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CONSTRUCTION LENDING ACTIVITY – 2Q 2008

Construction Lending Declines for First Time Since 1994

OAKLAND, Calif., August 28, 2008 - Foresight Analytics has released updated figures on construction lending for 2Q 2008, 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 0.7% during the second quarter, the first decline since the second quarter of 1994. Growth in non-residential commercial construction – which has been slowing - failed to offset declines in for-sale residential construction lending.
- Single family residential construction loans outstanding contracted by 7% during the second quarter. This figure is down 27% from the peak in 3Q 2006 and will drop sharply in the months ahead, as unsold inventory gets dealt with, either through conventional sales, discounting or foreclosures.
- Condo construction loans outstanding fell as well, while apartment construction loans outstanding increased, with the net result of a very slight increase in multifamily construction lending.
- Commercial construction loans outstanding expanded by 5%, up slightly from the 1Q 2008 pace, but well off the rapid expansion during 2006 and 2007. With tighter credit market conditions and softening fundamentals, we believe this pace will slacken further during the second half of 2008.

Delinquencies

- Delinquency rates for all construction and land loans rose to 8.1% during the second quarter, up from 7.2% during the first quarter, and more than double the 3.2% rate in the third quarter of 2007.
- The biggest problems by far are in the single family and condo construction sectors, with delinquency rates rising to 12.5% and 16.5%, respectively. With low sales volume and still-falling prices, these rates are likely to rise further.
- Delinquency rates for apartment and non-residential commercial construction have risen as well, but are significantly below the rates in the for-sale housing sector. It is worth noting however, that the estimated delinquency rates for these sectors are now higher than the previous peaks 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.

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