

U.S CMBS Delinquency Report

July 2012

July 30, 2012

CMBS Delinquency Rate Moves Higher in July as Delinquencies Increase for Fifth Straight Month

Delinquency Rate Up 18 Basis Points in July; Up 97 Basis Points since February

Note: Trepp reports its monthly delinquency rates on, or close to, the first of every month. Many other outlets release their rates two to three weeks into the month. Therefore, it is important to ensure you are looking at the correct months when comparing rates.

For those expecting the delinquency rate to level off in July, the latest numbers will certainly prove disappointing.

Last month we noted that after climbing for four months, the Trepp CMBS Delinquency Rate was poised to plateau. The increasing delinquency level had been driven by a wave of 2007 loans that had reached their balloon dates but could not be refinanced. With the volume of these troublesome 2007 loans hitting a peak in the first half of 2012, we believed the second half of the year would be kinder to the delinquency rate.

While we still stand by that prediction, signs of improvement in CMBS delinquencies were elusive in July.

In July, the CMBS delinquency rate set an all-time high once again. The delinquency rate for U.S. commercial real estate loans in CMBS moved up another 18 basis points to 10.34%. This latest move puts the delinquency level up 97 basis points since February and makes July the fifth straight month in which the rate has increased.

The only major property type to improve was the retail loan segment. Lodging, office, residential and industrial loans all saw higher delinquency rates in July.

Loans resolved with losses stayed essentially flat with June's total. About \$1.4 billion in loss resolutions were seen in July. The removal of these loans from the delinquent loan category attributed about 24 basis points of downward pressure on the delinquency rate. Loans that were cured put an additional 40 basis points of downward pressure on the rate. Loans that were newly delinquent, totaling about \$4.6 billion, put upward pressure on the rate of about 81 basis points.

% 30+ Days	
Jul-12	10.34
Jun-12	10.16
May-12	10.04
3 mo.	9.80
6 mo.	9.52
1 yr.	9.88

Added together, the impact of the loan resolutions, the effect of loans curing and the effect of newly delinquent loans created a net increase of 17 basis points in the rate.

One category to keep an eye on is loans that are past their balloon date but are current in their interest rate (“performing balloons”). This category now accounts for 1.29% of loans in the database. If we were to consider those loans late, the delinquency rate would have been 11.63%—an increase of 20 basis points from the equivalent June total. As we have noted in months prior, this category only accounted for 0.31% of the market in January 2011.

Delinquency Status	%
Current	88.36
30 Days Delinquent	0.54
60 Days Delinquent	0.18
90 Days Delinquent	1.76
Performing Matured Balloon	1.29 ¹
Non-Performing Matured Balloon	1.62
Foreclosure	3.17
REO	3.07

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

The Numbers:

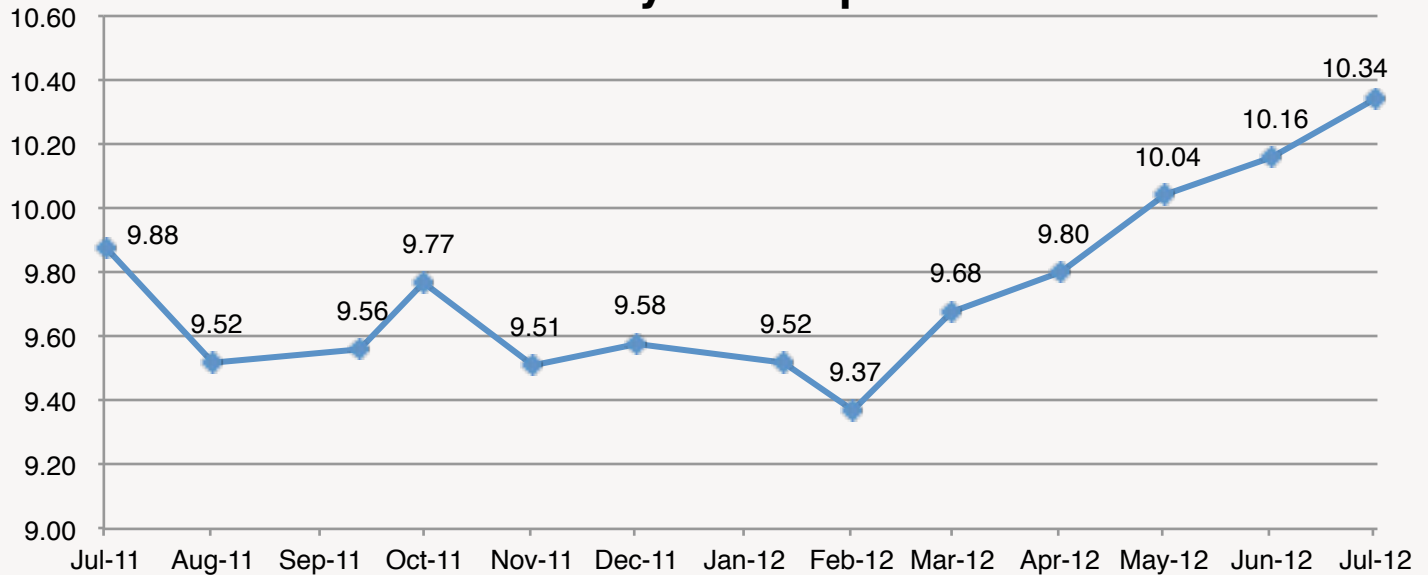
- The overall U.S. CMBS delinquency rate jumps to 10.34%—up 18 basis points in July.
- The percentage of loans 30+ days delinquent or in foreclosure:
Jul '12: 10.34% **Jun '12:** 10.16% **May '12:** 10.04%
- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO or non-performing balloons) is at 9.80%—up seven basis points for the month.
- If defeased loans were taken out of the equation, the overall delinquency rate would be 10.79%—up 19 basis points.
- Currently, \$59.5 billion in loans are delinquent. This excludes loans that are past their balloon date but are current in their interest payments. There are \$75.4 billion in loans that are with the special servicer. That represents almost 4,000 loans.

Month	Increase in Delinquency Rate
Jul-12	0.18
Jun-12	0.12
May-12	0.24
Apr-12	0.12
Mar-12	0.31
Feb-12	(0.15)
Jan-12	(0.06)

Historical Perspective:

- One year ago, the delinquency rate was 9.88%.
- Six months ago, the delinquency rate was 9.52%.
- One year ago, the rate of loans seriously delinquent was 9.14%.
- Six months ago, the rate of loans seriously delinquent was 8.96%.

% 30+ Days Delinquent



Retail Rate Improves – Apartment, Hotel, Office, and Industrial Loans All Weaker

The spike in the delinquency rate was driven by a big increase in multifamily loans and general weakness in four of the five major property types.

- The multifamily delinquency rate moved up 52 basis points and remains the worst major property type with a rate of 15.69%.
- The office delinquency rate jumped 24 basis points to 10.69%.
- The industrial delinquency rate increased 18 basis points to 11.72%.
- The hotel delinquency rate increased by 11 basis points and is now back above 13%.
- The retail delinquency rate fell 14 basis points to 8.03% and remains the best performing major property type.

About Trepp

Trepp, LLC 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 tools and insight they need to increase their operational efficiencies, information transparency and investment performance. For more information visit www.trepp.com or call U.S. (212) 754-1010 or Europe +44 (0)20 7621 2075. Press Inquiries contact Great Ink at (212) 741-2977.