

FOR IMMEDIATE RELEASE

## CONSTRUCTION LENDING ACTIVITY – 2Q 2009

### Loan Contraction Accelerates, Residential Delinquencies Reach New Highs

OAKLAND, Calif., September 1, 2009 - Foresight Analytics has released updated figures on construction lending for 2Q 2009, showing estimates of amounts outstanding and delinquency rates by real estate product type. Some highlights are outlined below.

#### Outstanding Amounts

- Construction loans outstanding contracted by 5.5% during the second quarter (vs. 1Q 2009), accelerating from the 4% declines in 1Q 2009 and 4Q 2008. All major construction categories we estimate are now declining, including commercial real estate construction.
- Single family residential construction loans outstanding contracted by almost 10% during the second quarter. This figure is down nearly 50% from the peak in 3Q 2006.
- Multifamily construction loans outstanding fell by 8% during the second quarter, the result of declines in both condo and apartment construction activity.
- Commercial construction loans outstanding shrank by 2.2% in 2Q 2009, as compared to a revised 0.3% increase in 1Q 2009. This downward trend will accelerate in the coming quarters as a lack of new starts will sap demand for construction financing, and will represent the first major contraction since the previous cyclical low in 2003.

#### Delinquencies

- Delinquency rates for all construction and land loans rose to 16.3% during the second quarter, up from 14.5% during 1Q 2009, and more than triple the 5.0% rate in the fourth quarter of 2007.
- The single family and condo construction sectors are the weakest by a wide margin, with delinquency rates rising to 24.2% and 38.0%, respectively. Despite some indications that residential prices may be bottoming, home prices were weak in 2Q 2009 and the severe cumulative declines in boom-bust markets will cause these delinquency rates to rise further during the second half of 2009.
- Delinquency rates for apartment and non-residential commercial construction have also risen – to 9.1% and 10.4%, respectively –, but are significantly below the rates in the for-sale housing sector. Nevertheless, these delinquency rates are now more than three times the rates at the previous peak in 3Q 2001.

#### About Foresight Analytics

Foresight Analytics LLC is a California-based provider of real estate market consulting services. Foresight Analytics focuses on real estate market analysis and forecasting, for commercial and residential product types, in both domestic and international markets. Clients are mainly institutional investors, lenders and developers. For more information, visit [www.foresightanalytics.com](http://www.foresightanalytics.com).

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