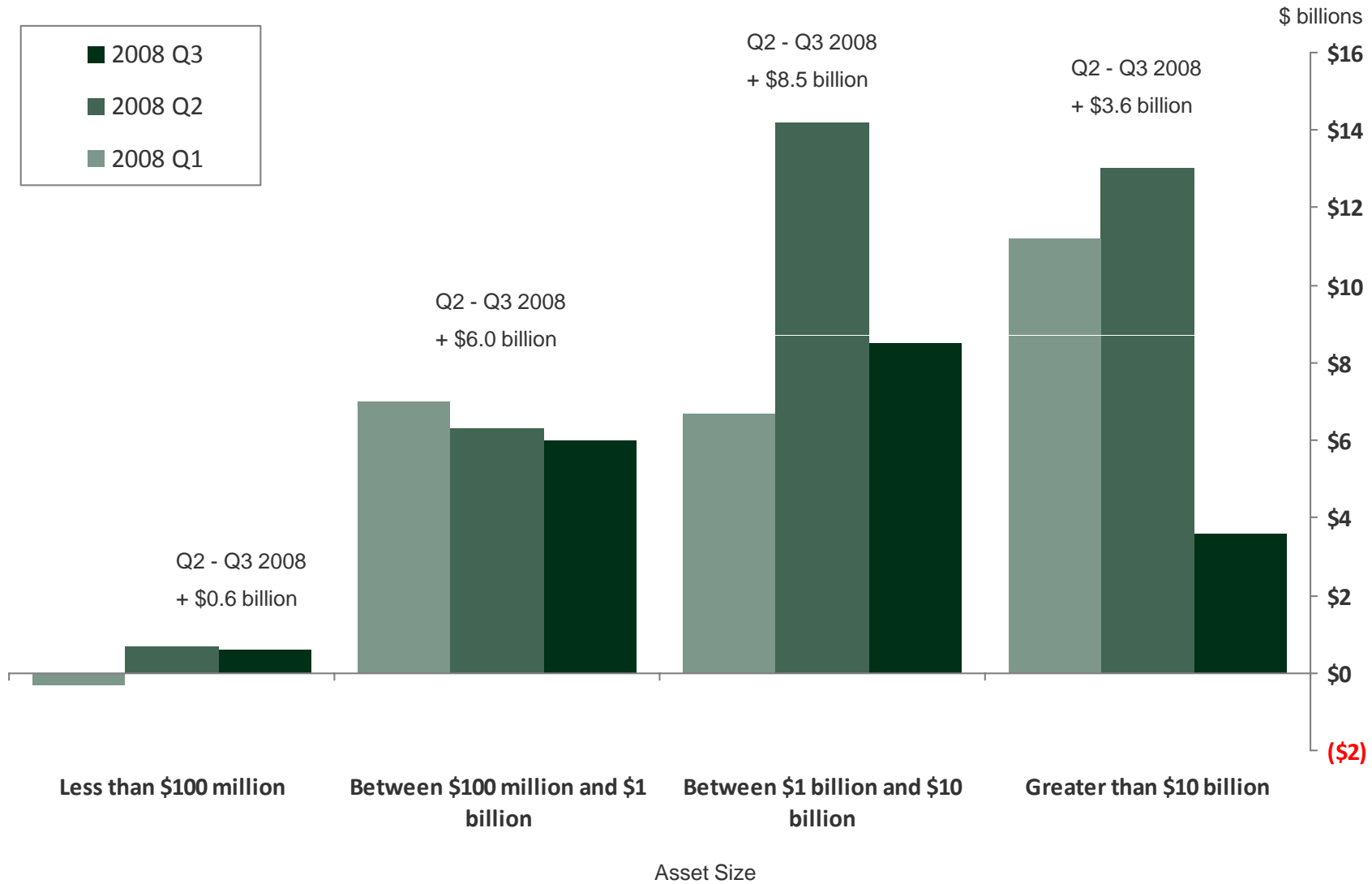
\$Billions



Source: MBA

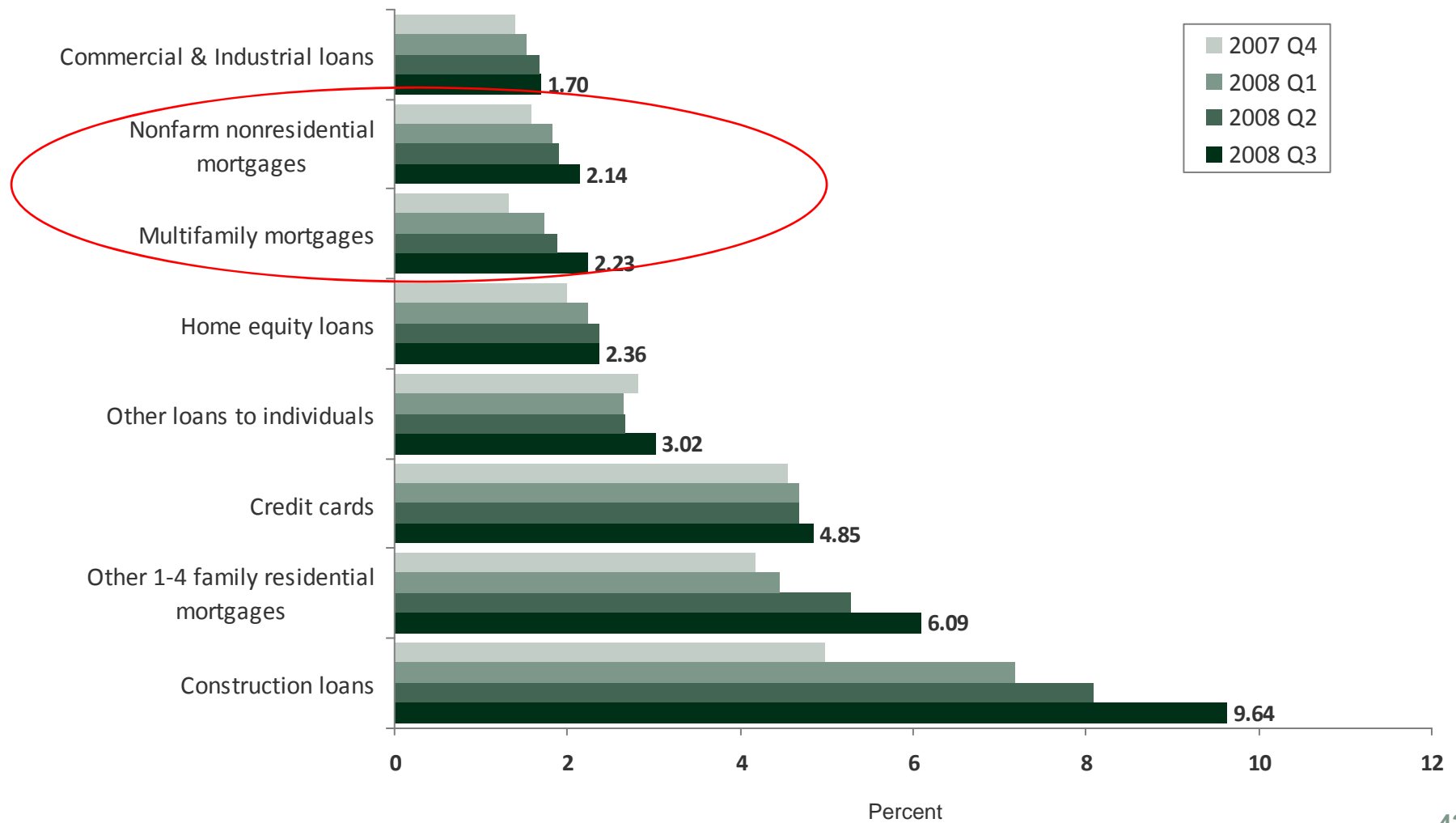
Note: The MBA survey on Commercial/Multifamily Loan Maturities captured information on approximately 20% of the \$780 billion of bank/thrift-held mortgages on income-producing properties. This sample may not be representative of the broader bank/thrift mortgage portfolio.

Change in Commercial/Multifamily Mortgage Holdings of Commercial Banks/Thriffs, by Asset Size



Source: FDIC

30+ Day Delinquency Rates of Loans and Leases at Commercial Banks



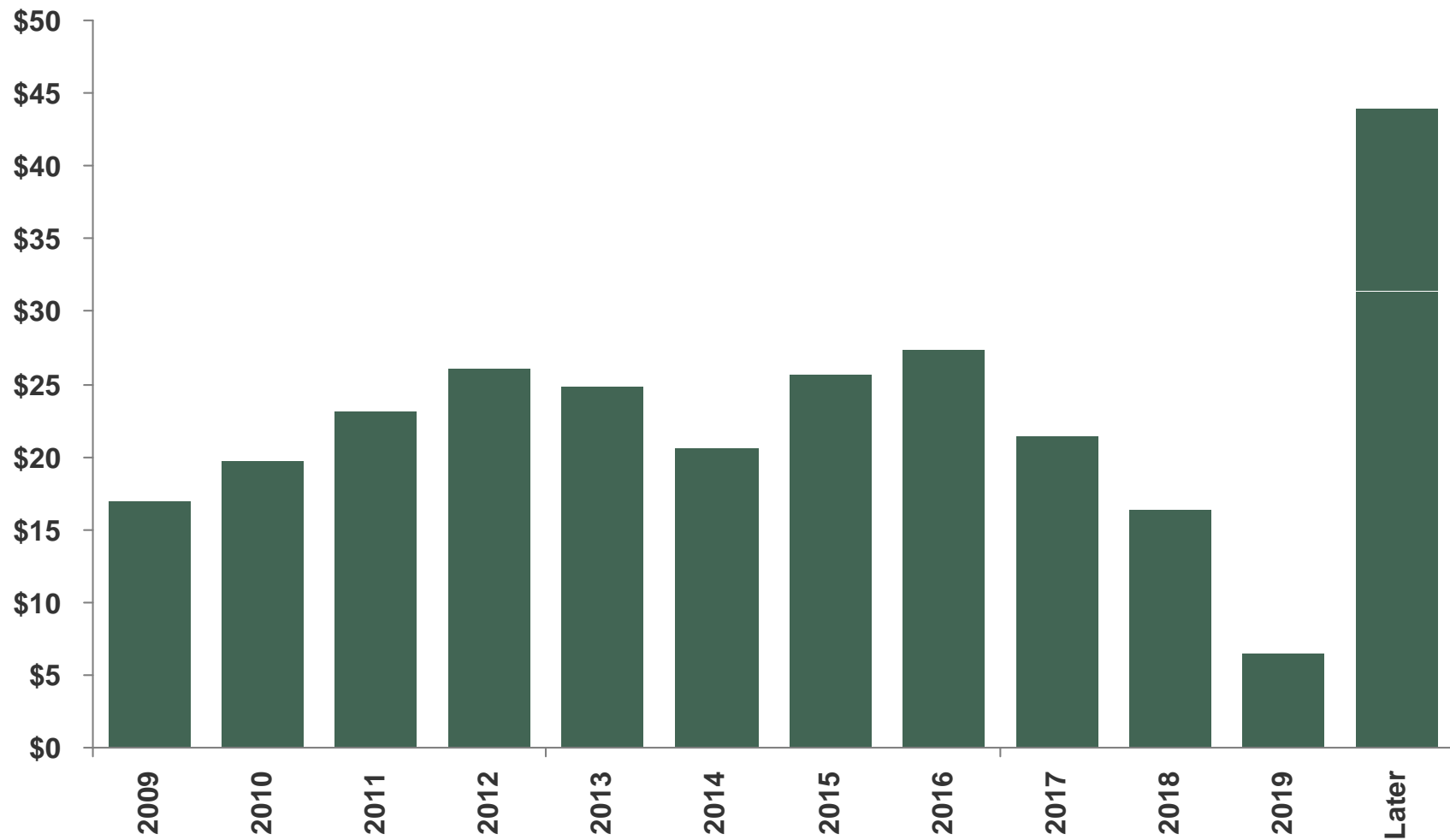
Source: FDIC

Life Companies

Life Insurance Companies: UPB of Outstanding Commercial/ Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2008



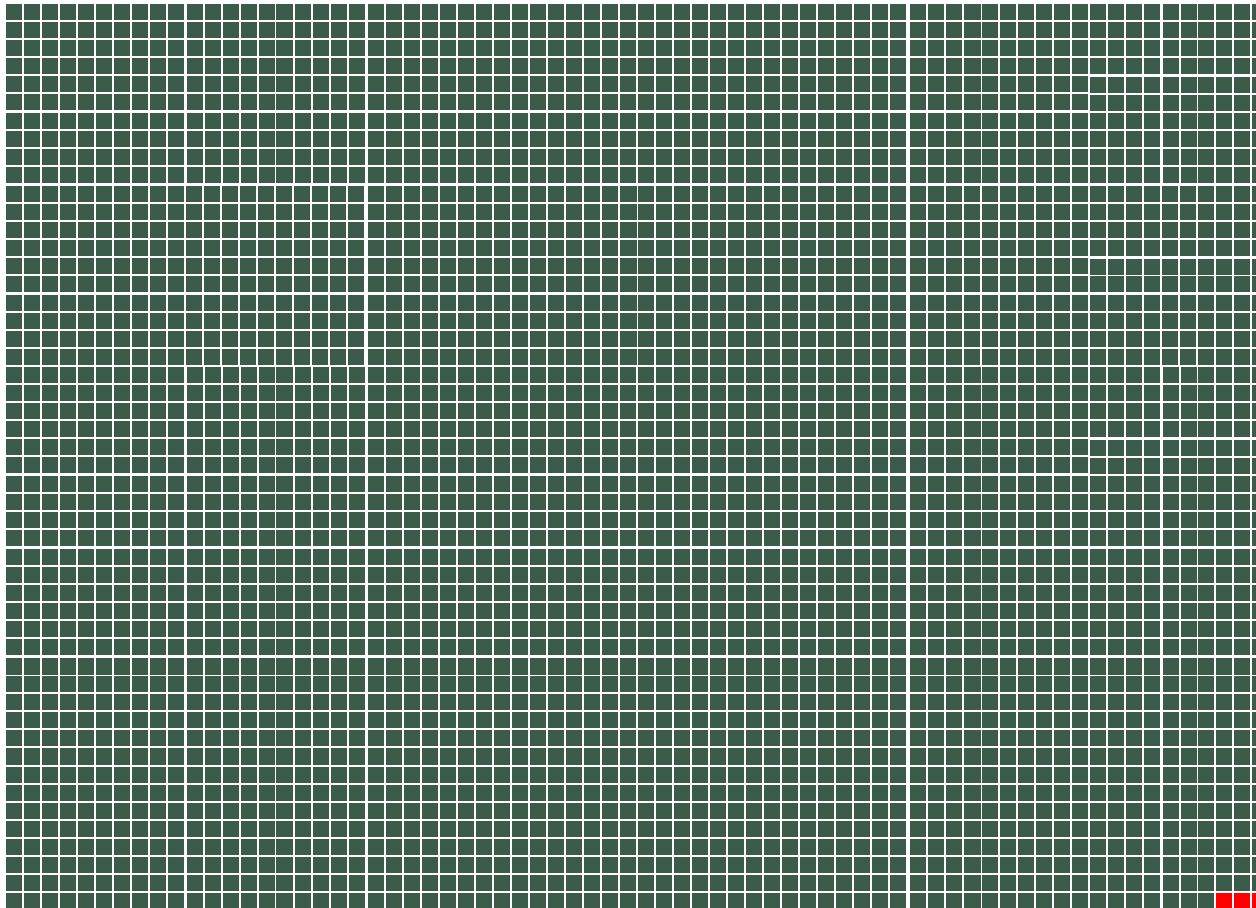
\$Billions



Source: MBA

Life Company Loan Performance

Share of Loans Delinquent or in Foreclosure Q3 2008



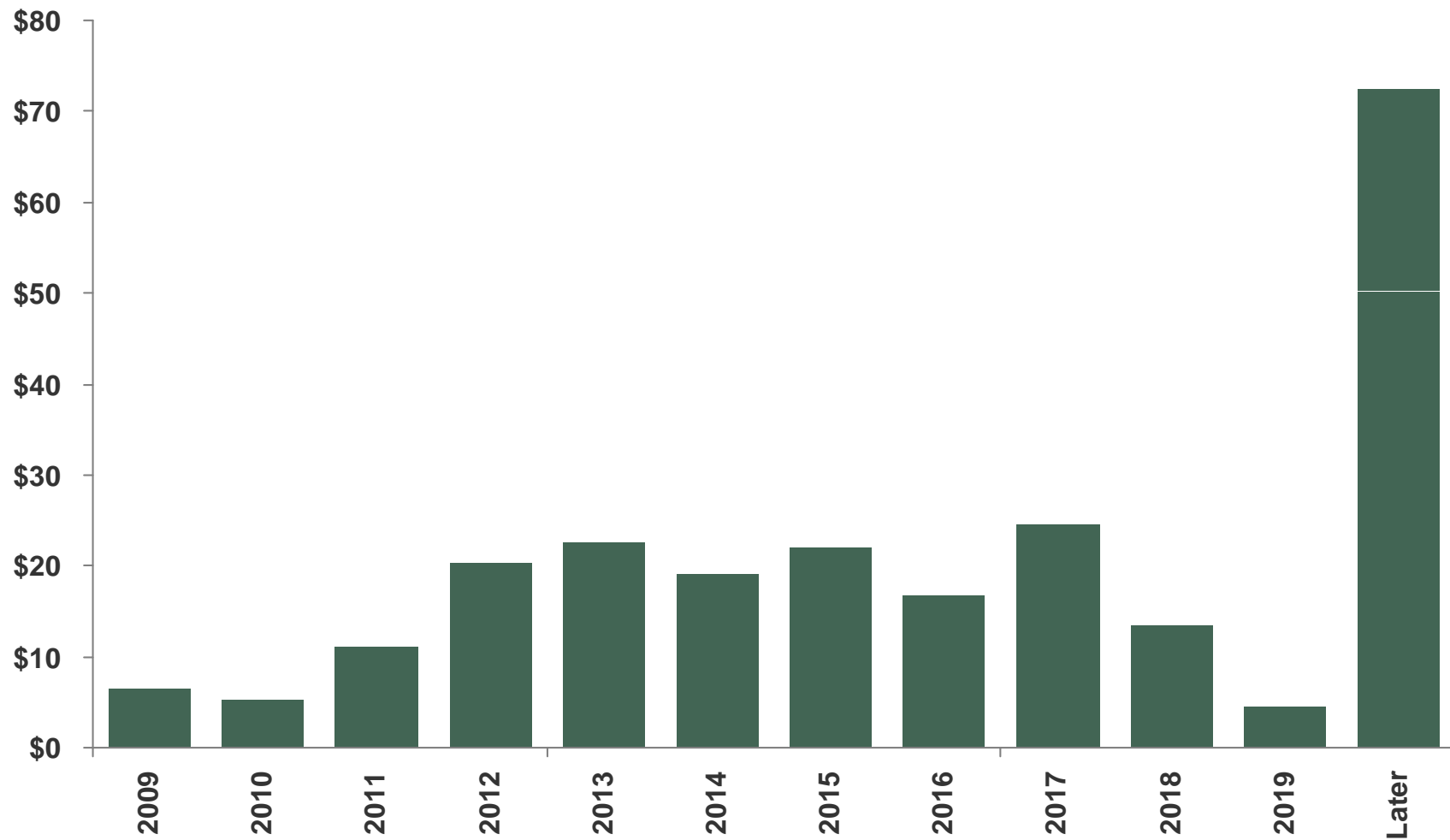
Source: ACLI

Government-sponsored Enterprises

Fannie Mae, Freddie Mac and Ginnie Mae: UPB of Outstanding Commercial/ Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2008

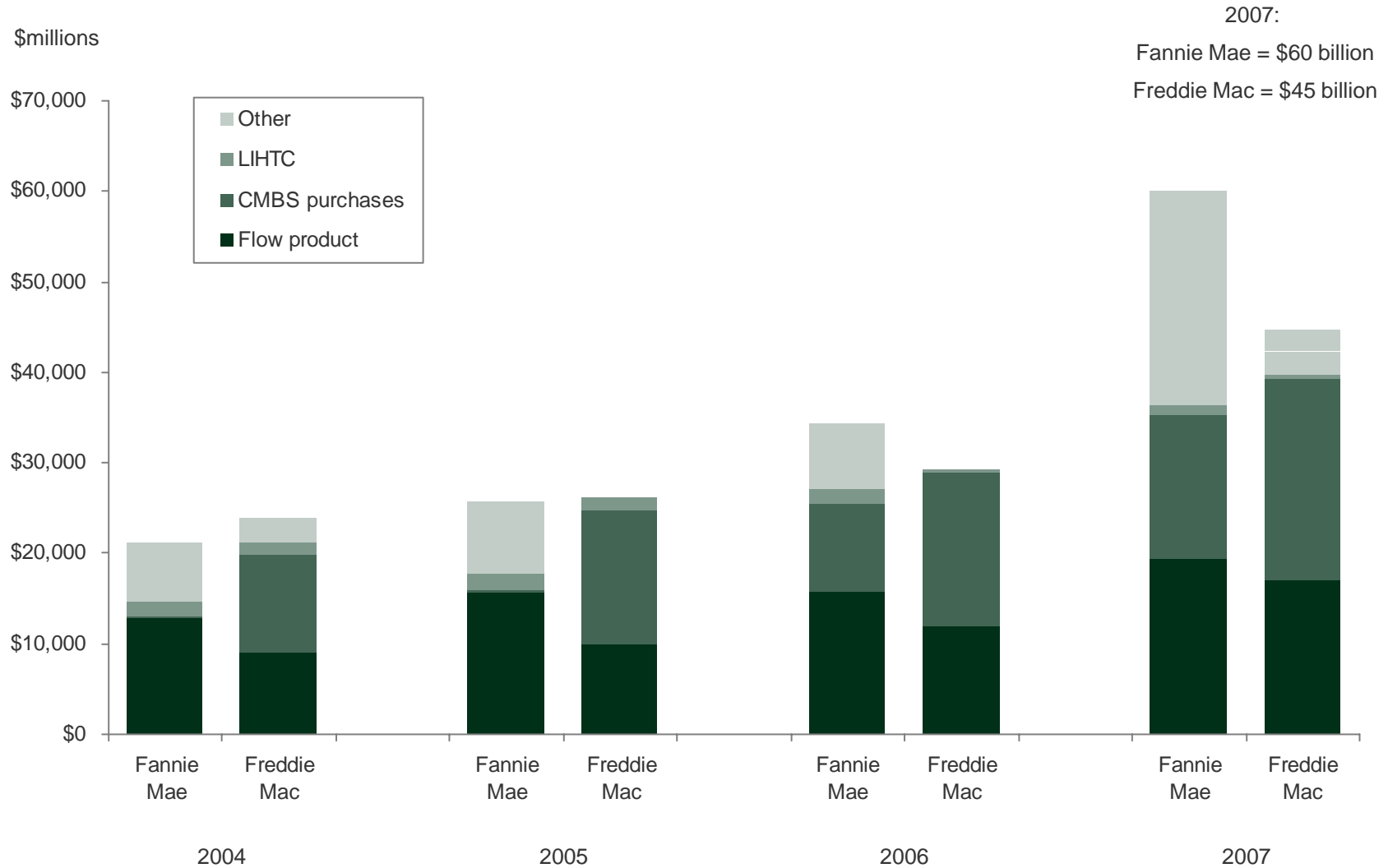


\$Billions



Source: MBA

Fannie Mae and Freddie Mac Multifamily Acquisitions



Source: MBA estimates based on Fannie Mae and Freddie Mac press releases and OFHEO



- Property Performance
- Property Pricing
- Capital Availability



"Real estate is a very cyclical business,
especially right now,"

President of the Board of Major Pension Fund