

Green Shoots???



*CMBS Pros: Lending Boom May Have Peaked -
Commercial Mortgage Alert, March 2006*

*The Recession is "Very Likely" Over -
Fed Chairman Ben Bernanke, Sept. 2009*

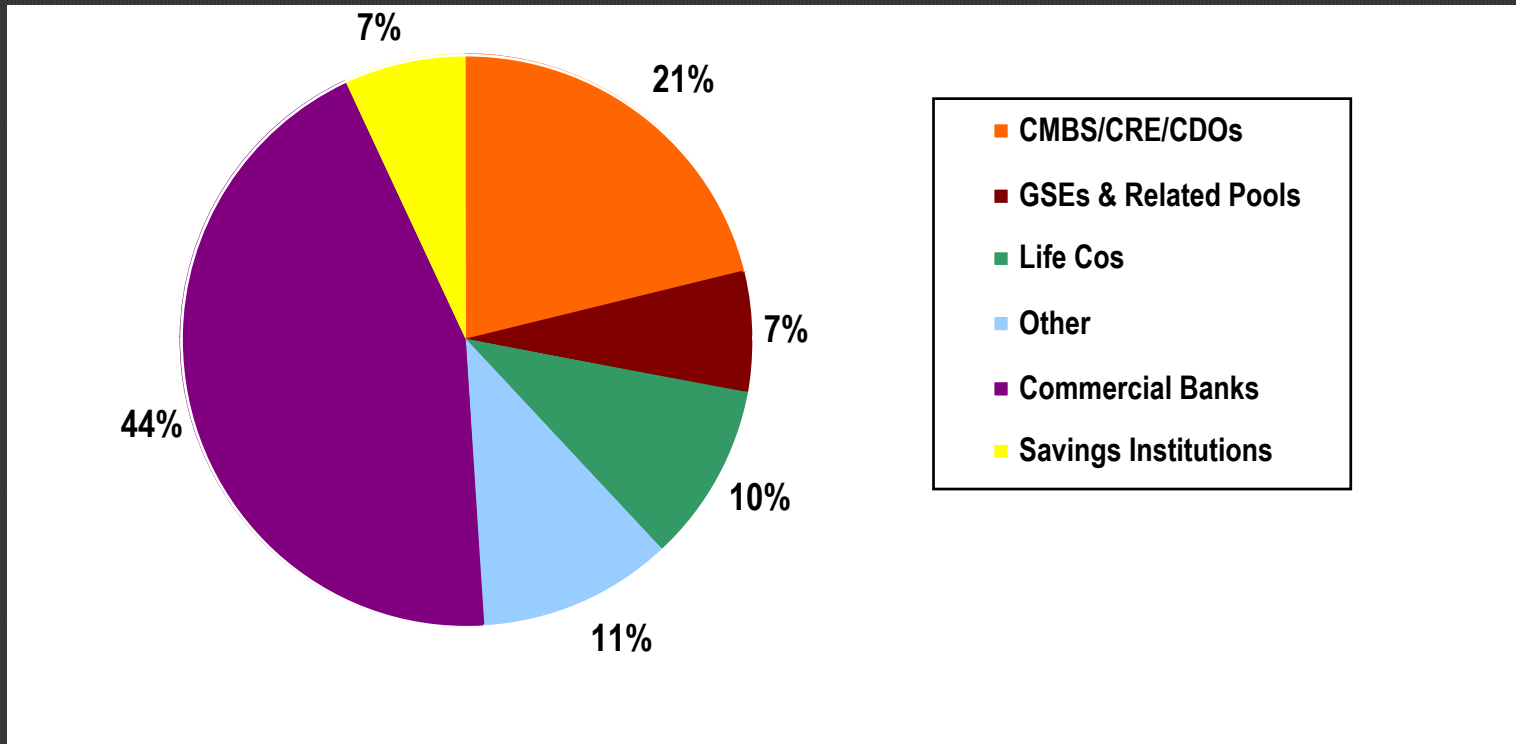
*Economy not getting worse ...
but not getting much better any time soon -
Warren Buffet, Sept. 2009*

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Commercial Real Estate Debt Market Lender Composition



Source: Federal Reserve Flow of Funds, ACLI – 2Q 2007

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Where Did All the \$\$ Go



- LENDERS ARE DE-LEVERAGING
- EQUITY and DEBT ARE BEING RE-PRICED
 - RE does require Risk and Liquidity Premiums
 - Cap Rate > Loan Constant
- OTHER PEOPLES MONEY
 - Credit Decision Made by the Balance Sheet
 - More “Skin in the Game”
 - Capital Will Re-Deploy to Local Sponsors

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Loan Constant



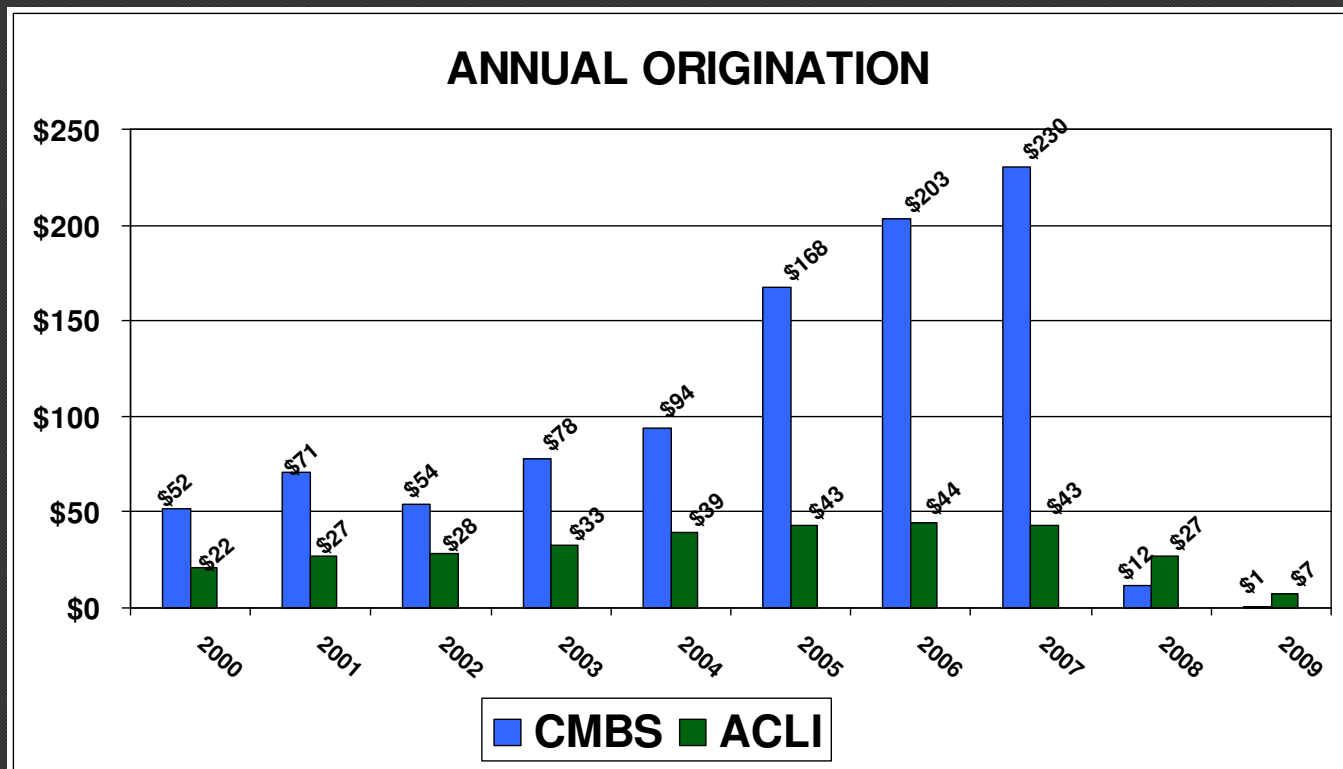
Interest Rate	Amortization		
	<u>20</u>	<u>25</u>	<u>30</u>
6.00%	<u>8.60%</u>	<u>7.73%</u>	<u>7.19%</u>
6.50%	<u>8.95%</u>	<u>8.10%</u>	<u>7.58%</u>
7.00%	<u>9.30%</u>	<u>8.48%</u>	<u>7.98%</u>
7.50%	<u>9.67%</u>	<u>8.87%</u>	<u>8.39%</u>
8.00%	<u>10.04%</u>	<u>9.26%</u>	<u>8.81%</u>

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Mortgage Volume – CMBS vs. Life Ins. Company



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The “New” Normal ... Not So New



- *Debt*
 - Back to Basics
 - Property Types
 - Sponsorship
 - Emphasize Debt Coverage Ratio
 - With Amortization This Time
 - De-Emphasize Loan to Value
- *Equity*
 - Cash-on-Cash
 - Little Credit for Reversion

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When Will It Feel Better?



RACE AGAINST TIME

- We have been through worse real estate cycles
- Need the broader economy to create jobs
- Leasing is the only thing that will start to solve problems

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