

US CMBS Delinquency Report: CMBS Market Achieves Full Year of Delinquency Improvement

To borrow terminology from baseball, the Trepp CMBS Delinquency Rate 'hit for the cycle' in May when it reached the twelfth consecutive month of delinquency improvement. The Trepp US CMBS delinquency rate extended its winning streak in May with a 17-basis-point decline. The delinquency rate for US commercial real estate loans in CMBS is now 6.27%, 280 basis points lower than the May 2013 rate. The delinquency rate has fallen 407 basis points since the all-time high of 10.34% in July 2012.

US CMBS Delinquency Rate-30+ Days	
May 2014	6.27%
April 2014	6.44%
March 2014	6.54%
3 Months Ago	6.78%
6 Months Ago	7.66%
1 Year Ago	9.07%

Loan resolutions totaled over \$1 billion in May, up from about \$850 million in April. Removing distressed loans from the delinquent loan pool put 20 basis points of downward pressure on the delinquency rate. Loans that cured totaled over \$800 million in May, which took 16 basis points off of the delinquent loan percentage.

New delinquencies totaled about \$1.3 billion in May, which pushed the rate up by 24 basis points. Loans that had been delinquent but were resolved without losses (\$120 million) put another two basis points of downward pressure on the rate in May.

The Numbers:

- The overall US CMBS delinquency rate decreased 17 basis points to 6.27%.
- The percentage of loans 30+ days delinquent or in foreclosure was 6.44% in April and 6.54% in March.
- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 6.05%, down 20 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 6.53%—down 18 basis points from April.
- There are currently \$33.6 billion in delinquent loans, which is down from \$34.1 billion last month. This number excludes loans that are past their balloon date but are current on their interest payments.
- There are \$40.4 billion in loans with the special servicer. This represents about 2,450 loans.

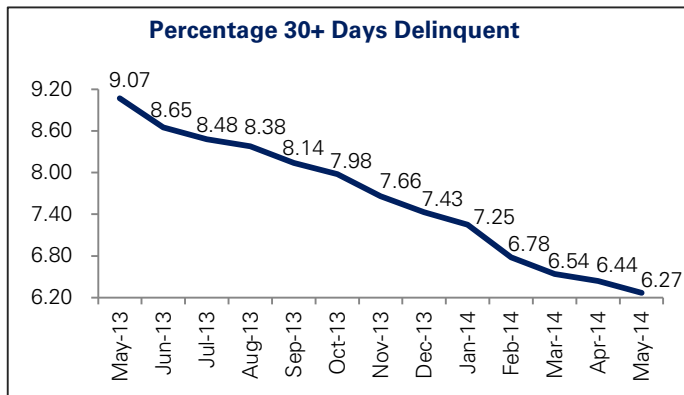
Delinquency Status	
Current	93.47%
30 Days Delinquent	0.22%
60 Days Delinquent	0.09%
90 Days Delinquent	1.21%
Performing Matured Balloon ¹	0.27%
Non-Performing Matured Balloon	0.31%
Foreclosure	1.26%
REO	3.18%

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 9.07%.
- Six months ago, the US CMBS delinquency rate was 7.66%.
- One year ago, the rate of loans seriously delinquent was 8.67%.
- Six months ago, the rate of loans seriously delinquent was 7.30%.

Change in Delinquency Rate	
May 2014	(0.17)
April 2014	(0.10)
March 2014	(0.24)
February 2014	(0.47)
January 2014	(0.18)
December 2013	(0.23)
November 2013	(0.32)



Property Type Analysis:

- The industrial delinquency rate was the only major property type to worsen in May—it increased 25 basis points to 8.94%. One year ago the industrial rate was 12.45%.
- The lodging delinquency rate shed 61 basis points and is now 5.71%. Twelve months ago the lodging rate was 9.65%. The 394-basis-point decline is the best year-over-year improvement among the property types.
- The multifamily delinquency rate dropped one basis point to 9.82%. Apartment loans are still the worst performer among the major property types. One year ago the multifamily rate was 11.61%.
- The office delinquency rate fell 22 basis points to 6.60%. In May 2013 the office rate was 10.24%.
- The retail delinquency rate kept the top spot as the best performing major property type. The delinquency rate for retail loans dipped 11 basis points to 5.54%. Twelve months ago the retail rate was 7.46%.

Delinquency Rate by Property Type						
	May 14	Apr 14	Mar 14	3 Mo.	6 Mo.	1 Yr.
Industrial	8.94	8.69	8.82	9.28	10.44	12.45
Lodging	5.71	6.32	6.46	6.62	7.72	9.65
Multifamily	9.82	9.83	10.22	10.35	11.14	11.61
Office	6.60	6.82	6.73	7.23	8.46	10.24
Retail	5.54	5.65	5.71	5.77	6.32	7.46

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).