

FOR IMMEDIATE RELEASE

CONSTRUCTION LENDING ACTIVITY – 4Q 2009

Loan Contraction Slows for Single Family Construction, Contraction Accelerates for Commercial Construction; Residential Delinquencies Reach New Highs

OAKLAND, Calif., April 1, 2010 - Foresight Analytics has released updated figures on construction lending for 4Q 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 8.3% during the fourth quarter (vs. 3Q 2009), on par with the 8.1% decline in 3Q 2009, but faster than the 4.6% average quarterly declines in 4Q 2008 through 2Q 2009. All major construction categories we estimate are in decline, including commercial real estate.
- Single family residential construction loans outstanding contracted slightly – by an estimated 0.6% during 4Q 2009. With slight declines in the last two quarters, it appears that this category may be bottoming out. Nevertheless, this figure is down more than 50% from the peak in 3Q 2006.
- Multifamily construction loans outstanding fell by 13% during the fourth quarter, furthering the accelerated pace of decline from the beginning of 2009. Multifamily construction loans outstanding have fallen by 43% from their peak in 2Q 2008.
- Commercial construction loans outstanding shrank by 12% in 4Q 2009, furthering the acceleration that began in 3Q. This downward trend will continue in the coming quarters as a lack of new starts will sap demand for construction financing, and represents the first major contraction since the previous cyclical low in 2003. Commercial construction loans outstanding are now down 22% from the peak in 1Q 2009.

Delinquencies

- Delinquency rates for all construction and land loans rose to 18.6% during the fourth quarter, up from 17.9% during 3Q 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 27.3% and 41.5%, respectively. We saw fresh indications in the fourth quarter that home prices may be bottoming, with higher prices in some of the hardest-hit markets. Still, the severe cumulative declines in boom-bust markets will prevent a quick recovery in the delinquency rates on for-sale housing construction loans.
- Delinquency rates for apartment and non-residential commercial construction have also risen, to 11.9% and 11.1%, respectively. While these are significantly below the rates in the for-sale housing sector, these delinquency rates are now four to five times the rates at the previous peak in 3Q 2001.

About Foresight Analytics

Foresight Analytics, a division of Trepp, 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. For more information, visit www.foresightanalytics.com.

Contacts:

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

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