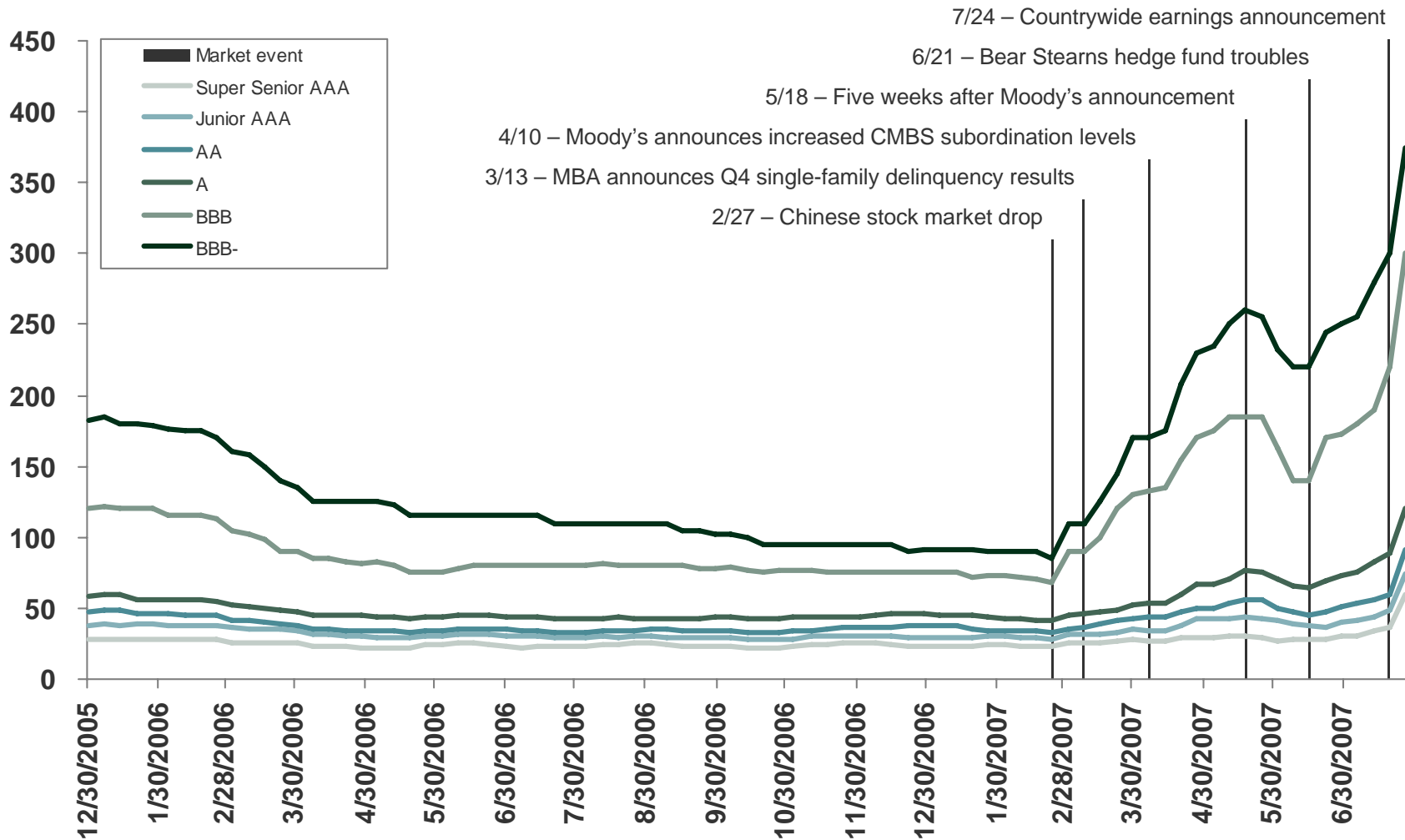


The background of the slide is a dark green color with a repeating pattern of the Mortgage Bankers Association logo. The logo consists of a stylized 'M' icon to the left of the text 'MORTGAGE BANKERS ASSOCIATION'.

Commercial/Multifamily Information Exchange

August 9, 2007

CMBS Spreads



Source: MBA and Commercial Real Estate Direct

Jamie Woodwell, Mortgage Bankers Association

Selected Findings from *Outlook for the Real Estate Finance Industry* by the Council to Shape Change (August 2006)



- The U.S. and global housing markets have been unsustainably strong over the past few years with record sales volumes and successive double-digit home price increases at the national level. (page 32)
- There is a real possibility that the industry will experience a protracted downturn or a significant financial market shock over the coming years. Firms need to plan for the possibility of such a disruption. (page 40)
- Due to the ever tighter linkages within the capital markets, the real estate finance system could be more susceptible to shocks to the finance system. The converse is also true. (page 49)
- Many of the financial innovations of recent years have dispersed risk through the capital markets and made the system safer compared to the concentration of risk on bank balance sheets that was typical in earlier time periods. However, at the same time, these innovations have introduced new risks of their own that may not be well understood and have not been tested in a period of financial stress. (page 49)
- In the event of a shock a portfolio lender can hold onto assets until prices recover. An originator without sufficient balance sheet capacity could be forced to sell into a down market. (page 50)
- A potential downside of the growth in the CDO market is that small fluctuations in investor demand in the CDO market have the potential to have large impacts on the entire market, and the CDO market is vulnerable to a disruption. (page 53)

AAA CMBS Spreads



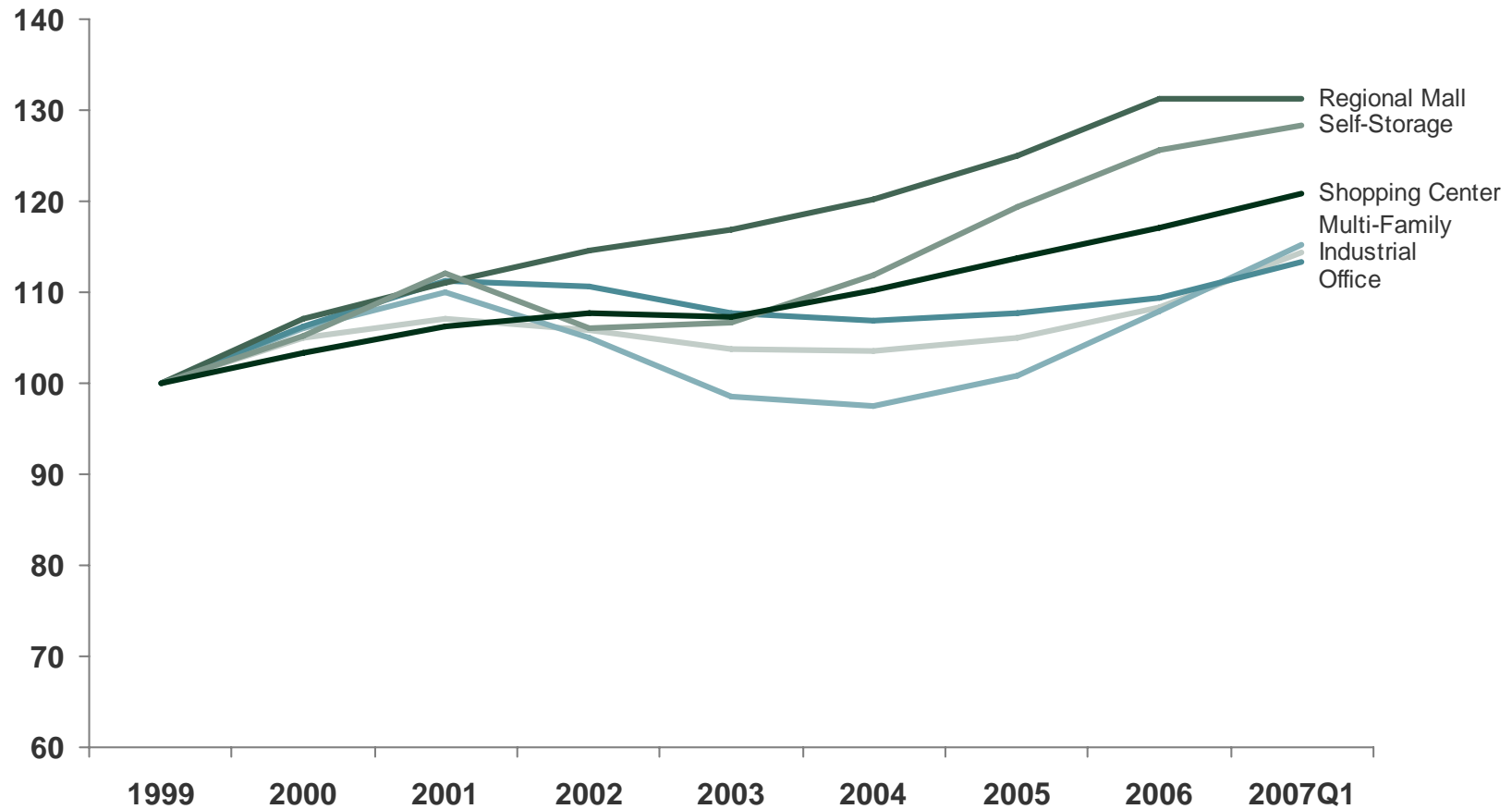
Source: Morgan Stanley

Jamie Woodwell, Mortgage Bankers Association

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



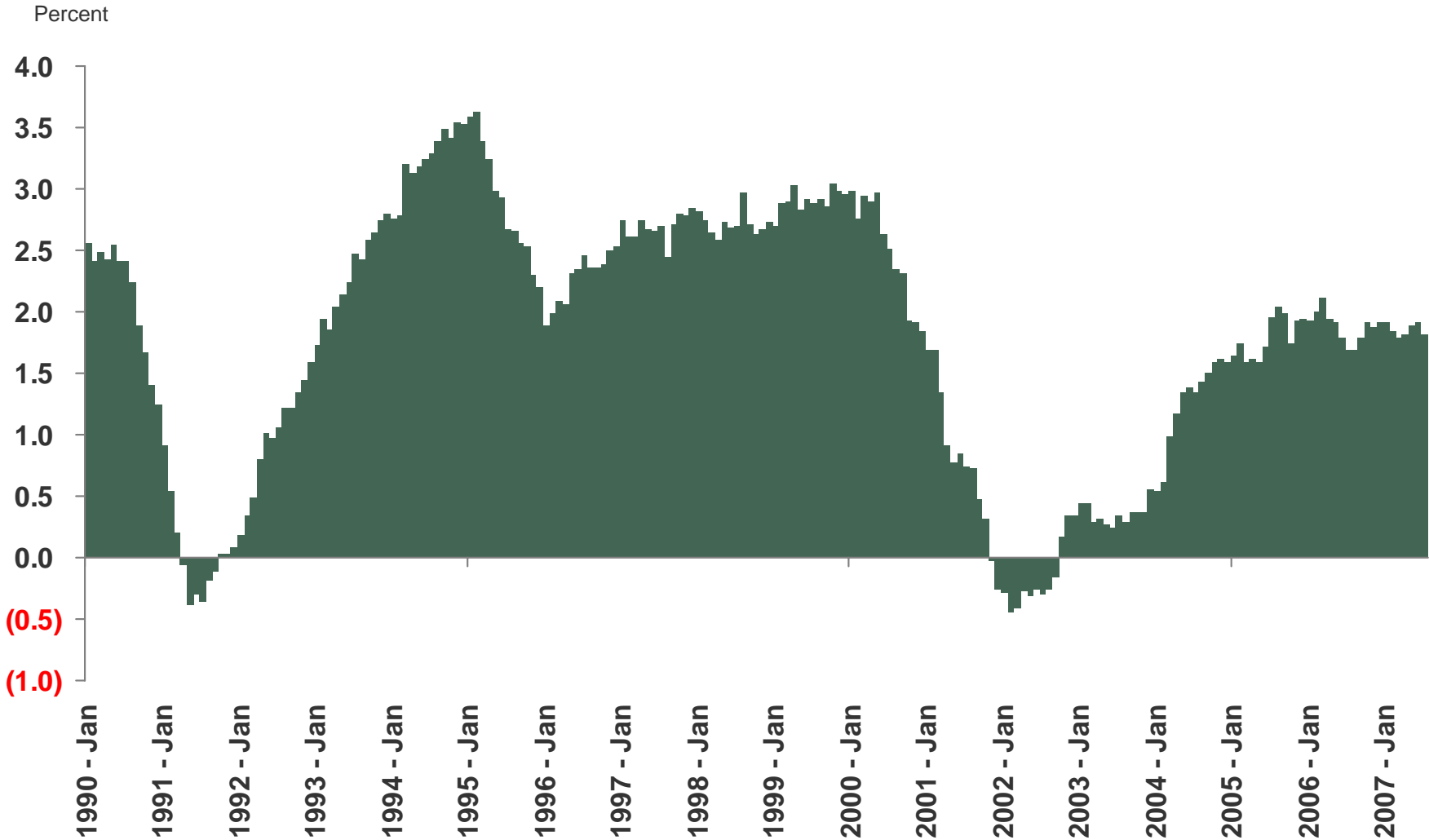
1999 NOI = 100



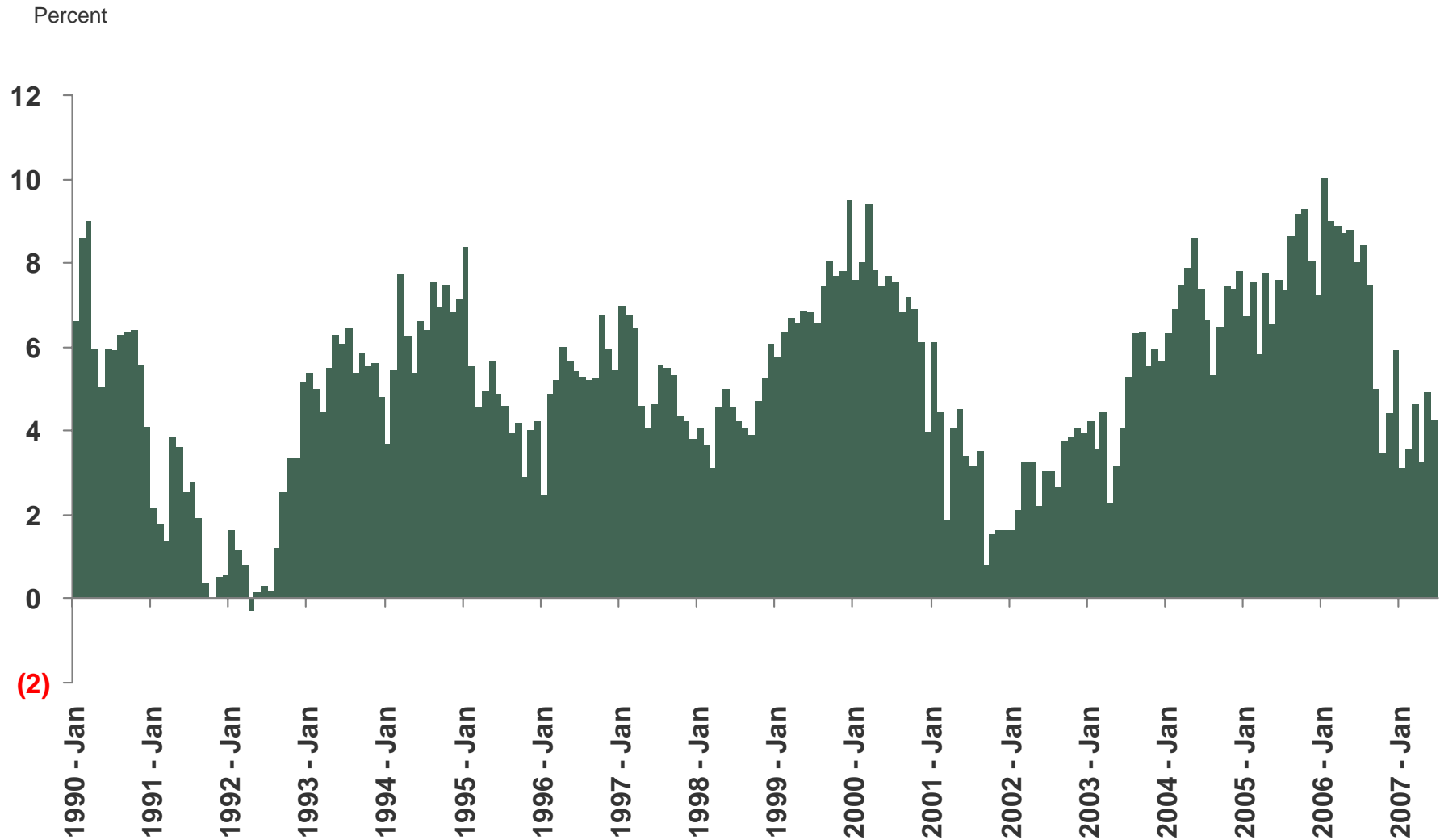
Source: MBA and SNL Financial, Charlottesville, VA 434.977.1600,
http://www.snl.com/real_estate/

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Percent Change in Services Employment, Year-over-year



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

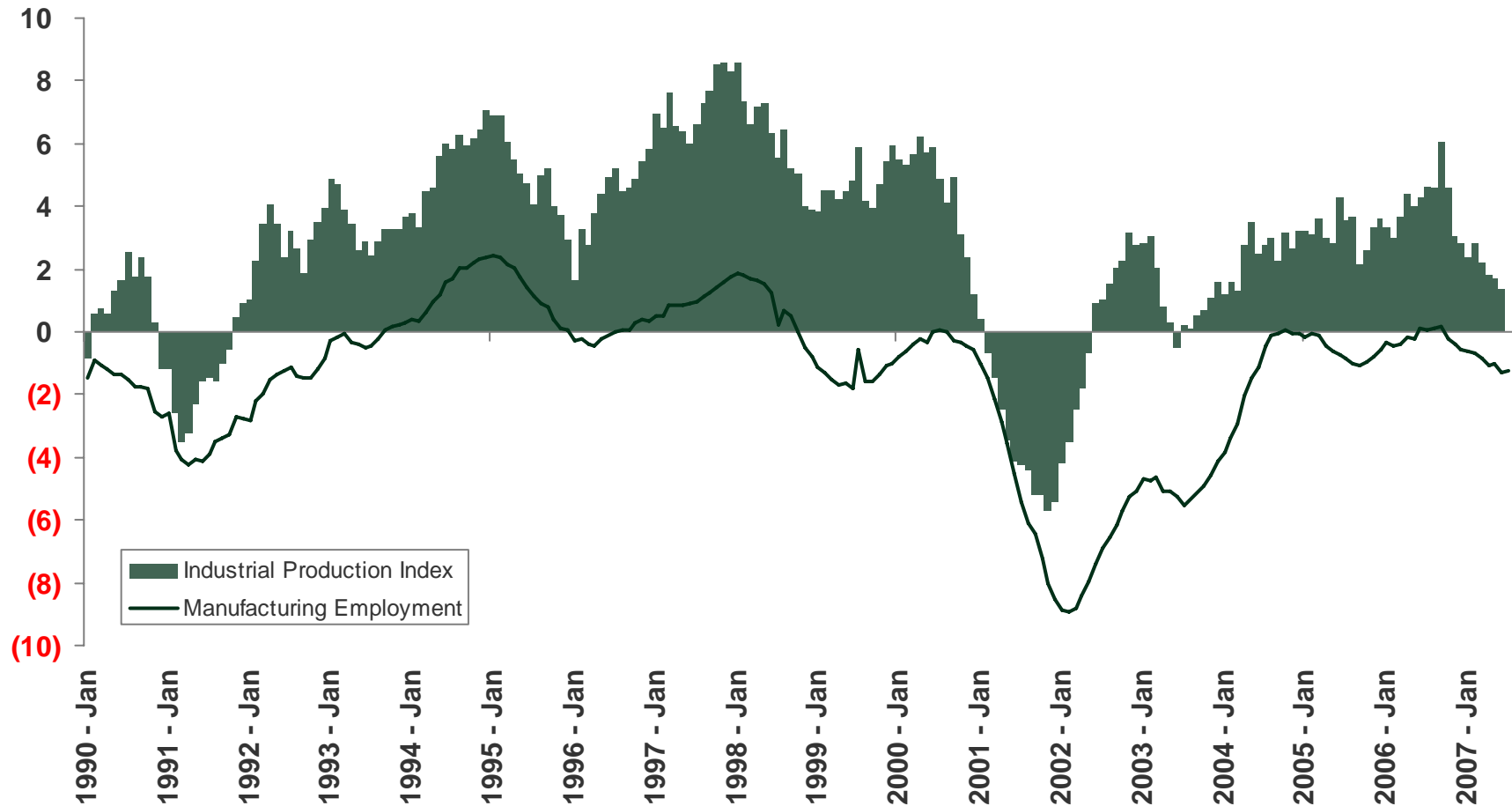


(2)

Source: Census Bureau and MBA

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



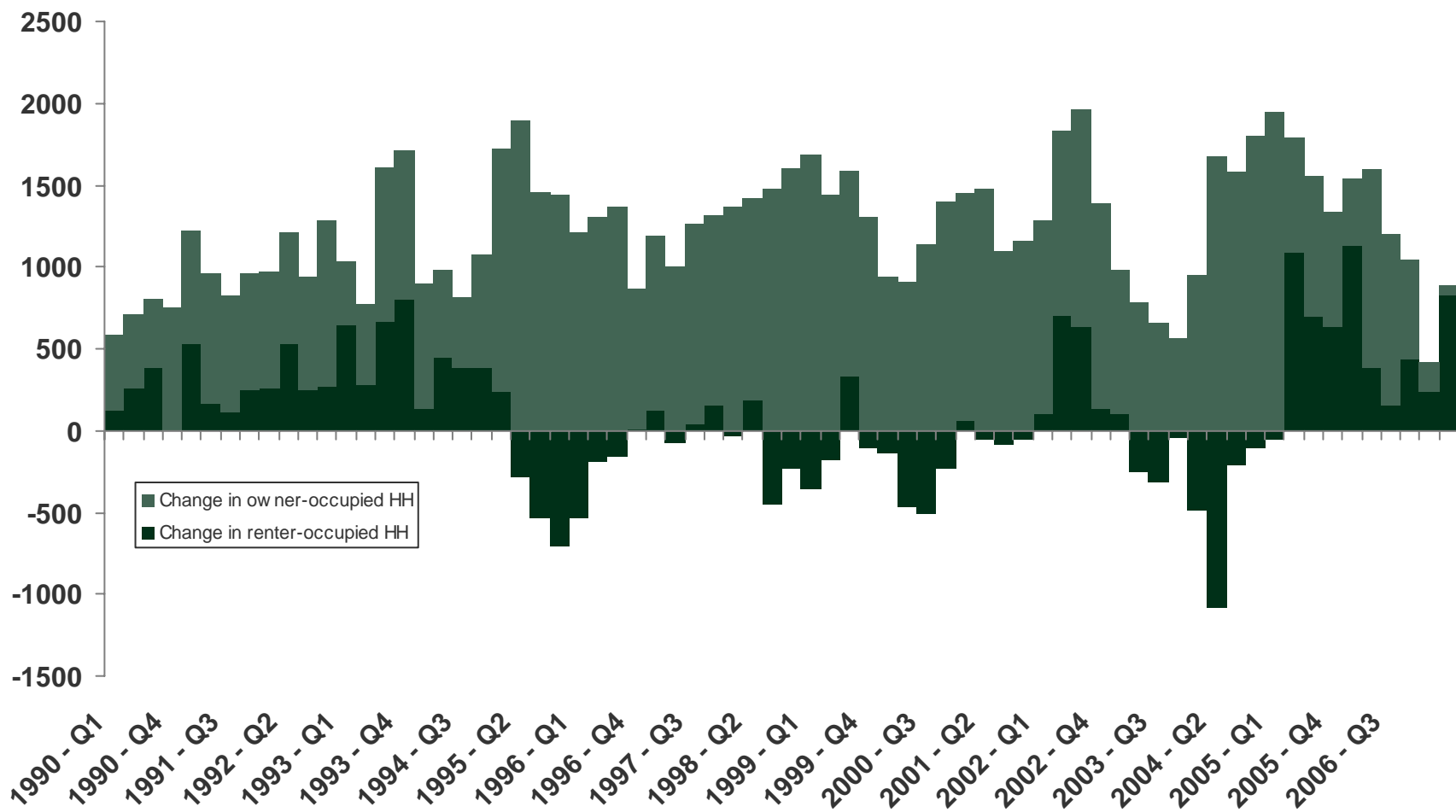
Source: Federal Reserve Board and BLS

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



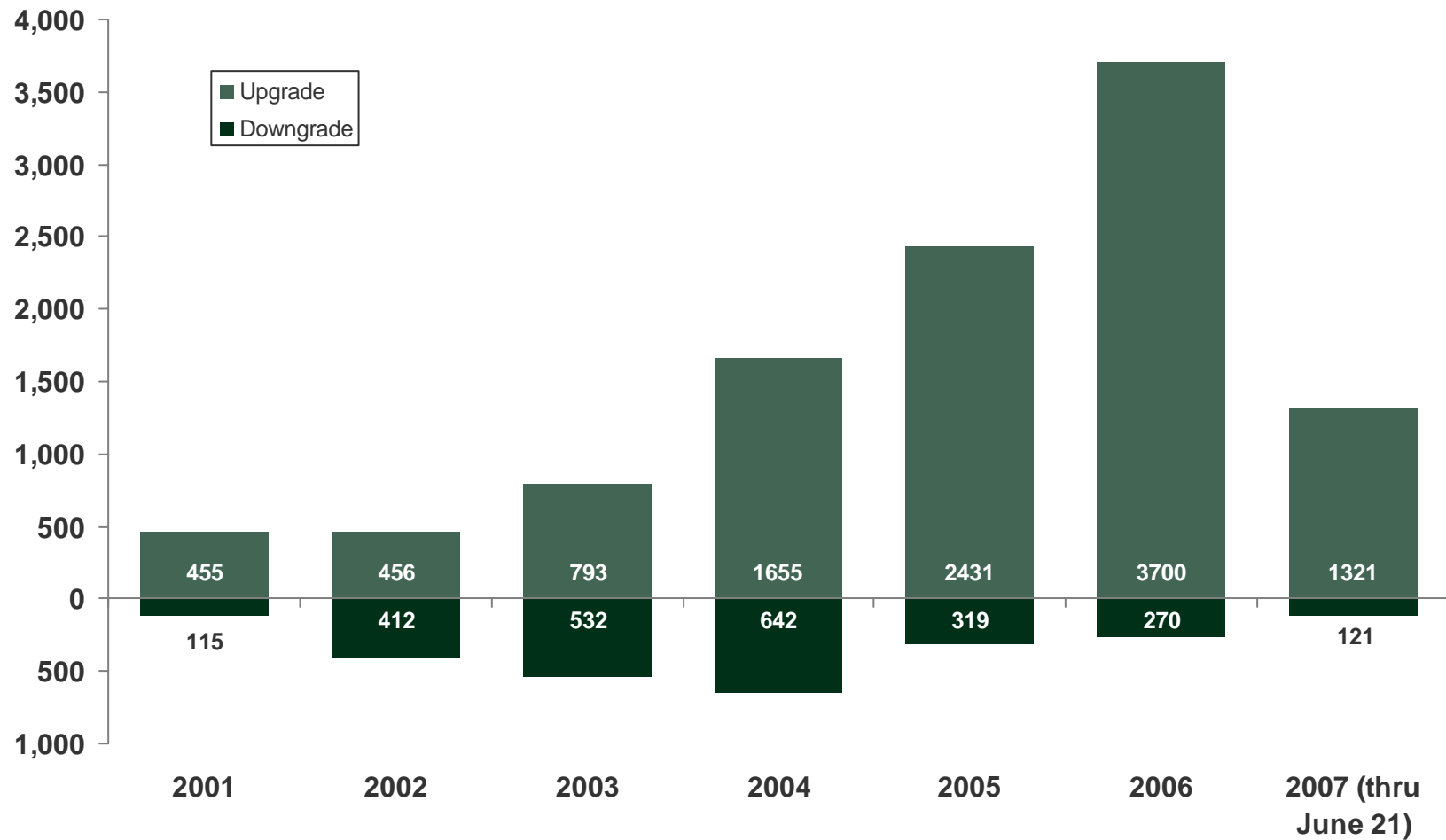
Thousands of households



Source: Census Bureau and MBA

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Summary of CMBS Upgrades/Downgrades by Year of Action

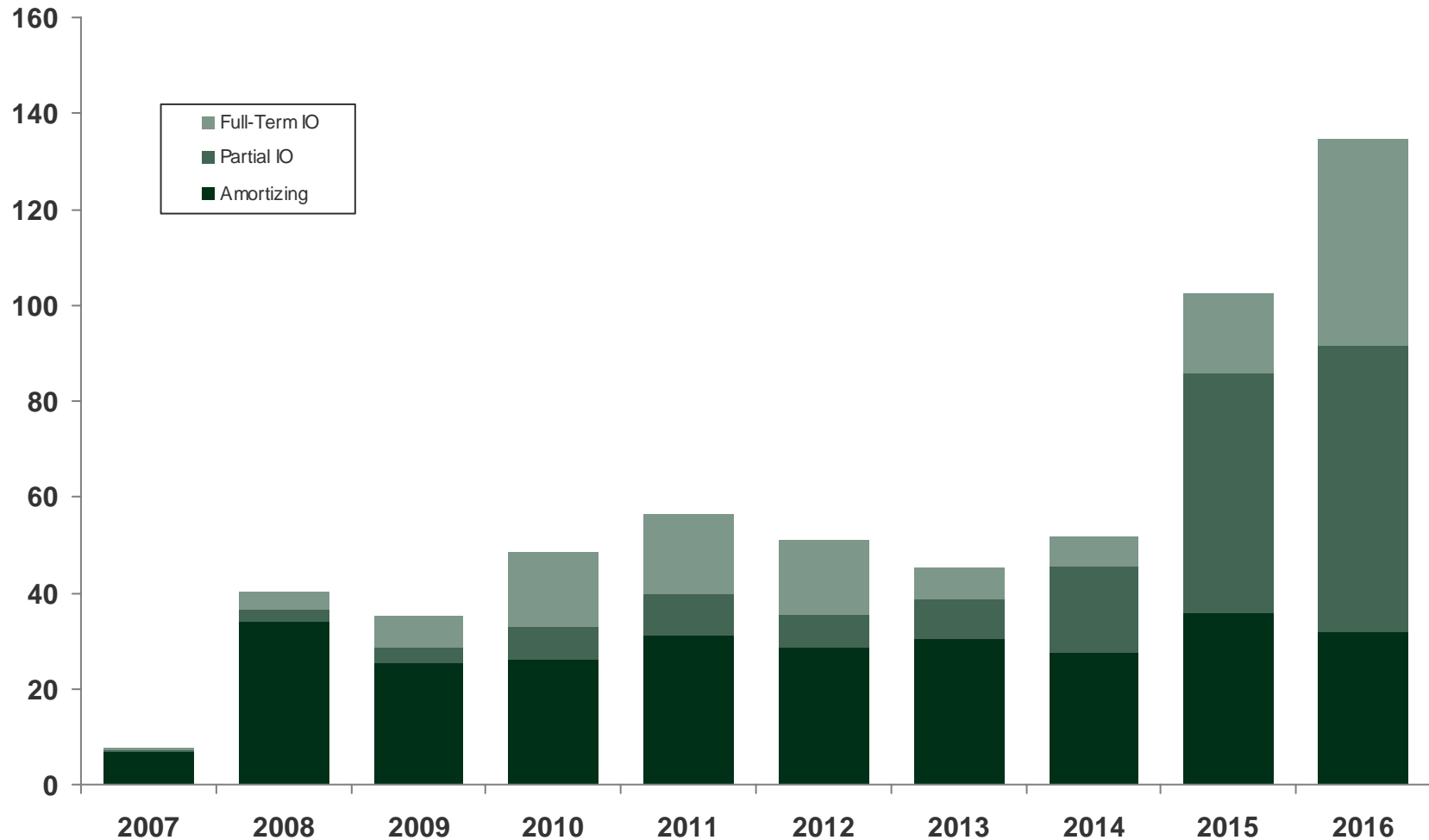


Source: Banc of America Securities

Volume of Maturing CMBS Loans



\$Billions



Source: JPMorgan

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MBA Economic Forecast

July 12, 2007



	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Percent Change, Annual Rate</u>												
Real Gross Domestic Product	5.6	2.6	2.0	2.5	0.7	2.9	2.3	2.7	2.8	2.9	2.9	2.8
Personal Consumption Expenditures	4.8	2.6	2.8	4.2	4.2	1.6	2.6	2.3	2.6	2.7	2.6	2.5
Business Fixed Investment	13.7	4.4	10.0	-3.1	2.6	5.3	5.1	5.9	3.8	4.6	4.0	3.8
Residential Investment	-0.3	-11.1	-18.7	-19.8	-15.8	-12.9	-11.4	-4.3	0.9	4.0	4.4	5.0
Govt. Consumption & Investment	4.9	0.8	1.7	3.4	1.0	2.3	1.5	1.0	0.9	0.9	1.0	1.1
Net Exports (Bil. Chain 2000\$)	-637	-624	-629	-583	-606	-592	-595	-586	-578	-570	-564	-561
Inventory Investment (Bil. Chain 2000\$)	41	54	55	22	-4	20	29	35	36	33	35	38
GDP Deflator	3.3	3.3	1.9	1.7	4.2	2.6	1.8	2.3	2.4	1.9	1.9	1.9
Consumer Prices	1.9	5.0	3.1	-2.1	3.8	6.0	2.7	2.4	2.2	2.2	2.1	2.2
<u>Percent</u>												
Unemployment Rate	4.7	4.7	4.7	4.5	4.5	4.5	4.6	4.7	4.8	4.9	4.9	4.9
Federal Funds Rate	4.5	4.9	5.3	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
10-Year Treasury Bond Rate	4.6	5.1	4.9	4.6	4.7	4.8	5.1	5.2	5.1	5.1	5.1	5.2