

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 Real Estate Finance Update

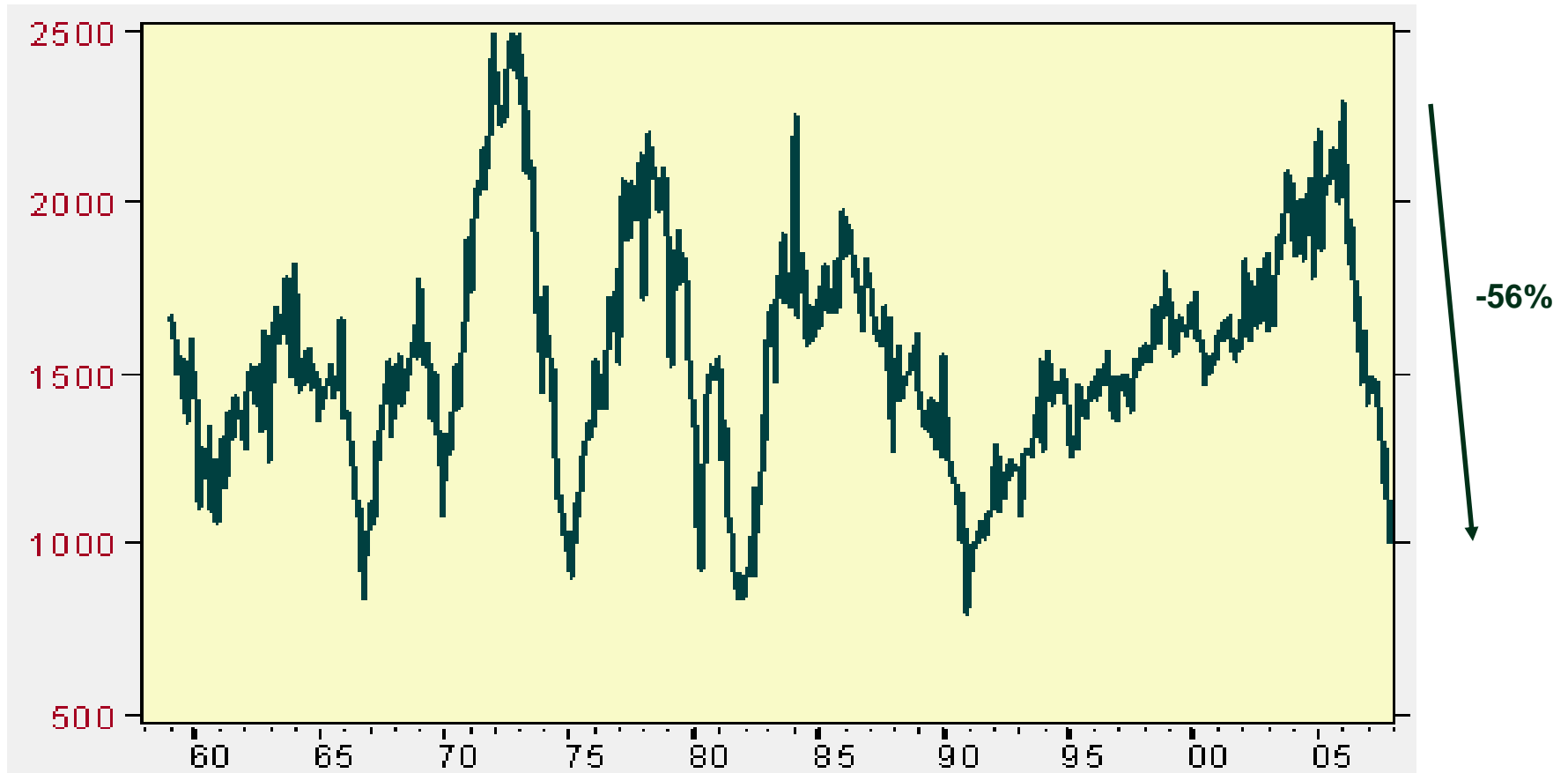
February 2008

Single-family Market

Decline in Total Housing Starts in Current Housing Recession: Already Worse than Average*

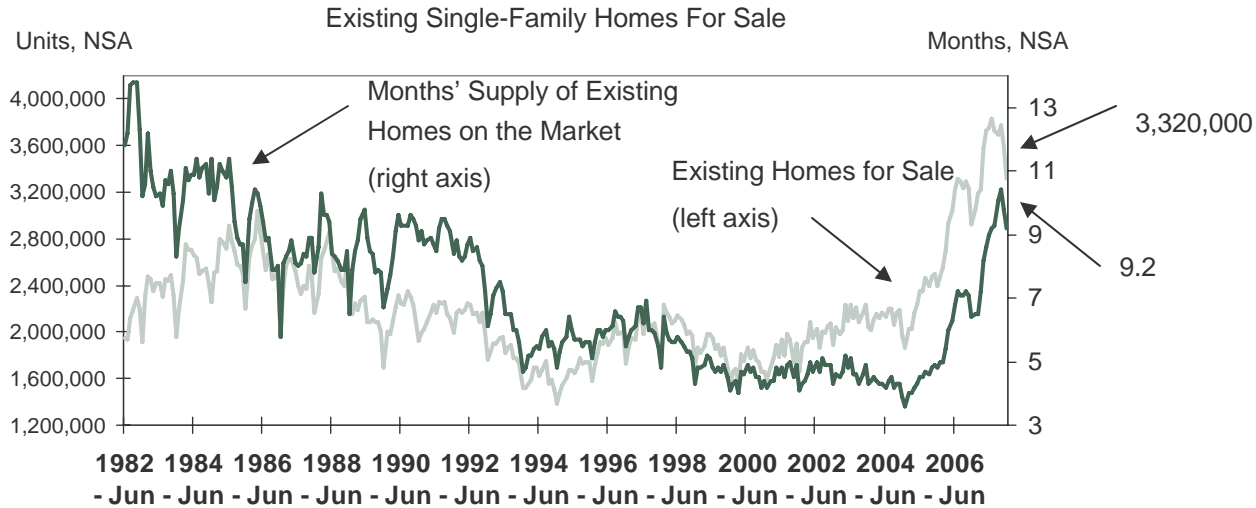


Thousands of units

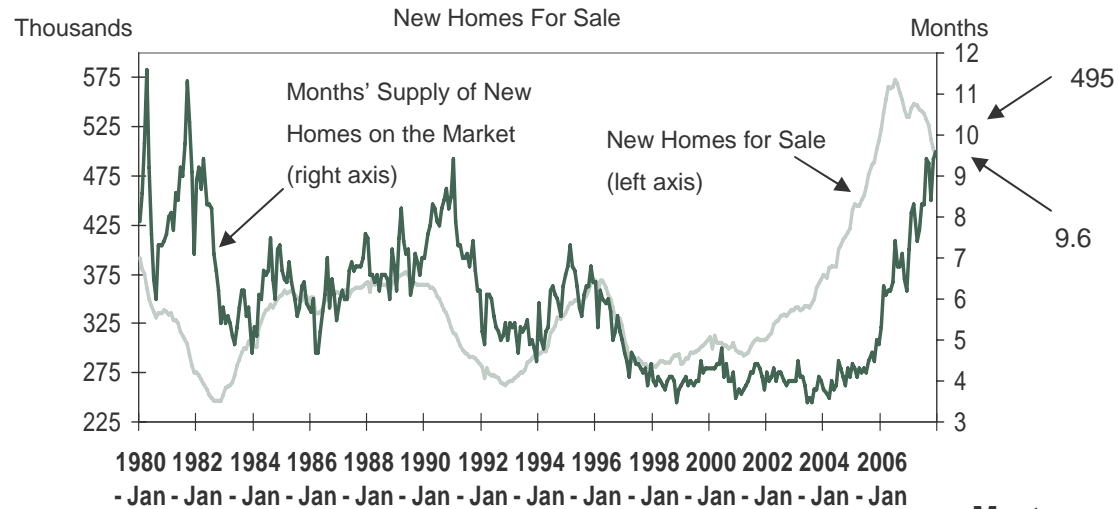


*Since 1959 (when data began), there have been 10 housing contractions with peak to trough declines exceeding 10 percent. The average decline was about 41 percent from peak to trough.

Homes Available For Sale Remain at Elevated Levels



Source: National Association of Realtors

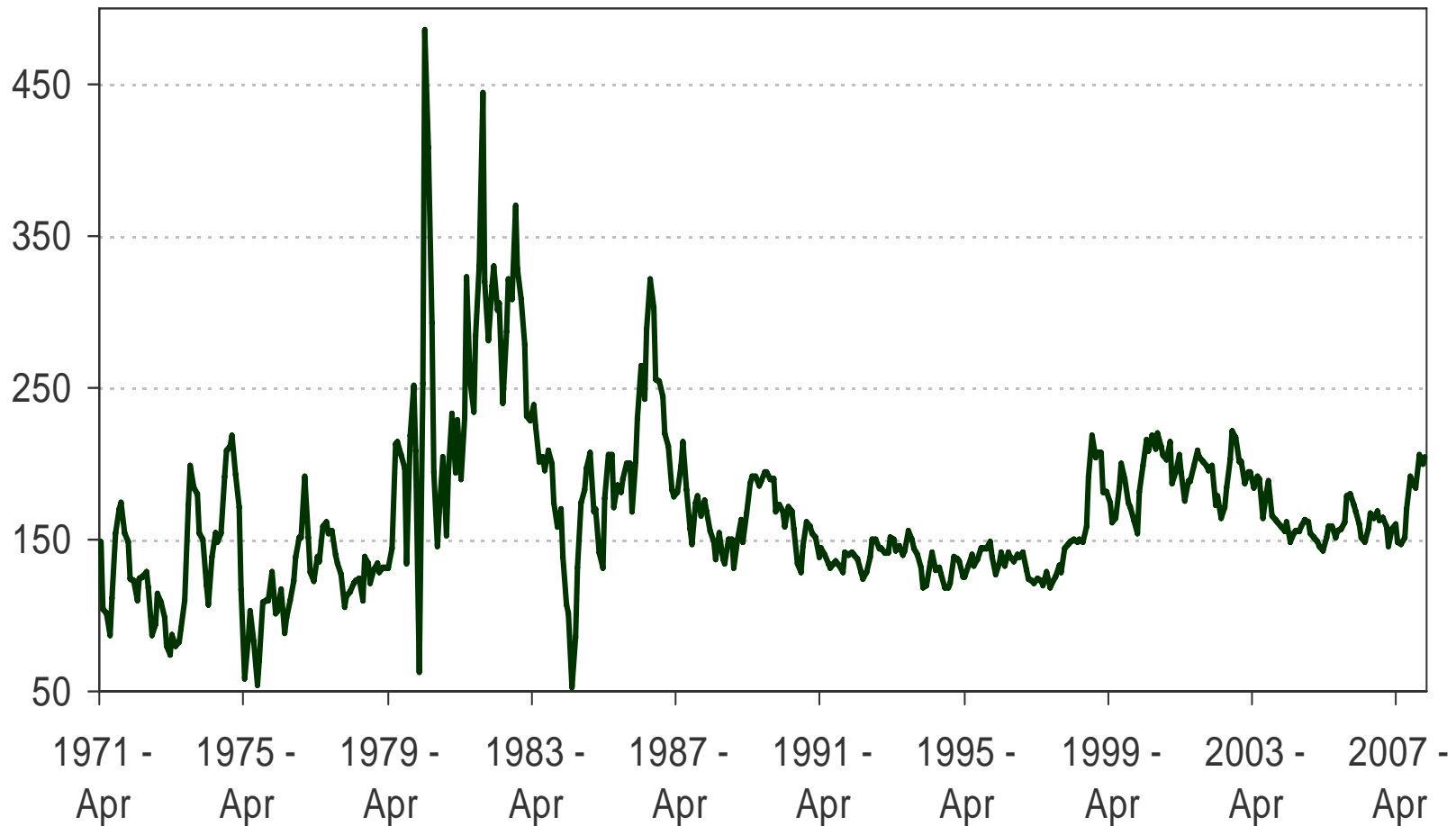


Source: Census Bureau

Yield Spread Widens: 30-Year Fixed Mortgages* and 10-Year Treasuries**



Basis Points



* Monthly average of contract interest rates on commitments for first mortgages from Freddie Mac Primary Mortgage Market Survey. ** Monthly average of Treasury constant maturities

Source: Federal Reserve Board

Mortgage Bankers Association

Yield Spread Widens: 30-Year Fixed Mortgages* and 10-Year Treasuries**



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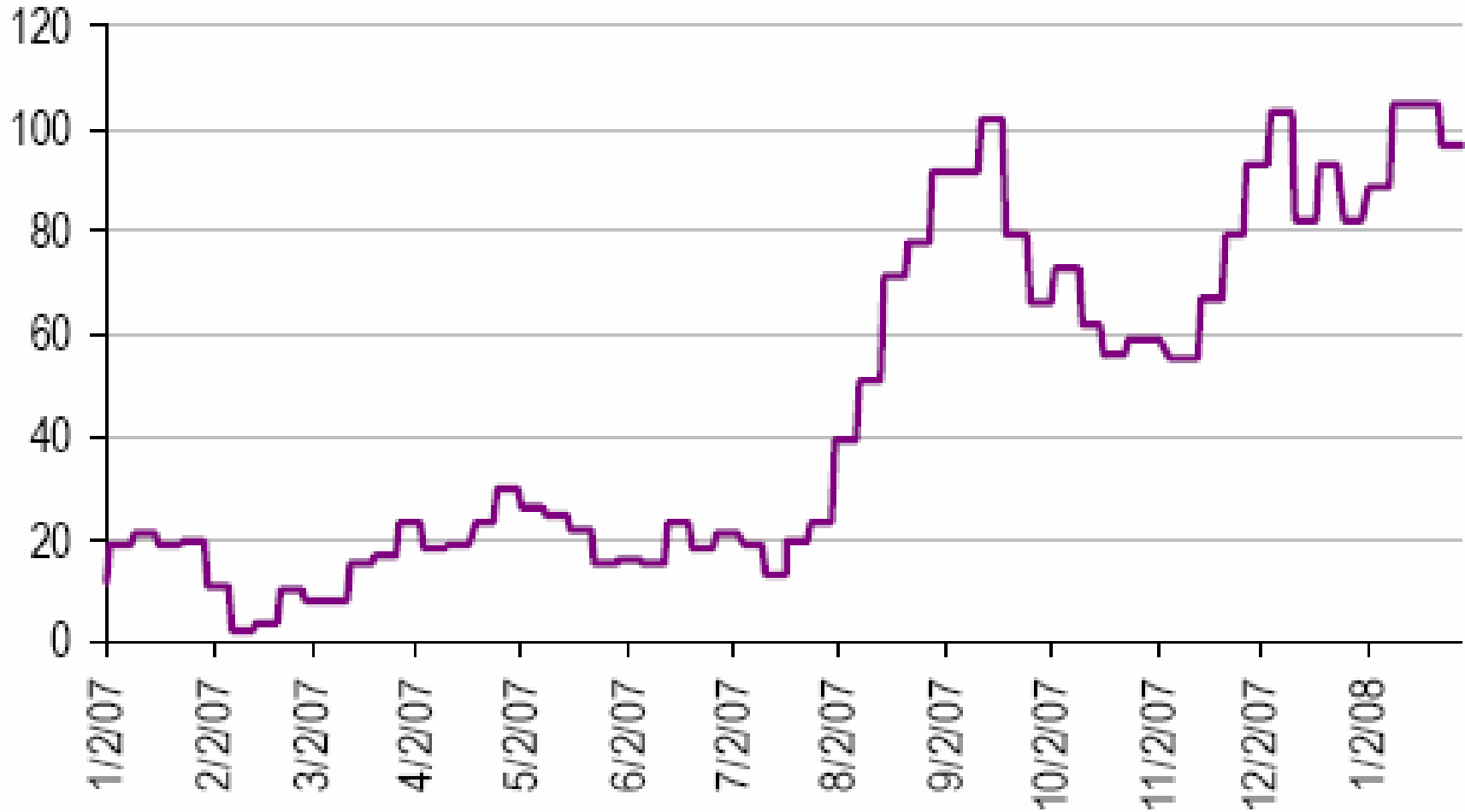
Source: Federal Reserve Board

Mortgage Bankers Association

Jumbo and Conforming Mortgage Rate Spread Remains Wide



Basis points

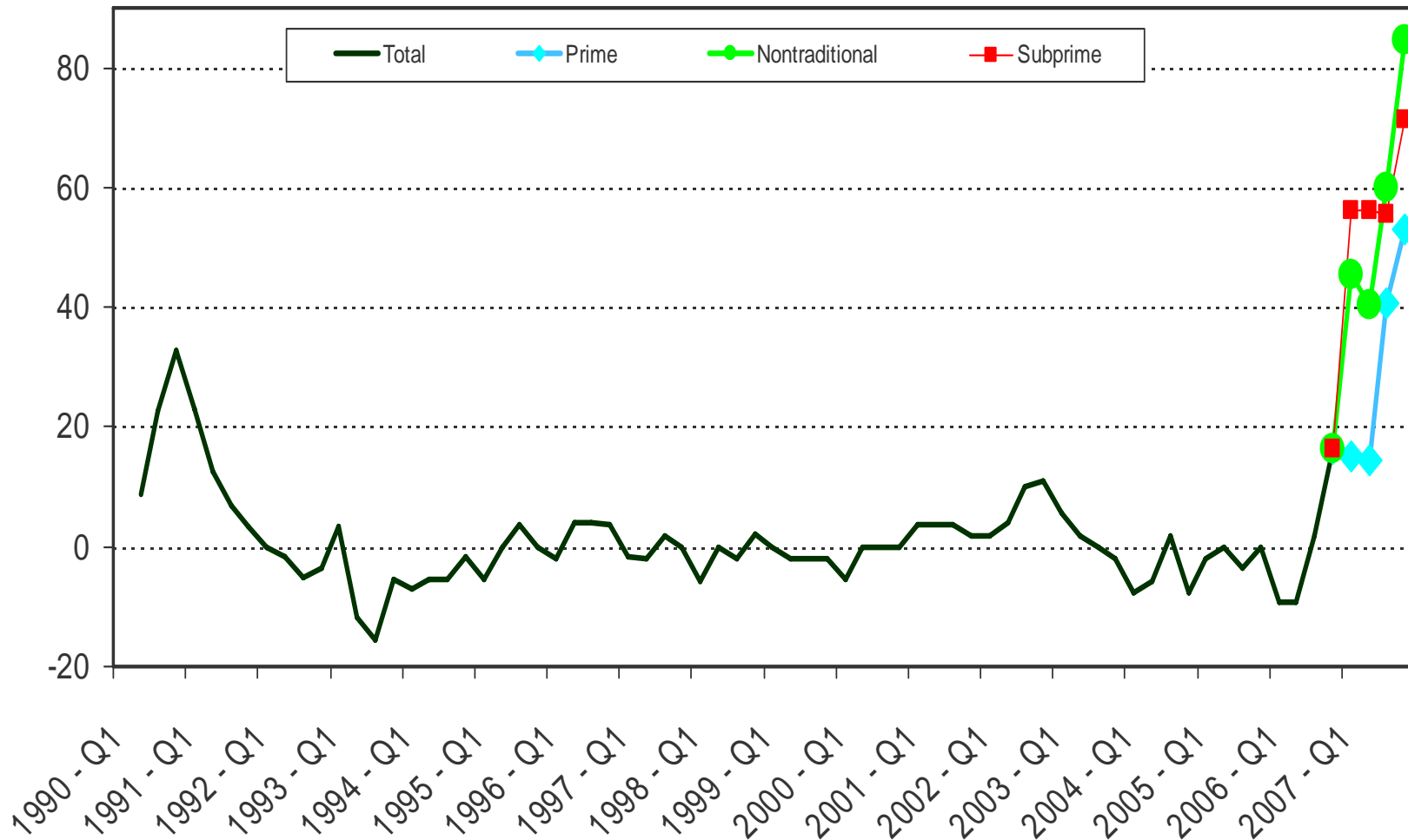


Source: UBS

Banks Get Tougher: Most Stringent Standards on Record



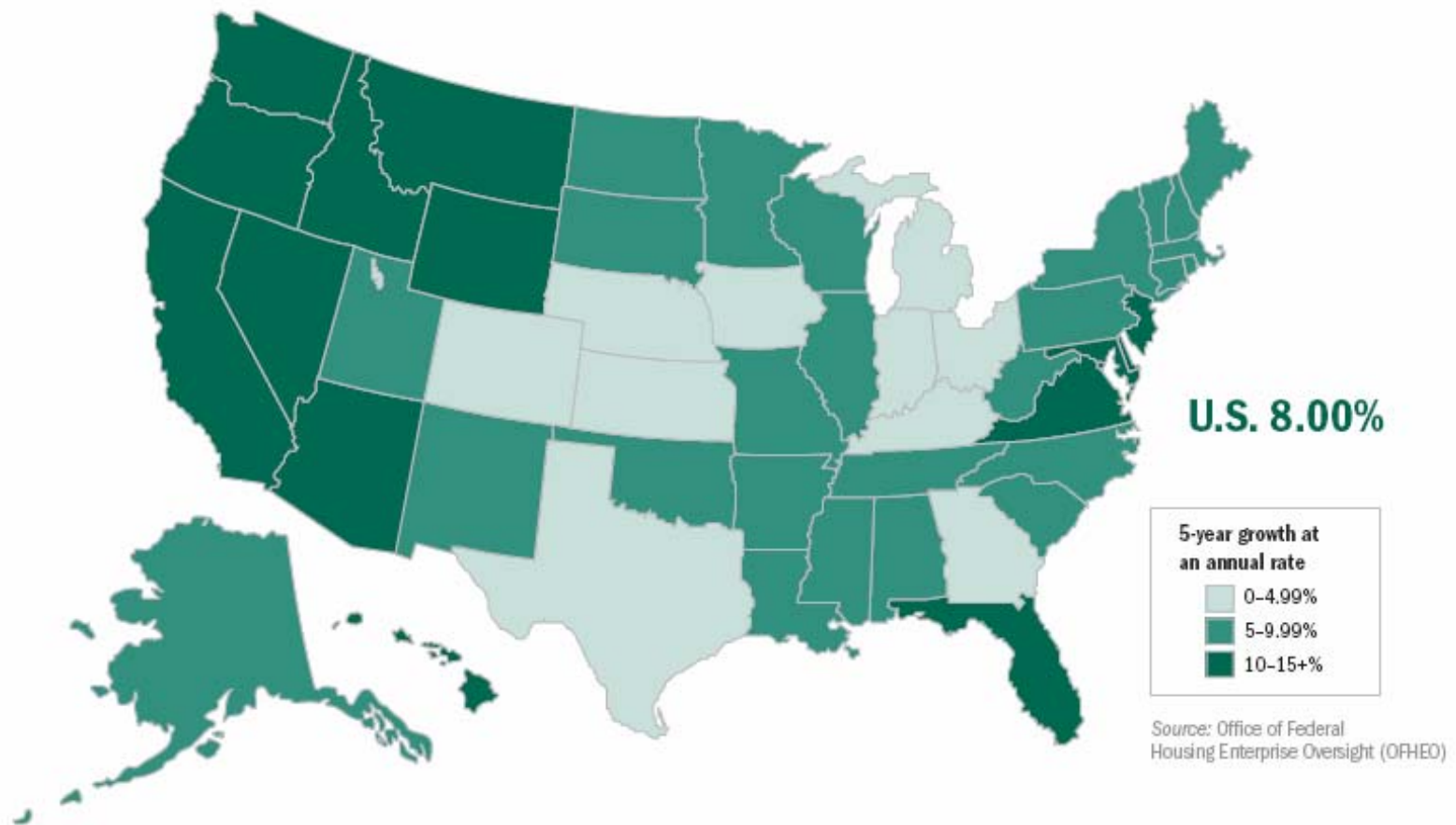
Net % of banks tightening mortgage loan standards*



Source: Federal Reserve Senior Loan Officer Survey

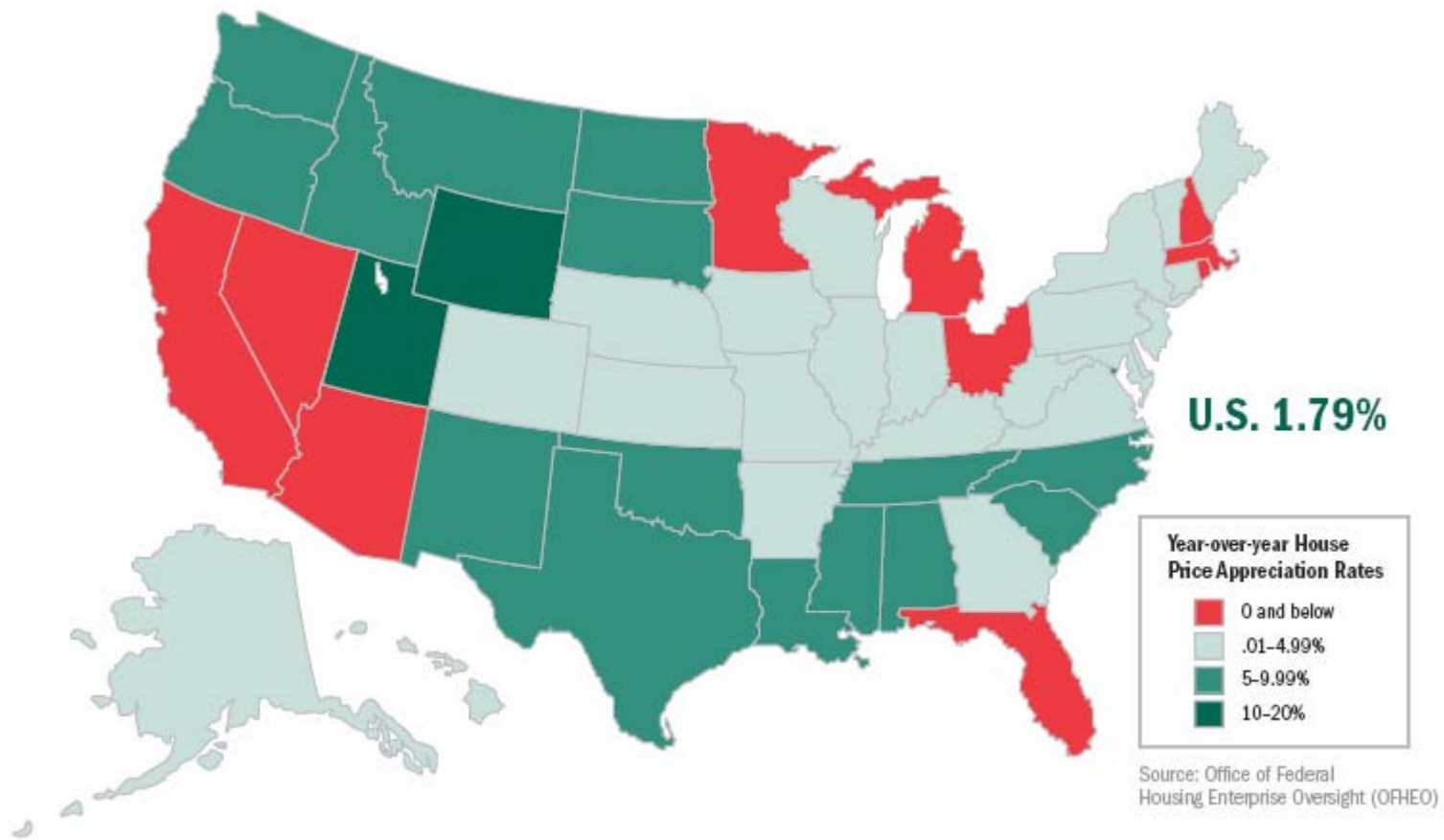
Mortgage Bankers Association

Five-Year Average Home Price Growth, Yearly: 2002Q3 to 2007Q3



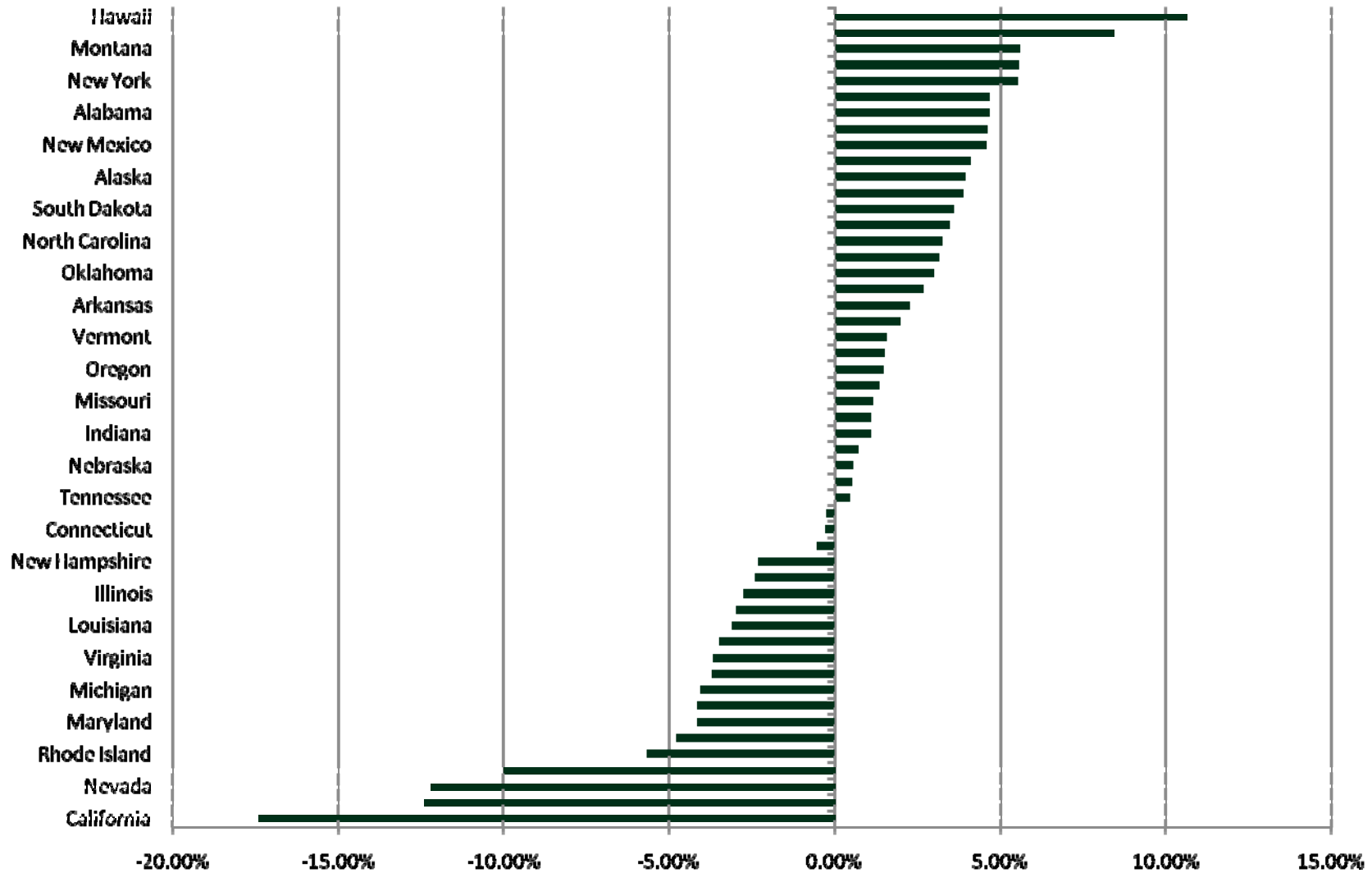
Source: Office of Federal Housing Enterprise Oversight

Year-over-Year Home Price Changes by State: 2006Q3 to 2007Q3



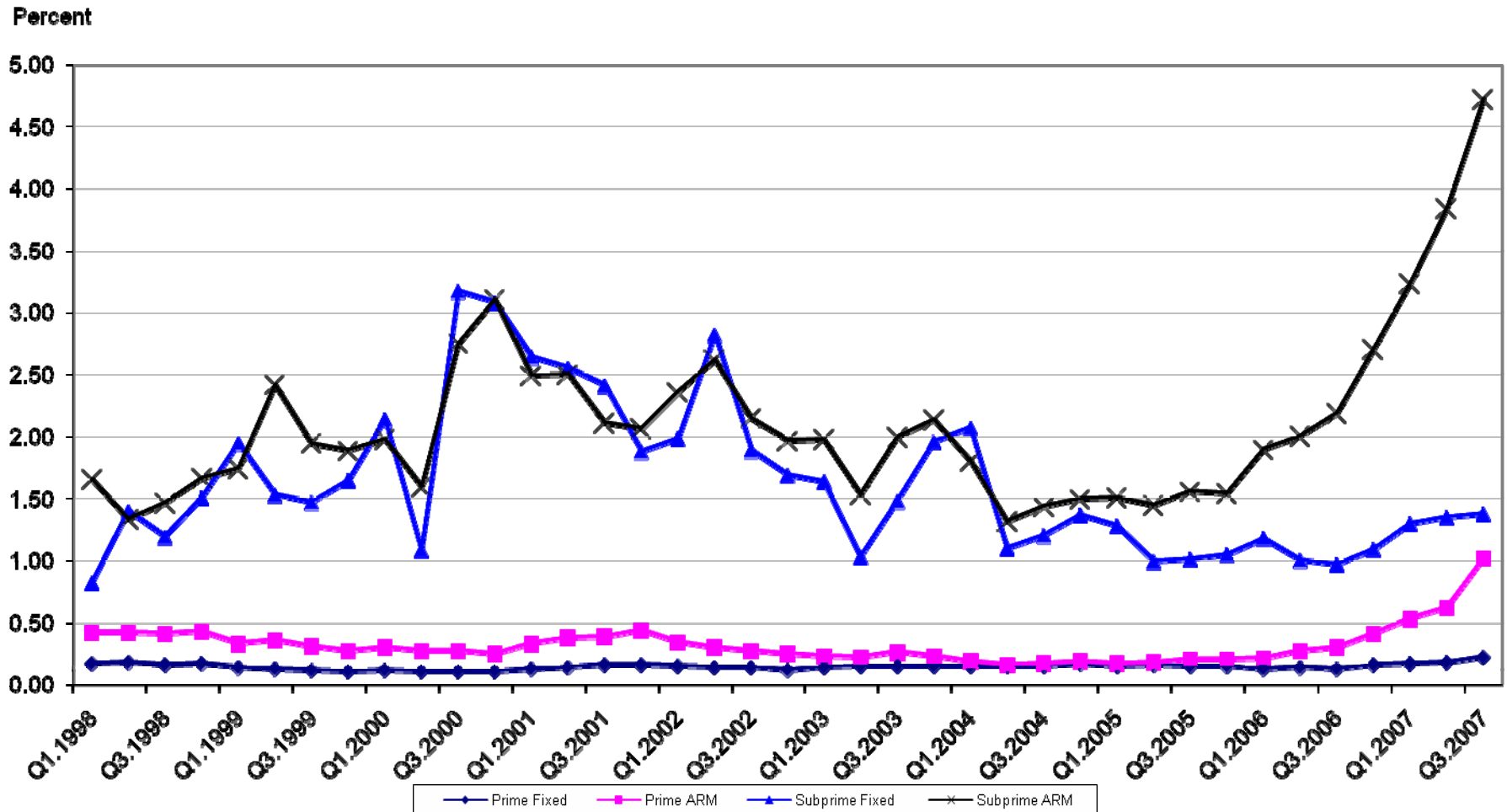
Source: Office of Federal Housing Enterprise Oversight

Year-over-Year Home Price Changes by State: November 2006 to November 2007



Source: Loan Performance

Foreclosure Start Rate by ARM and Fixed



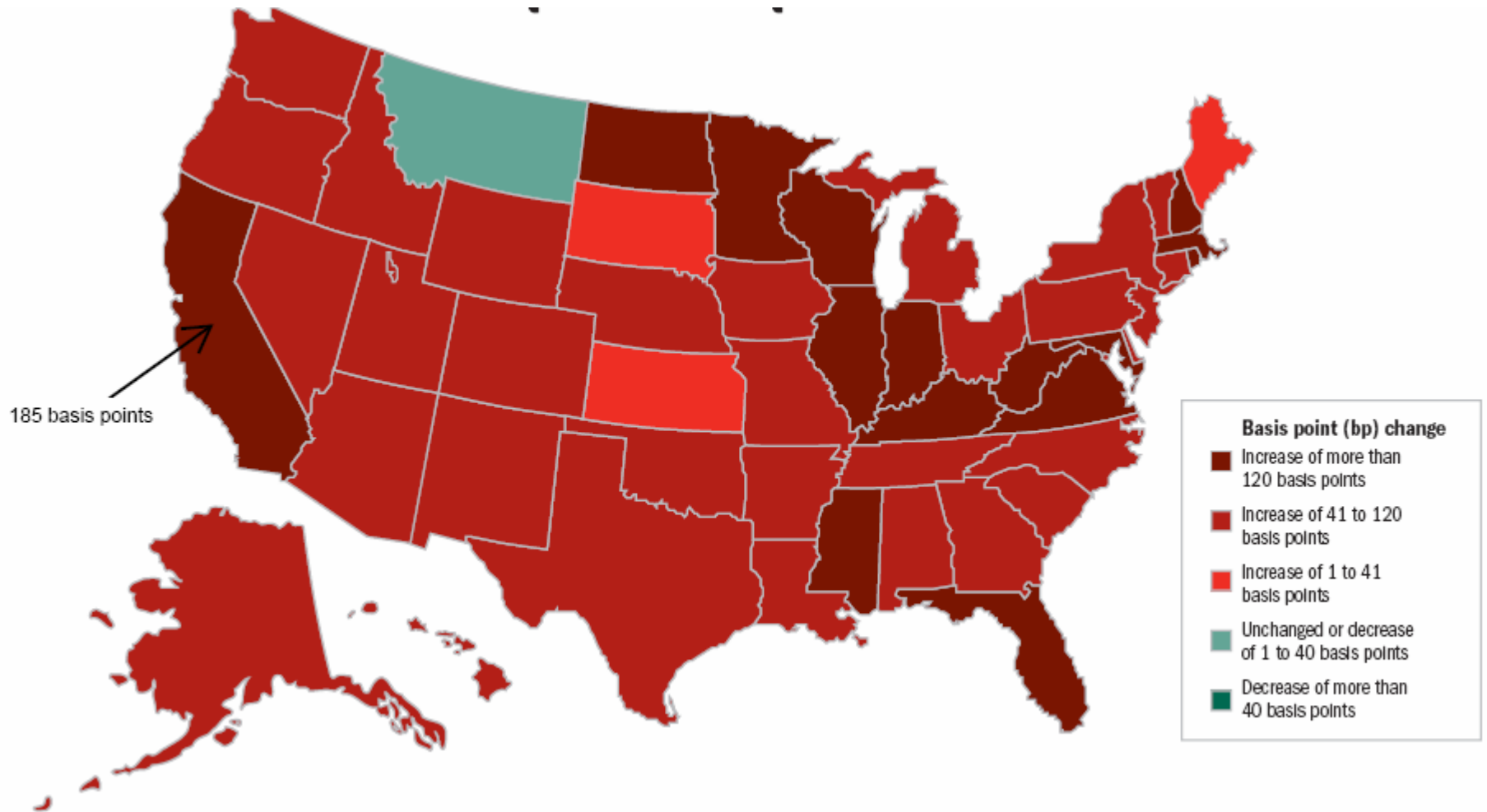
Source: MBA National Delinquency Survey

Composition of Foreclosure Starts



	% of Loans Outstanding	% of Foreclosures Started
Prime Fixed	63%	18%
Prime ARM	15%	19%
Subprime Fixed	6%	12%
Subprime ARM	7%	43%
FHA & VA	9%	9%

Changes in Foreclosure Starts for Subprime ARM: 2006Q3 to 2007Q3



Source: MBA National Delinquency Survey

Percent of Defaults Due to Non-Owner Occupied Loans



Prime Loans		
	Percent of prime defaults due to non-owner occupied loans as of June 30, 2007	Share of prime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	32%	29%
Arizona	26%	29%
Florida	25%	32%
California	21%	14%
All other states	13%	15%
Total US	16%	17%

Subprime Loans		
	Percent of subprime defaults due to non-owner occupied loans as of June 30, 2007	Share of subprime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	24%	14%
Arizona	18%	14%
Florida	14%	15%
California	15%	7%
All other states	11%	10%
Total US	12%	10%

Source: MBA, Home Mortgage Disclosure Act 2005 Report

Big Picture: One-Third of Homeowners Have No Mortgages: 2007Q3

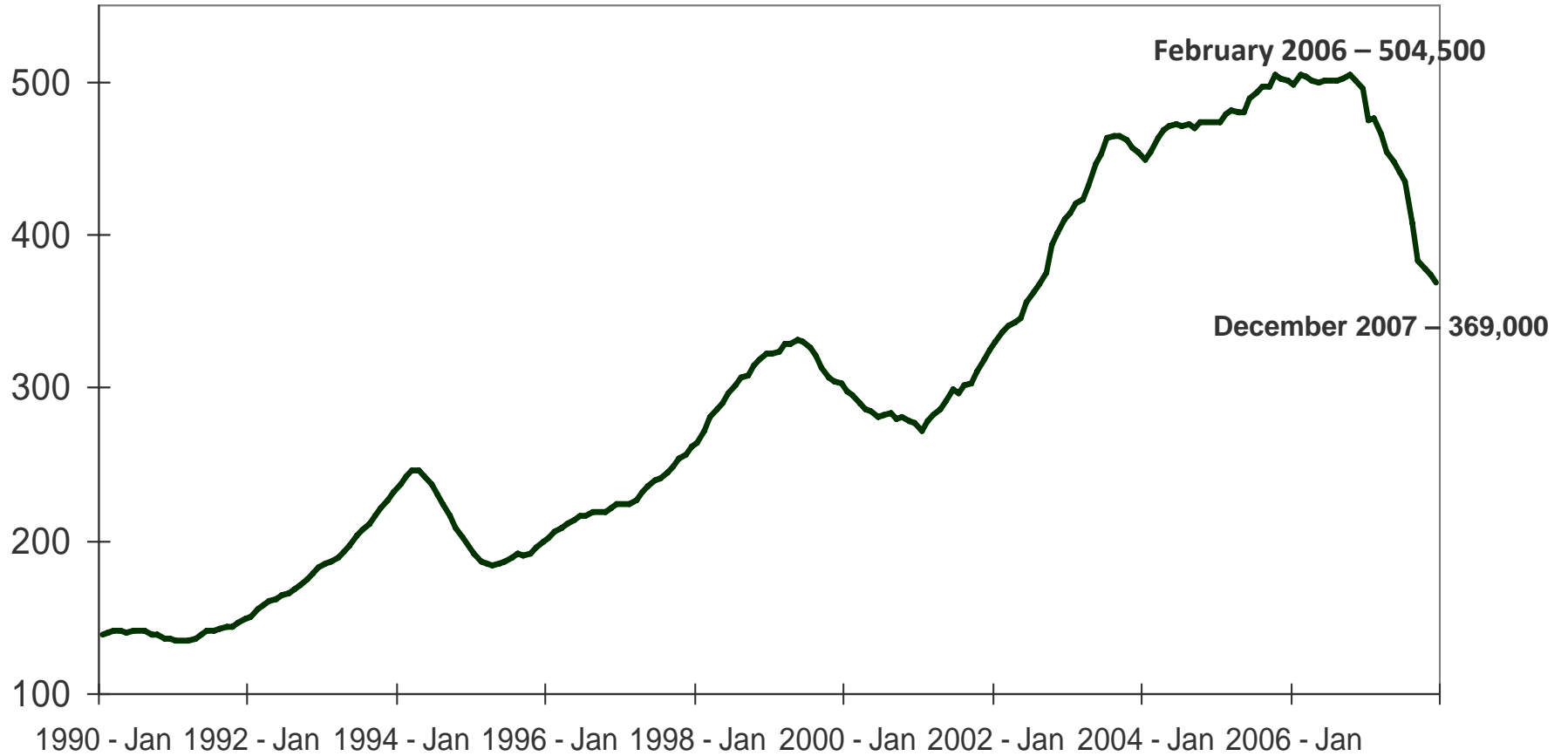


Percent of Homeowners with No Mortgage		Percent of Homeowners with A Mortgage			
35.0%		65.0%			
		For Homeowners With A Mortgage			
Prime Fixed		41.0%	Prime Fixed	63.1%	
Prime ARM		9.4%	Prime ARM	14.5%	
Subprime Fixed		4.1%	Subprime Fixed	6.3%	
Subprime ARM		4.4%	Subprime ARM	6.8%	
FHA Fixed		4.1%	FHA Fixed	6.4%	
FHA ARM		0.3%	FHA ARM	0.4%	
VA		1.7%	VA	2.5%	
Total	100.0%		Total	100.0%	

Mortgage Industry Employment Trends*



Thousands, NSA



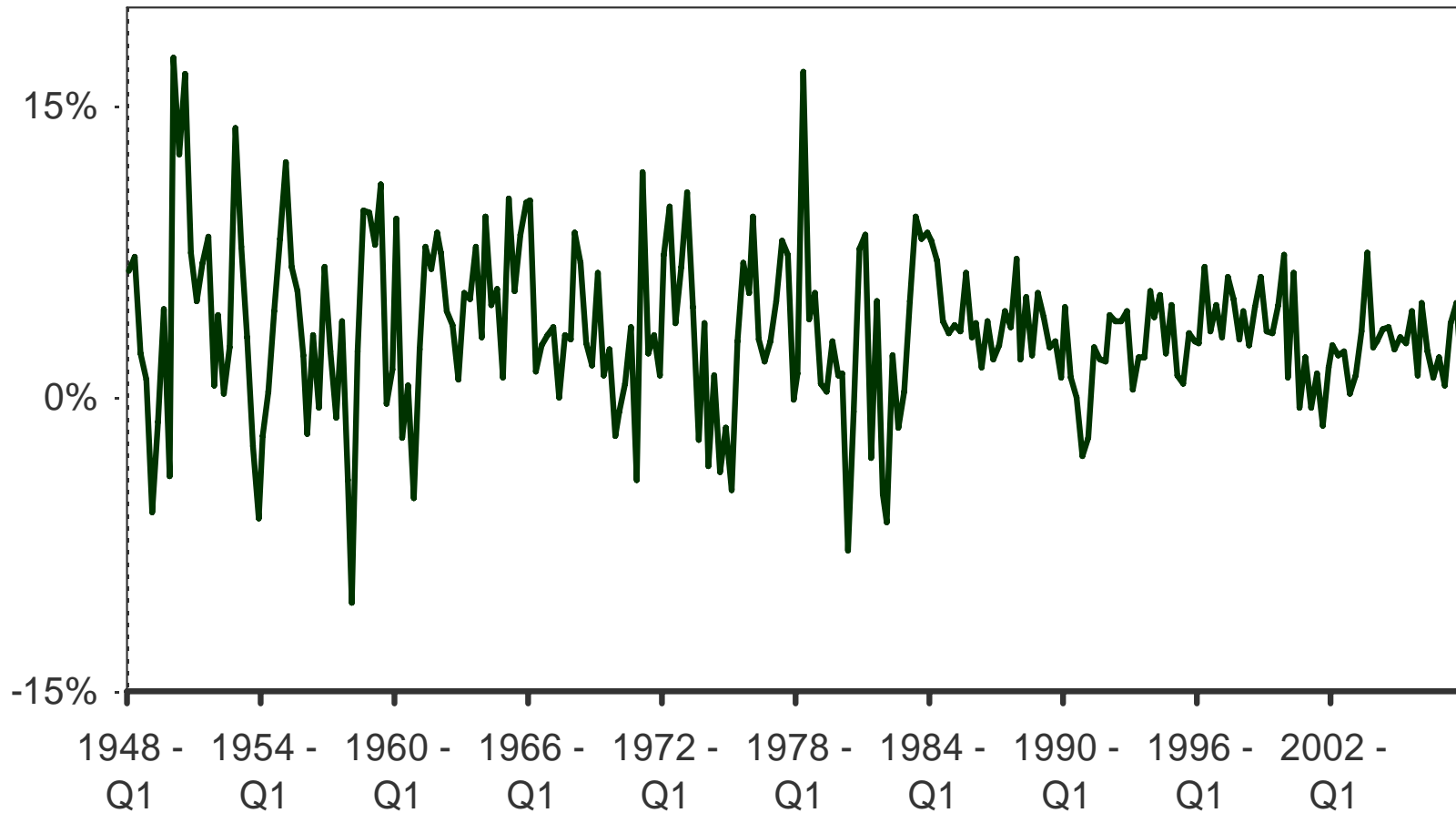
Source: Bureau of Labor Statistics

Real Economy

Real GDP Growth Sharply Slows



Annualized quarterly growth rates

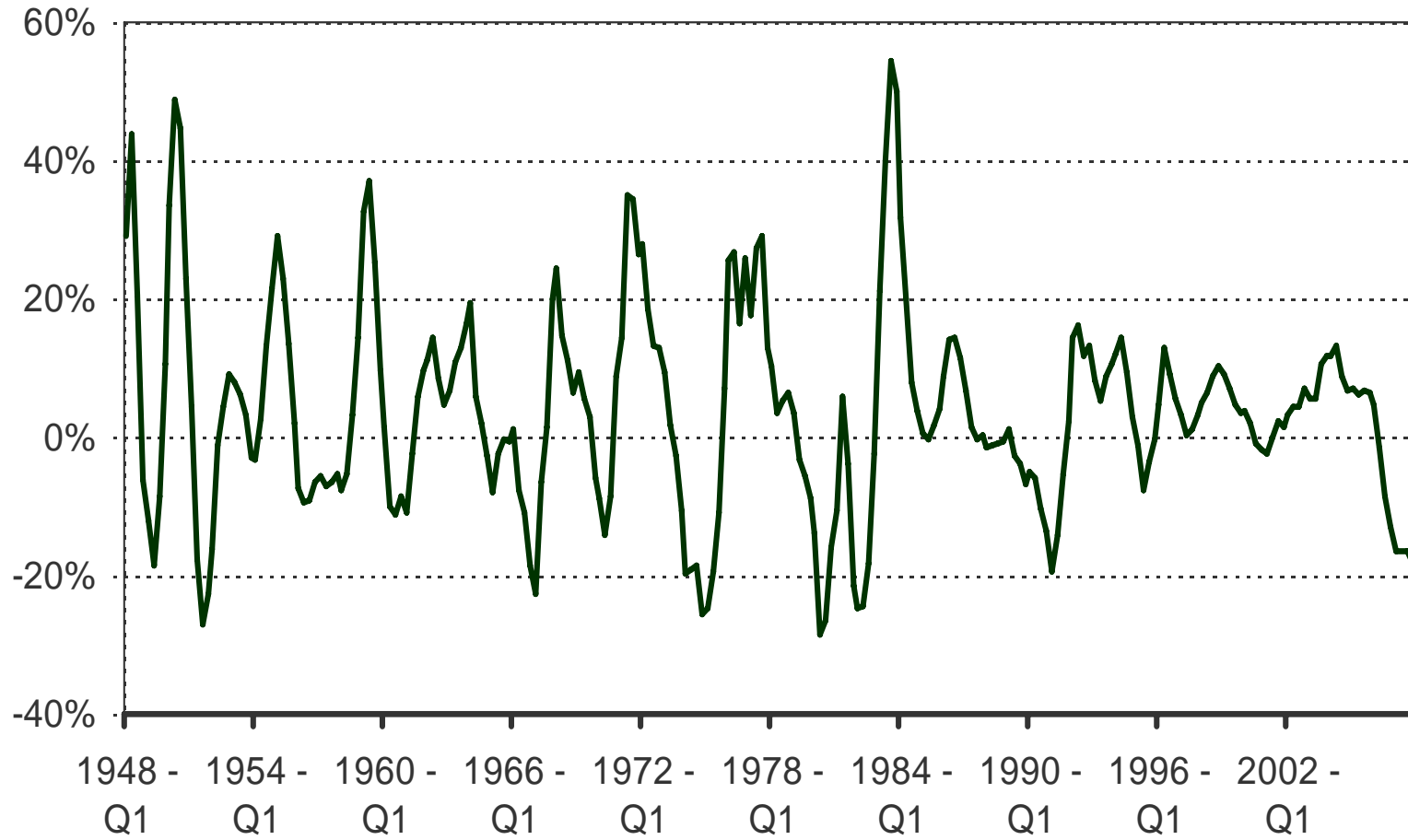


Source: Bureau of Economic Analysis

Real Private Residential Investment Declines Further

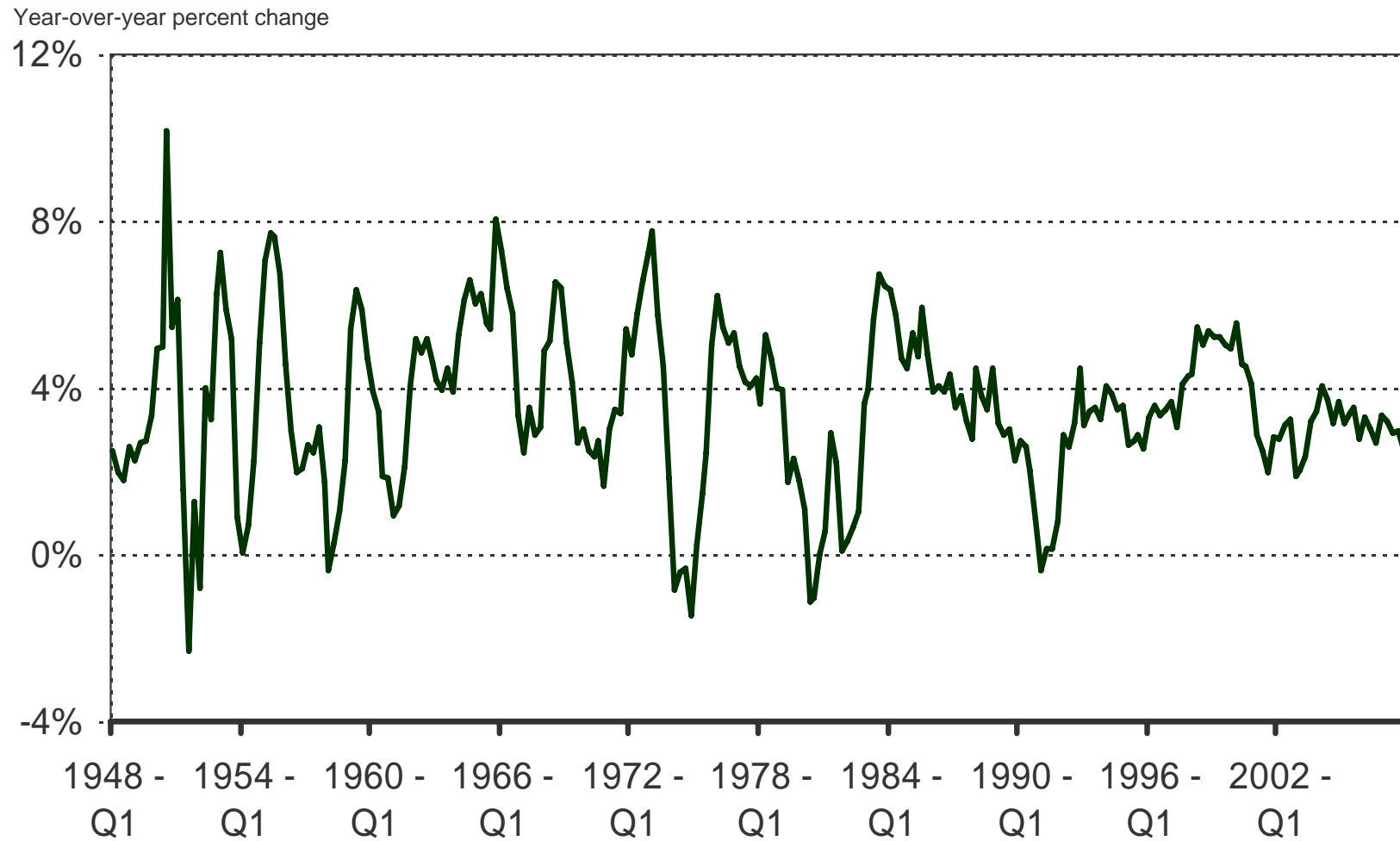


Year-over-year percent change



Source: Bureau of Economic Analysis

Real Personal Consumption Expenditures Growth Slows Modestly

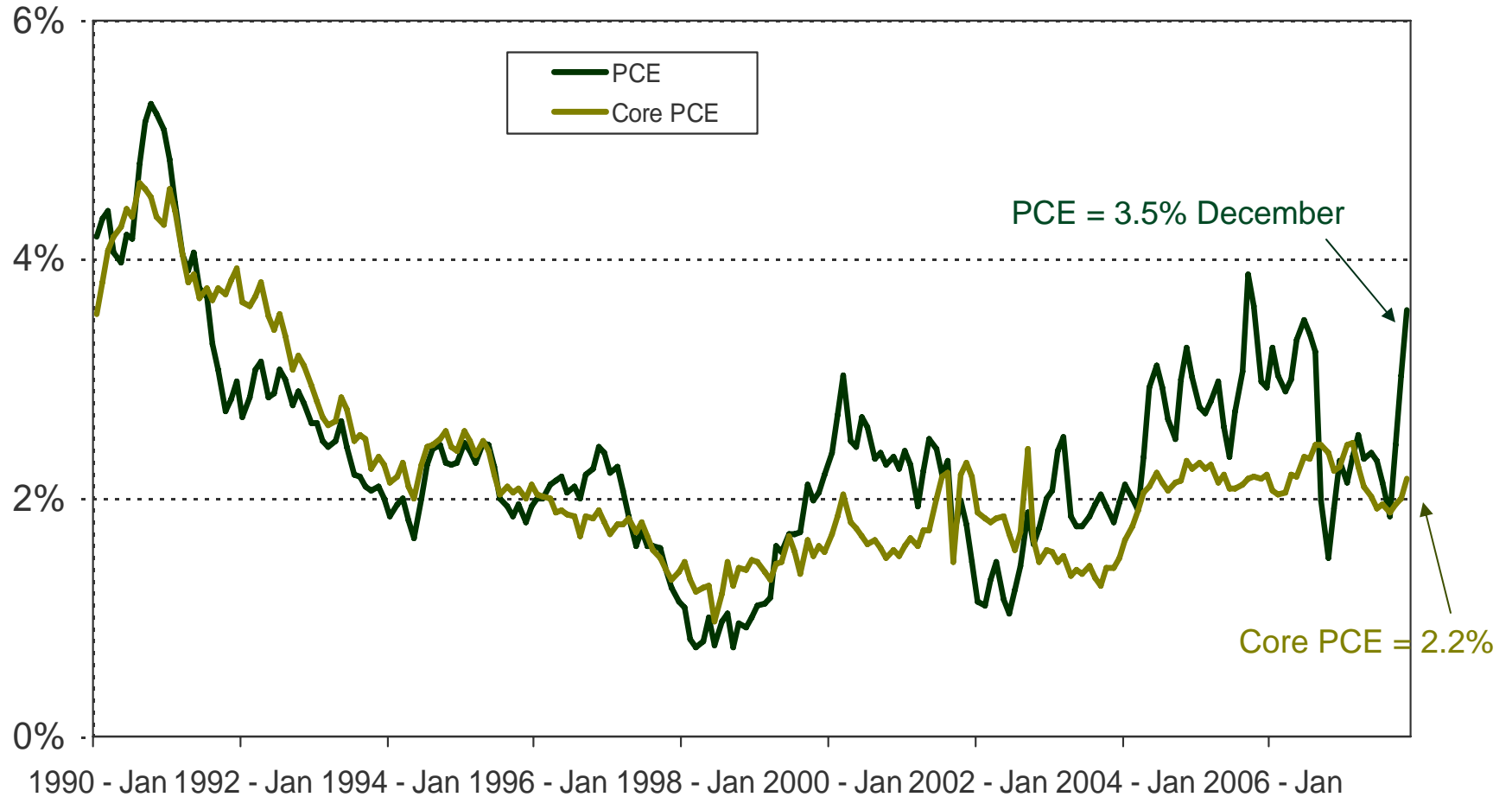


Source: Bureau of Economic Analysis

Inflation* Moves Higher



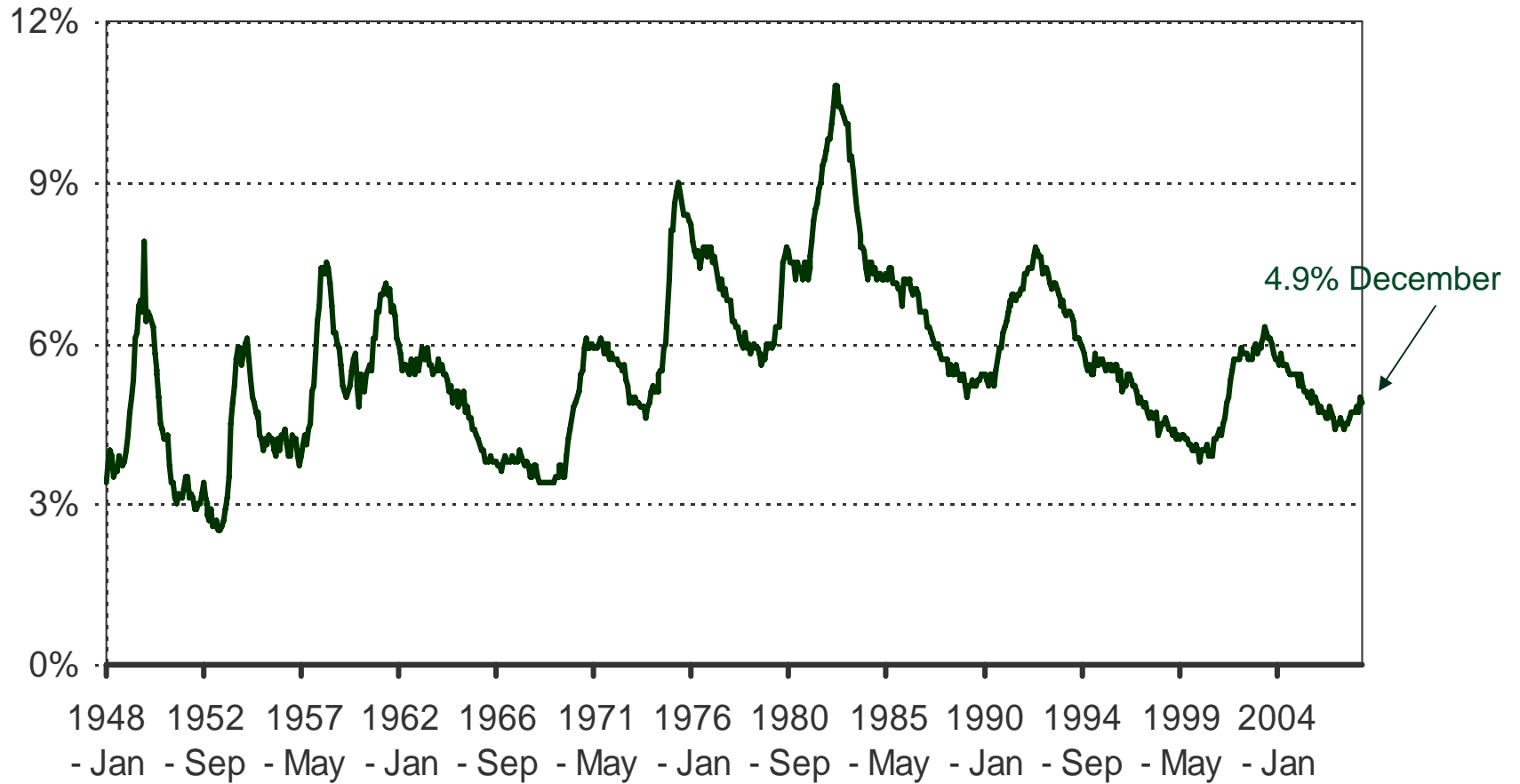
Year-over-year percent change



*Personal Consumption expenditures (PCE) chain price index

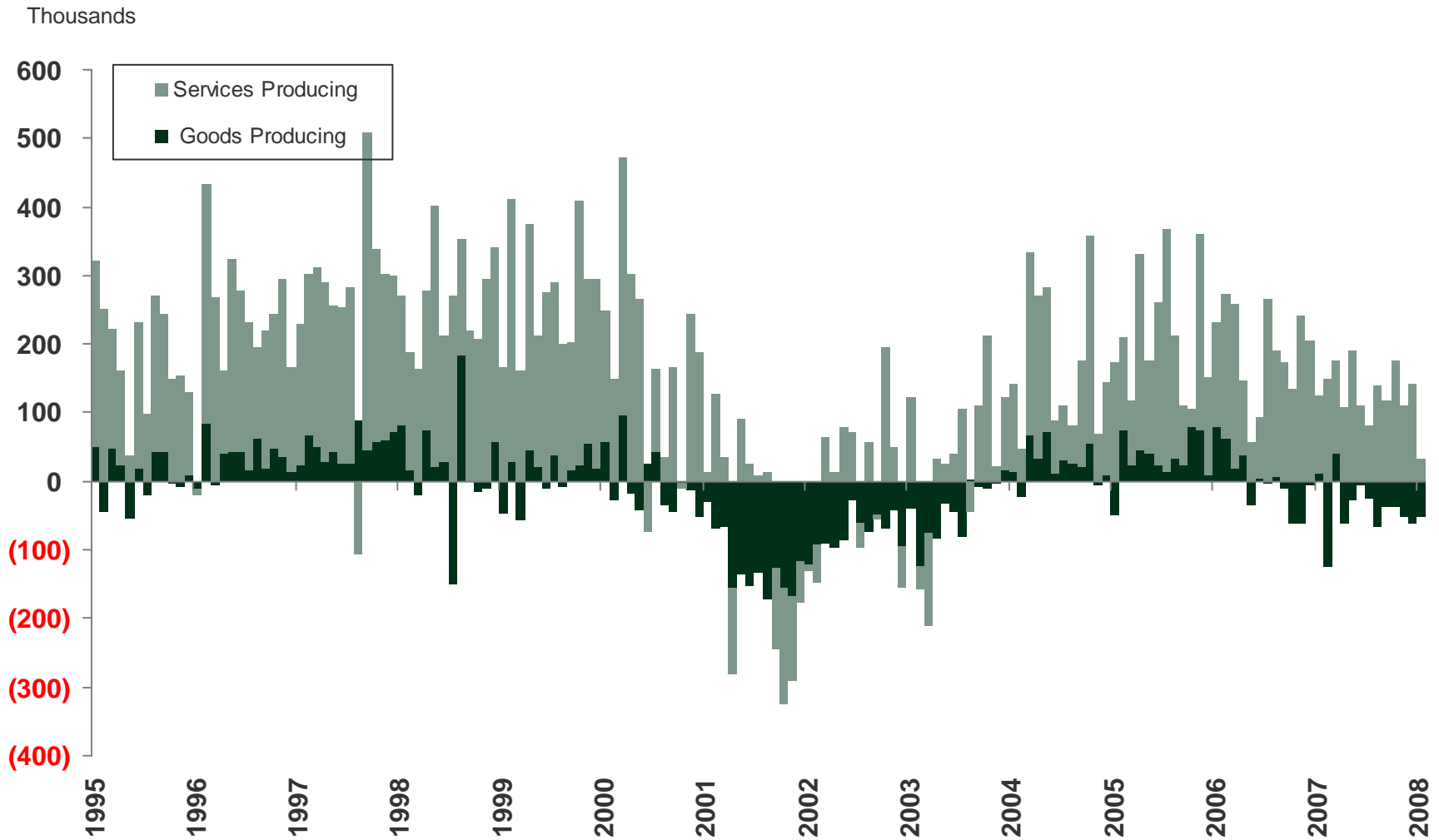
Source: Bureau of Economic Analysis

Unemployment Rate Trends Up



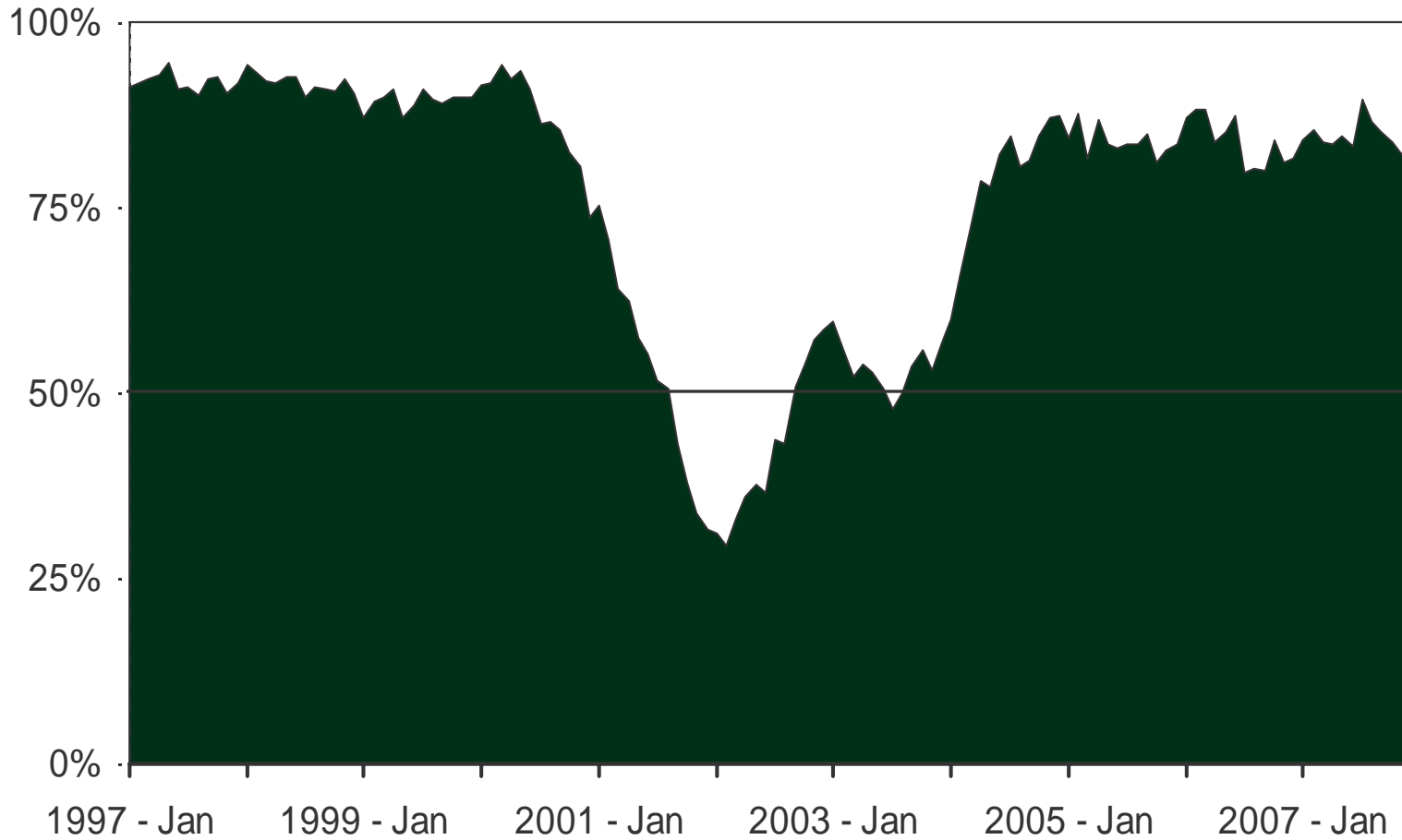
Source: Bureau of Labor Statistics

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



Source: Bureau of Labor Statistics

Share of MSAs with Job Growth*



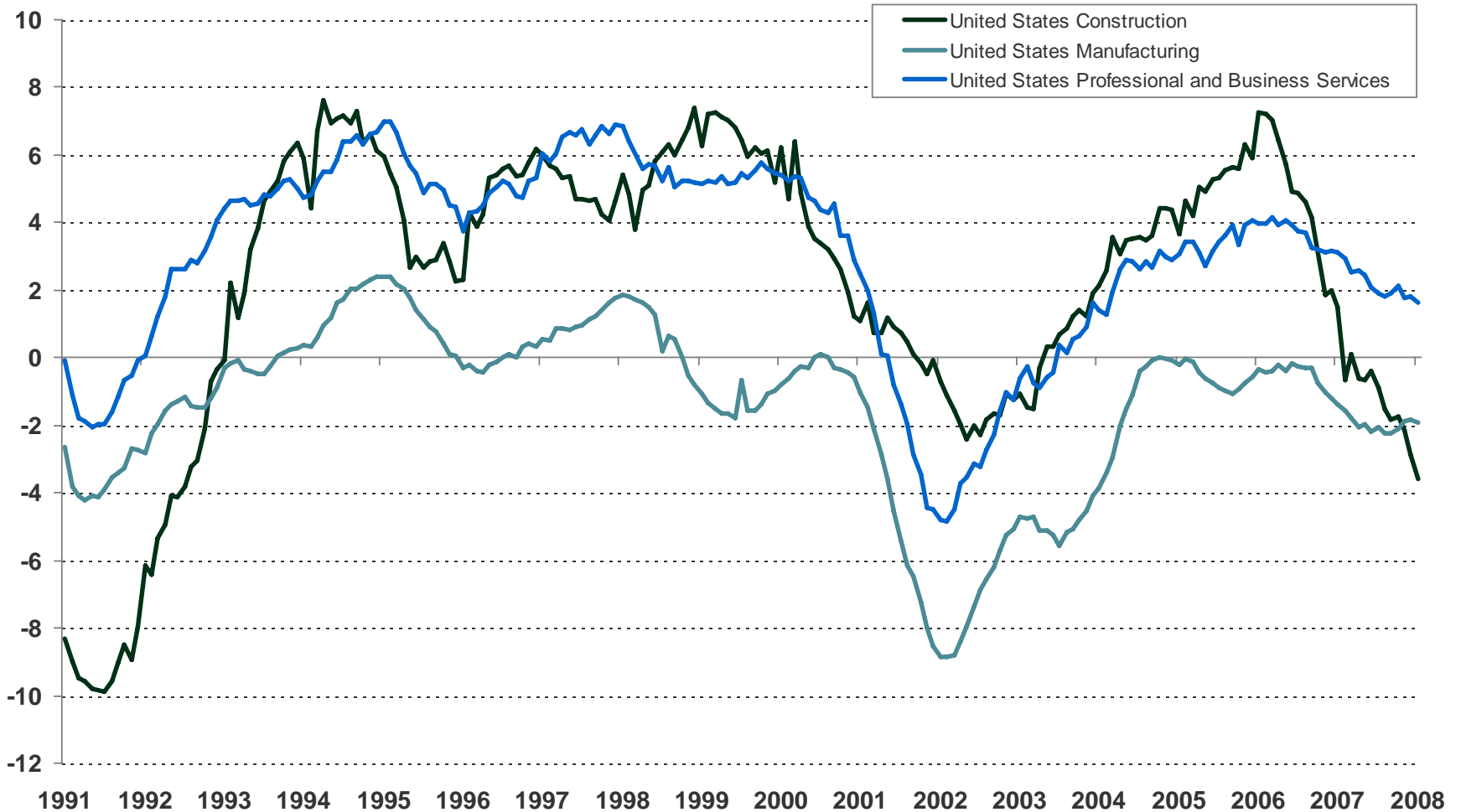
*increases in nonfarm payroll employment from a year ago

Source: Bureau of Labor Statistics

UNITED STATES: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs

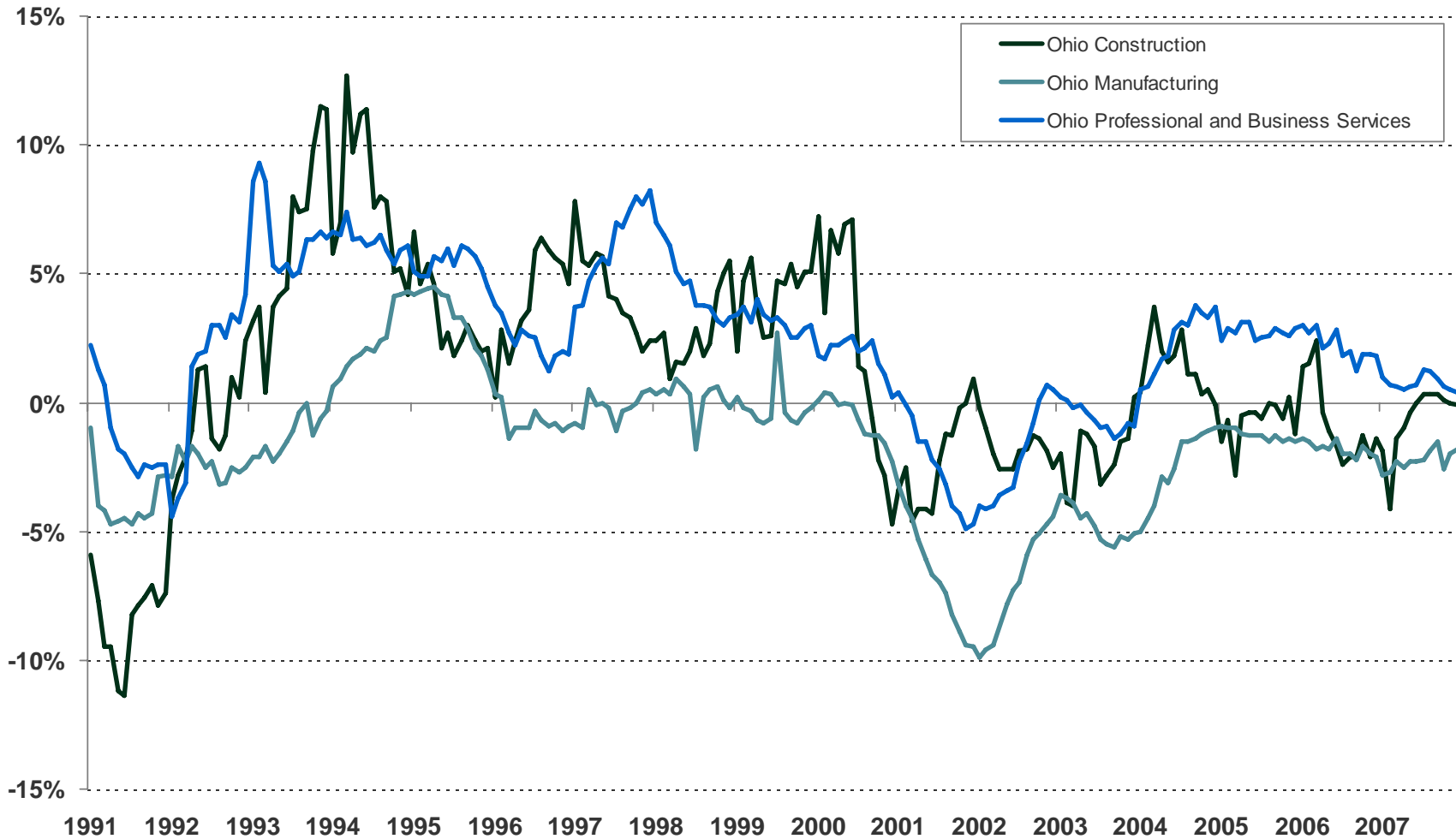


Percent



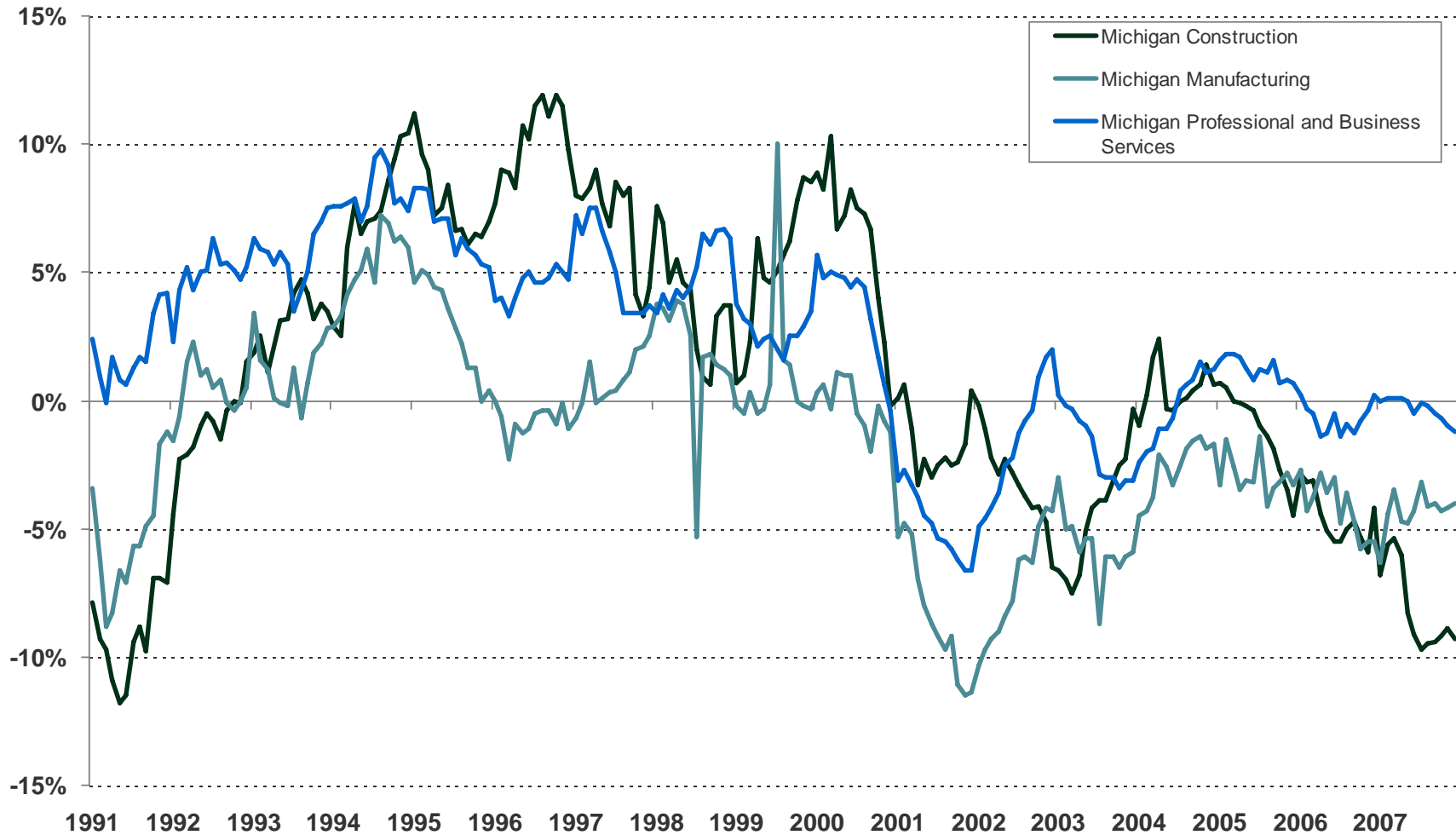
Source: Bureau of Labor Statistics

OHIO: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



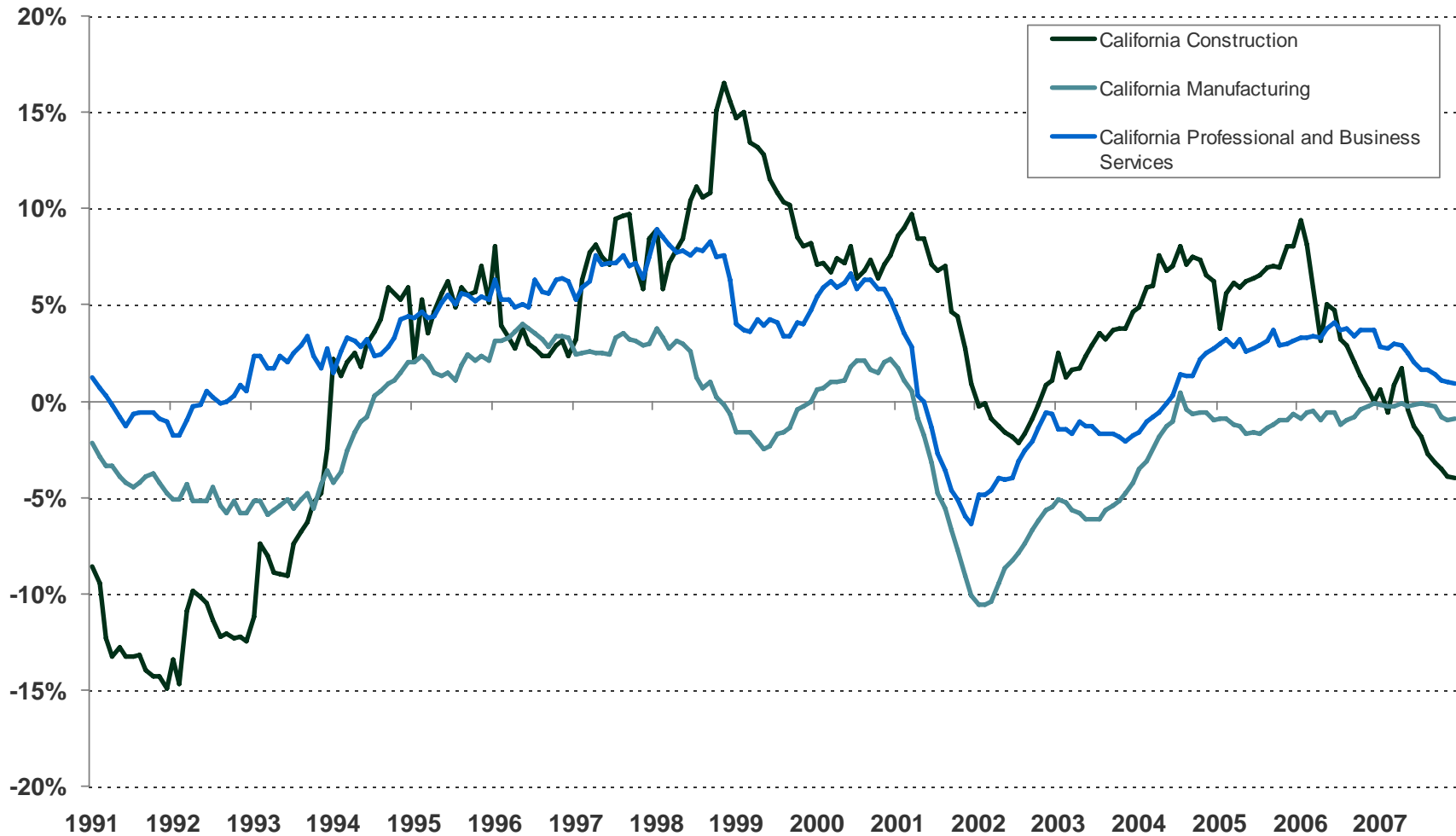
Source: Bureau of Labor Statistics

MICHIGAN: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



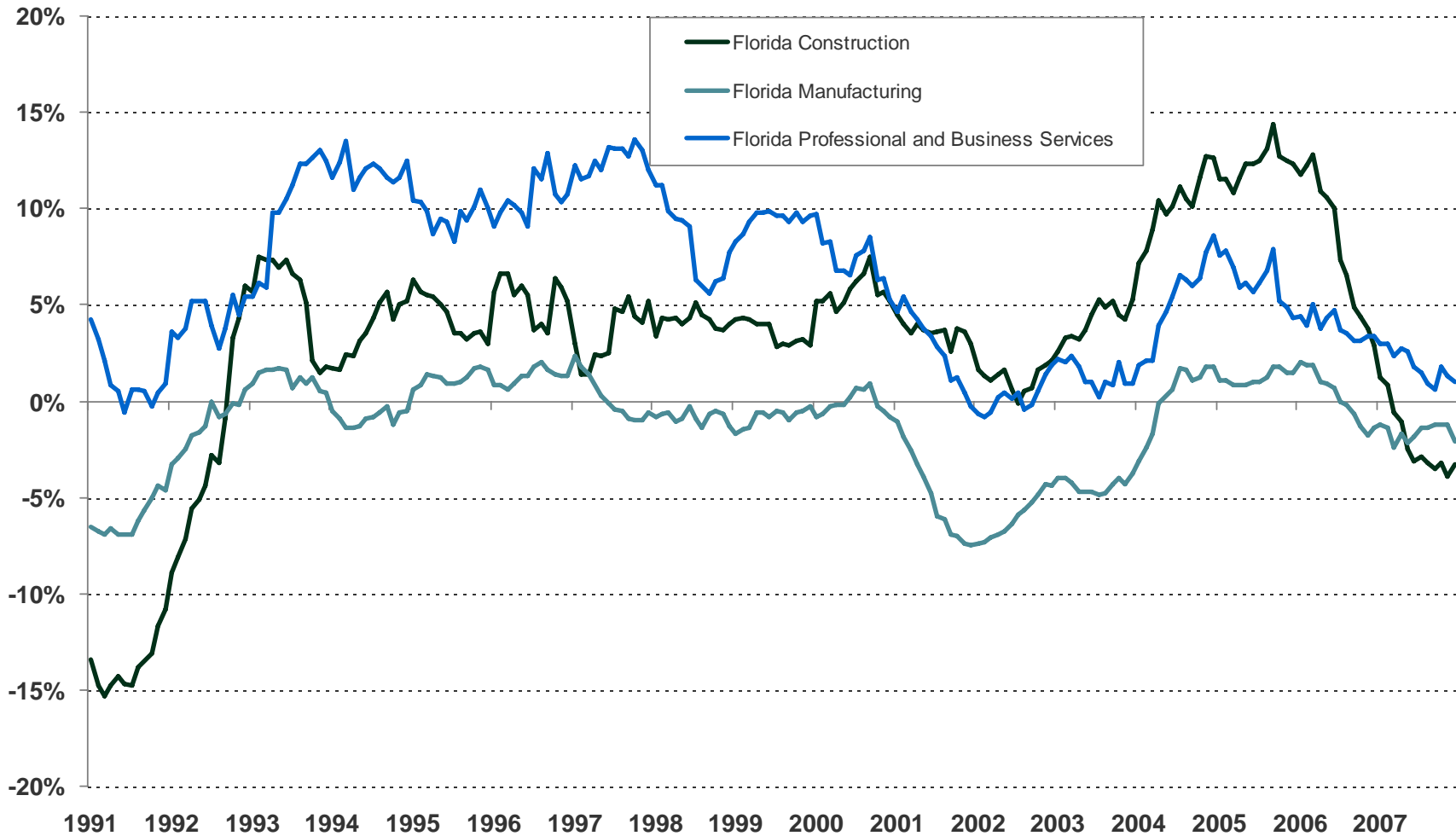
Source: Bureau of Labor Statistics

CALIFORNIA: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



Source: Bureau of Labor Statistics

FLORIDA: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



Source: Bureau of Labor Statistics

Capital Markets

10-Year Treasury at Constant Maturity

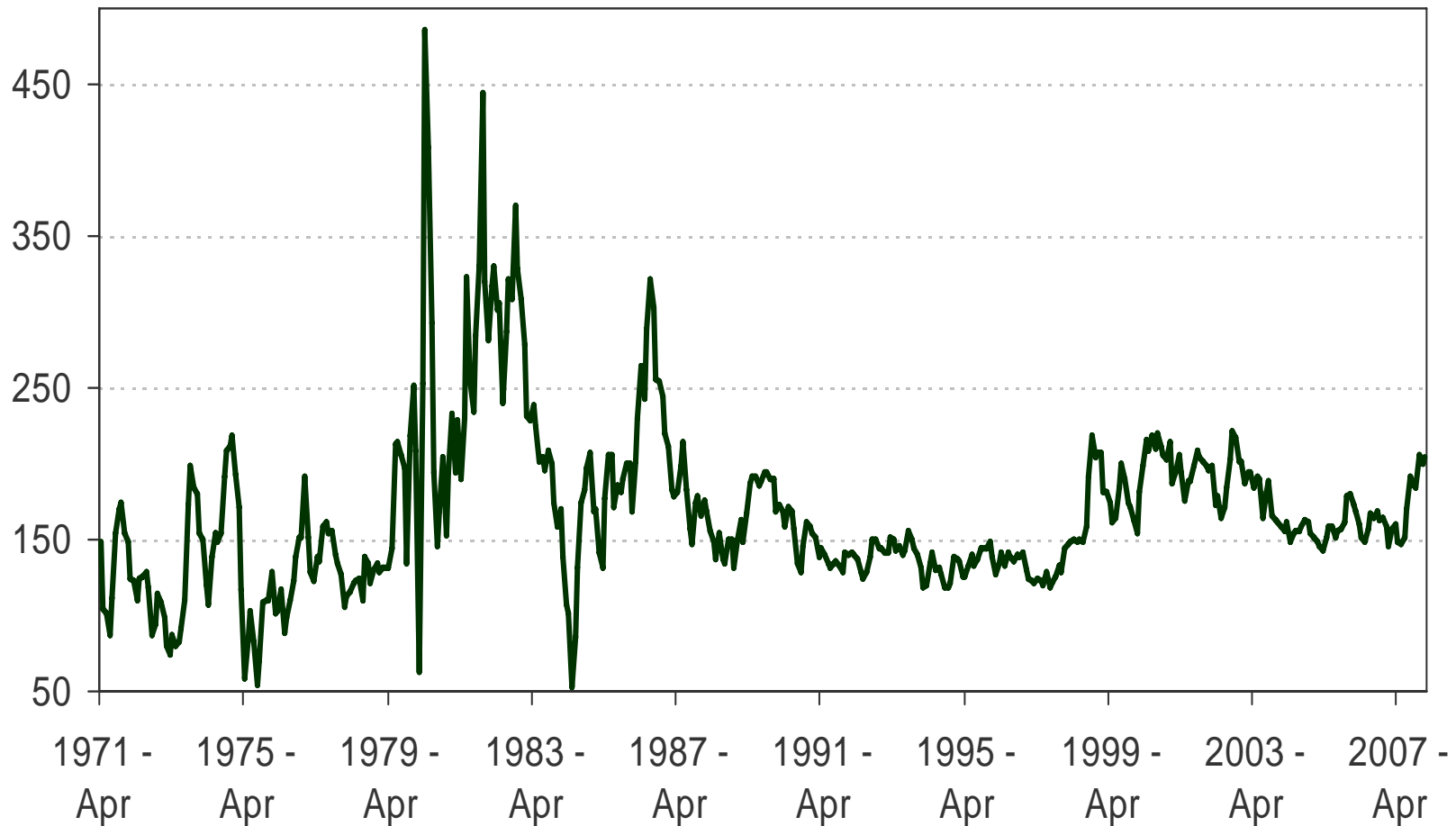


Source: Federal Reserve Board

Yield Spread Widens: 30-Year Fixed Mortgages* and 10-Year Treasuries**



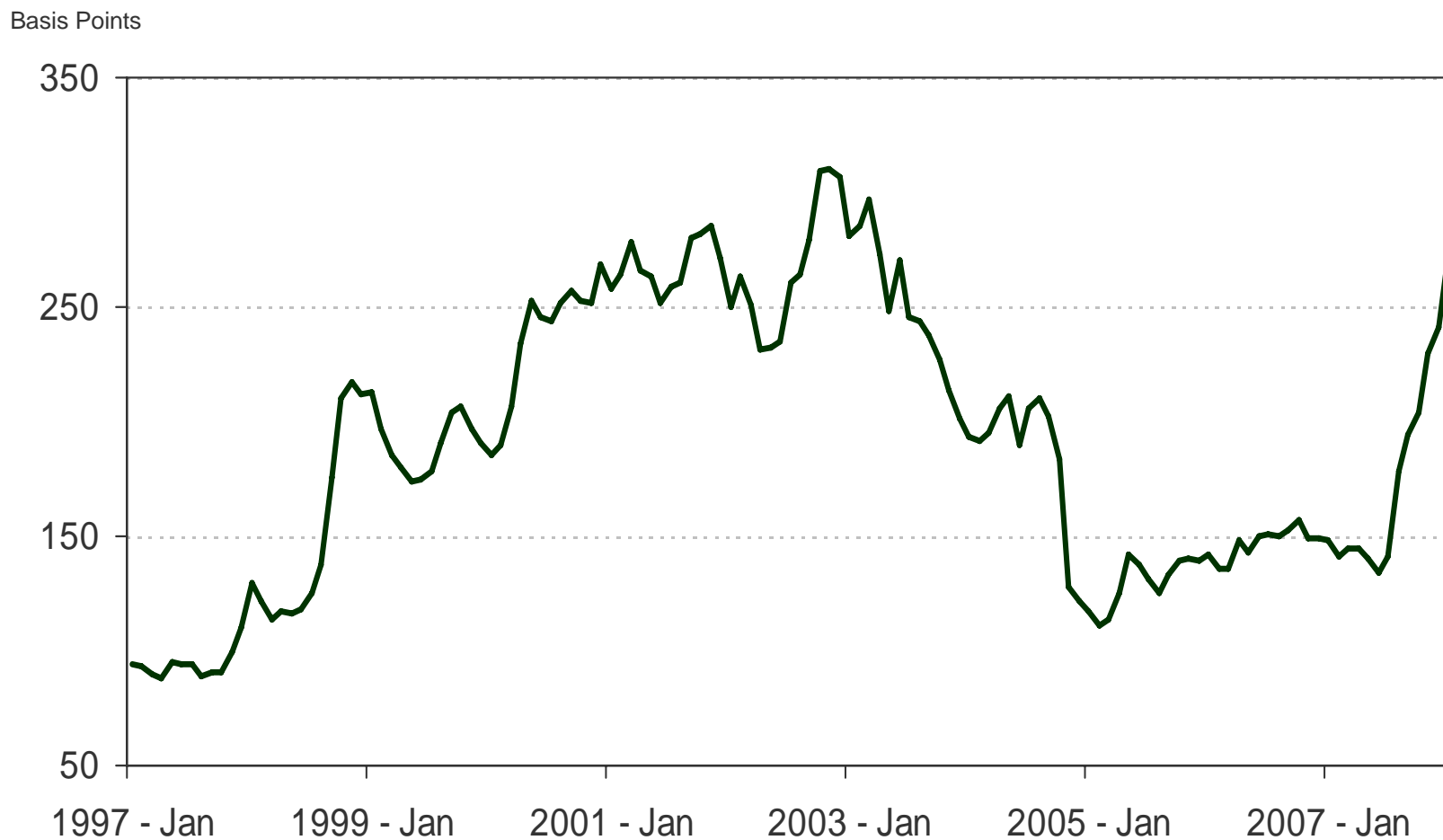
Basis Points



* Monthly average of contract interest rates on commitments for first mortgages from Freddie Mac Primary Mortgage Market Survey. ** Monthly average of Treasury constant maturities

Source: Federal Reserve Board

Yield Spread -- BBB* and Treasuries** -- Widens

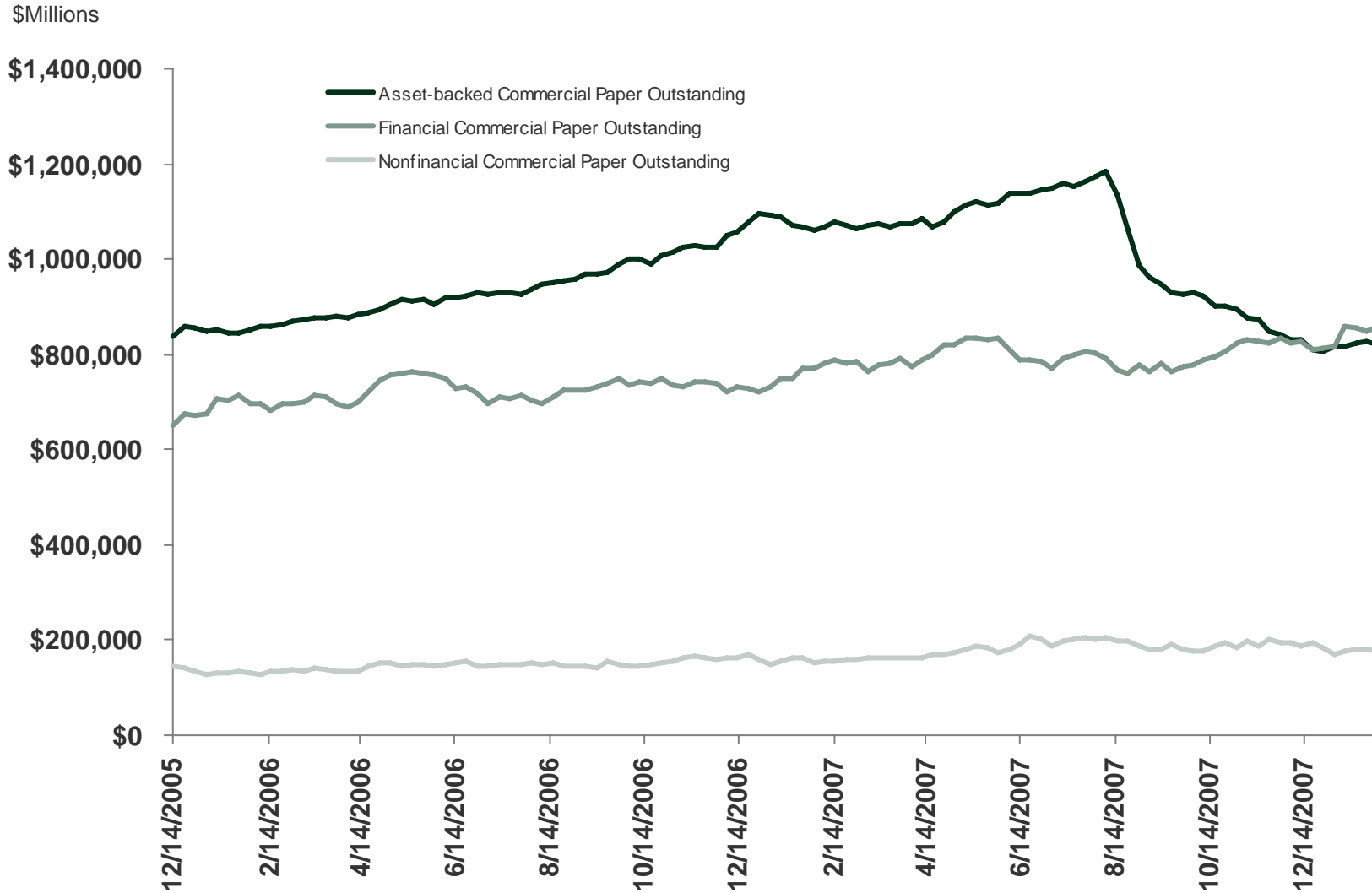


*10-year BBB corporate bond yield ** 10-year Treasury note yield at constant maturities

Mortgage Bankers Association

Source: Federal Reserve Board and Standard and Poor's

Commercial Paper Outstanding; not seasonally adjusted

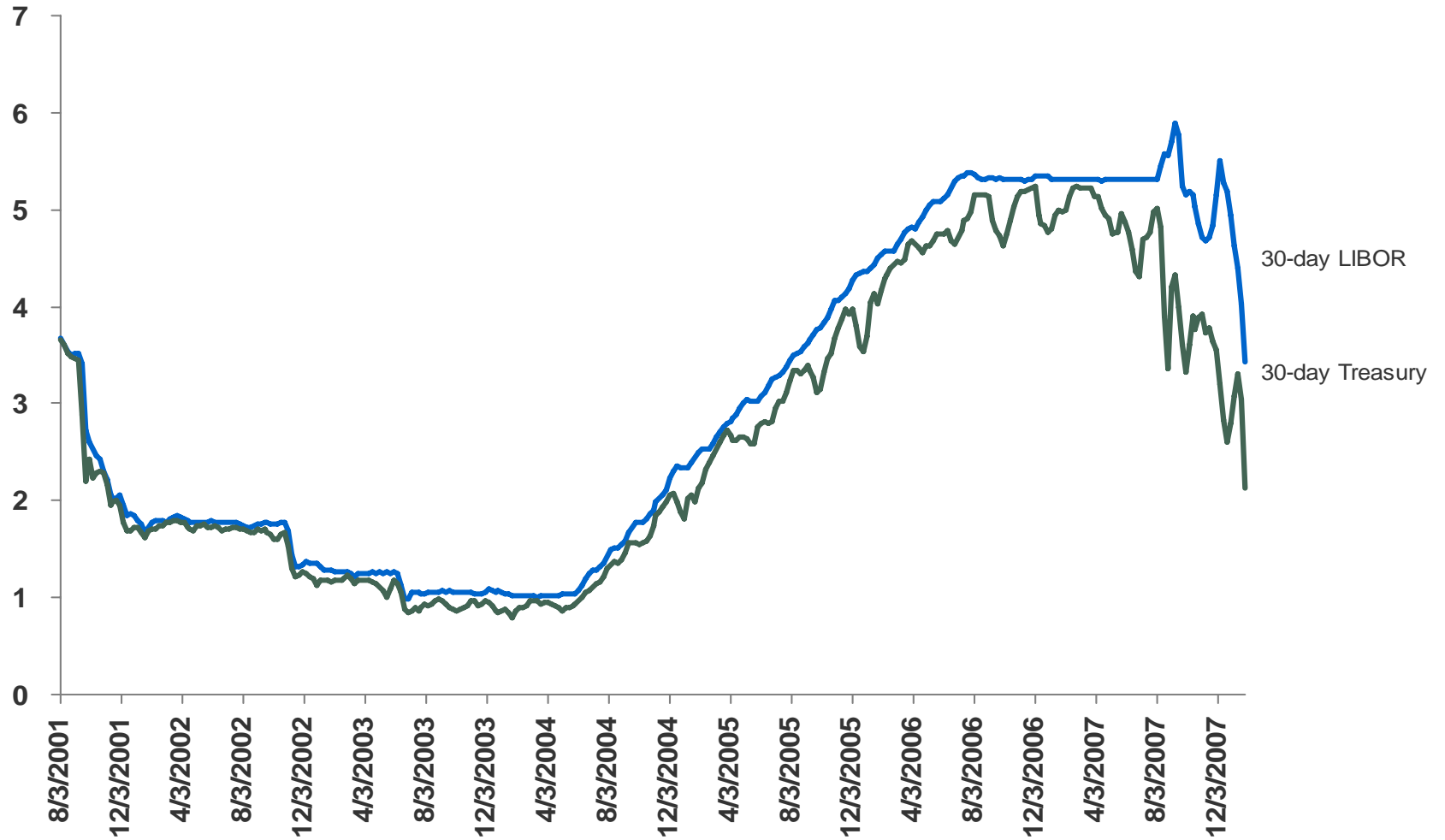


Source: Federal Reserve Board

30-day LIBOR and 30-day Treasury



Percent



10-year Swap and 10-year Treasury

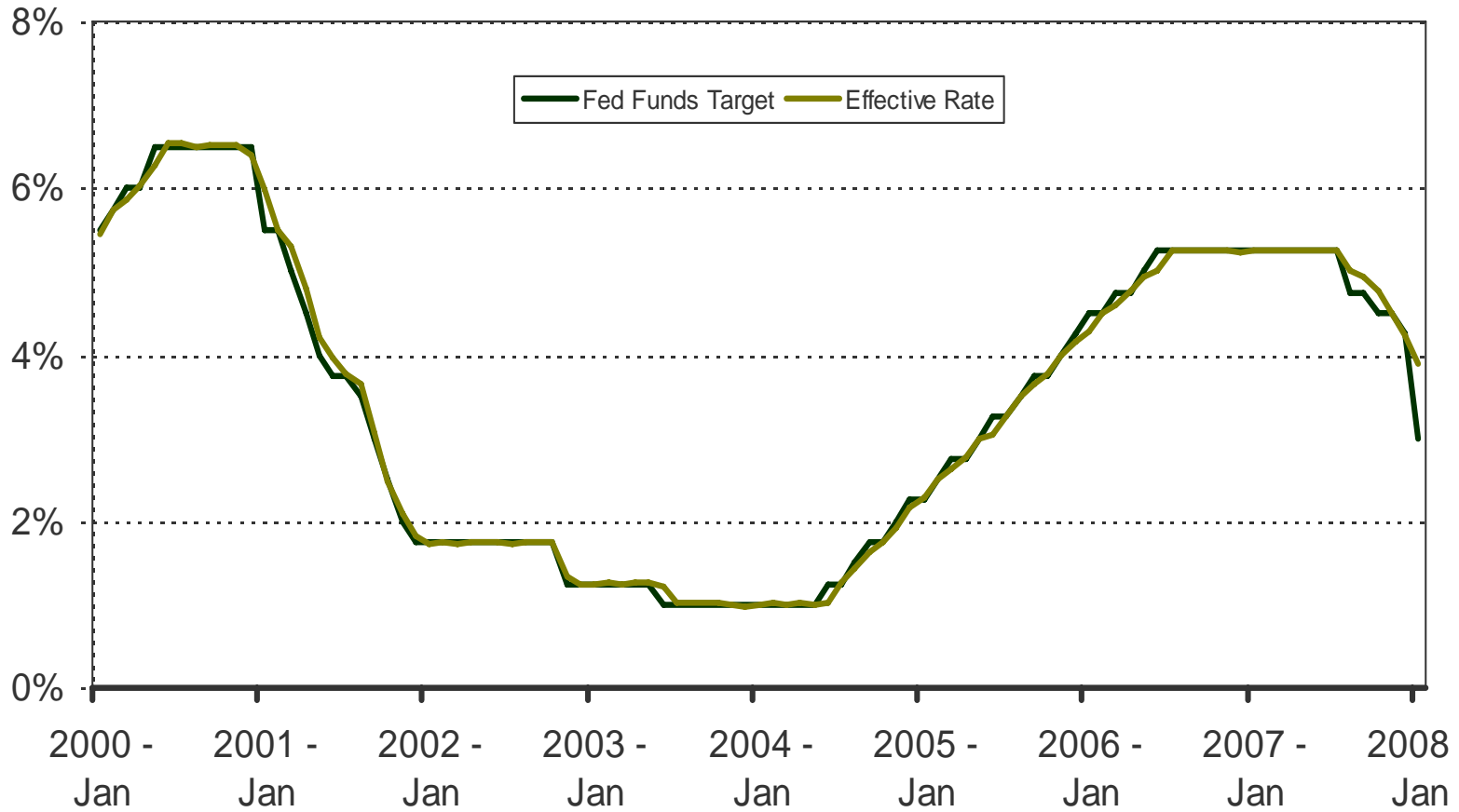


Percent



Source: Federal Reserve Board

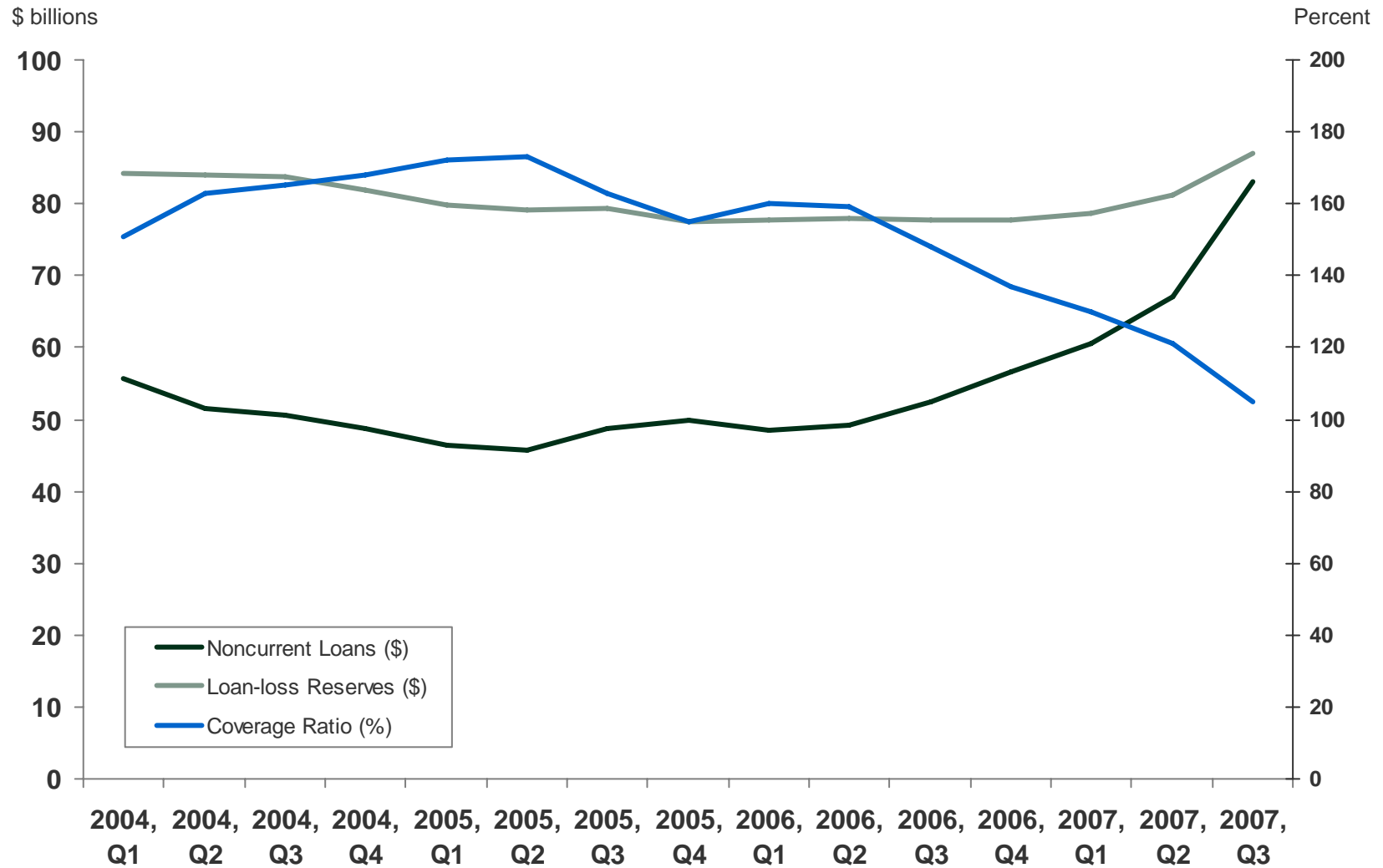
Target Fed Funds Rate* versus Effective Fed Funds Rate**



*End of Month ** Monthly average

Source: Federal Reserve Board

Aggregate Reserve Coverage Ratio at FDIC-Insured Institutions

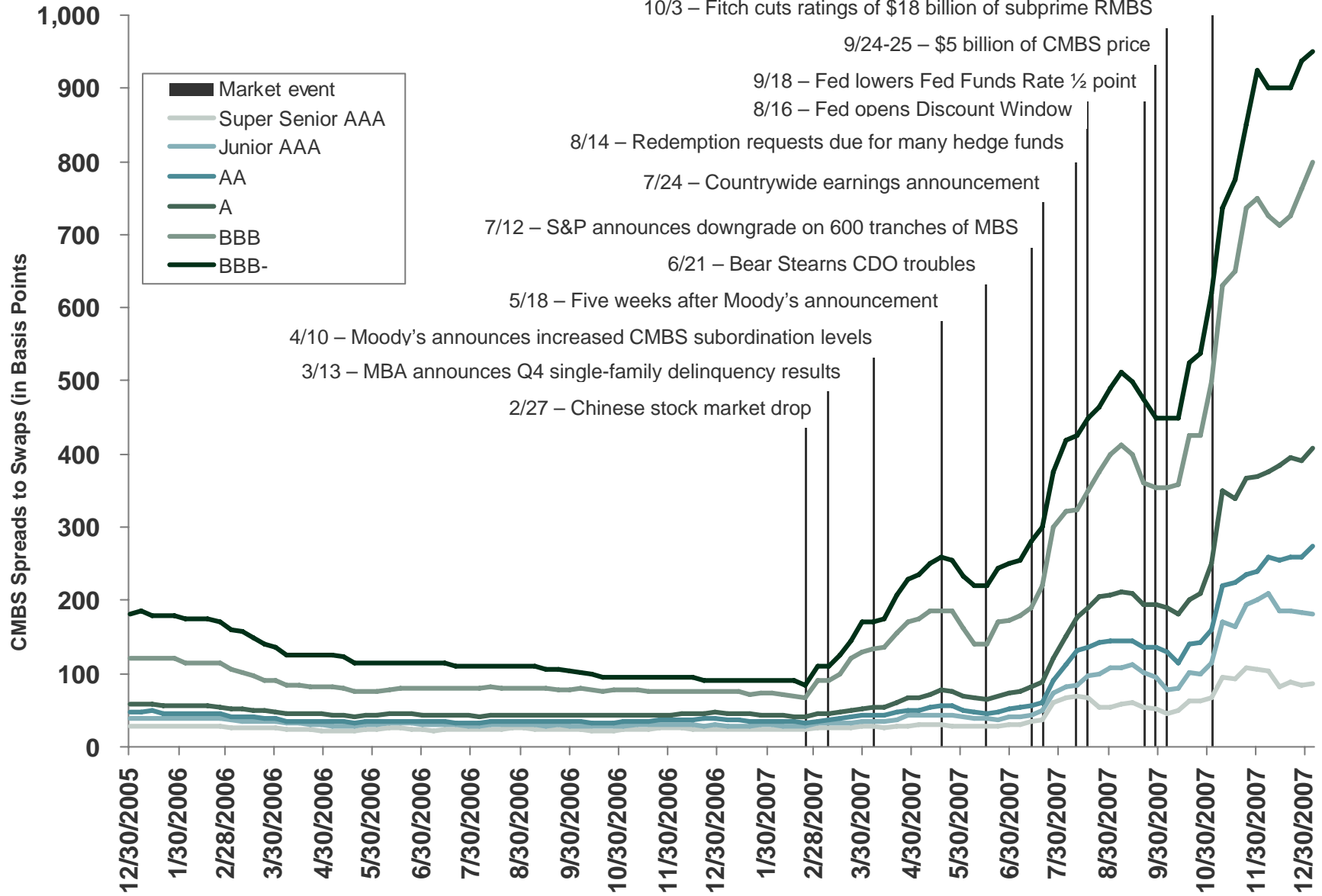


Source: FDIC

Commercial/Multifamily Specifics

BONDS

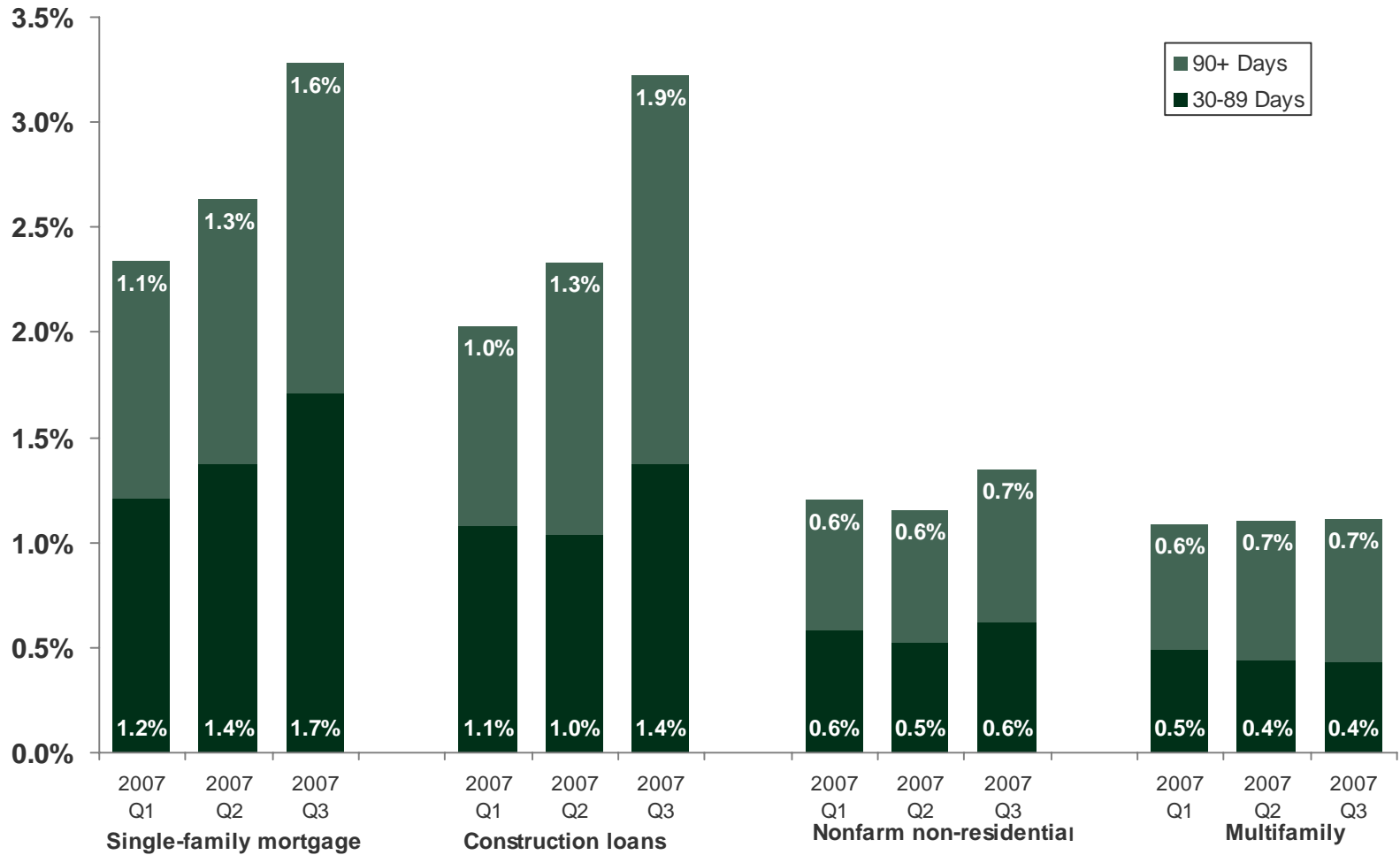
CMBS Pricing Changes Based on Changes in Single-family Market Conditions



Commercial/Multifamily Loans Performance Remains Strong While Single-family Performance Has Deteriorated

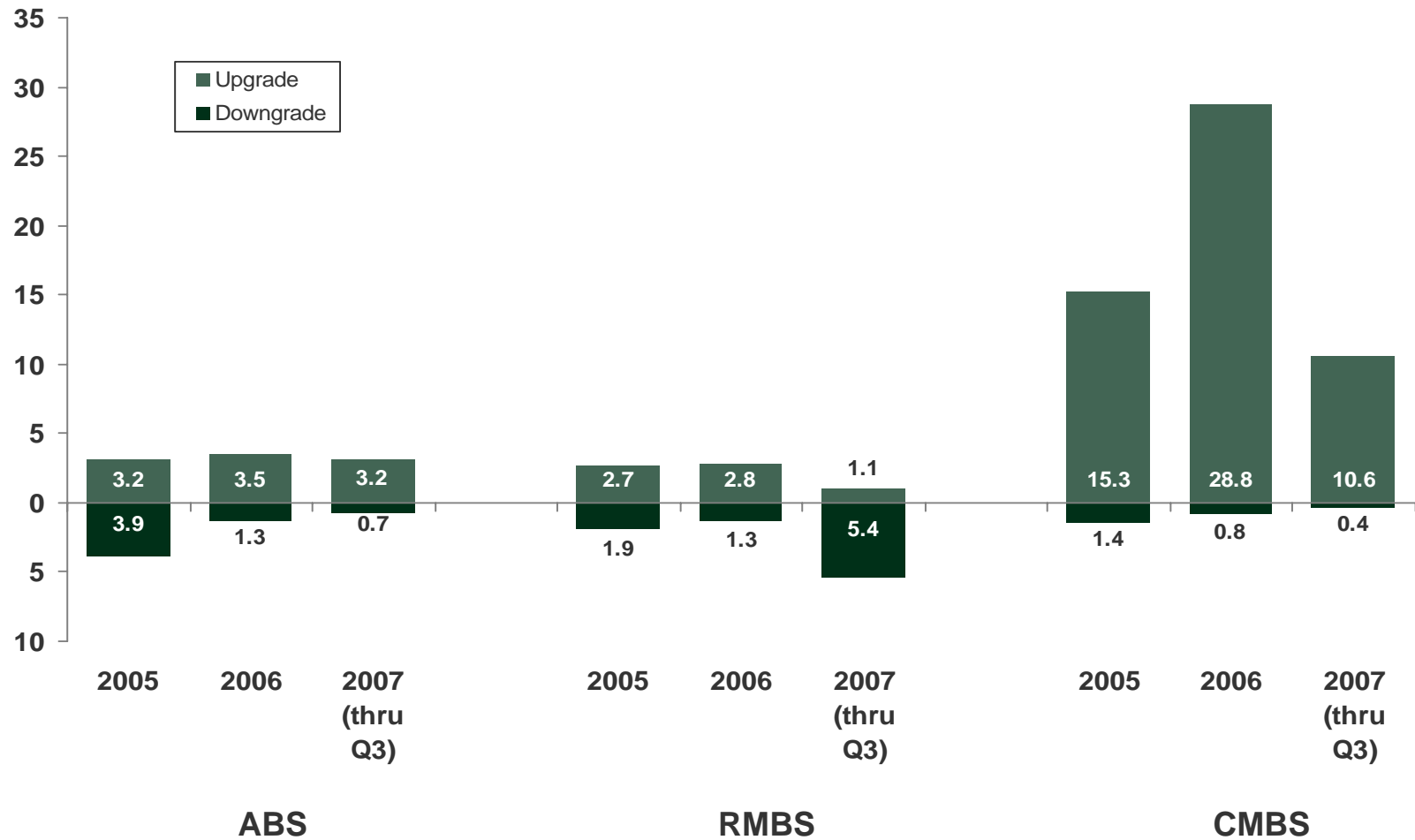


Delinquency Rates on Single-family, Construction, Commercial and Multifamily Loans in Commercial Bank Portfolios



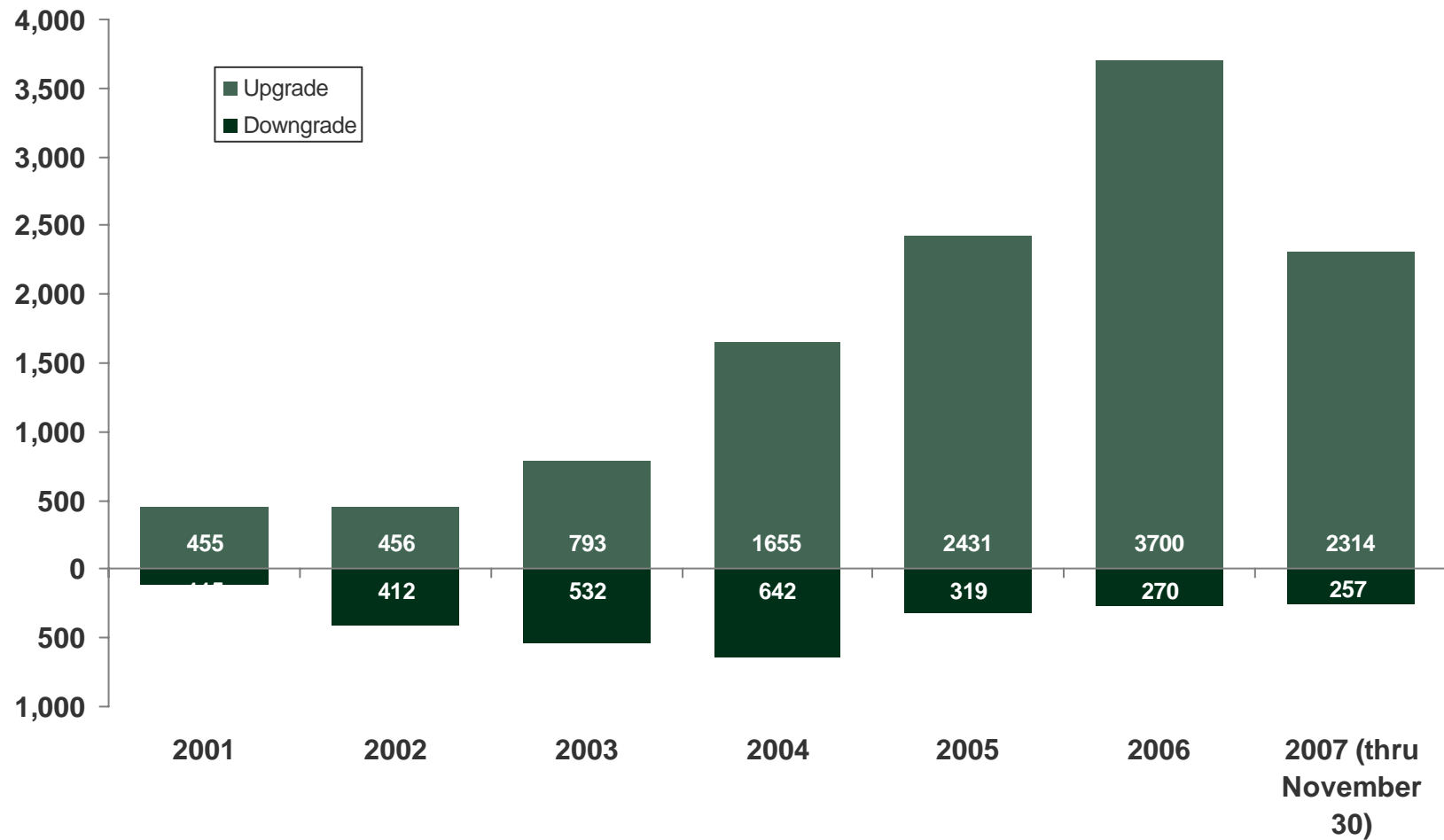
Commercial/Multifamily Bonds Upgraded While Single-family Bonds Downgraded

Percent of Total Tranches Outstanding Upgraded/Downgraded by Fitch Ratings, by Year of Action and Asset Type



Source: Fitch Ratings

Summary of CMBS Upgrades/Downgrades by Year of Action



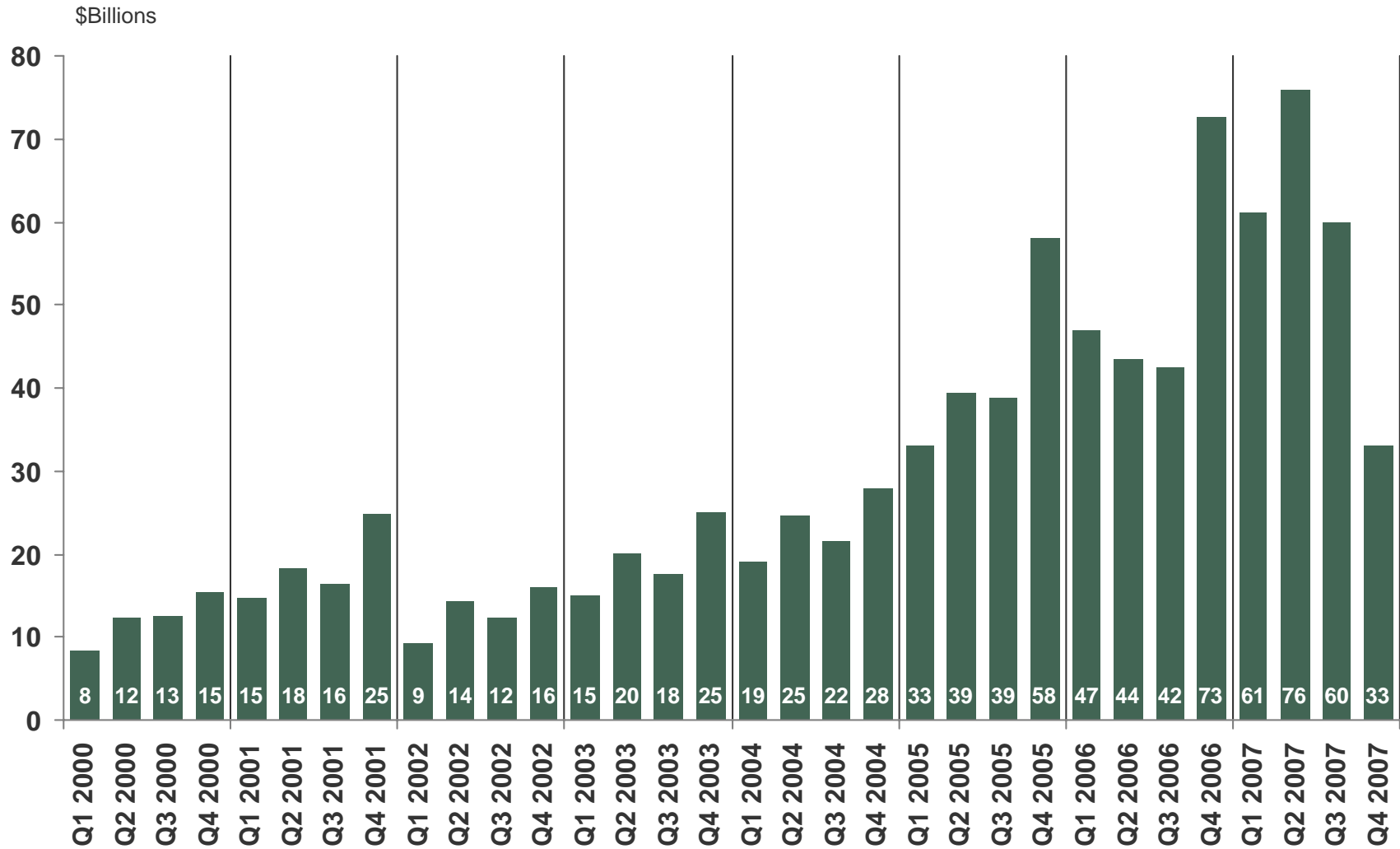
Source: Banc of America Securities

AAA CMBS Spreads



Source: Morgan Stanley

CMBS Issuance



Source: CMAAlert.com

2007 REIT Merger & Acquisition Activity

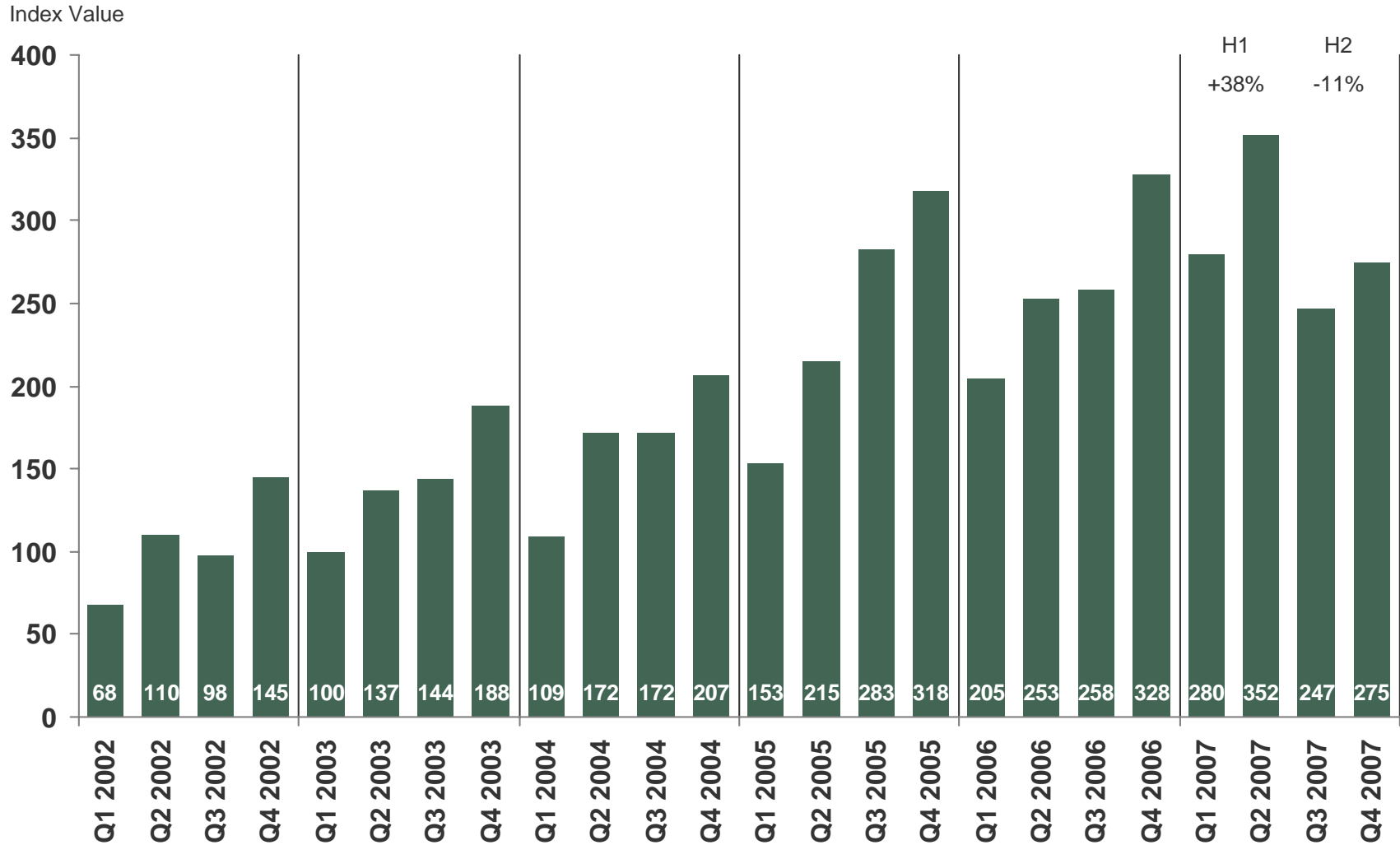


Date	Buyer	Seller	Price (\$M)	# of props	Main Type
Feb-07	Blackstone	Equity Office Properties Trust	\$39,000	539	Office
Nov-07	Blackstone	Hilton	\$26,000	263	Hotel
Oct-07	Tishman Speyer/Lehman/BofA	Archstone Smith	\$22,200	344	Apartment
Jan-07	SL Green/RexCorp/Marathon	Reckson Associates Realty	\$8,025	141	Office
Apr-07	Simon Property/ Farallon Capital	Mills Corporation	\$7,900	37	Retail
Apr-07	Ashford Hospitality/Morgan Stanley	CNL Hotels & Resorts	\$6,600	59	Hotel
Aug-07	Morgan Stanley	Crescent RE Equities	\$6,500	70	Office
Apr-07	Centro Properties Group	New Plan Excel	\$6,200	476	Retail
Aug-07	Macquarie Bank	Spirit Finance	\$3,500	1034	single tenant
Oct-07	Whitehall RE Fund	Equity Inns	\$2,200	138	Hotel
Jul-07	JER Partners	Highland Hospitality	\$2,000	27	Hotel
Dec-07	Behringer Harvard	IPC US REIT	\$1,400	35	Office
Jan-07	Lexington Realty Trust	Newkirk RealtyTrust, Inc	\$1,080	162	single tenant
Oct-07	Liberty Property Trust	Republic Property Trust	\$900	11	Office
May-07	ING Clarion Partners	Apple Hospitality	\$877	64	Hotel
Jul-07	Inland Real Estate Corp	Winston Hotels	\$850	47	Hotel
Feb-07	Babcock & Brown	BNP Residential Properties	\$833	32	Apartment
Jul-07	Apollo RE Advisors	Innkeepers USA Trust	\$800	75	Hotel
Aug-07	Apollo/Aimbridge/JF Capital	Eagle Hospitality Properties Trust	\$680	13	Hotel
Sep-07	Sentinel Real Estate	America First Apartment Investors	\$532	24	Apartment
Apr-07	Record Realty	Government Properties Trust	\$512	22	Office
	TOTAL		\$138,589		

Source: Real Capital Analytics

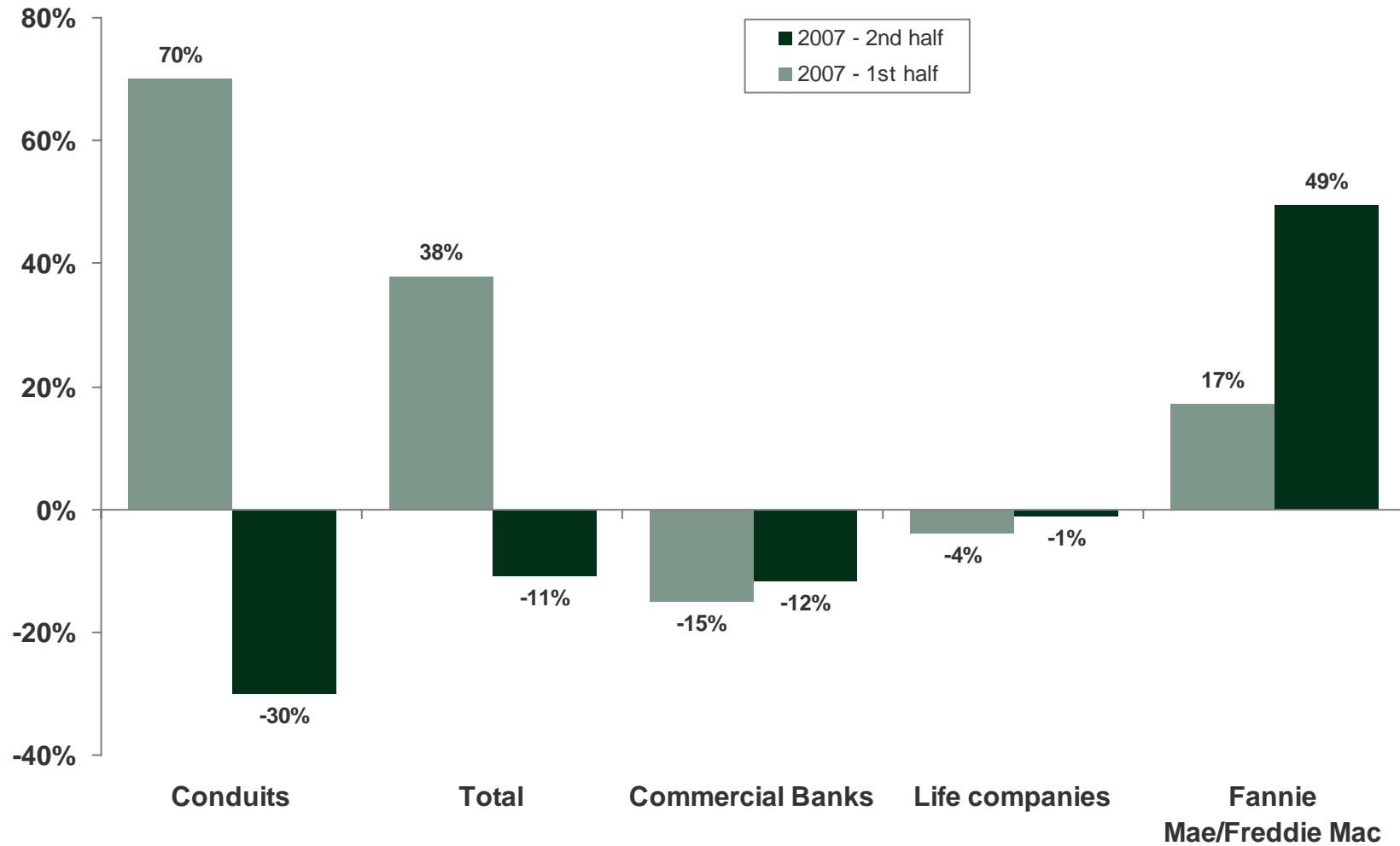
LOANS

Index of Commercial/Multifamily Mortgage Bankers Origination Volumes (2001 avg. Qrt = 1)



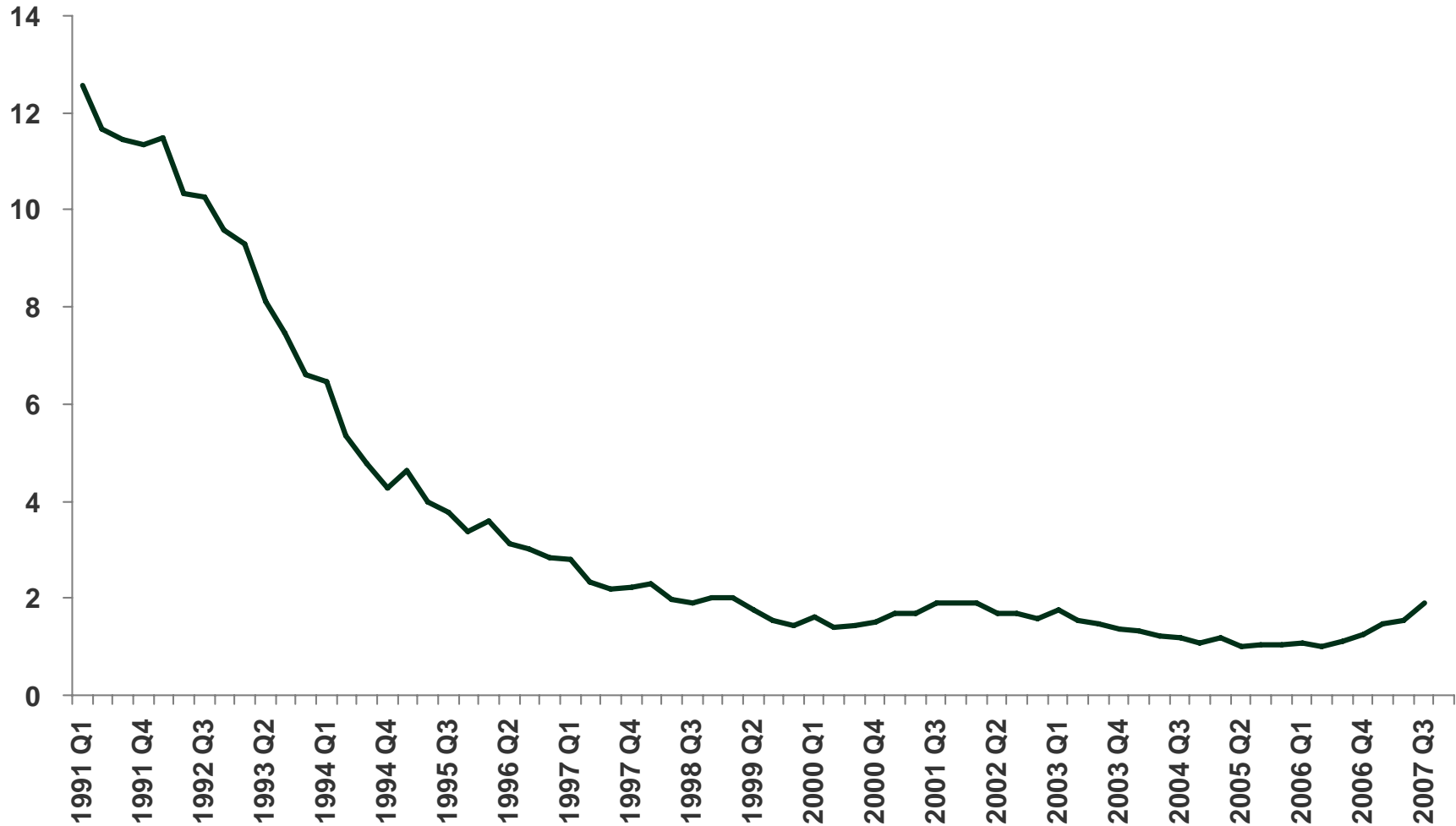
Source: Mortgage Bankers Association

Year-over-year Percent Change in Commercial/Multifamily Mortgage Origination Volumes



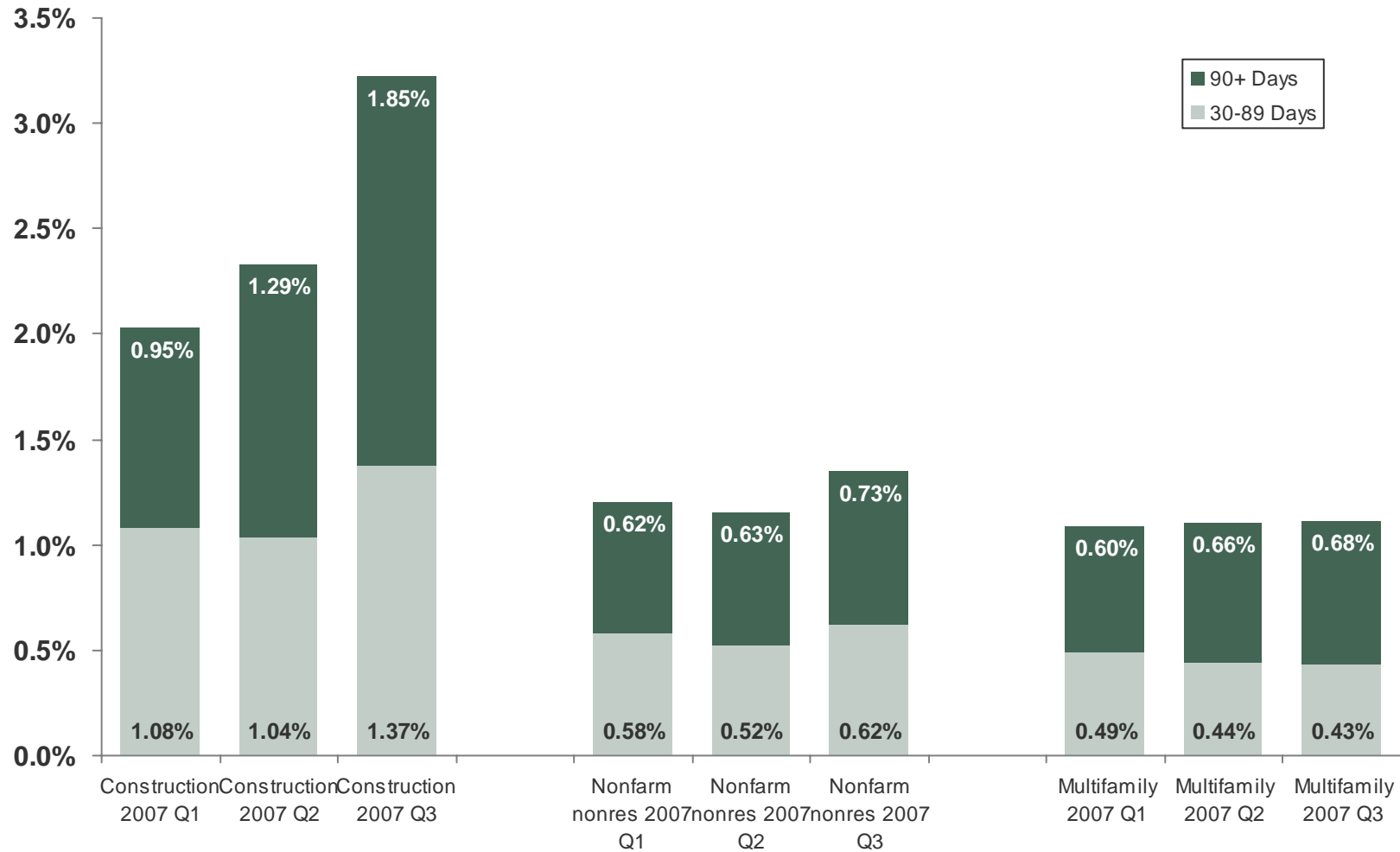
Source: MBA

Delinquency Rates on Construction, Commercial and Multifamily Loans in Commercial Bank Portfolios



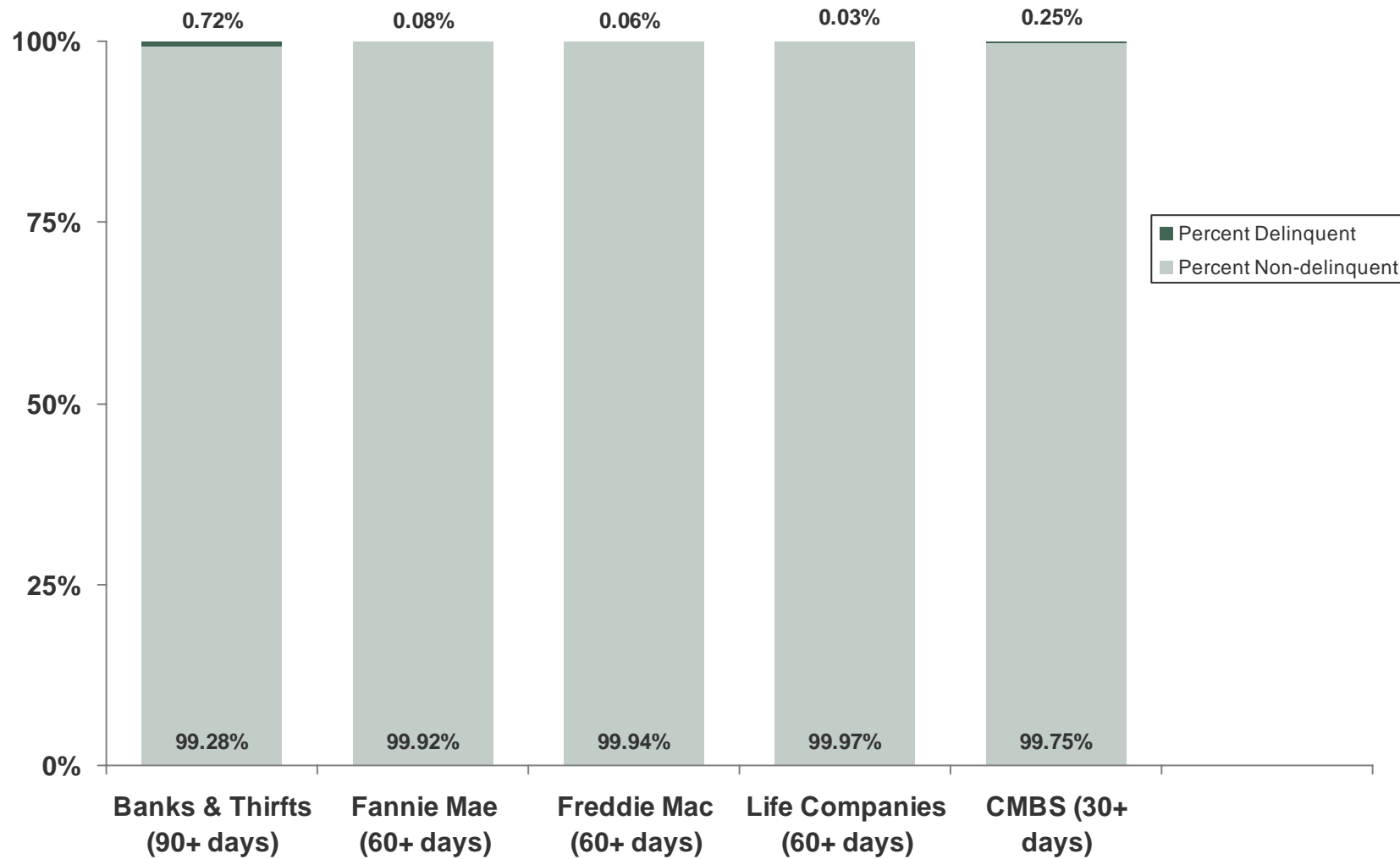
Source: Federal Reserve Board

Delinquency Rates on Construction, Commercial and Multifamily Loans in Commercial Bank Portfolios



Source: FDIC

Multifamily Delinquency Rates by Investor Group, September 30, 2007



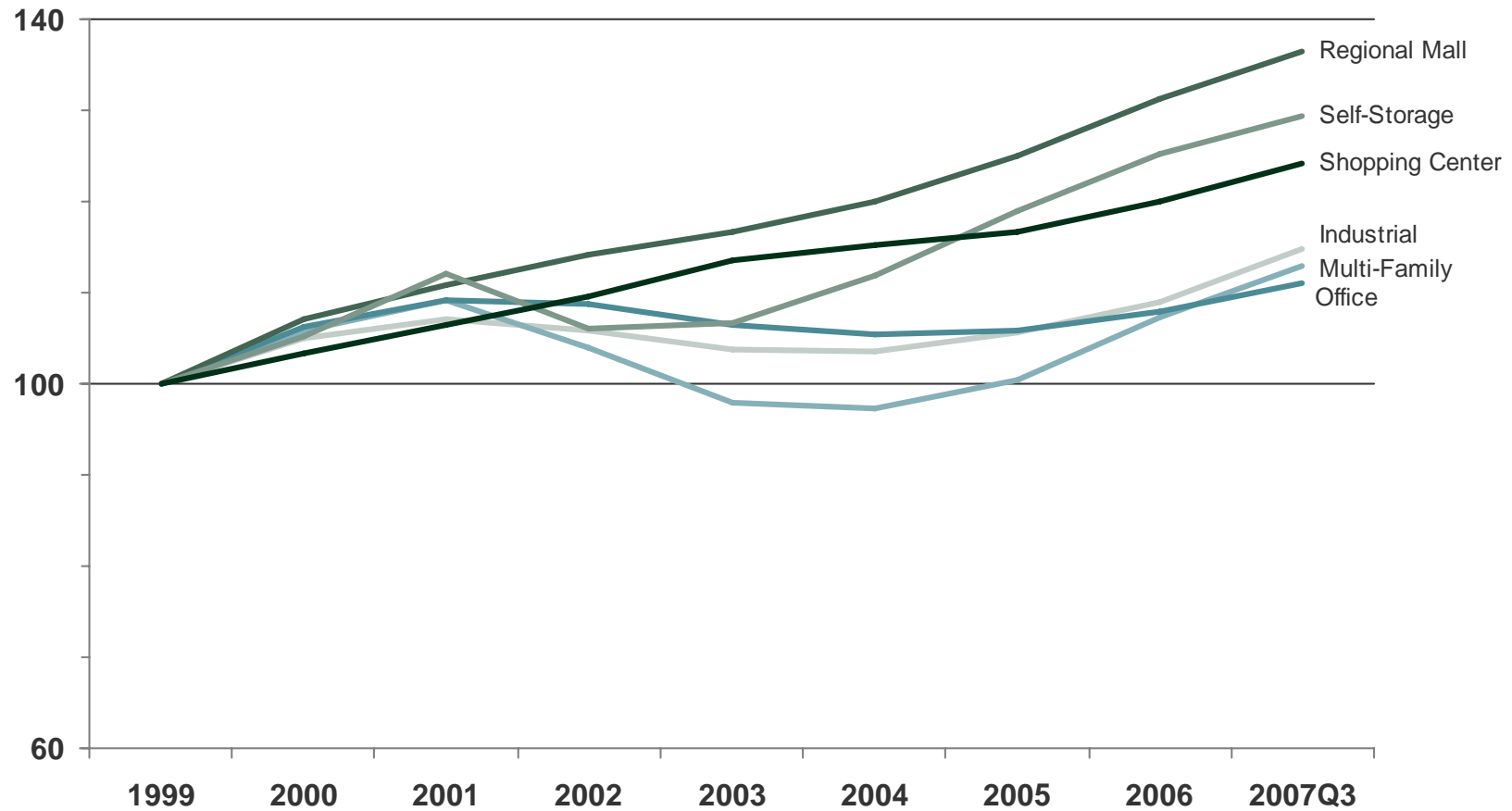
Source: Fannie Mae, Freddie Mac, ACLI, FDIC and Bank of America.

PROPERTIES

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

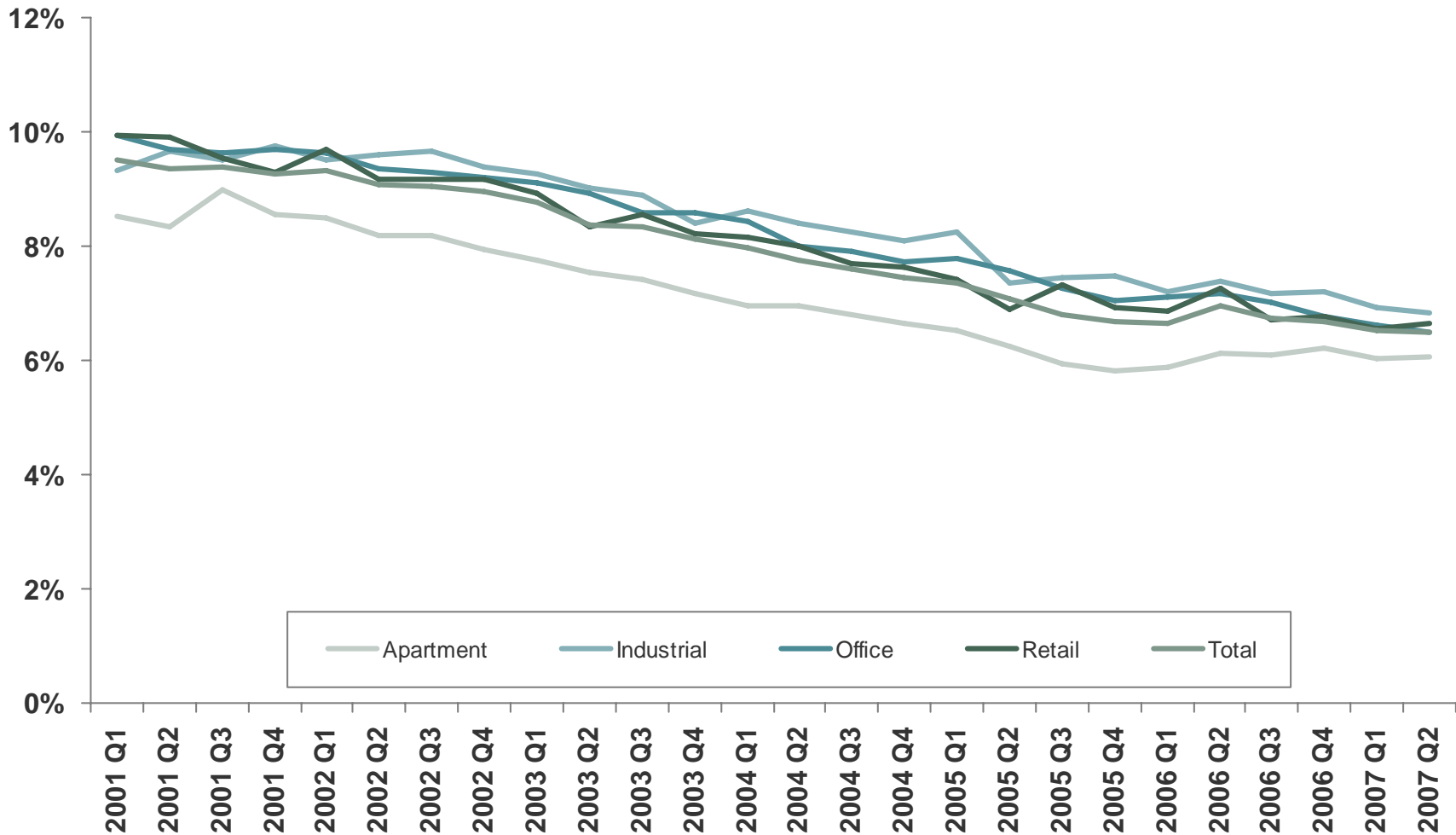


1999 NOI = 100



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

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



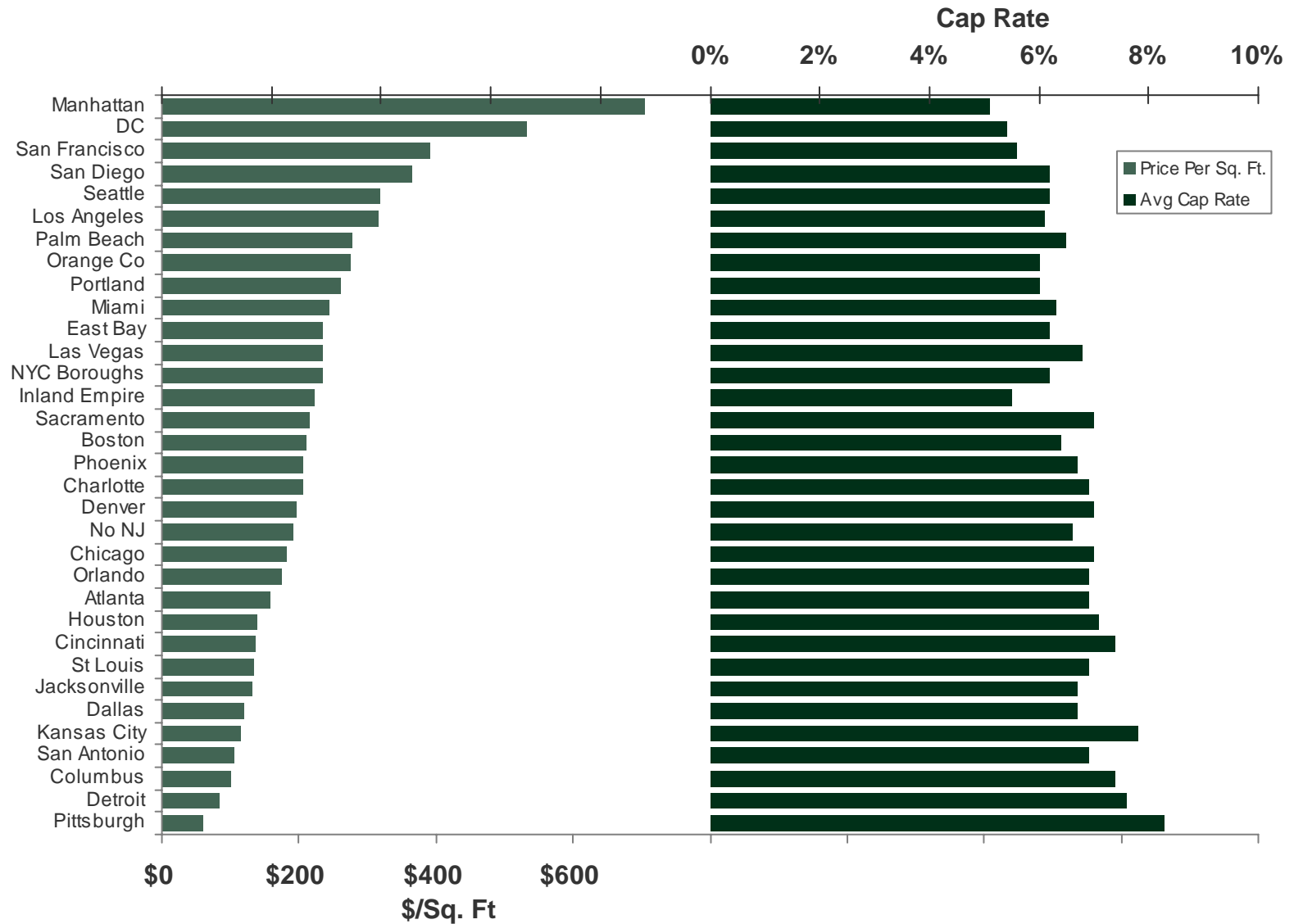
Source: Real Capital Analytics

Prices Rise Rapidly as Financing Costs Drop

Indexed prices of commercial & multifamily price per sq. ft/unit and OFHEO home price index (2002 Q1 = 100)



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

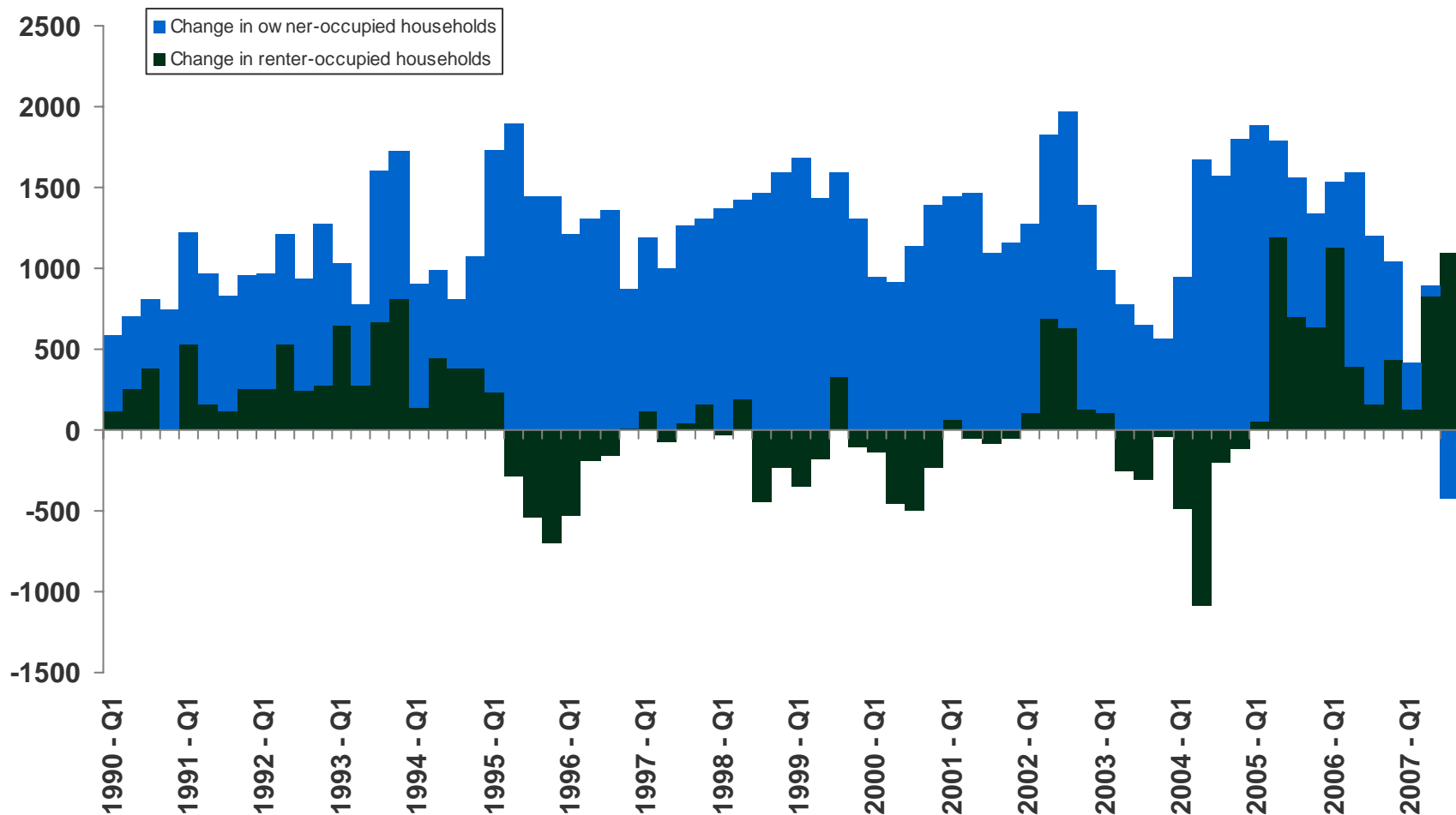


Office property transactions reported closed or in contract
 Properties \$5 mil. or more.
 Source: Real Capital Analytics

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

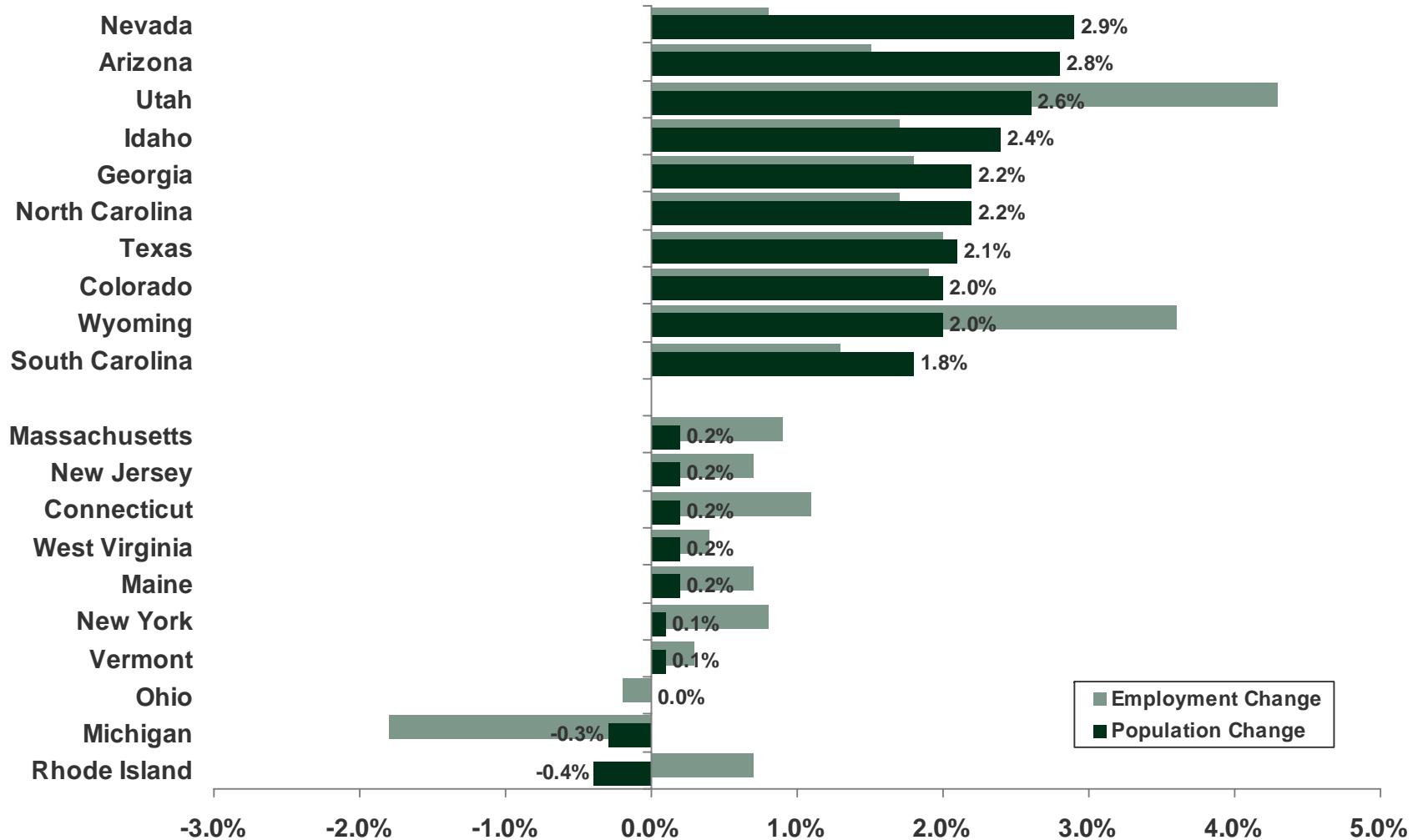


Thousands of households



Source: Census Bureau and MBA

Top-ten and Bottom-ten States in Terms of Percent Change in Population, July 2006 – July 2007 (With Employment Change Nov 2006 – Nov 2007)

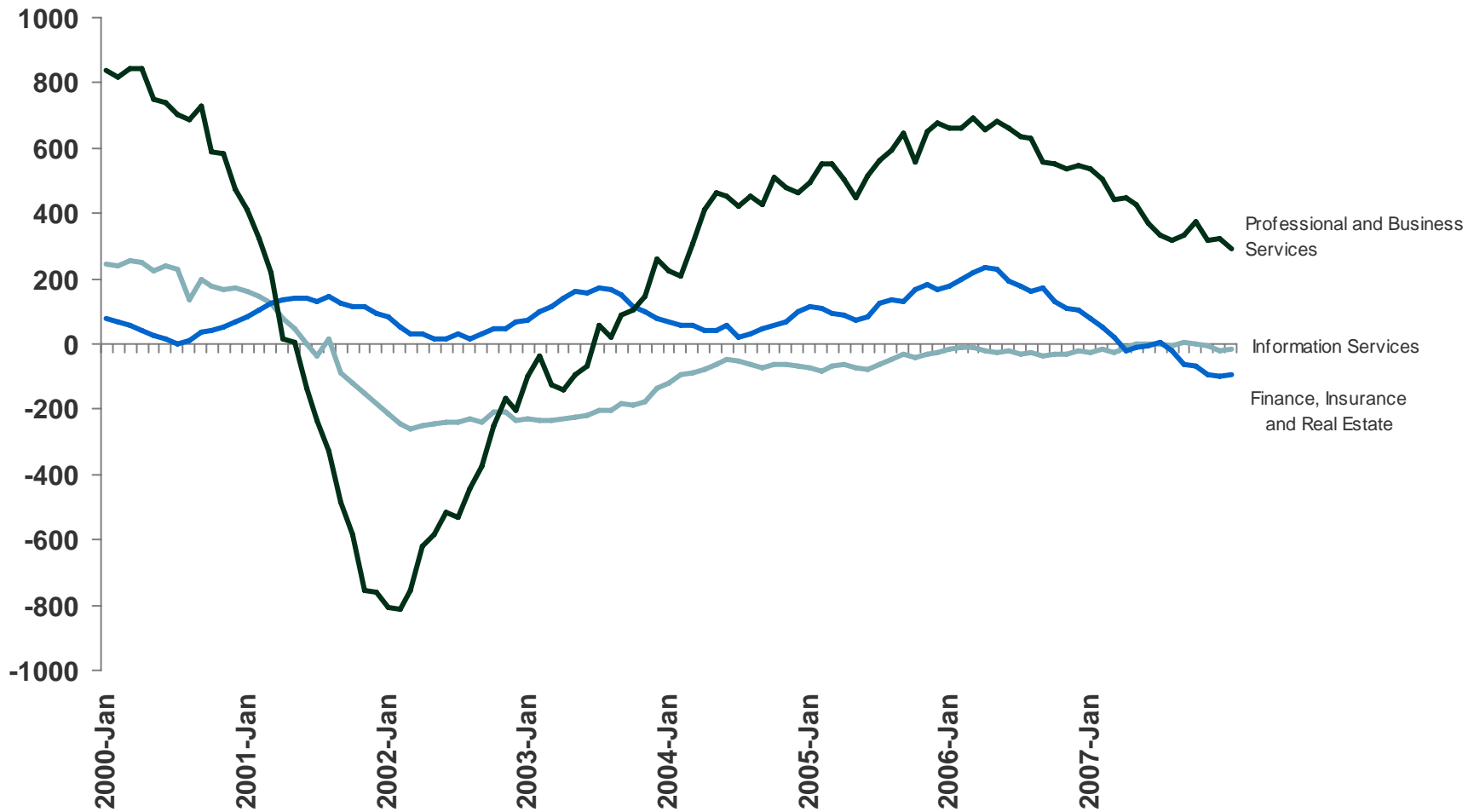


Source: Census Bureau and Bureau of Labor Statistics

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

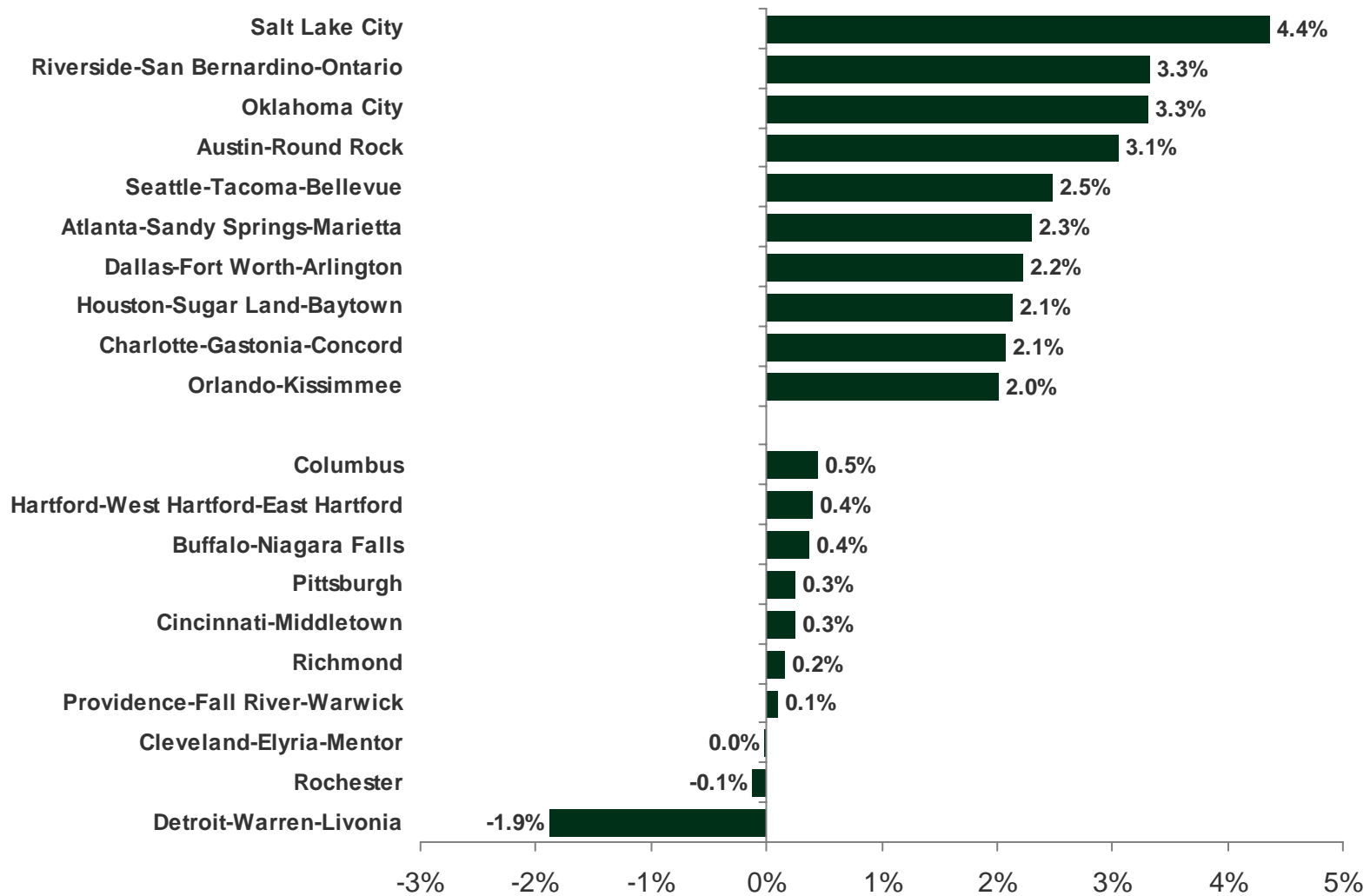


Thousands of jobs, Seasonally adjusted



Source: Bureau of Labor Statistics.

Top-ten and Bottom-ten Large Metro Areas in Terms of Percentage Growth in Non-farm Employees, Oct 2006 – Oct 2007

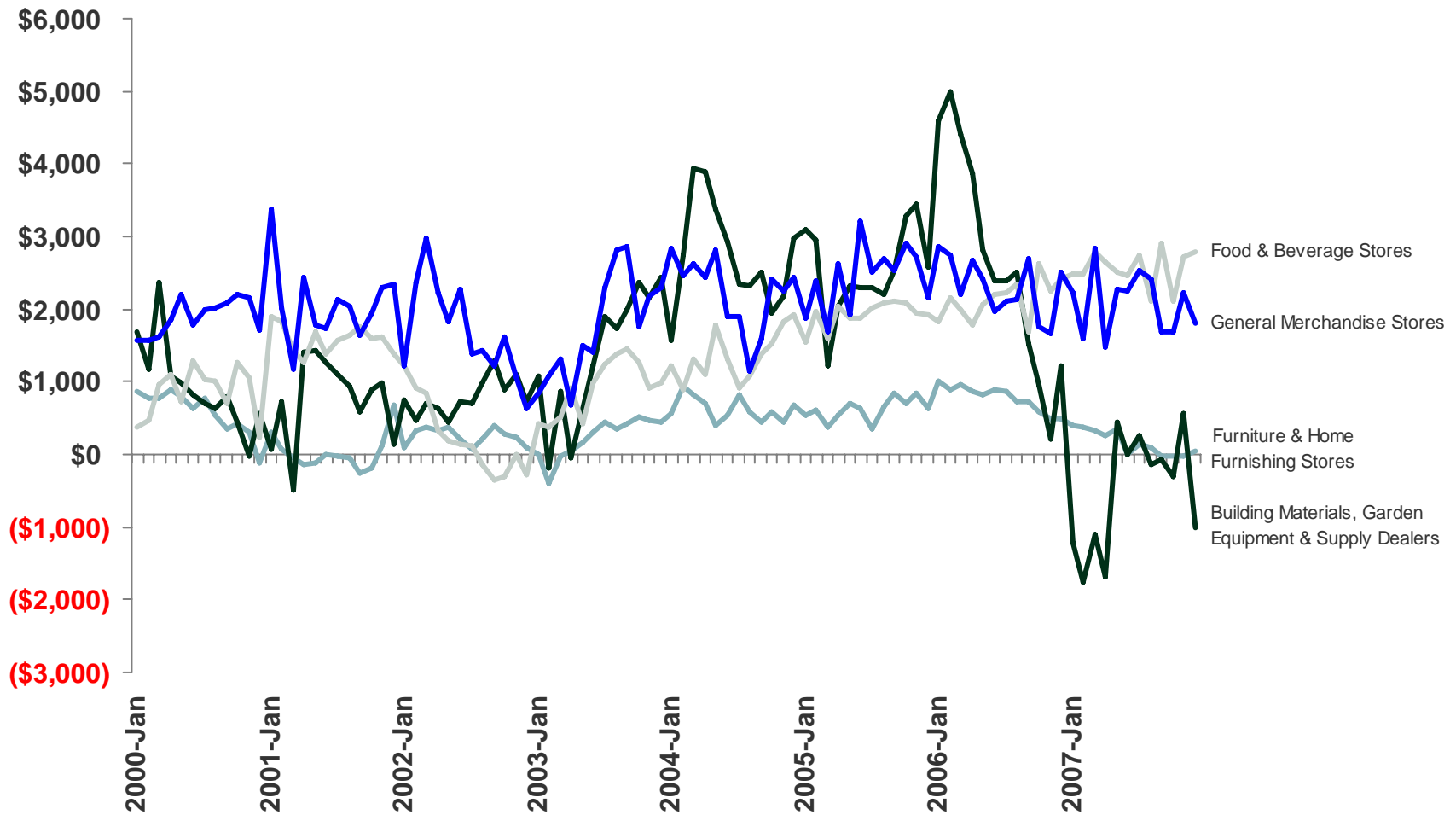


Source: Bureau of Labor Statistics

Year-over-year Change in Selected Retail Sales



\$Millions, Seasonally adjusted



Source: Census Bureau

Change in Same-store Sales, December 2007 vs December 2006



Discounters

Costco	+7.0%
Wal-Mart	+2.4%
Target	+0.6%
Family Dollar	-0.7%

Department

Neiman Marcus	+2.9%
Saks	+0.8%
Sear's	-3.5%
Nordstrom	-4.0%
Macy's	-7.9%
Kohl's	-11.4%

Electronics

Best Buy	+1.5%
Circuit City	-11.4%

Specialty

Aeropostale	+12.2%
Children's Place	+2.0%
Gap	-6.0%
Limited Brands	-8.0%
Chico's	-13.7%

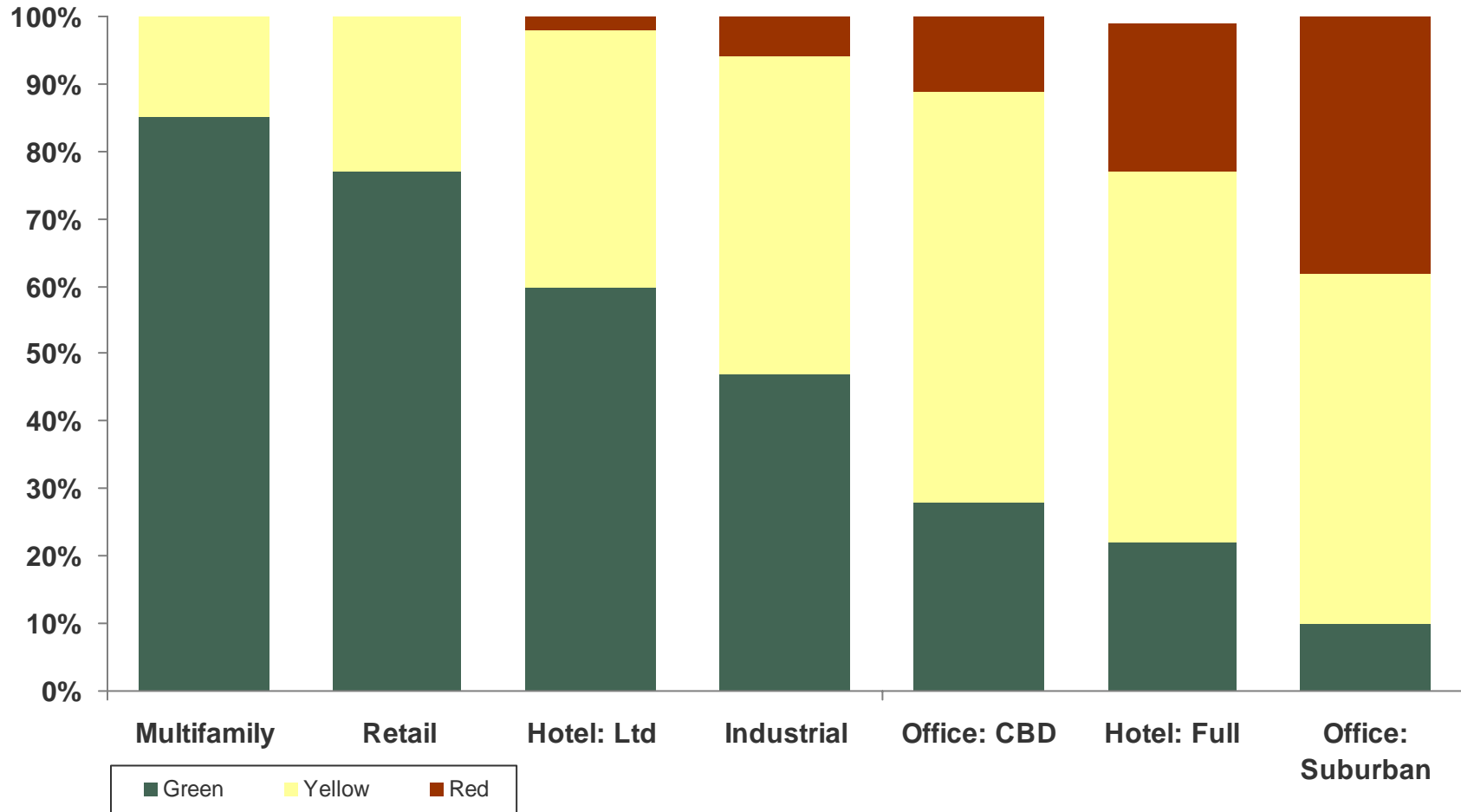
Source: CNBC and company reports.

NOTE: December 2006 included an extra week of post-Thanksgiving sales.

Percent of Markets Rated by Moody's Investor's Services As Red-Yellow-Green®, Q3 2007



Percent of
Markets



Source: Moody's Investor's Services

Looking Ahead

MBA Economic Forecast

January 14, 2008



	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Percent Change, Annual Rate</i>												
Real Gross Domestic Product	4.8	2.4	1.1	2.1	0.6	3.8	4.9	1.1	1.0	1.6	2.2	2.5
Personal Consumption Expenditures	4.4	2.4	2.8	3.9	3.7	1.4	2.8	2.9	1.3	1.6	1.9	2.1
Business Fixed Investment	13.3	4.2	5.1	-1.4	2.1	11.0	9.3	5.1	3.0	3.2	3.7	4.3
Residential Investment	-0.7	-11.7	-20.4	-17.2	-16.3	-11.8	-20.5	-27.1	-18.9	-11.6	-6.5	-0.1
Govt. Consumption & Investment	4.9	1.0	0.8	3.5	-0.5	4.1	3.8	4.8	1.5	1.7	1.9	1.8
Net Exports (Bil. Chain 2000\$)	-640	-627	-634	-597	-612	-574	-533	-535	-528	-525	-516	-512
Inventory Investment (Bil. Chain 2000\$)	38	51	54	17	0	6	31	5	9	13	16	19
GDP Deflator	3.4	3.5	2.4	1.7	4.2	2.6	1.0	2.5	2.8	2.4	2.2	2.5
Consumer Prices	1.9	5.0	3.1	-2.1	3.8	6.0	1.9	4.2	3.4	2.5	2.1	2.8
<i>Percent</i>												
Unemployment Rate	4.7	4.7	4.7	4.5	4.5	4.5	4.7	4.7	4.9	5.0	5.0	5.1
Federal Funds Rate	4.5	4.9	5.3	5.2	5.3	5.3	5.1	4.5	3.9	3.8	3.8	3.8
10-Year Treasury Bond Rate	4.6	5.1	4.9	4.6	4.7	4.8	4.7	4.3	4.2	4.2	4.3	4.4

Contact Information & MBA Resources



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Research Institute for Housing America:

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Home Loan Learning Center:

<http://www.homeloanlearningcenter.com>

MBA Newslink:

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