JER INVESTORS TRUST INC (JERT)

8-K

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 12, 2008 (November 6, 2008)

JER Investors Trust Inc.

(Exact Name of Registrant as Specified in Charter)

Maryland	001-32564	75-3152779
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1650 Tysons Boulevard, Suite 1600, McLean, VA	22102
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code
(703) 714-8000

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On November 6, 2008, JER Investors Trust Inc. (the "Company") announced its results of operations for the third fiscal quarter ended September 30, 2008. A copy of the related press release is attached hereto as Exhibit 99.1.

On November 6, 2008, the Company held a conference call open to the public on which management discussed the Company's results of operations for the third fiscal quarter ended September 30, 2008. A transcript of the conference call is attached hereto as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1	Press Release, dated November 6, 2008, issued by JER Investors Trust Inc.
99.2	Transcript of Conference Call held by JER Investors Trust Inc. on November 6, 2008

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

JER Investors Trust Inc.
(Registrant)

Date: November 12, 2008

By:	/s/ J. Michael McGi
Name:	J. Michael McGil
Title:	Chief Financial C

EXHIBIT INDEX

Exhibit No.	Description
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Exhibit 99.1

JER INVESTORS TRUST INC. (NYSE: JRT) ANNOUNCES THIRD QUARTER 2008 RESULTS

McLean, VA –November 6, 2008: JER Investors Trust Inc. (NYSE: JRT) today reported results for the quarter ended September 30, 2008:

Third Quarter Highlights:

- Liquidity: At September 30, 2008, we had $32.6 million in unrestricted cash compared to net borrowings on our repurchase agreements totaling $87.2 million. As of November 4, 2008, unrestricted cash decreased to $21.5 million and net borrowings on our repurchase agreements decreased to $59.6 million.

- Adjusted Funds from Operations: Generated Adjusted Funds from Operations ("AFFO") of $8.5 million and $27.8 million, or $0.33 and $1.08 per diluted common share, for the three and nine months ended September 30, 2008, respectively.

- GAAP Operating Results: Net loss was $34.9 million and $72.7 million, or $1.35 and $2.83 per diluted common share for the three and nine months ended September 30, 2008, respectively.

- Stockholders' Equity: Stockholders' equity at September 30, 2008 is $222.3 million, or $8.58 per share.

- Real Estate Loan Portfolio Credit Statistics: There were no delinquencies or loss reserves established related to real estate loans as of September 30, 2008.

- CMBS Portfolio Credit Statistics: Outlined below are credit statistics relating to the $48 billion of unpaid principal balance of commercial real estate loans, representing approximately 3,500 loans that serve as collateral for our "first-loss" CMBS investments.

    - 60-day and greater delinquencies on loan collateral underlying our CMBS "first-loss" investments was 42 basis points at September 30, 2008 compared to 31 basis points at June 30, 2008.
    - Cumulative actual realized losses through September 30, 2008 were approximately $3 million compared to originally underwritten realized losses through September 30, 2008 of approximately $31 million.
    - Special servicing portfolio at September 30, 2008 consisted of 38 loans with an unpaid principal balance of approximately $304 million.
        - As of November 4, 2008, special servicing portfolio increased to 45 loans with an unpaid principal balance of $461.9 million.

- CMBS Portfolio Loss Projections: Primarily due to the recent increases in delinquencies, the special servicing portfolio and current weakness in the real estate and credit markets, we increased our loss projections on the approximately $48 billion of commercial real estate loan collateral underlying our CMBS "first-loss" investments as of September 30, 2008 to $863 million (1.8% of the unpaid principal balance of such loans) from $661 million (1.4% of the unpaid principal balance of such loans) at June 30, 2008.

"Given the dramatic deleveraging we are seeing broadly across the financial services sector, and more specifically in the real estate sector, we decided to take the proactive approach several months ago to sell certain assets to reduce our repurchase agreement borrowing exposure. Our net repurchase agreement borrowings outstanding have declined from $261.9 million at December 31, 2007 to $87.2 million at September 30, 2008 and further down to $59.6 million at November 4, 2008. Although these repurchase agreement borrowings have contractual maturities that extend out to September and October of 2009, we continue to pursue opportunities to either reduce our repurchase agreement borrowing exposure or obtain longer term financing agreements," said Mark Weiss, JRT President. "We have also recently seen an increase in delinquencies and special servicing activity. Due to these increases, the results of our ongoing portfolio surveillance activities, and the general weakness in the broader economy and, in particular, the commercial real estate sector, we deemed it appropriate during the quarter to significantly increase our loss projections on the $48 billion of loan collateral that underlies our "first loss" CMBS investments. We continue to monitor developments in our portfolio, particularly in light of the rapidly deteriorating macroeconomic environment and will make adjustments to our loss projections as appropriate."

Operating Results

Net loss was $34.9 million, or $1.35 per diluted common share, for the three months ended September 30, 2008, compared to net income of $10.5 million, or $0.41 per diluted common share, for the three months ended September 30, 2007. Net loss was $72.7 million, or $2.83 per diluted common share, for the nine months ended September 30, 2008, compared to net income of $30.4 million, or $1.18 per diluted common share, for the nine months ended September 30, 2007.

AFFO was $8.5 million, or $0.33 per diluted share, for the three months ended September 30, 2008, compared to $12.7 million, or $0.49 per diluted share, for the three months ended September 30, 2007. AFFO was $27.8 million, or $1.08 per diluted share, for the nine months ended September 30, 2008, compared to $34.7 million, or $1.35 per diluted share, for the nine months ended September 30, 2007. At the end of this earnings release is a reconciliation of GAAP net income (loss) to AFFO for the three and nine months ended September 30, 2008 and 2007.

Total revenues were $27.9 million and $92.2 million for the three and nine months ended September 30, 2008, respectively, compared to $36.2 million and $100.2 million for the three and nine months ended September 30, 2007, respectively. The decrease in revenues for the three months ended September 30, 2008 compared to the same period in 2007 is primarily due to reduced income from real estate loans and assets due to the sale or repayment of certain investments, as well as lower LIBOR rates on our floating rate real estate loans, and reduced income from cash and cash equivalents due to lower cash balances and lower yields, offset, in part, by increased CMBS income due to acquisitions during 2007 and higher levels of non-cash CMBS income. The increase in non-cash CMBS income is principally due to the other than temporary impairment charge on CMBS recorded during the first quarter of 2008 which reduced our CMBS cost basis and increased GAAP yields on CMBS, resulting in higher levels of non-cash accretion income on these investments during the second and third quarters of 2008.

Interest expense for the three and nine months ended September 30, 2008 was $12.4 million and $41.6 million, respectively, compared to $20.7 million and $56.1 million for the three and nine months ended September 30, 2007, respectively. Due to the adoption of SFAS No. 159, effective January 1, 2008, as well as discontinuation of hedge accounting on our non-CDO interest rate swaps, interest expense in the three and nine months ended September 30, 2008 does not include the impact of interest rate swaps. During the three and nine months ended September 30, 2007, interest expense includes $(0.4) million and $(1.3) million, respectively, related to interest rate swaps. After adjusting for this classification difference, the $7.8 million and $15.7 million decrease in interest expense for the three and nine months ended September 30, 2008, respectively, is primarily related to decreased LIBOR rates in 2008 compared to 2007 and lower average balances outstanding on repurchase agreements in 2008 offset, in part, by higher borrowing spreads and related facility costs on our repurchase agreements. In addition, interest expense during the nine months ended September 30, 2008 increased over the same period in 2007 as a result of our issuance of junior subordinated debentures in April 2007.

Total management fees were $1.8 million and $5.5 million for the three and nine months ended September 30, 2008, respectively, compared to $2.3 million and $6.4 million for the three and nine months ended September 30, 2007, respectively. Base management fees were $1.8 million and $5.5 million for each of the three and nine months ended September 30, 2008 and 2007, respectively. We incurred no incentive management fees during the three and nine months ended September 30, 2008 compared to $0.4 million and $0.8 million during the same periods in 2007.

General and administrative expenses were $1.6 million and $5.5 million for the three and nine months ended September 30, 2008 compared to $1.5 million and $5.7 million for the same periods in 2007.

During the three and nine months ended September 30, 2008, other gains (losses), net, of $(46.8) million and $(112.2) million, respectively, were recorded and consist of the following (in thousands):

Composition of Other Gains (Losses)	**For the Three Months Ended September 30, 2008**	**For the Nine Months Ended September 30, 2008**
Changes in Fair Value		
CDO related financial assets and liabilities		
CMBS	$ (87,054)	$ (262,243)
Real estate loans	(21,082)	(32,846)
Notes payable	103,697	377,970
Interest rate swaps	(4,378)	(2,139)
Other assets	-	(33)
Unrealized gain (loss) on CDO related financial assets and liabilities	(8,817)	80,709
Non-CDO related financial assets and liabilities		
Loss on CMBS impairment	(29,800)	(75,229)
Real estate loans held for sale	8,781	(20,094)
Interest rate swaps	2,685	6,088
Unrealized gain (loss) on non-CDO related financial assets and liabilities	(18,334)	(89,235)
Total changes in fair value	(27,151)	(8,526)
Realized Losses		
Loss on sale of real estate loan held for sale	(11,060)	(20,310)
Loss on termination of non-CDO related interest rate swaps	(4,035)	(5,405)
Total realized losses	(15,095)	(25,715)
Cash payments on interest rate swaps	(3,866)	(10,634)
Recognition of amounts in other comprehensive income (loss) ("AOCI") as of December 31, 2007		
Loss on CMBS impairment	-	(54,457)
Unrealized gain (loss) on non-CDO interest rate swaps	-	(10,796)
Amortization of swap termination costs	(128)	(377)
Amortization of unrealized loss on CDO related interest rate swaps	(582)	(1,725)
Total recognition of amounts in AOCI as of December 31, 2007	(710)	(67,355)
Total other gains (losses)	$ (46,822)	$ (112,230)

We recorded unrealized (losses) gains, net, on our CDO related financial assets and liabilities of $(8.8) million and $80.7 million, respectively, during the three and nine months ended September 30, 2008. For the three months ended September 30, 2008, such unrealized losses, net, were primarily due to widening credit spreads on CMBS, real estate loans and notes payable, offset, in part, by lower 10 year swap rates on interest rate swaps. Unrealized gains, net, for the nine months ended September 30, 2008 were primarily due to the widening of credit spreads on CDO notes payable, offset in part, by the impact of widening credit spreads on CMBS and real estate loans.

We recorded non-cash impairment charges of $29.8 million and $129.7 million, respectively, during the three and nine months ended September 30, 2008 on our CMBS investments not financed by CDOs. The non-cash impairment charges include charges of $29.8 million and $32.2 million during the three and nine months ended September 30, 2008, respectively, related to declines in the projected net present value of future cash flows on certain of the CMBS investments pursuant to EITF 99-20. Non-cash CMBS impairment charges of $97.5 million during the nine months ended September 30, 2008 primarily relate to other than temporary declines in fair value due to widening credit spreads for CMBS investments recorded during the three months ended March 31, 2008. For the three and nine months ended September 30, 2007, we recorded $0.8 million of impairment charges on our CMBS investments.

Unrealized gains (losses), net, of $8.8 million and $(20.1) million, respectively, were recorded on our real estate loans held for sale during the three and nine months ended September 30, 2008. Note that these amounts are net of the reversal of prior period unrealized losses of $11.6 million and $19.7 million during the three and nine months ended September 30, 2008, respectively, on two loans that were sold during the nine months ended September 30, 2008 resulting in realized losses of $11.1 million and $20.3 million during the three and nine months ended September 30, 2008, respectively. The losses were primarily due to spread widening on such loans and the impact of higher benchmark rates on fixed rate loans. We carry these loans at the lower of cost or estimated fair value, on an individual loan basis.

Unrealized gains on non-CDO related interest rate swaps of $2.7 million and $6.1 million were recorded during the three and nine months ended September 30, 2008 as a result of discontinuing hedge accounting for these swaps during 2008. These amounts are net of the reversal of prior period unrealized losses of $3.4 million and $7.3 million during the three and nine months ended September 30, 2008, respectively, on swaps that were terminated during the three and nine months ended September 30, 2008. These interest rate swaps were originally designated to hedge existing floating rate indebtedness related to our repurchase agreements and anticipated future long-term floating rate indebtedness. No unrealized gains (losses) on interest rate swaps were recorded during the three and nine months ended September 30, 2007.

In connection with the sale of real estate loans during the three and nine months ended September 30, 2008 and repayment of associated borrowings, we terminated interest rate swaps with an initial notional balance of $145.0 million, reducing the notional balance to $40.0 million, and paid swap termination costs of $4.0 million and $5.4 million, respectively, during the three and nine months ended September 30, 2008.

Losses on interest rate swaps of $4.6 million and $12.7 million, respectively, during the three and nine months ended September 30, 2008 and consist primarily of net cash settlements on such swaps of $3.9 million and $10.6 million , respectively, amortization of unrealized losses as of December 31, 2007 on CDO related interest rate swaps of $0.6 million and $1.7 million, respectively, and amortization of swap termination costs, net, from accumulated other comprehensive income of $0.1 million and $0.4 million, respectively, during the three and nine months ended September 30, 2008.

Investment Activity

In July 2008, the Company sold a fixed rate real estate loan classified as held for sale with a face amount of $65.0 million for proceeds of $54.8 million. Proceeds from the sale of this loan were used to pay down $40.8 million in related repurchase agreement borrowings and paid $4.0 million of swap termination costs. During the three months ended September 30, 2008, we received principal repayments of $1.1 million related to one real estate loan investment.

The Company’s investments as of September 30, 2008 consist of:

	September 30, 2008				Weighted Average	
	Face Amount/ Cost Basis(1)	Amortized Cost	Fair Value	% of Total Investments (2)	Coupon Rate (5)	Loss Adjusted Yield
	($ in millions)					
CMBS financed by CDO's	$ 1,307.6	$ 315.7	$ 303.9	43.7%	5.1%	21.9% (3)
CMBS not financed by CDO's	452.5	77.4	71.1	10.2%	5.2%	26.1% (3)
Real estate loans, held for investment	275.0	274.7	232.6	33.4%	5.3%	5.3% (4)
Real estate loans, held for sale	122.9	119.1	85.2	12.2%	7.4%	7.1% (4)
Investments in unconsolidated joint ventures:						
US Debt Fund	2.8	2.8	2.8	0.4%	N/A	N/A
Total	$ 2,160.8	$ 789.8	$ 695.6	100.0%	5.5%	14.3%

(1) For investments in unconsolidated joint ventures.
(2) Based on fair value.
(3) Loss adjusted yields for our CMBS investments reflect the impact of estimated future losses on underlying collateral and are the basis on which we record interest income on such investments in our GAAP financial statements in accordance with guidance provided by EITF 99-20.
(4) Represents yield on amortized cost.
(5) Based on face amount.

Effective January 1, 2008, we elected to account for our CMBS investments and real estate loans held for investment financed by CDOs using the fair value option under SFAS No. 159. As a result, changes in the value of such CMBS and real estate loans held for investment are recorded as a component of unrealized gains (losses) on CDO related financial assets in our consolidated statement of operations. With respect to CMBS not financed by CDOs, we classify these as available for sale. As such, absent impairment, changes in the estimated fair value of such CMBS investments are reflected as changes to accumulated other comprehensive income (loss) and affect stockholders' equity. As of September 30, 2008, unrealized losses, net, of $6.2 million were reflected in accumulated other comprehensive income (loss) with respect to these CMBS investments.

In October 2008, we sold a floating rate real estate loan classified as held for sale with a face amount of $27.5 million for net proceeds of $23.8 million. Proceeds from the sale of this loan were used to pay down $15.2 million in related repurchase agreement borrowings. The $23.8 million of proceeds compares to a net carrying value of the loan of $23.8 million on September 30, 2008.

Stockholders' Equity

At September 30, 2008, our GAAP book value per share was $8.58, compared to $10.15 at June 30, 2008. The decline in GAAP book value is primarily due to the net loss of $34.9 million ($1.35 per share) during the three months ended September 30, 2008.

Credit Quality and Continued Focus on Commercial Real Estate

We continue to focus our business activities on debt securities and loans collateralized by commercial real estate assets. We have no investments in single family residential loans or residential mortgage backed securities, including no investments in "sub prime" residential loans or "sub prime" residential mortgage backed securities.

Real Estate Loans: As of September 30, 2008, there are no delinquencies or monetary defaults on any of our 13 real estate loans. We have one senior mortgage loan participation with an unpaid principal balance of $32.1 million and a scheduled final maturity in February 2009 where the borrower has requested an extension of the final maturity date. This loan is part of the collateral pool for CDO II, and the collateral administrator, an affiliate of the Company, is evaluating this extension request, subject to receiving additional information from the borrower, among other items.

CMBS: In light of recent increases in delinquencies and the special servicing portfolio combined with the rapidly deteriorating macroeconomic environment, the Company increased loss projections on the $48 billion of commercial real estate loans that serve as collateral for its "first-loss" CMBS investments. Projected losses on the $48 billion of commercial real estate loan collateral underlying our "first-loss" CMBS investments were increased to

$863 million (1.8% of the collateral pool) at September 30, 2008 compared to $661 million (1.4% of the collateral pool) at June 30, 2008. Realized credit losses through September 30, 2008 on collateral for our "first-loss" CMBS investments are $3 million, which compares to $31 million of projected losses through September 30, 2008 based on originally underwritten losses. Impairment charges of $29.8 million were recorded during the three months ended September 30, 2008 related to our CMBS investments that are not financed by CDOs and relate to declines in the projected net present value of future cash flows on thirty separate CMBS bonds pursuant to EITF 99-20. As the Company continues to monitor developments in its portfolio and the overall macroeconomic environment, loss reserves may increase in the future in response to further deterioration in the credit markets.

For our 26 CMBS investments, 21 are investments in conduit issuances between 2004 and 2007 in which we own the first-loss position. For the 21 first-loss CMBS positions which are collateralized by approximately 3,500 loans with an aggregate outstanding balance of approximately $48 billion, the 60 day and greater delinquency rate based on the remittance reports as of September 30, 2008 was 42 basis points compared to 31 basis points at June 30, 2008. Including 7 loans with a face amount of $157.7 million that were transferred into special servicing subsequent to September 30, 2008, there are currently 45 loans totaling approximately $461.9 million that are being managed by the applicable special servicer, which is an affiliate of J.E. Robert Company, Inc. Of the $461.9 million of loan balances in special servicing, 6 loans totaling $28.8 million are current, 5 loans totaling $35.5 million have been foreclosed upon and 34 loans totaling $397.6 million are delinquent and are in monetary default. Based on the evaluation of the collateral properties underlying the CMBS investments and giving consideration to the workout status of the respective loans, we have incorporated estimates of future loan loss projections on the underlying collateral into the cash flow projections for such CMBS investments.

Since August 4, 2008 and through November 4, 2008, the credit ratings of certain of our CMBS investments have been downgraded by rating agencies, in particular JPMCC 2006-LDP8, CD 2006-CD3, JPMCC 2007-LDP12 and GCCFC 2007- GG9, and the downgrades affected bonds with a face amount of $69.9 million and a fair value of $10.3 million at September 30, 2008. Of these downgraded bonds, $38.0 million of face amount was financed by CDO II at September 30, 2008. Cumulative rating agency downgrades to our CMBS bonds relate to bonds with face amounts of $198.7 million, of which $98.0 million and $68.7 million are financed by CDO I and CDO II, respectively.

Borrowings / Liquidity

At September 30, 2008, we had $32.6 million in unrestricted cash compared to net borrowings on our repurchase agreements totaling $87.2 million. As of November 4, 2008, unrestricted cash decreased by $11.1 million to $21.5 million primarily as a result of proceeds from sales of real estate loans of $23.8 million reduced by associated repurchase agreement repayments of $15.2 million, margin calls of $12.3 million and payment of our third quarter 2008 dividend of $7.8 million. As of November 4, 2008, net borrowings on our repurchase agreements decreased to $59.6 million.

With respect to liabilities, at September 30, 2008, total liabilities were $521.3 million. The individual components of our liabilities are described below:

- $328.2 million (or 63.1% of total liabilities) represents the estimated fair value of borrowings in the form of long term, "match-funded" notes payable relating to our two collateralized debt obligation offerings, CDO I and CDO II with an aggregate face amount of $974.6 million. Pursuant to our adoption of SFAS No. 159 effective January 1, 2008, we elected to account for these notes payable using the fair value option. CDO I and CDO II are not subject to "margin calls" based on mark-to-market fair value determinations of the underlying collateral and are generally non-recourse to the Company. Absent the Company purchasing such notes payable at these discounted values or a situation where the proceeds from collateral were insufficient to satisfy the notes payable, the Company expects at this time that collateral for the notes payable will ultimately repay the face amount in full.

- $87.2 million (or 16.8% of total liabilities) represents net borrowings under short-term repurchase facilities with two separate lenders. These facilities are generally subject to "margin calls" based on mark-to-market fair value determinations of the underlying collateral, and are fully recourse to us.

As of November 4, 2008 and September 30, 2008, net repurchase agreement borrowings consisted of the following (all amounts disclosed below for repurchase agreement borrowings as of November 4, 2008 and September 30, 2008 are net of amounts held as collateral in restricted cash to be applied against these borrowings):

		Amount (in millions)	
	Scheduled Maturity Date	**November 4, 2008**	**September 30, 2008**
Secured by CMBS			
JPMorgan Chase	September 2009	$ 22.4	$ 29.5
Secured by real estate loans			
Goldman Sachs	October 2009	37.2	57.7
		$ 59.6	$ 87.2

- $61.9 million (or 11.9% of total liabilities) represents borrowings in the form of unsecured junior subordinated debentures. These debentures are not subject to “margin calls” based on mark-to-market fair value determinations of underlying collateral but are fully recourse to us. These debentures have a maturity date of April 2037 and are outstanding in connection with our April 2007 issuance of $60.0 million of trust preferred securities.
- $28.9 million (or 5.6% of total liabilities) represents the fair value of our CDO- related pay-fixed interest rate swaps of $23.8 million and our non-CDO related pay-fixed interest rate swaps of $5.1 million.
- $14.2 million (or 2.6% of total liabilities) consists of dividends declared but not paid to common shareholders of $7.8 million, amounts due to affiliates of $2.6 million, trade payables and other liabilities.

At September 30, 2008, the ratio of total liabilities to stockholders equity was 2.3x. As of September 30, 2008, we are in compliance with all of our debt covenants.

Dividends

On September 11, 2008, the Board of Directors approved the declaration of a regular cash dividend of $0.30 per common share for the three months ended September 30, 2008. The dividends were paid on October 31, 2008 to common stockholders of record on September 30, 2008.

Outlook

We will continue to focus our efforts on maintaining liquidity, monitoring and managing credit risk, and if excess liquidity is available, targeting investments that will generate the highest risk adjusted returns. Maintaining liquidity may require us to sell assets which could result in lower future revenues and/or result in realized losses. In addition, we expect that our GAAP earnings will continue to be volatile, primarily as a result of our adoption of SFAS No. 159 for which we will reflect changes in the market values of our CDO related financial assets and liabilities in the income statement, discontinuation of hedge accounting for our interest rate swaps and treating certain of our real estate loans as held for sale. As a result, we will continue to report AFFO as a measure of our operating performance as we believe it is a meaningful measure of our operating results and cash flows.

About JER Investors Trust Inc.

JER Investors Trust Inc. is a New York Stock Exchange listed specialty finance company that originates and acquires commercial real estate structured finance products. The Company's target investments include commercial mortgage backed securities, mezzanine loans and B-Note participations in mortgage loans, commercial mortgage loans and net leased real estate investments. JER Investors Trust Inc. is organized and conducts its operations so as to qualify as a real estate investment trust (“REIT”) for federal income tax purposes. For more information regarding JER Investors Trust Inc. and to be added to our e-mail distribution list, please visit www.jer.com.

Conference Call

Management will host an earnings conference call on Thursday, November 6, 2008 at 11:00 A.M. eastern standard time. A copy of this earnings release will be posted to the Investor Resources section of the JER Investors Trust Inc. website provided below. All interested parties are welcome to participate on the live call. You can access the conference call by dialing (800) 510-9834 (from within the U.S.) or (617) 614-3669 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference passcode "57257162.”

A webcast of the conference call will be available to the public on a listen-only basis at www.jer.com. A replay of the earnings call will be available until November 27, 2008 by dialing (888) 286-8010 (from within the U.S.) or (617) 801-6888 (from outside of the U.S.); please reference passcode "14959321.”

Non-GAAP Financial Measures

During the quarterly conference call, we may discuss non-GAAP financial measures as defined by SEC Regulation G. In addition, we have used non-GAAP financial measures, in particular Adjusted Funds from Operations, or AFFO, in this press release. A reconciliation of AFFO and the comparable GAAP financial measure (net income, assets, liabilities and stockholders’ equity, as applicable) can be found at the end of this earnings release.

Forward-Looking Statements

Certain items in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. JER Investors Trust can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from JER Investors Trust’s expectations include, but are not limited to, changes in the real estate and capital markets, our continued ability to source and fund new investments and other risks detailed from time to time in JER Investors Trust’s SEC reports. Such forward-looking statements speak only as of the date of this press release. JER Investors Trust expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in JER Investors Trust’s expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

CONTACTS:

J. Michael McGillis
Chief Financial Officer
JER Investors Trust Inc.
(703) 714-8182

JER INVESTORS TRUST INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2008 (unaudited)	December 31, 2007 (audited)
ASSETS		
Cash and cash equivalents	$ 32,552	$ 87,556
Restricted cash	1,956	6,687
CMBS financed by CDOs, at fair value	303,904	562,056
CMBS not financed by CDOs, at fair value	71,136	155,384
Real estate loans, held for investment, at fair value at September 30, 2008 and amortized cost at December 31, 2007	232,578	274,734
Real estate loans, held for sale, at lower of cost or fair value	85,167	221,599
Investments in unconsolidated joint ventures	2,832	40,764
Accrued interest receivable	9,181	10,415
Due from affiliate	308	199
Deferred financing fees, net	1,567	14,454
Other assets	2,359	2,333
Total Assets	**$ 743,540**	**$ 1,376,181**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
CDO notes payable, at fair value at September 30, 2008; face amount at December 31, 2007	$ 328,206	$ 974,578
Repurchase agreements	88,077	261,864
Junior subordinated debentures	61,860	61,860
Interest rate swap agreements, at fair value	28,931	32,881
Accounts payable and accrued expenses	1,035	921
Dividends payable	7,751	28,391
Due to affiliate	2,609	1,195
Other liabilities	2,793	3,693
Total Liabilities	521,262	1,365,383
Stockholders' Equity:		
Common stock, $0.01 par value, 100,000,000 shares authorized, 25,901,035 shares issued and outstanding	259	259
Additional paid-in capital	392,537	392,270
Cumulative dividends paid/declared	(155,432)	(132,186)
Cumulative earnings	15,792	68,437
Accumulated other comprehensive loss	(30,878)	(317,982)
Total Stockholders' Equity	222,278	10,798
Total Liabilities and Stockholders' Equity	**$ 743,540**	**$ 1,376,181**

JER INVESTORS TRUST INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(In thousands, except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
REVENUES				
Interest income from CMBS	$ 21,767	$ 20,962	$ 67,939	$ 59,316
Interest income from real estate loans	6,187	11,302	22,520	30,681
Interest income from cash and cash equivalents	187	1,146	803	4,696
Lease income from real estate assets	-	2,746	-	5,522
Equity in (losses) earnings, net, of unconsolidated joint ventures	(429)	-	538	-
Fee income	151	-	403	-
Total Revenues	27,863	36,156	92,203	100,215
EXPENSES				
Interest expense	12,437	20,665	41,633	56,058
Management fees, affiliate	1,844	1,845	5,545	5,551
Incentive fees, affiliate	-	438	-	826
Depreciation and amortization of real estate assets	-	412	-	824
General and administrative	1,610	1,459	5,528	5,712
Total Expenses	15,891	24,819	52,706	68,971
INCOME BEFORE OTHER GAINS (LOSSES)	11,972	11,337	39,497	31,244
OTHER GAINS (LOSSES)				
Unrealized loss on financial assets financed with CDOs	(108,136)	-	(295,122)	-
Unrealized gain, net, on CDO related financial liabilities	99,319	-	375,831	-
Loss on interest rate swaps	(4,576)	-	(12,736)	-
Loss on impairment of CMBS	(29,800)	(812)	(129,686)	(812)
Unrealized gain (loss), net, on real estate loan held for sale	8,781	-	(20,094)	-
Unrealized gain (loss) on non-CDO interest rate swaps	2,685	-	(4,708)	-
Loss on sale of real estate loan held for sale	(11,060)	-	(20,310)	-
Loss on termination of non-CDO interest rate swaps	(4,035)	-	(5,405)	-
Total other gains (losses)	(46,822)	(812)	(112,230)	(812)
NET INCOME (LOSS)	$ (34,850)	$ 10,525	$ (72,733)	$ 30,432
Net earnings per share:				
Basic	$ (1.35)	$ 0.41	$ (2.83)	$ 1.18
Diluted	$ (1.35)	$ 0.41	$ (2.83)	$ 1.18
Weighted average shares of common stock outstanding:				
Basic	25,751,477	25,708,035	25,732,921	25,698,475
Diluted	25,764,703	25,710,582	25,753,346	25,712,895
Dividends declared per common share	$ 0.30	$ 0.45	$ 0.90	$ 1.34

JER INVESTORS TRUST INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Cumulative Dividends Paid/Declared	Cumulative Earnings (Losses)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2007	25,901	$ 259	$ 392,270	$ (132,186)	$ 68,437	$ (317,982)	$ 10,798
Cumulative effect of adoption of SFAS No. 159							
Assets					(248,313)	225,991	(22,322)
Liabilities					268,401	-	268,401
Total cumulative effect of adoption of SFAS No. 159					20,088	225,991	246,079
Comprehensive income (loss):							
Net income (loss)					(72,733)		(72,733)
Recognition of previously unrealized losses on non CDO- related interest rate swap agreements in other comprehensive income at December 31, 2007						10,795	10,795
Amortization of swap termination costs						378	378
Amortization of unrealized losses on CDO related interest rate swaps in other comprehensive income at December 31, 2007						1,725	1,725
Unrealized gains (losses) on non-CDO CMBS available for sale						(6,242)	(6,242)
Recognition of previously unrealized losses on non-CDO related CMBS in other comprehensive income at December 31, 2007						54,457	54,457
Total comprehensive income(loss)							$ (11,620)
Dividends declared				(23,246)			(23,246)
Stock based compensation- restricted share awards			267				267
Balance at September 30, 2008	25,901	$ 259	$ 392,537	$ (155,432)	$ 15,792	$ (30,878)	$222,278

JER INVESTORS TRUST INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(In thousands)

	For the Nine Months Ended September 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (72,733)	$ 30,432
Adjustments to reconcile net income to net cash provided by operating activities:		
CMBS accretion income	(1,317)	2,253
Amortization of debt issuance costs	2,857	1,395
Accretion of premiums or discounts on real estate loans	-	(357)
Amortization of other comprehensive (income) loss related to CDO related interest rate swap agreements	2,093	336
Depreciation and amortization on real estate assets	-	824
Unrealized (gain) loss on CDO related financial assets and liabilities, net	(80,709)	-
Unrealized and realized losses on interest rate swaps	10,113	-
Unrealized loss on impairment of CMBS	129,686	812
Loss on sale of real estate loan held for sale	20,310	-
Unrealized loss on real estate loans held for sale, net	20,094	-
Equity in earnings, net, from unconsolidated joint ventures	(538)	-
Distributions from unconsolidated joint ventures	1,252	-
Payment-in-kind (PIK) interest on real estate loan held for sale	(3,481)	-
Stock compensation expense	267	357
Increase in straight line rent receivable	-	(1,648)
Changes in assets and liabilities:		
Decrease (increase) in other assets	(26)	(3)
Decrease (increase) in accrued interest receivable	1,234	(2,130)
Increase (decrease) in due to/from affiliates, net	1,305	(222)
Increase (decrease) in accounts payable and accrued expenses and other liabilities, net	(776)	2,030
Net cash provided by operating activities	29,631	34,079
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of CMBS	-	(221,480)
Purchase of real estate loans	-	(413,048)
Purchase of real estate assets	-	(38,748)
Investment in unconsolidated joint ventures	(2,231)	-
Decrease in restricted cash, net	4,731	82,926
Proceeds from sale of unconsolidated joint ventures	39,448	-
Proceeds from repayment of real estate loans	8,528	176,407
Proceeds from sale of real estate loans held for sale	90,981	-
Net cash provided by (used in) investing activities	141,457	(413,943)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(43,885)	(41,453)
Proceeds from repurchase agreements	2,426	532,539
Repayment of repurchase agreements	(176,213)	(247,510)
Proceeds from issuance of junior subordinated debentures	-	61,860
Purchase of common equity in JERIT TS Statutory Trust I	-	(1,860)
Payment of financing costs	(3,015)	(1,501)
Payment of interest rate swap termination costs	(5,405)	-
Net cash (used in) provided by financing activities	(226,092)	302,075
Net decrease in cash and cash equivalents	(55,004)	(77,789)
Cash and cash equivalents at beginning of period	87,556	143,443
Cash and cash equivalents at end of period	**$ 32,552**	**$ 65,654**
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 50,384	$ 53,863
Dividends declared but not paid	$ 7,751	$ 11,615

JER INVESTORS TRUST INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (unaudited)
(in thousands, except share and per share data)

	For the Three Months Ended September 30, 2008	For the Three Months Ended September 30, 2007	For the Nine Months Ended September 30, 2008	For the Nine Months Ended September 30, 2007
Net income (loss) available to common stockholders	$ (34,850)	$ 10,525	$ (72,733)	$ 30,432
Add:				
Unrealized gain, net, on CDO related financial assets and liabilities	8,817	-	(80,709)	-
Amortization of December 31, 2007 unrealized loss on CDO related interest rate swaps	582		1,725	
Unrealized loss on impairment of CMBS	29,800	812	129,686	812
Unrealized (gain) loss on real estate loan held for sale	(8,781)	-	20,094	-
Unrealized (gain) loss on non-CDO interest rate swap agreements	(2,685)	-	4,708	-
Realized loss on sale of real estate loan held for sale	11,060	-	20,310	-
Realized loss on termination of non-CDO interest rate swap agreement	4,035	-	5,405	-
Equity in (earnings) losses, net, of unconsolidated joint ventures	429	-	(538)	
Cash distributions from unconsolidated joint ventures	-	-	933	-
Depreciation on consolidated real estate assets	-	412	-	824
CMBS (accretion) amortization	83	809	(1,317)	2,254
Stock compensation expense	56	115	267	356
Adjusted Funds from Operations (AFFO)	$ 8,546	$ 12,673	$ 27,831	$ 34,678
AFFO per share:				
Basic	$ 0.33	$ 0.49	$ 1.08	$ 1.35
Diluted	$ 0.33	$ 0.49	$ 1.08	$ 1.35

Exhibit 99.2

TRANSCRIPT OF CONFERENCE CALL HELD BY JER INVESTORS TRUST INC. ON NOVEMBER 6, 2008

PRESENTATION

Jeff Cirillo - *JER Investors Trust, Inc. - VP*

Thank you and good morning, everyone. This presentation will include statements that constitute forward-looking statements including with regard to the Company's revenues and earnings per share, the anticipated effects of today's announcements and the Company's growth. Wherever possible the Company has identified these forward-looking statements by words such as anticipates, believes, intends, estimates and expects, projects and similar phrases. These forward-looking statements are based upon assumptions the Company believes are reasonable and are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

Because such statements inherently involve risks and uncertainties, actual or future results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to changes in economic conditions generally and the real estate and bond markets specifically, legislative and regulatory changes, the availability of capital, our ability to obtain future financing arrangements, changes in interest rates and interest rate spreads, changes in Generally Accepted Accounting Principles, market trends, policies and rules applicable to REITs, the application and interpretation of the rules and regulations of the Investment Company Act, the subjectivity inherent in any weighted analysis underlying the Company's assumptions and estimates with respect to the future and other risks detailed in the Company's periodic filings with the Securities and Exchange Commission.

The Company cannot predict what factors may arise or how such factors may cause its results to differ materially from those contained in any forward-looking statements. Any forward-looking statements speak only as of the date on which such statements are made. The Company undertakes no obligation to update these statements with revisions or changes after the date of this call.

In addition this presentation includes non-GAAP financial measures. In accordance with Regulation G a presentation of the most directly comparable measures calculated in accordance with GAAP as well as a reconciliation of the differences between such measures are available on the Company's website at www.jer.com.

With that I would like to now introduce Joe Robert, Chairman and CEO.

Joe Robert - *JER Investors Trust, Inc. - Founder, Chairman, & CEO*

Good morning and thank you again for participating on this morning's conference call to discuss the third quarter '08 results for JER Investors Trust. As I usually do, let me introduce the management team that is with me on the conference call today. We have Mark Weiss, our President; Keith Belcher, head of our CMBS group; Mike McGillis, our CFO.

As is painfully obvious, we are now firmly entrenched in the worst credit market environment in generations and we are starting to see the effects in the real economy. Virtually all investors from the largest pension funds to the smallest retail investors have suffered real wealth destruction. Stock valuations for us and our peers have been crushed to say the least. The broader equity markets are at five year lows and the stock prices for JER Investors Trust and our peers are down 60% or more year-to-date.

The lending markets are in even worse shape than the equity markets with financial institutions retrenching and reluctant to lend to one another much less corporate America. This has driven some of the largest and oldest financial institutions in the country into shotgun marriages or to close shop entirely. This is forcing massive corporate and personal deleveraging. Programs such the TARP and other various federal liquidity actions, while starting to unclog the bank to bank lending market, and potentially positive in the long-run, are tremendously complex undertakings and the full impact of these programs will not be known for some time.

The macro economic outlook is not promising either with projections of rising unemployment, declining consumer spending and the lowest consumer confidence reports on record. All of these present significant challenges for JRT and the management team. While we can't predict the future, the good news is that these events do run in cycles and we hope that still holds true. We believe it does. We do anticipate that at some point markets will improve.

In the interim our focus will remain what it has been for the past few quarters and that is managing our liquidity and credit. On the liquidity front, we did make some progress during the third quarter successfully extending our repurchase facility with JP Morgan for another year, and selling a lower yielding asset to de-lever and raise excess proceeds. We will continue to monitor and manage our liquidity and continue to look for ways to deliver and improve our capital position.

Regarding credit, the good news is that during the quarter we had no major credit events. All of our non-CMBS real estate loans continued to perform. And on an absolute basis, delinquencies and losses within our CMBS pools are still quite low. In addition, there are limited loan maturities in 2009 and 2010 within our CMBS collateral pool. However, given the current broader market dynamics, we recognize the current level of delinquency and loss can't continue forever.

As we will discuss in more detail, we have increased the loss projections for CMBS pools going forward. Depending on how ugly this market gets and how long it remains so, we may have to further increase loss projections in the future.

It is a cliché to talk about crisis creating opportunity but just because it is clichéd doesn't mean it isn't correct. I founded JE Robert Company out of the S&L crisis and the result of transfer of wealth and see many parallels between then and now. We don't know how long this environment will last or potentially how ugly it will get, but I do know we have a very well qualified team to manage through these challenges while protecting first and foremost what we have.

And with that, I would like to turn it over to Mark.

Mark Weiss - *JER Investors Trust, Inc. - President & Managing Director*

Thanks, Joe.

I will briefly cover four themes, liquidity, asset maturities, loss assumptions and asset management.

First, the deleveraging that we have seen throughout the financial sector has been almost unimaginable. Terms like "once in a lifetime" or "once in a hundred years" are two of the phrases one currently hears bantered about. Our sector has experienced a similar seismic shift. Given our focus on liquidity and our general concern about margin calls and the long-term availability of repo debt, we took the pro-active approach beginning in the fourth quarter of last year to sell certain assets to pay down short-term debt. This, combined with margin calls, has helped us reduce our outstanding repo indebtedness from approximately $262 million on December 31 of last year to $60 million as of November 4 this year.

Despite the fact that we have close to another year before our repo facilities are scheduled to mature, we are constantly looking for ways to continue to reduce our exposure to short-term repurchase facility borrowings. Our view is that the deleveraging of the financial sector will continue and we want to remain ahead of the curve.

Another pro-active step we recently took to further our goal preserving liquidity was to apply to the IRS for a private letter ruling, seeking the IRS' approval for the Company to pay a portion of its fourth quarter and 2008 special dividend in shares of JRT stock. We were successful and the IRS granted our request for the private letter ruling.

As discussed previously our investments in first loss CMBS investments generate significant amount of non-cash taxable income. Historically our dividend policy has been that our regular quarterly dividend generally approximates our operating cash flow and our annual special dividend generally represents our taxable income in excess of operating cash flow. As a result, and subject to the prior approval of our Board of Directors, this private letter ruling would permit us to pay up to 80% of our fourth quarter regular and 2008 special dividend in shares of JRT stock, thus allowing us to further preserve liquidity. To remind people, as a REIT, we need to pay out at least 90% of our taxable income. We historically have paid a special dividend in January of the following year as our taxable income has been significantly greater than our GAAP income.

Now, given the lack of liquidity in the market everyone is focused, rightfully so I might add, on loans maturing in 2009. It is worth repeating what we have said on previous calls on this topic. On the CMBS front, slightly over one percent of the loans underlying our first loss CMBS maturities come due in 2009 with the vast majority of those maturing in the second half of the year and generally the credit characteristics of those loans continue to be solid.

On the real estate loans front, we have only one senior mortgage loan participation with a balance of $32.1 million which has a final maturity in 2009. The borrower, not surprisingly, has asked for an extension and we are evaluating it at this time. While it would be ideal if there were no 2009 maturities in our underlying portfolio, we will closely monitor and carefully evaluate specific situations with borrowers as they arise and do what is financially prudent in the current dislocated capital market.

Also, while the absolute level of delinquencies in the CMBS portfolio is still low relative to historical standards and commercial delinquencies are much lower than residential delinquencies, we have seen a significant pick up in assets in terms of our special servicing portfolio over the past 45 days particularly in retail and multi-family assets.

Due to the continued tightening of credit, declining real estate values and the worsening economic environment, in conjunction with this increase in our special service portfolio, we thought it was sensible to increase our projected loan losses on the loans underlying our CMBS first loss portfolio.

While Keith will describe this in much greater detail, the bottom-line is we increased our CMBS loss projections from $661 million to $863 million with a particular emphasis on the retail sector. It should be noted, however, that we have only incurred $3 million of losses to date on the collateral underlying our CMBS portfolio and that compares very favorably with our initial underwriting which projected $31 million in losses by September 30.

As such, based on actual loss experience, our portfolio has been performing significantly better than our initial forecast. Despite this, we believe it may be -- it was judicious to increase not only the size of our projected losses but also to accelerate the projected timing of many of these losses into earlier years.

With that, let me turn it over to Keith Belcher, head of CMBS investments, to review the state of our special servicing portfolio and provide more information on the increase in our loss reserves. Keith?

Keith Belcher - *JER Investors Trust, Inc. - Vice Chairman of the Board & EVP*

Thanks, Mark.

With regard to the CMBS portfolio, first I will review our actual loss experience relative to the underlying runs in the pools where we have the first loss exposure, second, I will talk about our current special servicing portfolio and the trends we are seeing, third, I will address our CMBS delinquency rate and our loss projections going forward. And finally I will talk about the bond downgrades that have occurred.

So, with regard to our actual CMBS loan losses, for the 21 pools that we have acquired, the first loss positions on between 2004 and 2007, those pools had a beginning total principle balance of approximately $50 million. As Mark indicated, to date we have had very few realized loan losses with only $3.3 million of actual loan losses. In comparison, our original underwriting projected that we would have had loan losses of $31 million through September 30, 2008.

Despite this favorable variance to date, we are experiencing the impact of major capital market disruptions in a significant downturn of the economy and we are seeing an increase in the special portfolios -- special servicing portfolio, which has grown from $262 million as of June 30 to $304 million as of September 30 to $462 million currently. From a percentage standpoint, the present balance of the special servicing portfolio represents approximately one percent against the total pool balance.

In terms of the loans in special servicing, out of the total CMBS (inaudible) portfolio, of approximately 3,500 loans with an unpaid current balance of approximately $46.6 billion, we currently have 45 loans totaling $462 million. Of these 45 loans, six loans totaling $29 million are current, 34 loans totaling $398 million are delinquent and five loans totaling $35 million have been foreclosed.

While the dollar amount increase in the special servicing portfolio is largely due to two relatively large retail loans which total $144 million, we are seeing a general increase flow in special servicing.

In terms of collateral trends, the special servicing portfolio is most heavily weighted towards retail as 46% of the balance is collateralized by retail. Multi-family is the second highest category 36% of the special servicing loans are collateralized by multi-family properties. We have not had a large amount of hotel defaults and currently only three loans totaling $23 million are hotel loans. With declining travel, however, we expect to see the percentage of hotel delinquencies increase. That property type, the hotel type sector, however only represents approximately seven percent of our portfolio.

Given the increase in the special servicing portfolio and based on concerns over the general economy, as Mark indicated we have increased our CMBS loan loss assumptions by approximately $201 million from $662 million at June 30 to $863 million at September 30, and this increase and the loss assumption has been modeled into our CMBS cash flow projections. This loan loss increase is based, not only on the review of the loans in special servicing, but was also based on our on-going surveillance and re-underwriting of the portfolio.

In this regard, we have evaluated such things as the impact of retail store closings as we have seen more and more national retailers announce closings. We have also considered changes in office occupancies as tenants like mortgage companies have vacated and we have tracked hotel performance as travel has declined. These and other factors are part of our surveillance and re-underwriting practice.

One last comment on the CMBS portfolio before I turn it back to Mark is that we have seen the rating agency downgrades continue across the sector. To date we have had numerous downgrades on our deals within our CMBS portfolio with individuals bonds having been downgraded on 10 of our 21 ? transactions and one of our five transactions where we own the bond above the first loss position. The downgrades have been relatively minor with ratings typically moved down by one notch. For instance, a single B+ bond being downgraded to a single B flat bond. This downgrade trend is a trend that we expect to continue as the rating agencies continue their reviews.

And now back to Mark.

Mark Weiss - *JER Investors Trust, Inc. - President & Managing Director*

Thanks, Keith. From an asset management perspective, I can tell you that pro-actively managing our portfolio is one of the most important responsibilities we have on a day in and day out basis. As we sit here today we can't accurately project how long and deep a recession might be. The answer to that question will drive occupancy evaluations and the ability to refinance. These factors will ultimately be a key determinate of the resultant losses that may be experienced in our portfolio.

In this environment, it will be critical to aggressively manage our portfolio in order to maximize the asset value. That said, our affiliate special servicer has been in this business for a long time and has been through multiple real estate cycles. The special servicing staff has experienced people in place and has continued to add to the staff to meet the increasing flow of loan transfers and in order to maximize the resolutions.

With that, let me turn it over to Mike McGillis, our CFO. Mike?

Mike McGillis - *JER Investors Trust, Inc. - Treasurer, VP, & CFO*

Thanks, Mark, and good morning, everyone.

Let me start by reviewing our balance sheet. Our GAAP shareholders equity is $222 million, or $8.58 per share as of September 30, 2008, compared to $263 million, or $10.15 per share as of June 30, 2008. The decline is primarily due to the GAAP net loss during the quarter and the declaration of our third quarter dividend.

At September 30, 2008, we have total assets of approximately $744 million. Our unrestricted cash balance was $32.5 million, as discussed by Mark, due primarily to proceeds from the sale of one of our real estate loans classified as held for sale in October, margin call activity in our Q3 2008 dividend payment in October. Our unrestricted cash position at November 4, 2008, was approximately $21.5 million.

Our primary asset class continues to be CMBS. At quarter end, CMBS represented $375 million in fair value or 50% of total assets. During the quarter we recorded unrealized losses of $87.1 million on our CDO-related CMBS, and a $29.8 million impairment charge on our non-CDO-related CMBS. At September 30, 2008, the GAAP yield in our CMBS portfolio was 22.6% on a weighted average loss adjusted basis on a cost basis of $393 million.

Now turning to real estate loans, we ended the quarter with 13 loans totaling $394 million in cost basis, net of premiums and discounts which we carry on our balance sheet at fair value of $318 million which represents 43% of total assets. Note that our real estate loans held for investment of $233 million are financed by our second CDO and real estate loans held for sale of $85 million are financed on our repo line with Goldman Sachs.

During the third quarter 2008 we sold a whole mortgage loan with a face amount of $65 million and amortized cost basis of $66 million for $55 million and we used the loan sale proceeds to repay $41 million in outstanding repurchase agreement borrowings and $4 million in swap termination costs. We recorded an $11.1 million loss as a result of this loan sale. In addition, during the quarter we received net principle repayments on real estate loans of approximately $1 million.

Finally, with respect to debt and other liabilities, we ended the quarter with total liabilities of $521 million, consisting of $328 million of CDO notes payable at fair value with a corresponding face amount of $975 million, $88 million of repo borrowings which have been paid down to $60 million as of November 4, 2008, $62 million of junior subordinated debentures, $29 million of interest rate swap liabilities at fair value, and $7.8 million of dividends payable, and $6.4 million of miscellaneous trade payables and accrued interest payable.

We are currently in compliance with requirements of the applicable loan documents related to our CDOs and repurchase agreements as well as ? related to our interest rate swaps.

With respect to the statement of operations, in comparing our third quarter 2008 results versus the second quarter 2008 results, AFFO was $8.5 million or $0.33 per share, compared to $8.6 million or $0.33 per share for the three months ended September 30 and June 30, 2008 respectively. We report AFFO because we consider it a meaningful supplemental measure of our operating performance and more reflective of our operating cash flows than net income determined in accordance with GAAP. At the back of the earnings release is reconciliation between GAAP net income and AFFO.

With respect to our GAAP net loss of $34.9 million or $1.35 per share during the quarter ended September 30, 2008, this is primarily the result of other losses net of $46.8 million. In our earnings release table which breaks down the composition of the $46.8 million of other gains and losses during the quarter.

In summary, other losses net were primarily due to, one, net changes in the fair value of CDO-related financial assets and liabilities resulting in an unrealized loss net of $8.8 million, net changes in the fair value of assets and liabilities held outside of our CDOs and realized losses on the sales of real estate loans and termination of interest rate swaps and liabilities resulted in aggregate net losses of $33 million, which consisted primarily of non-CDO CMBS impairment charges of $29.8 million, and losses on interest rates swaps were $4.6 million of which $3.9 million relates to cash payments on those interest rate swaps.

The non-CDO CMBS impairment charge of $29.8 million relates to declines and a projected net present value of future cash flows on 30 different CMBS bonds related to 12 CMBS issuances. The decline of projected cash flows is a result of the increases and projected losses on our CMBS collateral discussed previously.

Finally, in September 2008, we declared a third quarter 2008 regular cash dividend of $0.30 per outstanding share which we paid on October 31, 2008.

With that, operator, let's go to questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). And the first question comes from the line of Rob Schwartzberg with Compass Point. Please proceed.

Rob Schwartzberg - *Compass Point-Analyst*

Good morning, gentlemen. I actually have two questions. My first question is, what are the conditions or what kind of guidance can you provide about dividends in 2009 and whether or not they would be paid with stock versus regular cash dividends?

Mark Weiss - *JER Investors Trust, Inc.- President & Managing Director*

Rob, as you know, we don't provide dividend guidance. To the extent that we did apply for private letter ruling for the fourth quarter of this year which we received, to the extent that we were to go down that path next year that would require another application with the IRS and we will evaluate that as we go forward and look at where we think our taxable income levels and operating cash flow levels are in 2009.

Rob Schwartzberg - *Compass Point-Analyst*

Okay. My question was slightly, or was more philosophical than that, which is what do you need to do in order to not have to pay 2009 dividends in stock. I assume more asset sales or what -- how do you see that plan out?

Mark Weiss - *JER Investors Trust, Inc.- President & Managing Director*

Yes, listen I think we obviously evaluate the liquidity of the Company and obviously one of the reasons we applied for the private letter ruling this year that we could pay 80% of the fourth quarter in this special dividends to the extent that we have one next year.

And so that obviously was a nod to making sure we preserve liquidity. We don't know what the future brings per se, but we will obviously evaluate liquidity as a key factor in paying dividends, and being REIT and all those types of things. But, as we sit here today, we are focused on the fourth quarter and we will evaluate first quarter, second and third quarter as we move into 2009.

Rob Schwartzberg - *Compass Point - Analyst*

If I could ask one other unrelated question, what was the real estate loan that you sold for an $11 million loss? What kind of property type was that?

Mark Weiss - *JER Investors Trust, Inc. - President & Managing Director*

Yes, that was a first mortgage whole loan.

Rob Schwartzberg - *Compass Point - Analyst*

On what type of asset?

Mike McGillis - *JER Investors Trust, Inc. - Treasurer, VP, & CFO*

It was an office building in Manhattan, and it was a fixed rate 10 year loan.

Mark Weiss - *JER Investors Trust, Inc. - President & Managing Director*

And the loss was generated, not per se from a credit perspective, but it was simply where spreads had moved in the marketplace.

Rob Schwartzberg - *Compass Point - Analyst*

Got it. Thank you.

Operator

And the next question comes from the line of Barbara Painter, a private investor. Please proceed.

Barbara Painter - *Private Investor*

Yes, I was calling because I just wanted to understand that you did pay $0.30 this last quarter, and are you projecting that in January will there be no dividend or will there be a partial dividend or what?

Mark Weiss - *JER Investors Trust, Inc. - President & Managing Director*

You mean, will we -- we are not going to provide dividend guidance. We are still evaluating where our taxable income level is going to be. We will evaluate our liquidity position, and consistent with our typical schedule for the fourth quarter dividend we would expect to make an announcement on that in the middle of December.

Barbara Painter - *Private Investor*

In the middle of December you will make an announcement on what the dividend will be in January.

Mark Weiss - *JER Investors Trust, Inc. - President & Managing Director*

For the fourth quarter of 2008 that would be paid in January 2009. And that would include any special dividend requirement if any for 2008.

Barbara Painter - *Private Investor*

Okay, so then it would be like last year. We will get an announcement of the dividend and then an announcement of if there is an extra dividend.

Mark Weiss - *JER Investors Trust, Inc. - President & Managing Director*

That's correct. That will be at the same time.

Barbara Painter - *Private Investor*

Okay, until then we just don't know, right?

Mark Weiss - *JER Investors Trust, Inc. - Founder, President & Managing Director*

Exactly.

Barbara Painter - *Private Investor*

Okay, thank you.

Operator

And there are no further questions at this time. I would now like to turn the conference back over to Joe Robert for closing remarks.

Joe Robert - *JER Investors Trust, Inc. - Founder, Chairman, & CEO*

Thank you all for participating on this call. We hope every quarter in the future will bring better news although I suspect we are in for a pretty rough ride as a country on the broader economic front in '09.

We have done everything we possibly can to prepare ourselves for it. We have a first rate management team. We have been through these crises before over the last 27 years. We have always worked our way through them and I'm highly confident that we will work our way through this one as well. Thank you.