



President's Report
December 2009

During the third quarter of 2009, most signs have continued to indicate that the U.S. economy has been recovering from the deepest recession since the Great Depression. However, much of the growth appears to be the direct result of increased government spending, including a variety of targeted stimulus programs. It is unclear whether consumers and businesses have recovered sufficiently to sustain this recovery. The unemployment rate rose above 10% in October 2009, and it is expected to remain high throughout 2010. Many economists are predicting that the recovery will be slow and possibly painful.

Despite this challenging economic environment, CDT's financial condition and liquidity position have remained solid. While new business opportunities have been limited, our existing debt and equity portfolios have performed well. CDT's financial performance for the third quarter of 2009 remained steady with Operating Funds From Operations ("Operating FFO") at \$0.18 per share versus \$0.19 per share in the third quarter of 2008. During the third quarter, we have seen some weakness in our debt portfolio as vacancies increased slightly over last quarter and the size of our watch list loans has increased again. However, our DCR rate has remained steady, and there are no delinquencies in the portfolio as of September 30, 2009. In this uncertain environment, we will continue to place emphasis on closely monitoring our portfolios and proactively addressing problems, if and when they arise.

Finally, we are very pleased to report that in November 2009, CDT received a \$1 million award from the U.S. Department of Treasury's Community Development Financial Institutions ("CDFI") Fund to assist us in our program to provide liquidity to CDFIs throughout the country. This is the first award that CDT has received as a CDFI, and we are proud that the CDFI Fund has recognized the importance of our community development mission through this award.

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

Sincerely,

Joseph F. Reilly
President & CEO

New Investment: Magnolia Estates



In July 2009, CDT purchased a \$4,000,000 first mortgage on Magnolia Estates. This property is a newly constructed, 160-unit, age-restricted affordable housing community for seniors located in Houston, Texas. Magnolia Estates consists of 31 buildings including a community building with a kitchen area, library, computer room, and a fitness center. Additional project amenities include a pool, a nine-hole miniature golf course, and a picnic area. The property has a mix of one and two bedroom units available for tenants with incomes between 30% and 60% of area median income.

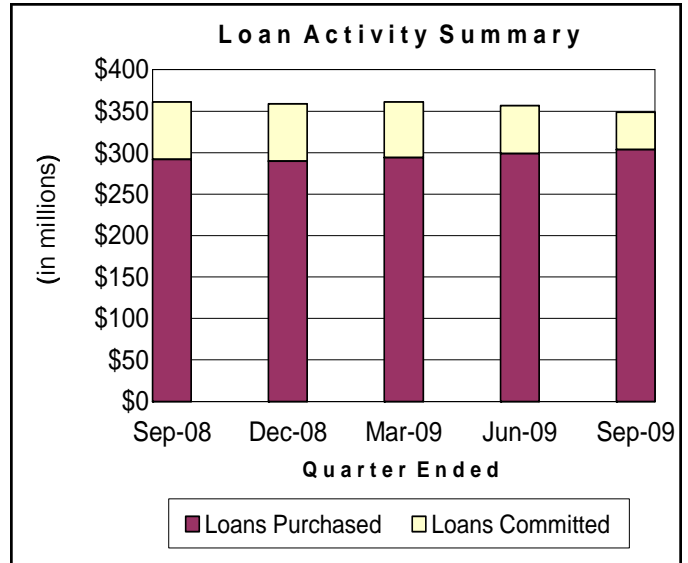
Magnolia Estates is owned by an affiliate of the Harris County Housing Authority, the sponsor of the development, and is managed by Investors Management, Inc., an affiliate of the Hettig-Kahn Companies.

In addition to the permanent financing provided by JPMorgan Chase Bank, CDT's originator, the project received LIHTC equity totaling \$10.4 million and \$700,000 in subordinate financing from HOME funds. The tax credit investor is JPMorgan Capital Corporation.

Debt Program Update

The affordable housing industry continues to be constrained by the reduction in available LIHTC equity, a reduction in available public funds and higher forward commitment pricing from the GSEs. Although many projects are seeking to use the Tax Credit Assistance Program and Exchange Program, transaction volume has been slower than anticipated due to various state-specific program requirements. Still, these programs are important capital sources for projects with 2008 and 2009 tax credit allocations. CDT continues to build its pipeline and move forward with loan requests as projects finalize their capital sources. The following is a summary of CDT’s third quarter activity:

- We closed \$9.3 million in new loans. This represents the conversion of existing forward commitments to permanent mortgages. For the nine months ended September 30, 2009, we have funded \$22.7 million in loans. We project to convert a total of \$28 million by year-end 2009.
- Commitment activity totaled \$1.3 million in the third quarter. Our current inquiry pipeline, including individual loan requests and potential portfolio purchases, is approximately \$50 million.
- As of September 30, 2009, we had outstanding loan commitments totaling \$45.2 million.

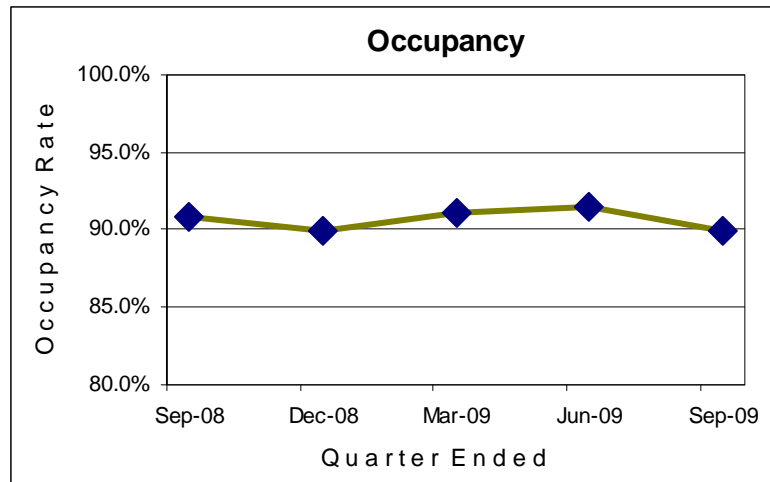


PORTFOLIO PERFORMANCE

Equity Portfolio:

CDT’s equity portfolio was relatively stable during the third quarter of 2009, however, a number of the market-rate properties in the portfolio continue to struggle. Highlights of the third quarter are as follows:

- Same Unit Occupancy for the third quarter of 2009, of 90.0%, was down slightly from 90.9% the same quarter a year ago.
- Same Unit Monthly Rental Income for the third quarter of 2009 increased 1.2% compared to the same quarter a year ago.
- Same Unit Quarterly Operating Expenses for the third quarter of 2009 increased 3.9% compared to the same quarter a year ago.
- Same Unit Quarterly Net Operating Income for the third quarter of 2009 was 2.6% lower than the same quarter a year ago.



Debt Portfolio:

The portfolio’s September 30, 2009, weighted average DCR of 1.40 was higher than the September 30, 2008 DCR of 1.37. The portfolio’s vacancy increased to 5.4% at September 30, 2009, from 5.2% last quarter and from 4.5% at September 30, 2008.

Overall, the debt portfolio continued to perform well. While the portfolio’s debt coverage ratio remained stable, there was an increase in vacancy during the past year that we continue to monitor closely.

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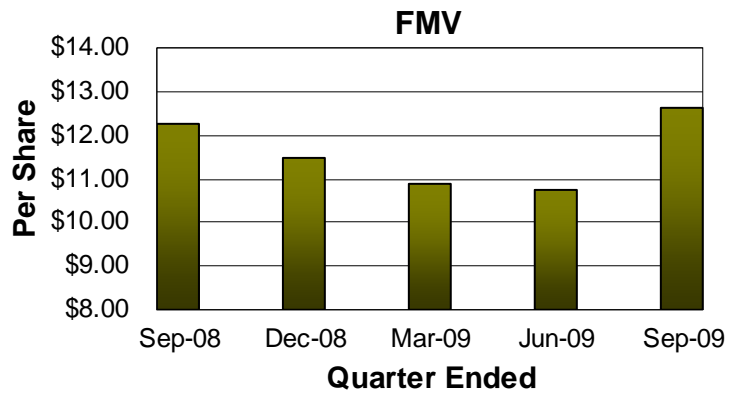
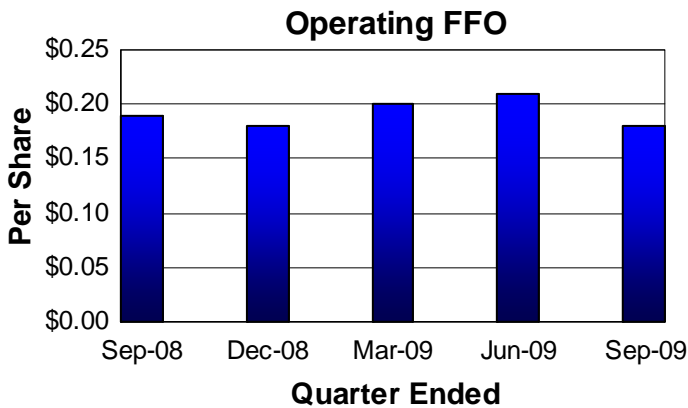
FINANCIAL SUMMARY

Operations - Operating FFO per share for the third quarter of 2009 was \$0.18 per share, as compared to \$0.19 per share in the third quarter of 2008. While our mortgage portfolio results and our interest on short-term investments remained steady, there was a slight decline in the results from our equity portfolio.

Fair Market Value - CDT’s FMV as of September 30, 2009, is \$12.63 per share, which represents a 17.7% increase from the FMV per share as of June 30, 2009, of \$10.73, and an increase of 3.1% from the FMV per share as of September 30, 2008, of \$12.25.

Dividends - The Board of Directors declared a quarterly dividend of \$0.15 per share on the Class B common shares, payable on November 19, 2009, to all common stockholders of record as of November 17, 2009.

The Board of Directors also approved a regular quarterly dividend of \$0.53125 per share on the 4.25% convertible preferred shares, payable on November 30, 2009, to all preferred stockholders of record as of November 17, 2009.



**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 more than ten years of operations, CDT has invested or committed more than \$724 million in debt and equity capital to properties in 39 states and regions—helping to preserve or add approximately 28,000 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.

**THE COMMUNITY DEVELOPMENT TRUST, INC.
FINANCIAL SUMMARY - THIRD QUARTER 2009**

UNAUDITED

(in thousands, except per share data)

Balance Sheet

	September 30, 2009	December 31, 2008
Assets		
Cash and cash equivalents	\$ 13,055	\$ 33,510
Restricted cash	1,220	1,228
Investments	6,367	-
Real estate, including investments in joint ventures	36,324	38,661
Subordinate mortgage loans, net	28,747	27,438
Senior mortgage loan participations	2,679	6,686
Mortgage loans, net	10,719	6,750
Loan participations	4,000	4,000
Other assets	1,144	855
Total Assets	\$ 104,255	\$ 119,128
Liabilities and Equity		
Mortgages payable	\$ 7,586	\$ 7,803
Secured revolving credit facilities	-	10,000
Other liabilities	6,275	7,659
Total Liabilities	13,861	25,462
Company stockholders' equity	90,397	93,664
Noncontrolling interest	(3)	2
Total Equity	90,394	93,666
Total Liabilities and Equity	\$ 104,255	\$ 119,128

Income Statement

	For the quarter ended			
	September 30, 2009		September 30, 2008	
	Amount	Per share	Amount	Per share
Total revenues	\$ 2,696		\$ 4,053	
Total expenses	2,250		3,291	
Consolidated net income	\$ 446		\$ 762	
Net income applicable to noncontrolling interests	44		27	
Preferred stock dividend	(680)		(680)	
Net income (loss) applicable to common stock	\$ (278)	\$ (0.05)	\$ 55	\$ 0.01
Add back property depreciation	1,243		1,205	
Subtract gain on sale of investment	-		(361)	
Other GAAP adjustments, net	8		110	
Operating funds from operations	\$ 973	\$ 0.18	\$ 1,009	\$ 0.19
Common dividends paid	\$ 794	\$ 0.15	\$ 981	\$ 0.18
Weighted average number of shares outstanding - Basic		5,294		5,452

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.