

MBA's COMMERCIAL/MULTIFAMILY
Servicing and Technology
CONFERENCE 2009

Welcome to the Stress Test
Industry Headlines versus Reality

Jamie Woodwell
Vice President, Commercial Real Estate Research
Mortgage Bankers Association

January 2007 – The Perfect Calm

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January 2008 – A Detour to Disequilibrium

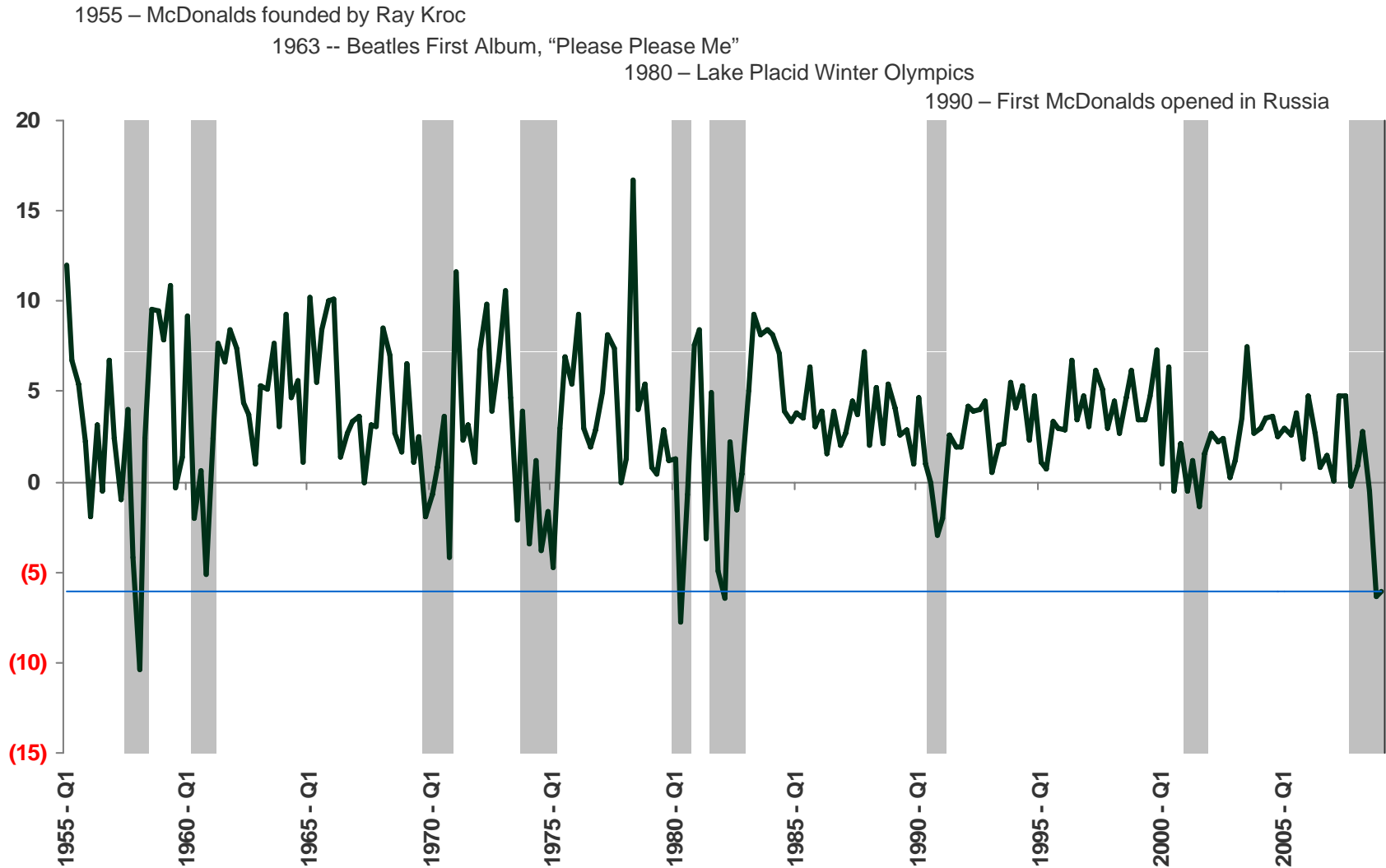
January 2007 – The Perfect Calm

January 2008 – A Detour to Disequilibrium

January 2009 – Welcome to The Stress Test

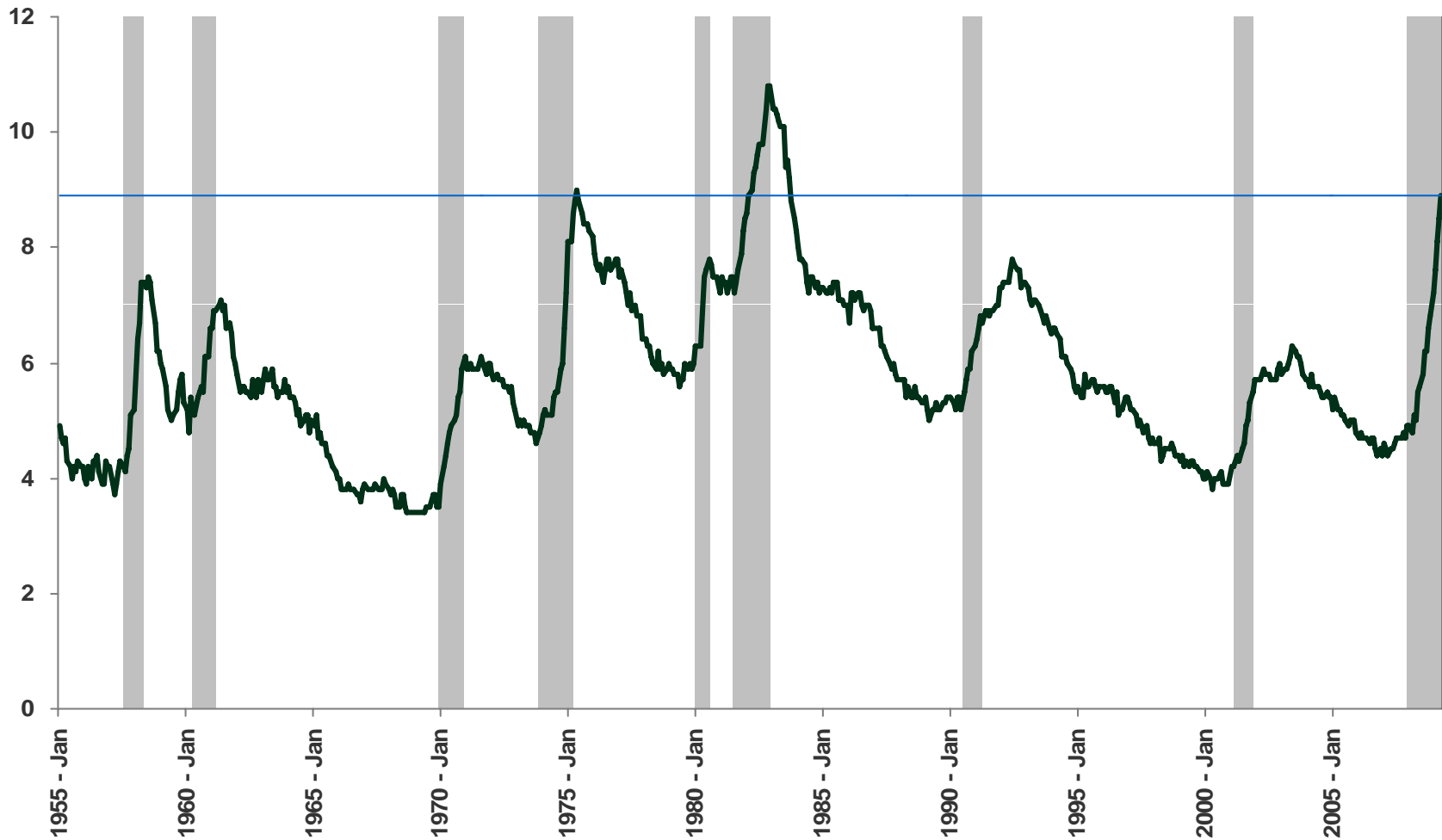
The Economy

Quarterly Percent Change in GDP, at an Annual Rate (%, seasonally adjusted annual rate)



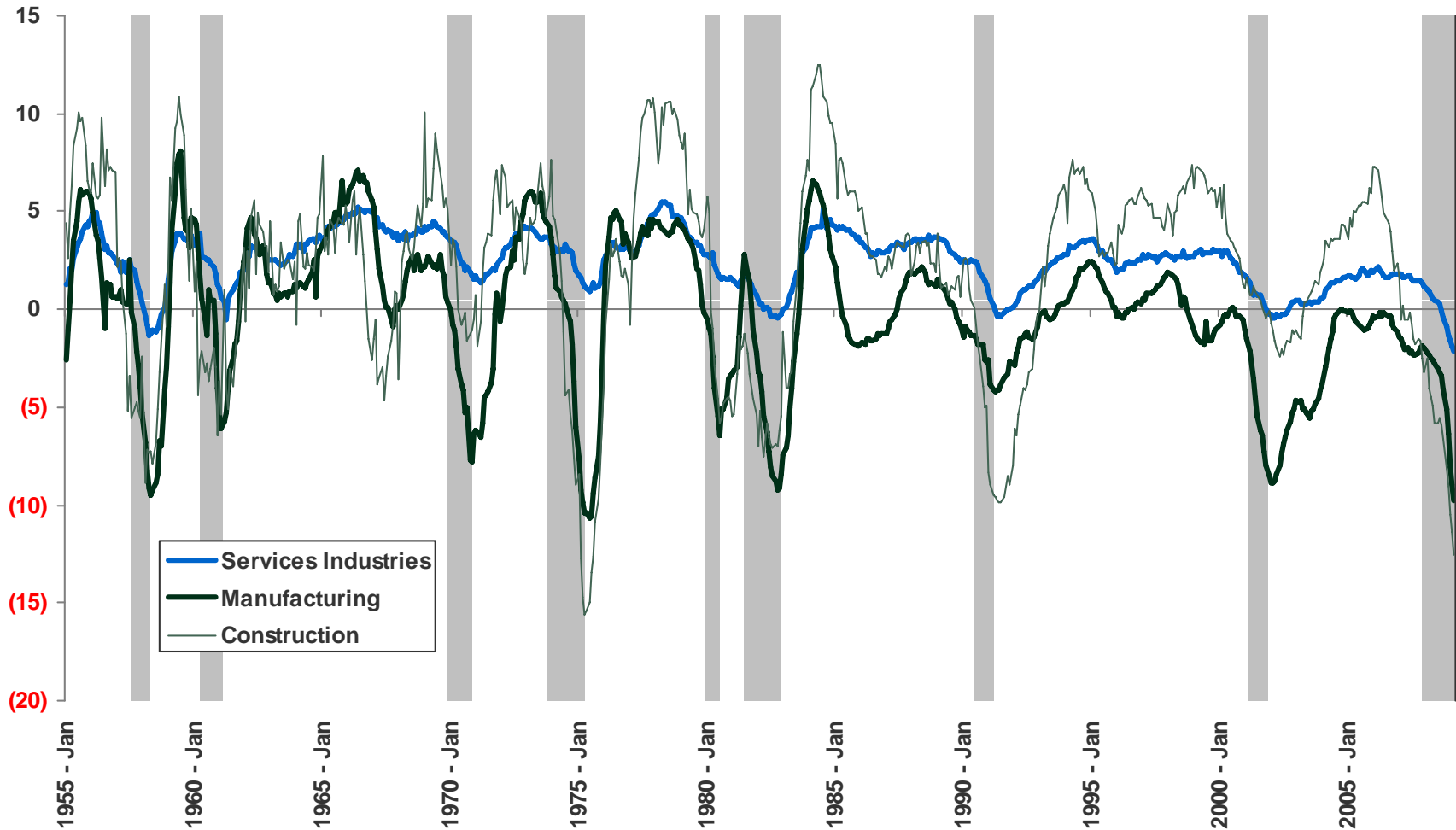
Source: Bureau of Economic Analysis

Unemployment Rate (%, Seasonally-adjusted)



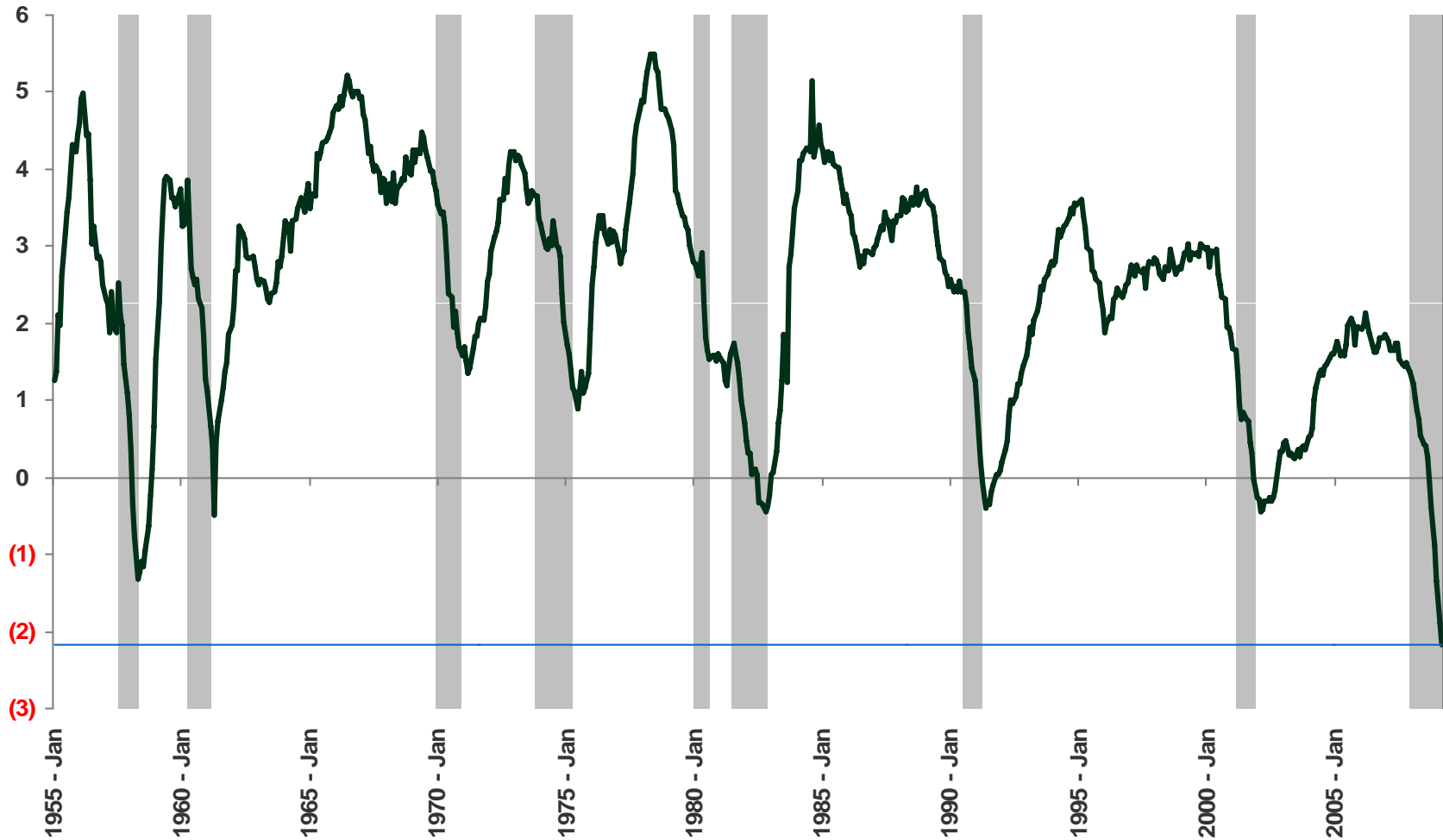
Source: Bureau of Labor Statistics

Year-over-year Percent Change in Services Employment (%)



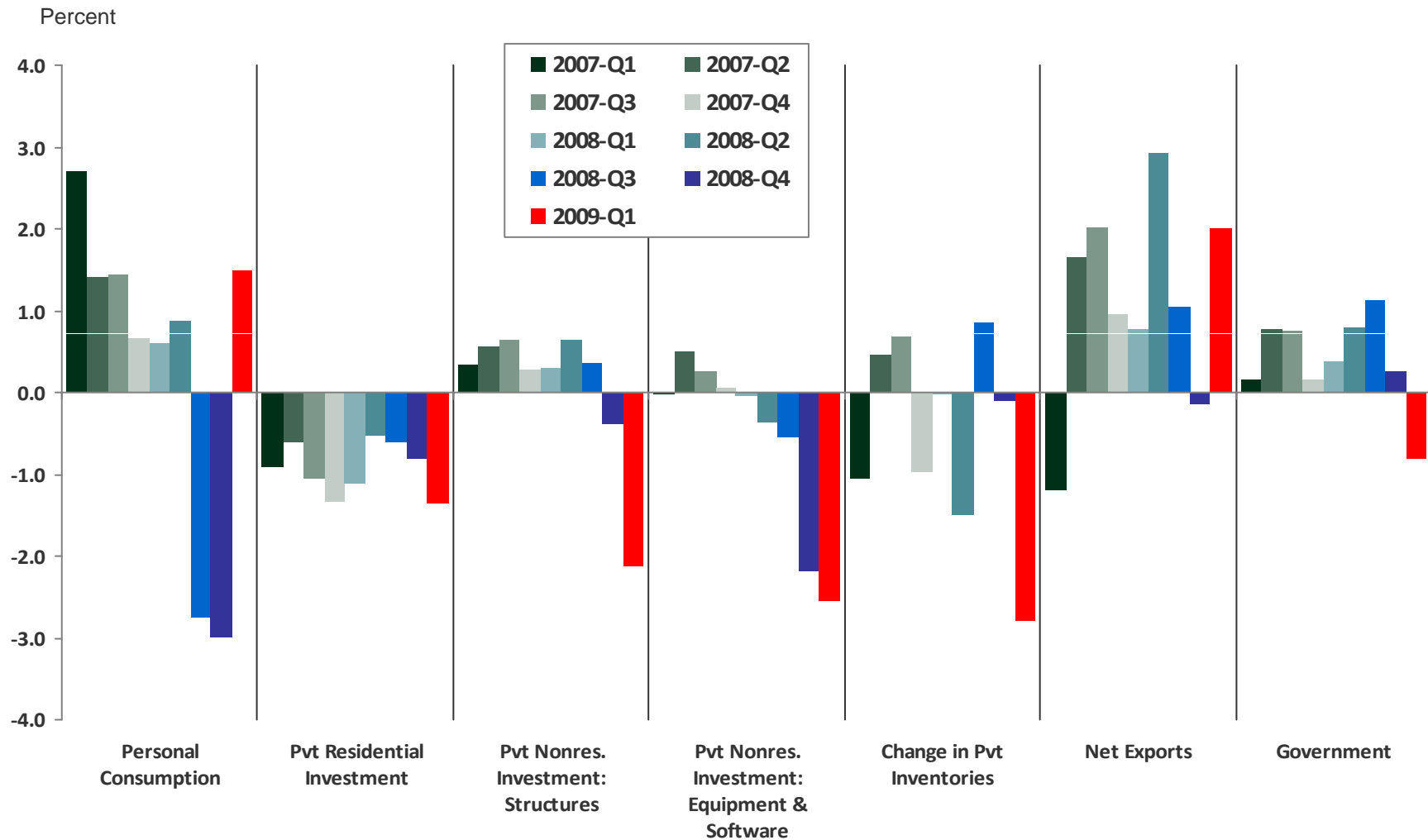
Source: Bureau of Labor Statistics

Year-over-year Percent Change in Services Employment (%)



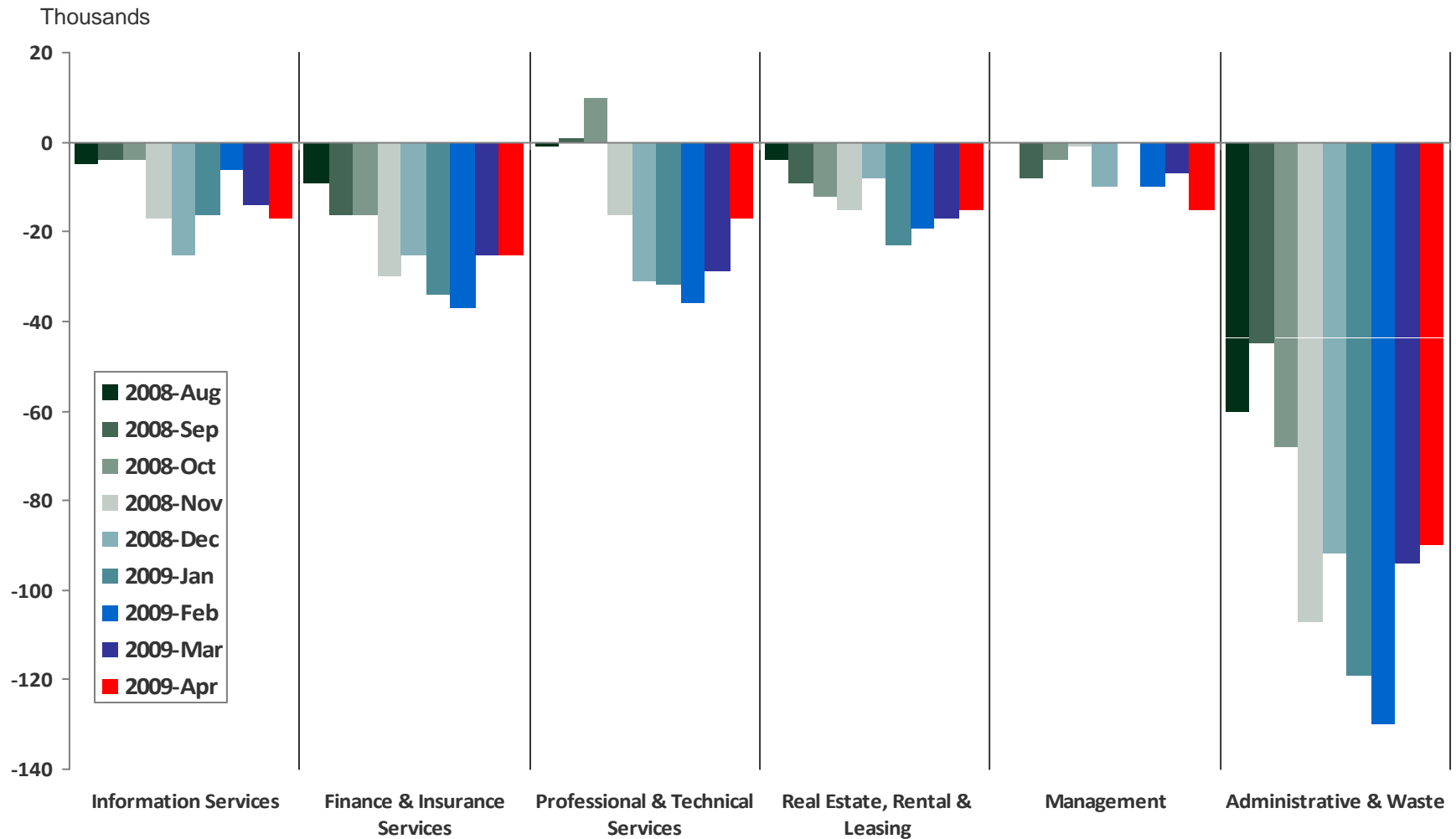
Source: Bureau of Labor Statistics

Contributions to Percent Change in Real GDP, Quarterly figures at a seasonally-adjusted annual rate



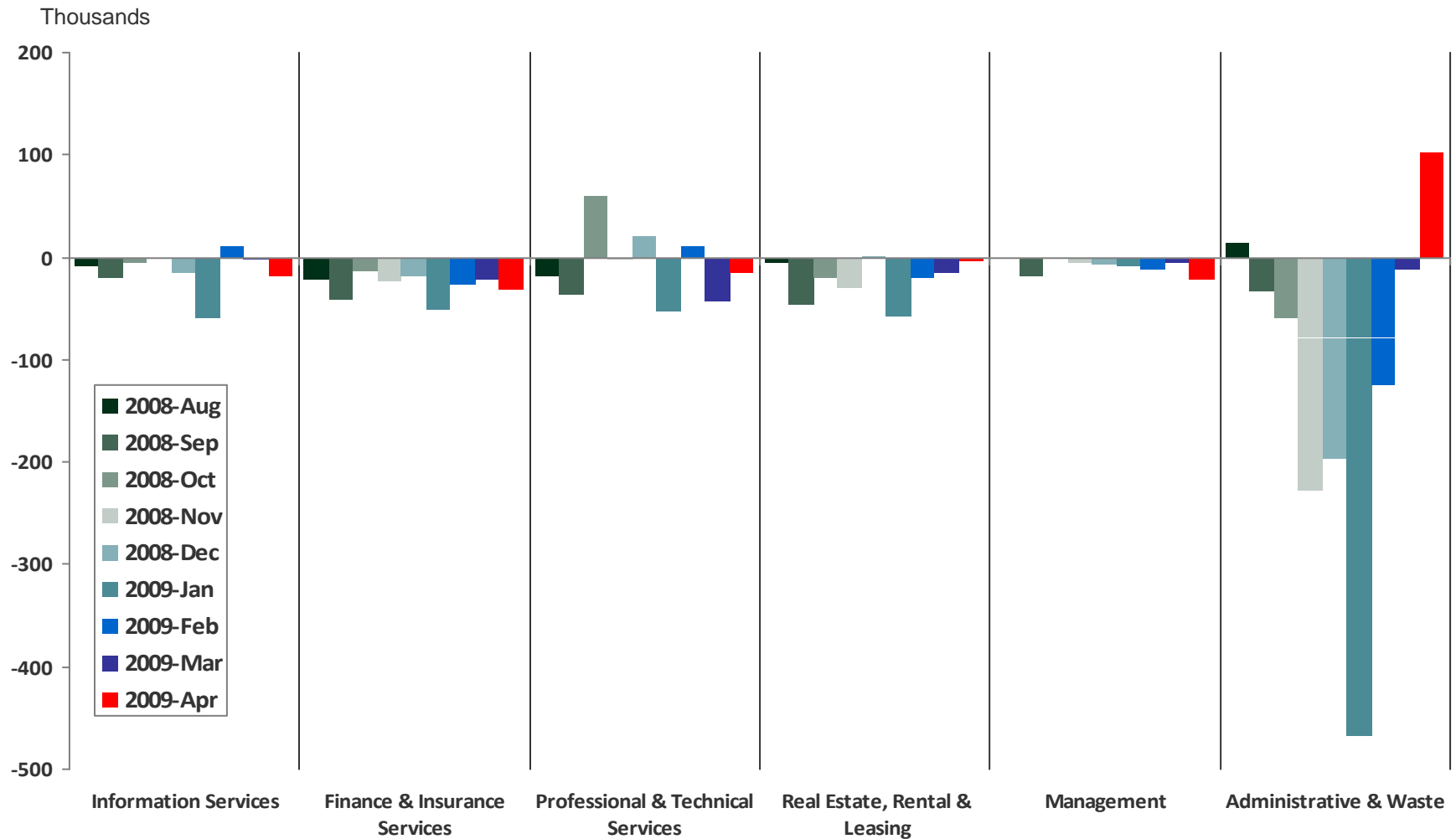
Source: Bureau of Economic Analysis

Month-over-Month Change in Office-Demanding Jobs (Seasonally Adjusted)



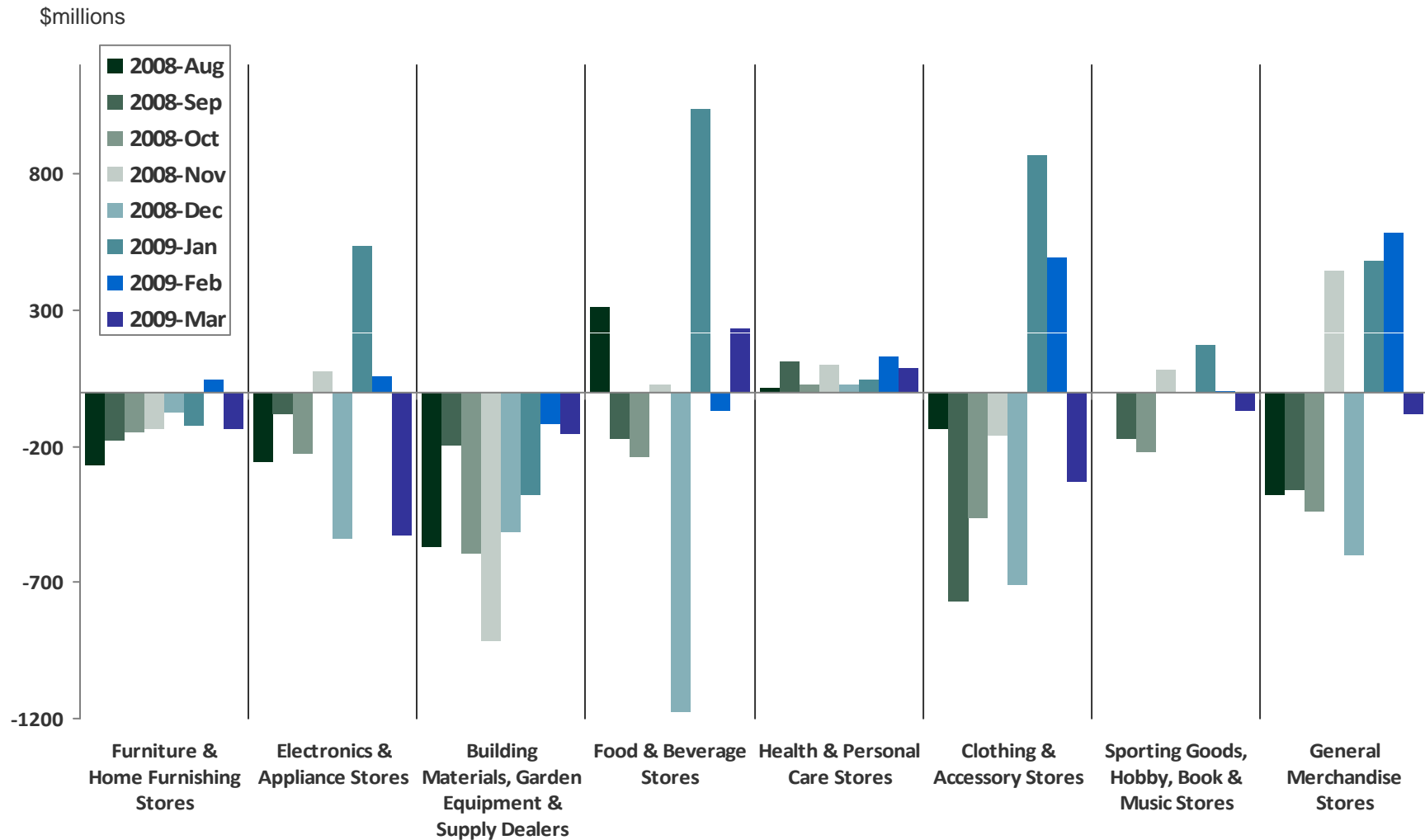
Source: Census Bureau

Month-over-Month Change in Office-Demanding Jobs (Not Seasonally Adjusted)



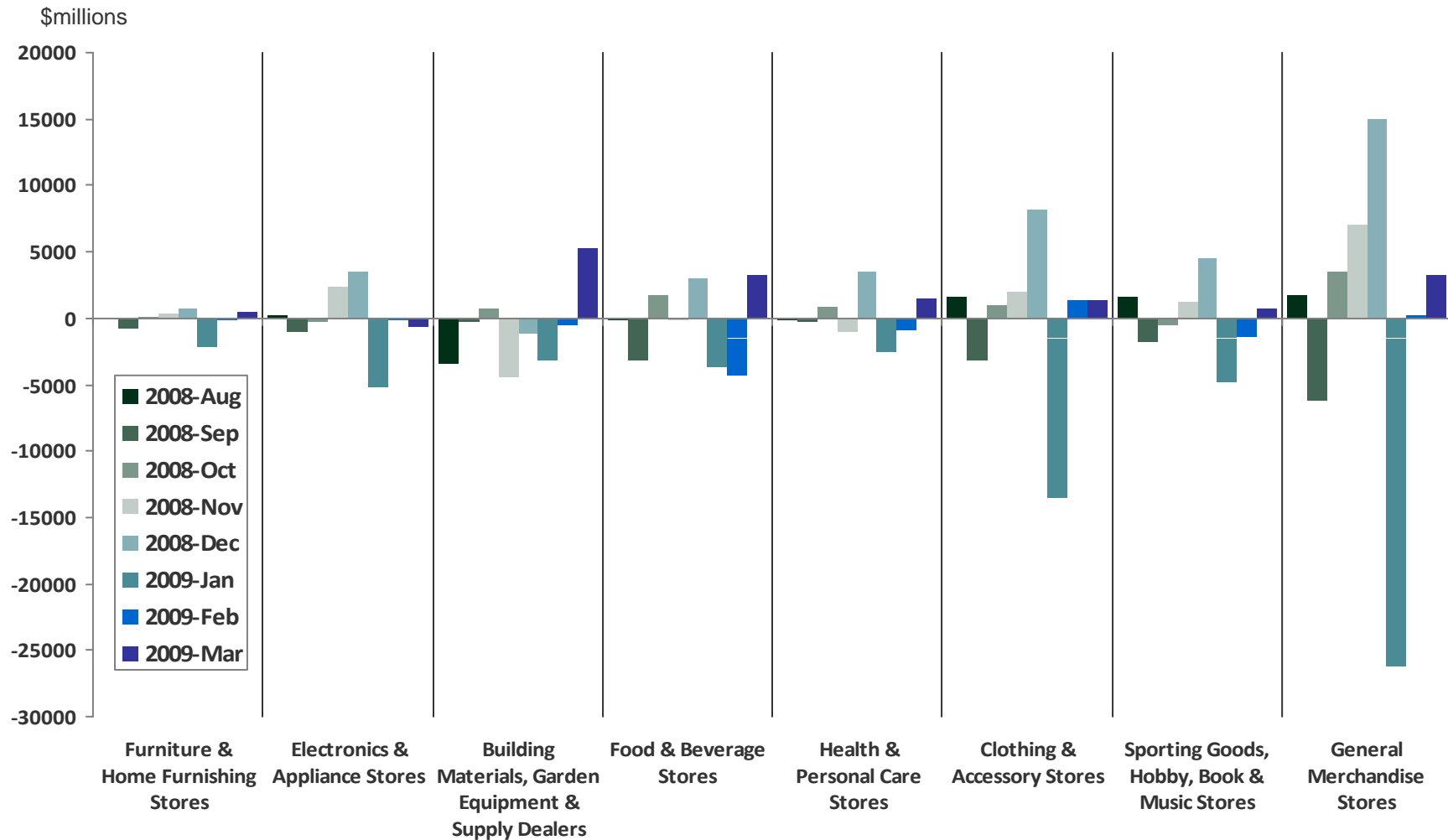
Source: Census Bureau

Month-over-Month Change in Selected Retail Sales (Seasonally Adjusted)



Source: Census Bureau

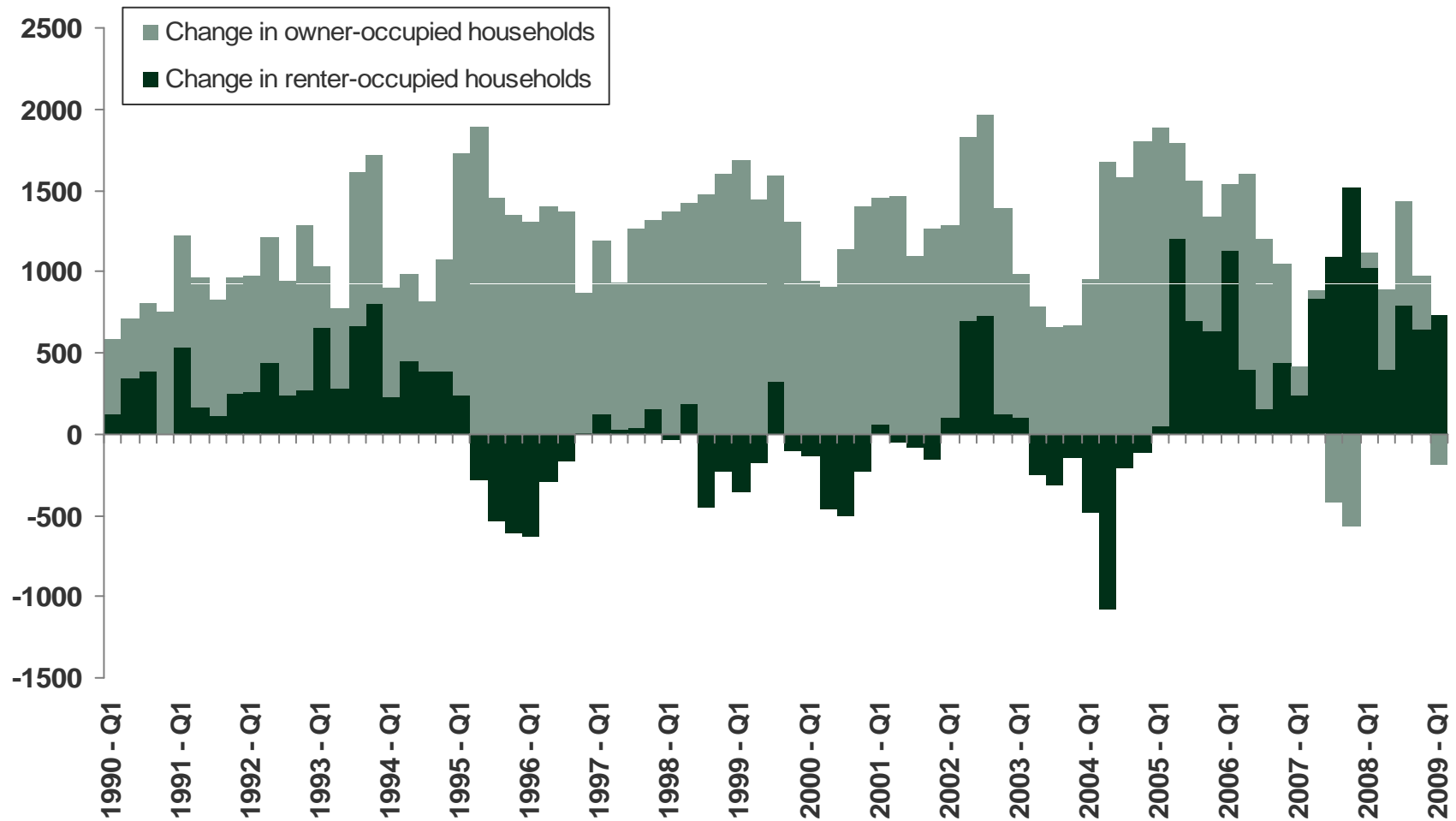
Month-over-Month Change in Selected Retail Sales (Not Seasonally Adjusted)



Source: Census Bureau

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

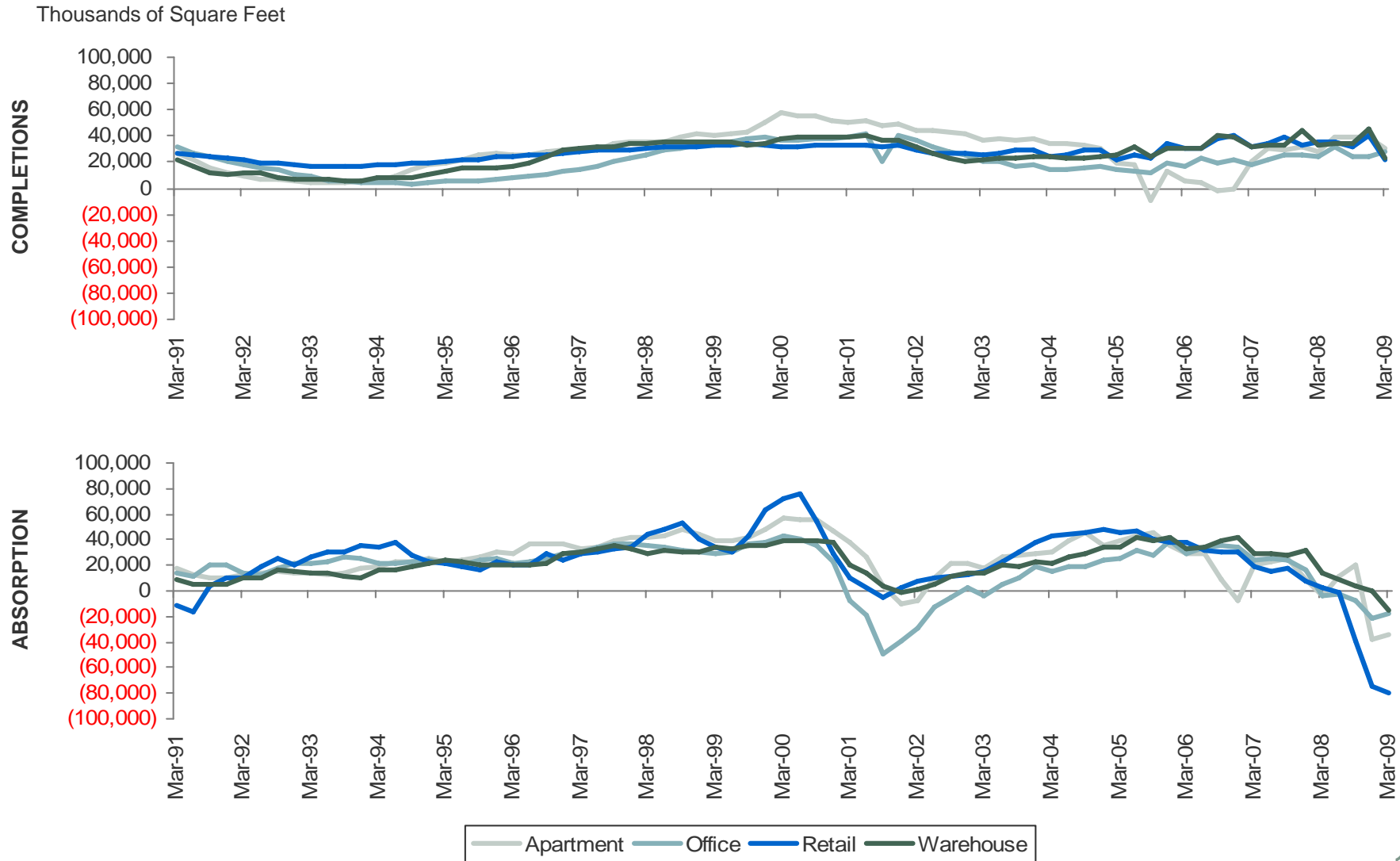
Thousands of households



Source: Census Bureau and MBA

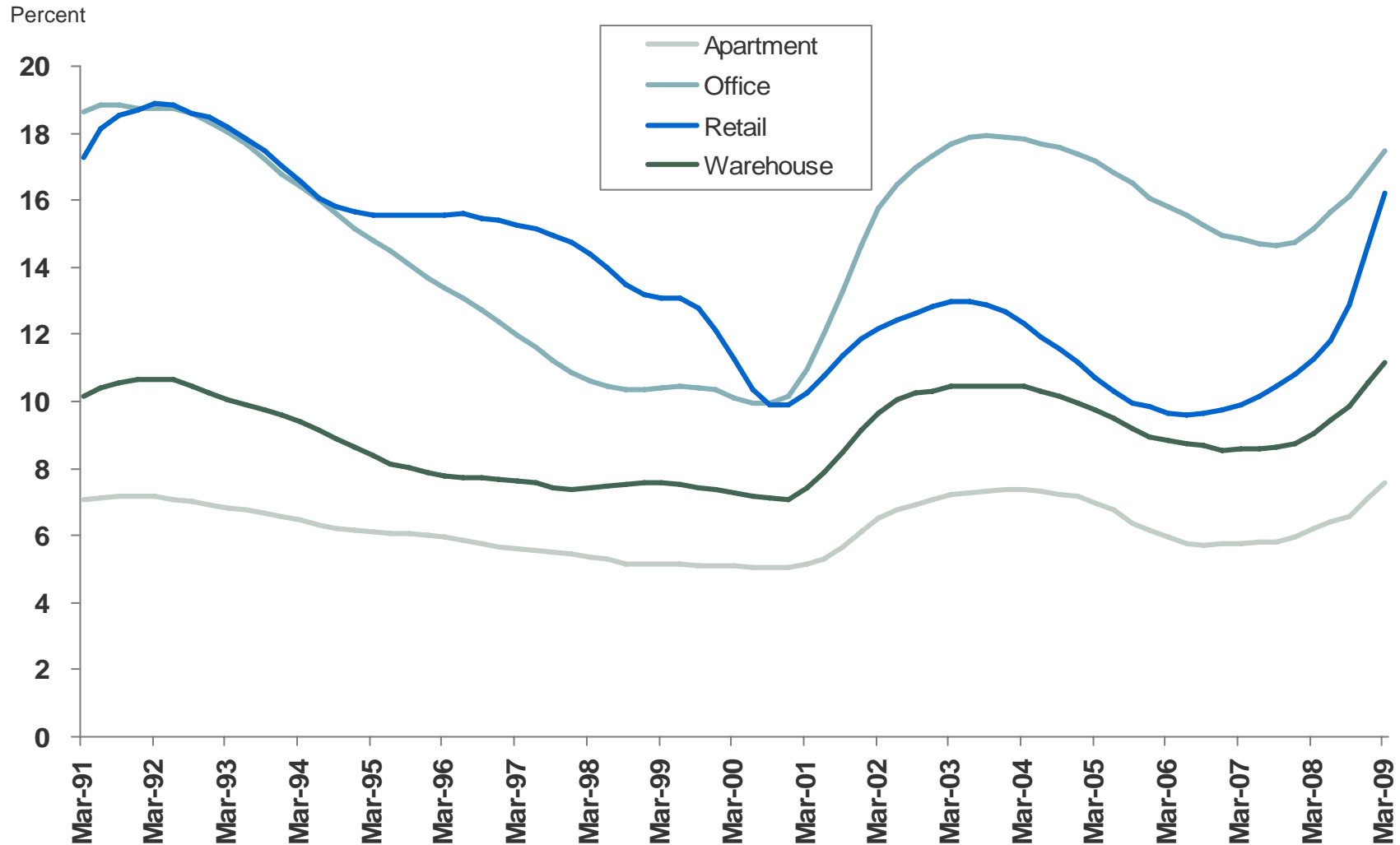
Welcome to the Stress Test: Property Performance

Completions And Absorption, by Property Type by Quarter



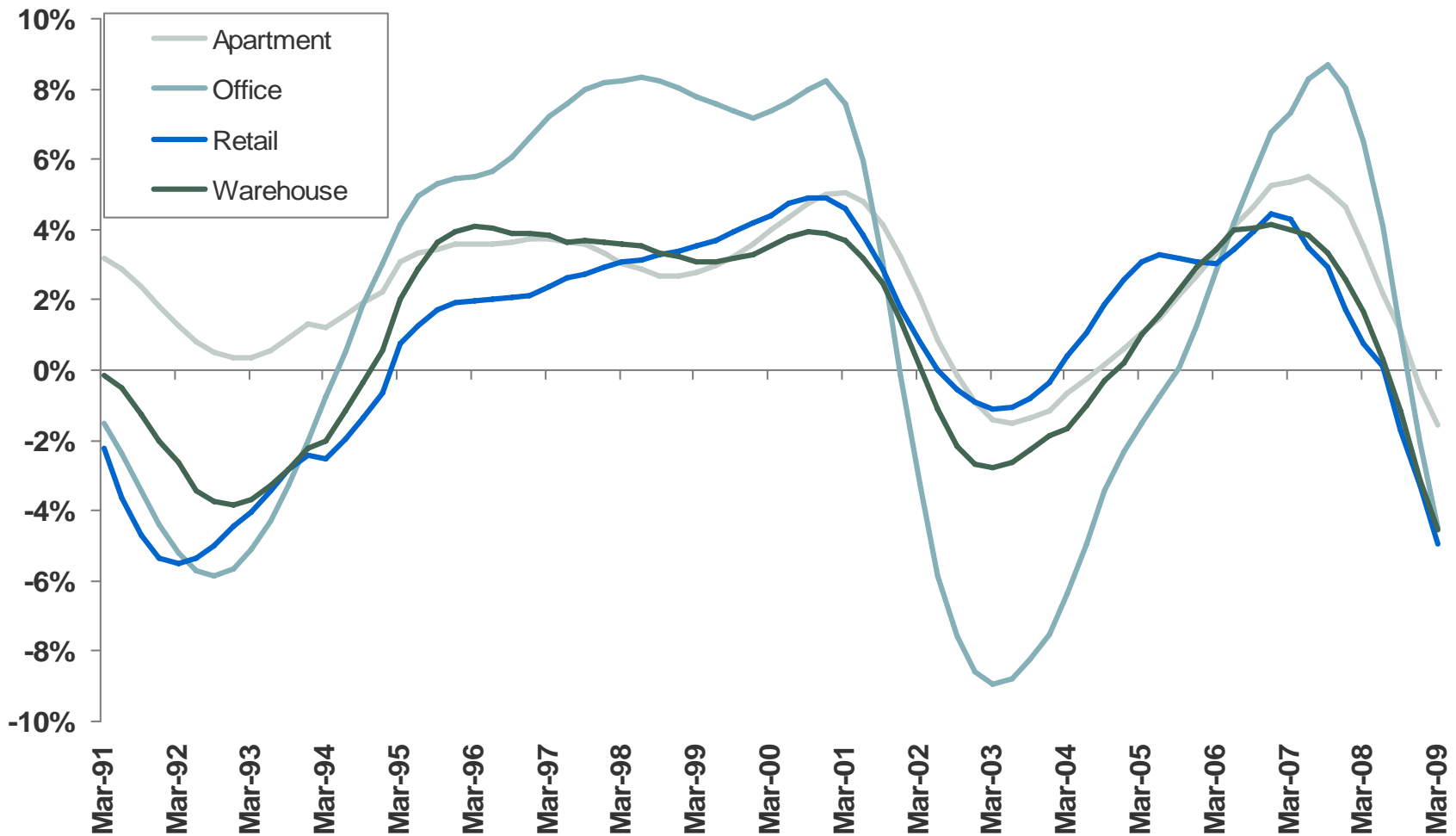
Source: Property and Portfolio Research

Commercial/Multifamily Vacancy Rates, by Property Type by Quarter



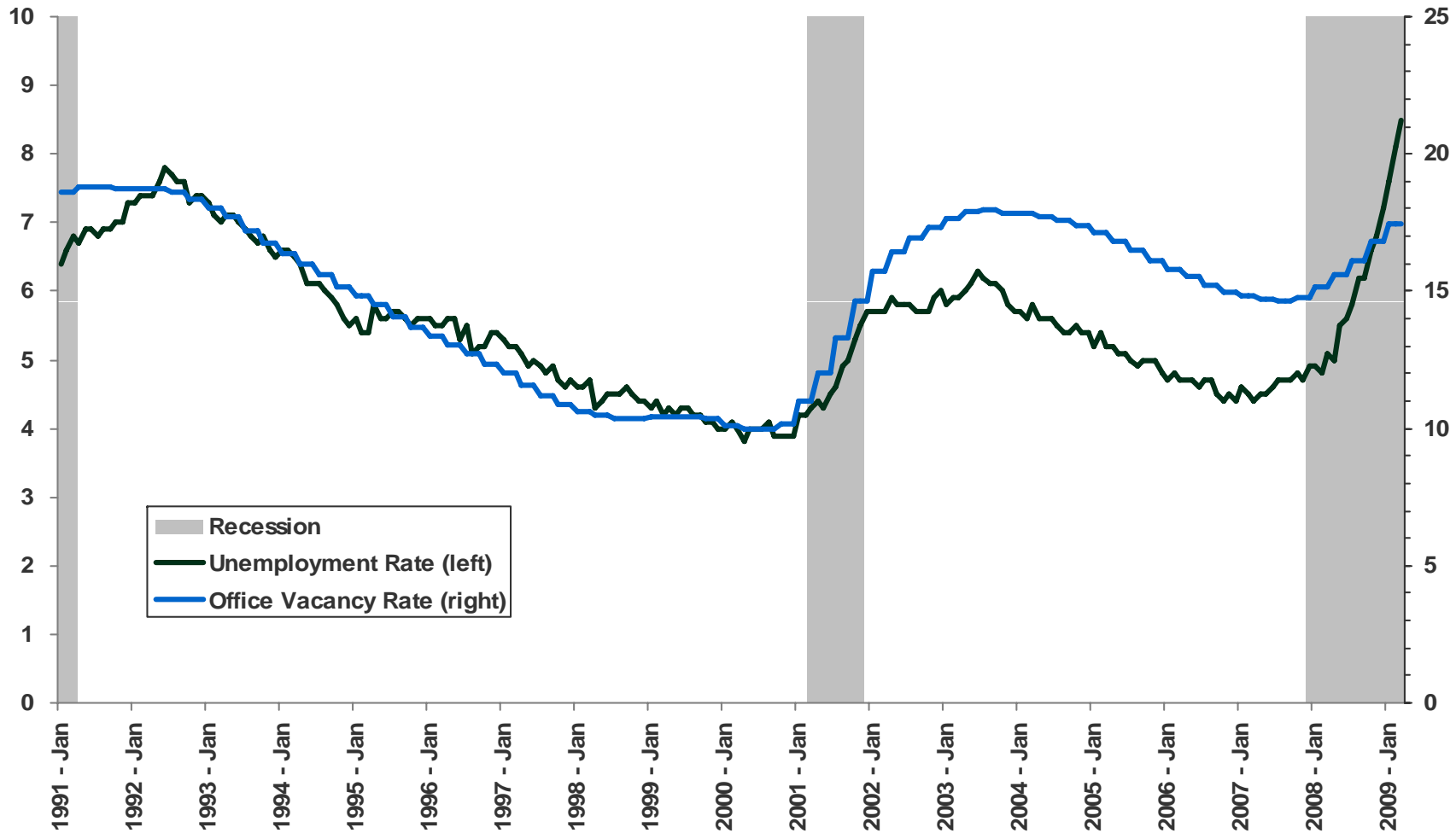
Source: Property and Portfolio Research

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



Source: Property and Portfolio Research

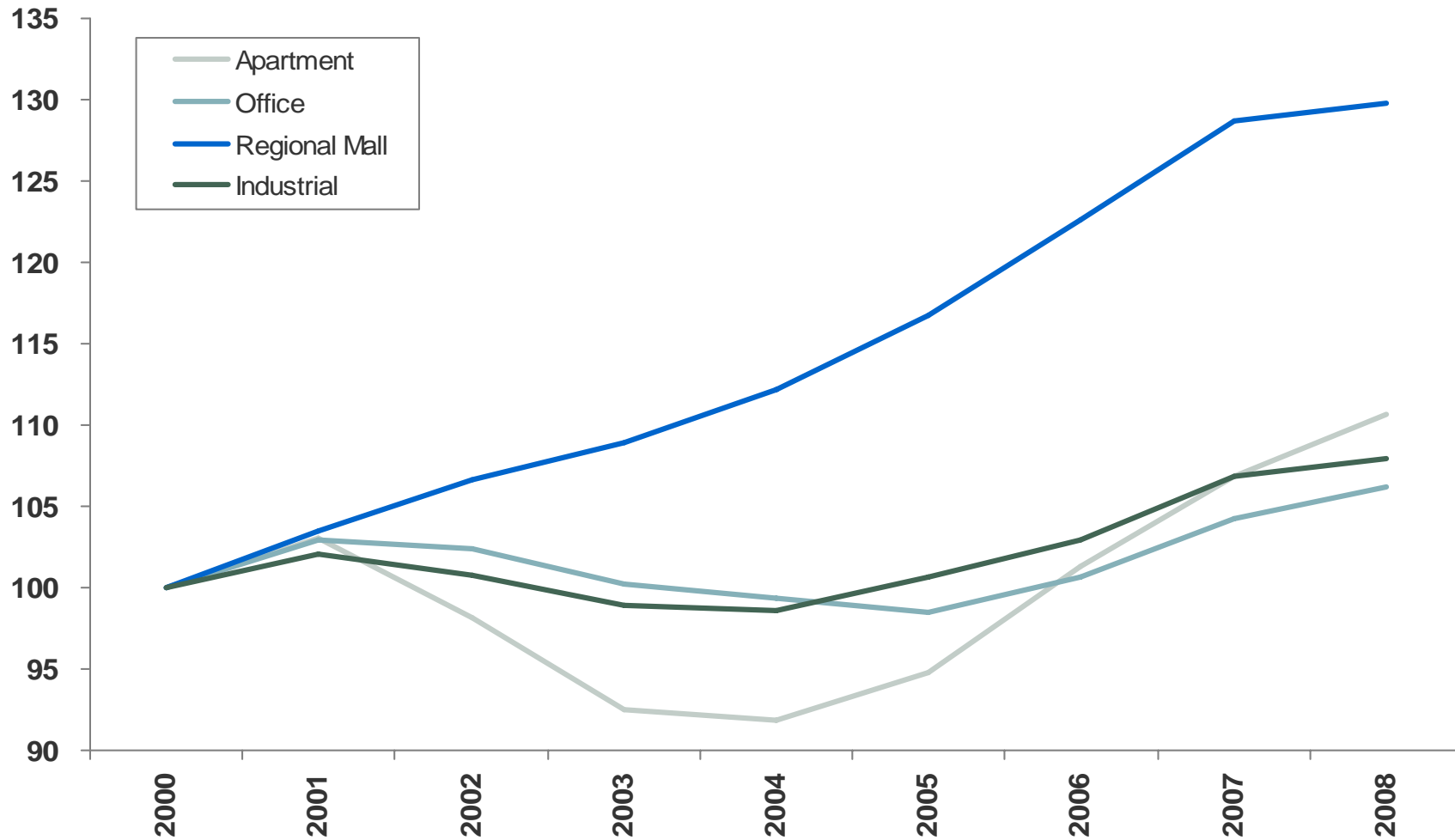
Unemployment Rate (% , Seasonally-adjusted) and Office Vacancy Rate (% , Not seasonally-adjusted)



Source: Bureau of Labor Statistics and PPR

REIT Net Operating Incomes (Index 2000 = 100)

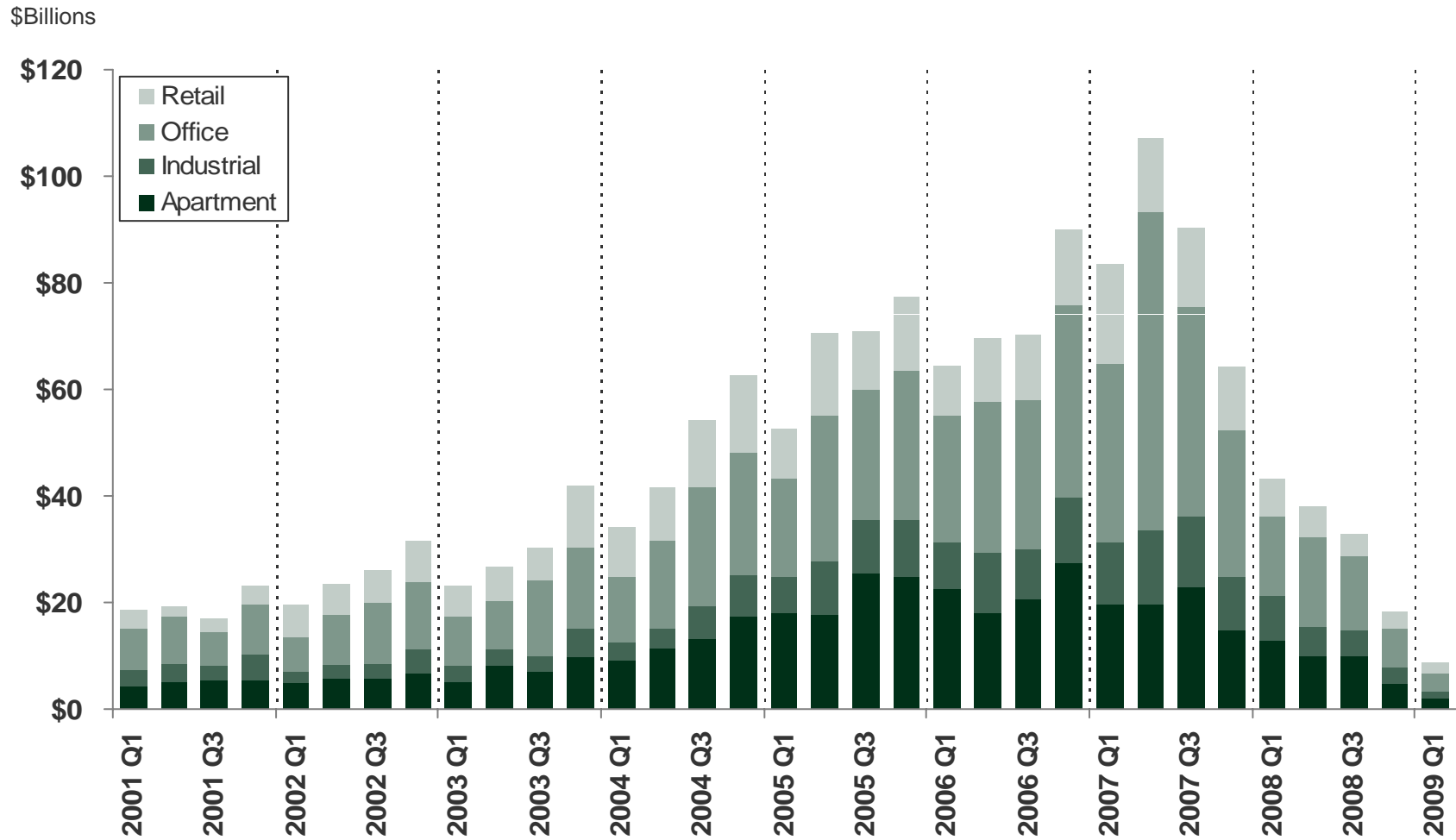
Percent



Source: SNL Financial

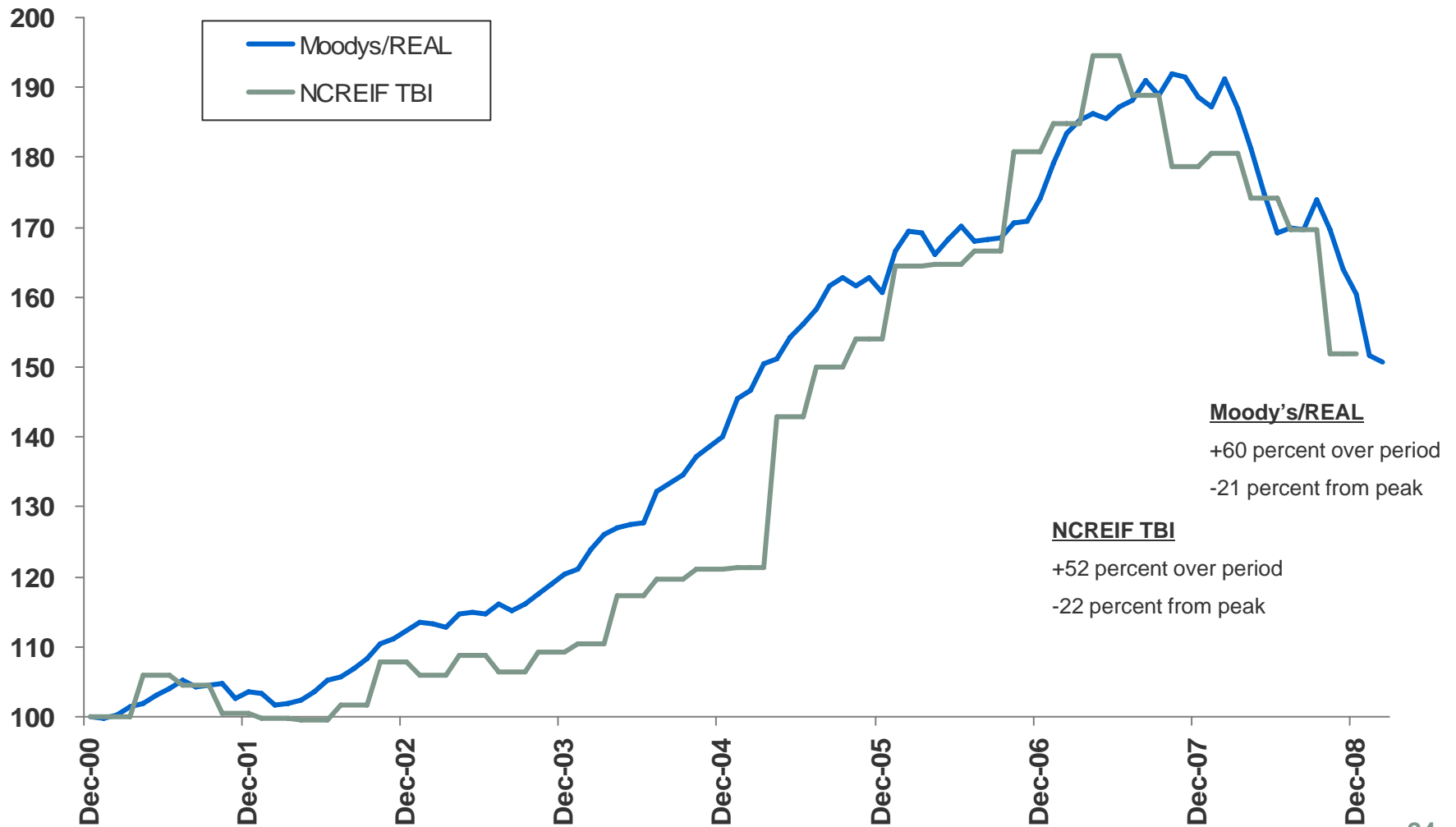
Welcome to the Stress Test: Property Values

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



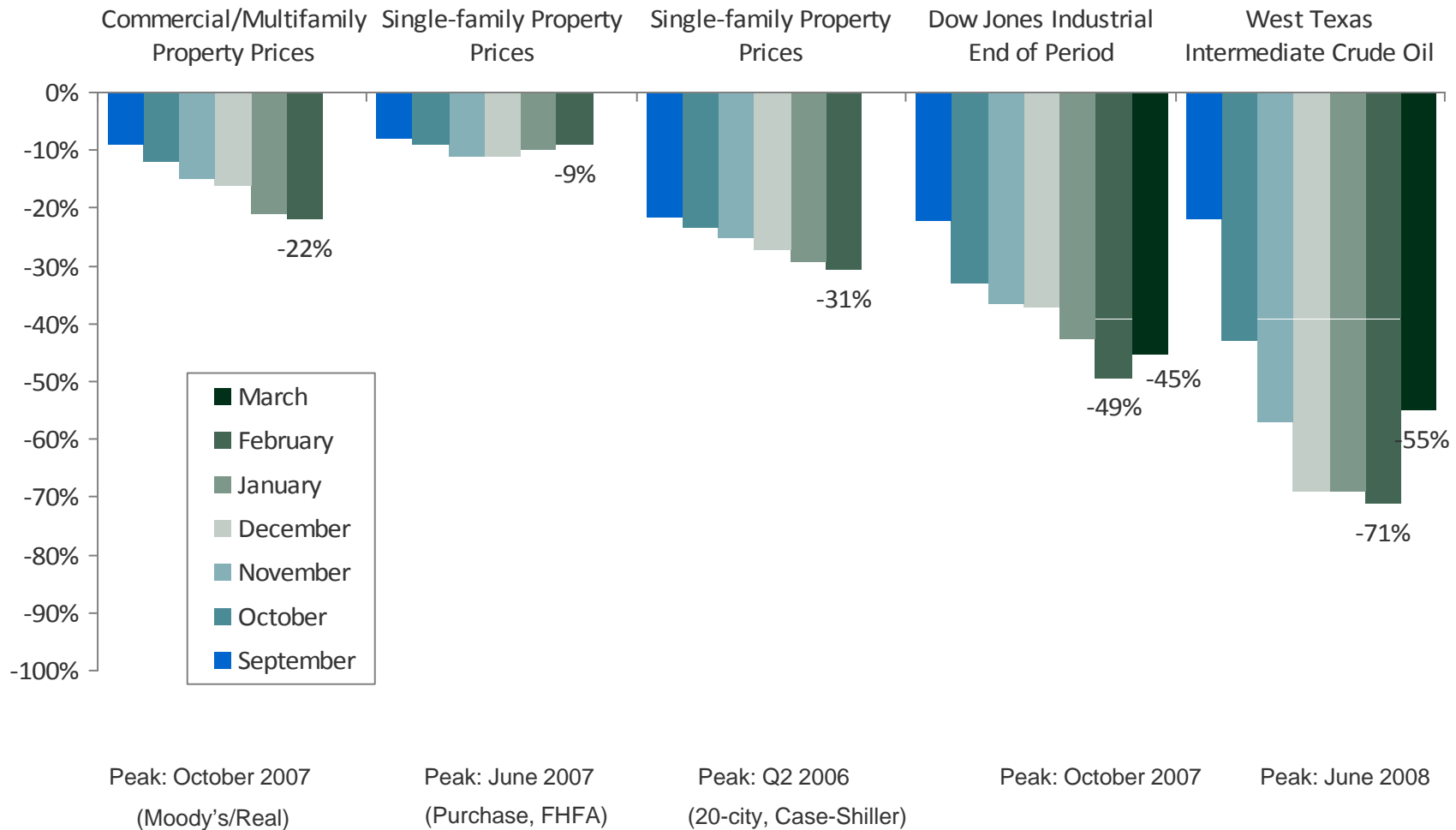
Source: Real Capital Analytics

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

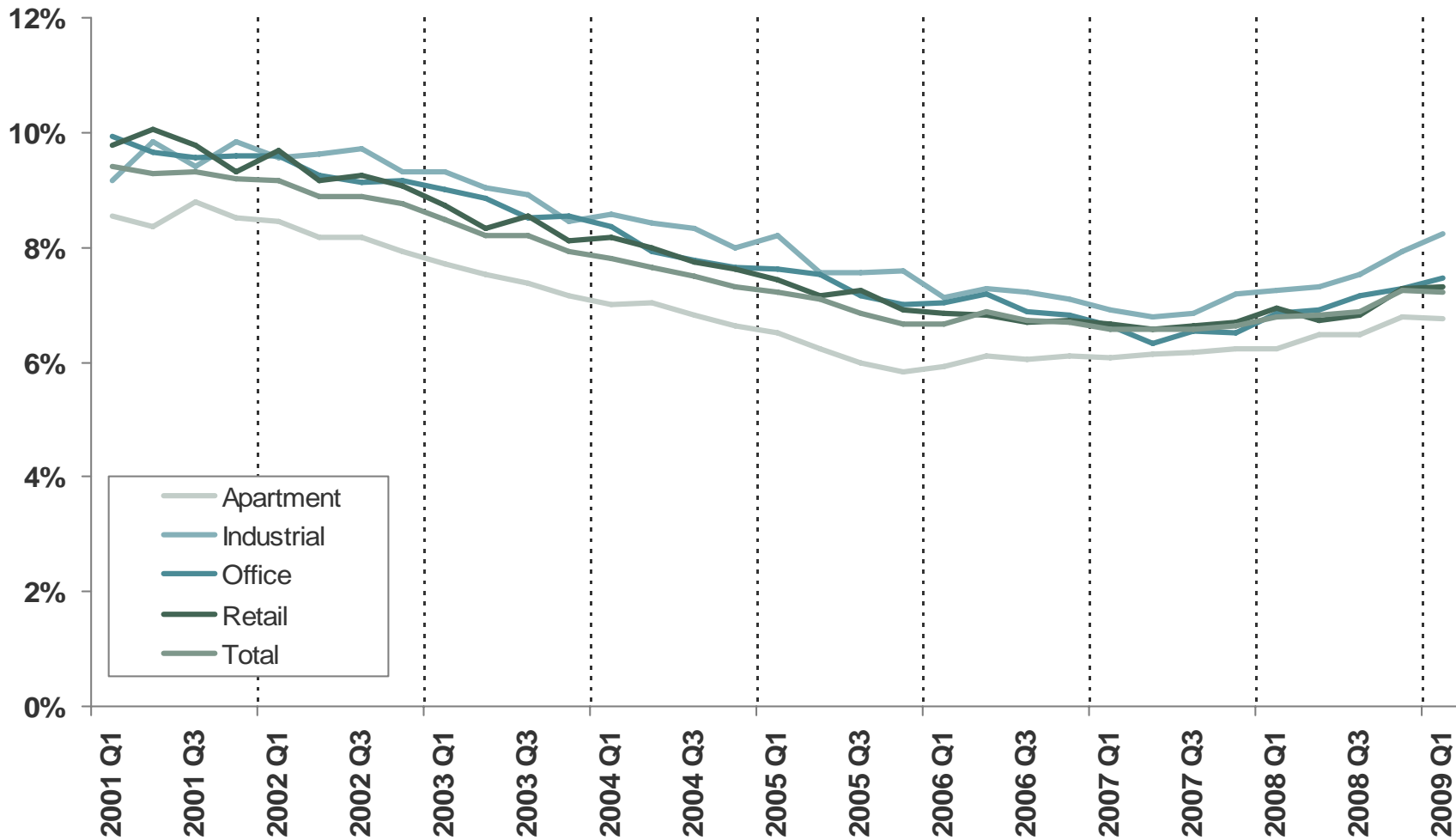


Source: MBA, MIT, S&P

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

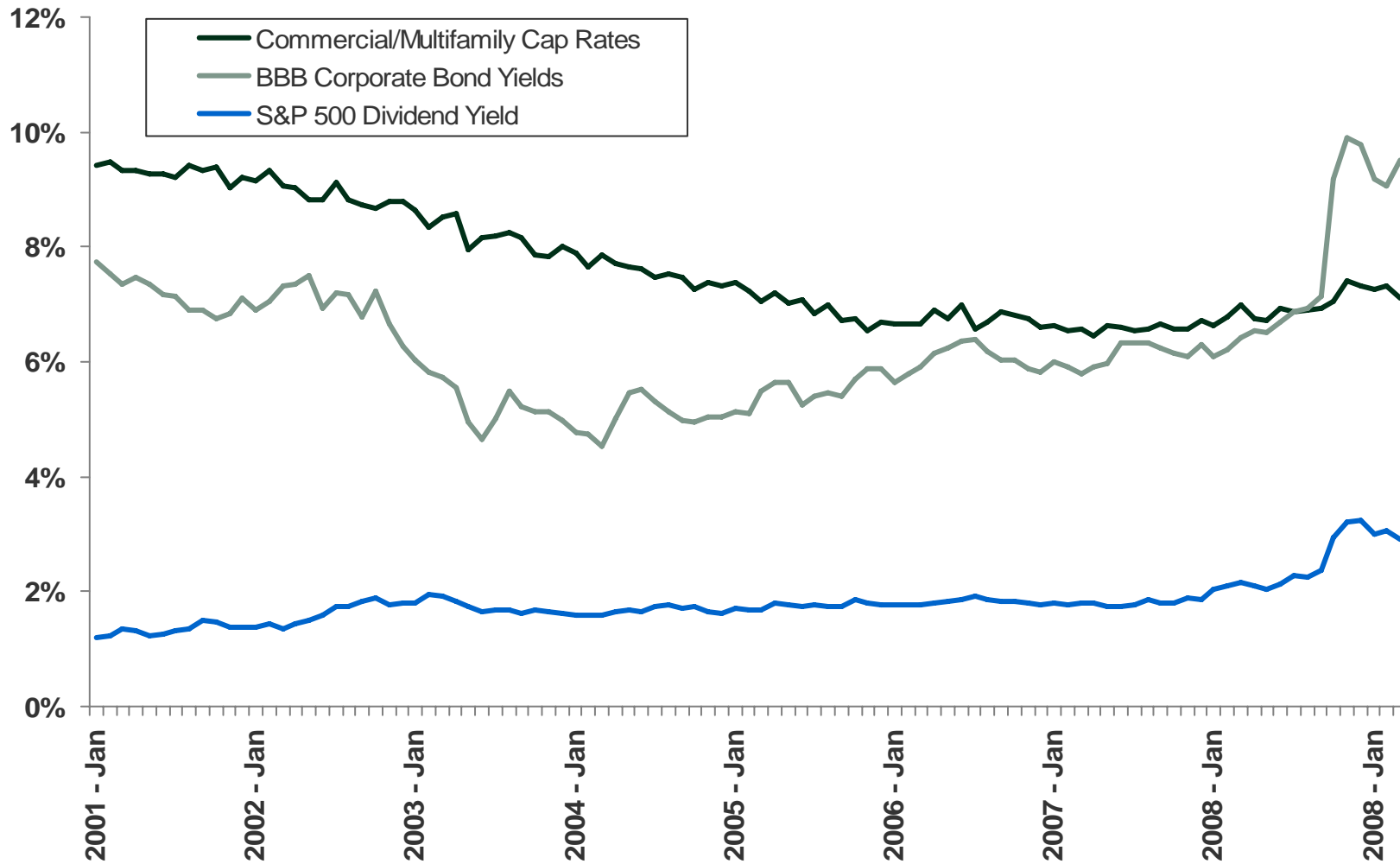


Commercial/Multifamily Capitalization Rates Properties and Portfolios \$5 Million and Greater



Source: Real Capital Analytics

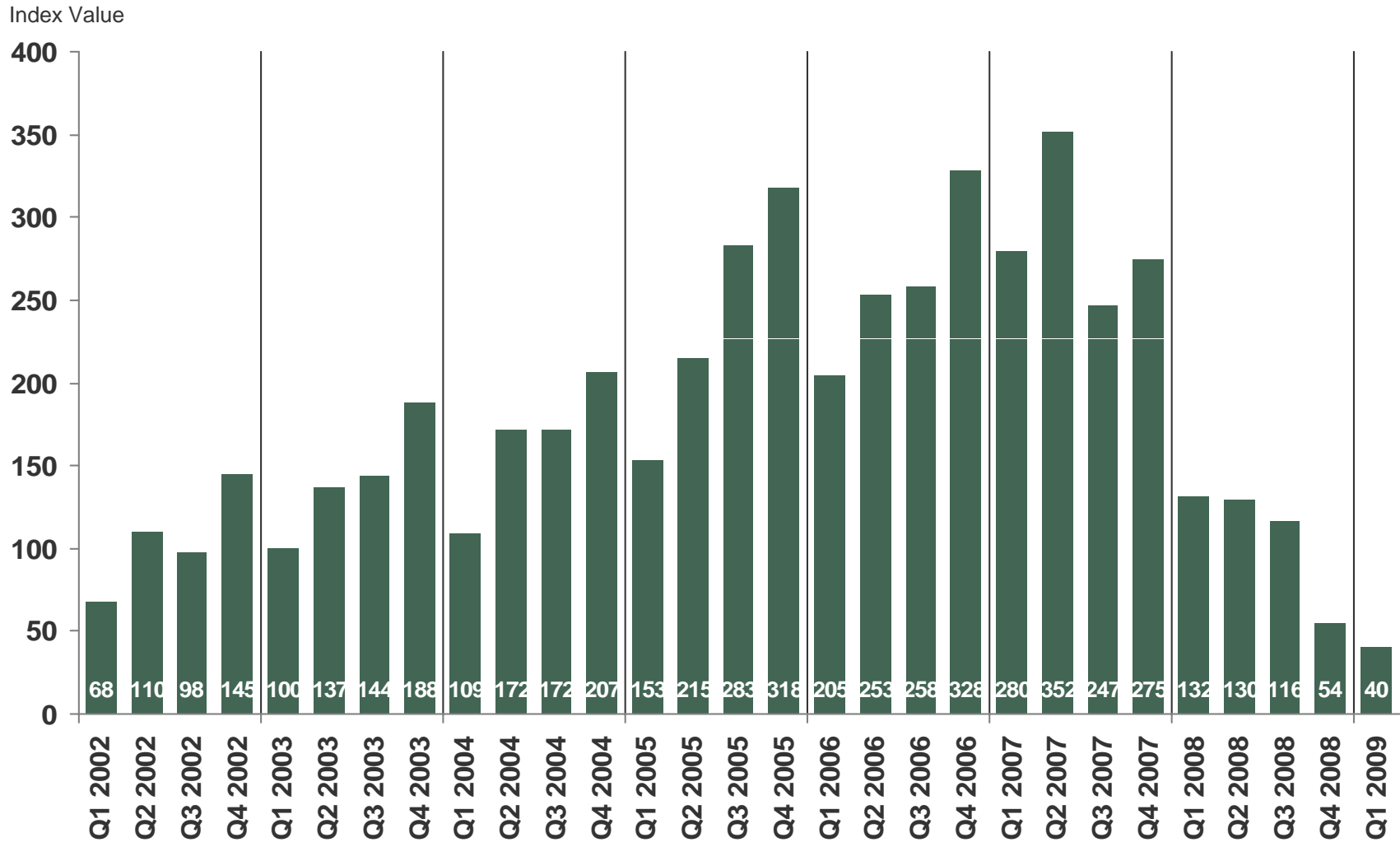
Selected Yields and Equivalents



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

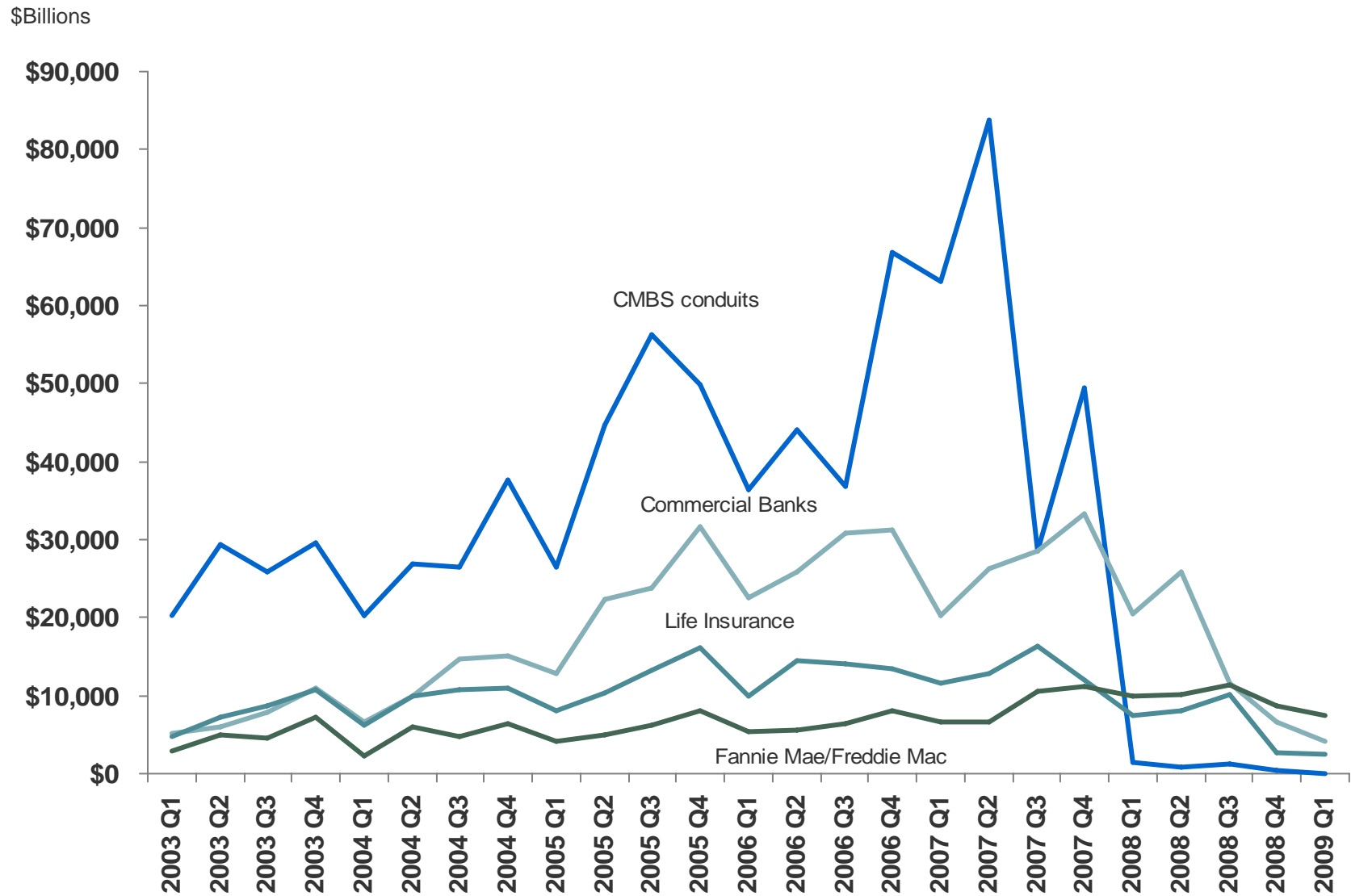
Welcome to the Stress Test: Capital Availability

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



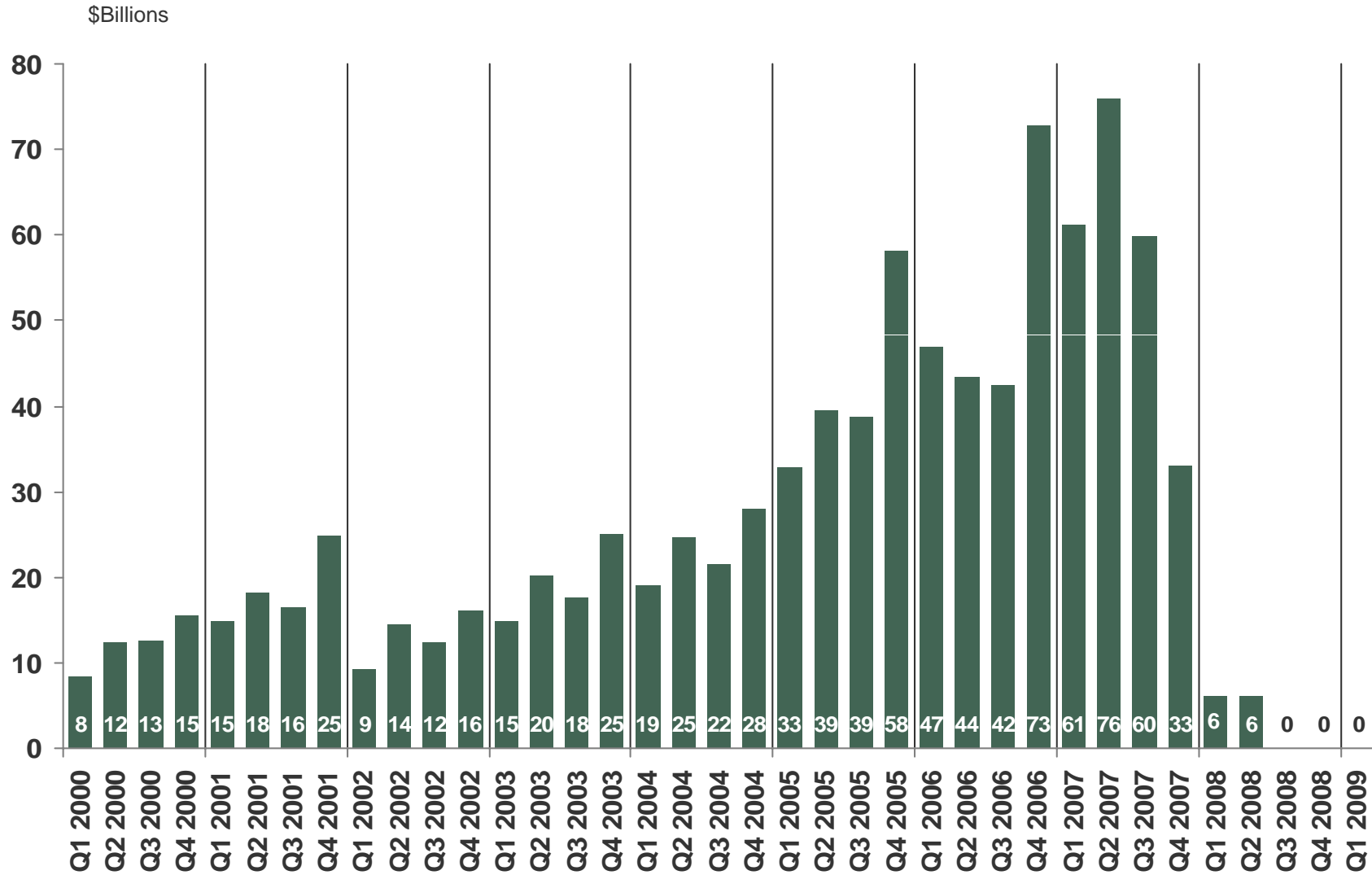
Source: Mortgage Bankers Association

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



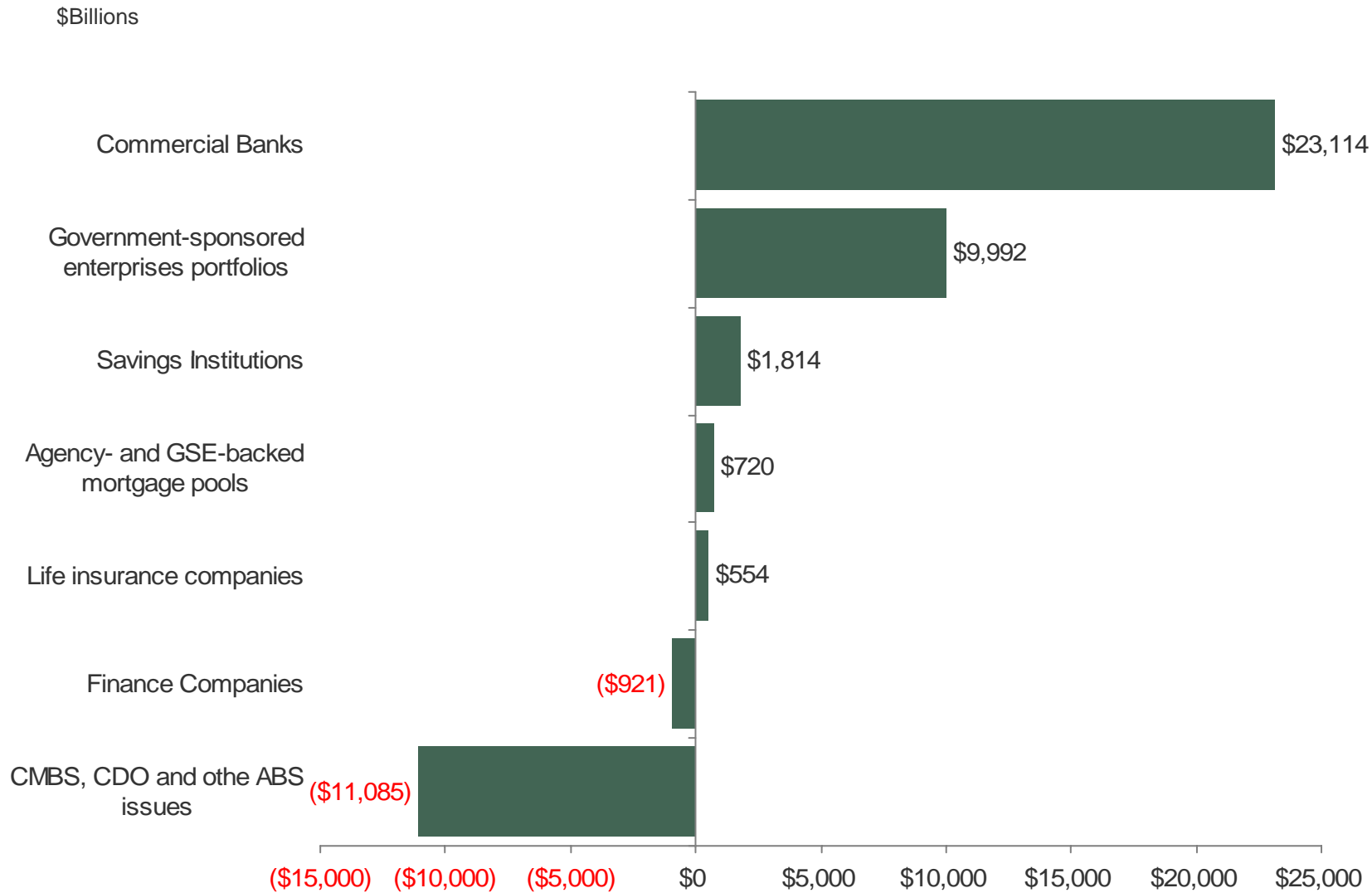
Source: Mortgage Bankers Association

CMBS Issuance



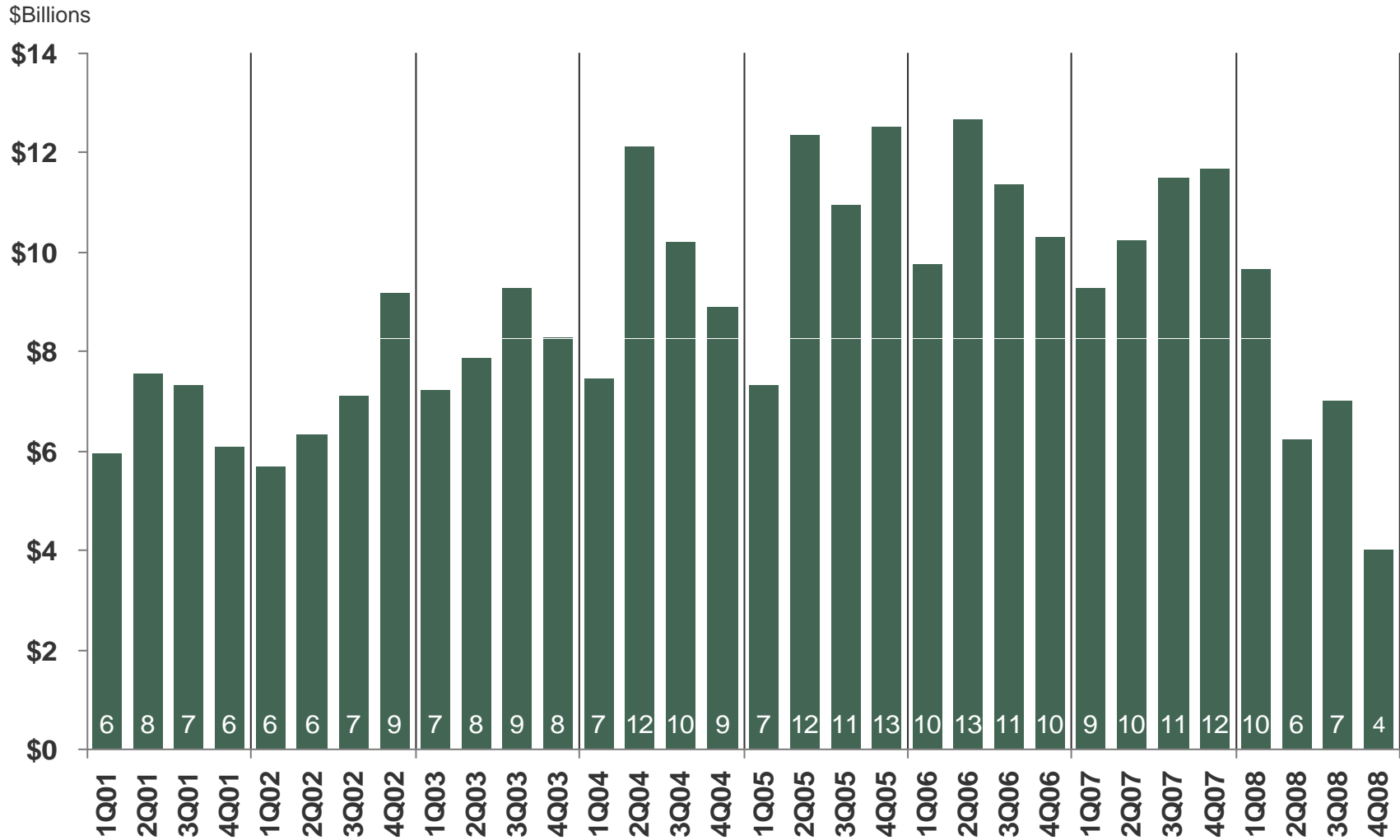
Source: CMAAlert.com

Net Change in Commercial/Multifamily Mortgage Debt Outstanding, by Investor Group, Q3 2008 to Q4 2008



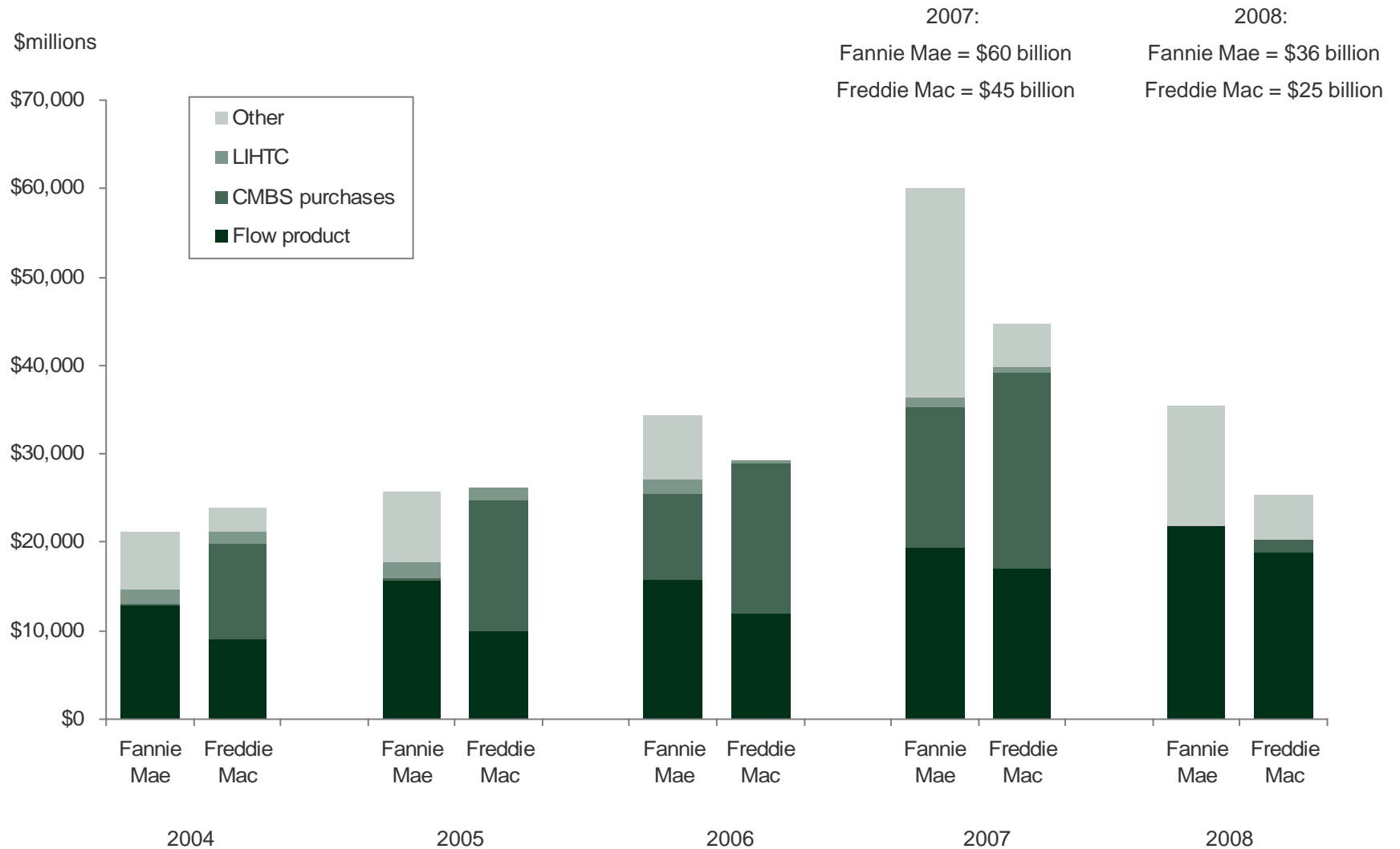
Source: Federal Reserve Board

Commercial/Multifamily Mortgage Commitments by Life Companies



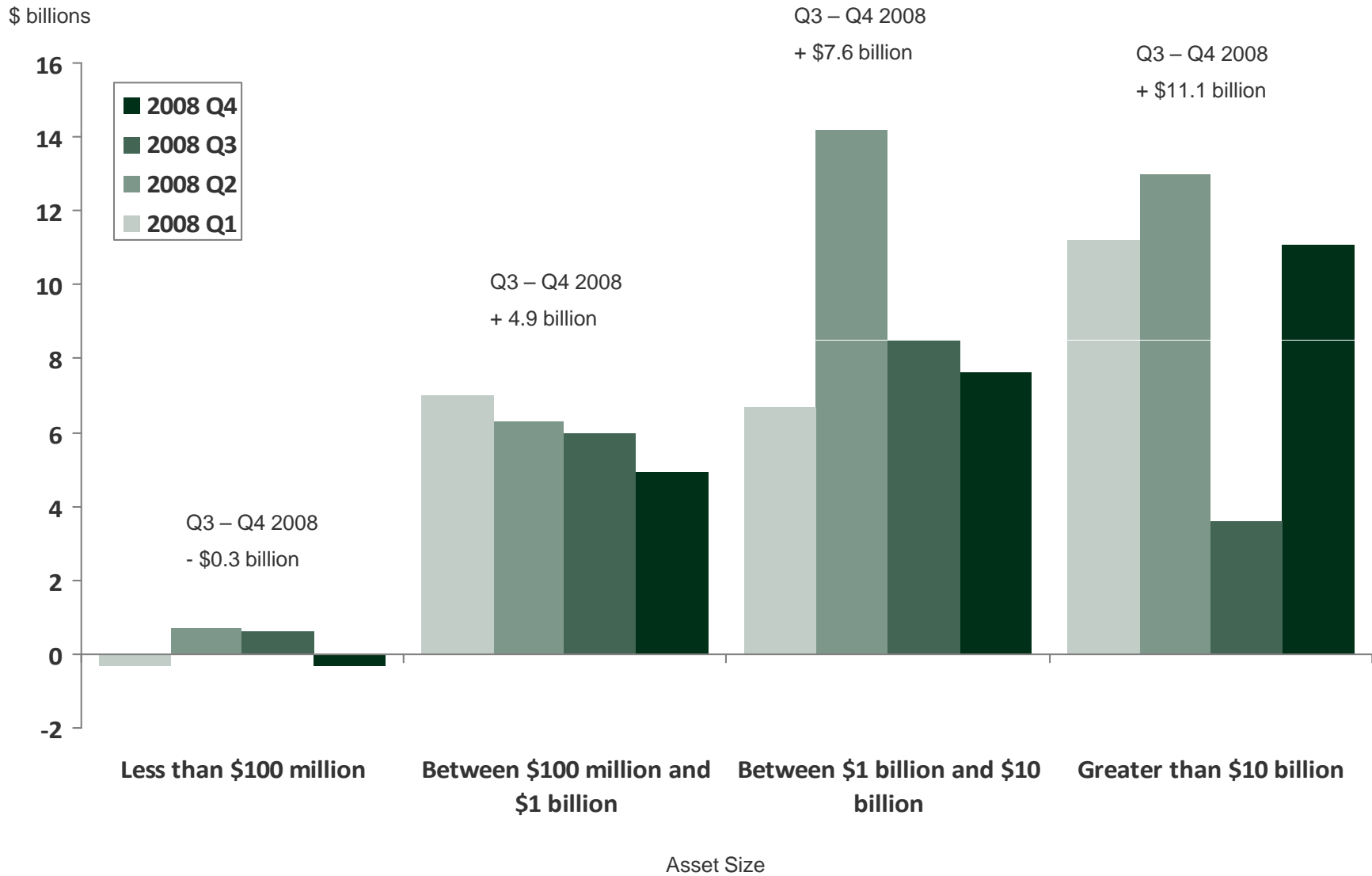
Source: ACLI

Fannie Mae and Freddie Mac Multifamily Acquisitions



Source: MBA estimates based on Fannie Mae and Freddie Mae press releases and OFHEO 2008 "Other" category may include LIHTC or CMBS purchase volumes.

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

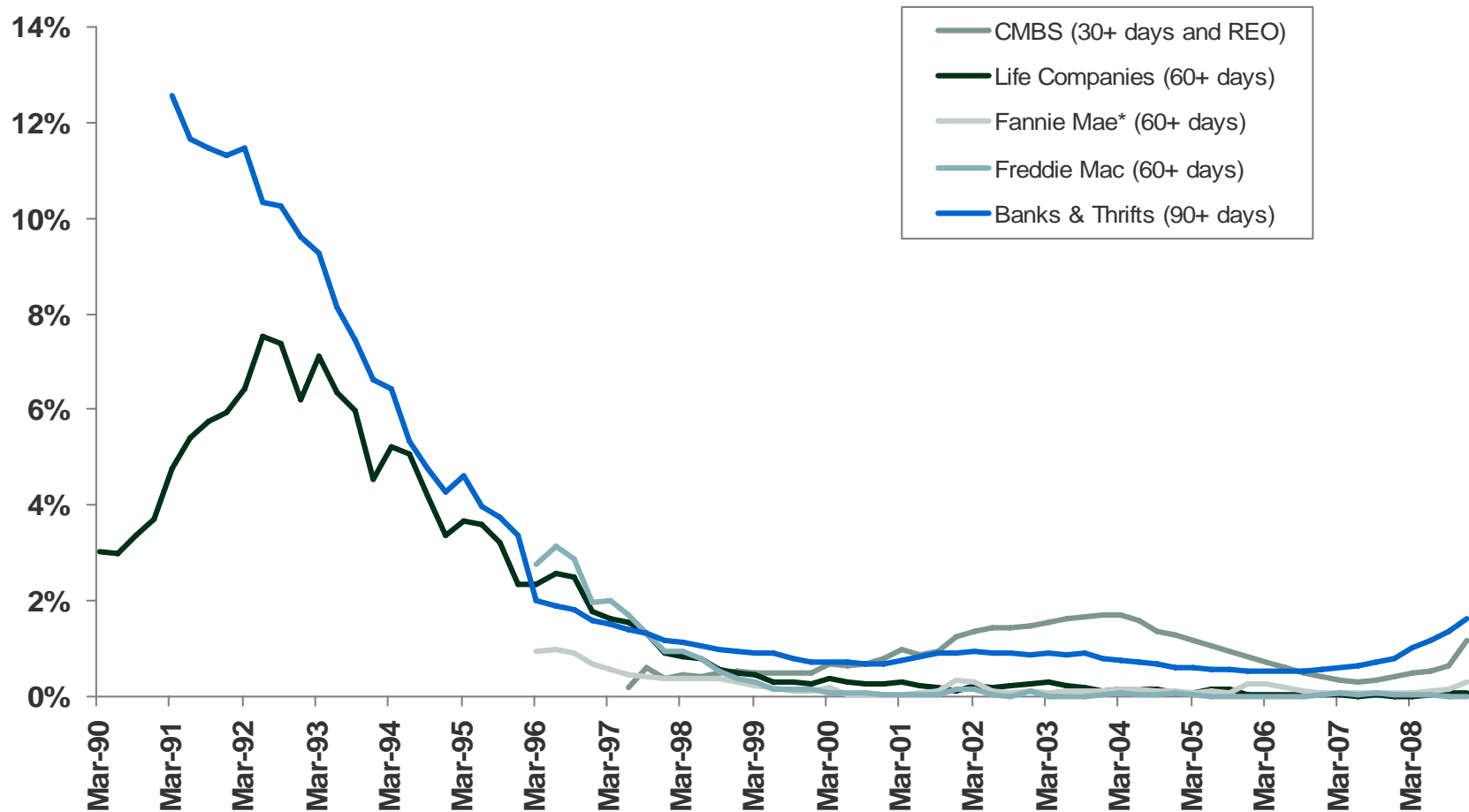


Source: FDIC

Welcome to the Stress Test: Mortgage Performance

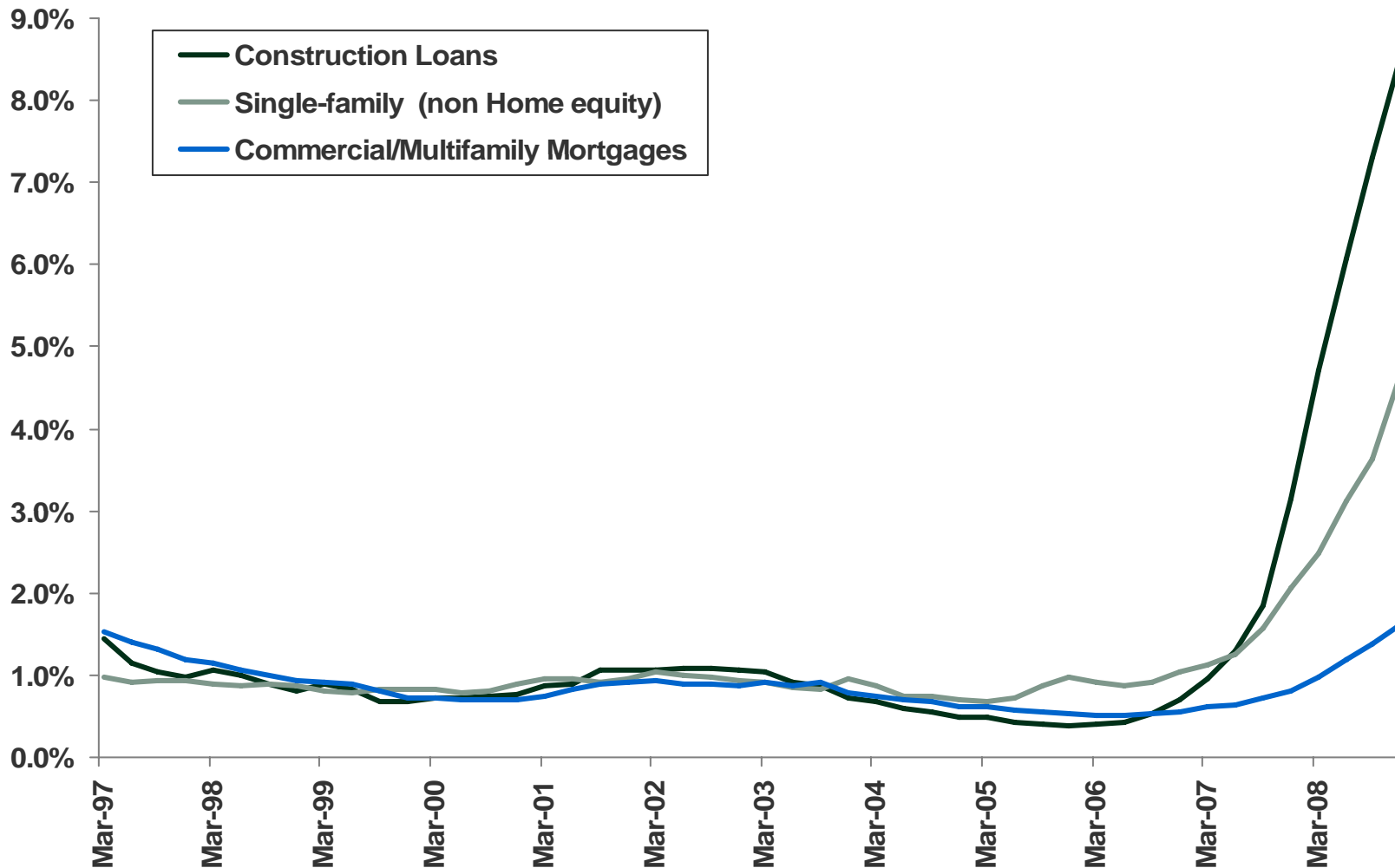
Commercial/Multifamily Mortgage Delinquency Rates Among Major Investor Groups and Single-family Delinquency Rate

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.



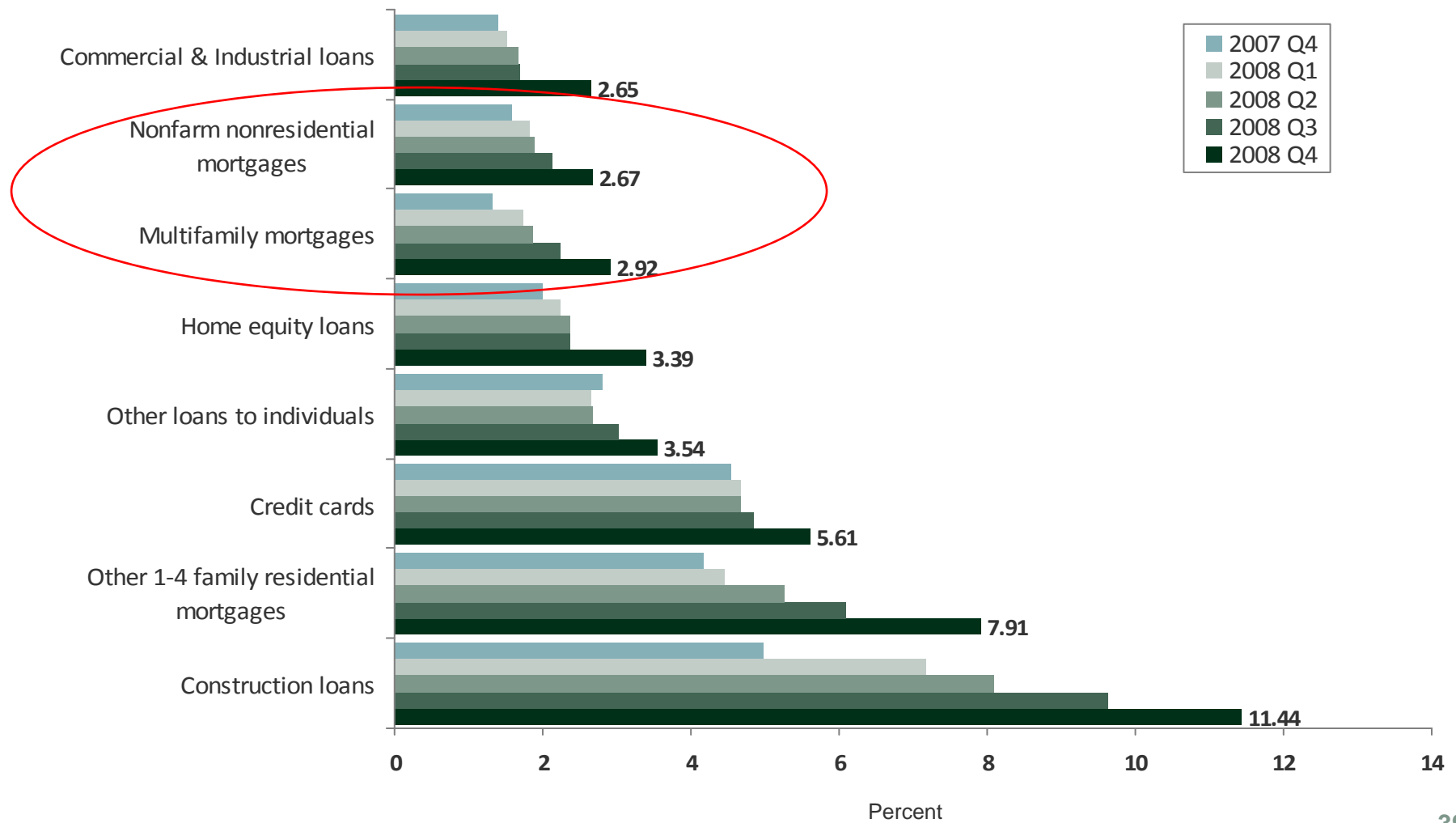
Sources: Mortgage Bankers Association Wachovia Capital Markets, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation. Data are available for life companies and FDIC-insured banks and thrifts since 1990 and 1991, Fannie 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



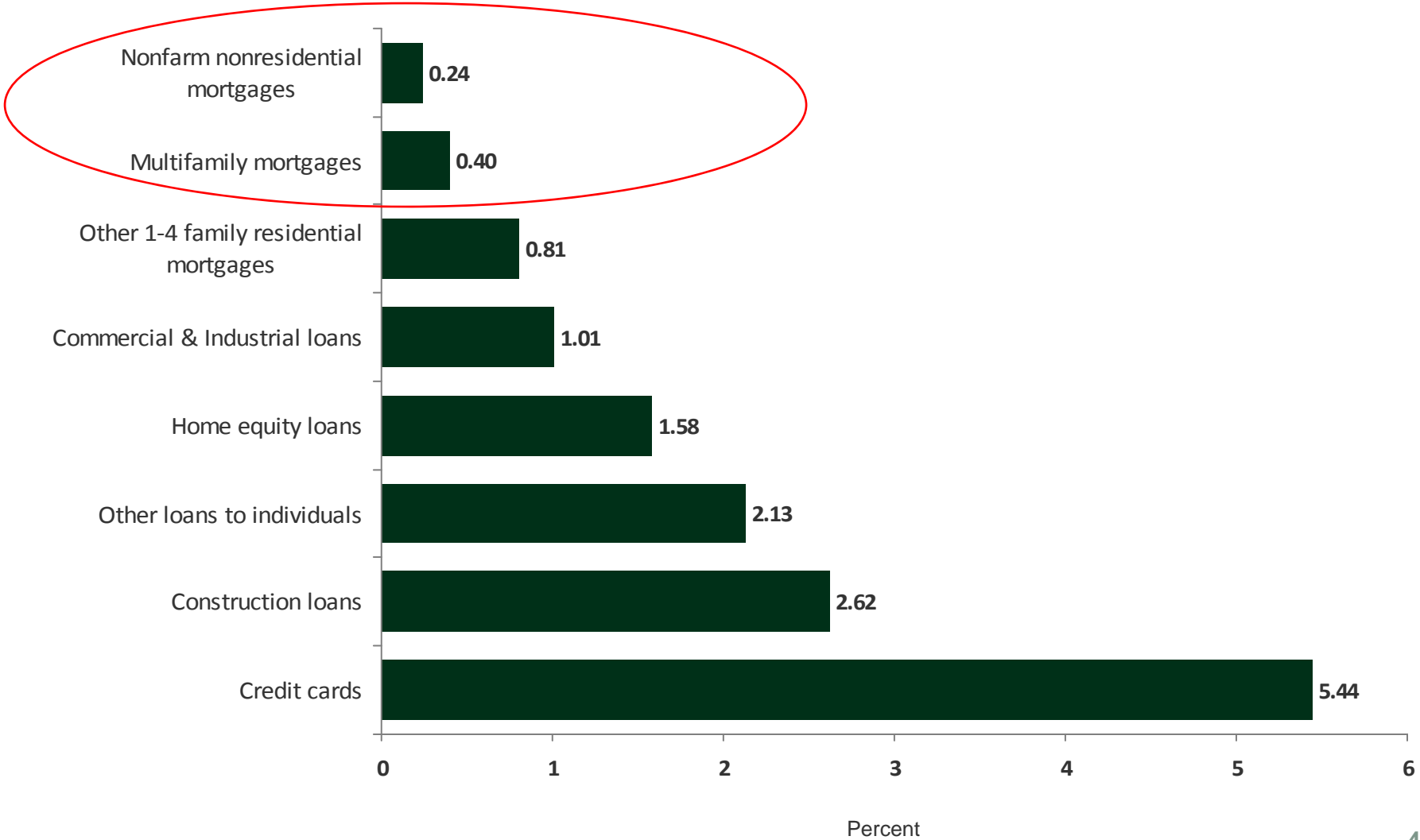
Source: Mortgage Bankers Association and FDIC

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



Source: FDIC

Charge-off Rates of Loans and Leases at Commercial Banks, 2008

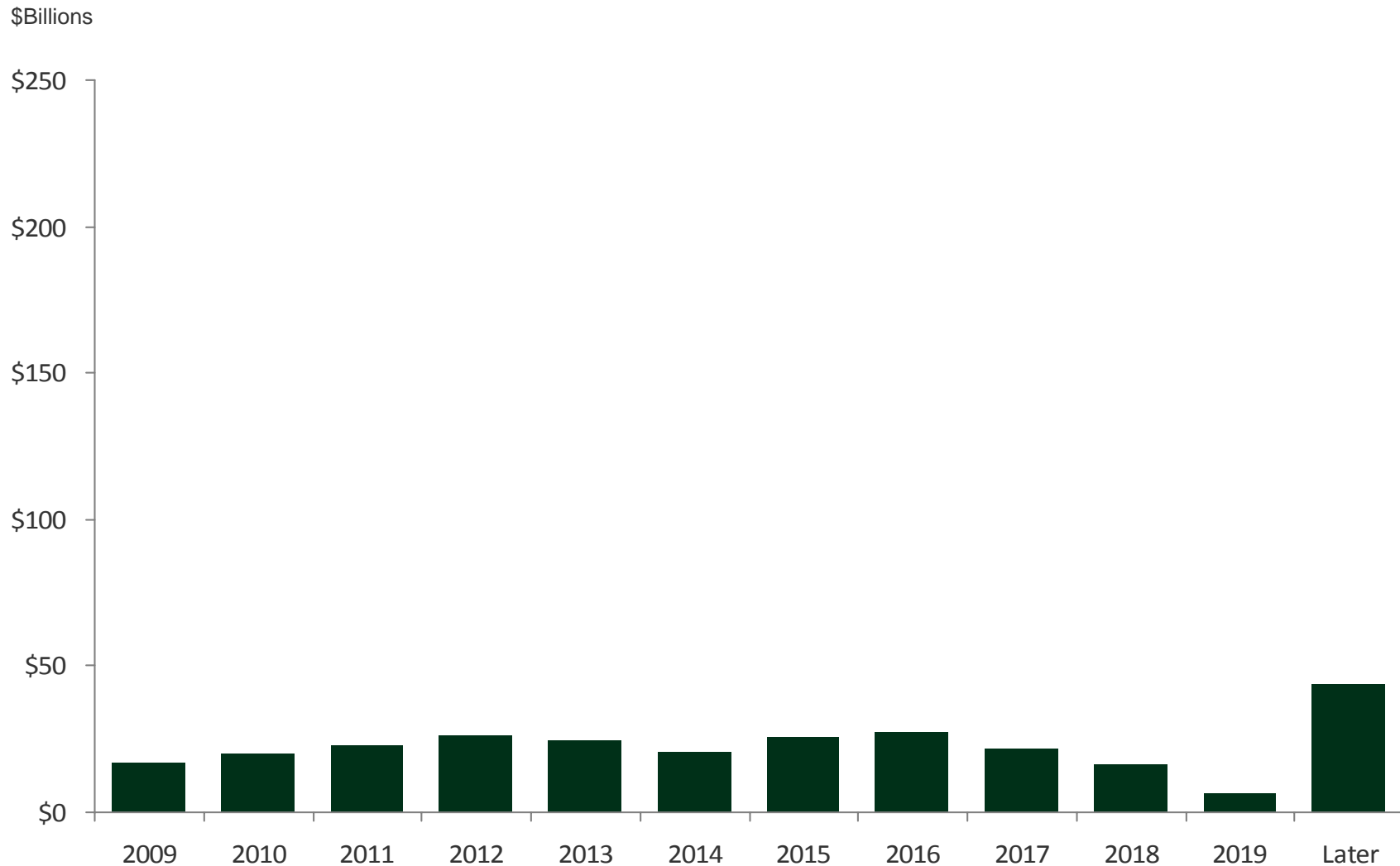


Source: FDIC

What's Next?

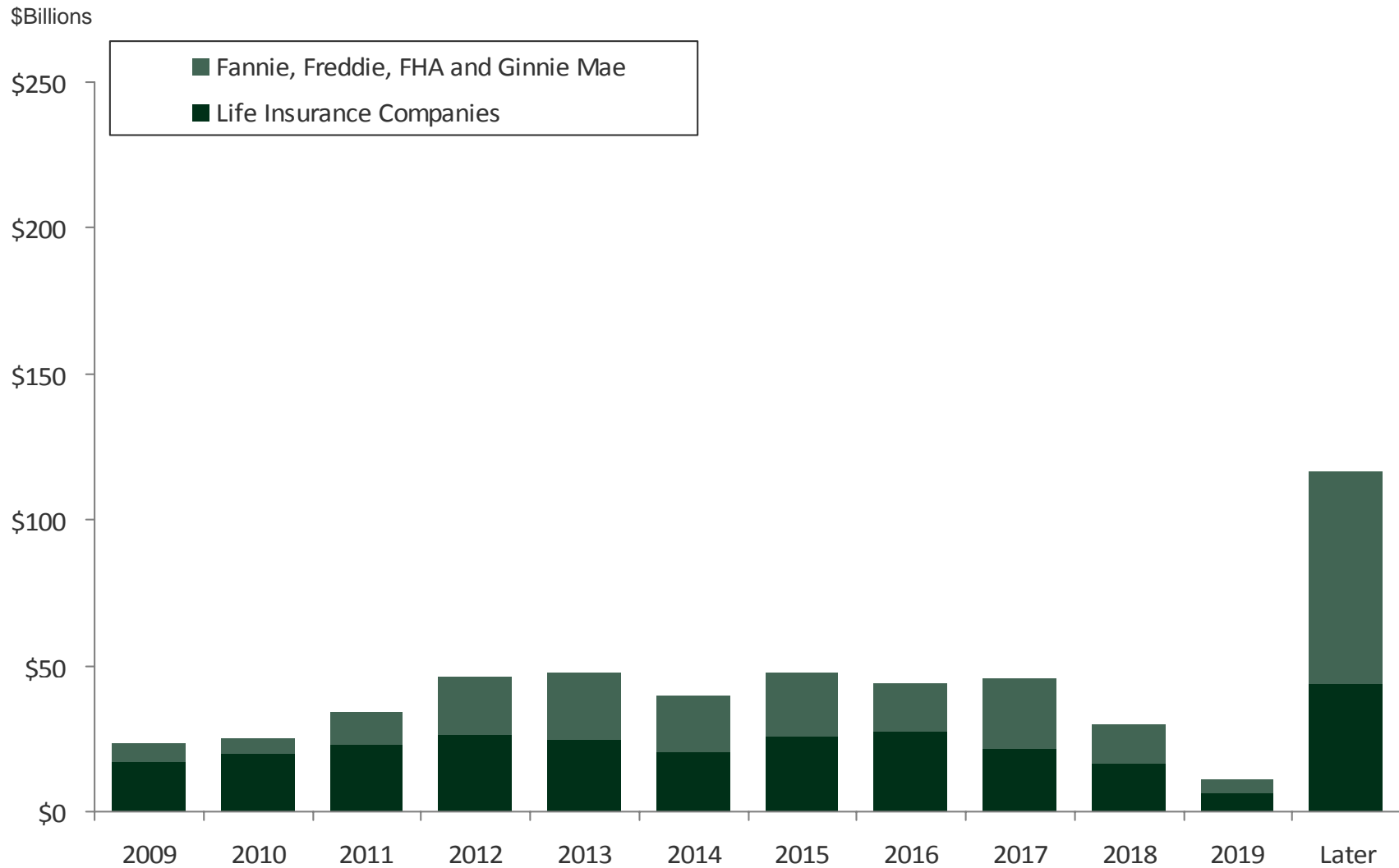
UPB of Outstanding LIFE COMPANY-HELD Commercial/ Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2008

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Servicing and Technology



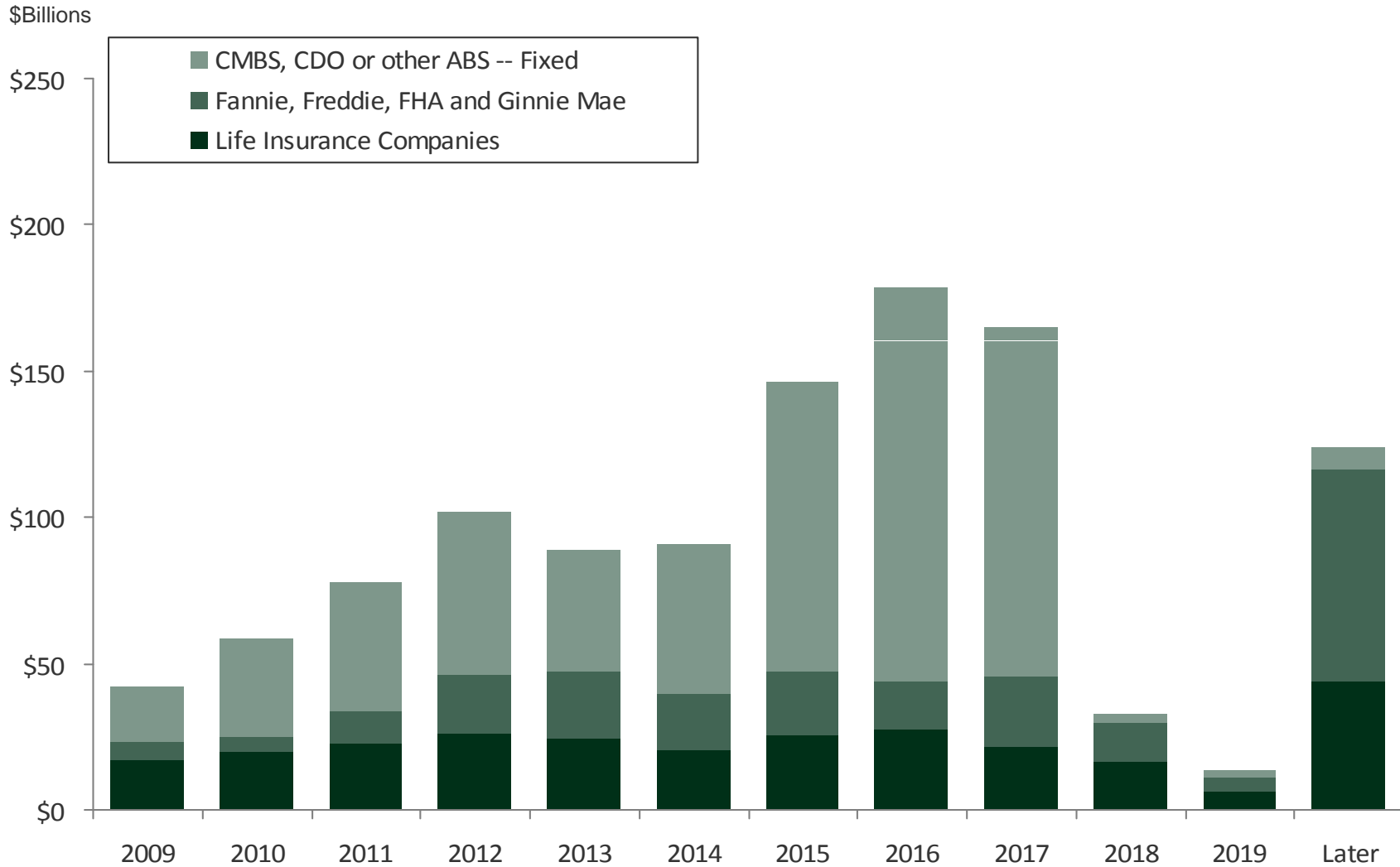
Source: MBA

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



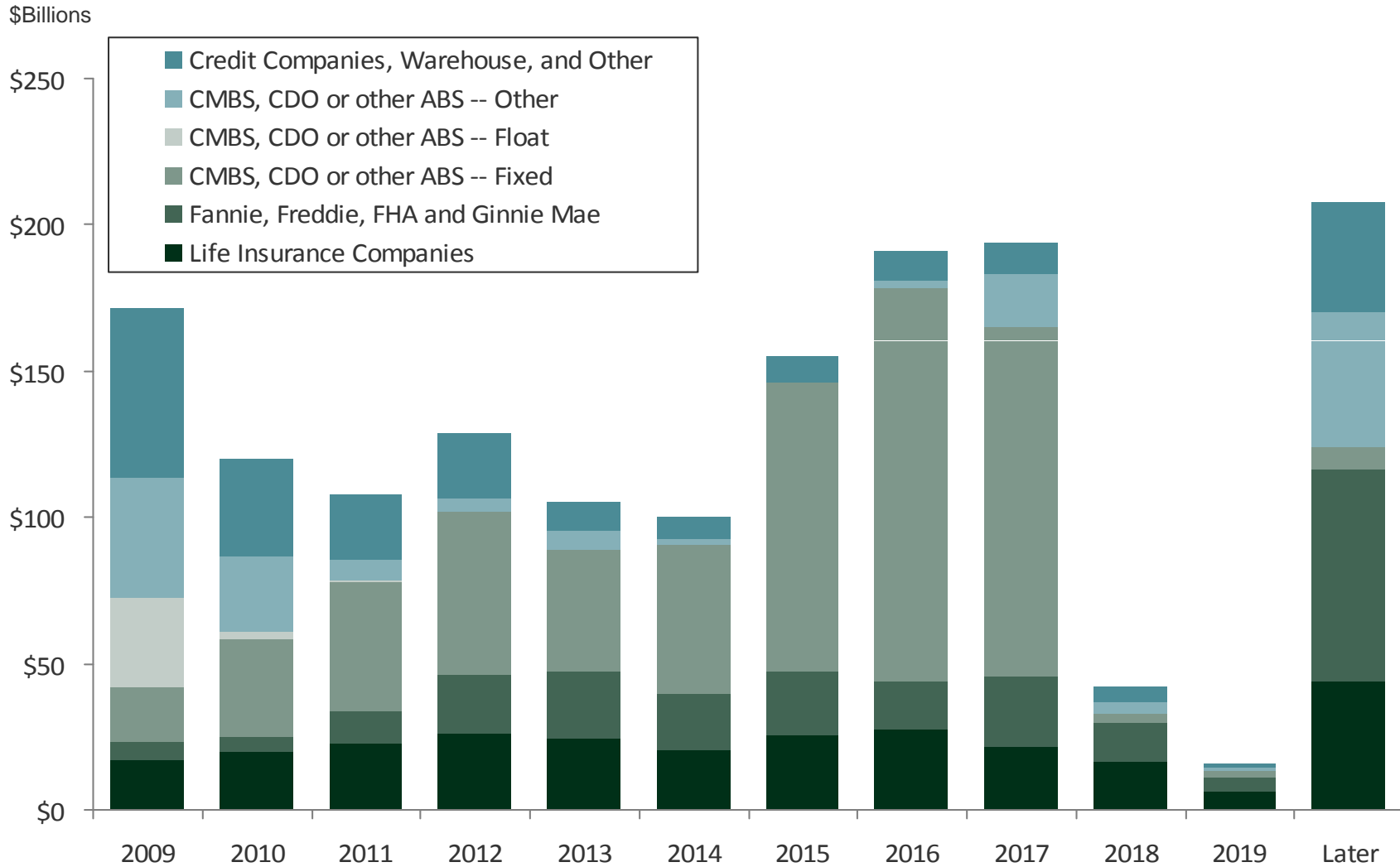
Source: MBA

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



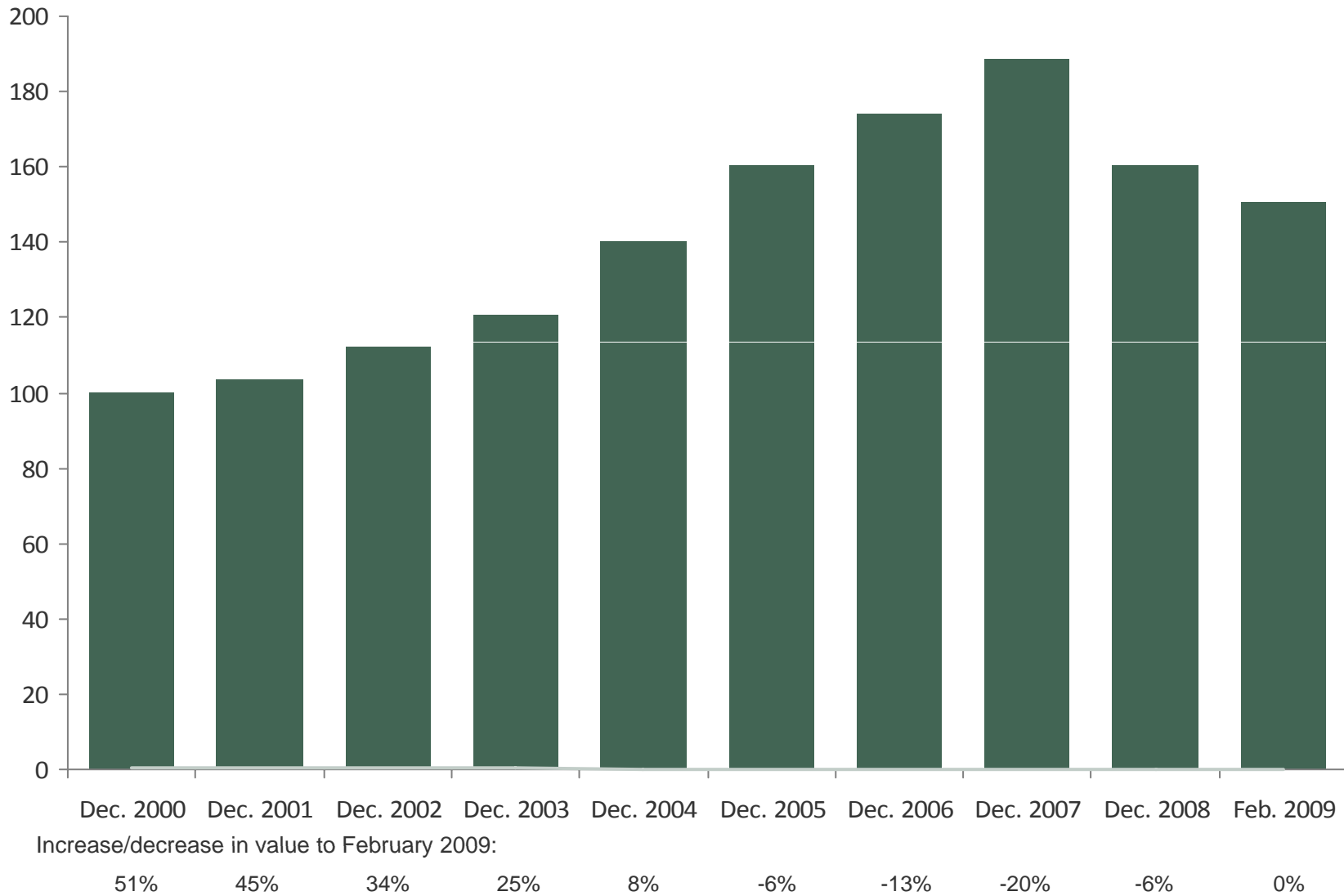
Source: MBA

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

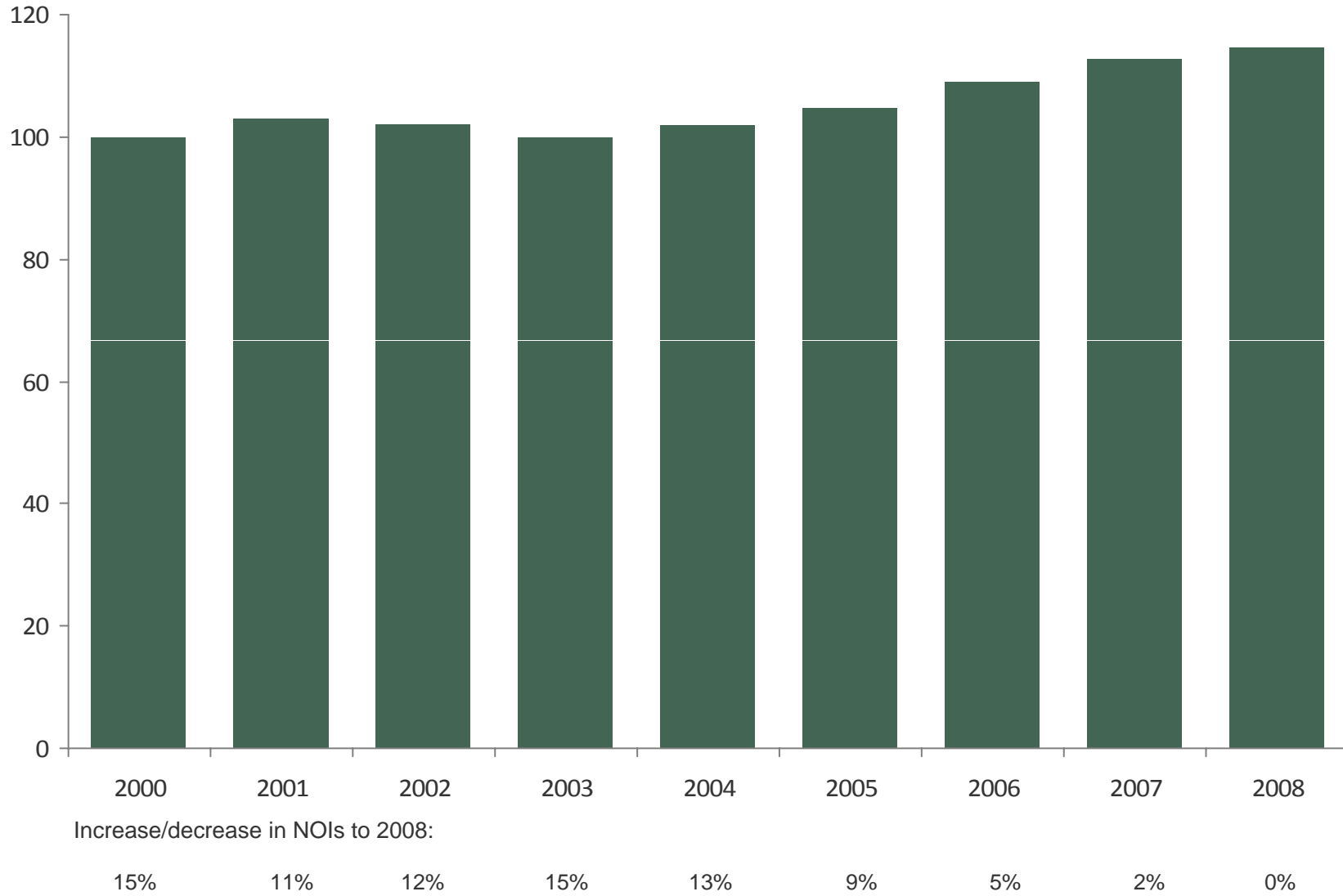


Source: MBA

Commercial Real Estate Prices (Dec. 2000 = 100)

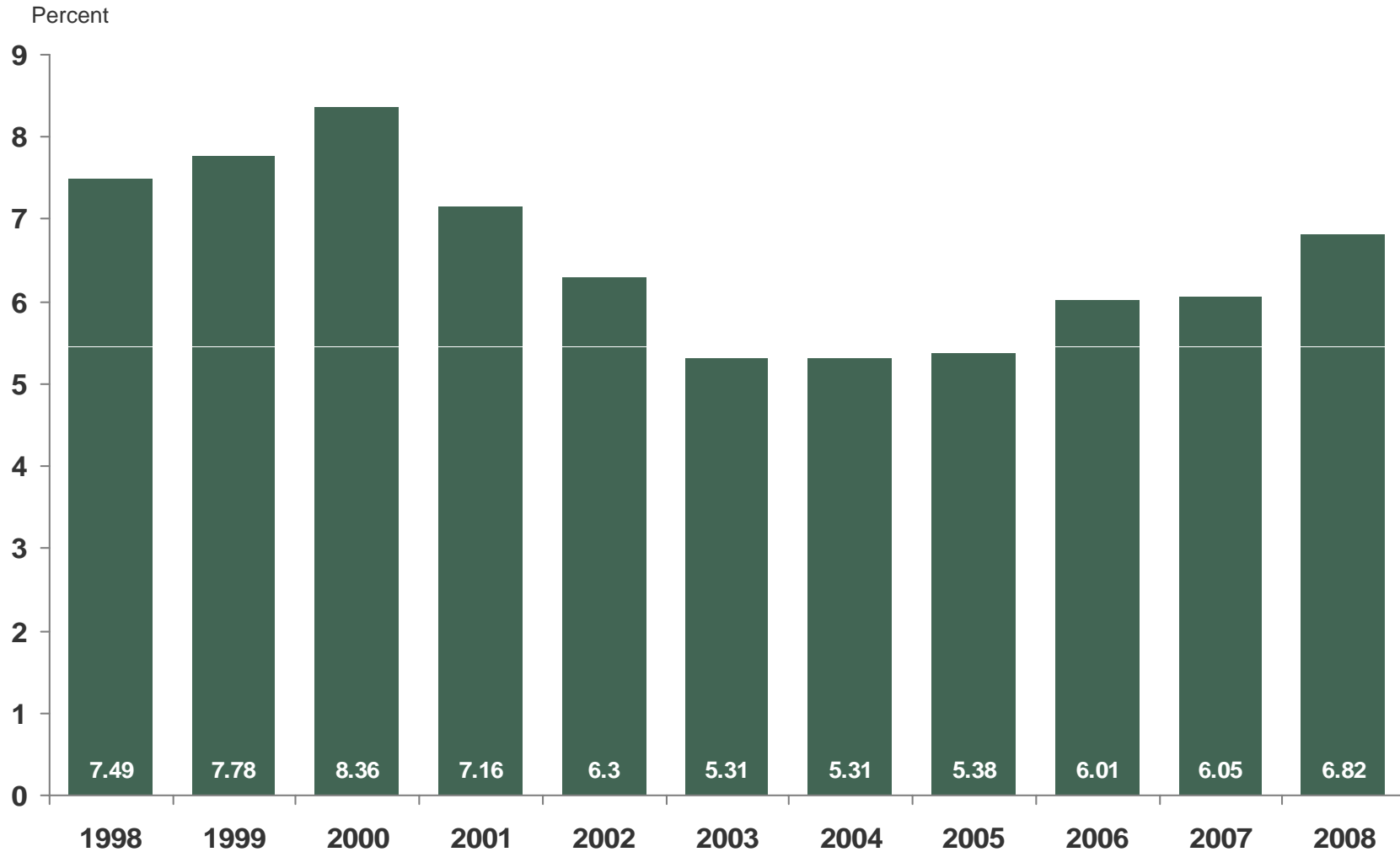


Median REIT NOI (2000 = 100)



Source: SNL Financial

Loan Coupon of 10-Year Amortizing CMBS Mortgages, by Origination Year



Source: JPMorgan and ACLI

MBA Economic Forecast

April 10, 2009

	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Percent Change, Annual Rate</u>												
Real Gross Domestic Product	0.9	2.8	-0.5	-6.3	-5.1	-0.6	0.0	1.4	2.4	2.6	2.8	3.5
Personal Consumption Expenditures	0.9	1.2	-3.8	-4.3	0.8	1.6	1.6	1.5	2.2	2.0	1.6	2.0
Business Fixed Investment	2.4	2.5	-1.7	-21.7	-23.7	-10.8	-12.8	-6.9	-3.0	1.7	3.9	6.4
Residential Investment	-25.1	-13.3	-16.0	-22.8	-35.4	-28.6	-16.4	1.0	10.2	14.3	21.0	24.6
Govt. Consumption & Investment	1.9	3.9	5.8	1.3	-2.5	5.9	1.7	2.5	1.2	1.3	0.8	0.8
Net Exports (Bil. Chain 2000\$)	-462	-381	-353	-365	-350	-383	-395	-399	-397	-387	-381	-372
Inventory Investment (Bil. Chain 2000\$)	-10	-51	-30	-26	-78	-73	-55	-37	-21	-18	-5	10
GDP Deflator	2.6	1.1	3.9	0.5	2.4	0.3	0.5	0.5	0.9	0.4	0.2	0.1
Consumer Prices	4.5	4.5	6.2	-8.3	-2.3	0.3	1.4	1.0	1.1	1.0	0.9	0.7
<u>Percent</u>												
Unemployment Rate	4.9	5.4	6.0	6.9	8.1	8.8	9.1	9.3	9.5	9.6	9.5	9.4
Federal Funds Rate	3.2	2.1	1.9	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
10-Year Treasury Bond Rate	3.7	3.9	3.9	3.3	2.7	2.9	3.0	3.1	3.2	3.3	3.4	3.6

Quote of the year...

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

President of the Board of Major Pension Fund

Jamie Woodwell

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<http://www.housingamerica.org>

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