

US CMBS Delinquency Report: Winning Streak Ends as CMBS Delinquencies Inch Up

After barely extending its winning streak to fourteen months in July, the Trepp CMBS delinquency rate ended its string of consecutive monthly improvement in August. The delinquency rate for US commercial real estate loans in CMBS is now 6.10%, six basis points above July's reading. August's rate is 228 basis points lower than the year-ago level. Year-to-date, delinquencies have fallen 133 basis points from 7.43% as of December 31, 2013.

The largest newly delinquent loan was the \$240 million Westfield Centro Portfolio, which makes up 7.8% of the collateral behind JPMCC 2006-LDP7. The five-property note, backed by 2.4 million square feet of retail space, became delinquent for the first time in August. This note alone put almost five basis points of upward pressure on the delinquency rate.

With the rate of distressed loan resolutions tapering off from the break-neck pace of 2012 and 2013, big improvements in the delinquency rate seen over the last two years are likely a thing of the past. Trepp expects any additional gains in 2014 and 2015 to be much more modest. At the same time, the rate of performing loans that become defeased or are prepaid should remain elevated. August brought a large spike in defeasances. As investors expect the Federal Reserve to raise interest rates in the next year, the race is on for borrowers to lock in low interest rates.

The Numbers:

- The overall US CMBS delinquency rate increased six basis points to 6.10%.
- The percentage of loans 30+ days delinquent

US CMBS Delinquency Rate-30+ Days	
August 2014	6.10%
July 2014	6.04%
June 2014	6.05%
3 Months Ago	6.27%
6 Months Ago	6.78%
1 Year Ago	8.38%

or in foreclosure was 6.04% in July and 6.05% in June.

- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.88%, unchanged for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 6.43%—up 11 basis points from July.
- There are currently \$32.5 billion in delinquent loans, which is up from \$32.1 billion last month. This number excludes loans that are past their balloon date but are current on their interest payments.

Delinquency Status	
Current	93.60%
30 Days Delinquent	0.22%
60 Days Delinquent	0.07%
90 Days Delinquent	0.51%
Performing Matured Balloon ¹	0.29%
Non-Performing Matured Balloon	0.28%
Foreclosure	1.20%
REO	3.82%

¹ Loans that are past their maturity date but still current on interest are considered current.

Historical Perspective:

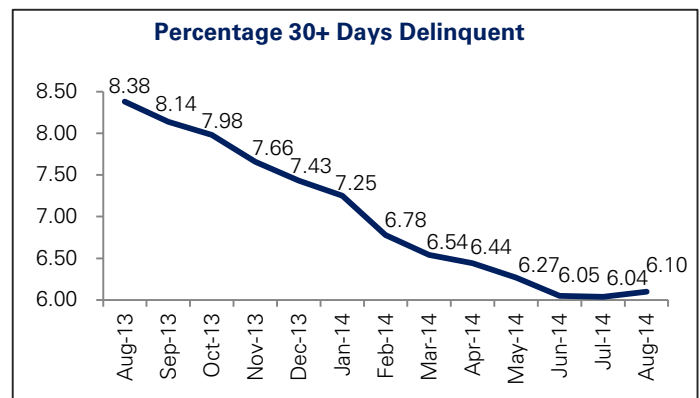
- One year ago, the US CMBS delinquency rate was 8.38%.
- Six months ago, the US CMBS delinquency rate was 6.78%.
- One year ago, the rate of loans seriously delinquent was 7.96%.

- Six months ago, the rate of loans seriously delinquent was 6.54%.

Property Type Analysis:

- The industrial delinquency rate saw the greatest month-over-month increase in August. The reading jumped 50 basis points to 8.39%.
- The lodging delinquency rate added 18 basis points and is now 5.37%. Lodging remains the best performing major property type.
- The multifamily delinquency rate dropped 15 basis points to 9.09%. Apartment loans are still the worst performing among the major property types.
- The office delinquency rate inched up nine basis points to 6.61%.
- The delinquency rate for retail loans increased 16 basis points to 5.69%.

Delinquency Rate by Property Type						
	Aug 14	Jul 14	Jun 14	3 Mo.	6 Mo.	1 Yr.
Industrial	8.39	7.89	8.39	8.94	9.28	11.51
Lodging	5.37	5.19	5.39	5.71	6.62	9.03
Multifamily	9.09	9.24	9.39	9.82	10.35	11.14
Office	6.61	6.52	6.44	6.60	7.23	9.60
Retail	5.69	5.53	5.43	5.54	5.77	6.76



Top 5 Loans Taking Losses

Property Name	Previous Bal	Prop Type	City	State	Status	Realized Loss	Deal
Bethany Roll-up Portfolio	115,890,149	MF	Various	MD	Current	18,550,619	LBUBS 2007-C1
300 Capitol Mall	104,330,000	OF	Sacramento	CA	Non-Perf Beyond Mat	1,083,420	MLCFC 2007-9
SilverCreek Portfolio Phase I	68,740,000	RT	Various	VR	Non-Perf Beyond Mat	47,569,158	GSMS 2006-GG6
The Forum Building	50,000,000	OF	Atlanta	GA	Foreclosure	4,976,775	CD 2007-CD4

Top 5 Newly Delinquent Loans

Property Name	Current Bal	Prop Type	City	State	New DQ Status	Deal
Westfield Centro Portfolio	240,000,000	RT	Various	VR	Foreclosure	JPMCC 2006-LDP7
BlueLinx Holdings Portfolio (Rollup)	89,252,207	IN	Various	VR	30 Days	BACM 2006-4
Eastern Shore Centre (3)	69,551,478	RT	Spanish Fort	AL	30 Days	WBCMT 2006-C26
Gale Office Pool	65,035,043	OF	Various	NJ	Non-Perf Beyond Mat	WBCMT 2004-C15
Westin - Falls Church, VA	61,792,527	LO	Falls Church	VA	30 Days	WBCMT 2006-C28

About Trepp

Trepp, LLC, founded in 1979, is the leading provider of information, analytics and technology to the CMBS, commercial real estate and banking markets. Trepp provides primary and secondary market participants with the web-based tools and insight they need to increase their operational efficiencies, information transparency and investment performance. From its offices in New York, San Francisco and London, Trepp serves its clients with products and services to support trading, research, risk management, surveillance and portfolio management. Trepp is wholly-owned by DMG Information, the information publishing division of the Daily Mail and General Trust (DMGT). For questions, email press@trepp.com or call 212-754-1010.