



FOURTH QUARTER 2008



President's Report
March 2009

During the fourth quarter of 2008, the global economic downturn continued, and while new business opportunities decreased for CDT in this very challenging environment, our existing debt and equity portfolios held up well, and our overall financial condition and

liquidity position remained strong. CDT's financial performance for the fourth quarter of 2008 remained steady with Operating Funds From Operations (Operating FFO) at \$0.19 per share versus \$0.13 per share in the fourth quarter of 2007. Operating FFO for the full year was \$0.68 per share, \$0.04 per share better than 2007.

In 2009, the performance of the existing portfolios will be a major factor in our overall financial performance. As such, we will continue to manage and monitor our debt and equity portfolios carefully. We will anticipate weaknesses and develop strategies for problem loans and investments should they arise. At CDT, we find many reasons to be optimistic about our potential opportunities for 2009. With a talented and committed staff capable of responding to changes in the markets as they evolve, we remain confident that our strong balance sheet and liquidity position has us well-positioned to take advantage of new mission-oriented opportunities that will inevitably surface as the credit markets begin to settle over the coming year.

With regard to new production, we will shift our efforts towards debt opportunities and away from equity investments to take advantage of better risk-adjusted returns. Attractive equity investment opportunities seem unlikely at this time; however, over the course of the year, if appropriately priced mission-oriented equity investments arise, we will review these opportunities.

In all of our efforts throughout 2009, we will continue to utilize our guiding principles to identify the best opportunities that will have the greatest impact. We will maintain the focus on our mission while seeking solid returns for our investors.

We look forward to updating you again next quarter on our progress.

Sincerely,

Joseph F. Reilly
President & CEO

New Investment: Casa Rufina Phase II



In November 2008, CDT purchased a \$576,000 first mortgage for Casa Rufina Phase II. The property is a newly constructed, 20-unit, age-restricted affordable housing community located on 1.4 acres in Santa Fe, New Mexico. The single-building property has a mix of one and two bedroom units. Seventeen of the units are affordable at 40% and 50% of AMI. The rents for three units are set at market. Project amenities include covered parking spaces, porches or balconies for each of the units, an exercise room and a community room equipped with a fireplace and an entertainment system. CDT purchased Phase I of the development, a 100-unit property, in September 2007.

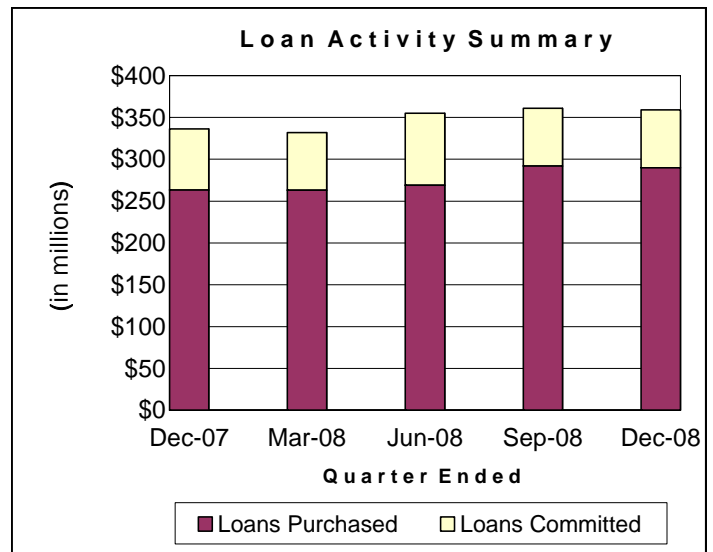
Both phases were developed by Pacificap Properties. Pacificap has extensive multifamily housing experience and has developed affordable properties in Nevada, New Mexico, Washington, Colorado and Montana.

In addition to the permanent financing provided to CDT's originator, the project was the recipient of low-interest subordinate financing from the New Mexico Housing Authority and a \$258,685 annual tax credit allocation. The tax credits were syndicated by Wachovia.

Debt Program Update

Although 2008 was a very turbulent year in the credit markets, CDT's Debt Program had a productive year. Highlights of the full year and fourth quarter include the following:

- Acquisitions for the full year of \$52.7 million in loans, including permanent loans, short-term loan participations and New Market Tax Credit (NMTC) leverage loan participations.
- Commitment activity totaled \$46.4 million for the full year.
- In 2008, CDT acquired and committed loans with nine different approved originators.
- In late October, we issued our first forward commitment under the 538 USDA Rural Development Guaranty Program.
- As of December 31, 2008, we had outstanding loan commitments of \$69.1 million.



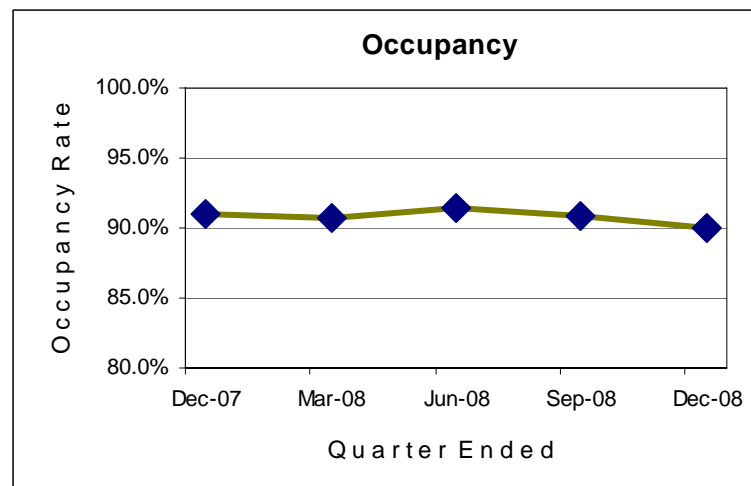
We anticipate more business from existing customers and continue to market our program to other lenders looking to develop secondary market outlets.

PORTFOLIO PERFORMANCE

Equity Portfolio:

CDT's equity portfolio continues to perform well. Highlights of the fourth quarter are as follows:

- Same Unit Occupancy for the fourth quarter of 2008, of 90.0% was down slightly from 90.9% the same quarter a year ago.
- Same Unit Monthly Rental Income for the fourth quarter of 2008 increased 3.7% compared to the same quarter a year ago.
- Same Unit Quarterly Operating Expenses for the fourth quarter of 2008 decreased 0.2% compared to the same quarter a year ago.
- Same Unit Quarterly Net Operating Income for the fourth quarter of 2008 was 8.4% higher than the same quarter a year ago.



THE COMMUNITY DEVELOPMENT TRUST, INC.

FINANCIAL SUMMARY

UNAUDITED

(in thousands, except per share data)

**Preserving America's
Communities**

CDT is the country's only private real estate investment trust with a public purpose. Working with local and national partners, our organization makes long-term equity investments in affordable communities and serves as a secondary market provider for low-income multifamily mortgages. After ten years of operations, CDT has invested or committed more than \$716 million in debt and equity capital to properties in 39 states and regions—helping to preserve or add more than 27,500 units to the nation's affordable housing stock.

Visit Our Website!
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For additional information on CDT's programs and investments, please visit our website.

Balance Sheet

	December 31, 2008	December 31, 2007
Assets		
Cash and cash equivalents	\$ 33,510	\$ 21,896
Restricted cash	1,228	3,983
Investments	-	18,436
Real estate, including investments in joint ventures	34,886	49,799
Subordinate mortgage loans, net	27,439	23,959
Senior mortgage loan participations	6,686	6,417
Mortgage loans, net	6,537	2,282
Loan participations	4,000	-
Other assets	1,801	2,296
Total Assets	\$ 116,087	\$ 129,068
Liabilities and Stockholders' Equity		
Mortgages payable	\$ 7,803	\$ 28,065
Secured revolving credit facilities	10,000	-
Other liabilities	4,379	3,938
Stockholders' equity	93,905	97,065
Total Liabilities and Stockholders' Equity	\$ 116,087	\$ 129,068

Income Statement

	For the year ended			
	December 31, 2008		December 31, 2007	
	Amount	Per share	Amount	Per share
Total revenues	\$ 20,829		\$ 16,408	
Total expenses	15,380		13,758	
Net income	\$ 5,449		\$ 2,650	
Preferred stock dividend	(2,720)		(2,762)	
Net income (loss) applicable to common stock	\$ 2,729	\$ 0.50	\$ (112)	\$ (0.01)
Add back property depreciation	4,942		5,222	
Subtract gain on sale of investment	(7,269)		-	
Other GAAP adjustments, net	520		(1,680)	
Funds from operations	\$ 922	\$ 0.17	\$ 3,430	\$ 0.64
Add impairment loss	1,988		-	
Add loss on restructuring	800		-	
Operating funds from operations	\$ 3,710	\$ 0.68	\$ 3,430	\$ 0.64
Common dividends declared	\$ 4,455	\$ 0.82	\$ 3,888	\$ 0.72
Weighted average number of shares outstanding - Basic		5,455		5,400

Neither the information in this report nor any opinion expressed herein constitutes an offer, or an invitation to make an offer, to buy or sell any securities. Statements regarding future prospects may not be realized. Past performance is not necessarily a guide to future performance.