

Monthly Delinquency Report - Commentary

In May 2009, the delinquent unpaid balance for CMBS increased by another \$1.63 billion, up to a trailing 12-month high of \$18.78 billion. Overall, the delinquent unpaid balance grew for the ninth straight month, up over 368% from one-year ago (when only \$4.01 billion of delinquent balance was reported for May 2008), and is now over eight times the low point of \$2.21 billion in March 2007. An increase in four of the five delinquent loan categories was noted in May, as the 30-day delinquency bucket fell slightly by \$701.5 million. The distressed 90+-day, Foreclosure and REO categories grew in aggregate for the 18th straight month – up 10% from the previous month and over 280% in the past year. This increase far

Table 1 - Trailing Three Months Delinquency

Category	May-09 UPB (\$BB)	Apr-09 UPB (\$BB)	Mar-09 UPB (\$BB)
30-Day	\$ 4.42	\$ 5.12	\$ 3.16
60-Day	\$ 3.50	\$ 2.13	\$ 2.13
90+-Day	\$ 6.94	\$ 6.40	\$ 5.44
Foreclosure	\$ 2.24	\$ 2.01	\$ 1.68
REO	\$ 1.67	\$ 1.48	\$ 1.49
Current	\$ 806.58	\$ 813.00	\$ 820.61
Total CMBS	\$ 825.36	\$ 830.14	\$ 834.50
Total CMBS Del.	\$ 18.78	\$ 17.15	\$ 13.89
Delinq. %	2.275%	2.066%	1.664%

overshadows the \$83.8 million in loan workouts and liquidations reported for May 2009 across 29 loans.

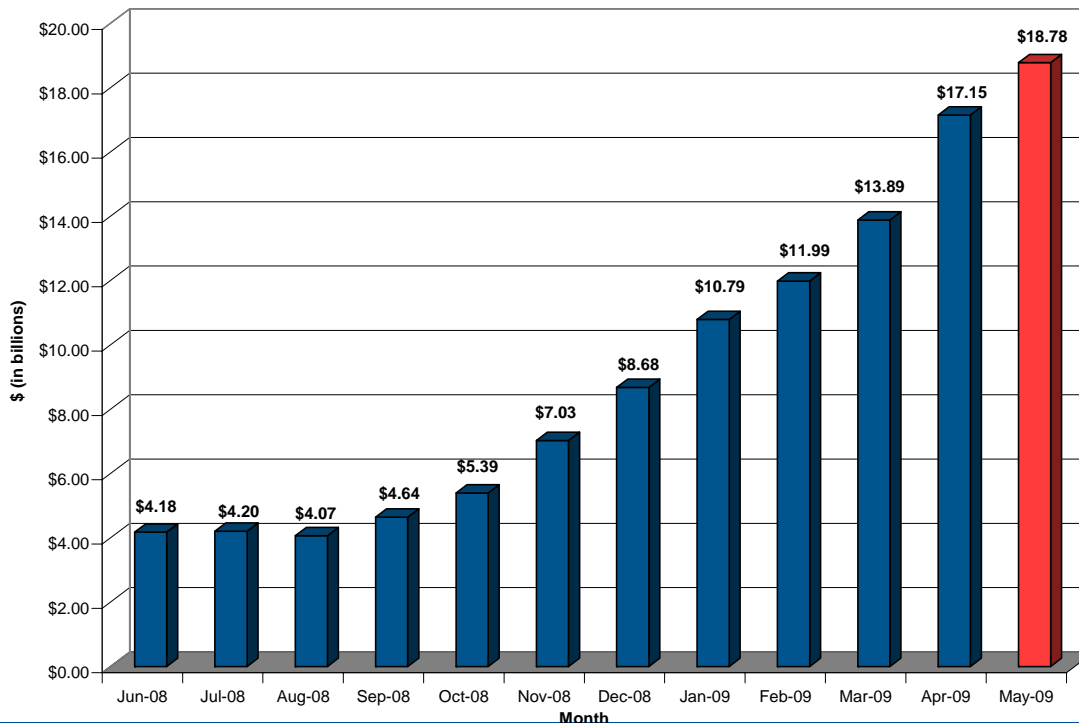
Thirteen of these loans at \$29.8 million, however, experienced a loss severity near or below 1%, most likely related to workout fees, while the other 16 loans at \$53.96 million experienced an average loss severity near 63%.

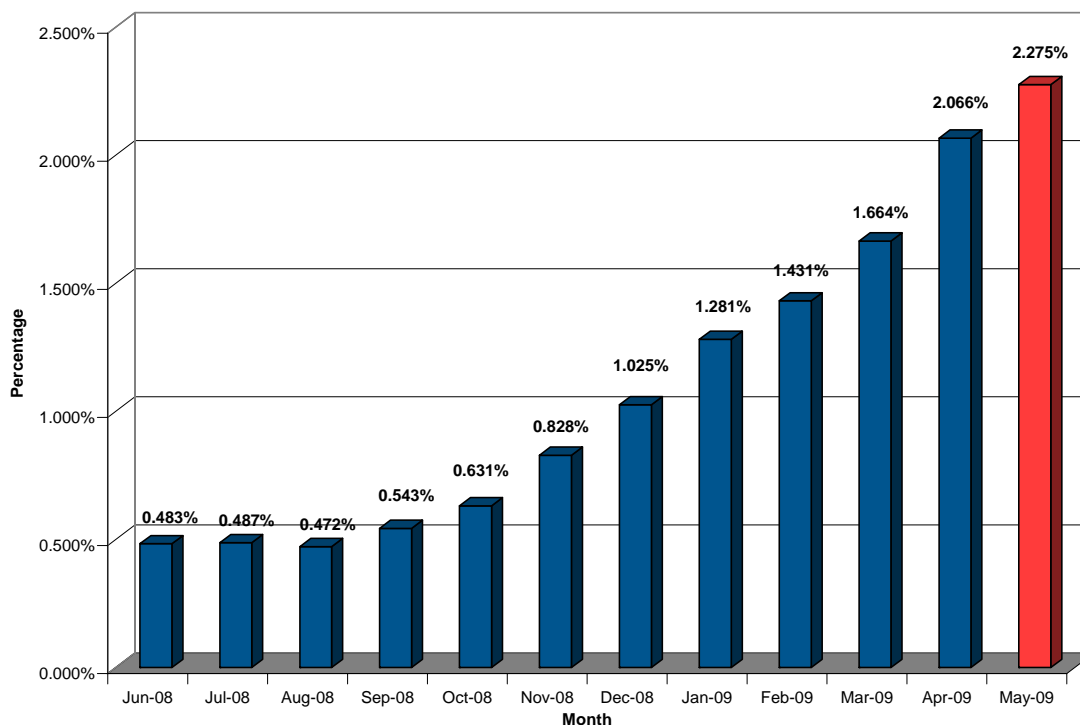
We remain cautious regarding the increased delinquencies, loan workout activity, and reported loss severities when considering our expectations for the remainder of 2009. As additional pressures are placed on special servicers to maximize returns in today's market, true loss severities are expected to be high while liquidation activity is expected to

slow as fewer transactions occur. This would be the result of reduced or distressed asset pricing, lower availability of take-out financing, and increased extensions of balloon defaults through the end of 2009 into 2010.

The total unpaid balance for all CMBS pools under review by Realpoint was \$835.4 billion in May 2009, down from \$830.1 billion in April. Both the delinquent unpaid balance and delinquency percentage over the trailing twelve months are shown in Charts 1 and 2 below, clearly trending upward.

Charts 1 and 2 – Monthly CMBS Delinquency: Balance vs. Percentage (source: Realpoint)





The resultant delinquency ratio for May 2009 was 2.28%, up from 2.07% one month prior and only 1.28% in January. Such a delinquency ratio is now eight times the Realpoint recorded low point of 0.283% from June 2007. In addition, the delinquency percentage through May 2009 is now five times the 0.46% reported one-year prior in April 2008. The increase in both delinquent unpaid balance and delinquency ratio over this time horizon reflects a steady increase from historic lows in mid-2007.

Forecasted Delinquency by Balance and Percentage – Scenario Analysis

Overall, we expect the delinquent unpaid CMBS balance to continue along its current trend and grow between \$20 billion to \$30 billion by mid year 2009, with the potential to grow closer to and in excess of \$40 billion before the end of 2009 under heavily stressed scenarios. **Based upon an updated trend analysis, we expect the delinquency percentage to grow in excess of 4.4% before year-end 2009 (potentially approaching 5.7% under our heavily stressed scenarios).** This outlook is mostly due to the reporting of several large loans from recent vintage transactions that continue to show signs of stress and default, along with continued balloon maturity defaults from more seasoned vintage transactions. In addition, while we maintain our negative outlook for both the retail and hotel sectors for 2009, we are closely monitoring the negative trends surrounding several large struggling multifamily loans in the New York MSA that have near-term default risk, and the lack of new issuance to offset the continued increases in delinquent unpaid balance.

Our scenario and trend analysis regarding recent default activity and the potential for future delinquency growth has shown the following:

Scenario 1 (Six-Month Historical Assumptions):

- Over the past six months, delinquency growth by unpaid balance has averaged roughly \$1.96 billion per month, while the outstanding universe of CMBS under review has decreased on average by \$3.8 billion per month from pay-down and liquidation activity.
- If such delinquency average were increased by an additional 25% growth rate, and then carried through the end of 2009, **the delinquent unpaid balance would reach \$36 billion and reflect a delinquency percentage near 4.4% by December 2009.**

- In addition to this growth scenario, if we add-in the potential default of two very large high risk CMBS loans under review by Realpoint (namely the \$3 billion Peter Cooper Village / Stuyvesant Town loan spread through multiple CMBS deals via a pari passu structure, and the \$4.1 billion Extended Stay Hotel loan in the WBC07ESH pool – which recently has received headlines for the for the Chapter 11 bankruptcy protection filing of Extended Stay and the potential for CMBS debt restructuring), the delinquent unpaid balance would top \$43 billion and reflect a delinquency percentage near 5.4% by December 2009.

Scenario 2 (Three-Month Historical Assumptions):

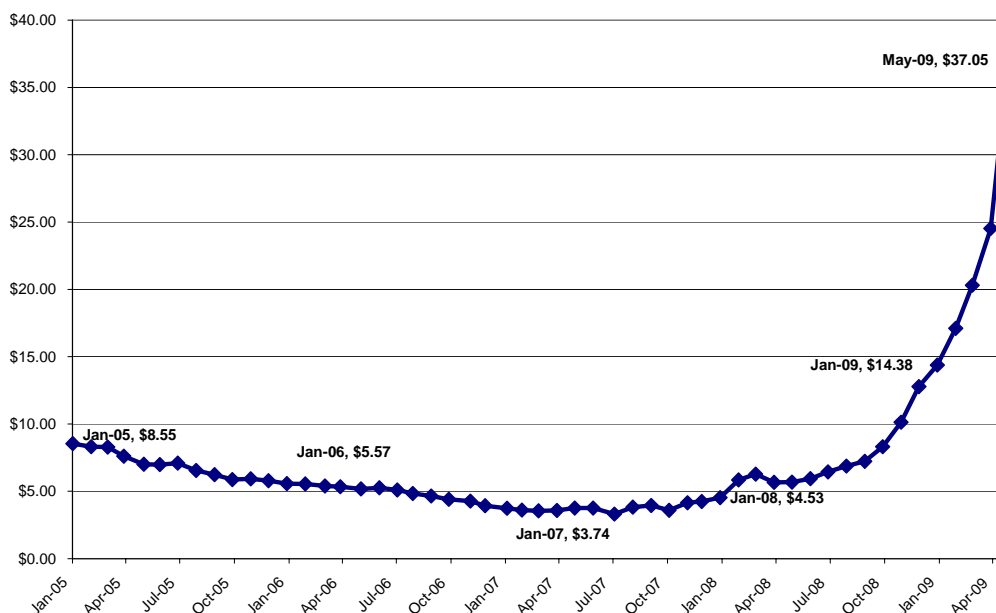
- Over the past three months, delinquency growth by unpaid balance has averaged roughly \$2.26 billion per month, while the outstanding universe of CMBS under review has decreased on average by \$4.14 billion per month from pay-down and liquidation activity.
- If such delinquency average were again increased by an additional 25% growth rate, and then carried through the end of 2009, the delinquent unpaid balance would top \$38 billion and reflect a delinquency percentage slightly above 4.7% by December 2009.
- In addition to this growth scenario, if we again add-in the potential default of the \$3 billion Peter Cooper Village / Stuyvesant Town loan and the \$4.1 billion Extended Stay Hotel loan, the delinquent unpaid balance would top \$45 billion and reflect a delinquency percentage above 5.7% by December 2009.

Special Servicing Exposure and Other Trends

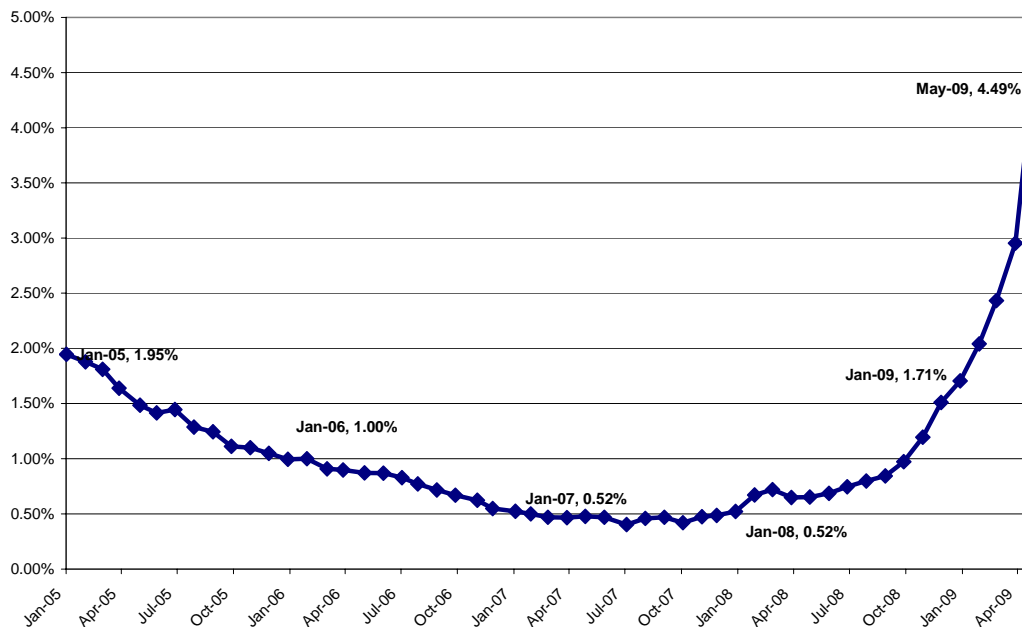
Special servicing exposure has also been on the rise, having increased for the 13th straight month through May 2009. The unpaid balance for specially serviced CMBS increased by an unprecedented \$12.53 billion in May 2009, up to a trailing 12-month high of \$37.05 billion from \$24.5 billion in April and \$20.3 billion in March. A large portion of this increase (\$7.33 billion, 59% of the net change) was due to the transfer of GGP related SPE borrower loans for the previous bankruptcy filing. As a result, the corresponding percentage of loans in special servicing increased substantially to 4.49% of all CMBS by unpaid balance in May 2009, up from 2.95% a month prior and only 0.48% in May 2007 and 0.65% May 2008. The overall trend of special servicing exposure since January 2005, by both unpaid balance and percentage, is presented in Charts 3 and 4 below.

Charts 3 and 4 – Special Servicing Exposure: Balance vs. Percentage (source: Realpoint)

Special Servicing Exposure by Unpaid Balance (\$BB): January 2005 through May 2009



Special Servicing Exposure as % of Outstanding CMBS: January 2005 through May 2009



**Table 2: Monthly Special Servicing Transfers
May 2009**

Year Issued	# of Loans	Current Balance
2007	42	\$ 1,322,285,559.34
2006	89	\$ 4,331,996,236.96
2005	52	\$ 2,996,269,815.39
2004	58	\$ 2,209,334,355.38
2003	24	\$ 771,134,273.94
2002	7	\$ 209,442,509.01
2001	21	\$ 857,867,608.93
2000	9	\$ 88,809,406.65
1999	22	\$ 128,492,564.49
1998	5	\$ 20,556,419.68
1997	5	\$ 87,631,864.91
1996	2	\$ 5,397,419.39
1995	1	\$ 2,863,110.85
Totals	337	\$ 13,032,081,144.92

Our default risk concerns for the 2005 to 2007 vintage transactions relative to underlying collateral performance and payment ability are more evident on a monthly basis.

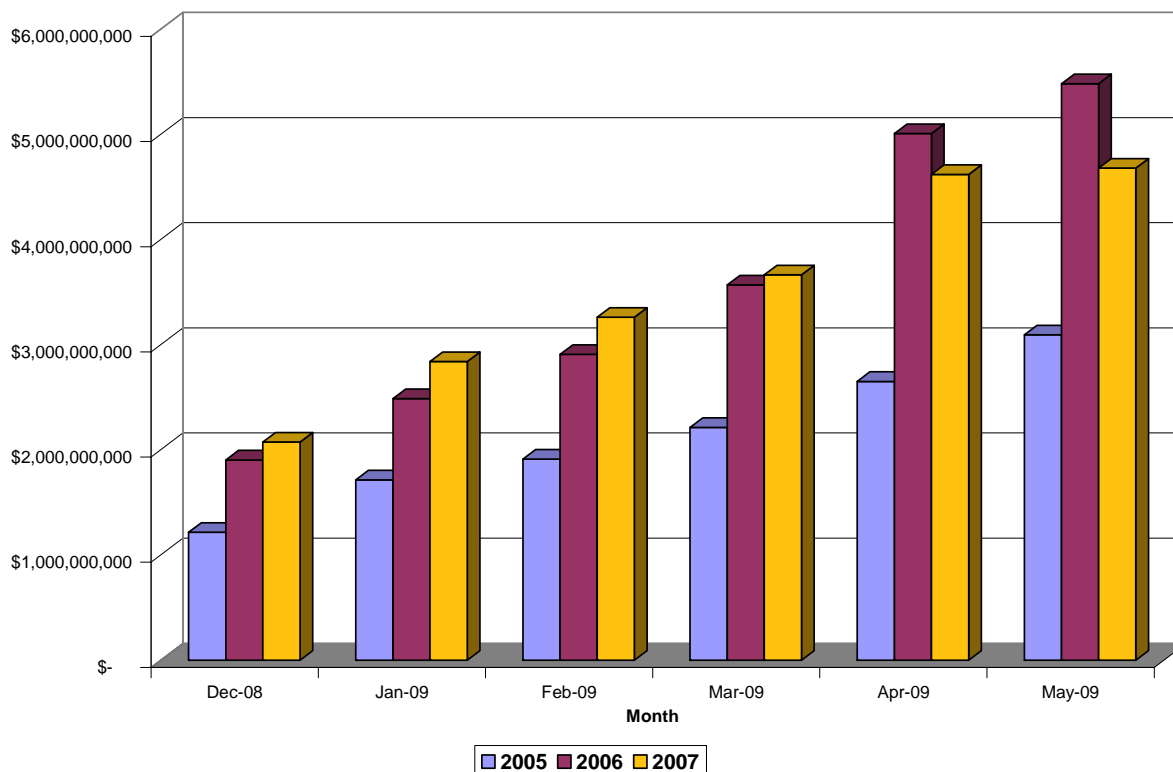
Both the volume and unpaid balance of CMBS loans transferred to special servicing on a monthly basis continues to raise questions about underlying credit stability in today's market climate for these deals, as evidenced by table 2.

While new specially serviced loan transfers totaled \$13.03 billion in May 2009 (compared to the net change in special servicing of \$12.53 billion mentioned previously), an additional 183 loans at \$8.65 billion of such balance were issued from 2005 through 2007. This figure reflected 66% of the current month's transfers and 23% of total special servicing exposure in May 2009.

Furthermore, over 54% of delinquent unpaid balance

through May 2009 came from transactions issued in 2006 and 2007, with over 29% of all delinquency found in 2006-issued transactions. When we extend our review to include the 2005 vintage, an additional 16.5% of total delinquency is found; thus over 70.5% of CMBS delinquency comes from 2005 to 2007 vintage transactions. Chart 5 below shows the increased delinquent unpaid balance relative to these three vintages over the past six months, clearly reflecting the increasing trends we have highlighted in recent months.

Chart 5 – Monthly Delinquent Unpaid Balance for 2005, 2006 and 2007 Vintage Transactions



Throughout 2009, we expect to see continued high delinquency by unpaid balance for these three vintages due to aggressive lending practices prevalent in such years. We also expect to see some loans from the 2008 vintage to show signs of distress and default in cases where pro-forma underwriting assumptions fail to be realized.

Otherwise, when focusing on deals seasoned for at least one year, our investigation reveals the following:

- Deals seasoned at least a year have a total unpaid balance of \$819.4 billion, with \$18.74 billion delinquent – a **2.29% rate (up from only 0.81% six months prior)**.
- When *agency CMBS deals are removed* from the equation, deals seasoned at least a year have a total unpaid balance of \$789.3 billion, with \$18.73 billion delinquent – a **2.37% rate (up from only 0.84% six months prior)**.
- Conduit and fusion deals seasoned at least a year have a total unpaid balance of \$696.7 billion, with \$17.87 billion delinquent – a **2.57% rate (up from only 0.9% six months prior)**.

Other concerns / dynamics within the CMBS deals we are monitoring which may affect the overall delinquency rate in 2009 include:

- **Balloon default risk from highly seasoned transactions for both performing and non-performing loans coming due in the next 12 months** that may be unable to secure adequate refinancing due to current credit market conditions, lack of financing availability, or further distressed collateral performance.
- Refinance and balloon default risk concerns from floating rate transactions, as many large loans secured by un-stabilized or transitional properties reach their final maturity extensions, or fail to meet debt service or cash flow covenants necessary to exercise such extensions.
- Aggressive pro-forma underwriting on loans with debt service / interest reserve balances that are declining more rapidly than originally anticipated.
- Further stress on partial-term interest-only loans that begin to amortize during the year that already have in-place DSCRs hovering around breakeven.

- The unpaid balance related to loans underwritten with DSCRs between 1.10 and 1.25 as any decline in performance in today's market could cause an inability to make debt service requirements.
- A decline in distressed asset sales or liquidations as traditional avenues for securing new financing is becoming less available.
- Additional stress on both the retail and lodging sectors as consumer spending declines and the U.S. economy weakens.

Monthly CMBS Loan Workouts and Liquidations

The growing rate at which liquidated or resolved CMBS credits are replenished by newly delinquent loans remains a concern, especially regarding further growth in the Foreclosure and REO categories (evidence of additional loan workouts and liquidations on the horizon for 2009 and 2010). Through May 2009, newly reported CMBS delinquency continued to outpace monthly liquidations by a very high ratio, raising our concerns for further deterioration in the market.

In May 2009, another \$83.8 million in CMBS loan workouts and liquidations were reported at an overall average loss severity of 35.2% (shown in Table 3), above the 2008 average of 24.9%, the 2007 average of 32.8%, and the 2006 average of 30.2%. We highlight, however, that 13 of these loans at \$29.8 million experienced a loss severity near or below 1%, most likely related to special servicing workout fees, while the remaining 16 loans at \$53.96 million experienced an average loss severity near 63% - a clearer reflection of true loss severity. We expect higher these levels of loss severity to be the norm in 2009 for those loans that experience a term default where cash flow from operations is not sufficient to support in-place debt obligations.

Table 3 – Liquidations for May 2009: Material Loss vs. Workout Fees, etc. (source: Realpoint)

Deal ID	Pros ID	Loan Name	Prop Type	Balance Before Loss	Loss Amount	Loss %	Loss Date	City	State
BACM0001	51669	North Decatur Manor Apartments	Multi-family	\$ 4,717,645.75	\$ 3,996,076.16	84.7%	5/8/2009	DECATUR	GA
BACM0401	000022	Lakewood Club Apartments (Loan 6364)	Multi-family	\$ 3,146,727.28	\$ 1,479,005.28	47.0%	5/28/2009	LAKEWOOD	OH
BSC06P14	185.000	420 North Dysart Road	Retail	\$ 3,093,277.67	\$ 1,376,856.31	44.5%	5/29/2009	AVONDALE	AZ
BSC06P14	184.000	1318 North Cooper Road	Retail	\$ 3,093,277.67	\$ 1,369,120.40	44.3%	5/29/2009	GILBERT	AZ
CBAC0501	2005100801	02FIXED/VARIABLE	Other	\$ 310,496.83	\$ 230,917.21	74.4%	5/18/2009	NEW HAVEN	CT
CSF02CK1	000026	The Fox Chase Apartments	Multi-family	\$ 9,514,571.62	\$ 7,392,990.27	77.7%	5/11/2009	GRAND PRAIRIE	TX
CSF05C02	72.000	Upperclassman & Thorntree Apartments	Multi-family	\$ 5,322,160.93	\$ 4,002,360.28	75.2%	5/5/2009	Huntington	WV
DLJ00CK1	86	Woodridge Apartments	Multi-family	\$ 3,685,398.30	\$ 2,283,950.89	62.0%	5/5/2009	SHERMAN	TX
DLJ98CF2	000264	Plymouth Place Plaza	Retail	\$ 73,876.03	\$ 53,803.55	72.8%	5/28/2009	LIVONIA	MI
FULB97C2	000307	Greentree	Multi-family	\$ 1,811,040.65	\$ 1,791,463.28	98.9%	5/1/2009	AUSTIN	TX
GMAC04C1	63	87-101 Spring Street	Multi-family	\$ 1,343,997.93	\$ 1,343,997.93	100.0%	5/1/2009	HARTFORD	CT
GMAC98C2	000980601999G	Circuit City (Property Level)	Retail	\$ 3,077,728.41	\$ 503,508.40	16.4%	5/6/2009	SPRINGFIELD	MO
LAS06MF4	270.000	2743-2759 Eakin Road	Multi-family	\$ 709,195.26	\$ 455,006.56	64.2%	5/14/2009	Columbus	OH
NAS98D06	000146	Value City - Melrose Park	Retail	\$ 3,069,188.28	\$ 670,558.17	21.8%	5/11/2009	MELROSE PARK	IL
PNC00C02	000036	26600 Telegraph Road Office Building	Office	\$ 7,894,957.91	\$ 4,068,840.62	51.5%	5/26/2009	SOUTHFIELD	MI
SBM701C1	7001323	HILLTOP APARTMENTS	Multi-family	\$ 3,093,762.88	\$ 2,233,802.45	72.2%	5/11/2009	ANDERSON	IN
Sub-Totals				\$ 53,957,303.40	\$ 33,252,257.76	63.0%	Avg Severity		
Deal ID	Pros ID	Loan Name	Prop Type	Balance Before Loss	Loss Amount	Loss %	Loss Date	City	State
ASC97D04	000073	Ramada Inn Bossier	Hotel	\$ 2,473,779.00	\$ 24,737.79	1.0%	5/11/2009	BOSSIER CITY	LA
CBAC0501	2005100849	05FIXED/VARIABLE	Retail	\$ 255,127.11	\$ 3,912.09	1.5%	5/14/2009	TERRYVILLE	CT
CMAC99C1	142	Days Inn - Anderson	Hotel	\$ 1,529,646.68	\$ 15,412.55	1.0%	5/8/2009	ANDERSON	SC
CSF01CK6	000224	1752 Rumrill Boulevard	Other	\$ 148,058.02	\$ 1,567.54	1.1%	5/11/2009	SAN PABLO	CA
CSF01CK6	000207	2440 Athens Avenue	Office	\$ 193,774.88	\$ 2,048.04	1.1%	5/11/2009	REDDING	CA
DLJ99CG1	000273	Valley Garden Apartments	Multi-family	\$ 720,716.93	\$ 8,129.85	1.1%	5/26/2009	Las Vegas	NV
DLJ99CG2	000283	Olde Oaks Apartments	Multi-family	\$ 908,366.02	\$ 13,792.28	1.5%	5/4/2009	CLUTE	TX
GMAC00C1	TA7233	Parsippany Crossroads Office Center	Office	\$ 4,572,994.92	\$ 46,731.10	1.0%	5/5/2009	PARSIPPANY	NJ
JPC04C02	000079	Craig II Industrial	Industrial	\$ 2,781,335.09	\$ 29,461.35	1.1%	5/11/2009	LAS VEGAS	NV
LBC98C04	000173	The Embassy Cinema	Retail	\$ 2,313,754.24	\$ 23,300.68	1.0%	5/7/2009	WALTHAM	MA
LBUB02C2	000027	Shoppes at Hickory Hollow	Retail	\$ 10,434,390.53	\$ 105,007.99	1.0%	5/12/2009	Nashville	TN
LBUB04C4	93	Lembi Portfolio - 2395 29th Avenue	Multi-family	\$ 1,610,000.00	\$ 16,176.46	1.0%	5/11/2009	SAN FRANCISCO	CA
MSC199CA	000111	Grand Terrace Shopping Center	Retail	\$ 1,875,594.41	\$ 19,770.84	1.1%	5/6/2009	COLTON	CA
Sub-Totals				\$ 29,817,537.83	\$ 310,048.56	1.1%	Avg Severity		
Aggregate Total				\$ 83,774,841.23	\$ 33,562,306.32	35.2%	Avg Severity		

Since January 2005, over \$7.75 billion in CMBS liquidations have been realized, while 45 of the last 51 months have reported average loss severities below 40%, including 21 below 30%. While average loss severity increased slightly for the 12 months of 2007 when compared to 2006, monthly loan liquidations by unpaid balance declined significantly in 2007 when compared to 2006 (by 43% year-over-year).

June 2009

Liquidations in 2007 totaled \$1.094 billion at an average severity of 32.8%. Liquidations in 2006 totaled \$1.93 billion at an average severity of 30.2%, while 2005 had \$3.097 billion in liquidations at an average severity of 34.2%.

Table 4 – Monthly CMBS Liquidations and Average Loss Severity, January 2008 to May 2009 (source: Realpoint)

Totals	Balance Before Loss	Loss Amount	Avg. Loss %
May-09	\$ 83,774,841.23	\$ 33,562,306.32	35.2%
Apr-09	\$ 65,890,685.28	\$ 13,820,841.89	31.1%
Mar-09	\$ 157,538,109.76	\$ 38,348,045.97	50.7%
Feb-09	\$ 53,881,344.45	\$ 21,297,774.64	23.6%
Jan-09	\$ 127,512,771.20	\$ 42,220,021.31	37.1%
Dec-08	\$ 119,798,193.52	\$ 53,191,551.67	42.0%
Nov-08	\$ 134,819,667.87	\$ 25,028,932.54	27.6%
Oct-08	\$ 93,685,039.57	\$ 8,286,575.46	13.5%
Sep-08	\$ 78,271,654.89	\$ 6,971,767.96	17.0%
Aug-08	\$ 70,664,692.73	\$ 12,174,288.96	20.0%
Jul-08	\$ 201,914,661.89	\$ 56,467,662.03	30.4%
Jun-08	\$ 158,520,022.07	\$ 31,146,059.73	24.9%
May-08	\$ 81,930,650.64	\$ 19,632,531.51	16.5%
Apr-08	\$ 115,172,947.71	\$ 62,227,934.35	29.4%
Mar-08	\$ 97,384,008.72	\$ 21,385,223.39	19.6%
Feb-08	\$ 86,972,409.26	\$ 19,949,191.89	20.3%
Jan-08	\$ 58,557,636.99	\$ 18,181,773.24	32.1%

Annual liquidations for 2008 totaled \$1.297 billion, at an overall average severity of only 24.9%. Such average was clearly brought downward by the number of loans that experienced a minor loss via workout fees and / or sales or refinance proceeds being near total exposure. Therefore, to accurately account for such, the property type loss severity figures for 2009 presented in tables 5, 6 and 7 below are broken out by loss severity levels.

Table 5 – Average Loss Severities by Property Type for 2009: All Liquidated Loans (source: Realpoint)

Prop Type	Balance Before Loss	Loss Amount	Loss %	# of Loans
Hotel Average	\$ 58,370,861.78	\$ 9,721,739.79	36.9%	5
Industrial Average	\$ 17,301,157.19	\$ 4,259,749.64	12.1%	4
Multi-family Average	\$ 154,072,139.55	\$ 85,120,824.60	41.8%	55
Office Average	\$ 151,047,193.52	\$ 18,227,285.50	19.8%	18
Other Average	\$ 1,271,287.44	\$ 960,846.26	70.7%	6
Retail Average	\$ 106,535,112.44	\$ 30,958,544.34	32.4%	30
Grand Average	\$ 488,597,751.92	\$ 149,248,990.13	36.3%	118

Table 6 – Average Loss Severities by Property Type for 2009: Loans with Material Loss Severity Above 2% (source: Realpoint)

Prop Type	Balance Before Loss	Loss Amount	Loss %	# of Loans
Hotel Average	\$ 11,380,566.84	\$ 9,669,504.99	91.2%	2
Industrial Average	\$ 9,181,996.31	\$ 4,175,893.77	45.5%	1
Multi-family Average	\$ 127,852,186.04	\$ 84,842,944.55	58.5%	39
Office Average	\$ 27,648,426.63	\$ 17,279,410.66	57.7%	6
Other Average	\$ 1,123,229.42	\$ 959,278.72	84.6%	5
Retail Average	\$ 50,185,796.25	\$ 30,381,539.23	56.3%	17
Grand Average	\$ 227,372,201.49	\$ 147,308,571.92	60.5%	70

Table 7 – Average Loss Severities by Property Type for 2009: Loans with Loss Severity Below 2%, including Assumed Special Servicing Workout Fees (source: Realpoint)

Prop Type	Balance Before Loss	Loss Amount	Loss %	# of Loans
Hotel Average	\$ 46,990,294.94	\$ 52,234.80	0.7%	3
Industrial Average	\$ 8,119,160.88	\$ 83,855.87	1.0%	3
Multi-family Average	\$ 26,219,953.51	\$ 277,880.05	1.1%	16
Office Average	\$ 123,398,766.89	\$ 947,874.84	0.9%	12
Other Average	\$ 148,058.02	\$ 1,567.54	1.1%	1
Retail Average	\$ 56,349,316.19	\$ 577,005.11	1.1%	13
Grand Average	\$ 261,225,550.43	\$ 1,940,418.21	1.0%	48

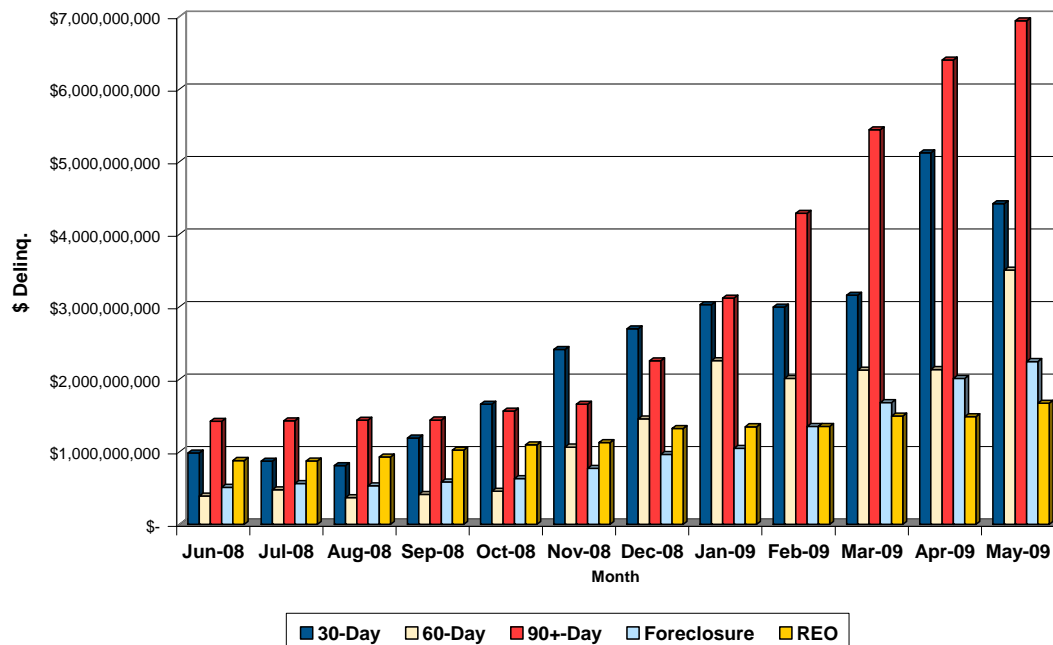
For comparison by property type:

- The highest loss severities in 2006 were found in healthcare (55%) and industrial (34.5%) collateral; multifamily collateral remained highest by balance before liquidation (\$606.7 million), but reported the lowest severity (24.5%).
- The highest loss severities in 2007 were found in industrial (50%) and healthcare collateral (44%); multifamily collateral was again the highest by balance before liquidation (\$356 million), but reported the fourth lowest severity (32.5%).
- The highest loss severities in 2008 were found in mixed-use / other (36%) and multifamily collateral (31%); multifamily collateral was again the highest by balance before liquidation (\$576.97 million).

Future Workouts – Delinquency Categories

The total balance of loans in Foreclosure and REO increased for the 19th straight month to \$3.91 billion in May 2009 from \$3.49 billion in April, despite ongoing liquidation activity. These figures had declined steadily for some time through mid-2007, reflective of expedited loan workouts, but continue to be replenished with new loans due to aggressive special servicing workout plans and borrowers claiming an inability to pay debt service. The chart below also shows the rapid growth of loans reflecting 30-day delinquency in the past six month, transitioning rapidly into more distressed levels on a monthly basis in 2009, thus supporting our use of 30-day defaults as an early indicator of workouts to come for 2009-2010.

Chart 6 – Monthly Delinquency Categories (source: Realpoint)



Property Type

- In May 2009, retail loans became the greatest contributor to overall CMBS delinquency, at 0.73% of the CMBS universe and near 32% of total delinquency. *Retail surpassed multifamily as the highest CMBS default contributor for the first time since May 2004.*
- Despite a slight decline for the first time since August 2008 (as some larger specially serviced loans were brought current in May), multifamily loans remained a poor performer in May 2009, with over a 3.4% delinquency rate. By dollar amount, multifamily loan delinquency is now up by an astounding \$4.7 billion since a low point of only \$903.3 million in July 2007.
- As shown in Chart 7 below, multifamily, retail, office and hotel collateral loan delinquency as a percentage of the CMBS universe have clearly trended upward since mid-2008.
- Only six healthcare loans at 0.016% of the CMBS universe are delinquent, but such delinquent unpaid balance reflects nearly 6% all healthcare collateral in CMBS.
- As a percentage of total unpaid balance, month-over-month delinquencies for four of seven categories increased by double digits from April to May 2009, led by hotel at 29% and other at 26%.
- In 2009 we expect retail delinquency to increase substantially as consumer spending suffers from the overall weakness of the U.S. economy. We also anticipate store closings and retailer bankruptcies to continue throughout the year.
- In addition, the hotel sector will likely experience an exponential increase in delinquency as both business and leisure travel slows further, resulting in further declines in occupancy, REVPAR and ADR.

Table 8 – Monthly Delinquency by Property Type (source: Realpoint)

Prop.Type	Current Balance	Loan Count	% of CMBS Universe	% of CMBS Delinq.	% of Property Type
Healthcare Total	\$ 131,104,867.04	6	0.016%	0.698%	5.535%
Hotel Total	\$ 2,113,959,142.73	152	0.256%	11.258%	2.817%
Industrial Total	\$ 598,564,332.65	98	0.073%	3.188%	1.636%
Multi-family Total	\$ 5,618,655,045.97	675	0.681%	29.923%	3.421%
Office Total	\$ 3,343,521,342.44	338	0.405%	17.806%	1.456%
Retail Total	\$ 6,003,559,790.46	635	0.727%	31.973%	2.614%
Other Total	\$ 967,847,749.89	182	0.117%	5.154%	1.102%
Grand Total	\$ 18,777,212,271.18	2,086	2.275%	100.000%	

Chart 7 – Trailing Twelve Month Delinquency by Property Type (source: Realpoint)

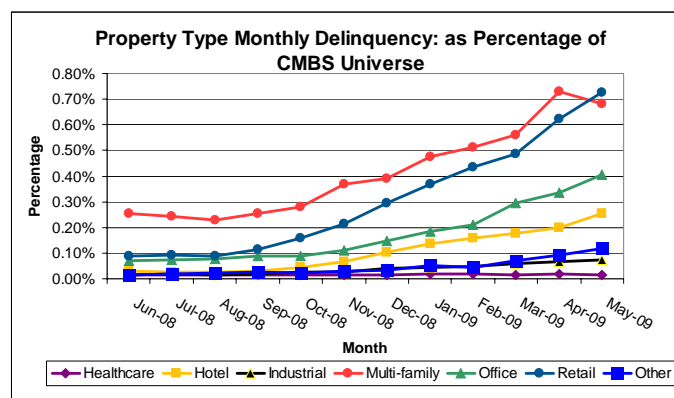


Table 9 – Trailing Twelve Month Delinquency by Property Type: as % of Outstanding Property Type Balance (source: Realpoint)

Trailing Twelve Month Property Type Delinquency: as % of Outstanding Property Type Balance												
Property Type	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
Healthcare	4.0%	4.0%	4.4%	4.2%	4.4%	5.0%	5.2%	5.9%	5.8%	5.6%	6.0%	5.5%
Hotel	0.3%	0.3%	0.3%	0.3%	0.5%	0.7%	1.1%	1.5%	1.8%	2.0%	2.2%	2.8%
Industrial	0.3%	0.4%	0.3%	0.4%	0.6%	0.6%	0.9%	1.0%	1.1%	1.3%	1.5%	1.6%
Multi-family	1.3%	1.2%	1.1%	1.3%	1.4%	1.9%	2.0%	2.4%	2.6%	2.8%	3.7%	3.4%
Office	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	0.7%	0.8%	1.1%	1.2%	1.5%
Retail	0.3%	0.3%	0.3%	0.4%	0.6%	0.8%	1.1%	1.3%	1.6%	1.8%	2.3%	2.6%
Other	0.1%	0.2%	0.2%	0.3%	0.2%	0.3%	0.3%	0.5%	0.4%	0.7%	0.9%	1.1%

Special Servicing

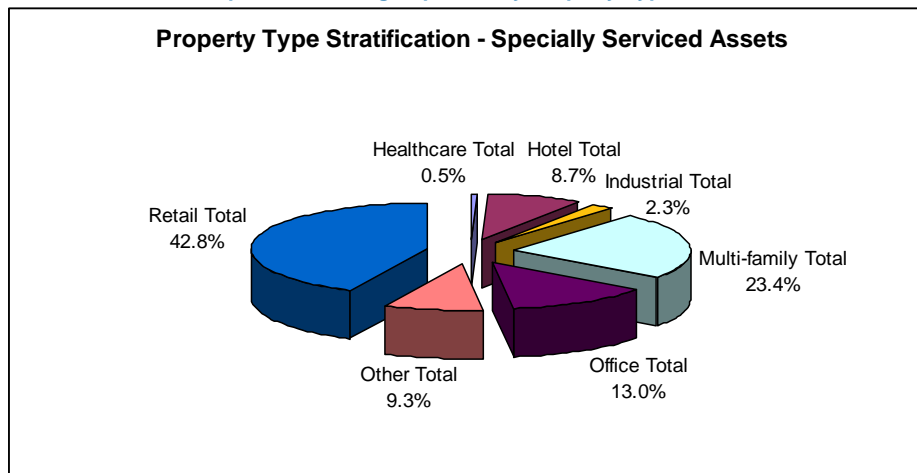
- Special servicing exposure increased for the 13th straight month to \$37.05 billion in May 2009 from \$24.52 billion in April and only \$20.3 billion in March.
- For the 18th straight month, the total unpaid principal balance for specially-serviced CMBS when compared to 12 months prior increased, by a high \$31.4 billion in May 2009. Such exposure is up over 550% in the trailing-12 months.
- Conversely, special servicing exposure was also below \$4 billion for 11 straight months through October 2007.
- Following the May 2009 transfer of nearly \$7.33 billion of GGP related SPE borrower loans, special servicing exposure by property type is now heavily weighted towards retail collateral at 43%, followed by multifamily at 23% and office at 13%.
- Unpaid principal balance noted as current but specially-serviced decreased to a trailing 12-month low of \$1.44 billion in July 2007, but has since increased to \$21.23 billion in May 2009.
- Within the 2.57% of CMBS current but specially-serviced, we found 219 loans with an unpaid principal balance over \$20 million accounting for \$17.8 billion, up from 117 loans at \$7.05 billion a month prior.
- Unpaid principal balance exceeded \$50 million for 131 current but specially-serviced loans in May 2009, and exceeded \$100 million for 66 loans. Such loans are highlighted by the \$404 million and \$300 million pari-passu loans on the GGP sponsored Ala Moana Portfolio retail property, found in the CDC07CD4 and CDC06CD3 transactions.

Table 10 – Trailing Twelve Month Special Servicing Exposure (source: Realpoint)

Month	All Specially Serviced		Loans current but with the Special Servicer		Delinquent and Specially Serviced	
	UPB*	% of CMBS	UPB	% of CMBS	UPB	% of CMBS SS
May-09	\$37.05	4.49%	\$21.23	2.57%	\$15.82	42.7%
Apr-09	\$24.52	2.95%	\$10.35	1.25%	\$14.16	57.8%
Mar-09	\$20.30	2.43%	\$8.39	1.01%	\$11.91	58.7%
Feb-09	\$17.11	2.04%	\$7.14	0.85%	\$9.96	58.2%
Jan-09	\$14.38	1.71%	\$5.87	0.70%	\$8.51	59.2%
Dec-08	\$12.78	1.51%	\$5.77	0.68%	\$7.01	54.9%
Nov-08	\$10.14	1.20%	\$4.31	0.51%	\$5.83	57.5%
Oct-08	\$8.32	0.97%	\$3.97	0.46%	\$4.35	52.3%
Sep-08	\$7.23	0.85%	\$3.50	0.41%	\$3.73	51.6%
Aug-08	\$6.88	0.80%	\$3.50	0.41%	\$3.38	49.1%
Jul-08	\$6.45	0.75%	\$3.01	0.35%	\$3.44	53.3%
Jun-08	\$5.94	0.69%	\$2.73	0.32%	\$3.21	54.0%
May-08	\$5.68	0.65%	\$2.54	0.29%	\$3.14	55.3%

* Figures in billions

Chart 8 – Special Servicing Exposure by Property Type (source: Realpoint)



Geography

- The top three states ranked by delinquency exposure have remained consistent since January 2009, as Texas, California and Florida collectively accounted for nearly 30% of delinquency through May 2009.
- The 10 largest states by delinquent unpaid balance reflect 63% of CMBS delinquency, while the 10 largest states by overall CMBS exposure reflect 53% of the CMBS universe.
- The states of California and Texas remain a major concern at over 11% and 10% of CMBS delinquency respectively. By MSA, California delinquency is diversified while Texas delinquency is concentrated within the Houston and Dallas-Fort Worth MSAs (almost 7.2% of CMBS delinquency); however, such MSAs reflect a fairly low percentage of total exposure in their respective MSAs (at less than 4.3%).
- Two MSAs topped 4% of CMBS delinquency in May 2009 (down from three in the prior month).
- The 10 largest MSAs by delinquent unpaid balance reflect 35% of CMBS delinquency, while the 10 largest MSAs by overall CMBS exposure reflect 34% of the CMBS universe.

Table 11 - Delinquency by State (source: Realpoint)

State	Current Balance	Loan Count	% of CMBS Universe	% of CMBS Delinq.	% of State Exposure
CA Total	\$ 2,098,189,024.39	148	0.254%	11.174%	1.934%
TX Total	\$ 1,874,437,595.16	246	0.227%	9.983%	3.688%
FL Total	\$ 1,703,267,377.26	223	0.206%	9.071%	3.975%
AZ Total	\$ 1,051,202,261.34	91	0.127%	5.598%	5.794%
MI Total	\$ 1,016,409,770.37	153	0.123%	5.413%	7.657%
NY Total	\$ 984,766,108.76	105	0.119%	5.244%	0.987%
GA Total	\$ 917,629,091.87	121	0.111%	4.887%	4.528%
OH Total	\$ 832,621,369.38	123	0.101%	4.434%	5.583%
IL Total	\$ 749,652,836.81	82	0.091%	3.992%	2.936%
NV Total	\$ 654,505,329.94	52	0.079%	3.486%	4.512%
Top 10 States	\$ 11,882,680,765.28	1,344	1.440%	63.282%	

Table 12 - Delinquency by MSA (source: Realpoint)

MSA	Current Balance	Loan Count	% of CMBS Delinq.	% of total MSA
Phoenix, AZ Total	\$ 892,305,522.31	70	4.752%	5.950%
Atlanta, GA Total	\$ 818,285,872.15	99	4.358%	5.010%
Detroit, MI Total	\$ 690,857,276.96	97	3.679%	8.044%
Houston, TX Total	\$ 685,701,141.40	90	3.652%	4.274%
New York, NY Total	\$ 677,797,019.36	46	3.610%	0.800%
Dallas-Fort Worth, TX Total	\$ 665,219,845.32	103	3.543%	3.436%
Chicago, IL Total	\$ 597,844,351.15	60	3.184%	2.778%
Las Vegas, NV Total	\$ 597,544,698.80	45	3.182%	4.660%
Los Angeles, CA Total	\$ 533,153,032.69	34	2.839%	1.368%
San Francisco, CA Total	\$ 434,006,145.15	16	2.311%	5.024%
Top 10 Totals	\$ 6,592,714,905.29	660	35.110%	

Issuance

- In May 2009, over 95% of CMBS delinquency by deal type was found in fusion and conduit deals.
- Of note by deal type is the 19% “kickout” loan transaction delinquencies.
- The 2006 and 2007 vintage transactions topped the list when delinquency is ranked by year of issuance, accounting for over 54% of total delinquency. Both vintage years had an individual delinquency rate over 2.29% of their respective outstanding balance, above the overall rate of 2.275%
- Deals issued from 2005 through 2007 now contribute nearly 71% of the total delinquency, 1.6% of all CMBS. We feel this is a result of current market conditions and aggressive underwriting, and will lead to further special servicing exposure and ultimate liquidation activity.
- Deals issued in 1998 through 2001 contribute nearly 13% of the total delinquency, 0.29% of all CMBS.

Table 13 - Delinquency by Deal Type (source: Realpoint)

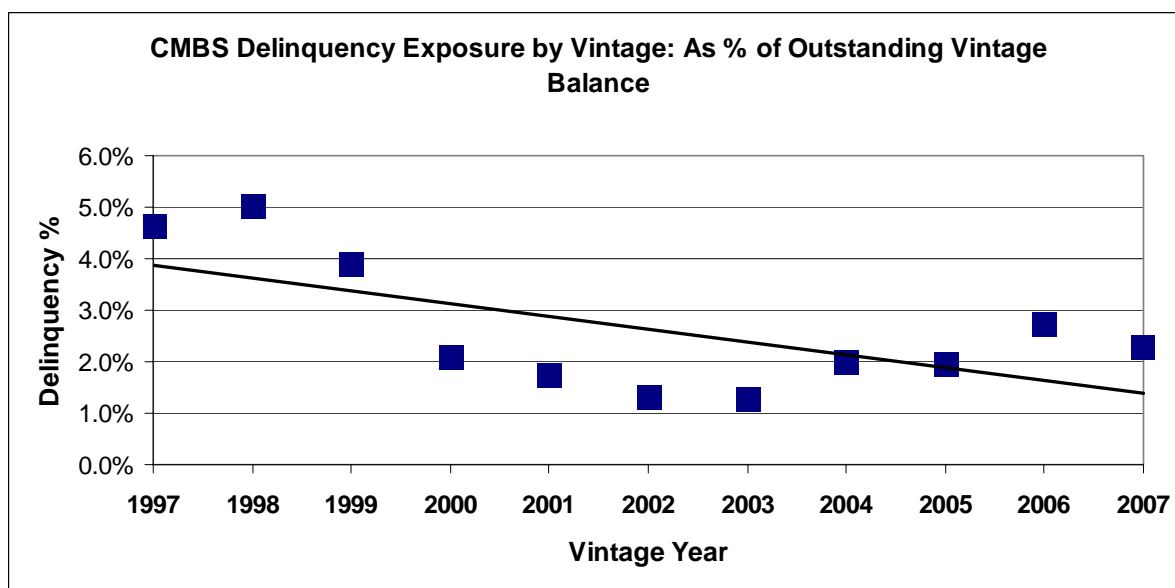
Deal Type	Current Balance	Loan Count	% of CMBS Universe	% of CMBS Delinq.	% of Deal Type
Fusion Total	\$ 17,007,816,263.66	1,643	2.061%	90.577%	2.623%
Conduit Total	\$ 901,990,011.72	207	0.109%	4.804%	1.789%
Unknown Total	\$ 782,686,580.63	230	0.095%	4.168%	0.859%
Large Loan Total	\$ 43,665,299.44	1	0.005%	0.233%	5.718%
Kickout Total	\$ 41,054,115.73	5	0.005%	0.219%	19.049%
Grand Total	\$ 18,777,212,271.18	2,086	2.275%	100.000%	

Note: Kickout Deal Type added to database in May 2008

Table 14 - Delinquency by Year of Issuance (source: Realpoint)

Year	Total Year	Loan Count	% of CMBS Universe	% of CMBS Delinq.	% of Year Balance
2006 Total	\$ 5,480,817,100.57	514	0.664%	29.189%	2.756%
2007 Total	\$ 4,678,816,752.48	338	0.567%	24.918%	2.291%
2005 Total	\$ 3,093,254,263.48	359	0.375%	16.473%	1.982%
2004 Total	\$ 1,519,122,930.46	188	0.184%	8.090%	1.985%
2001 Total	\$ 681,908,764.87	111	0.083%	3.632%	1.738%
2003 Total	\$ 657,571,583.36	89	0.080%	3.502%	1.289%
1998 Total	\$ 579,408,593.24	122	0.070%	3.086%	5.027%
1999 Total	\$ 564,291,860.94	107	0.068%	3.005%	3.914%
2000 Total	\$ 525,454,915.12	95	0.064%	2.798%	2.102%
2002 Total	\$ 451,003,316.34	74	0.055%	2.402%	1.308%
Top 10 Totals	\$ 18,231,650,080.86	1,997	2.209%	97.095%	

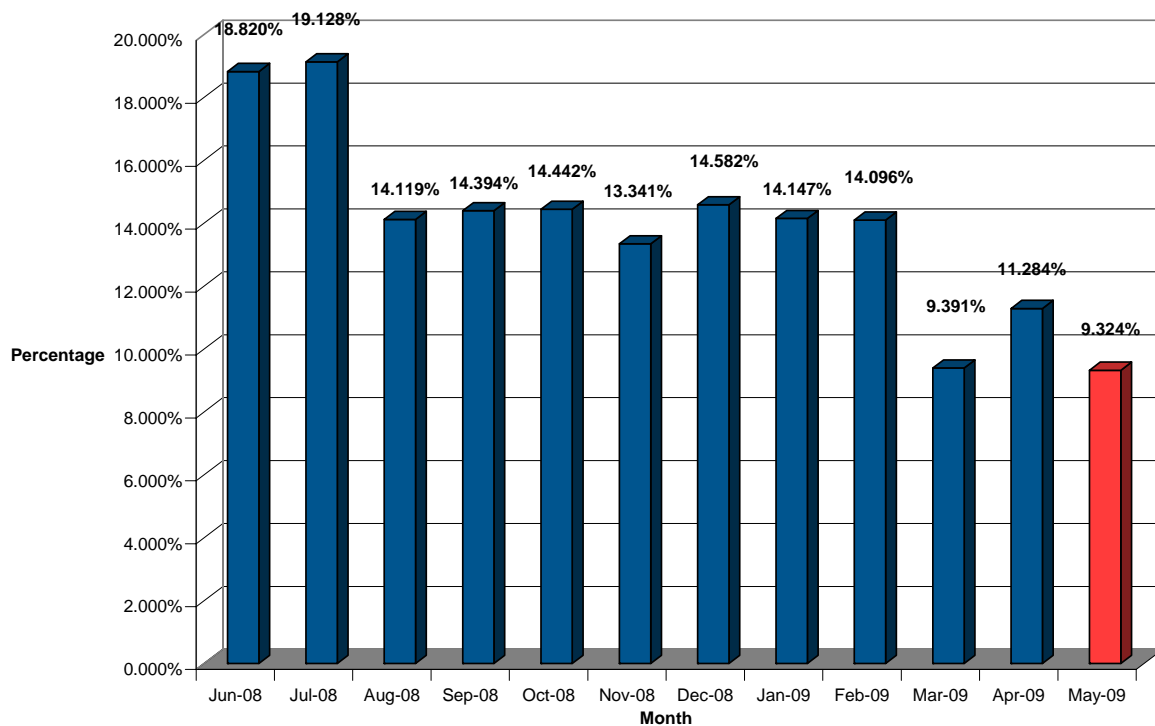
Chart 9 - Delinquency by Year of Issuance: As % of Outstanding Vintage Balance (source: Realpoint)



Franchise Transactions

- The delinquency rate for Franchise transactions remains erratic on a monthly basis (as reflected in the chart below).
- Delinquency grew to 19.13% in July 2008, the highest it has been over the trailing-12 months, but fell to only 9.3% in May 2009 – a low for the trailing-12 months.
- Franchise delinquency has averaged 13.9% over the trailing-12 months.
- 499 franchise loans at \$263.95 million have been liquidated since January 2006 at an average severity of 78%. This includes 76 loans at \$31.5 million in 2007, 69 loans at \$52.3 million in 2008, and 266 loans at \$97.03 million to date in 2009.

Chart 10 – Franchise Deal Delinquency (source: Realpoint)



Note:

Realpoint has been tracking monthly commercial mortgage-backed securitization delinquency trends across various categories since January 2001. This report includes monthly breakdowns of delinquency for the entire Realpoint CMBS portfolio by delinquency category (30-day, 60-day, 90+-day, foreclosure, and real estate owned) along with exposure across each of the seven primary property types (healthcare, hotels, industrial, multifamily, office, retail, and other).

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