

US CMBS Delinquency Report: Delinquency Rate Ends Year Down 168 Basis Points

The Trepp CMBS Delinquency Rate continued to shrink in December, causing it to resemble the “after” shot in a dietary supplement ad. After falling below 6% and hitting its lowest level in five years in November, the delinquency rate fell five basis points in December. The delinquency rate for US commercial real estate loans in CMBS is now 5.75%, down 168 basis points from 7.43% in December 2013.

CMBS loans that were liquidated with losses totaled almost \$700 million in December. Removing these previously distressed assets from the numerator of the delinquency calculation helped move the rate down by 13 basis points. Over \$700 million in loans were cured last month, which helped push delinquencies lower by 14 basis points. Just under \$3.3 billion in loans were newly defeased in December, which represented over 60 basis points of the total CMBS market. Almost \$1 billion in loans became newly delinquent in December, which put 19 basis points of upward pressure on the rate.

US CMBS Delinquency Rate- 30+ Days	
December 2014	5.75%
November 2014	5.80%
October 2014	6.14%
3 Months Ago	6.03%
6 Months Ago	6.05%
1 Year Ago	7.43%

Among the major property types, the lodging sector saw the biggest year-over-year improvement. The delinquency rate for hotel loans fell 314 basis points during 2014. The retail sector saw the smallest improvement among the property types, as it dropped 40 basis points over the course of the year. The delinquency rates for industrial, office, and multifamily loans improved by 291, 205, and 201 basis points, respectively.

The CMBS market heads into the new year with a lot of momentum. For most of 2014, issuance levels lagged behind most experts’ opinions. A surge in

the second half of the year helped the market reach almost \$100 billion in deals, leading many lenders to predict that issuance will crack that barrier in 2015. With the 10-year Treasury hovering in the low 2% range and CMBS spreads remaining fairly steady in recent months, the CMBS market should kick off 2015 in fine form.

The Numbers:

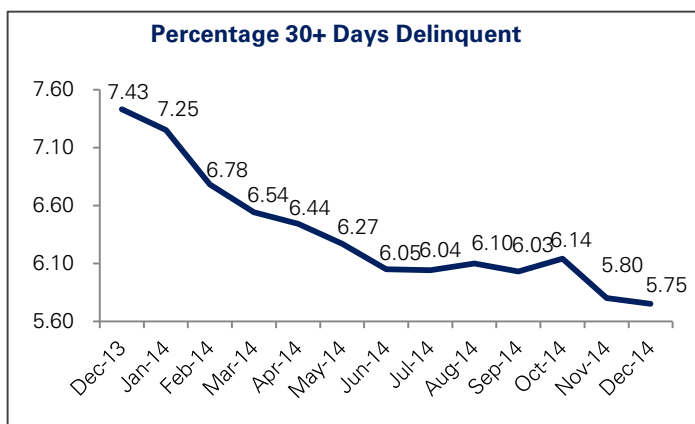
- The overall US CMBS delinquency rate dropped five basis points to 5.75%.
- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.63%, three basis points lower for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 6.05%—down seven basis points from November.
- There are currently \$30.2 billion in delinquent loans, about \$500 million lower than last month. This number excludes loans that are past their balloon date but are current on their interest payments.

Delinquency Status	
Current	93.99%
30 Days Delinquent	0.12%
60 Days Delinquent	0.05%
90 Days Delinquent	0.45%
Performing Matured Balloon ¹	0.26%
Non-Performing Matured Balloon	0.27%
Foreclosure	1.21%
REO	3.65%

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 7.43%.
- Six months ago, the US CMBS delinquency rate was 6.05%.
- One year ago, the rate of loans seriously delinquent was 7.20%.
- Six months ago, the rate of loans seriously delinquent was 5.92%.



Property Type Analysis:

- The industrial delinquency rate inched up six basis points to 7.55%.
- The lodging delinquency rate fell another 20 basis points to 4.77%. Lodging remains the best performing major property type.
- The multifamily delinquency rate crept up two basis points to 8.85%. Apartment loans remain the worst performer among the major property types.
- The office delinquency rate shed 13 basis points to 6.08%.
- The delinquency rate for retail loans sank one basis point to 5.66%.

Delinquency Rate by Property Type						
	Dec 14	Nov 14	Oct 14	3 Mo.	6 Mo.	1 Yr.
Industrial	7.55	7.49	7.69	7.66	8.39	10.46
Lodging	4.77	4.97	5.35	5.06	5.39	7.91
Multifamily	8.85	8.83	9.80	8.99	9.39	10.86
Office	6.08	6.21	6.48	6.56	6.44	8.13
Retail	5.66	5.67	5.88	5.86	5.43	6.06

Top 5 Loans Taking Losses							
Property Name	Previous Bal	Prop Type	City	State	Status	Realized Loss	Deal
Century Centre Office	88,949,990	OF	Irvine	CA	Current	1,367,665	GSMS 2005-GG4
The Pier at Caesars	80,500,000	RT	Atlantic City	NJ	REO	103,084,484	MSC 2007-HQ13
The Greens at Green Valley	37,390,420	MF	Henderson	NV	Current	22,434	MSC 2007-HQ11
Baylor Medical Towers	32,102,250	OF	Houston	TX	90+ Days	20,509,325	CSMC 2006-C4
285 & 355 Riverside Ave.	29,240,000	OF	Westport	CT	90+ Days	7,247,031	LBUBS 2005-C3

For inquiries about the data analysis conducted in this research, contact press@trepp.com or call 212-754-1010. For more information on Trepp's CMBS products, contact info@trepp.com.

About Trepp

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