

FOR IMMEDIATE RELEASE

CONSTRUCTION LENDING ACTIVITY – 3Q 2009

Loan Contraction Accelerates for Multifamily and Commercial Construction, Residential Delinquencies Reach New Highs

OAKLAND, Calif., January 5, 2010 - Foresight Analytics has released updated figures on construction lending for 3Q 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 8.1% during the third quarter (vs. 2Q 2009), accelerating from the 4.6% average quarterly declines in 4Q 2008 through 2Q 2009. All major construction categories we estimate are now declining, including commercial real estate.
- Single family residential construction loans outstanding contracted further. However, we estimate the rate of decline moderated as new starts picked up slightly in 3Q. This figure is down 50% from the peak in 3Q 2006.
- Multifamily construction loans outstanding fell by 17% during the third quarter, as both condo and apartment construction activity fell to particularly low levels.
- Commercial construction loans outstanding shrank by 9% in 3Q 2009, accelerating from the 2% decline in 2Q 2009. This downward trend will continue 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 17.9% during the third quarter, up from 16.3% during 2Q 2009. This rate is closing in on the high of 19.2% in 1Q 1992.
- The single family and condo construction sectors are the weakest by a wide margin, with delinquency rates rising to 27.2% and 41.3%, respectively. Despite some indications that residential prices may be bottoming, home prices were generally weak in 3Q 2009 and the severe cumulative declines in boom-bust markets will cause the delinquency rates on for-sale housing construction loans to rise further.
- Delinquency rates for apartment and non-residential commercial construction have also risen, to 10.9% each, but are significantly below the rates in the for-sale housing sector. Nevertheless, these delinquency rates are now three to four 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.

Contacts:

Matt Anderson
(510) 893-1760
m.anderson@foresightanalytics.com

Susan Persin
(510) 893-1760
s.persin@foresightanalytics.com