

Commercial Real Estate Market Trends

Commercial Real Estate

August 3, 2007



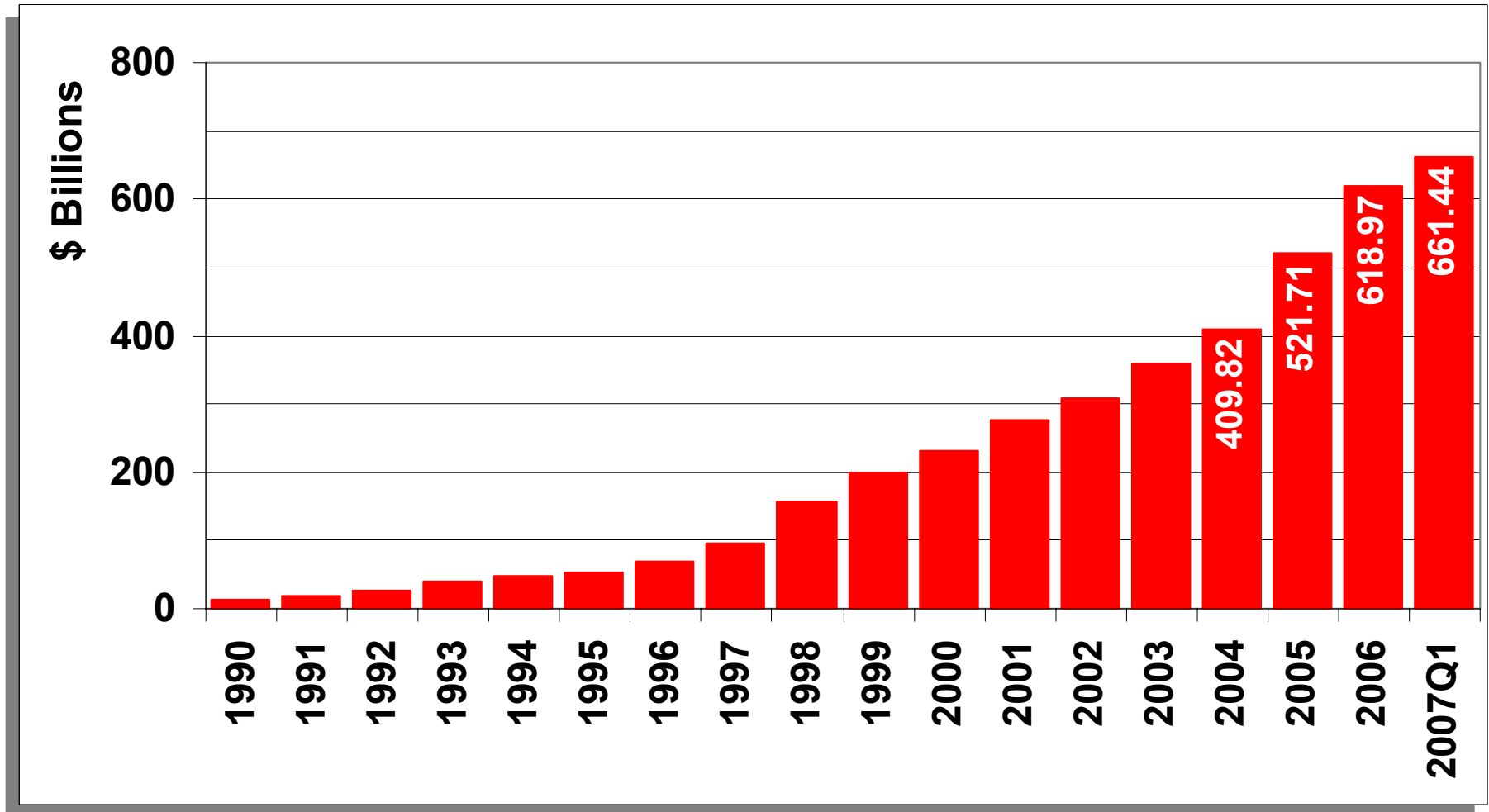
Goals of Presentation

- Wall Street Real Estate Trends
 - CMBS
 - CDO
 - REIT
- Macro Trends
- Investor (Cap Rate) Trends
- Real Estate Market (Rents, Prices) Trends

Who is the “Real” Father of Anna’s Child?



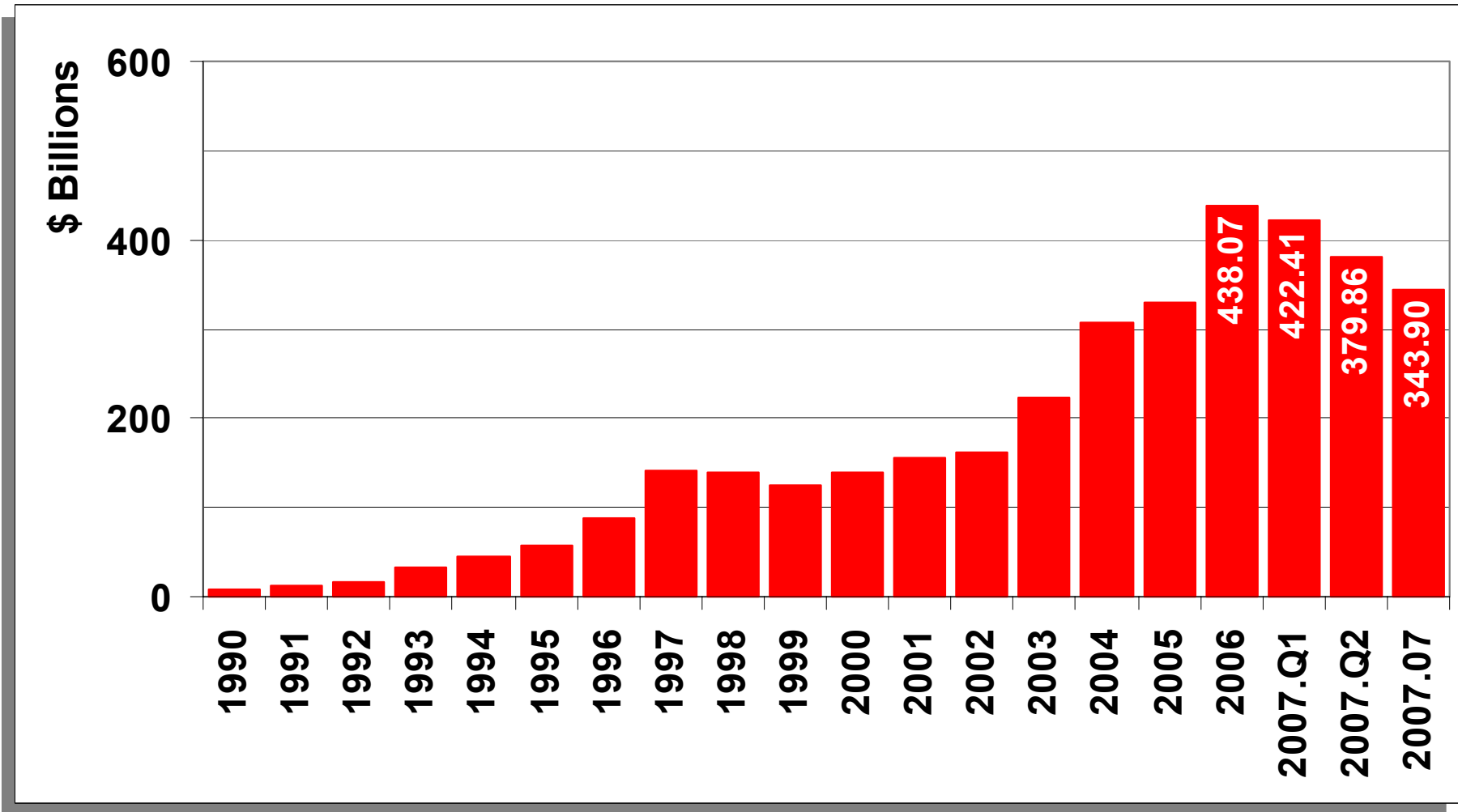
CMBS Outstandings in U.S.



Source: Federal Reserve - Flow of Funds - Z1-L.126, Bank of America - Real Estate Research

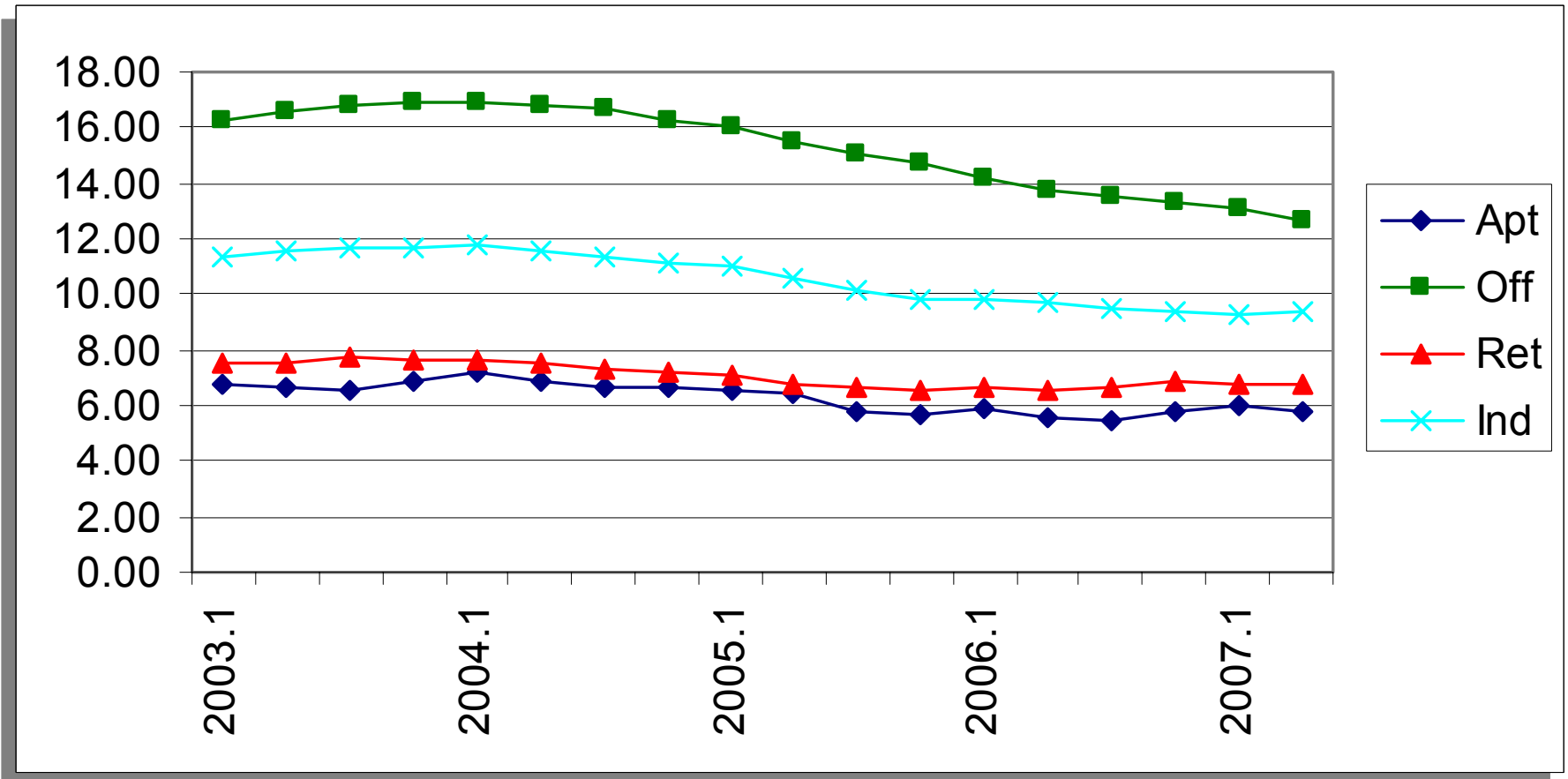
4 Note: Amount represents total of Multi-Family and Commercial Mortgages

REIT Market Capitalization



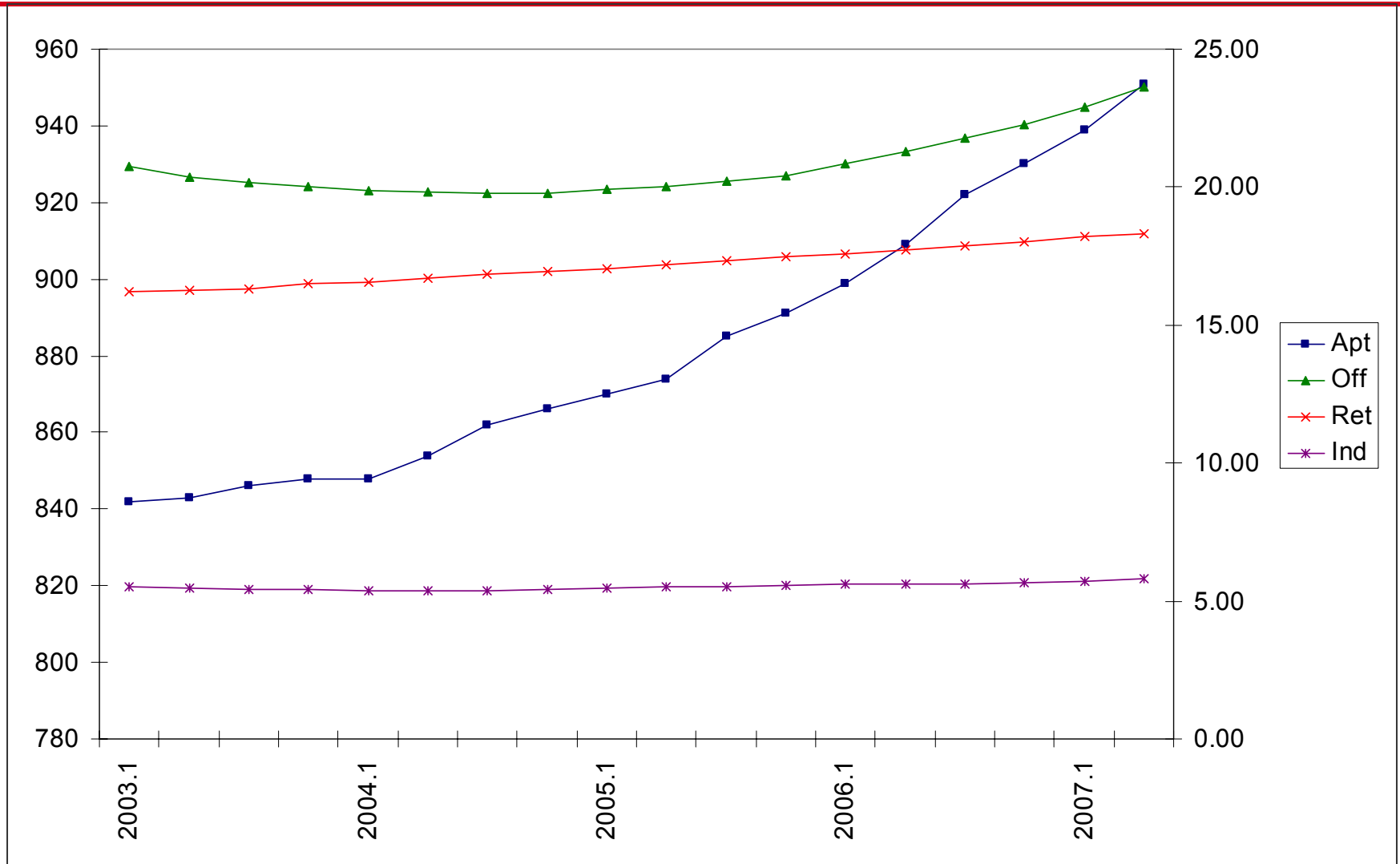
Source: NAREIT, Bank of America - Real Estate Research

National Trend - Vacancy



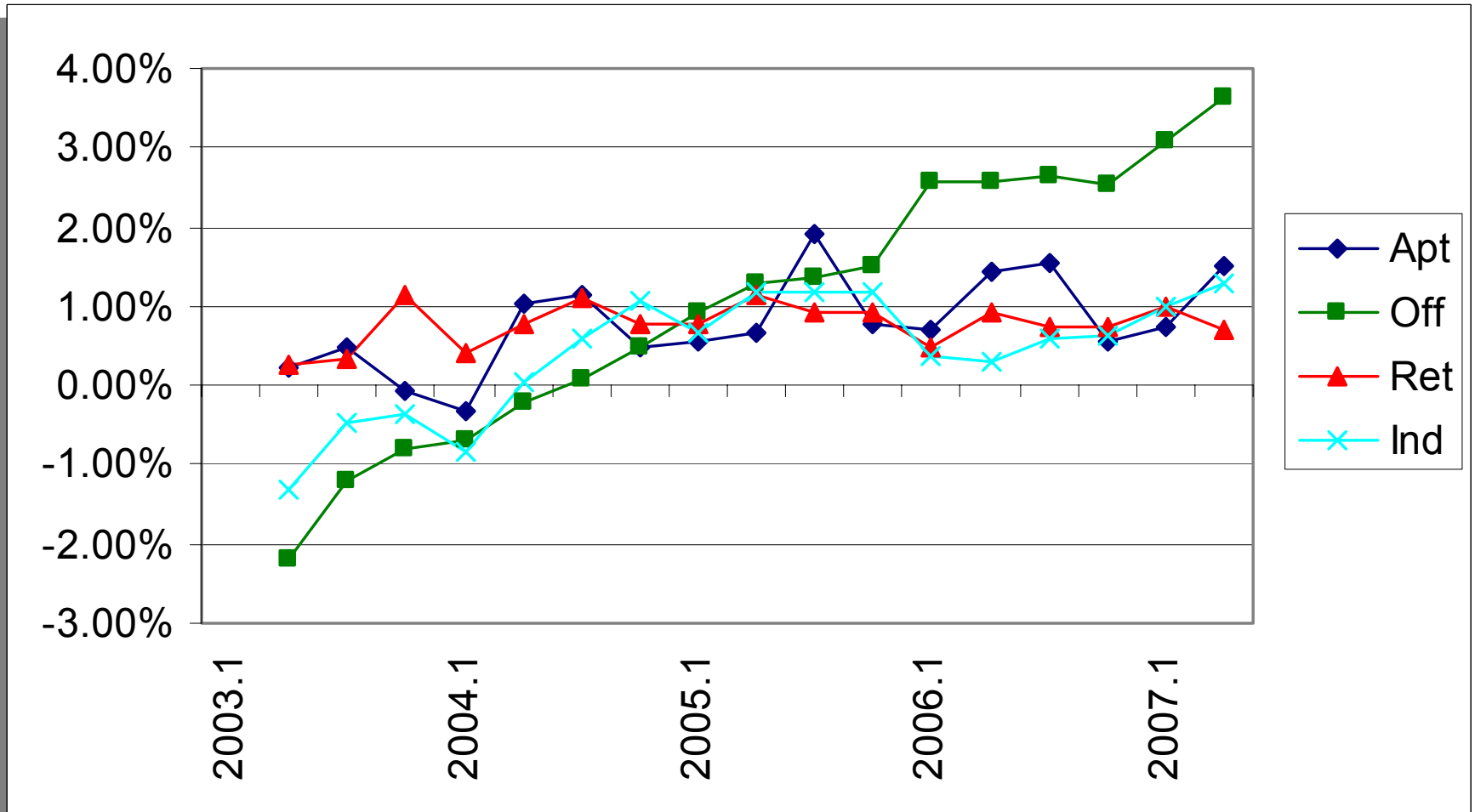
Source: REIS, Inc, Torto-Wheaton Research, Bank of America - Real Estate Research

National Trend - Effective Rents



Source: REIS, Inc, Torto-Wheaton Research, Bank of America - Real Estate Research

National Trend - Realized Rents*



Source: REIS, Inc, Torto-Wheaton Research, Bank of America
- Real Estate Research

* Realized Rent is area occupancy times area rent

What is a CMBS?

- Commercial Mortgage Backed Security
- Type of Pass-through Security
- Commercial Mortgages are securitized into an investment pool. Rights to the revenue from the mortgages are divided into many smaller pieces (aka tranches, strips, slices), each with differing priorities. Proceeds are distributed to investors based on the priority of their tranche.

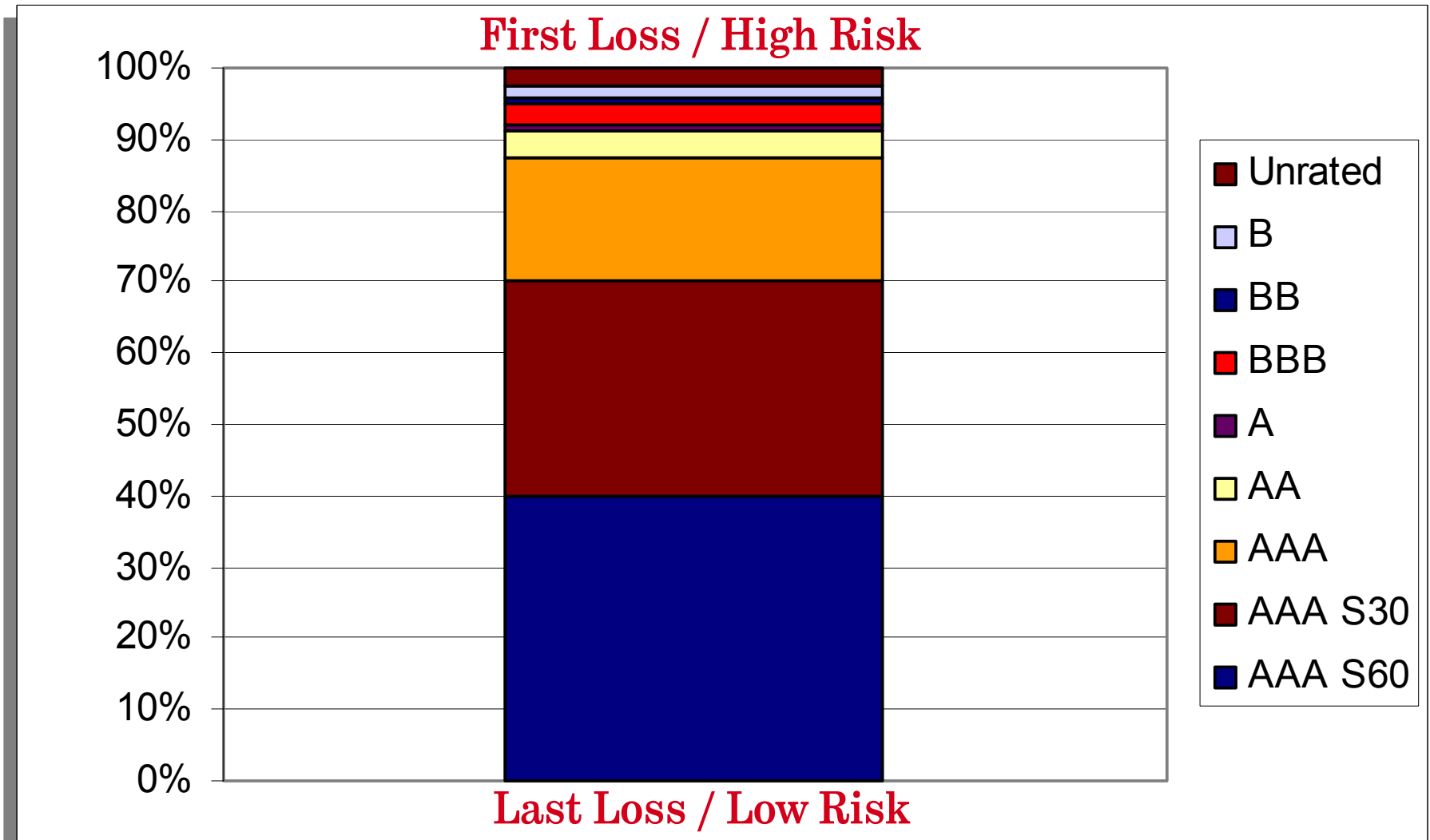
What is a CDO?

- Collateralized Debt Obligation
- Type of Pass-through Security
- CDO's are securitized debt pools, similar to CMBS, but debts can be CMBS/CDO paper, car/boat/plane loans, credit cards, or virtually any type of debt obligation. Rights to the revenue from the obligations are divided into many smaller pieces (aka tranches, strips, slices), each with differing priorities. Proceeds are distributed to investors based on the priority of their tranche.

What is a REIT?

- Real Estate Investment Trust – 3 types
 - 1) Equity 2) Debt 3) Hybrid
- Pass-through Investment, effectively a corporation. 95% of income passed through to shareholders. No “corporate” tax. All earnings single-taxed at shareholder level.
- Typical Covenants:
 - Max Total Debt/ Total Assets: 60%
 - Max Secured Debt / Total Asset: 40%
 - Minimum Service Charge Coverage: 1.5x
 - Min. Unencumbered Assets / Unsecured Debt: 150%

Example of CMBS/CDO Subordination



Example of a CMBS/CDO Structure

	No. Loans	250		
	Avg. Loan Size	\$10,000,000		
	Total Loan Amt.	\$2,500,000,000		
	Index Name	10-Year Treasury		
	Index Rate	5.000%		
	Avg. Margin	1.750%		
	Avg Yield	6.750%		
Current Spread	Traunche Rating (10Y)	Approximate Subordination	Implied Yield	Yield x Weight%
0.22%	AAA S60	60.0%	5.22%	2.088%
0.25%	AAA S30	30.0%	5.25%	1.575%
0.30%	AAA	12.5%	5.30%	0.928%
0.40%	AA	9.0%	5.40%	0.189%
1.00%	A	8.0%	6.00%	0.060%
1.75%	BBB	5.0%	6.75%	0.202%
2.50%	BB	4.0%	7.50%	0.075%
4.00%	B	2.5%	9.00%	0.135%
5.00%	Unrated	0 to <2.5%	10.00%	0.250%
		Weighted Average Yield		5.502%
	* Implied Annual Excess Return**		Rd to .001	1.000%
				\$25,000,000
* note: swap, agency, trust, servicer and other fees estimated at 25 bps				

INITIAL PRICINGS

Banc of America Commercial Mortgage Trust, 2007-3

Pricing date:	July 18
Closing date:	July 26
Amount:	\$3,515.7 million
Seller/borrowers:	Bank of America, Eurolypo, Hypo Real Estate, SunTrust
Lead managers:	Bank of America
Co-manager:	Commerzbank, Hypo Real Estate, SunTrust, Citigroup, Credit Suisse
Master servicers:	Bank of America, Wachovia
Special servicers:	Midland Loan Services, LNR Partners, CWC Capital Asset Management
Trustee:	Wells Fargo
Offering type:	SEC-registered

Property types: Office (29.7%), retail (26.7%), multi-family (18.4%), hotel (16.4%), industrial (4.1%), self-storage (3%), mixed-use (0.4%) and other (1.3%).
Concentrations: California (15.3%), Texas (10.6%) and Illinois (10.5%).

Loan contributors: BoFA (68%), Eurolypo (14.8%), Hypo (13.1%) and SunTrust (4.1%).
Largest loans: A \$325 million loan to CalSTRS and Westerton Associates on the 2346-unit Presidential Towers apartment complex in Chicago; a \$200 million loan to Rockwood Capital on the 657-room Renaissance Mayflower Hotel in Washington; a \$187.5 million portion of a \$375 million loan to Blackacre Capital and Murray Hill Properties on the 925,000-sf office building at One Park Avenue in Manhattan; a \$183.8 million loan to Shorestein Properties on Pacific Shores 9&10, a 448,000-sf office complex in Redwood City, Calif.; a \$175 million portion of a \$350 million loan to Crow Holdings on the 1,606-room Hilton Anatole in Dallas; a \$175 million portion of a \$275 million loan to Rockwood 5 REIT and Ross Development on eight multi-family properties, encompassing 2,508 units, in Maryland and Virginia; a \$175 million loan to Tishman Speyer on Second and Seneca, a 497,000-sf office building in Seattle; the \$166.3 million senior portion of a \$183.5 million loan to Invis Co. on the 314,000-sf Pacifica Tower in San Diego; a \$125 million loan to HPI Group and Abbestate Holding on 10 office and industrial properties, encompassing 915,000 sf, in eight states; and a \$100 million portion of a \$150 million loan to John Q. Hammons Revocable Trust on five hotels, encompassing 1,160 rooms, in Tennessee, Texas and Missouri.

B-Piece buyer: Hyperion Brookfield.

Notes: BoFA, Eurolypo, Hypo Real Estate and SunTrust teamed up to securitize large loans and conduit mortgages they had originated. CMA code: 20070123.

Class	Amount (\$Mil.)	Rating (Woody's)	Rating (S&P)	Rating (Fitch)	Subord. (%)	Coupon (%)	Dollar Price	Yield (%)	Maturity (Date)	Avg. Life (Years)	Spread (bp)	Note Type
A-1	50,000	Aaa	AAA	AAA	30.00	5.658	100.250	5.613	6/10/49	4.00	S+18	Fixed
A-1A	648,014	Aaa	AAA	AAA	30.00				6/10/49	7.97		Fixed
A-2	334,000	Aaa	AAA	AAA	30.00	5.838	99.967	5.778	6/10/49	4.66	S+31	Fixed
A-2FL	150,000	Aaa	AAA	AAA	30.00	L+17	100.000		6/10/49	4.66	L+17	Floating
A-3	133,000	Aaa	AAA	AAA	30.00	5.838	98.777	5.987	6/10/49	6.84	S+42	Fixed
A-AB	78,944	Aaa	AAA	AAA	30.00	5.838	98.686	5.974	6/10/49	7.87	S+37	Fixed
A-4	1,017,000	Aaa	AAA	AAA	30.00	5.838	98.102	6.015	6/10/49	9.65	S+35.5	Fixed
A-5	50,000	Aaa	AAA	AAA	30.00				6/10/49	9.79		Fixed
A-M	116,565	Aaa	AAA	AAA	20.00	5.838	97.717	6.065	6/10/49	9.80	S+40	Fixed
A-NF	100,000	Aaa	AAA	AAA	20.00				6/10/49	9.80		Fixed
A-NFL	135,000	Aaa	AAA	AAA	20.00	L+28	100.000		6/10/49	9.80	L+28	Floating
A-J	241,701	Aaa	AAA	AAA	13.13	5.838	97.122	6.147	6/10/49	9.87	S+48	Fixed
B	35,157	Aa1	AA+	AA+	12.13	5.838	96.897	6.207	6/10/49	9.87	S+54	Fixed
C	48,340	Aa2	AA	AA	10.75	5.838	96.274	6.267	6/10/49	9.87	S+60	Fixed
D	26,368	Aa3	AA-	AA-	10.00	5.838	95.784	6.337	6/10/49	9.87	S+67	Fixed
E	26,367	A1	A+	A+	9.25	5.838	95.228	6.417	6/10/49	9.87	S+75	Fixed
F	35,157	A2	A	A	8.25	5.838	94.538	6.517	6/10/49	9.87	S+85	Fixed
G	30,762	A3	A-	A-	7.38	5.838	93.923	6.607	6/10/49	9.87	S+94	Fixed
H	48,340	Baa1	BBB+	BBB+	6.00				6/10/49	9.90		Fixed
J	35,156	Baa2	BBB	BBB	5.00				6/10/49	10.10		Fixed
K	43,946	Baa3	BBB-	BBB-	3.75	5.838	81.247	8.578	6/10/49	10.21	S+290	Fixed
L-Q	74,708								6/10/49	10.21		Fixed
S	57,130	NR	NR	NR	0.00				6/10/49	12.58		Fixed
X-W(X)	3,515.655*	Aaa	AAA	AAA					6/10/49			Fixed

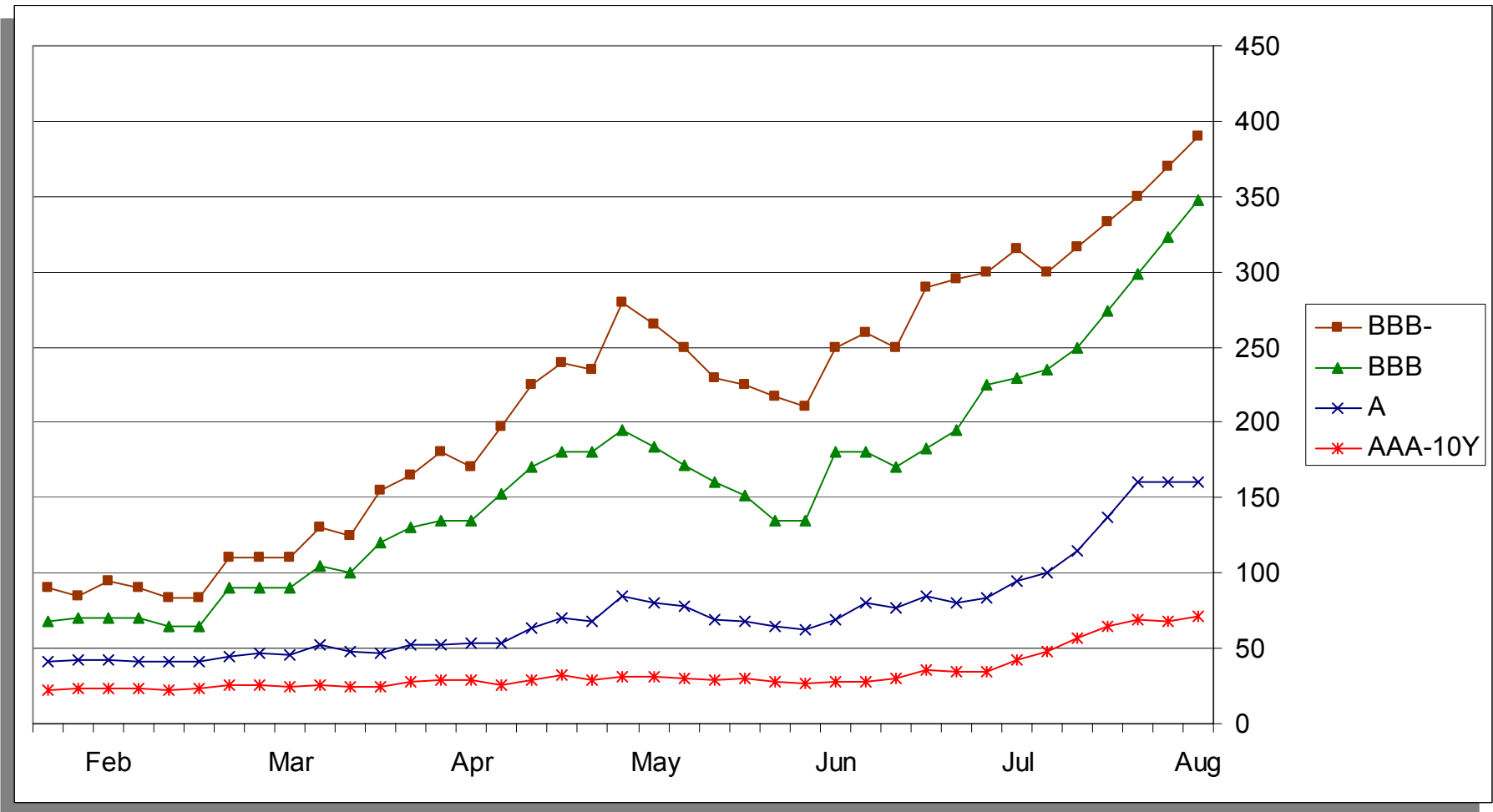
*Notional amount

<http://www.sec.gov/Archives/edgar/data/1404501/000095013607005085/0000950136-07-005085-index.htm>

Source:
CMAalert 7/6/07,

Bank of America -
14 Real Estate Research

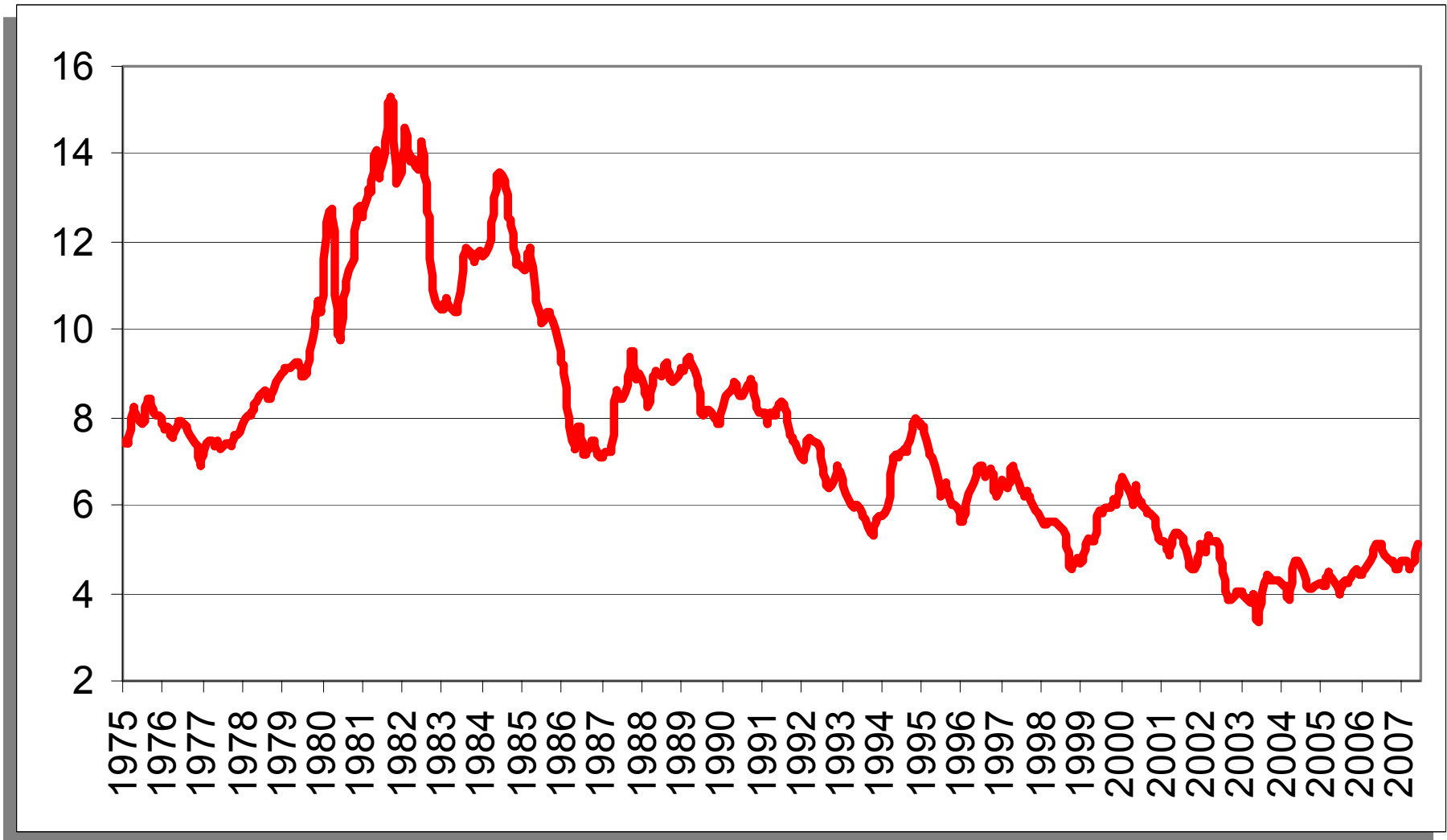
CMBS Spreads are Widening - Pricing Trends



Source: CMAAlert 8/10/07, CMAAlert-Morgan Stanley 8/8/07, Bank of America - Real Estate Research

15 Note: All Spreads are quoted as "Spreads over Swap Rates"

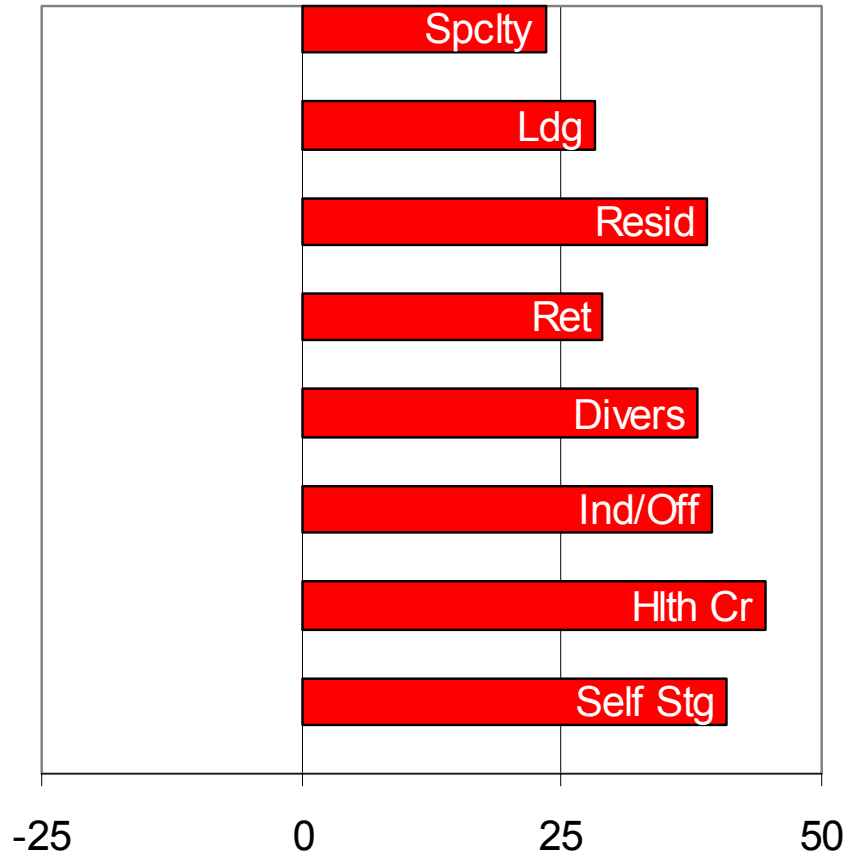
Interest Rate Trends - 10 Yr Treasury



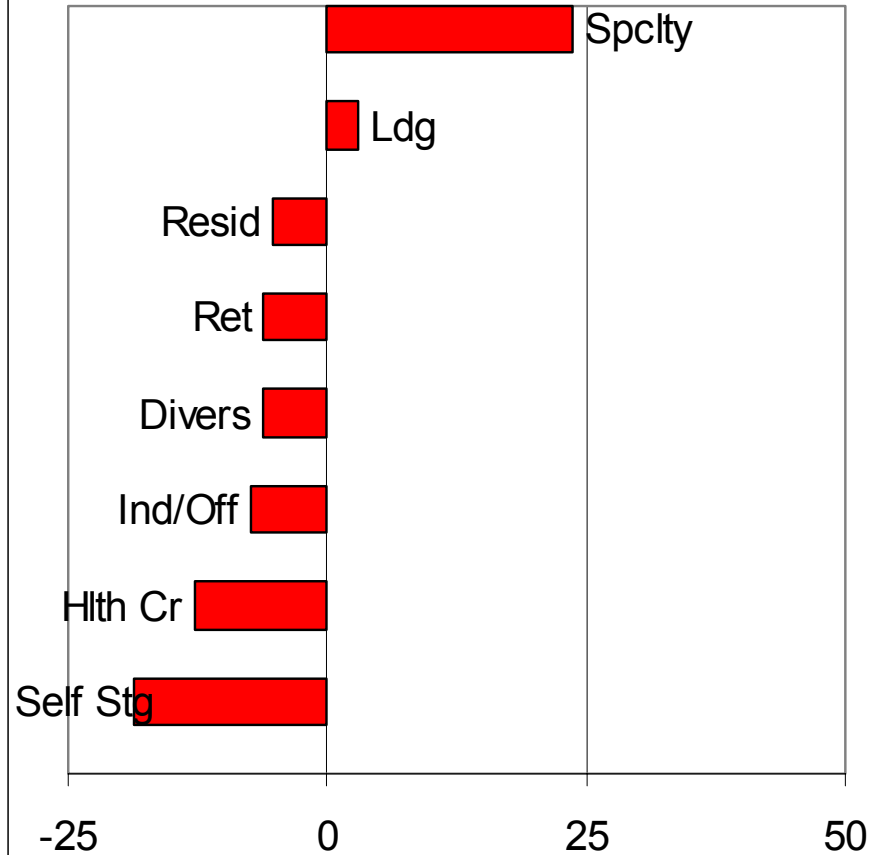
Source: Federal Reserve (H15), Bank of America - Real Estate Research

REIT Returns by Property Type - Old v New

YTD yield thru 12/31/06



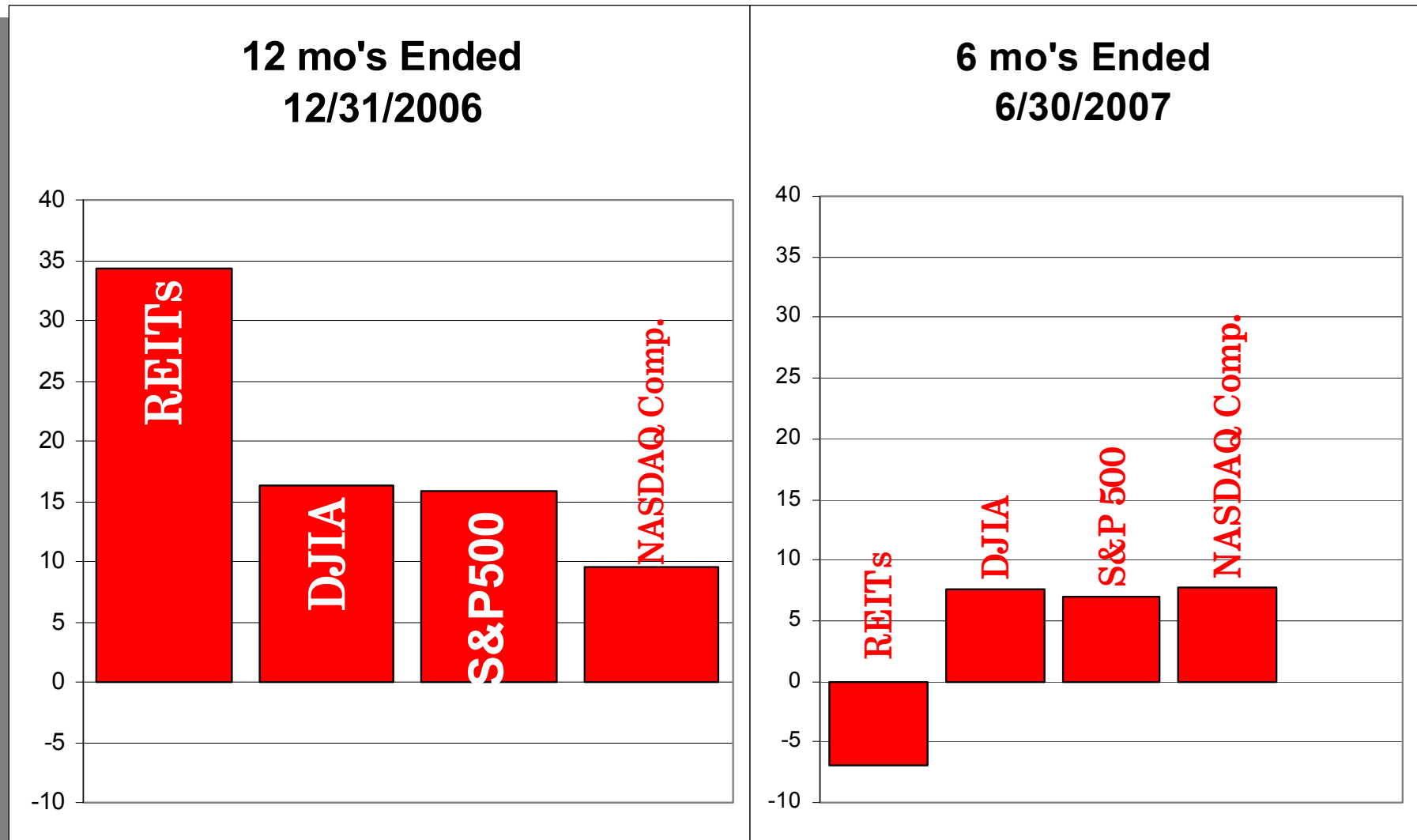
YTD yield thru 6/30/07



Source: NAREIT, Bank of America - Real Estate Research

Note: "Price Only" Returns, buy at beginning of period, sell at end of period. Left = 1 year; Right = 6 months

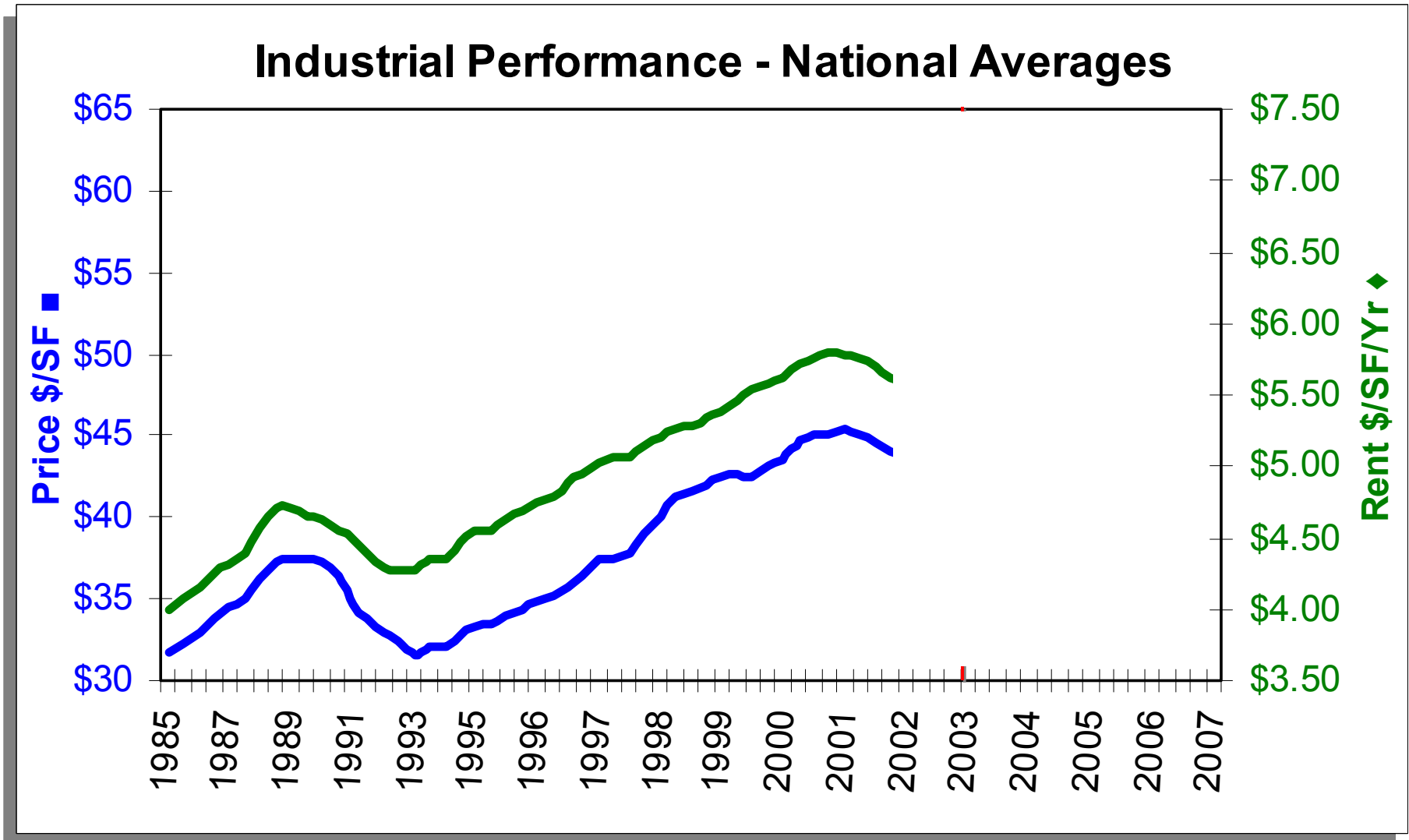
Benchmark Returns - Changes so Fast!



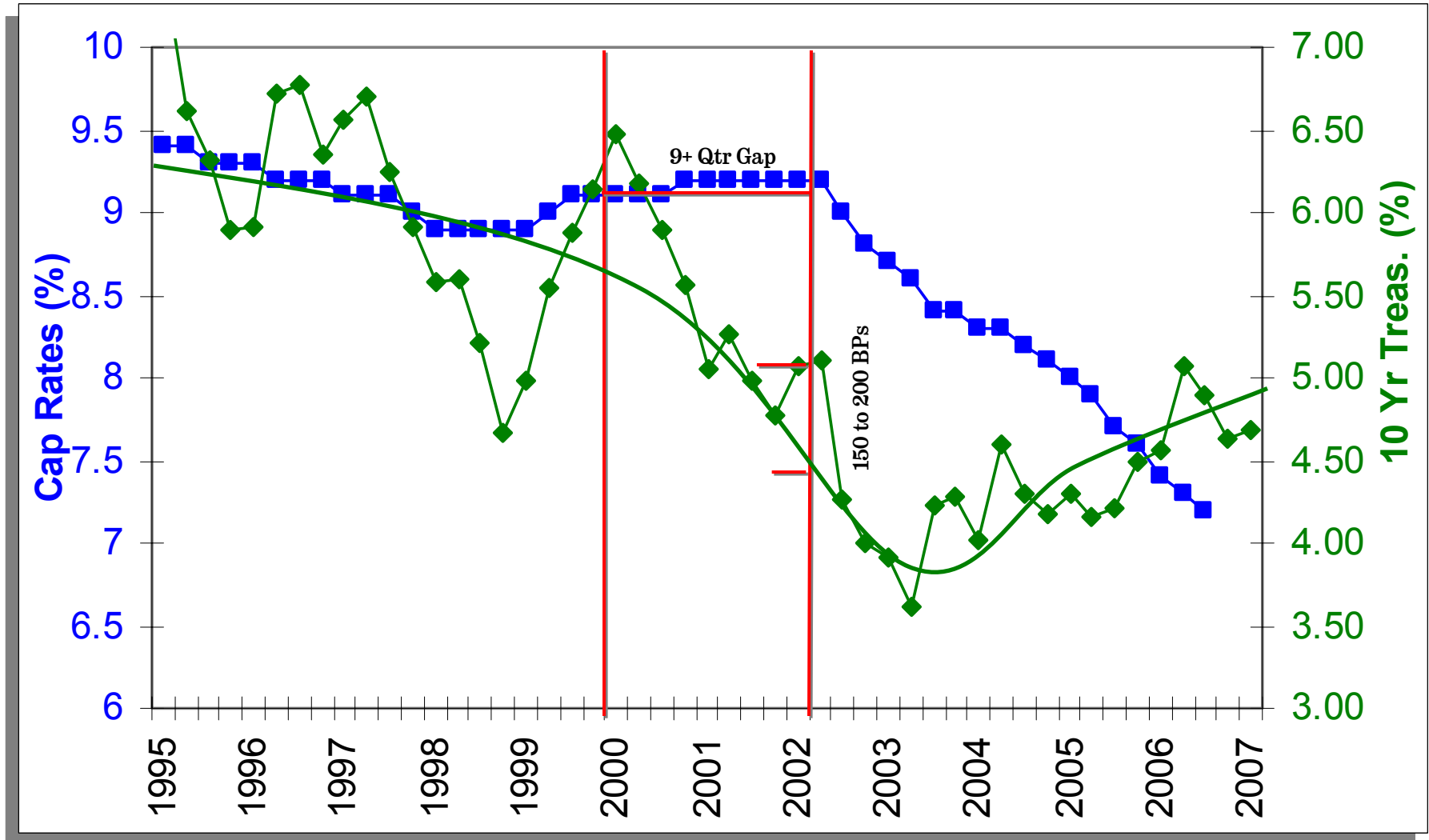
Source: NAREIT, Bank of America - Real Estate Research

Note: Price only Returns

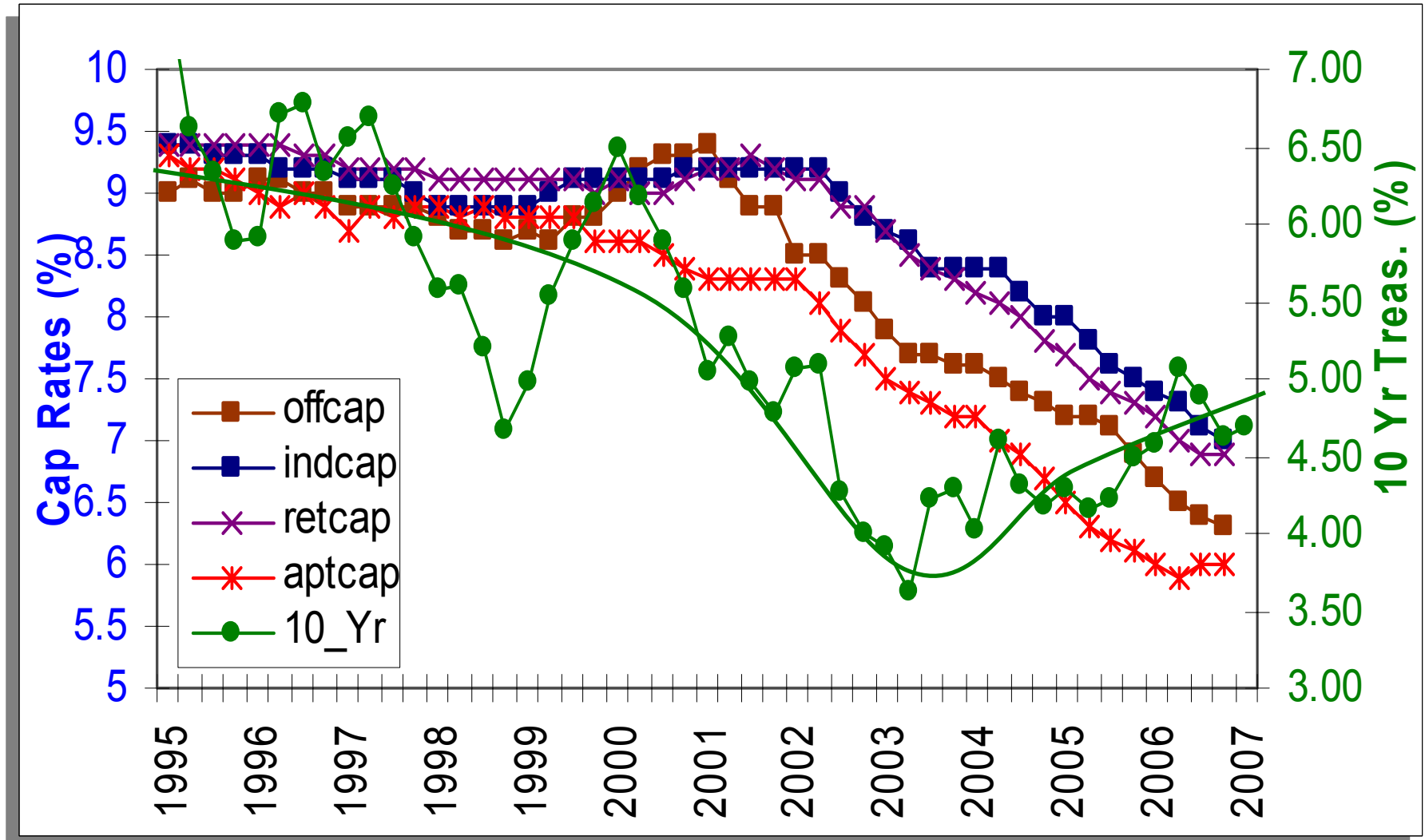
Value versus Rent Trends



Interest Rate versus Cap Rate

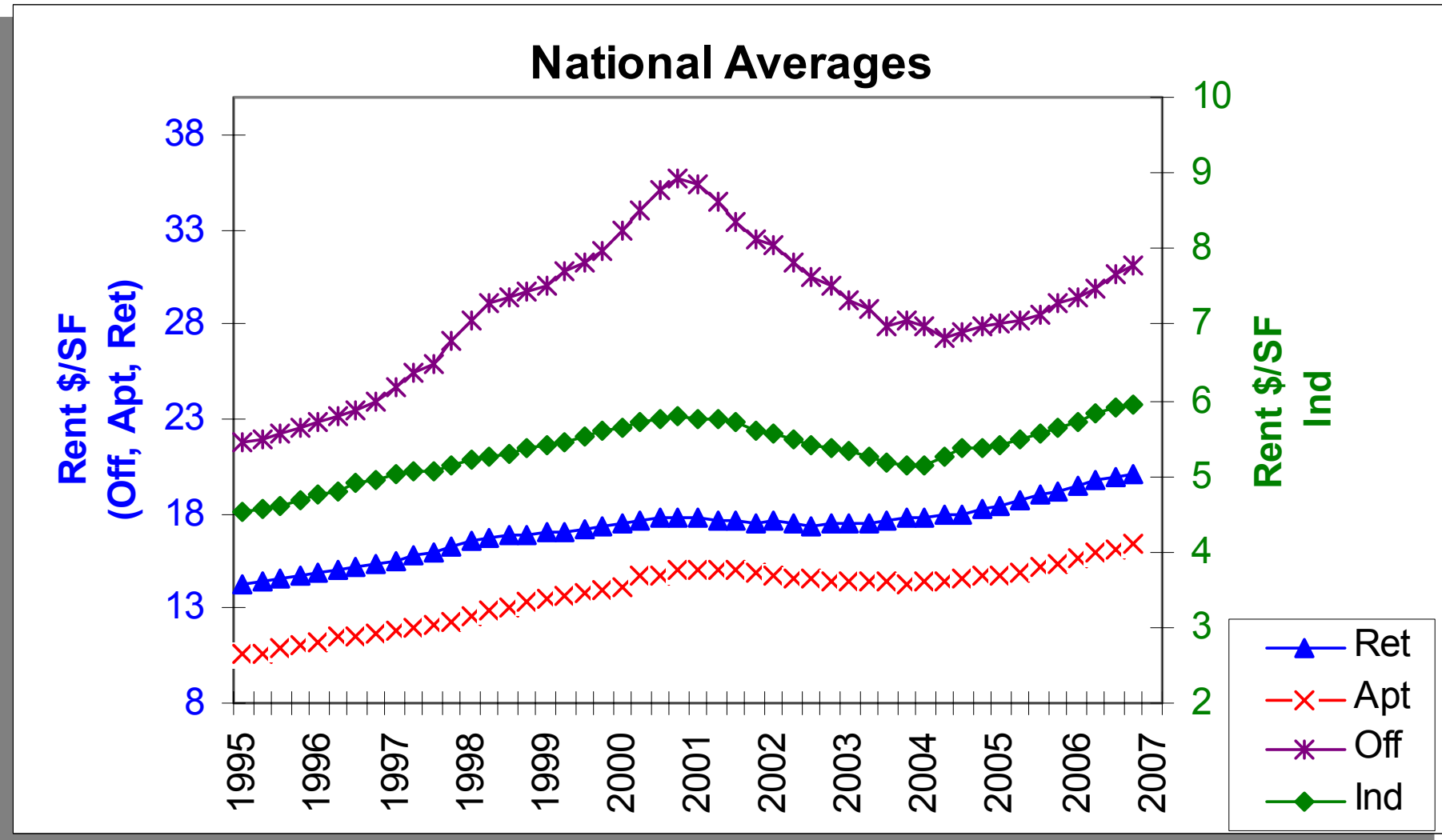


Interest Rate versus Cap Rate



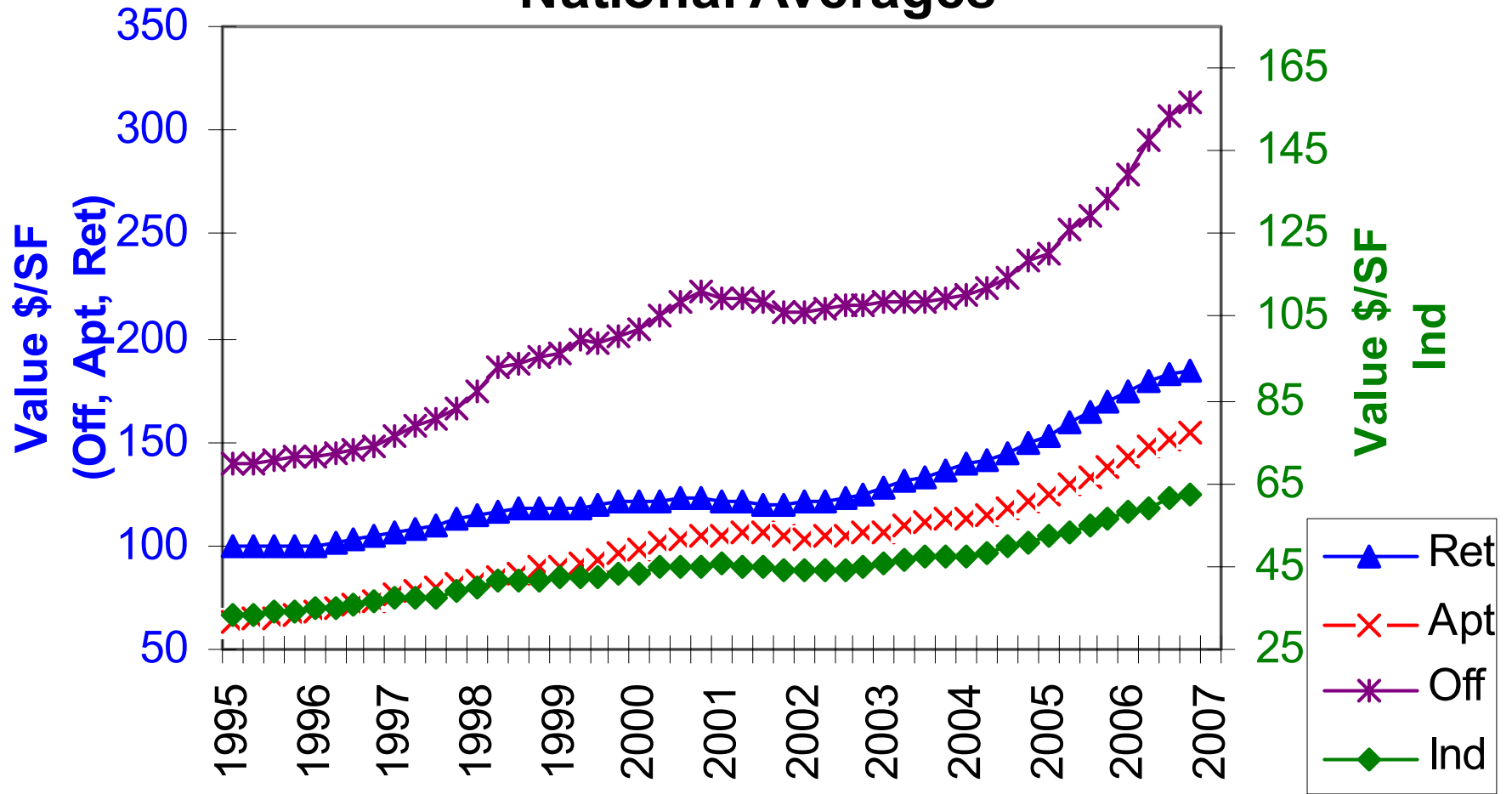
Macro - Rents by Property Type

National Averages



Macro - Value by Property Type

National Averages



CMBS - Actual Losses by Property Type

	2000	2001	2002	2003	2004	2005	2006	2007 YTD
Hotel	0.73%	1.84%	6.37%	3.10%	1.29%	1.49%	0.46%	0.61%
Industrial	0.19%	0.26%	0.84%	1.18%	1.26%	0.86%	0.55%	0.18%
Multifamily	0.34%	0.29%	0.75%	1.02%	1.37%	1.62%	0.79%	0.67%
Manfd Hsg	0.26%	-0.09%	0.28%	0.74%	0.13%	0.31%	0.12%	0.06%
Office	0.05%	0.15%	0.43%	1.02%	0.98%	0.64%	0.24%	0.22%
Retail	0.29%	0.68%	0.97%	0.77%	0.40%	0.27%	0.22%	0.15%
Sr Housing	6.03%	6.72%	-1.39%	4.07%	0.55%	3.17%	6.58%	5.86%
Self Stg	0.00%	0.28%	0.07%	0.06%	0.08%	0.15%	0.14%	0.06%
Total	0.44%	0.65%	1.16%	1.09%	0.87%	0.78%	0.41%	0.33%

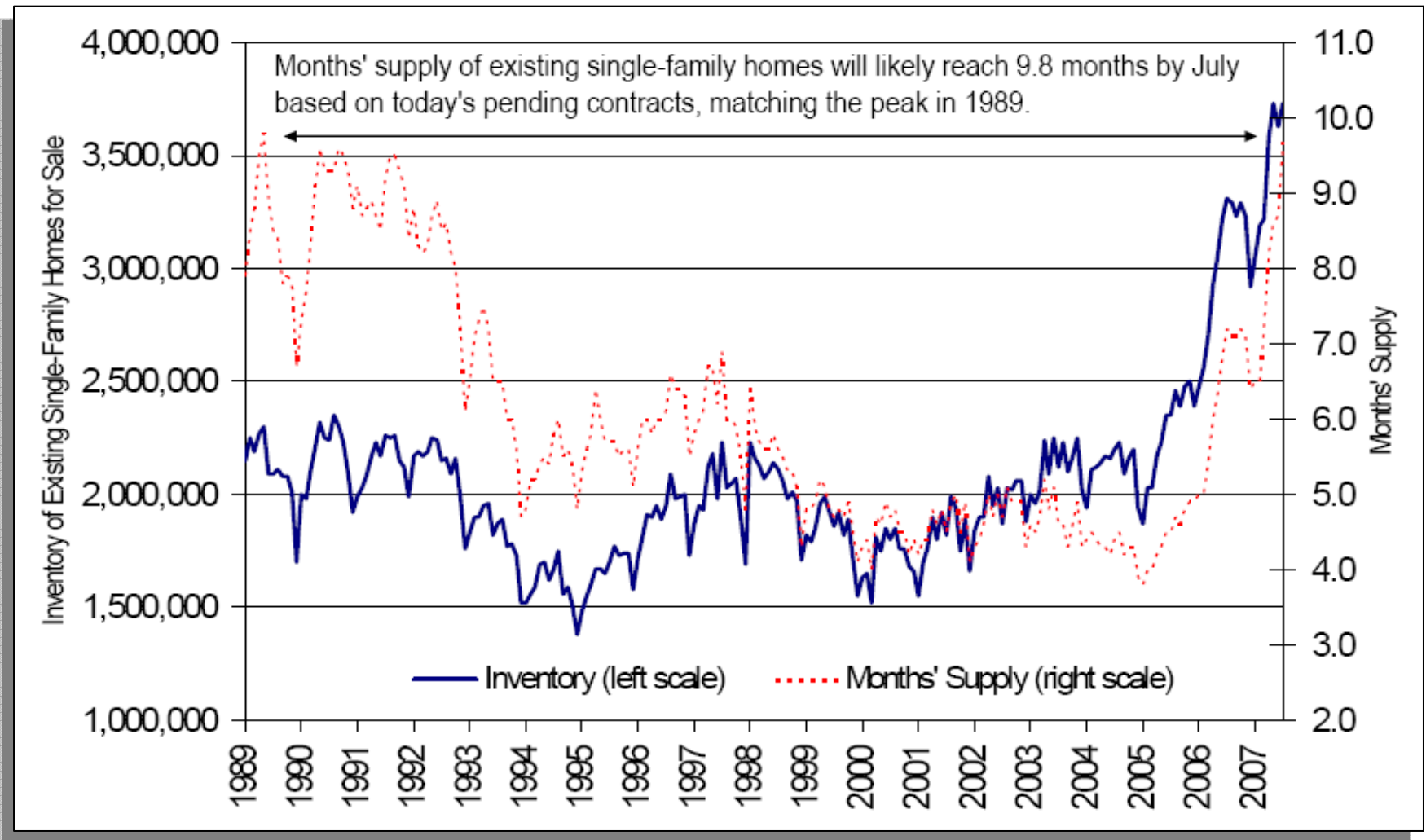
Source: Intex, Bank of America Securities, Bank of America - Real Estate Research

Macro - Recent News in Homebuilding

- D.R. Horton takes \$852MM hit
- Pulte took \$749MM write down
- Standard Pacific took \$165MM
- Sub-prime is “old” news
 - Source: Builder Online - July 31, 2007

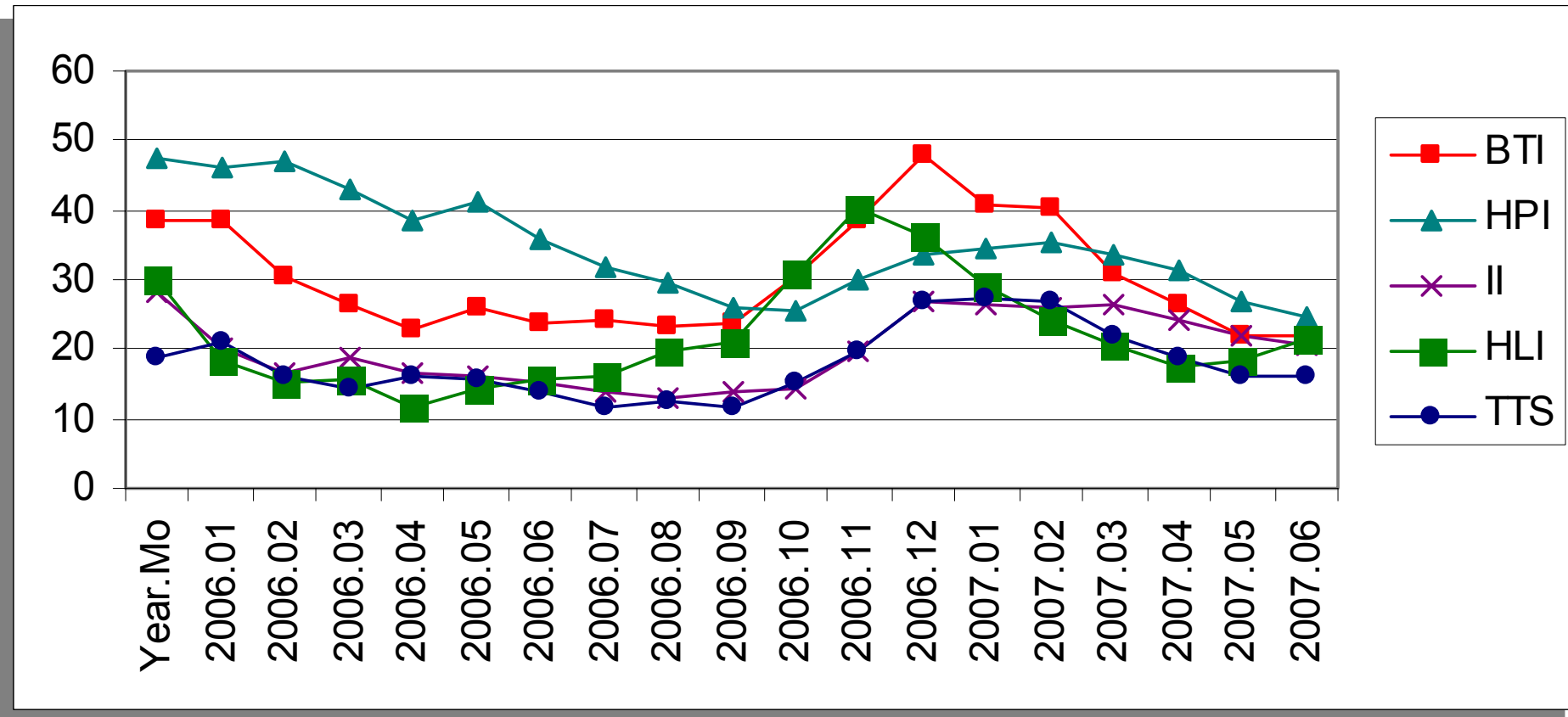
<http://www.builderonline.com/industry-news-channel.asp?channelID=55>

SFR Trends - Inventory and Supply



Source: National Association of Realtors, Banc of America Securities Estimates

Single Family Trends - BAS Index

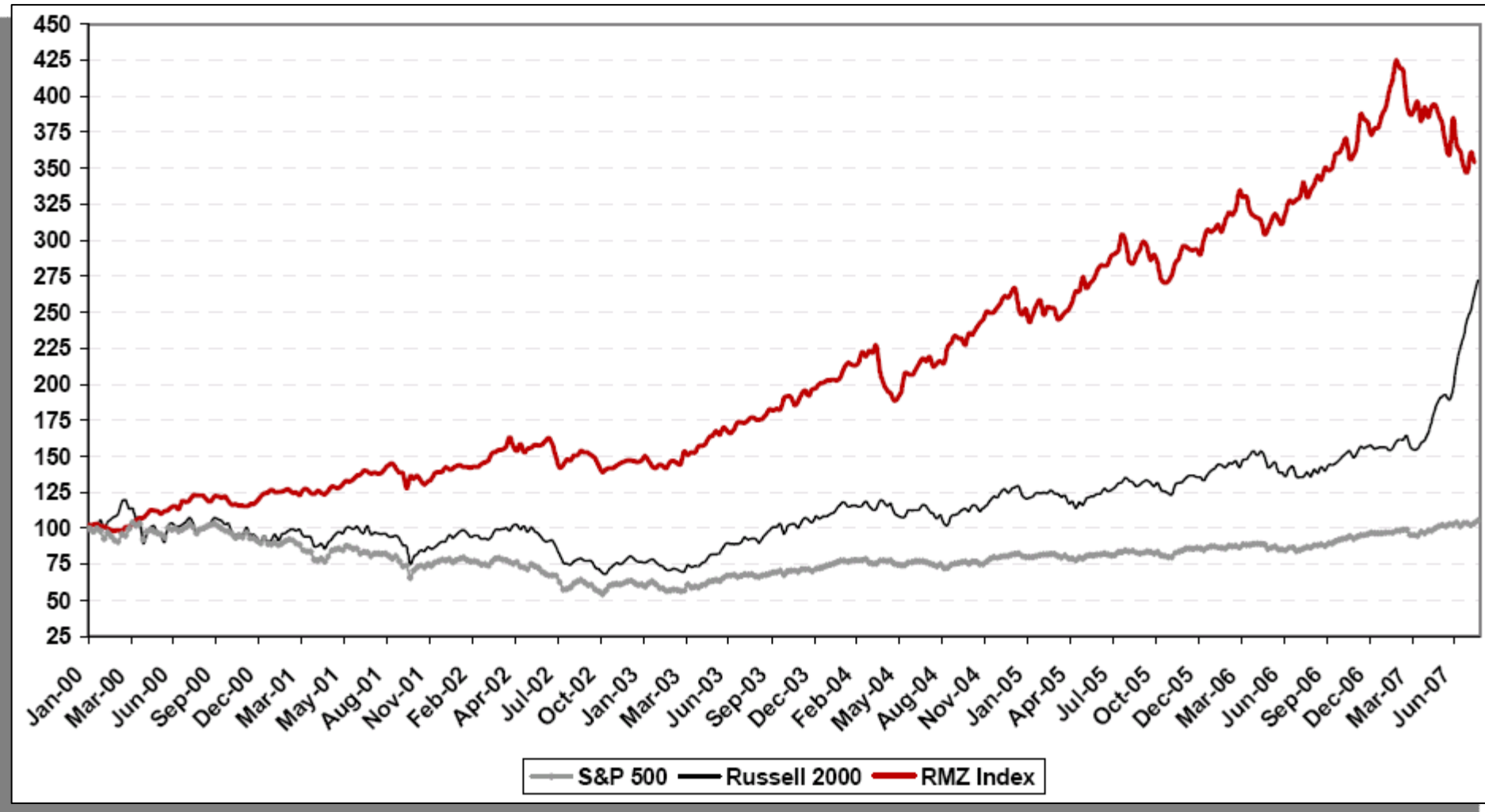


Source: Banc of America Securities, July SFR Survey
 Note: 50=Neutral, Sub 50 represent poor conditions

BTI = Buyer Traffic Index
 HPI = Home Price Index
 II = Incentive Index
 HLI = Home Listing Index
 TTS = Time to Sell Index

Real Estate Investment Trust (REIT)

- Price Index Performance Analysis, July 2007



Source: Bank of America Securities, LLC, FactSet, SNL Financial, Reuters

Bank of America

