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CONSTRUCTION LENDING ACTIVITY – 3Q 2008

Condo Construction Delinquency Rate Passes 20%, Single Family Construction 15%

OAKLAND, Calif., November 25, 2008 - Foresight Analytics has released updated figures on construction lending for 3Q 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 1.6% during the third quarter, accelerating from the 0.9% decline in the second quarter. 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 8% during the third quarter. This figure is down 33% from the peak in 3Q 2006 and will drop further in the months ahead, as new starts have reached historic lows.
- Condo construction loans outstanding fell sharply as well, while apartment construction loans outstanding increased moderately, with the net result of a 2% decrease in multifamily construction lending.
- Commercial construction loans outstanding expanded by 4%, down slightly from the 2Q 2008 pace, but well off the rapid expansion during 2006 and 2007. With the freeze in credit markets since mid-September, we believe the fourth quarter figure could turn negative.

Delinquencies

- Delinquency rates for all construction and land loans rose to 9.6% during the third quarter, up sharply from 8.1% during the second quarter, and triple 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 15.2% and 20.5%, respectively. With no turnaround evident in sales volume and prices, these rates are likely to rise further.
- Delinquency rates for apartment and non-residential commercial construction have risen as well – to 3.7% and 5.2%, respectively –, 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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