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Fitch: U.S. CMBS and CDO Delinquencies Continue Climb

An uptick in both the number and average loan size of new commercial mortgage-backed security defaults resulted in a one-quarter point climb in March delinquencies to end the month at 1.53%, according to the latest U.S. CMBS Loan Delinquency Index results from Fitch Ratings. "Continued larger loan defaults within the Index are indicative of the moderate to severe macroeconomic stress environment that Fitch now views as applicable to U.S. CMBS performance," said Fitch Managing Director and U.S. CMBS Group Head Susan Merrick. "Recent vintage transactions, which are typically more concentrated by loan balance and have greater exposure to larger loans without stabilized income at issuance, will prove particularly susceptible to future losses attributable to the prolonged macroeconomic downturn." The 2006 through 2008 vintages, which represent 56.6% of the Fitch rated universe, now account for approximately 53.8% of all delinquencies within the Index. U.S. commercial real estate collateralized debt obligations (CDO) also saw an increase in delinquencies. Twenty-one newly delinquent assets pushed the delinquency rate up for 6.5% for March from 5.4% in February, according to the latest Commercial Real Estate CDO delinquency index from Fitch Ratings. Fitch currently rates 35 commercial real estate CDOs encompassing approximately 1,100 loans and 370 rated securities and assets with a balance of \$23.8 billion. "Further maturity defaults are likely as the illiquid credit markets provide limited prospects for the payoff of loans," said Senior Director Karen Trebach for Fitch. **(National Real Estate Investor)**

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Second-Half Investment Rebound Seen

A 37% majority of commercial real estate investors and developers surveyed by Jones Lang LaSalle foresee their investment activity rebounding in the second half of this year. JLL released its spring survey results during the Urban Land Institute's Spring Council Forum, being held Wednesday through Friday at the Georgia World Congress Center. The survey of ULI attendees covers all five primary commercial sectors—retail, office, multifamily, industrial and hotels. Less than a third of respondents indicated that they plan to reduce investment spending through the last six months of 2009. "Our capital markets teams in the primary international markets are reporting increasingly positive signs that pricing floors are being reached, with a corresponding uptick in transaction volumes," Michael Zietsman, managing director of JLL's Capital Markets Group, said in releasing the survey results. "This should bode well for the United States where the bid/ask gap still remains wide. "Buyers have set pricing levels that are unappealing to most sellers, but it's only a question of time before sellers move down and buyers move up to create a more efficient market," Zietsman continued. "We've seen this in the London market and I suspect that we are six to eight months behind." A lack of liquidity and continued constriction in the availability of debt remains high on the minds of most in commercial real estate, with a vast majority claiming that as the one factor that will

most influence the development and investment activity in the coming year, JLL stated in the survey results. While most survey respondents predict performance in all sectors to decline this year, pockets of opportunity appear to exist in the multifamily and industrial sectors. ([Globest.com](#))

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Real Estate CEOs Perceive Damaged Market with Glimmer of Hope

Senior real estate executives anticipate access to capital may improve slightly in the next 12 months, yet they indicate that current conditions in the income-producing real estate sector -- encompassing office buildings, shopping malls, warehouses, hotels, and apartment buildings -- continue to erode, according to The Real Estate Roundtable Sentiment Survey for the 2nd quarter 2009. "If current conditions are allowed to weaken further, the possibility of widespread commercial real estate loan defaults will transform today's threat into an ominous reality," said Roundtable President and CEO Jeffrey D. DeBoer, right. "It is clear that the nation's frozen credit markets currently do not have the capacity to meet a looming wave of commercial real estate loan maturities. But from the depths of today's market, our second quarter Sentiment Survey suggests a glimmer of hope. To help restore liquidity to credit markets, it is critical that the federal government's Term Asset-Backed Securities Loan Facility (TALF) and Public Private Investment Program (PPIP) be properly engineered to bring desperately needed liquidity to real estate credit markets," DeBoer said. As The Roundtable's Q2 2009 Sentiment Survey shows, senior executives believe asset values continue to slide as access to capital remains constricted. Yet, when asked to compare today's market conditions versus those they expect in one year, a majority of respondents say conditions will be "somewhat better." This view is reflected by a slight uptick in the Overall Q2 2009 Sentiment Index, which registers at 41, up from last quarter's score of 38 and its low point of 33 six months ago. The Roundtable's Overall Sentiment Index is measured on a scale of 1 to 100 and is calculated based on the average of Future and Current Indexes. For example, to reach an Overall Index of 100, all survey respondents would have to answer that conditions are "much better" today compared to one year ago, and will also be "much better" 12 months from now. A significant majority of the 120+ survey respondents continue to report eroding market conditions, with 83 percent saying real estate markets are worse today than one year ago. But when asked their perspective on today's market compared to one year from now, 59 percent of respondents said they expected conditions would be better. One executive offered a small measure of optimism for the future, saying, "I believe stock market pricing will get better, but the private market will get worse... The public markets are a leading indicator and they seem to have found a floor." Respondents to the Q2 survey also report that current asset values continue to slide and expect little improvement in pricing in the next 12 months. Ninety-nine percent of executives said real estate values were lower than one year ago, while only 24 percent or respondents expect values to be somewhat higher one year from now. One executive noted, "Asset pricing is going down and down. There is some overreaction in the system, though we won't see a return to 2000-2007 pricing for a long time." Nearly all the executives surveyed said access to capital remains limited as debt & equity

markets have tightened, although conditions have improved slightly. Eighty-eight percent of respondents think debt availability has deteriorated from a year ago, yet 69 percent of respondents think debt capital availability will improve in the next year. Eighty-six percent of respondents think equity financing has deteriorated from a year ago, yet 68 percent of respondents think it will improve in the next year. A survey respondent observed that "There is access to both equity and debt, but they're expensive. Banks are being very selective and are trying to pick survivors." Expectations about the availability of capital one year from now are up for both debt and equity, compared to last quarter's survey findings. DeBoer and The Roundtable have been championing a plan to attack the credit crunch afflicting the markets. Among several suggested reforms, The Roundtable's five-point plan calls for the establishment of a new credit facility for commercial real estate debt by appropriately expanding the Term Asset-Backed Securities Loan Facility (TALF) to accommodate the dynamics of commercial real estate mortgage loan structures. Additionally, the Treasury Department this month released new guidance for potential investors in the legacy securities portion of the Public Private Investment Program (PPIP). The program aims to help banks clear their balance sheets of troubled or illiquid loans and securities and, thus, help restore their ability to lend again to households and businesses. The Legacy Securities Program is aimed at thawing frozen secondary markets, including the market for commercial mortgage-backed securities (CMBS). Roundtable President and CEO Jeff DeBoer called the PPIP program an "innovative plan" for addressing legacy assets congesting the U.S. financial system, but said investors "will need more details about how the process will actually work, along with clarification that future profits, if any exist, will not be retroactively undermined." **(Targeted News Service)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	2.25
3 MONTH LIBOR	1.07	1.23	2.91
PRIME RATE	3.25	3.25	5.25
10 YEAR TREASURY	3.03	2.78	3.83
30 YEAR TREASURY	3.89	3.73	4.55