Return of the Loan: Commercial Mortgage Investing after the 2008 Financial Crisis

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Causes of the Crisis

- Housing Market
- Financial Institutions
- Mortgage Backed Securities

Dow Jones stock price chart from Jan. '07-Oct. '08
Housing Market

- Housing bubble
- Adjustable rate mortgages
- Sub prime lending

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Causes of the Crisis
Financial Institutions

- Easy to get loans
- Underwriting practices
- Over leveraging
- Mortgage-Backed securities

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Causes of the Crisis
Consequences of Global Financial Crisis

- Stock market
- Housing market
- Consumers’ Wealth
- Failure of key businesses
Stock Market

- In November 2008 S&P 500 was around 50% of its value last year
- Global economic shock
- Decline in European Markets
- Failure of economic structures

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Consequences of Global Financial Crisis
Real Estate

• Housing Bubble: low prices for houses and high default on a mortgages rate
• Financial Institution in critical position because the assets cost less than initial investment
• Homeowner’s wealth declines
Consumers’ Wealth

- Correlation between wealth of consumers and expenditures
- Vicious cycle
- Decrease in GDP
- Higher unemployment rate