

U.S.

Economic Watch

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Economic Analysis

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Investment Opportunities in Commercial Real Estate

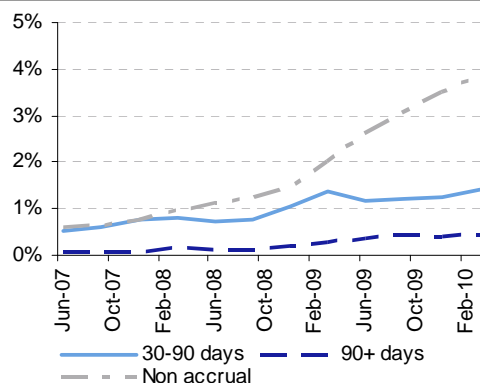
- The continued deterioration of credit portfolios in the commercial real estate segment (CRE) is generating attractive investment opportunities**

To mitigate the negative effect of the increased volume of delinquent and non accrual loans, some financial institutions are putting CRE, used as loan collateral, onto the market at attractive prices and high capitalization ratios.
- At the end of the first quarter of 2010, the 90+ day delinquency and non accrual rates in the CRE sector was above 4.2% of the CRE portfolio**

Bad loans account for a total of more than 420 billion dollars for commercial banks as a whole.
- New investors are being attracted to the sector by the appearance of initial symptoms of recovery in the commercial real estate segment, such as the improvement in employment, increased household consumption and positive CRE quarterly returns in the first half of 2010**

The deterioration in vacancy rates is also slowing down, so we can anticipate an improvement in the segment in the medium term.

Chart 1
CRE Delinquency and Non Accrual. (As % of CRE Portfolio)



Source: FDIC

Chart 2
Vacancy Rates (Quarterly Variation)



Source: Reis and BBVA Research