

Commercial Real Estate Outlook: Q4 2008

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Topics

- Brief Market Update

- Current Delinquency Trends
 - Fixed rate conduit loans
 - Floating rate loans

- Assessing Maturity Default/Extension Risk

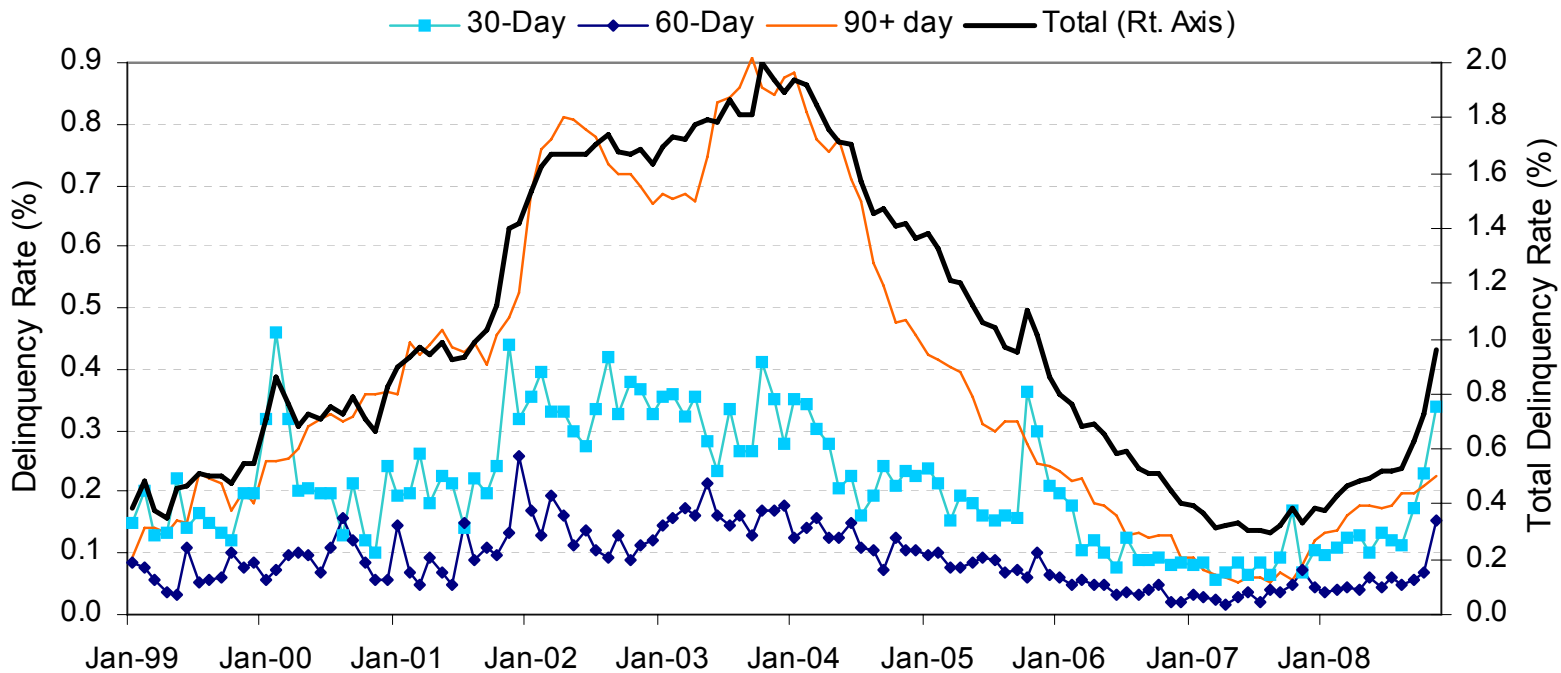


Brief Market Update



Current Delinquency Trends

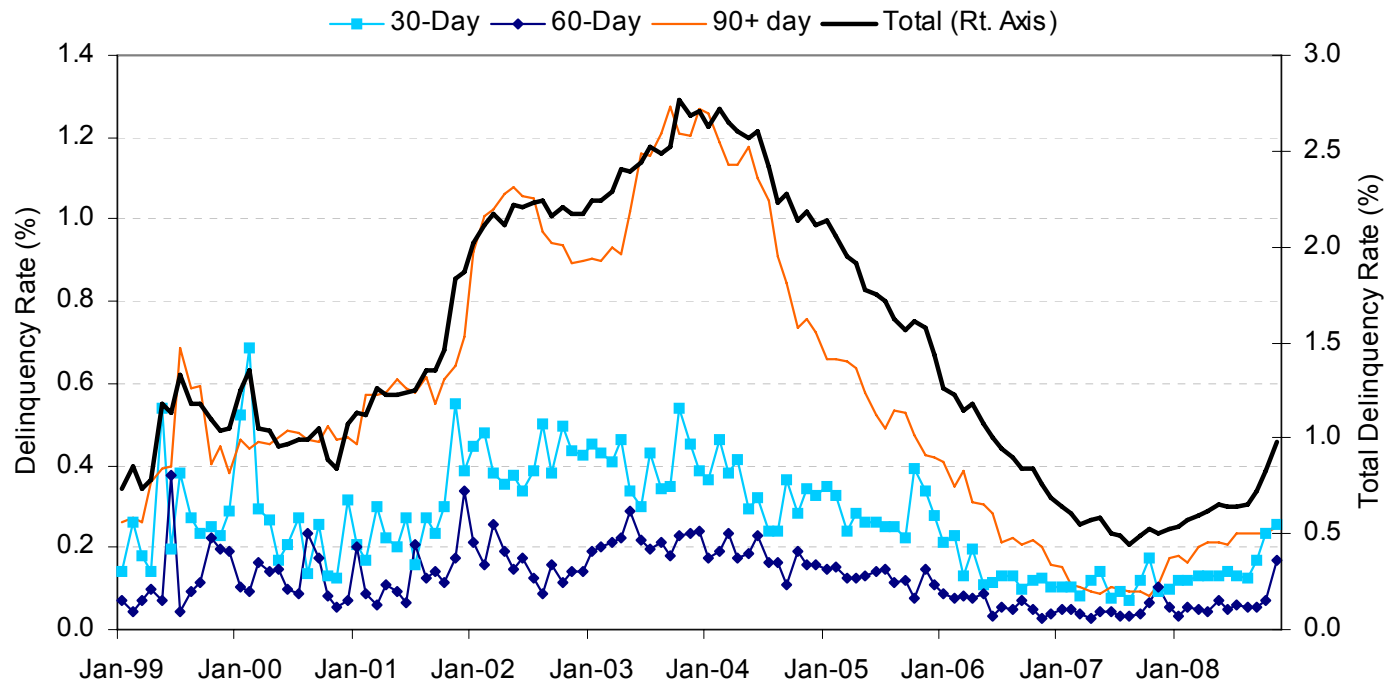
Aggregate delinquency rates now rising rapidly



Source: Intex, Trepp

- Short-term delinquency rates gapping higher
- 30-day delinquency rate up 3-fold in three months
- Aggregate delinquency rate may be in excess of 3% range by end of 2009

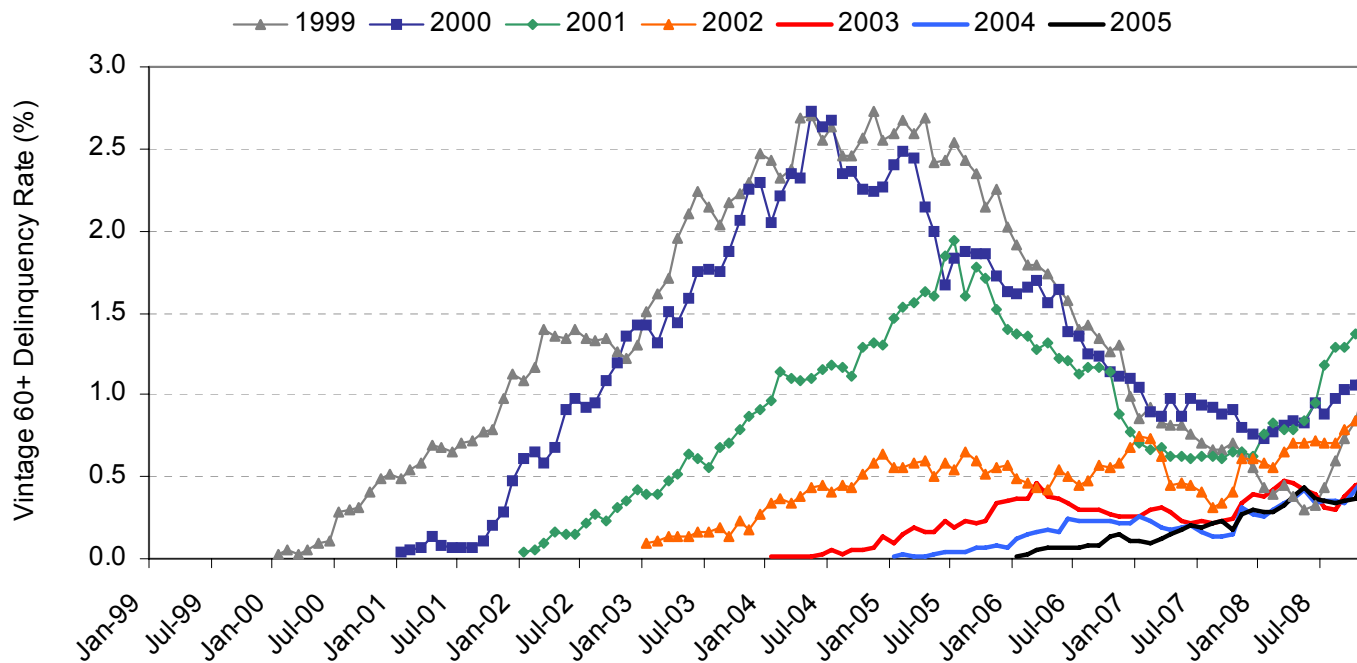
Deterioration emerging in *seasoned* (age > 24 months) loans



Source: Intex, Trepp

- Degree of deterioration in 30- and 60-day delinquency rates not quite as severe
- Nevertheless, number of 30-day delinquent loans increased by one-third in November

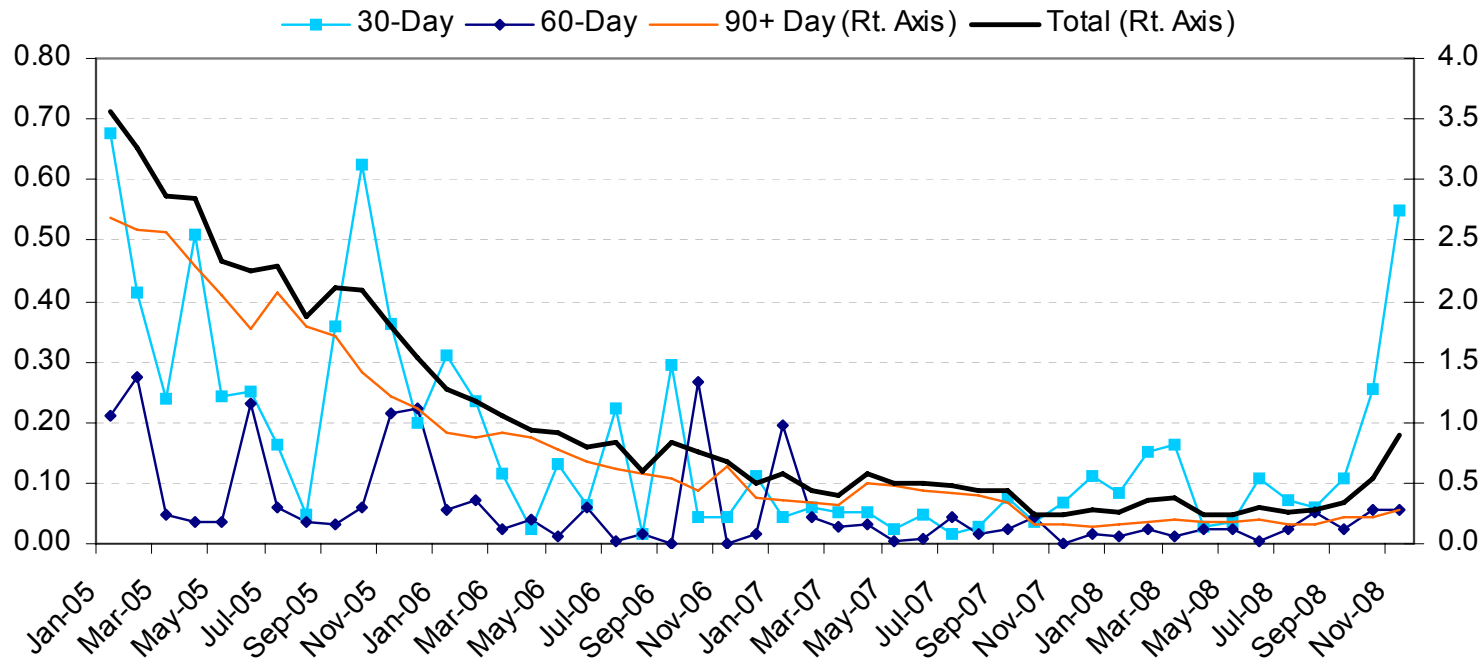
Seasoned vintages showing renewed deterioration



Source: Intex, Trepp

- Older vintages exhibiting the most significant deterioration
- Deterioration of 2003-2005 vintages is modest so far
- Some (small) amount of deterioration in older vintages reflects maturity defaults

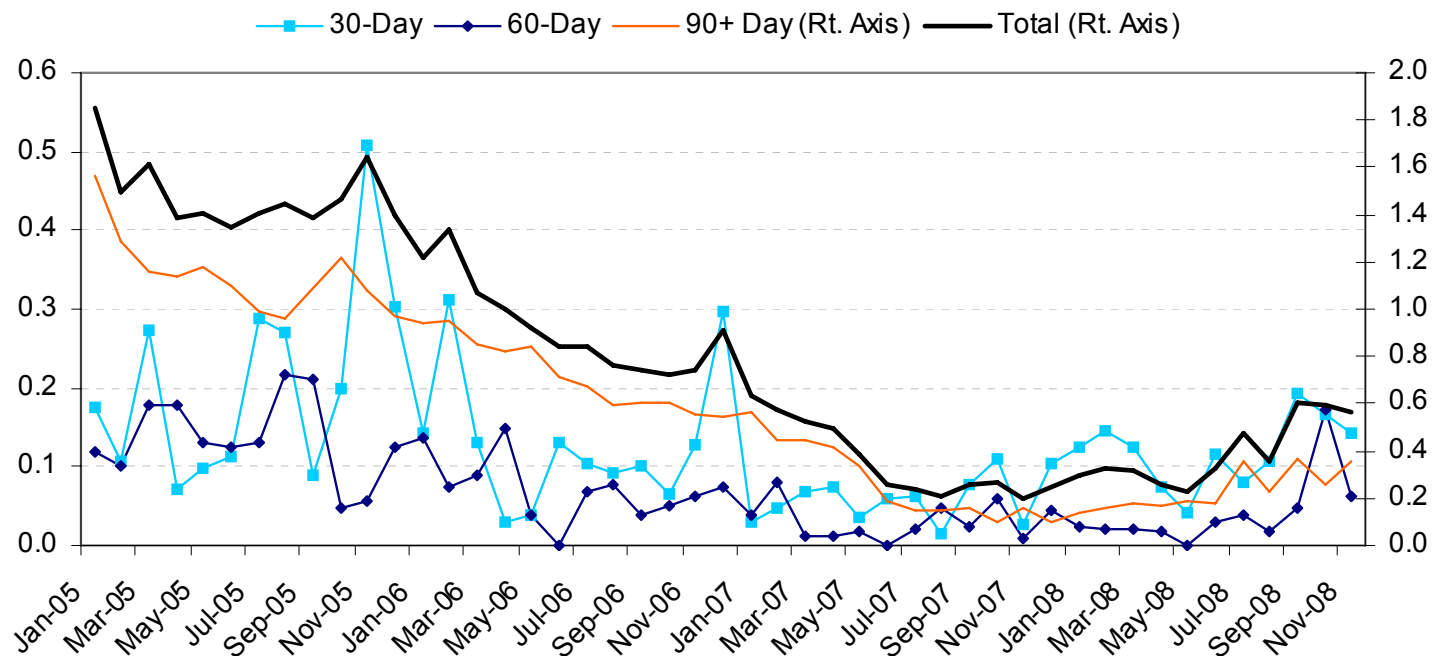
Hotel loan deterioration now beginning to take-off



Source: Intex, Trepp

- 30-day delinquency rate up from 6bp to 55bp in three months
- November spike reflects \$209MM JPMCC Westin Portfolio loan
- Severe delinquency rate still only 34bp

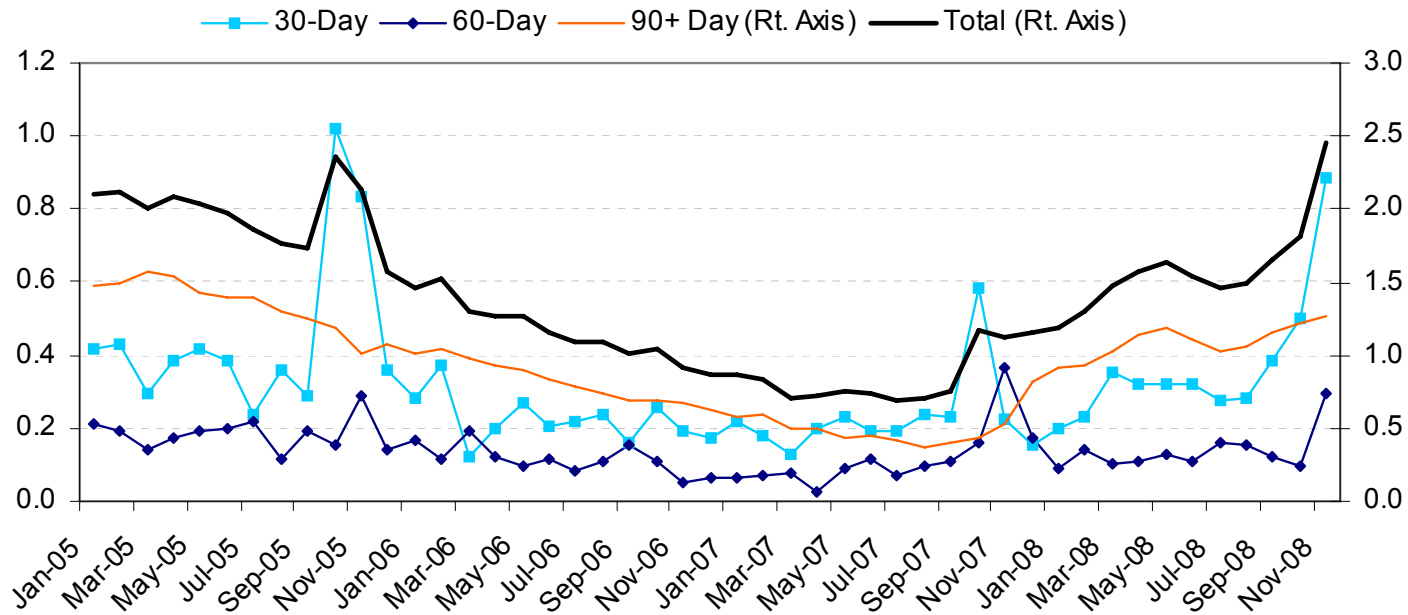
Industrial sector showing only moderate deterioration



Source: Intex, Trepp

- 30- and 60-day delinquency rates fairly stable
- Total delinquency rate, at 56bp, remains low

Multifamily deterioration accelerating sharply



Source: Intex, IREPP

- Huge jumps in 30-day delinquencies, rising from 64 loans in October to 103 in November
- Total delinquency rate rises 63bp in November to reach its highest level ever

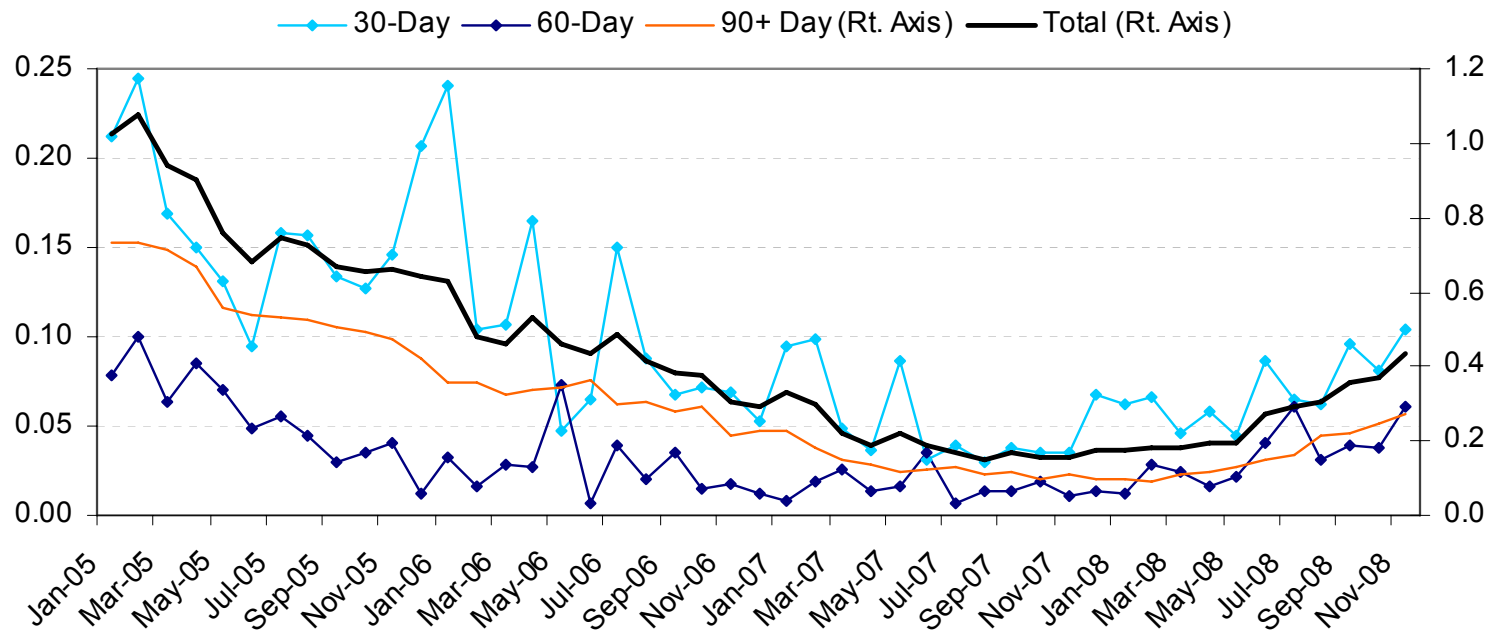
Midwestern “rust-belt” states showing greatest multifamily stress

	State	Total # of Loans	Aggregate Balance (\$bn)	# of Delinquent Loans	Balance Weighted
1	Florida	910	7.27	36	5.41
2	Michigan	411	2.83	21	5.11
3	Tennessee	244	2.00	11	4.06
4	Texas	2087	15.22	66	3.50
5	Illinois	280	2.54	9	2.82
6	Oklahoma	195	1.15	7	2.80
7	Georgia	576	4.55	13	2.57
8	Indiana	256	2.10	9	2.46
9	Mississippi	106	0.62	2	2.26
10	Ohio	587	3.29	13	2.05
	New York	2004	13.1	4	0.04
	California	1642	13.4	1	0.14
	Arizona	128	0.7	1	0.50

Source: Intex, Trepp

- Big increase in number of delinquent multifamily loans in Florida over past three months, from 18 to 36
- Texas and Florida make their expected appearances
- Interestingly, California and Arizona, ground zero for residential mortgage problems, are experiencing extremely low 60+ multifamily delinquencies

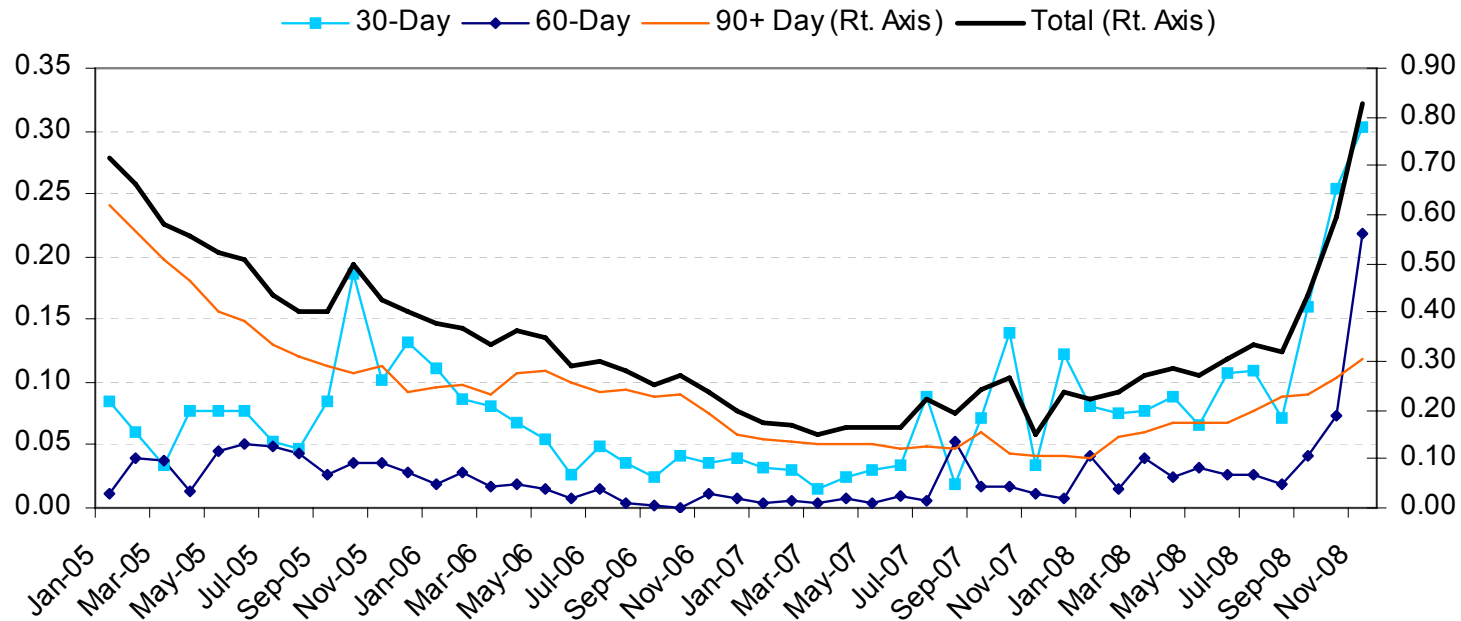
Office showing only moderate deterioration



Source: Intex, Trepp

- Gradual upward trend in 30-day and 60-day delinquency rates
- At 43bp, total office delinquency rates remain low

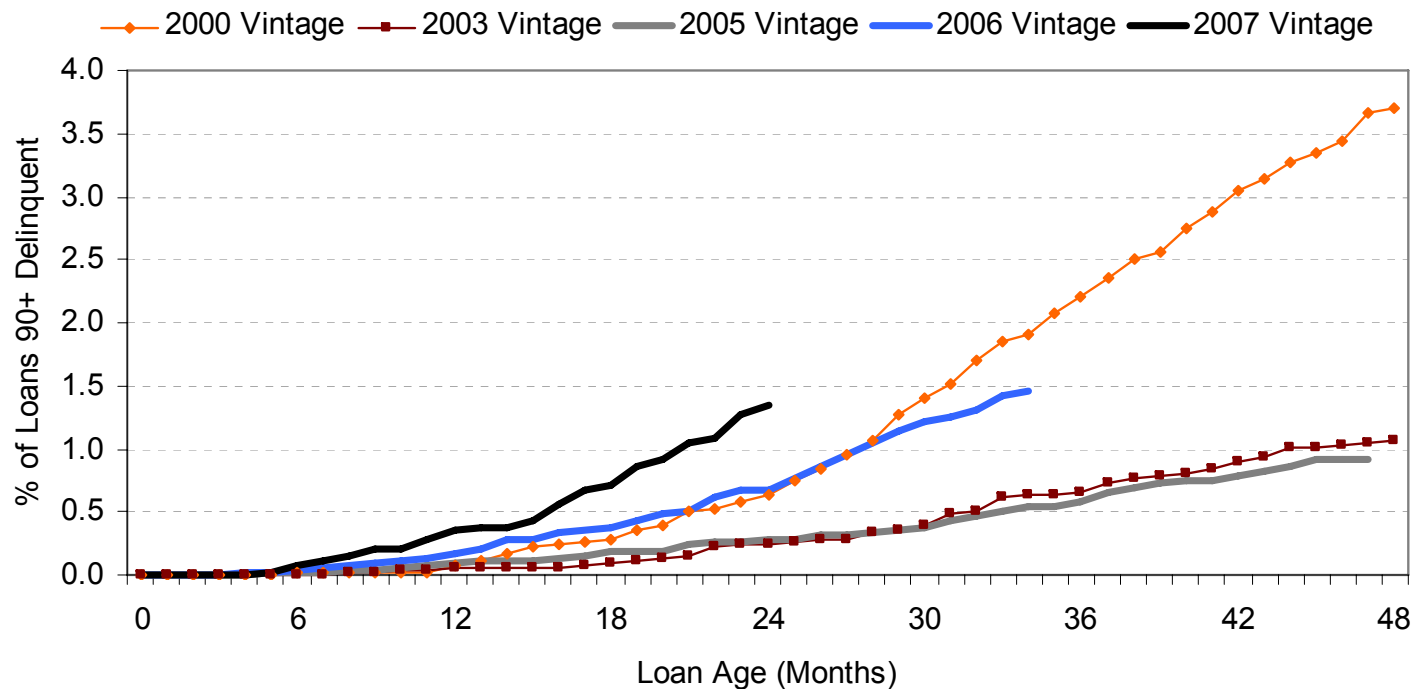
Like hotel and multifamily, retail is also experiencing accelerating deterioration



Source: Intex, Trepp

- Total delinquencies have risen from the 15-20bp range to the 30bp range over the past 12 months
- Total delinquency rate for retail loans peaked at 1.58% in mid 2003

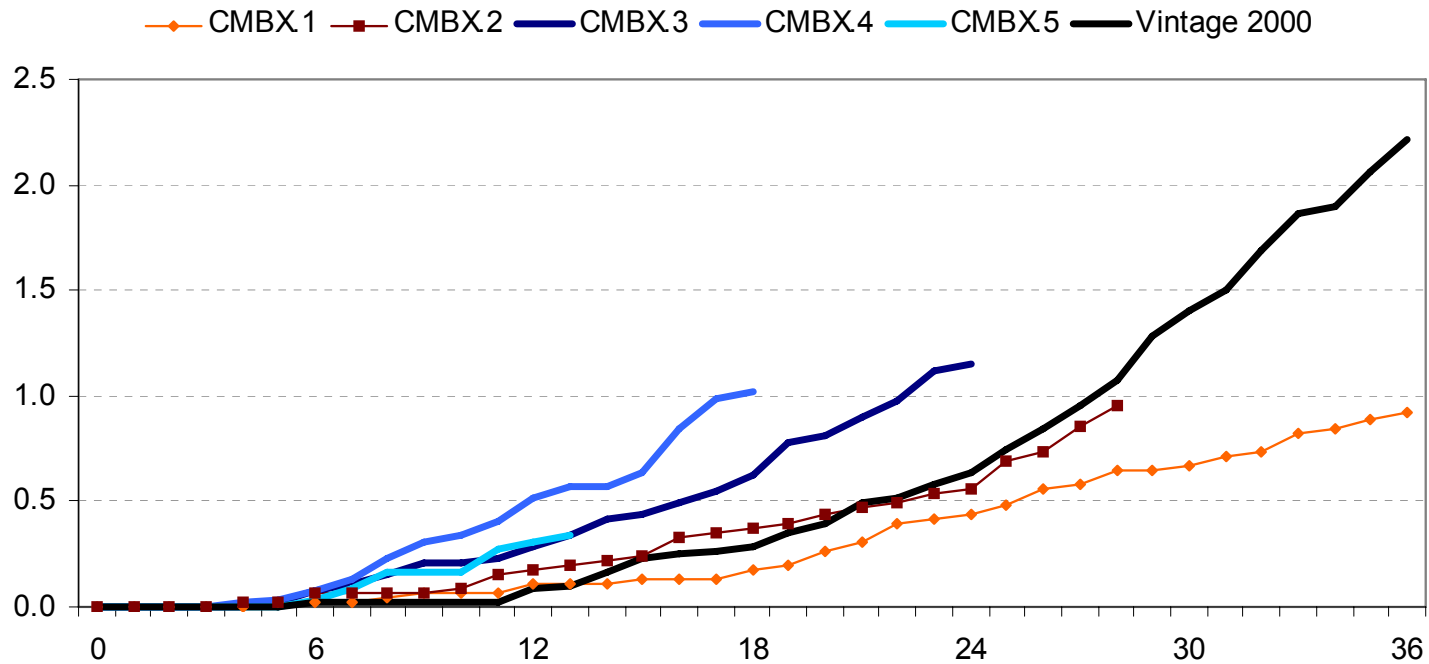
2006 and 2007 vintage loans clearly underperforming past vintages



Source: Intex, Trepp, Markit

- 2006 performing in line with 2000 vintage, the worst performing vintage to date
- 2007 underperforming 2007 and 2000 by vast margin

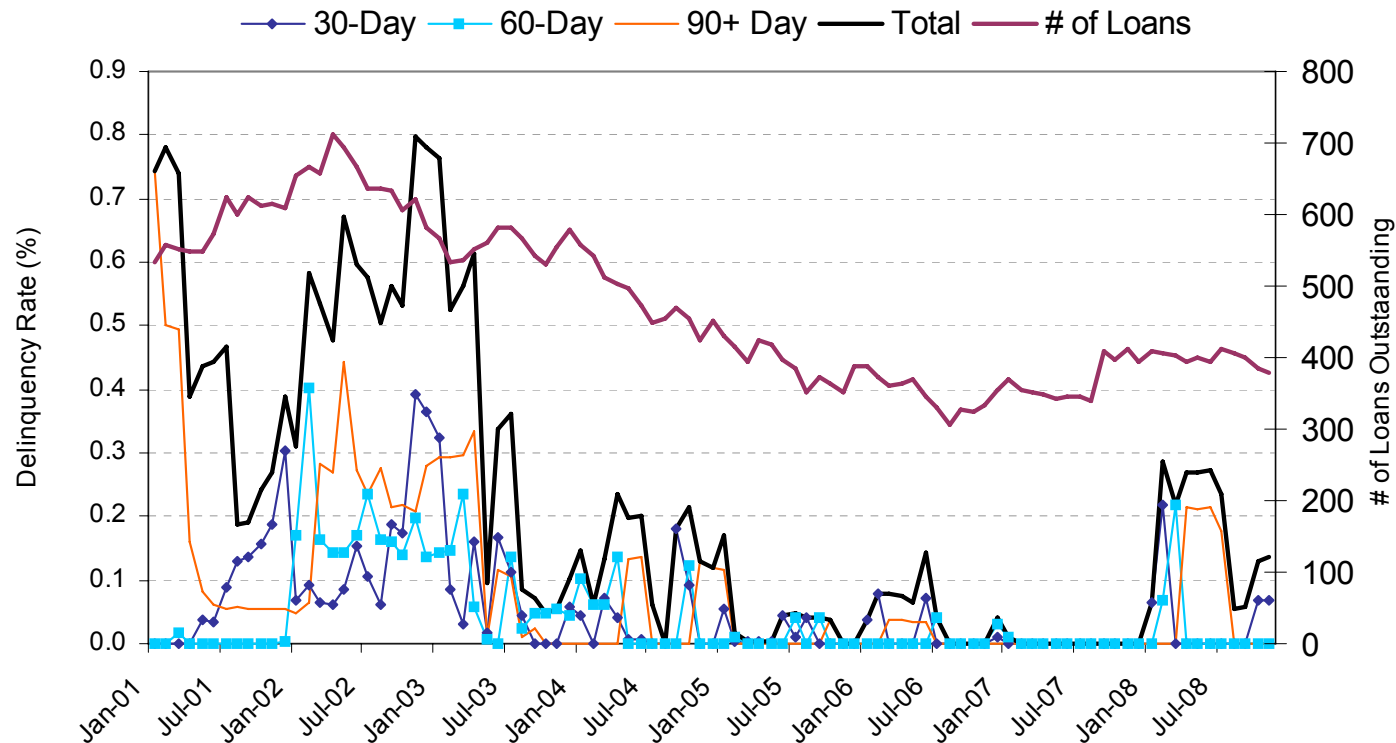
CMBX series performing sequentially worse



Source: Intex, Trepp, Markit

- CMBX.1 and CMBX.2 performing well relative to past vintages on age-adjusted basis
- CMBX.4 underperforming both CMBX.3 and CMBX.5

Term performance of floating rate loans remains exceptionally good

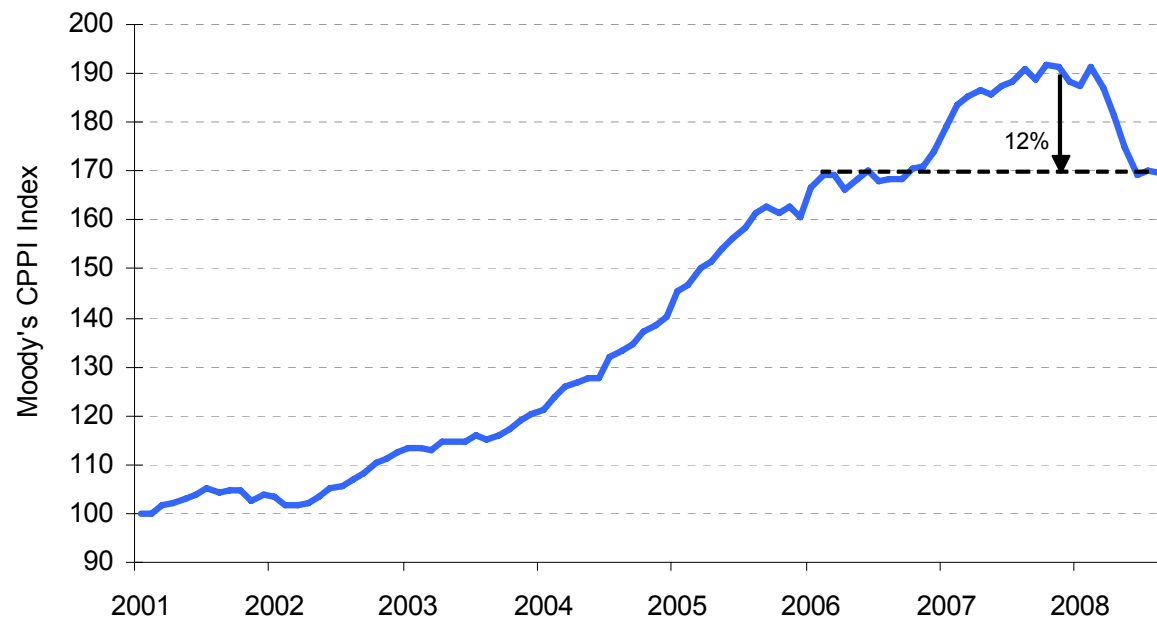


Source: Intex, Trepp

- Declining LIBOR rates in downturns provides significant relief on debt service
- Maturity defaults and extensions remain main near-term concern unless cash flows contract significantly

Assessing Maturity Default/Extension Risk

Declining property prices pose a significant threat to loans that will need to refinance over the next few years



Source: Moody's and REAL

- CRE prices peaked in October 2007 after appreciating of 30% since 2005 and 90% from 2001
- CPPI experienced small increases in two of the last three months, and is now down 9.4% from the peak

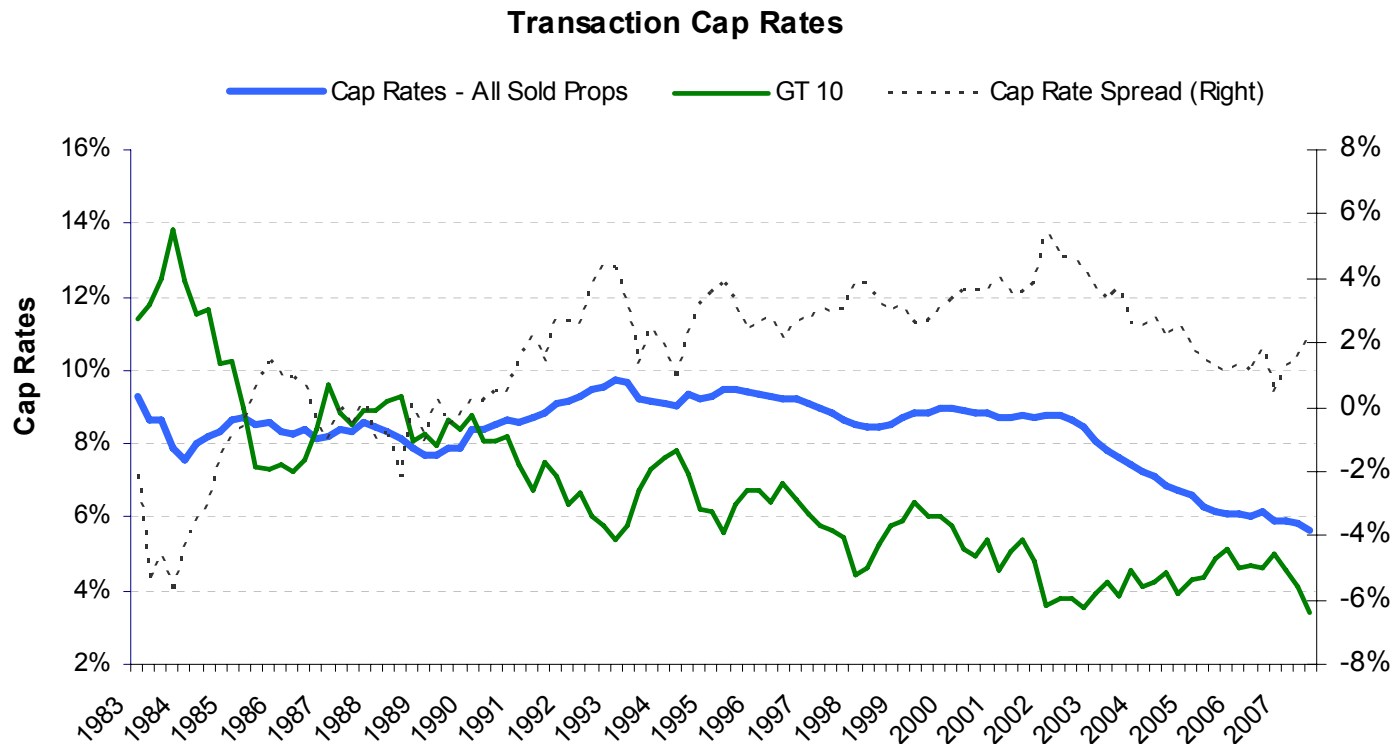
The further property prices decline, the more vintages that will face refinancing issues

<u>% Price Decline From 10/07 Peak</u>	<u>Takes Prices Back To:</u>
12	Jan-06
24	Jan-05
37	Jan-04
41	Jan-03

Source: Moody's and REAL

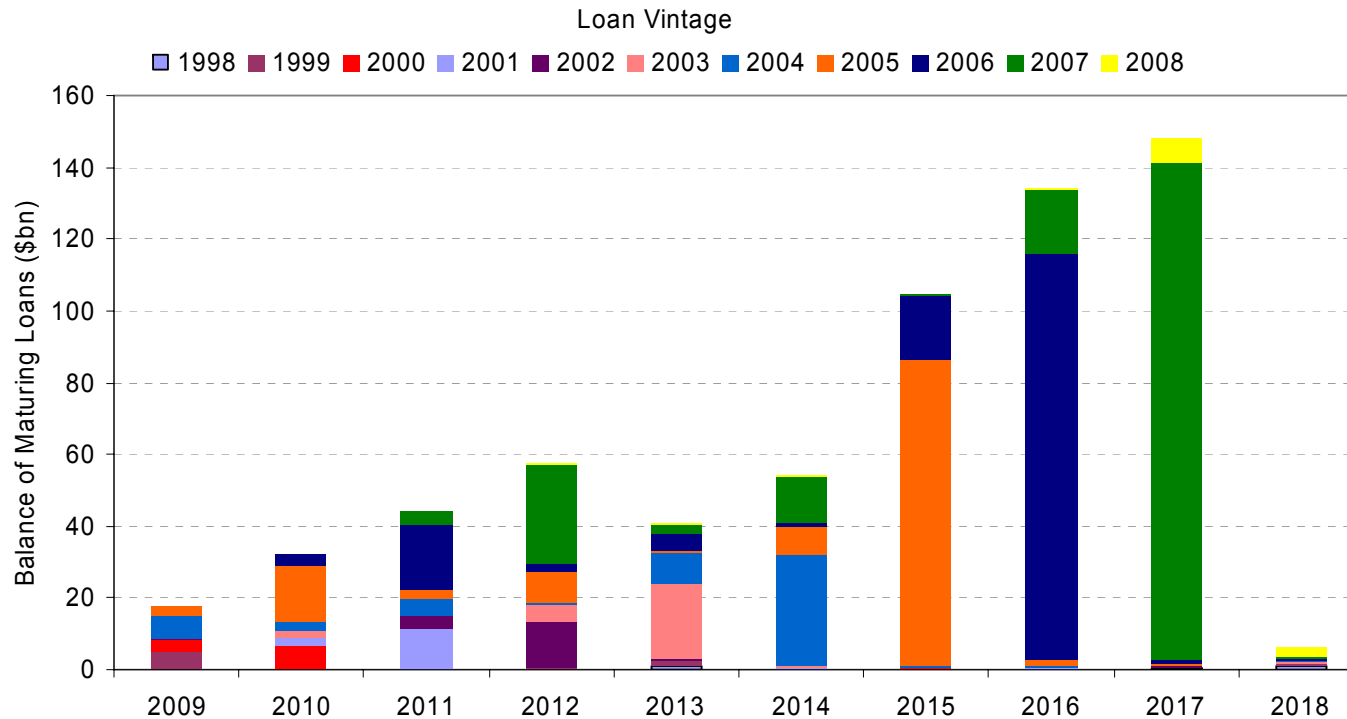
- Price declines that have already taken place may pose significant problems for 2006 and 2007 loans that mature during the 2011-2012 period
- Further price declines would likely create major problems for earlier vintages

How far prices will decline is one of the major questions



- Cap rates increasing to 7% imply a 14% price decline, increasing to 8% a 25% price decline, increasing to 9% a 33% decline and increasing to 10% a 40% decline
- We expect price declines of 30%, and possibly more

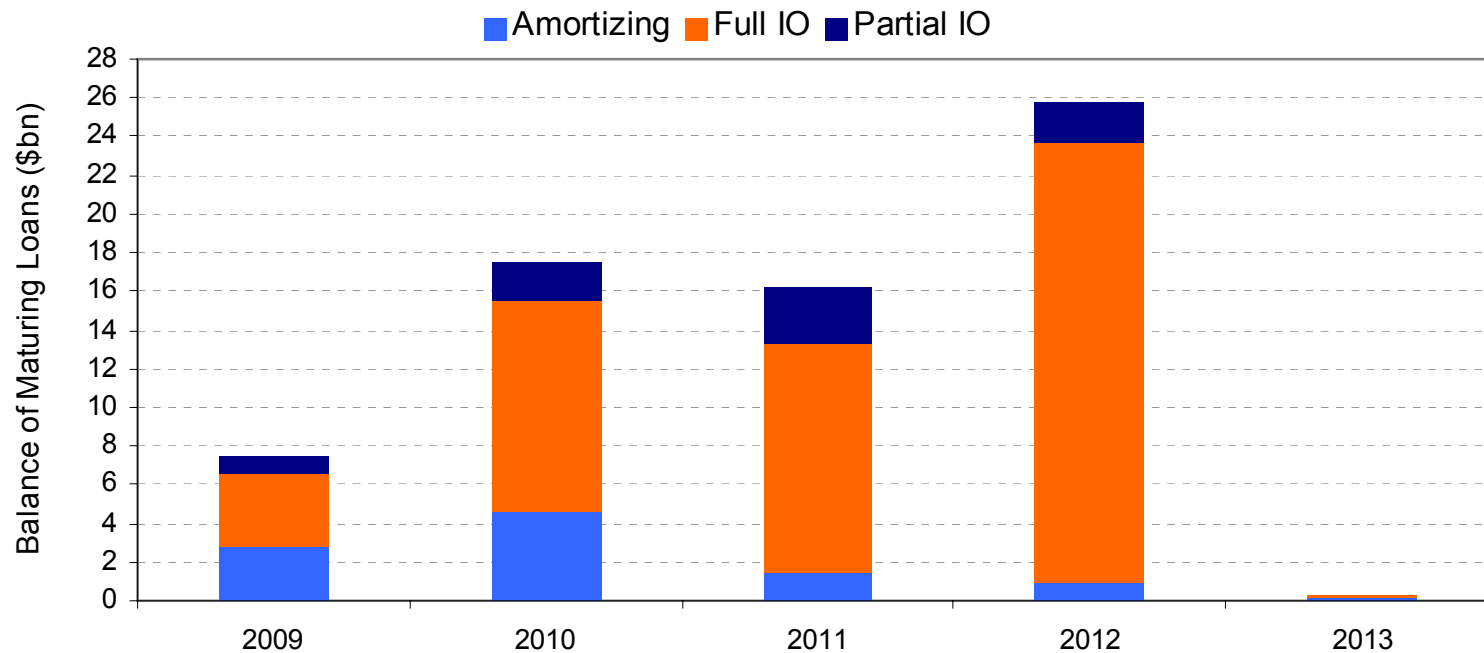
Relatively moderate amount of conduit loans maturing over the next few years



Source: Intex, Trepp

- Less than \$18 billion maturing in 2009, rising to \$32 billion in 2010
- Amounts maturing in 2010-2012 also moderate, but high concentration of risky 5Y IO loans from 2005-2007

Large amount of 5Y IO loans from 2005-2007 maturing in 2010-2012



Source: Intex, Trepp

- \$15-\$25billion of 5Y IO loans in each of 2010, 2011 and 2012
- Many of the riskiest pro forma loans from 2005-2007 were structured as 5Y IO loans

Many 2006 and 2007 deals have very significant exposure to short-term loans

Rank	2006 Vintage Deal		2007 Vintage Deal	
	Deal Name	% Loans <5Yr Maturity	Deal Name	% Loans <5Yr Maturity
1	GSMS 2006-GG6	34.8	MSC 2007-HQ12	49.2
2	MSC 2006-T21	27.8	BACM 2007-2	38.9
3	MLCFC 2006-1	25.8	MSC 2007-IQ14	28.2
4	LBUBS 2006-C7	24.9	WBCMT 2007-C32	27.7
5	BACM 2006-6	24.9	GECMC 2007-C1	26.5
6	GSMS 2006-GG8	24.8	JPMCC 2007-LD11	24.9
7	COMM 2006-C8	23.1	LBCMT 2007-C3	24.5
8	MLMT 2006-C1	22.6	BACM 2007-1	24.0
9	CSMC 2006-C1	21.7	BSCMS 2007-PW16	23.7
10	CD 2006-CD2	21.0	JPMCC 2007-LDPX	23.5
11	CWCI 2006-C1	21.0	CD 2007-CD4	22.7
12	BACM 2006-5	20.8	MSC 2007-HQ13	22.4
13	BSCMS 2006-T22	20.8	GCCFC 2007-GG11	21.1
14	MLCFC 2006-4	20.7	MSC 2007-HQ11	20.9
15	BSCMS 2006-T24	18.6	LBUBS 2007-C6	20.9
16	JPMCC 2006-LDP9	17.6	BACM 2007-3	20.8
17	JPMCC 2006-LDP6	17.4	JPMCC 2007-LD12	20.4
18	BACM 2006-4	17.3	WBCMT 2007-C34	20.3
19	JPMCC 2006-CB16	17.0	GCCFC 2007-GG9	19.7
20	WBCMT 2006-C28	16.8	LBUBS 2007-C1	19.2

Source: Intex, Trepp

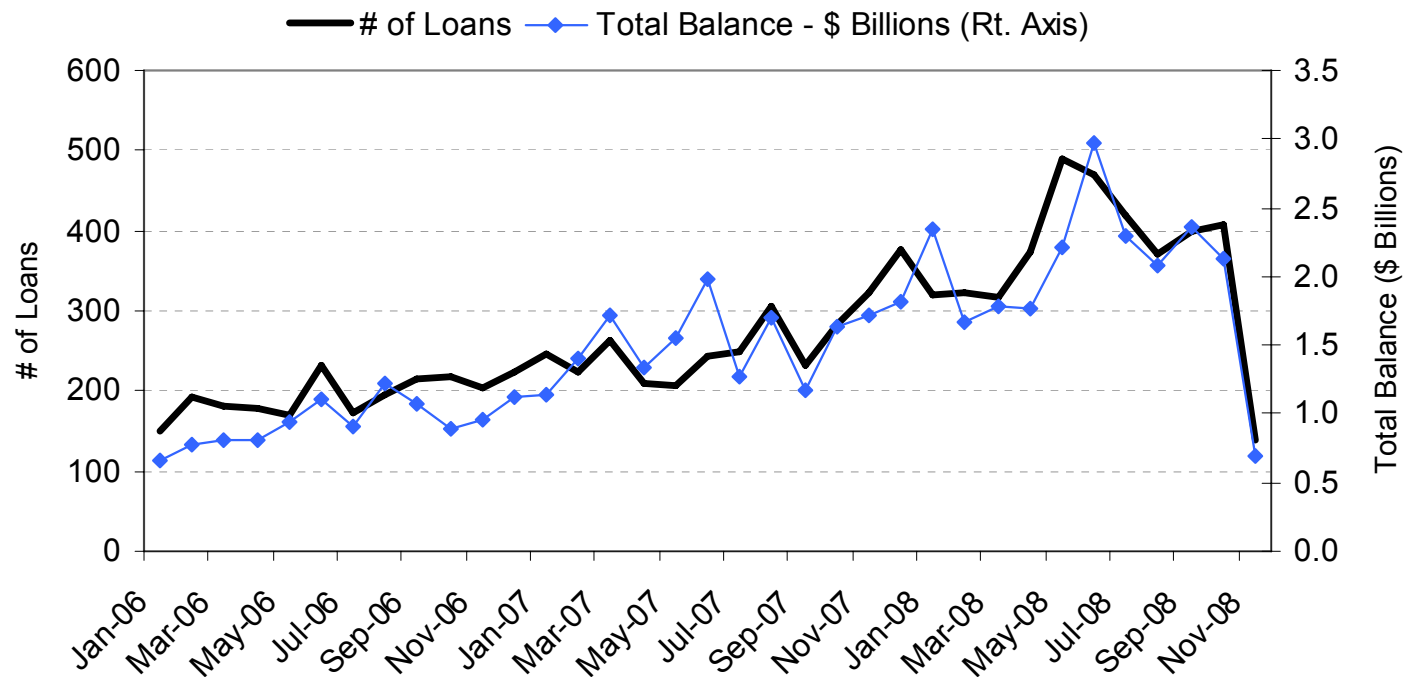
- Many deals have 20-30% exposure to short-term loans, but exposures can run as high as 50%

As of October, little indication that of conduit borrowers having significant problems finding refinancing

Maturity Date	# Outstanding 1 month After Maturity	# Outstanding 3 month After Maturity	# Outstanding 6 month After Maturity	# Outstanding 9 month After Maturity
1/1/2007	3	3	2	1
2/1/2007	8	5	0	0
3/1/2007	5	0	0	0
4/1/2007	2	2	1	1
5/1/2007	5	3	2	1
6/1/2007	5	4	2	2
7/1/2007	10	4	1	0
8/1/2007	12	7	2	1
9/1/2007	9	3	2	1
10/1/2007	18	10	4	3
11/1/2007	6	4	0	0
12/1/2007	20	11	5	2
1/1/2008	35	12	3	3
2/1/2008	26	6	5	7
3/1/2008	12	9	3	
4/1/2008	15	10	7	
5/1/2008	13	5	5	
6/1/2008	19	7		
7/1/2008	26	14		
8/1/2008	24	16		
9/1/2008	56			
10/1/2008	57			

Source: Intex, Trepp

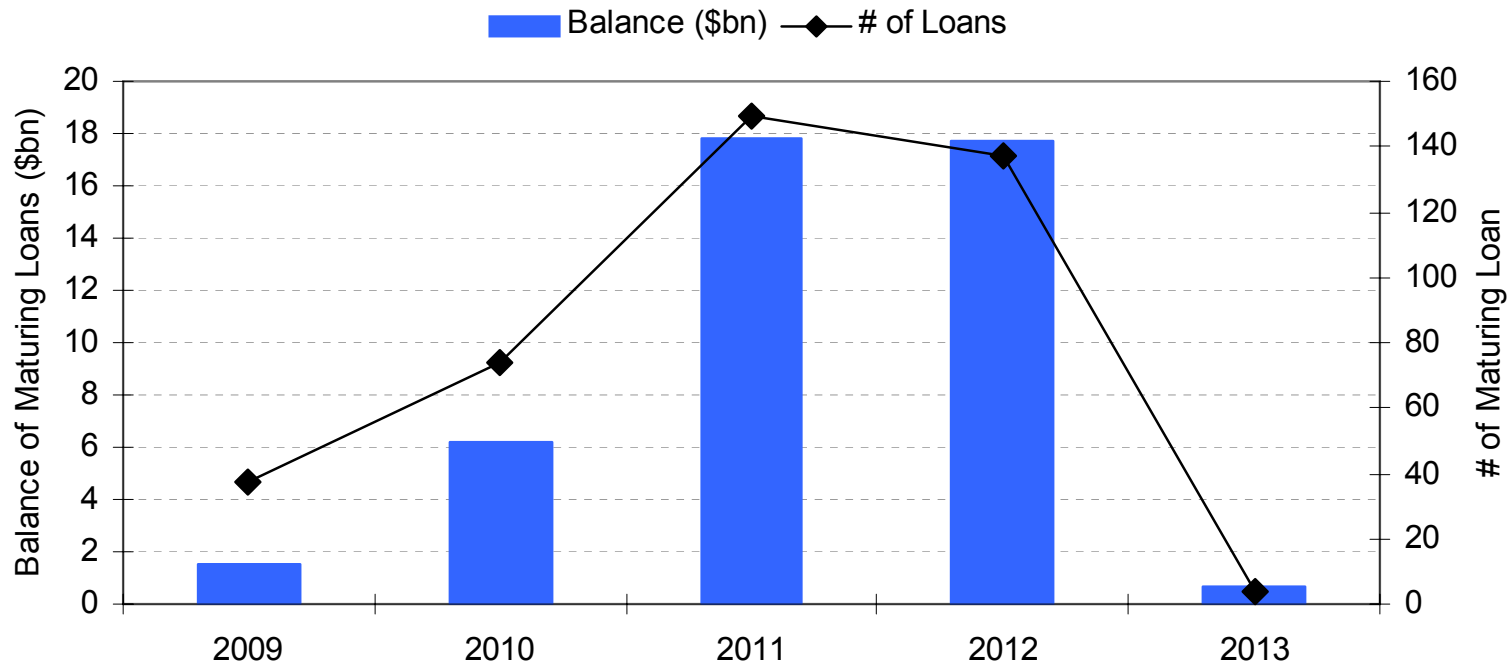
The number of conduit loans paying off each month dropped precipitously from October to November



Source: Intex, Trepp

- May signal that regional banks, one of the last sources for financing, have stepped back amid the recent market turmoil
- If this persists, it could augur big increase in maturity defaults and extensions for conduit deals

Modest amount of large floating rate loans maturing in 2009 and 2010



Source: Intex, Trepp

- Approximately \$1.5 billion of loans maturing in 2009, and \$6.2 billion in 2010
- Major risk coming in 2011-2012, with \$35 billion in loan maturities

Refinancing problems already showing up in a major way in large floating rate loans

Deal	Loan Name	Maturity Date	City	Trust Balance	Property Type	Status	Default Risk
COM07F14	Macklowe EOP Portfolio	2/8/2008	New York	1,130,000,000	OF	Paid Off	
GCC06FL4	The Tides	2/8/2008	Miami Beach	13,047,002	Condo	Paid Off	
GMAC00F1	The Key Bank Building	2/8/2008	Anchorage	2,916,581	OF	Paid Off	
LBFR03C2	One IBM Plaza	3/8/2008	Chicago	130,211,771	OF	Paid Off	
CSF05CN1	Hotel 71	4/7/2008	Chicago	61,281,847	Condo Conversion	<i>Maturity Default</i>	
BALL03B2	Westland Shopping Center	4/8/2008	Westland	50,000,000	RT	Paid Off	
LBFR05C4	321-329 Riverside Avenue	4/8/2008	Westport	8,400,000	OF	<i>Extension *</i>	
LBFR06C5	5670 Wilshire Blvd	5/8/2008	Los Angeles	50,538,690	OF	Paid Off	
MSC06XLF	Waikoloa Land	7/8/2008	Honolulu	7,030,000	Land	Paid Off	
JPC04FL1	Oasis Apartments	8/8/2008	Las Vegas	2,286,250	MF	<i>Extension *</i>	
CTG04FL1	Jamestown Mall	6/8/2009	Florissant	3,567,648	RT	<i>Extension *</i>	
WBC07W08	717 Fifth Avenue	9/8/2008	New York	130,000,000	MX	Paid Off	
LBFR06C2	The Crossings at Otay Ranch	10/8/2008	San Diego	17,247,626	Condo Conversion	<i>Maturity Default</i>	
BSC04BB3	Riverside Center	11/8/2008	Utica	28,238,000	RT	<i>Extension *</i>	
LBFR06C2	Mandalay on the Hudson	12/8/2008	Jersey City	8,096,211	MF	Paid Off	
LBFR06C2	Avalon at Seven Hills	12/8/2008	Las Vegas	13,888,724	Condo Conversion	<i>Term Default, Disc Pay Off</i>	
WBC06W07	Leestown Square	12/8/2008	Louisville	19,500,000	OF	Current	High
CTG04FL1	Hensley Distribution Center	1/1/2009	Tempe	3,132,849	IN	Paid Off	
LBFR06C2	Village Oaks	1/1/2009	Tampa	17,232,764	Condo Conversion	<i>Term Default, Paid Off</i>	

* Borrower granted a maturity extension by the special servicer

- Of the 19 loans in the above list, ten have paid off and four have defaulted (two term defaults and two maturity defaults) and four have had their maturity dates extended
- The remaining loan appears to have heightened maturity default risk

Appendix 1

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