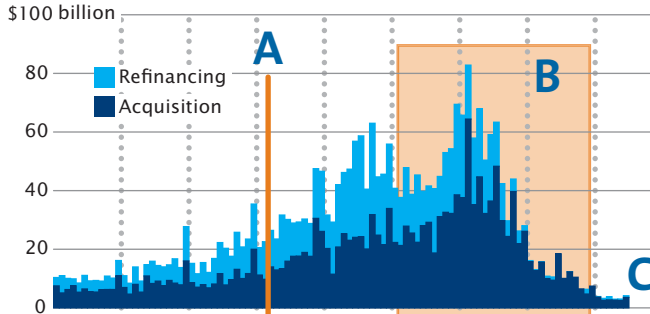
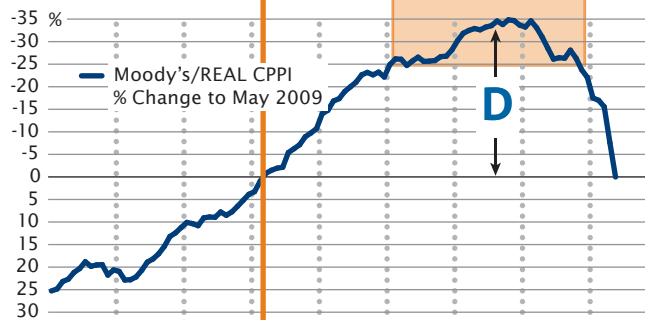


**THE BIG PICTURE**  
**Trillions of Property At Risk**

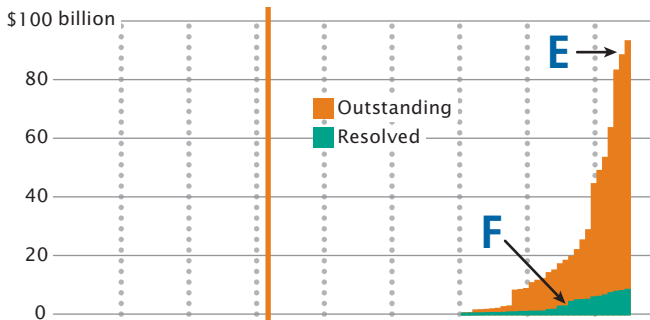
**MONTHLY PROPERTY ACQUISITION AND REFINANCINGS**



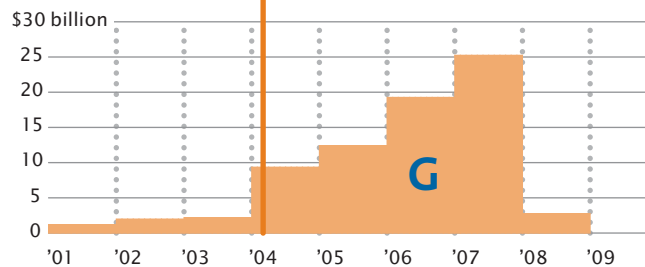
**CHANGE IN PROPERTY PRICES**



**CUMULATIVE DISTRESS**



**ORIGINATION YEAR/VINTAGE OF DISTRESSED MORTGAGES**



**A.** \$2.2 trillion of properties acquired or refinanced after this point in early 2004 have lost value since the transaction. Many of these properties, typically leveraged 70%–80%, would face significant refinancing hurdles even if prices held firm. Few lenders now are willing to advance more than 50%–60% of value.

**B.** The equity in \$1.3 trillion of properties is at great risk if not already wiped out since properties acquired or refinanced in 2006–2008 have seen price declines of 25% or more. The analysis includes only office, industrial, apartment and retail properties of significant size. Hotels, land, other property types and smaller properties would add billions more to the total.

**C.** Property sales so far in 2009 equates to just 7% of volume achieved at the peak in the first half of 2007. While sales volume this year barely registers on the graph, the jump in activity in June is clearly visible and may be an early signal that buyers are returning, lured by lower prices.

**D.** Prices for office, industrial, retail and apartment properties nationally have dropped 37% from the peak as measured by the Moody's/REAL index. Prices have dropped rapidly and recorded an 18% decline in the first five months of 2009.

**E.** The value of distressed properties has more than doubled so far in 2009. A total of \$93b of office, industrial, retail, and apartment properties in the US have fallen into default, foreclosure or bankruptcy this cycle. Troubled hotels and other commercial property types add at least another \$31b to the total.

**F.** Less than 10% of the distressed situations that have emerged have been resolved. Lenders have been slow to foreclose on assets and the phrase “pretend & extend” has recently entered the vernacular.

**G.** Loans originated in 2007, the market peak, are seeing the highest levels of default although loans dating from 2004–2006 are also problematic and are likely to remain so as they reach maturity over the next few years.