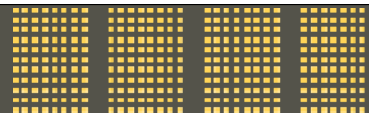




Washington Metro Exposure to Distressed Commercial Real Estate

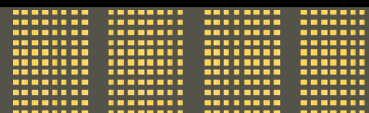
Chief Administrative Officers Committee Meeting
Metropolitan Washington Council of Governments

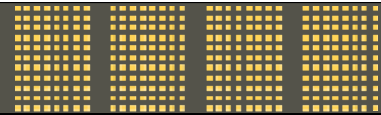
April 7, 2010



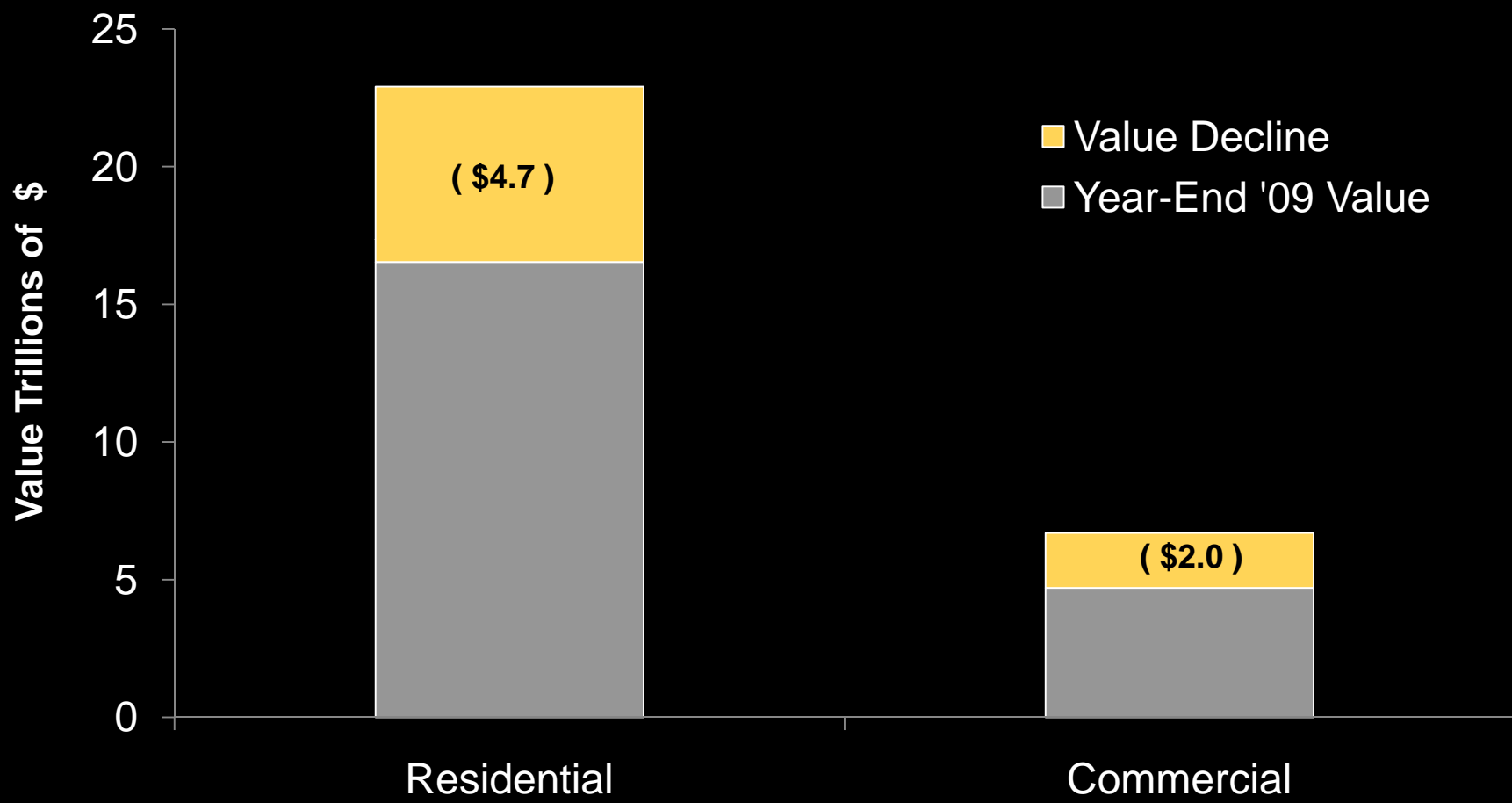
Five Take Aways:

1. Residential dwarfs commercial in terms of volume decline in value.
2. Worst, if not all, of the decline in values is behind us. Are you marked to market?
3. Where problems are likely to arise will be with distressed assets held by banks that are in financial trouble. We have very little of this in the Washington metro area. However, be on the lookout for it.
4. The C.R.E. market in Washington is in relatively good shape because:
 - Banks are strong
 - When you adjust the data for “stress” and four large property owners, we are 7th in the nation, compared to 9th in population. About right, considering the high value of our C.R.E.
 - The assets are high quality and in strong hands. Those that are not in strong hands will be recapitalized, not foreclosed, i.e. Tishman Speyer/Brookfield deal.
 - Our economy is strong and our market conditions will improve rapidly – driving property performance improvement and therefore values.
5. That is not to say that C.R.E. assessments will not be problematic for the next few years, depending on how aggressive you have been at marking to market in 2008 and 2009. However, cap rates seem to have topped out in mid 2009 and transaction volume is returning to the market.



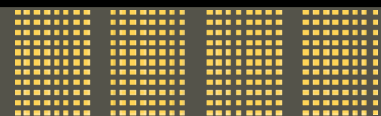


Change In Value of U.S. Residential & Commercial Real Estate Current Real Estate Cycle

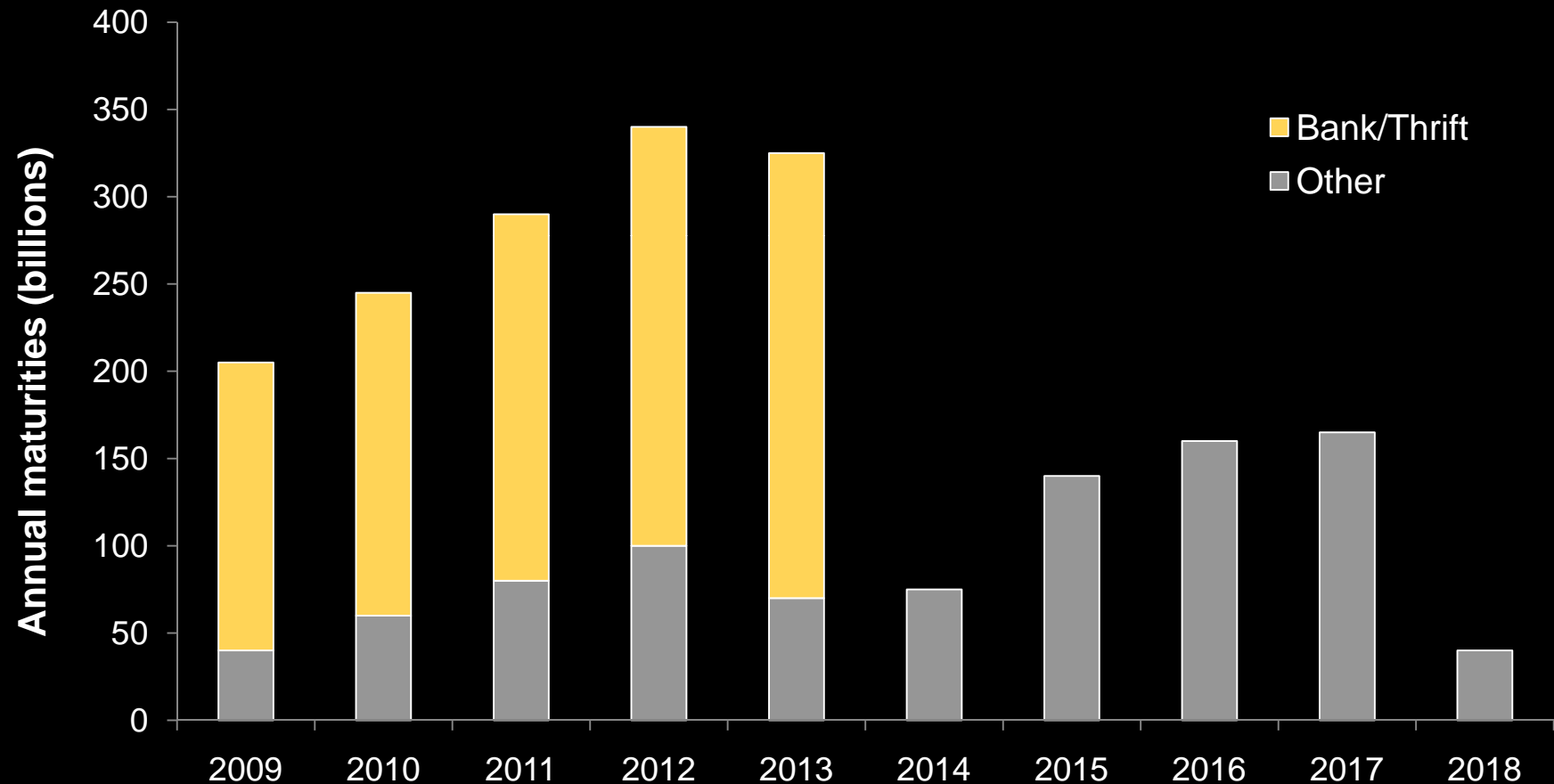


Source: Real Estate Roundtable, Federal Reserve, graphic by Delta Associates; March 2010.

Note: Value based on total asset value.

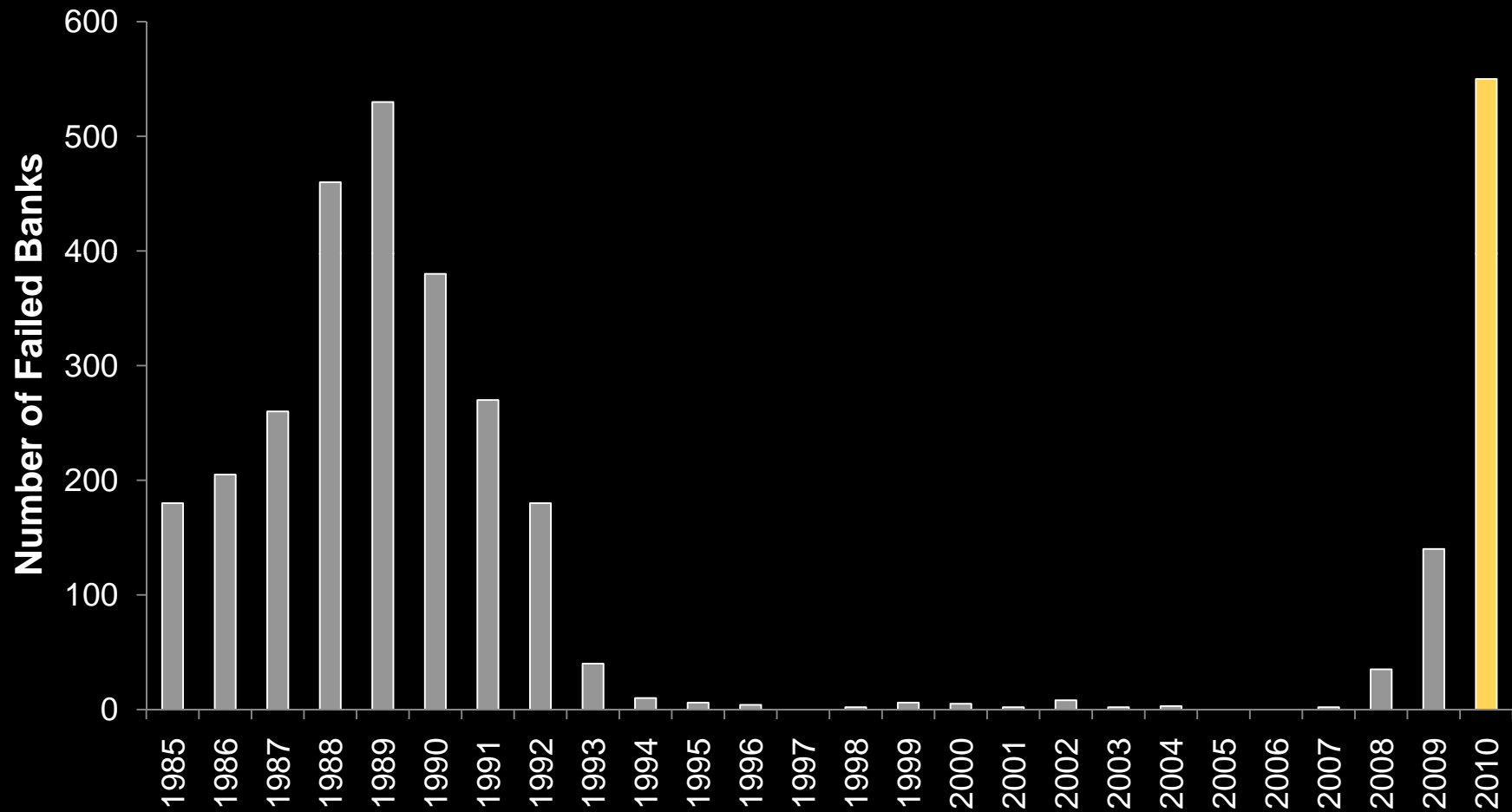


Banks Hold Most Maturing U.S. Commercial Real Estate Loans



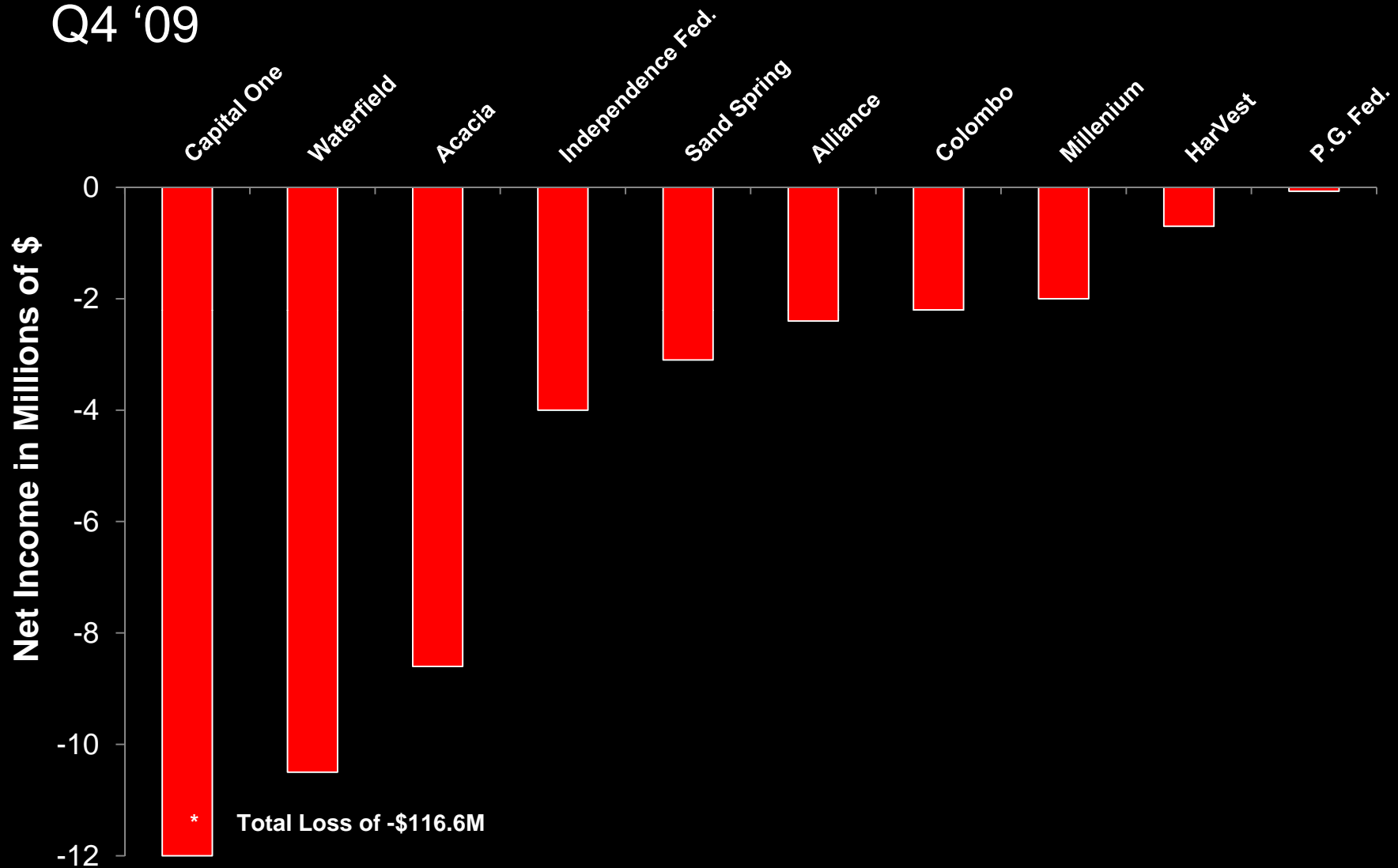
Source: Deutsche Bank, Delta Associates; March 2010.

U.S. Bank Failures Growing Rapidly

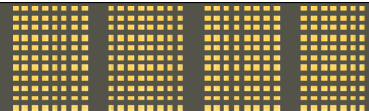


Source: FDIC, AEW, Delta Associates; March 2010.

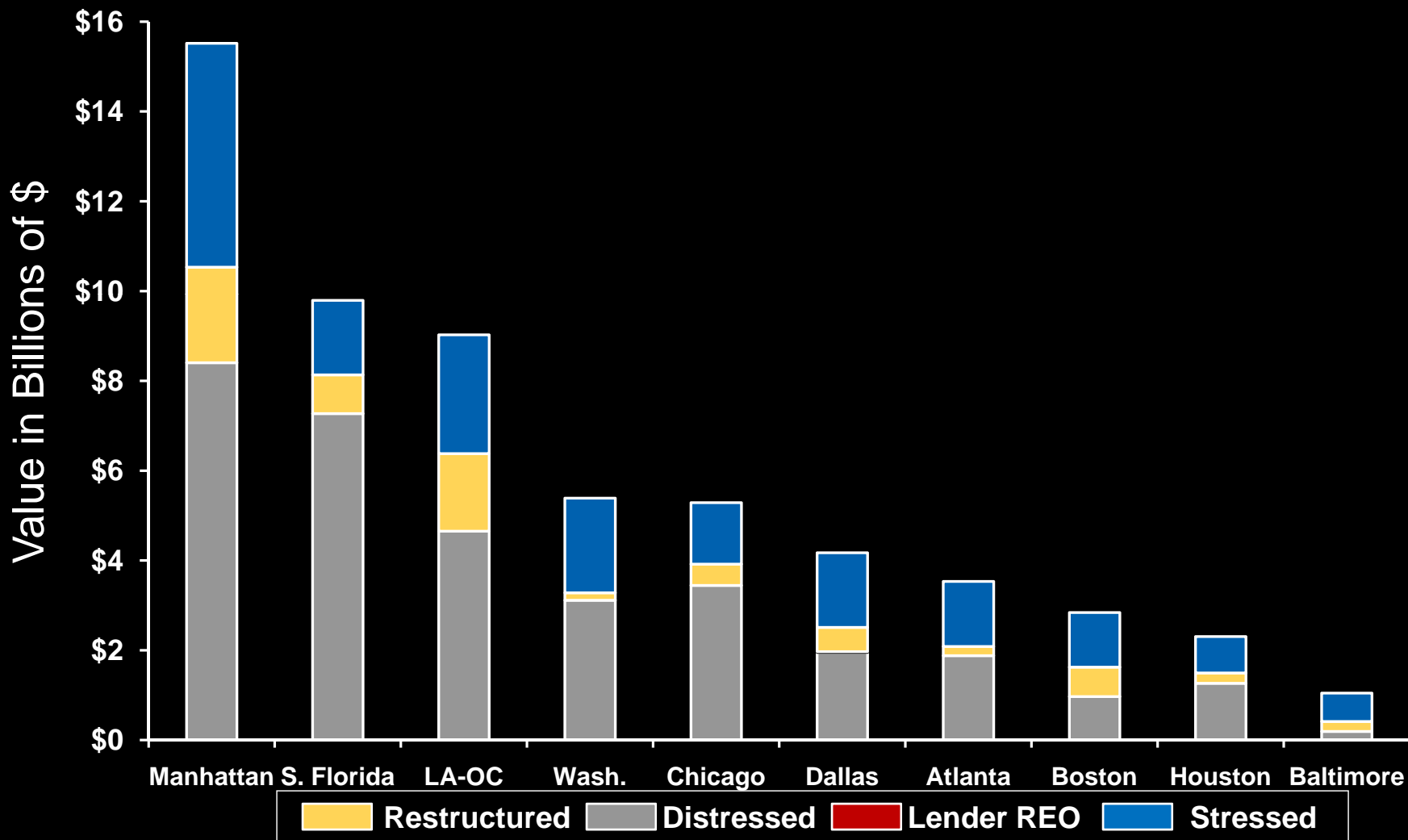
Biggest Losses for Local Banks Q4 '09



Source: Washington Business Journal,
graphic by Delta Associates; March 2010.

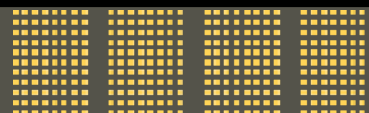


U.S. Stressed and Distressed Commercial Real Estate

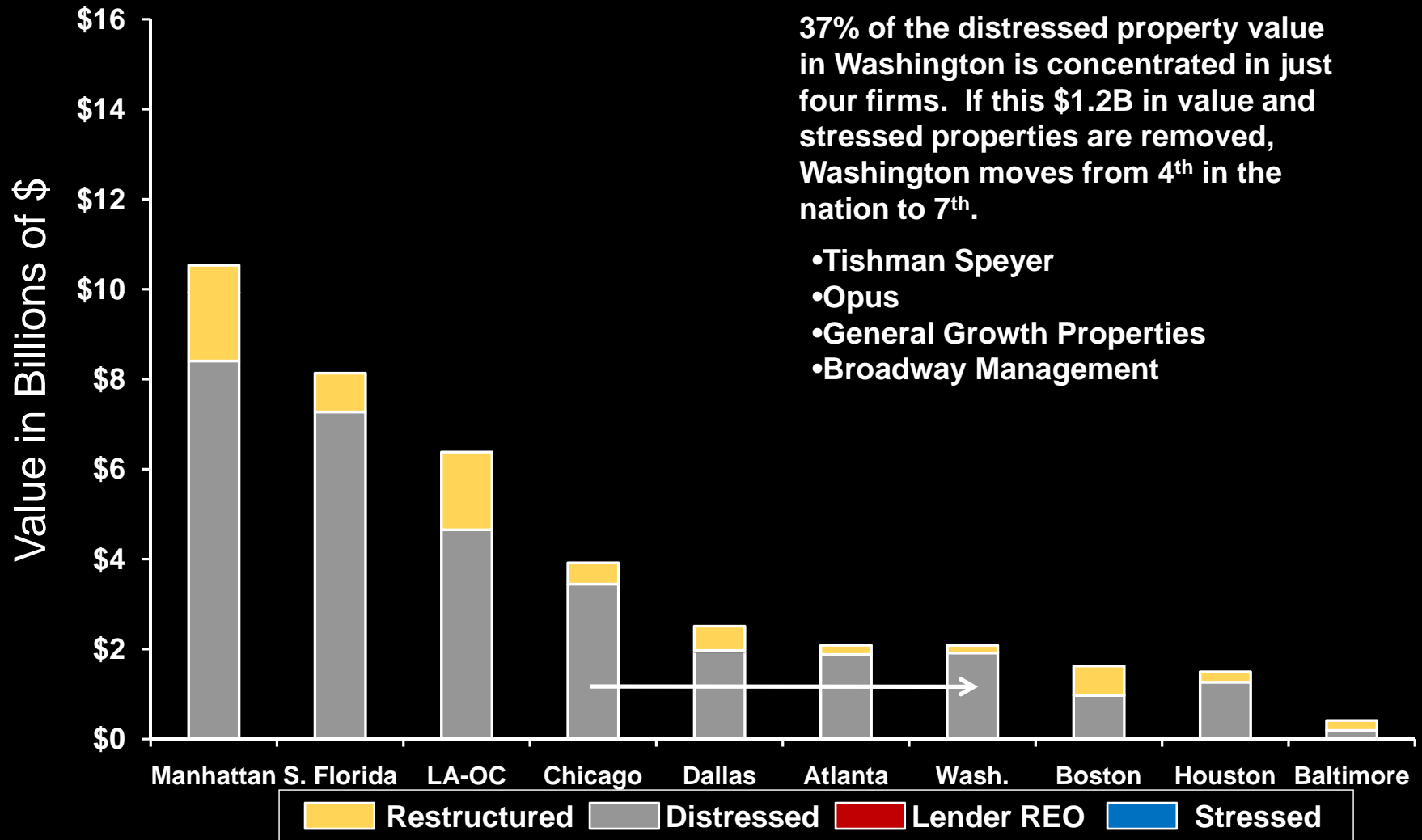


Source: Real Capital Analytics, graphic by Delta Associates; March 2010.

Note: Value based on loan amount.



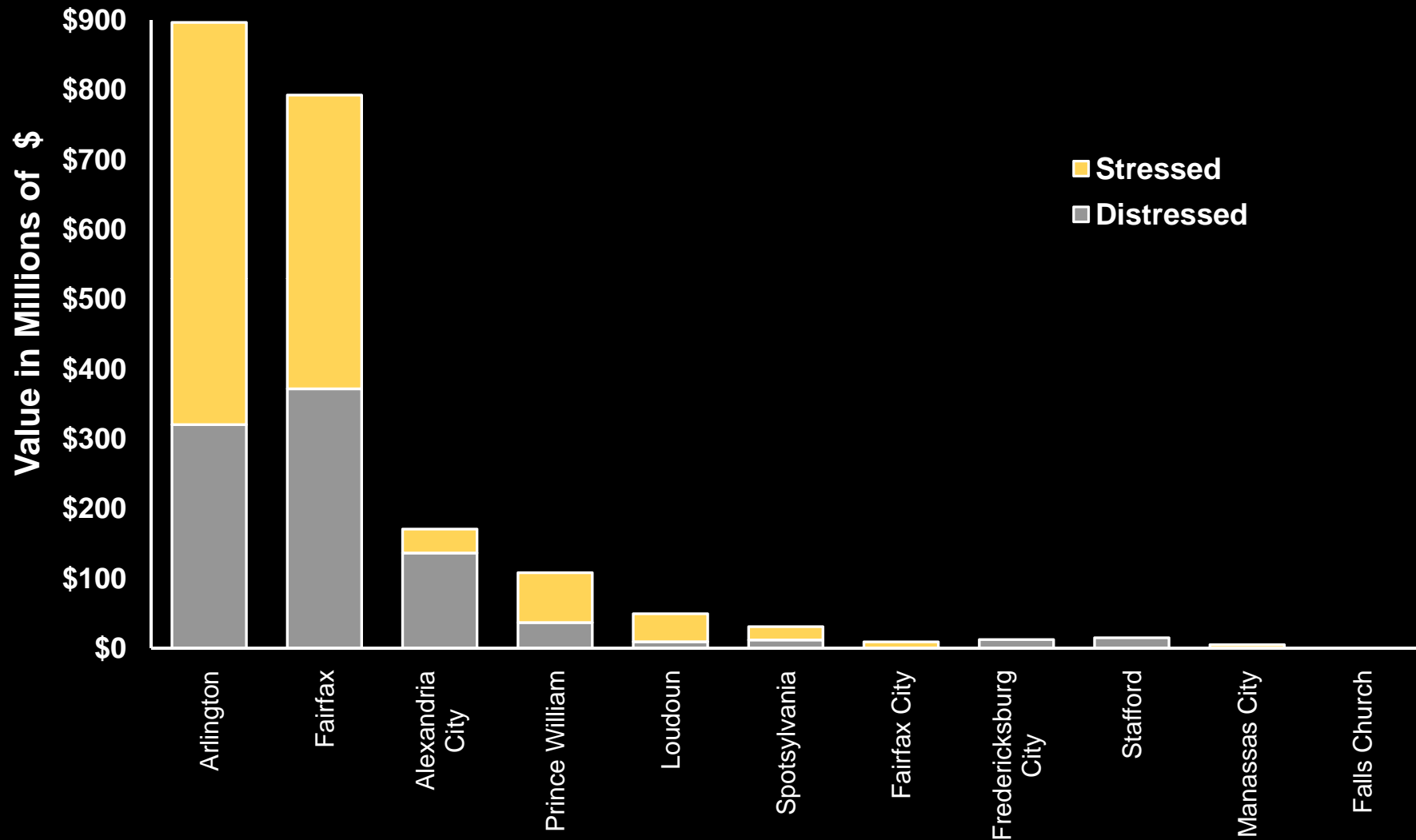
U.S. Distressed Commercial Real Estate



Source: Real Capital Analytics, graphic by Delta Associates; March 2010.

Note: Value based on loan amount.

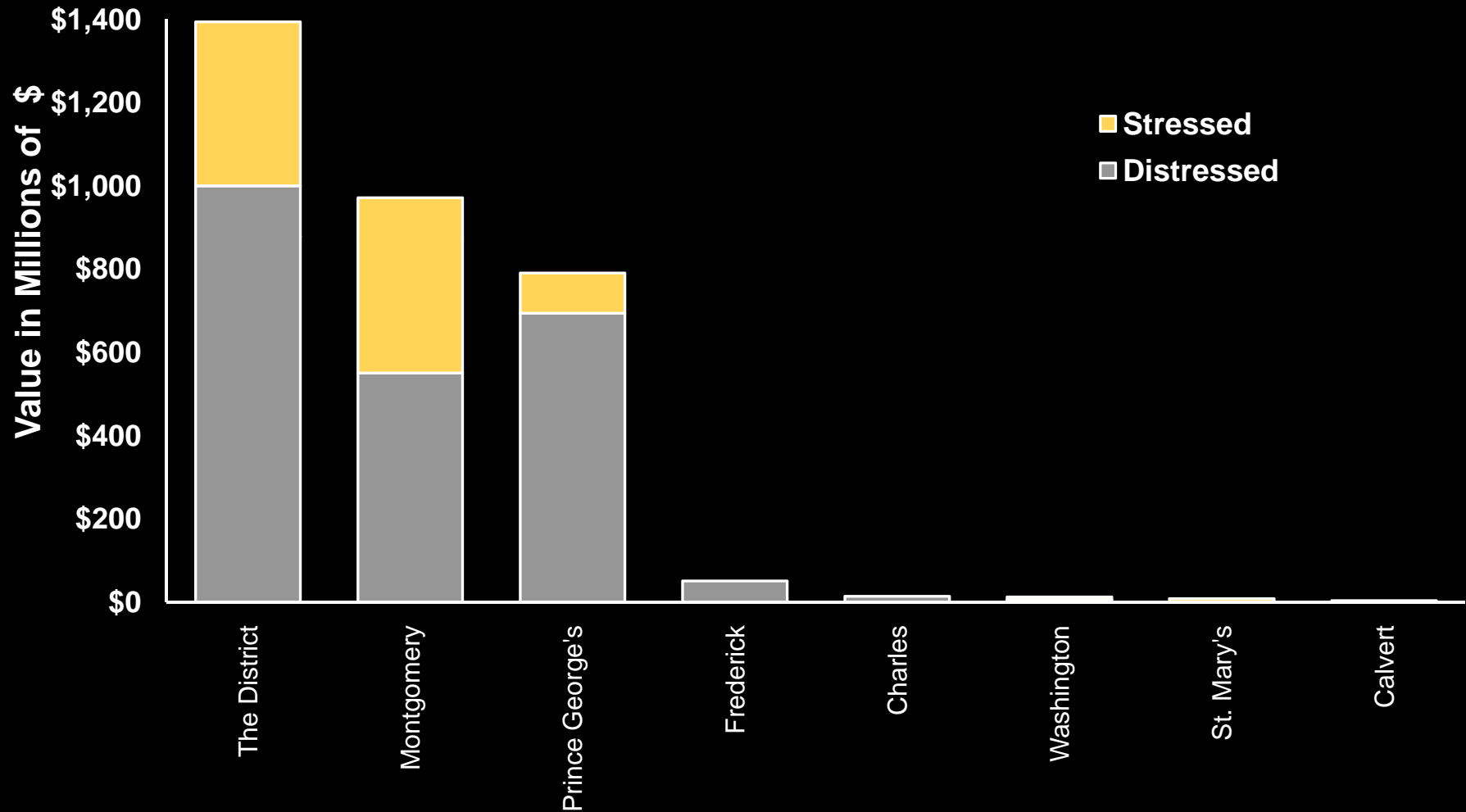
Northern Virginia Stressed and Distressed C.R.E. March 2010



Source: Real Capital Analytics, graphic by Delta Associates; March 2010.

Note: Value based on loan amount.

Suburban MD and The District Stressed and Distressed C.R.E. March 2010

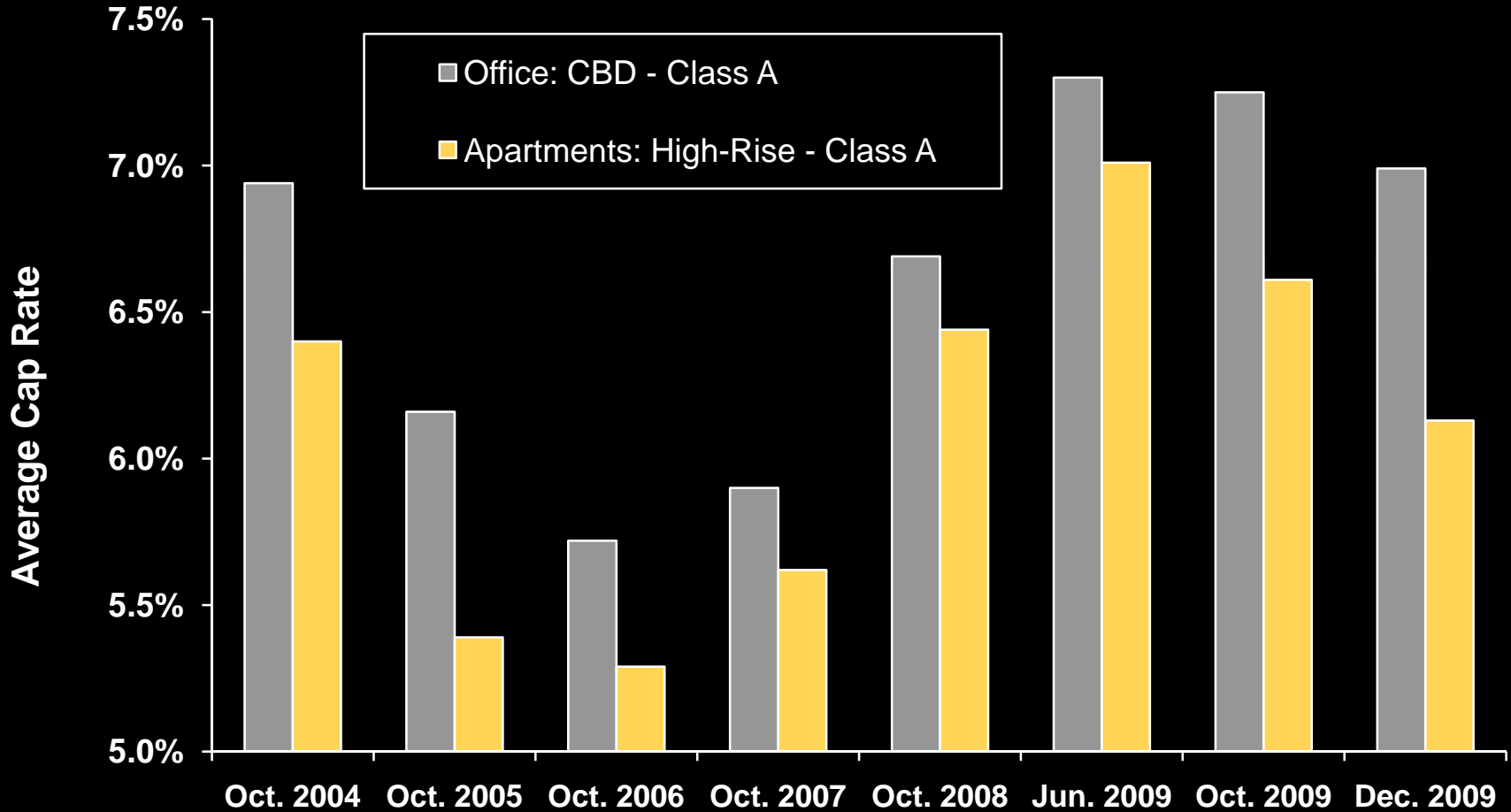


Source: Real Capital Analytics, graphic by Delta Associates; March 2010.

Note: Value based on loan amount.

Cap Rates May Have Peaked

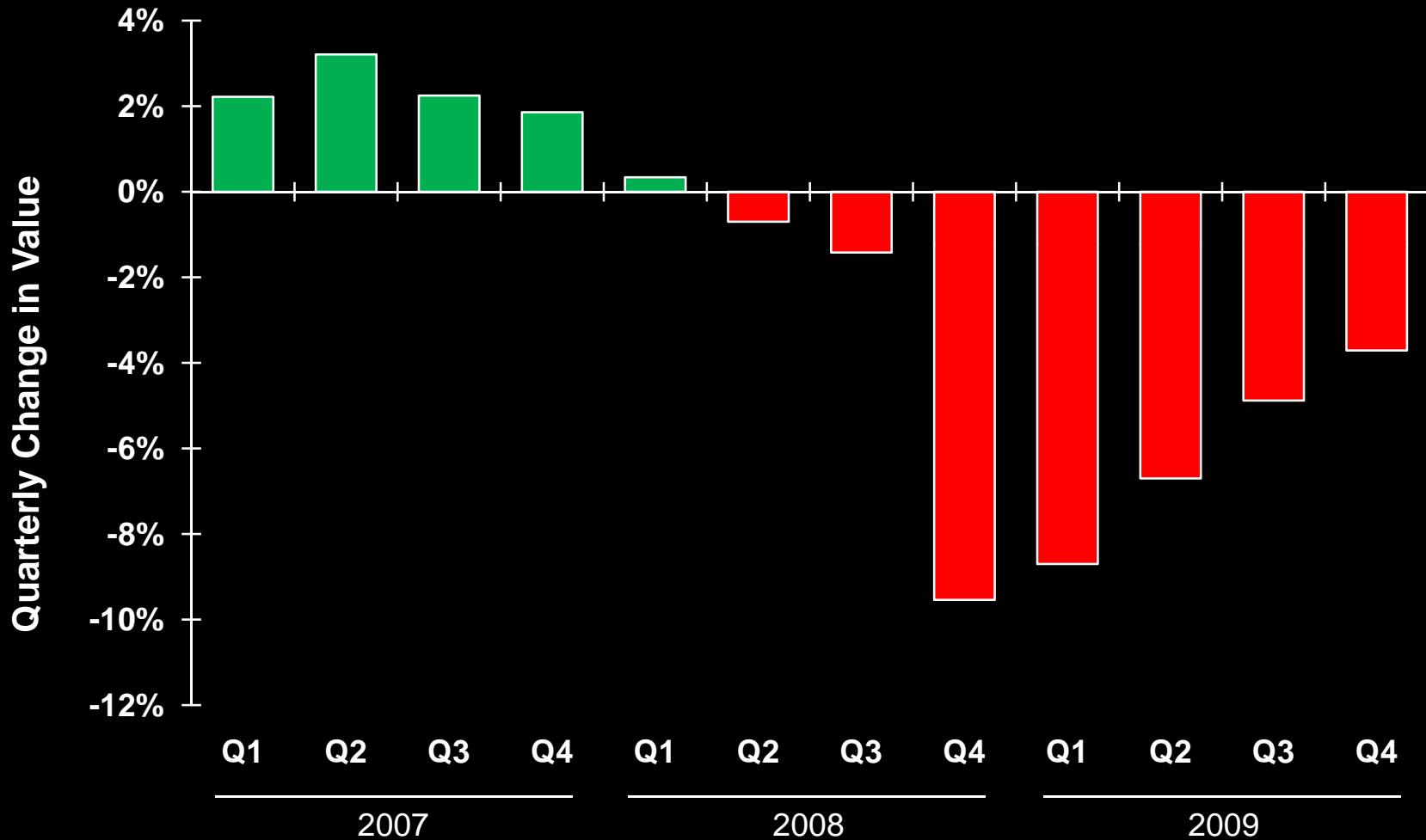
Washington Metro Area



Source: Delta Associates' Market Maker Survey; February 2010.

U.S. Real Estate Values May Have Bottomed

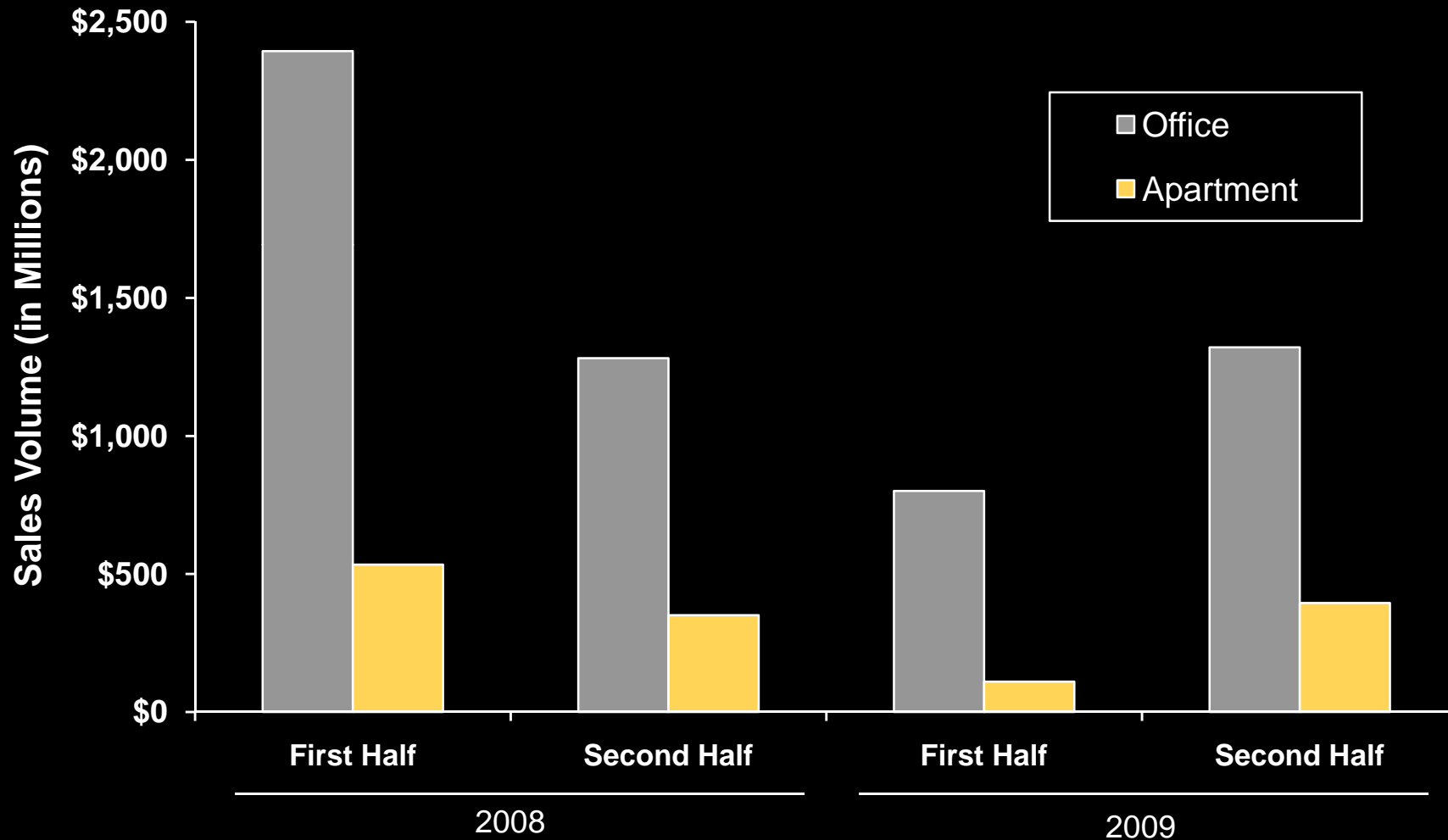
2007 – 2009



Source: NCREIF, Delta Associates; February 2010.

Volume May Have Bottomed Locally

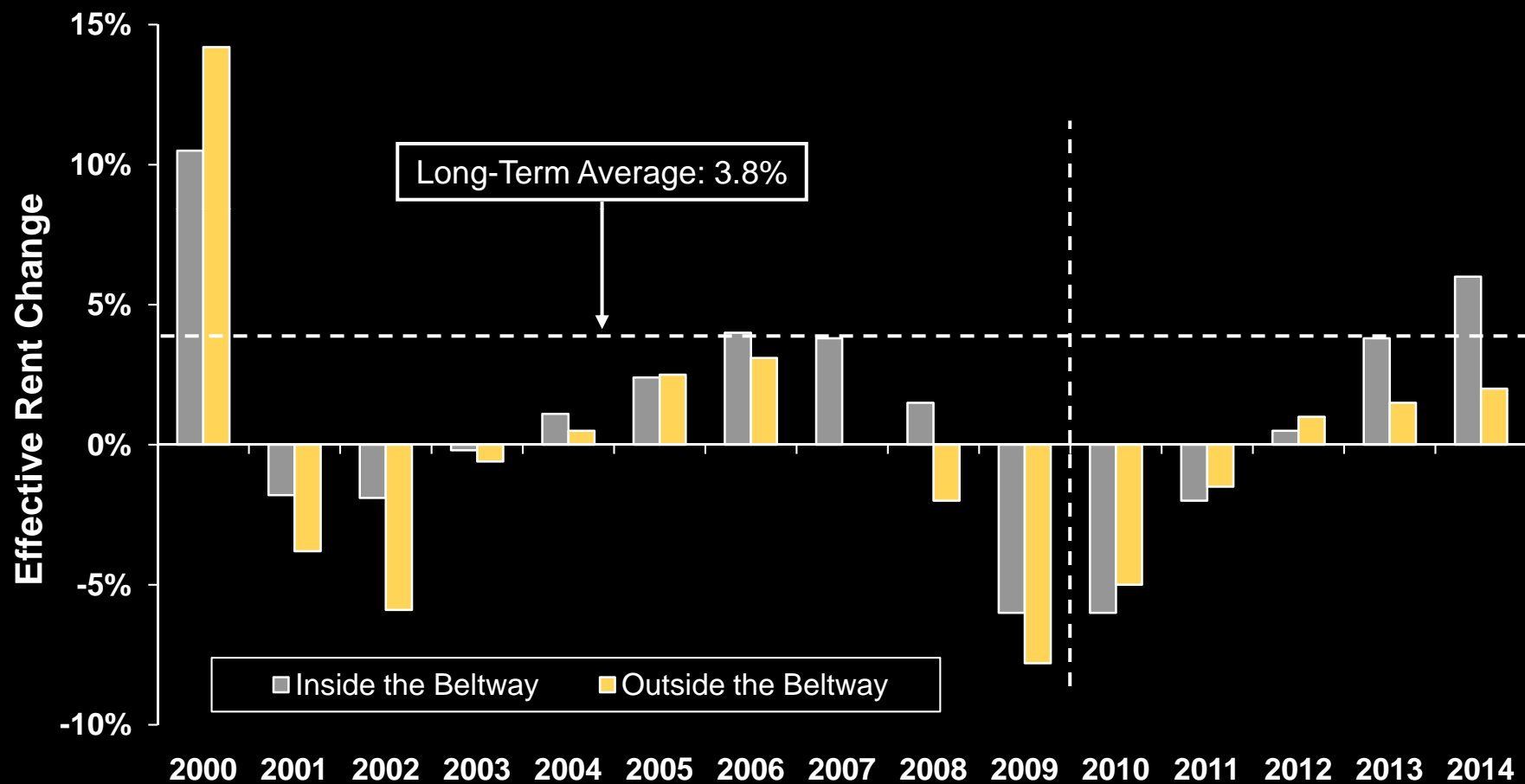
Washington Metro Area



Source: Real Capital Analytics, graphic by Delta Associates; February 2010.

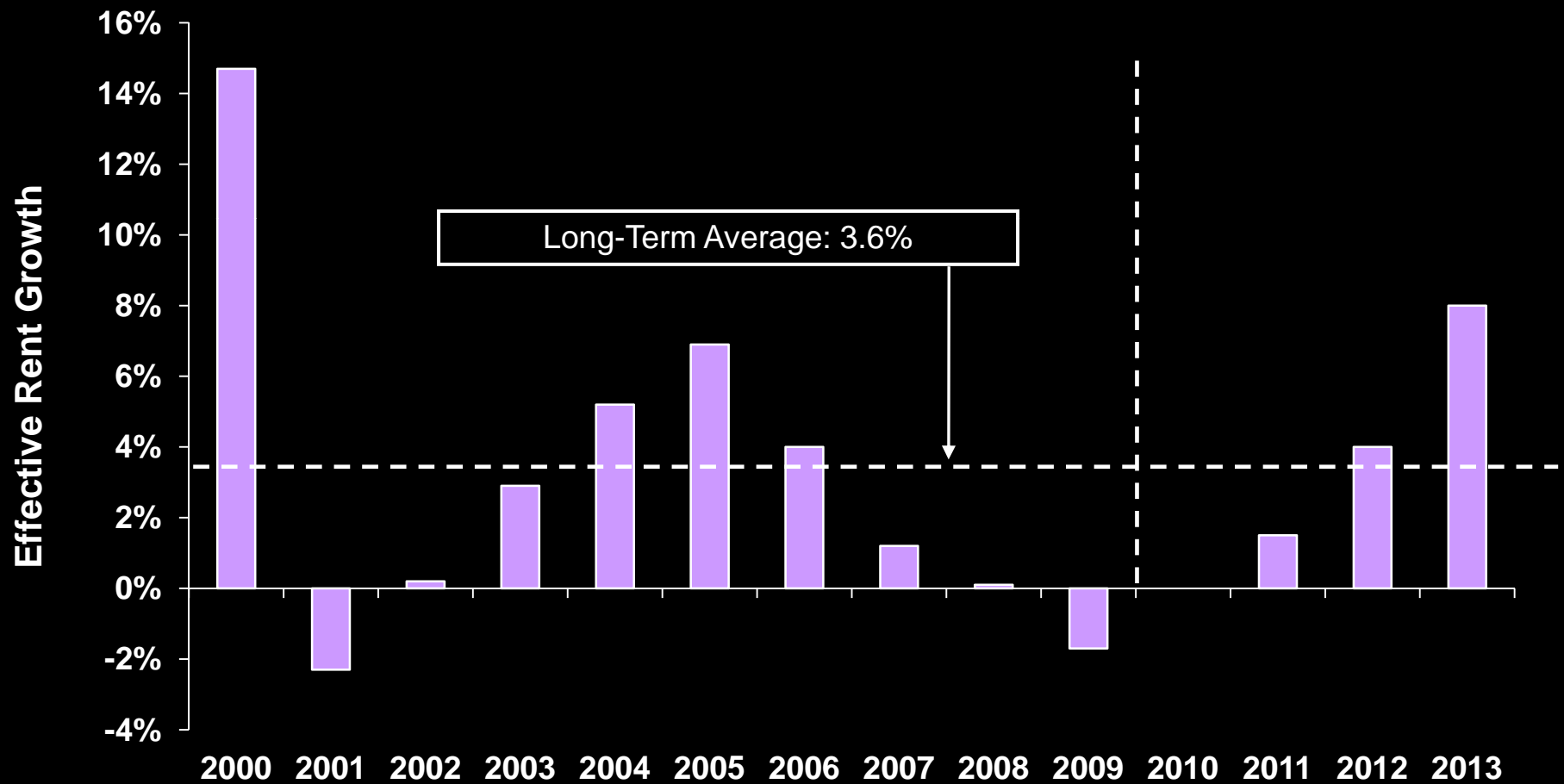
Office Effective Rent Change

Inside vs. Outside the Beltway



Apartment Rent Growth – Class A

Washington Metro Area



Source: Delta Associates; February 2010.



Washington Metro Exposure to Distressed Commercial Real Estate

Chief Administrative Officers Committee Meeting
Metropolitan Washington Council of Governments

April 7, 2010