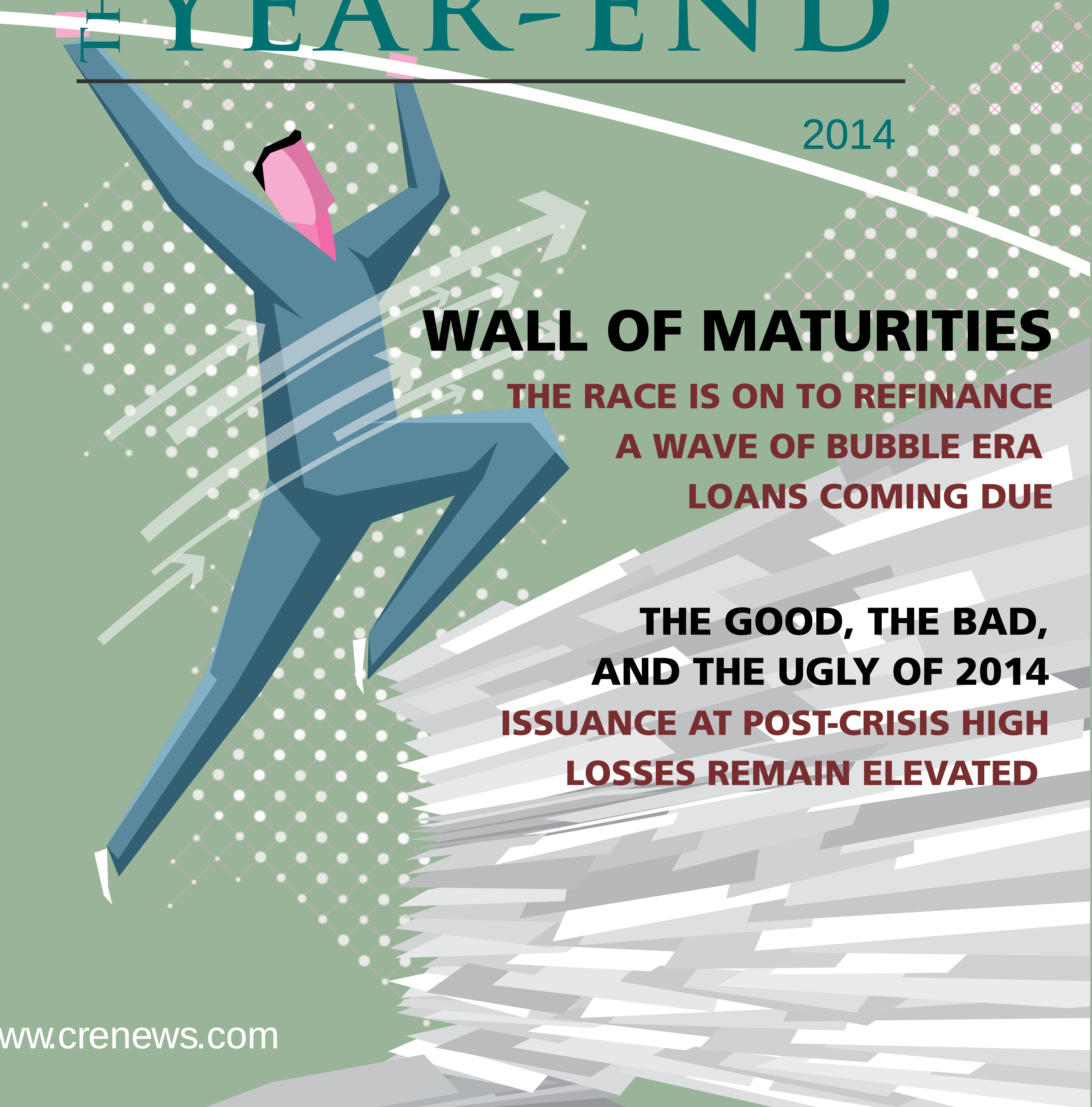
Commercial RealEstate Direct

THE YEAR-END

2014



WALL OF MATURITIES

THE RACE IS ON TO REFINANCE A WAVE OF BUBBLE ERA LOANS COMING DUE

THE GOOD, THE BAD, AND THE UGLY OF 2014

ISSUANCE AT POST-CRISIS HIGH

LOSSES REMAIN ELEVATED

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INSIDE THE YEAR-END

Commercial Real Estate Direct

350 S. Main St. #312
P.O. Box 1865
Doylestown, PA 18901
267-247-0112

LETTER FROM THE EDITOR

Orest Mandzy
Managing Editor

2014 was supposed to be the year in which CMBS took off. Issuance was expected to climb by 30 percent or more. But that didn't happen. Issuance lagged during the first half of the year, as life-insurance companies and banks became more aggressive for the best loans available. Things turned around smartly during the second half of the year and CMBS lenders were able to take advantage of favorable market conditions to push total issuance to almost $90 billion, a nearly 12 percent increase from a year earlier.

Volumes this year are again expected to climb, and for good reason. The long-anticipated "wall of maturities" is finally here. The wall, comprised of $300+ billion of loans that were written between 2005 and 2007, are set to mature in the next three years.

Inside this issue, our inaugural *Year-End* magazine, we explore how likely it is that those maturing loans will get refinanced. A hint: it all depends on interest rates. If they stay close to where they are today, it should present a bonanza for lenders and will drive issuance. But if they climb too quickly and too high, we'll see an increase in distress. And while we're not odds-makers, we've put together a colorful guide to some of the biggest loans that are coming due and summarized their prospects for refinancing.

Meanwhile, property-sales transactions, which hit a post-recession high in 2014, are poised to increase again this year, which should result in added financing opportunities for CMBS lenders. Continuing our June coverage of regulatory issues impacting the industry, we provide an update on the goings-on in Washington, from what's happening with the government terrorism-insurance program to whether there's any likelihood that the new Congress will re-visit the proposed risk-retention rules.

Finally, we are pleased to present our year-end Commercial Real Estate Awards. Somewhat miffed that none of our staff qualified for any "Top 30 Under 30 in Commercial Real Estate" awards this year, we decided to take matters into our own hands. The accolades, which expand upon our quarterly league table rankings, include bookrunners, loan contributors, master and special servicers and B-piece buyers. Big kudos go to Deutsche Bank, which dominated the bookrunner and loan-contributor tables.

I hope you enjoy *The Year-End* and find the information we've compiled useful. As always, we look forward to your feedback. Wishing everyone a happy New Year!

Best Regards,

Orest Mandzy

CMBS Spreads Fall in 2014; Issuance Disappoints

By Manus Clancy

The CMBS market entered 2014 with heady dreams of solid issuance growth, amid the continued healing of the industry that had been so battered in 2008 and 2009.

For the most part, the market did not meet those dreams, with issuance coming in below most experts' predictions. That disappointment came despite the 10-year Treasury spending almost all of 2014 below the 3.03 percent level at which it ended the previous year.

In order to outperform the market, CMBS investors had to place their bets wisely. In fact, those who edged further out on the risk spectrum were rewarded, while those who stuck to super-senior bonds from deals issued before 2007 were disappointed.

Much of the enthusiasm early in the year was driven by the strong performance of the CMBS market near the end of 2013. Issuance that year was about double what it had been in 2012. The industry hadn't missed a beat in 2013, even though the 10-year Treasury rate jumped 140 basis points during the year; the government was shut down for a bit; the financial system in Cyprus had unraveled, and worries grew that the United States might be sucked into a war in Syria.

New issuance disappointed in 2014, although a second-half rally helped the market eke out a year-over-year gain. The market heads into 2015 with some of those same intoxicating expectations—with some experts predicting more than $20 billion of issuance during the first two months of the year.

We had expected issuance numbers last year to be similar to those of 2013, which were bolstered by a number of large loans against General Growth Properties Inc. shopping centers. This year, we will be boarding the "high issuance" bandwagon, since 2015 and 2016 10-year loans will start to come through the pipeline—at least those that have not been defeased.

Investors that chose to put their chips on 2005 super seniors were disappointed last year. Continuing to impact the CMBS market was the growing prepayment risk associated with legacy bonds. In this area, investors had to remain vigilant of underlying loans coming out of lockout (particularly in the 2005 and early 2006 vintages), as well as the rapid pace at which special servicers were resolving troubled loans and returning principal.

All of this helped push spreads on legacy super senior bonds sharply wider on 2004 and 2005 deals—and modestly wider on 2006 deals. In comparison, 2007 last cash flow bonds finished tighter, as those bonds had more call protection in the form of bonds ahead of them in the payment stack.

Market performance in 2014 was much steadier than it had been in 2012 and 2013, when it saw sharp and painful sell-offs in the spring and early summer. That's not to say that the CMBS market was without challenges. In August, legacy CMBS spreads had their worst two-week stretch. It was a mere flesh wound compared with similar sell-offs in the previous two years.

Average spreads for last cash flow bonds from 2005 transactions blew out in 2014 by more than 100 bps, to 225 bps more than swaps, with prices moving toward par value.

With so much loan collateral nearing the point at which it could prepay freely or with a small premium, investors were no longer willing to pay steep premiums for the bonds.

The story was similar, if not as severe, for 2006 LCF bonds, which widened by about 25 bps. Meanwhile, in many cases, mezzanine AAA bonds from 2005 and 2006 deals continued to trade at or inside super-senior bonds, especially for those with strong underlying credit. In those cases, investors were valuing the additional prepayment protections being offered by the AM classes. Investors were better off putting their money on LCF bonds from deals issued in 2007 and 2008.

The A4 bond class from GS Mortgage Securities Corp. II, 2007-GG10, for instance, was an extraordinary performer. It opened the year at 169 bps more than swaps and tightened to an 89-bps spread by Dec. 19. That deal saw its delinquency rate drop to about 2.4 percent late in the year, from about 20 percent a year earlier.

The story was similar in the legacy AM space. Spreads on 2005 AMs slipped, as investors worried about prepayment protections starting to erode. But comparable bonds from 2006 and 2007 issues saw some tightening, with 2006 bonds tightening by 14 bps and 2007 AMs by 43 bps.

Investors reaching further down the payment stack saw greater rewards, with spreads on AJs from 2005 and 2006 ending the year tighter, in some cases substantially.

Unlike the legacy market, which had winners and losers, the CMBS 3.0 market largely had only winners. For buyers of long AAAs, spreads tightened for much of the year, save for the year's last conduit, whose AAA and BBB- bonds cleared at levels far wider than previous deals.

Spreads for long-AAA bonds ended the year at 85-90 bps more than swaps, in from 93-95 bps at the beginning of the year. Other bond classes tightened as well, with BBB- bonds tightening to 355-375 bps more than swaps, from 390-410 bps.

Assuming that Congress comes back in January to extend the government's terrorism insurance backstop program, most eyes will be on the 10-year Treasury rate.

If the Treasury remains in the 2-2.5 percent range, new issuance should exceed levels reached last year. Borrowers will continue to be motivated to lock in long-term debt at current historically low coupons, while the prospect of a new risk-retention regime in 2016 should make lenders eager to get as much business done this year as possible. But there are potential risks and investors should keep an eye on a number of potentially troubled retailers and the possible glut of space in certain markets. ■

Equity Aplenty, but Deals Scarce for Investment Funds

By John Covaleski

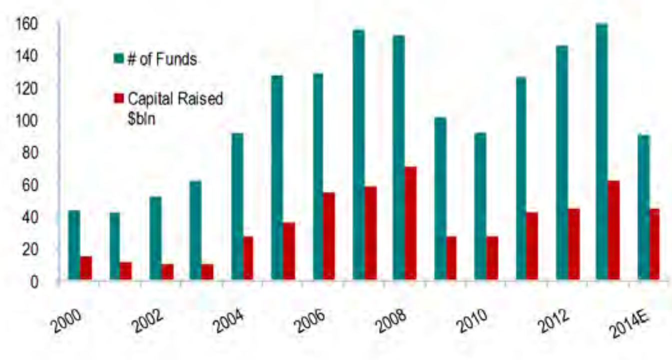
Real estate investment funds targeting deals in North America are expected to raise about $51 billion of equity commitments this year, according to Preqin. Such vehicles raised $45 billion in 2014.

For real estate investment fund managers, the new year figures to be another good one for attracting equity commitments. However, it will be challenging putting that money to work.

Funds targeting investments in North America are expected to raise about $51 billion of equity commitments this year, which would be up from the $45 billion raised for all of 2014, according to the investment-fund research group Preqin. Such funds raised $62.4 billion in 2013, up from $44.3 billion the year before.

Preqin said that fund-raising slowed in 2014 partly because fund managers have had difficulty deploying the equity raised and have not wanted to have their clients commit money that couldn't be invested.

Equity Raised by Investment Funds



Source: Preqin

In June, for instance, North American funds in their investment phases owned a combined $321 billion of assets and had $94 billion of dry powder, or committed equity for which the funds were seeking real estate investments, according to a Preqin survey. Sixty-six percent of the fund managers surveyed complained that finding suitable deals had grown more difficult from the previous year.

The North American funds' dry-powder volume in June was down from $106 billion in December 2013, but is still the third highest volume recorded in the 2000s. The drop wasn't necessarily the result of funds finding suitable investments for their capital. Rather, it was due in part to a decline in capital-raising.

Meanwhile, institutional investors, which provide the bulk of the equity that real estate funds invest, appear poised to invest more. They have an average targeted real estate investment allocation of 9.38 percent of their total assets, but their investments total 8.49 percent of total assets. That's a difference of 88 basis points, according to a study of 231 institutional investors worldwide conducted by Hodes Weill & Associates and Cornell University's Baker School of Real Estate.

The investors surveyed, which have a combined $8 trillion of assets under management, increased their average real estate allocation by 49 bps in 2014 and plan to increase it by another 24 bps, to an average of 9.62 percent in 2015.

While 62 percent of respondents increased their investment volume or kept it flat in 2014 versus 2013, 28 percent did not invest in real estate at all, and 5 percent said they did not because large chunks of the equity they committed to the class in past years still had not been invested.

Despite the tight market, where yields are pressured, many institutional investors still prefer the rewards, relative to the risk, inherent in real estate deals. "Global investors, whether pension funds, insurance companies or retail investors, are in need of additional return without excessive risk," said Michael Arougheti, president of investment manager Ares Management, in a conference call in November.

At the time of the call, Ares was in the market seeking up to $1.25 billion of commitments for its AREA Value Enhancement Fund VIII, a property fund with a value-add investment strategy.

Among the investors grappling to reach their real estate allocation targets is the Maryland State Retirement and Pension System. It has $18.6 billion of assets under management and a 10 percent targeted allocation to real estate. But its portfolio is valued at only 6.9 percent of total assets. "Staff continues to look at opportunities to hit the target allocation, but it will probably take several more years," said a system spokesman.

However, it's the smaller institutions—those with less than $10 billion of assets under management—that are most likely to be under-invested in real estate, relative to their allocations, explained Doug Weill, managing partner of Hodes Weill, a New York investment consultant. That, he said, increases the opportunity to raise capital for commingled funds because smaller investors often lack the internal resources to effectively diversify their real estate investments on their own.

Meanwhile, the dearth of attractive acquisition opportunities may improve the fund-raising prospects for investment funds that buy in secondary markets. That's because investors have pushed pricing to what some consider extremely high levels in the major markets that have been mainstays for many institutional investors.

Indeed, prices for commercial properties in major markets as of the end of October were 15.6 percent above their pre-recession highs, which were hit in October 2007. Prices in non-major markets, meanwhile, were still 9.6 percent below their peaks, according to the Moody's/RCA Commercial Property Price Indices. ■

The Impact of Higher Coupons on the Wall of Maturities

By Susan Persin

A total of $302.5 billion of CMBS loans face maturity by 2017. Office loans are the most problematic, as almost $97 billion of those will mature during the next three years.

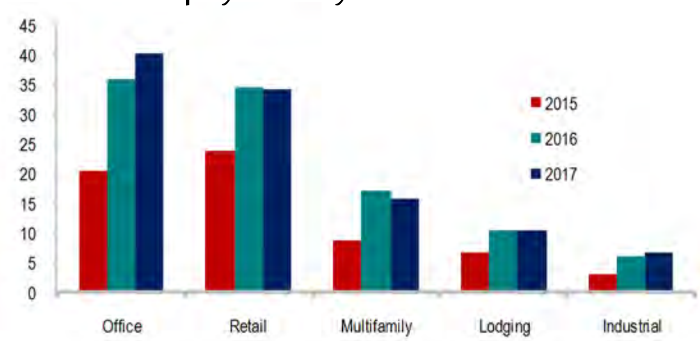
A total of $302.5 billion of CMBS loans are set to mature between now and 2017—more than twice the $117.3 billion of loans that matured between 2012 and 2014.

While the volume is significant, it has declined by some eight percent since June. The drop is due in large part to today's historically low interest rates, which have prompted many borrowers to refinance ahead of schedule. Defeasance activity, for instance, had topped $16.1 billion through the end of November.

The expectation is that interest rates will be higher in the coming years than they are today, and higher rates will likely impact the ability of some loans to refinance. Trepp LLC data show that 10.1 percent to 18.6 percent of loan balances (depending upon property type) could become problematic if interest rates climb by 150 basis points.

Our review assumes that outstanding loan balances would be refinancing at interest rates that prevailed during 2014. Replacement loans would not require amortization during their 10-year terms. Debt-service coverage ratios, meanwhile, are determined using current property-level net operating income and projected debt-service obligation.

Equity Raised by Investment Funds



Source: Trepp LLC

Many of the 25,000 loans that face maturity between 2015 and 2017 were originated between 2005 and 2007 and required only interest payments for their 10-year terms, so their balances haven't declined through amortization.

In 2015, $70 billion of loans will mature. The following year, $114 billion will mature and in 2017, $119 billion come due. The wall of maturities drops off after 2017 because loan originations in 2008 plummeted as the capital-markets downturn took hold.

At current interest rates, many borrowers could meet a 1.2x DSCR, which would be a likely requirement for refinancing. But as interest rates increase, the proportion of loans unable to achieve a DSCR of at least 1.2x would grow.

Office is the largest and most problematic of the major property types. Almost $97 billion in office loans will mature during the next three years.

Effect of Rate Changes on Loan DSCR

CMBS Loans Outstanding			Proportion of Loans with DSCR <1.2 for Each Interest Rate Shift						
	Balance $mln	Coupon %	0	+ 25 BPS	+ 50 BPS	+ 75 BPS	+ 100 BPS	+ 125 BPS	+ 150 BPS
Office	96.71	4.89	8.3%	9.9%	11.3%	12.8%	14.6%	16.3%	18.6%
Retail	92.54	4.94	4.7%	5.5%	6.4%	7.8%	9.4%	11.6%	14.1%
Multifamily	41.81	4.98	4.8%	5.6%	7.1%	8.0%	9.4%	11.4%	13.7%
Lodging	27.62	5.08	5.3%	5.8%	6.6%	7.4%	8.0%	9.0%	10.1%
Industrial	15.62	4.86	6.2%	7.1%	7.7%	8.7%	9.6%	10.9%	12.1%
Total	302.52	4.94	6.1%	7.2%	8.3%	9.6%	11.1%	12.9%	15.1%

Source: Trepp LLC

While office-market fundamentals have strengthened significantly during the year, and demand is particularly strong in top-tier markets like New York, San Francisco and Boston, the more efficient use of space has resulted in lower overall demand. Interest rates on recently securitized office loans run about 4.9 percent. At current rates, about 8.3 percent of the maturing loans could face difficulty refinancing. If coupons increase by 150 bps, the proportion of loans that could face difficulty refinancing increases to a worrisome 18.6 percent.

Meanwhile, $93 billion of retail loans come due through 2017. Fundamentals also have improved as economic growth, consumer confidence and spending have led retailers to expand. Many retailers are developing strategies that use both brick-and-mortar outlets and online selling, rather than eschewing physical locations.

At current rates, 4.7 percent of the maturing retail loans would face difficulty refinancing. That problem cohort would increase to 14.8 percent if rates climbed by 150 bps.

Maturing multifamily loans total $41.8 billion, and the sector has remained strong in recent years. Job growth has fueled demand for rentals, even as the for-sale housing market has recovered. As new construction has ramped up, it may become an issue for some, but not all, markets. At current coupons of 5 percent, only about 4.8 percent of maturing multifamily loans would face difficulties getting taken out. If rates were to climb by 150 bps, the volume of loans that might have trouble refinancing would climb to 13.7 percent.

Continued on next page

Continued from previous page

Hotels back $27.6 billion of loans that will mature in the next three years. Most of the loans should have little difficulty finding replacement financing.

Lodging fundamentals are very strong, with economic growth spurring both business and leisure travel, increasing demand at a time when new supply is limited in many areas. At current coupons of 5.1 percent, only 5.3 percent of maturing loans would have difficulty refinancing. If rates were to climb by 150 bps, the proportion of loans that wouldn't meet a 1.2x DSCR test would amount to 10.1 percent of the maturing loans.

Industrial, the smallest sector, has $15.6 billion of loans maturing by 2017. Demand in the sector, particularly for warehouses, has improved as a result of demand for rapid delivery options from online retailers.

Industrial loans written in 2014 had a 5 percent average coupon. At that rate, about 6.2 percent of maturing loans would have difficulty refinancing. A 150-basis-point increase in the rate would result in 12.1 percent of loans failing the DSCR test.

Despite the massive wall of maturities, real estate and CMBS market conditions have improved, which should bode well for borrowers looking to refinance. But higher interest rates, which many expect are a certainty, will make it more difficult for borrowers to meet their refinancing requirements. Higher rates could, however, create opportunities for investors to recapitalize properties facing loan maturities. ■

Stage Could Be Set for Changes to Risk-Retention Rules

With the Republican Party taking control of both chambers of the United States Congress in 2015, the stage could be set for changing pending rules regarding the retention of risk in asset-backed securities, including CMBS.

The risk-retention rules are part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Intended to take effect in 2016, the rules are expected to result in increased borrowing costs for securitized commercial mortgages because they would impose what could be a hefty cost to investors in transactions' most subordinate bonds.

The rules would require that a risk piece of every CMBS deal, totaling 5 percent of a transaction's market value, be shared by up to two investors on a pari passu, or equal basis. Issuers would be responsible for ensuring that buyers comply with the rules.

While the SEC and other regulators adopted their final rules in October, the measures could be changed by corrections that Congress makes to Dodd-Frank. The so-called "technical corrections" are an alternative to repealing a law.

Several technical corrections have been proposed for Dodd-Frank over the past four years, and while some were passed by the House of Representatives with its Republican majority, they failed in the Democrat-controlled Senate. Republicans increased their majority in the House in November's election and won control of the Senate for the first time since 2006.

"There are already efforts underway by the upcoming Congress to address a host of unintended consequences (from Dodd-Frank)," explained Christina Zausner, vice president of industry and policy analysis for the Commercial Real Estate Finance Council. "Technical corrections would be the obvious way to go."

"With the GOP in control of the House and the Senate, the issue of Dodd-Frank reform will probably come up, and when it does, we will definitely be letting our positions known," added George Green, associate vice president of commercial/multifamily policy at the Mortgage Bankers Association (MBA).

The MBA teamed with the Commercial Real Estate Finance Council and other investment industry trade groups in earlier lobbying to make changes to the originally proposed risk-retention rules in an effort to lessen their impact on real estate investing. While some concessions were won, the regulations still have several unwanted provisions.

Chief among them is a requirement that B-piece investors buy their stakes on a pari passu basis with other investors. This mandate eliminates their ability to carve the pieces into senior and subordinate positions, and match them to appropriate investors, which might lead to lower prices paid for the B-pieces and, thus, higher borrowing costs.

The lobbying groups also complained that the parameters for loans that would be exempt from the retention requirement are too tight. Only 10-year loans that amortize over 25 years, or 30 years for those against apartments, and have loan-to-value ratios of at least 65 percent would be exempt from the requirement.

In addition, deals backed by single assets are not exempt from the risk-retention rules, even though they're generally low in risk.

Concessions that the industry won in earlier lobbying included an elimination of a proposed requirement that issuers' profits be placed in a first-loss position.

In a sign Congress may be receptive to further amendments to Dodd-Frank, the law's restrictions against banks' ability to trade derivatives and certain other financial instruments were eased as part of the Congressional agreement reached in mid-December on a measure that's kept government operations funded. ■

– John Covaleski

Issuance of REIT Unsecured Bonds Breaks Record Again

The volume of unsecured notes issued by REITs last year reached an all-time high, and the thinking is the pace will continue to rise in 2015.

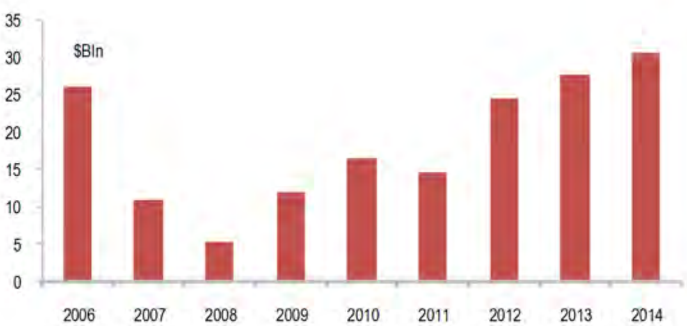
By Orest Mandzy

REITs issued a record-breaking $30.5 billion of unsecured notes last year, as companies continued to take advantage of historically low interest rates. Volume was up from $27.5 billion—the previous record—issued a year earlier.

The thinking is that the torrid pace of issuance will continue, as long as the price advantage that unsecured notes enjoy over mortgages stays in place. And that pricing advantage is driven by investor demand.

Duke Realty Corp., for instance, which has ratings of Baa2 from Moody's and BBB from S&P, was able to raise $300 million through a 10-year bond issue that priced on Nov. 12, with a coupon of 3.75 percent. Demand was said to have been healthy, and investors priced the transaction to yield 3.9 percent.

REIT Unsecured Notes Issuance



Source: Trepp LLC

The coupon that Duke will be paying compares with the 4.5 percent coupons on typical securitized mortgages against properties similar to those owned by the Indianapolis REIT.

The 79 unsecured notes issued during the year had a weighted average coupon of 3.87 percent. Those range from the 1.25 percent coupon on a three-year issue from Ventas Realty in April to the 8 percent coupon for a 15-year issue floated just in early December by TravelCenters of America. That issue is being sold directly to retail investors by underwriters led by Citigroup and Morgan Stanley.

But pricing isn't the key issue for most REITs. Instead, they prefer the ability the bond market affords them to efficiently raise relatively large sums of capital in short order.

A total of 57 REITs tapped the market in 2014, up from the 54 that raised unsecured debt the prior year. The most active was American Realty Capital Properties, which raised a whopping $2.5 billion through three offerings designed to fund its aggressive investment plans. The company, which was launched only in 2011, has ballooned in size, largely through corporate acquisitions, to become the largest public owner of net-leased properties in the country.

Top Managers of REIT Unsecured Notes - 2014

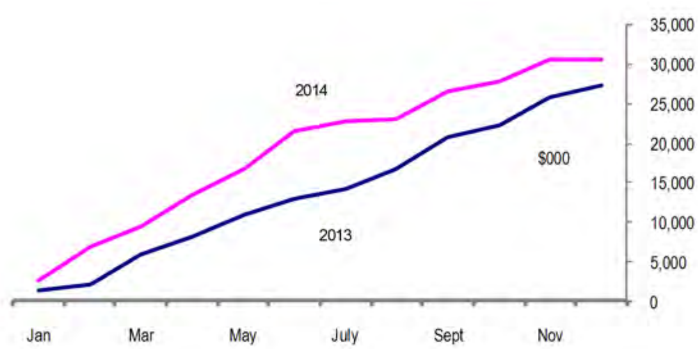
Investment Bank	#Deals	Vol $mln	Mkt-Shr
JPMorgan Securities	46	18,899.80	61.91
BoA Merrill Lynch	46	18,572.30	60.84
Wells Fargo Securities	39	15,296.80	50.11
USBank	37	14,504.80	47.51
Citigroup	33	13,999.80	45.86
Morgan Stanley	32	13,724.80	44.96
RBC	37	13,312.00	43.61
PNC	31	13,154.80	43.09
Mitsubishi	29	12,386.80	40.58
RBS	23	10,936.80	35.83

Source: Trepp LLC

Historically, REITs have issued notes to retire maturing bonds. While that's still true, growing numbers of companies are going the unsecured route to fund their operations. Companies will be increasingly tapping the bond market in order to fund their acquisitions, development plans or to unencumber properties that are financed with mortgages.

Meanwhile, the universe of companies able to tap the unsecured bond market is expected to grow, given the pricing advantage. The additions will be comprised of existing REITs that up until now hadn't issued notes, as well as new entries into the REIT world. The new entries in 2014 included American Realty Capital and CareTrust REIT Inc.

REIT Unsecured Notes Issuance



Source: Trepp LLC

"Nearly all inaugural bond issuers utilize proceeds to repay secured debt to increase their unencumbered pools," explained Steven Marks, head of Fitch Ratings' U.S. REIT group. "Issuers are less concerned with pricing than with having access to the unsecured bond market, as it gives them an incremental source of capital."

Congress Lets Deadline to Extend TRIA Lapse; "Bipartisan Failure"

By John Covaleski

The failure by Congress to extend the government's terrorism insurance backstop program has left many properties and businesses without insurance in case of a possible terrorist attack.

Bipartisan politicking was rampant in Congress' deliberations on the government's terrorism insurance backstop program, but Capitol Hill watchers were still stunned when the Senate failed to extend the program in mid-December.

"I have never seen this high of a level of surprise over something in Congress," said Marty Schuh, vice president of legislative and regulatory policy for the Commercial Real Estate Finance Council. He spoke after the Senate adjourned without voting on a bill to re-authorize the Terrorism Risk Insurance Act, or TRIA, which established the backstop.

Meanwhile, the Coalition to Insure Against Terrorism, a consortium of businesses across the country that had been lobbying for more than a year for a TRIA extension, called the Senate's inaction a " bipartisan failure," that put the economy and nation at risk.

Without the re-authorization, TRIA was to terminate at the end of 2014. There was hope the new Congress would take action to continue TRIA when it convened on Jan. 6.

However, any Congressional action could take days or weeks, meaning that properties and other businesses may be without insurance against damage caused by possible terrorist acts. Most of the property/casualty policies in place have provisions that cancel their terrorism coverage once TRIA ends.

Under the backstop, the government has been obligated to pay up to 85 percent of property damages caused by acts of terrorism that are in excess of a $100 million threshold. TRIA, enacted after the 2001 terrorist attacks, is designed to make it more attractive for private insurers to offer terrorism coverage, since it limits their total exposure to losses.

In revisiting the issue, the new Congress would have to pick up a bill that had a complicated past, mysterious ending and bipartisan politics in the middle.

A cross-section of Republicans have sought to reduce the government's role in the program and increase private insurers' responsibilities, while Democrats have wanted to retain the government's existing role or expand it.

The bill the Senate failed to act on died in that chamber when Tom Coburn, an Oklahoma Republican, refused to agree to a "unanimous consent" procedure required to bring it up for a vote.

Coburn made his opposition to TRIA known in an early December story in the publication *Government Executive*, in which he said, "Quite frankly, I don't care whether TRIA happens or not. Because I believe that markets will fill in that void."

After Coburn's action, the Senate could still have been called back to vote by its then majority leader, Harry Reid, but that did not happen. Reid, a Nevada Democrat, has since lost his majority leadership position as a result of his party losing control of the Senate in last November's general election. "We were disappointed in Reid because he could have kept the Senate in for a vote, but did not," Schuh said.

The bill the Senate failed to act on already had been passed by the House of Representatives in early December. Ironically, it was based on a bill that had been passed by the Senate last July.

The original Senate bill was subsequently modified in negotiations between Senate Banking, Housing and Urban Affairs Committee member, Chuck Schumer, a New York Democrat, and House Financial Services Chairman Jeb Hensarling, a Texas Republican and leading advocate for reducing the government's role.

The bill that passed in the House and failed in the Senate called for increasing the coverage threshold to $200 million and extending the program by six years. The original Senate bill called for a seven-year extension and keeping the $100 million threshold.

Republicans have sought to reduce the government's role by increasing the coverage threshold and by modifying TRIA's terms for how private insurers reimburse the government for some of the damage payments it makes. The insurers would fund those so-called "recoupments" with surcharges on policyholders.

Under existing TRIA terms, if the insured losses are less than $27.5 billion in total, the recoupment would be 133.5 percent of government outlays. As losses were to increase, the recoupment percentage steadily decreases.

Hensarling, who pushed for changes to the original Senate bill, previously had proposed a House measure that would have just a five-year extension and boosted the recoupment starting point to 140 percent. It also would have increased the coverage threshold to $500 million for terrorism acts that do not involve biological or nuclear weapons.

Some Democrats, such as U.S. Rep. Joseph Crowley of New York, previously had argued for extending TRIA by 10 years or longer.

In an early December press conference on TRIA, Nancy Pelosi, the California Democrat and House minority leader, ripped into Hensarling, claiming his proposed cuts to TRIA would mean the program would not cover some types of terrorist acts that occurred in the 2001 attacks.

The Democrats have not publicly stated why they didn't force a TRIA vote in the Senate, but after the bill faltered, Schumer issued a statement that blamed Hensarling's efforts on threatening TRIA's extension all along and added, "Coburn struck the final blow when he objected to bringing the bill to the floor."

As an example of the potential insured losses from a terrorist attack, the Insurance Information Institute says claims linked to the 2001 attacks totaled $32.5 billion. The New York research group has said that TRIA brought private insurers back to covering terrorism, after the 2001 attacks prompted them to exclude the coverage from "virtually all" property/casualty policies. ■

The Good, the Bad and the Ugly of 2014

By Joe McBride

This time last year, investors were pondering the eventual tapering of quantitative easing, slipping CMBS underwriting standards and growing global unease touched off by war in Syria.

Today, investors are forecasting the effects of an inevitable Federal Reserve rate hike, increased competition in commercial real estate lending pushing LTVs higher and DSCRs lower, and global tensions exacerbated by an unprecedented drop in oil prices and the Russian Ruble. The more things change, the more they stay the same.

In keeping with tradition, we will start with the bad (and unfortunately the ugly) highlights in CMBS from the year. In the first quarter, when most of the country was dealing with the Polar Vortex, legacy CMBS was dealing with CWCapital Asset Management's bulk auctions of distressed assets. CWCapital listed $2.6 billion in specially serviced loans on Auction.com and with CBRE, resulting in some big losses for a number of very large loans. The $470 million Two California Plaza (Los Angeles) in GSMS 2007-GG10 posted a 43 percent loss, while the $175 million Four Seasons Resort and Club (Dallas) in WBCMT 2006-C28 posted a 35 percent loss. Although the losses on the liquidated loans were ugly for the lower end of the capital stack and often caused acceleration of principal for the top of the stack, the positive was a quick improvement in the credit quality of several legacy deals. There was very little positive to be found in the Polar Vortex unless you were long rock salt.

More Bad and Ugly Headlines from 2014

- **January**: BACM 2007-3 clobbered with $100Mln in losses, wiping out six tranches.
- **February**: Russia annexes Crimea; $95Mln Eastpoint Mall in Baltimore sold for 65 percent loss.
- **March**: GG10 sees next wave of losses from CWCapital auction, 48.8 percent loss on $583.3Mln across seven loans.
- **July**: Loss severity reaches record high 60.8 percent; $82.9Mln Babcock & Brown FX 2 liquidated for 95 percent loss.
- **September**: First Ebola case in the U.S.; Winning streak ends as CMBS delinquencies inch up.
- **October**: American Realty Capital replaces CFO amid accounting controversy; ARCP properties back at least $3.5Bln in CMBS loans; Risk-retention rules finalized with few changes suggested by CREFC.
- **December**: Oil drops as much as 40 percent from highs; Sanctions and oil slump pummel the Russian ruble; $146.4Mln COPT office portfolio hit with $56.3Mln appraisal reduction.

Sears, Kmart and JCPenney provided more bad headlines in 2014, announcing hundreds of store closures that sent CMBS analysts scrambling to find exposures to the beleaguered retailers. Corinthian Colleges, Bi-Lo, Dominick's and Staples were some of the other tenants closing locations during 2014.

Although liquidation volumes last year were relatively low, severities remained elevated and new appraisal reductions were consistently hitting remittance reports.

There was, of course, some more reassuring news from the year. Despite a stumble out of the gate, CMBS issuance in 2014 reached a post-crisis high of just under $90 billion. Fundamental performance and valuations of CRE properties continued their steady upward trend as occupancies and rents increased in the aggregate across the major property types.

More Good Headlines from 2014

- **January**: Dovish Janet Yellen becomes head of Federal Reserve; First conduit of the year prices at relatively healthy spreads.
- **February**: Delinquency rate plunges due to huge CWCapital liquidations.
- **March**: Private sector payrolls surpass pre-recession peak.
- **June**: Maui Four Seasons loan sees repayment of hope note.
- **September**: Dow Jones Industrial Average and S&P 500 index hit all-time highs; Derek Jeter ends career at Yankee Stadium with a hit.
- **December**: Drop in gas prices brings some relief to consumers; Almost $3Bln in CMBS defeased.

On the economic front, unemployment fell consistently and the major U.S. equity indices reached all-time high after all-time high. As of press time, the Dow Jones Industrial Average is up 7.2 percent and the S&P 500 is up 11.7 percent on the year despite a slight correction over the past two weeks.

As stocks rose, the Trepp CMBS delinquency rate dropped in 10 of 12 months in 2014, falling 167 basis points year-over-year. Rates remained low and appetite was strong for CMBS bonds in 2014 despite the tapering of quantitative easing leading up to its end in October. Looking to lock in low rates, borrowers increasingly defeased their loans, indicating property values high enough and rates low enough to justify the added cost of defeasance. Defeasance volume in 2014 reached $18.9 billion, almost double 2013's total.

Total issuance for 2014 failed to crack the $100 billion mark, but momentum and demand are strong going into the new year. Delinquencies are set to crack the 5 percent threshold at some point in 2015 as long as rates remain low and issuance continues apace. ■

The 1st Commercial Real Estate Derby

Refinancing Odds for 2015

Purse: $12 Billion
Post Time: Jan. 1, 2015
Track Condition: Extremely Fast
Distance: 1 ¼ mile

Analysis by MANUS CLANCY

Program number represents poll position.

Disclaimer: Odds are purely fictional and do no represent true odds of each loan paying off. Not all top maturing loans qualified for the race. All comments made by an old guy with a racing form and a funny hat.

200 PARK AVENUE — 1-5

1

Loan Balance: $900Mln

Maturing Date: May 2015

Sires: LBUBS 2005-C3 (27%), LBUBS 2005-C5 (22%), LBUBS 2005-C7 (18%)

The Skinny: Former PanAm Building, now known as the MetLife Building in Manhattan. Strong financials (1.90x DSCR in 2014) make this a no-brainer. Property was appraised for $1.85 billion in 2005. Several big name renewals in recent years. Ground level Grand Central pass-through makes for sure bet in the rain.

HOUSTON GALLERIA — 1-5

2

Loan Balance: $710Mln

Maturing Date: Dec. 2015

Sires: JPMCC 2006-CB14 (17%), JPMCC 2005-LDP5 (9% A-note, $241Mln of Rakes)

The Skinny: Monster regional mall in Houston. Underwritten conservatively with 47.5% LTV to A-note and 67.3 LTV to whole loan. If this loan can't refinance, entire CMBS market will be licking its wounds in 2015. Current DSCR to A-note is nearly 3.0x

KINDERCARE PORTFOLIO — 1-3

3

Loan Balance: $571.67Mln

Maturing Date: Dec. 2015

Sires: GECMC 2006-C1 (11), BACM 2006-1 (9%), BACM 2005-6 (6%)

The Skinny: Despite mayors of some large U.S. cities pushing for free, universal pre-K, this loan should pay off without a hitch in 2015. Loan is backed by over 700 properties nationwide; strong DSCR. Most well-traveled entrant in the field.

COLUMBIA CENTER — 10-1

4

Loan Balance: $380Mln

Maturing Date: May 2015

Sires: MSC 2007-HQ12 (30% between A-note and Hope note)

The Skinny: Once a long shot in 2010, it now has a decent chance to refi thanks to strong Seattle office market and low rates. Original loan was split into $300Mln A/$80Mln Hope. DSCR remains under 1.0x as property lost Amazon.com in 2011. Its 78% occupancy gives it room to grow. Odds of payoff only for A-note.

731 LEXINGTON AVENUE — 1-3

5

Loan Balance: $320Mln

Maturing Date: Aug. 2015

Sires: GCCFC 2005-GG5 (13%)

The Skinny: Retail property attached to office building on 58th Street in Manhattan. Strong market, strong location. Loves to run on the rail, first time with blinders.

ONE COURT SQUARE - CITIBANK — 3-1

6

Loan Balance: $315Mln

Maturing Date: Sept. 2015

Sires: CD 2005-CD1 (10%)

The Skinny: Bet Yes: New York City market, low leverage loan (62% LTV). Bet No: 100% leased to Citibank at a time when banks are looking to shrink, lease ends in 2020. Lots of new office space coming to NYC. Not a sure thing. Must include in exotics.

BROOKDALE OFFICE PORTFOLIO — 3-1

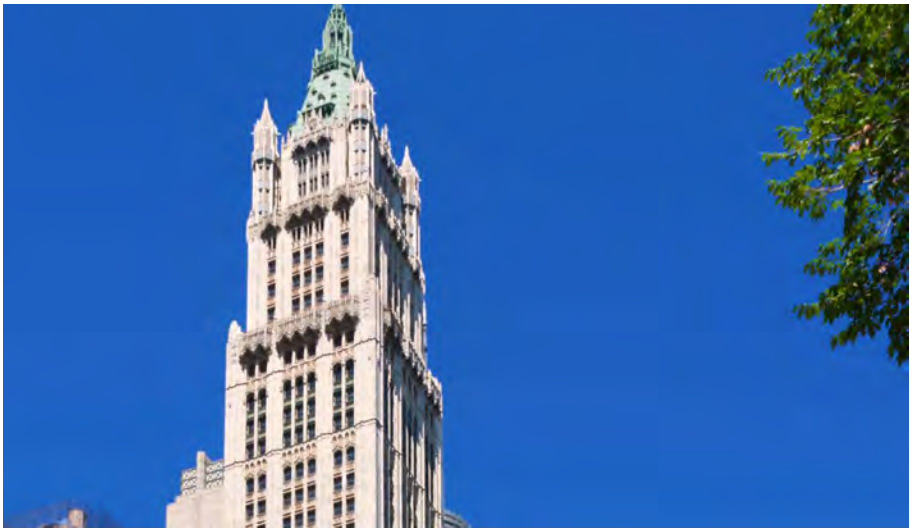
7

Loan Balance: $314.35Mln

Maturing Date: Sept. 2015

Sires: JPMCC 2005-LDP5 (11%)

The Skinny: 21-property office portfolio. Low DSCR (1.19x NCF) and occupancy (69%). 63% LTV to the CMBS debt, but $76Mln in subordinate debt raises the odds. Using Lasix for first time.



Loan number 12, the Woolworth Building, is expected to refinance despite several leases coming due.

HYATT CENTER 7-1

8

Loan Balance: $306.87Mln

Maturing Date: Nov. 2015

Sires: WBCMT 2005-C22 (9%), WBCMT 2006-C23 (5%)

The Skinny: Don't be fooled by the 1.72x DSCR. The Chicago building's two tenants (Mayer Brown—25%, Hyatt—22%) said to be on the move. Leases do not end until 2020, but having replacement tenants in place could be key to refinancing on time. Investors hope Hyatt Center can go the distance.

WELLS FARGO CENTER 3-1

9

Loan Balance: $276Mln

Maturing Date: April 2015

Sires: GSMS 2005-GG4 (10%), GCCFC 2005-GG5 (3%)

The Skinny: One of the earliest large loans coming due in 2015 with an April maturity date. Low DSCR (0.97x NCF), falling occupancy, and a large 2020 lease with Wells Fargo mean you can't necessarily take this to the bank. Bred for longer distances.

OAK PARK MALL 1-5

10

Loan Balance: $275.7Mln

Maturing Date: Dec. 2015

Sires: BSCMS 2005-PW10 (17%)

The Skinny: No brainer. Deep anchor tenant base, strong DSCR, and 99% occupancy. Born and bred in Kansas, loan has look and feel of a winner. Back up the truck.

UNIVERSAL HOTEL PORTFOLIO 1-3

11

Loan Balance: $450Mln

Maturing Date: July 2015

Sires: JPMCC 2005-CB12 (8%)
JPMCC 2005-LDP3 (9%)
COMM 2005-C6 (5%)
GECMC 2005-C3 (7%)
CD 2005-CD1 (2%)

The Skinny: Three Orlando Hotels. Big, fat 3.0x DSCR (to the senior debt) should not slow down this thoroughbred's race to the refi line.

WOOLWORTH BUILDING 1-1

12

Loan Balance: $250Mln

Maturing Date: June 2015

Sires: BACM 2005-3 (19%)

The Skinny: Lower Manhattan, city hall area office is neither Wall Street, nor Midtown. 1913 building lists GSA as top tenant with 2015 lease expiration. Should refi, but tenant roster lacks big names and several leases coming due. Mother was a retail fireplug back in the day.

YAHOO! CENTER 1-1

13

Loan Balance: $250Mln

Maturing Date: Oct. 2015

Sires: CD 2005-CD1 (9%)

The Skinny: Fat 2.6x DSCR says this is a no-brainer, but third largest tenant (Riot Gear - 15%) is leaving and Yahoo (21%) has a lease that ends in August. Fact that loan was underwritten with an LTV of 46% helps. Has very limited experience with a wet track.

NGP RUBICON GSA POOL 12-1

14

Loan Balance: $364.9Mln

Maturing Date: June 2015

Sires: WBCMT 2005-C20 (10%)
WBCMT 2005-C21 (10%)

The Skinny: Being long GSA leases is a little like being long tobacco companies… that is, you won't have a lot of company. DSCR is slipping (1.06x in 2014) and GSA is always a wild card. Portfolio of 14 office/industrial properties in non-core markets. How many "Lost Ark" warehouses does one government need?

2014 Commercial Real Estate Award Winners

Deutsche Again Dominates CMBS Bookrunners, Loan Contributors

Deutsche Bank once again dominated the ranks of CMBS bookrunners, handling more than a quarter of the year's domestic, private-label issuance. This is the third straight year that the investment bank has won the bookrunner crown.

Deutche participated as a bookrunner on 35 deals, or one of every three that priced during the year, and received credit for 27.14 totaling $23.5 billion. That was more than a quarter of the year's $89.9 billion of issuance.

Commercial Real Estate Direct divvies up credit to each of a deal's bookrunners, so if two firms equally share responsibilities on a deal, they each get 50 percent credit.

JPMorgan Securities, the number two bookrunner, received credit for 18.6 deals totaling $13.8 billion, for a 15.4 percent share of the market. It participated in a total of 26 deals, or just more than one of every five deals that priced during the year. On the conduit side, it has partnered with **Barclays Capital** under the JPMBB shelf and, more

Continued on next page

Top Bookrunners Domestic, Private-Label CMBS - 2014

	2014			2013		
Investment Bank	#Deals	Vol $mln	Mkt-Shr%	#Deals	Vol $mln	Mkt-Shr%
Deutshe Bank	27.14	23479.372	26.25%	20.3	18,809.17	23.43
JPMorgan Securities	18.62	13752.014	15.38%	13.94	13,313.22	16.59
Wells Fargo Securities	16.85	12256.478	13.70%	13.4	8,292.66	10.33
Goldman Sachs	8.96	7896.246	8.83%	9.33	7.290.45	9.08
Citigroup	9.09	7526.971	8.42%	7.34	5,763.53	7.18
BoA Merrill Lynch	8.706	6140.375	6.87%	6.5	6,997.31	8.72
Morgan Stanley	7.13	6035.678	6.75%	5.67	4,814.57	6
Barclays Capital	4.184	4004.224	4.48%	4.22	4,644.74	5.79
UBS	4.701	3440.071	3.85%	2.75	1,858.88	2.32
Credit Suisse	4.78	2359.767	2.64%	1	171.65	0.21
RBS	1.762	2066.769	2.31%	7.44	6,463.42	8.05
Cantor Fitzgerald	0.5	256	0.29%	-	-	-
Ladder Capital	0.5	225	0.25%	0.5	137.50	0.17
Total	114	89,865.5			80,263.65	

Source: Trepp LLC

Moody's Tops Conduit-Ratings Business in 2014

Moody's Investors Service was the most-active rating agency in the CMBS sector last year, rating just more than 68 percent of total domestic, private-label issuance.

Well behind it, with a 58.7 percent share of the market, was **Kroll Bond Ratings Agency**, which rated a total of 61 deals with a balance of $52.4 billion.

Moody's absolutely dominated the conduit sector, rating 46 of the year's 49 deals, which accounted for 94 percent of the year's issuance. It typically has been hired to rate only the most senior of conduit deals because of its stringent views on credit risk.

Kroll and **Fitch Ratings**, meanwhile, each rated 33 of the year's conduits.

Moody's dominance in the conduit space is due in part to the absence of **Standard & Poor's**, which has been relegated to the penalty box, at least with regard to conduit deals, since June. Many investors require deals to have ratings from at least one of the three major agencies—S&P, Fitch or Moody's—and some prefer at least a Moody's or S&P rating.

The SEC last year issued a "Wells notice," a precursor to an enforcement action stemming from alleged violations of federal securities laws by the rating agency when it rated six deals that were issued in 2011. More recently, the buzz has been that S&P could end up being barred from the industry, at least temporarily.

Nonetheless, S&P dominated the single-borrower space, rating 32 deals with a balance of $19.2 billion, for a 76.7 percent share of that. ■

Domestic Private-Label CMBS Rankings - Rating Agencies

	Conduits			Single-Borrower			Total		
Agency	#Deals	Vol $mln	Mkt Shr%	#Deals	Vol $mln	Mkt-Shr%	#Deals	Vol $mln	Mkt Shr%
Moody's	46	53,311.54	93.90	9	5,286.75	21.20	62	60,783.00	68.13
Kroll	33	38,562.21	67.90	14	7,799.75	31.23	61	52,394.21	58.73
Fitch	33	37,815.65	66.60	8	4,701.00	18.80	42	42,916.15	48.10
DBRS	28	31,966.93	56.30	8	3,747.90	15.01	41	36,823.33	41.27
Morningstar	13	13,431.10	23.65	25	13,809.60	55.30	42	29,414.10	32.97
S&P	3	3,469.75	6.11	32	19,154.80	76.70	44	27,383.62	30.69

Source: Trepp LLC

2014 Commercial Real Estate Award Winners

Continued from previous page

recently, with **Credit Suisse**, which has sharply increased its activity in the CMBS market.

Wells Fargo Securities, meanwhile, ranked third in the bookrunner ranking, with 16.9 deals totaling $12.2 billion, for a 13.7 percent market share. It participated as bookrunner in a total of 22 deals. On the conduit side, it's key partners were **RBS** and **Ladder Capital Finance**. The latter relationship has resulted in Wells Fargo winning bookrunner assignments on Ladder's large-loan transactions.

Not coincidentally, Deutsche, JPMorgan and Wells Fargo were the three most-active contributors of collateral loans to the CMBS market.

Deutsche contributed $14 billion of loans, including a number of the biggest loans that got securitized last year. JPMorgan contributed $11.4 billion of loans, or 13 percent of the volume that was securitized last year, while Wells Fargo contributed $5.85 billion.

On Wells Fargo's heels was **Cantor Commercial Real Estate Lending**, which contributed $5.75 billion of loan collateral during the year. Cantor's loan contributions helped bolster Deutsche's bookrunner numbers since Cantor's loans are typically contributed to Deutsche's COMM deals. ■

Top Managers of Domestic, Private-Label CMBS - 2014

Investment Bank	#Deals	Vol $mln	Mkt Shr%
Deutsche Bank	45	38,382.70	42.71
Drexel Hamilton	29	27,133.51	30.19
Citigroup	23	22,652.79	25.21
Wells Fargo Securities	25	19,780.20	22.01
JPMorgan Securities	22	19,129.88	21.29
KeyBanc Capital Markets	15	17,322.31	19.28
RBS	16	16,989.82	18.91
Cantor Fitzgerald	15	16,527.78	18.39
Goldman Sachs	18	16,306.03	18.14
Barclays Capital	12	13,849.66	15.41
Bank of America	15	11,464.45	12.76
Morgan Stanley	12	10,824.20	12.04
Credit Suisse	13	10,352.16	11.52
CastleOak	9	10,107.97	11.25
Natixis	9	9,782.81	10.89
UBS	10	8,440.38	9.39
CIBC World Markets	7	7,610.35	8.47
Jefferies	4	4,892.13	5.44
Nomura Securities	2	2,613.66	2.91
RBC	3	1,810.90	2.02
Ladder Capital	2	800.00	0.89

Source: Trepp LLC

Top Loan Contributors - 2014

	2014		2013	
Lender	Vol $mln	Mkt Shr%	Vol $mln	Mkt Shr%
Deutsche Bank	14,005.13	15.95	9,818.03	12.58
JPMorgan Chase Bank	11,440.63	13.03	10,469.69	13.42
Wells Fargo Bank	5,849.16	6.66	5,826.10	7.47
Cantor Commercial	5,750.69	6.55	5,309.46	6.8
Citigroup	5,604.13	6.38	4,472.72	5.73
Bank of America	5,565.68	6.34	5,177.95	6.64
Morgan Stanley	5,339.71	6.08	6,143.78	7.87
Goldman Sachs	5,098.86	5.81	7,303.90	9.36
Ladder Capital Finance	3,493.47	3.98	2,229.25	2.86
Barclays Bank	3,111.20	3.54	2,795.49	3.58
UBS Real Estate Securities	2,959.06	3.37	2,834.92	3.63
Royal Bank of Scotland	2,234.86	2.54	4,808.36	6.16
Credit Suisse	2,141.28	2.44	-	-
Starwood Mortgage Capital	1,618.57	1.84	1,511.29	1.94
Rialto Mortgage Finance	1,490.24	1.70	711.35	0.91
Natixis	1,371.94	1.56	460.04	0.59
CIBC World Markets	1,240.71	1.41	825.17	1.06
MC-Five Mile	1,174.28	1.34	446.35	0.57
KeyBank	864.37	0.98	733.35	0.94
Liberty Island Group	846.39	0.96	833.00	1.07
Redwood Commercial	845.24	0.96	670.57	0.86
Jefferies LoanCore	828.90	0.94	1,491.77	1.91
RAIT Financial Trust	606.45	0.69	200.16	0.26
GE Capital Corp.	584.17	0.67	568.86	0.73
C-III Commercial Mortgage	508.90	0.58	547.04	0.7
Bank of China	450.33	0.51	306.00	0.39
Basis Real Estate Capital	415.90	0.47	440.50	0.56
Annaly Capital	399.50	0.45	-	-
Ares Management	378.80	0.43	493.76	0.63
Bancorp Bank	362.98	0.41	174.68	0.22
NCB FSB	314.81	0.36	292.94	0.38
SilverPeak Real Estate	282.55	0.32	-	-
Pillar Funding	217.37	0.25	-	-
ReadyCap Commercial	181.90	0.21	-	-
A10 Networks	132.40	0.15	-	-
Walker & Dunlop	117.57	0.13	-	-
Jackson National Life	-	-	29.27	0.04
36	**87,828.13**	**100.00**		

Source: Trepp LLC

2014 Commercial Real Estate Award Winners

Special Servicer Ranking - 2014

Servicer	Total #Deals	Total Vol $mln	Total Mkt Shr%	Conduit #Deals	Conduit Vol $mln	Conduit Mkt Shr%	Single-Borrower #Deals	Single-Borrower Vol $mln	Single-Borrower Mkt Shr%	Other Deals #Deals	Other Deals Vol $mln	Other Deals Mkt Shr%
LNR Partners	17	18,239.75	20.30	16	17,789.75	31.33	1	450.00	1.76	0	0.00	0.00
Rialto	17	16,252.64	18.09	13	15,416.14	27.15	2	594.40	2.32	2	242.10	3.24
Midland Loan Services	13	14,215.73	15.82	11	13,000.23	22.90	1	460.20	1.80	1	755.30	10.12
Wells Fargo Bank	20	10,715.05	11.92			0.00	18	9,725.35	37.96	2	989.70	13.26
CWCapital Asset Management	7	8,514.57	9.47	7	8,514.57	15.00			0.00	0	0.00	0.00
KeyBank	14	6,565.90	7.31			0.00	11	5,529.00	21.58	3	1,036.90	13.90
Strategic Asset Services	7	6,477.30	7.21			0.00	4	4,861.00	18.97	3	1,616.30	21.66
Torchlight Loan Services	2	2,060.60	2.29	2	2,060.60	3.63			0.00	0	0.00	0.00
Situs	2	1,575.00	1.75			0.00	2	1,575.00	6.15	0	0.00	0.00
Aegon	2	849.07	0.94			0.00	1	306.30	1.20	1	542.77	7.27
Trimont	2	780.50	0.87			0.00	1	381.00	1.49	1	399.50	5.35
Pacific Life	1	750.00	0.83			0.00	1	750.00	2.93	0	0.00	0.00
Berkadia Commercial	2	711.80	0.79			0.00	2	711.80	2.78	0	0.00	0.00
RAIT	2	415.50	0.46			0.00			0.00	2	415.50	5.57
Ares	1	378.80	0.42			0.00			0.00	1	378.80	5.08
Sabal	1	341.82	0.38			0.00			0.00	1	341.82	4.58
Colony Mortgage	1	320.81	0.36			0.00			0.00	1	320.81	4.30
FirstCity Financial	1	289.76	0.32			0.00			0.00	1	289.76	3.88
Hudson	1	278.50	0.31			0.00	1	278.50	1.09	0	0.00	0.00
A10	1	132.40	0.15			0.00			0.00	1	132.40	1.77
Total	114	89,865.50	100.00	49	56,781.29	100.00	45	25,622.55	100.00	20	7,461.66	100.00

Source: Trepp LLC

Master Servicer Ranking - 2014

Servicer	Total #Deals	Total Vol $mln	Total MktShr%	Conduits #Deals	Conduits Vol $mln	Conduits MktShr%	Single-Borrower #Deals	Single-Borrower Vol $mln	Single-Borrower MktShr%
Wells Fargo Bank	67	58216.54	64.78	34	39,418.09	69.42	26	15,770.75	61.55
Midland Loan Services	16	14,581.94	16.23	9	10,201.13	17.97	5	3,304.70	12.90
KeyBank	22	14,538.27	16.18	6	7,162.07	12.61	12	5,835.30	22.77
Berkadia Commercial Mortgage	3	1,254.57	1.40				2	711.80	2.78
RAIT	2	415.50	0.46						
Sabal	1	341.82	0.38						
FirstCity Financial	1	289.76	0.32						
A10 Mortgage	1	132.40	0.15						
Rialto	1	94.70	0.11						
Total	114	89,865.50	100.00	49	56,781.29		45	25,622.55	

Source: Trepp LLC

2014 Commercial Real Estate Award Winners

Rialto Moves Atop B-Piece Buyer Ranking Again

Rialto Capital Management has regained its perch atop the CMBS conduit industry's most-active B-piece buyers. The Miami investment manager, a unit of homebuilder **Lennar Corp.**, had lost its seat to **Eightfold Real Estate Capital** in 2013.

In 2014, Rialto acquired the B-pieces of 13 conduit transactions that totaled $15.4 billion in principal balance, giving it a 27.2 percent share of the B-piece market.

Eightfold, meanwhile, wasn't nearly as active last year as it was the year prior. It bought four B-pieces totaling $4.1 billion, for a 7.2 percent market share. That compares with 11.5 deals totaling $14.8 billion, or 28 percent of the market in 2013.

The market saw two new entrants last year, **Seer Capital Management**, which quickly became a heavy hitter and bought into 10 transactions, and **DoubleLine Capital**, which bought three B-pieces totaling $4 billion.

Seer got credit for buying 8.75 deals totaling $10.6 billion, or 18.7 percent of the conduit market because it partnered with **LNR Partners** on four of its investments.

Commercial Real Estate Direct divvies up credit among a deal's investors based on how much of a deal each bought.

Seer, a New York investment manager, was founded six years ago by **Philip Weingord**, who previously oversaw the fixed income and derivatives businesses for **Deutsche Bank**. Its CMBS team is led by **Tony Barkan** and includes **Richard Parkus**, who previously was head of CMBS strategy at **Morgan Stanley**.

Meanwhile, LNR took the third spot in a ranking of B-piece buyers. Its volume was driven by its willingness to partner with other investors, namely Seer and **Ellington Management**. LNR invested in 13 deals with a total balance of $14 billion, but got credit for 6.3 deals totaling $6.9 billion. ■

Top Buyers of CMBS Conduit B-Pieces

	2014			2013		
Investor	**#Deals**	**Bal $mln**	**MktShr%**	**#Deals**	**Bal $mln**	**MktShr%**
Rialto	13	15,416.14	27.16	11	13,252.78	24.95
Seer Capital	8.75	10,602.32	18.67	0	0.00	0
LNR	6.31	6,858.28	12.08	5.51	6,096.03	11.48
Ellington	5.94	6,500.91	11.45	2	2,529.48	4.76
Raith/AllianceBernstein	4	4,551.55	8.02	3	2,927.61	5.51
Eightfold	4	4,103.69	7.23	11.49	14,810.33	27.88
DoubleLine	3	3,973.44	7.00	0	0.00	0
BlackRock	2	2,714.34	4.78	4	4,416.40	8.31
Torchlight	2	2,060.60	3.63	0	0.00	0
Perella Weinberg	0	0.00	0.00	3	3,288.19	6.19
CBRE Capital	0	0.00	0.00	2	2,594.33	4.88
NorthStar Realty	0	0.00	0.00	1	1,137.94	2.14
Cerberus Capital	0	0.00	0.00	1	1,107.00	2.08
Saba Capital	0	0.00	0.00	1	961.17	1.81
Totals	**49**	**56,781.27**	**100.00**	**45**	**53,121.26**	**99.99**

Source: Trepp LLC

Trustees Ranking - 2014

	Total			Conduit			Single-Borrower			Other Deals		
Trustees	**#Deals**	**Bal $mln**	**Mkt Shr%**	**#Deals**	**Bal $mln**	**Mkt Shr%**	**#Deals**	**Bal $mln**	**Mkt Shr%**	**#Deals**	**Bal $mln**	**Mkt Shr%**
Wilmington Trust	38	34,898.44	38.83	18	21,983.79	38.72	15	10,433.85	40.72	5	2,480.80	33.25
USBank	33	24,055.96	26.77	11	12,879.83	22.68	17	9,746.20	38.04	5	1,429.93	19.16
Wells Fargo Bank	28	19,208.76	21.38	11	12,414.63	21.86	10	4,497.70	17.55	7	2,296.43	30.78
Deutsche Bank	14	10,665.50	11.87	8	8,466.20	14.91	3	944.80	3.69	3	1,254.50	16.81
Citibank	1	1,036.84	1.15	1	1,036.84	1.83	0	0.00	0.00	0	0.00	0.00
Total	114	89,865.50	100.00	49	56,781.29	100.00	45	25,622.55	100.00	20	7,461.66	100.00

Source: Trepp LLC

CMBS Issuance Hits $89.9Bln in 2014; Seen Climbing to More Than $105Bln This Year

By Orest Mandzy

The amount of domestic, private-label CMBS issued last year was up 11.2 percent from 2013. The thinking is that issuance volumes will rise by as much as 45 percent this year.

A total of $89.9 billion of domestic, private-label CMBS was issued in 2014, up 11.2 percent from the prior year.

While volume was up, it was roughly 10 percent shy of initial industry expectations, largely because of a lackluster first half of the year. Thanks to favorable interest rates, life-insurance companies and banks were able to win lending assignments that otherwise would have gone to CMBS lenders, whose funding costs were hit by volatility in the bond market. Things changed in the second half when rates declined, pushing life-insurance companies to the sidelines.

2014 Domestic, Private-Label CMBS Issuance

Deal Type	# Deals	Vol $mln	Mkt Shr%
Conduits	49	56,781.29	63.2
Single-borrower	45	25,622.55	28.5
Floater	12	5,574.07	6.2
Other	8	1,887.59	2.1

Source: Trepp LLC

The consensus is that issuance volumes will climb by at least another 18 percent and as much as 45 percent this year. That would bring issuance to between $105 billion and $130 billion, with roughly 75 percent of that volume in the form of conduits and the remainder a mix of single-borrower and floating-rate deals.

Last year's volume was comprised of 49 conduit deals, with an average size of $1.2 billion. This year, that average is sure to increase as lenders face improved borrower demand and are able to quickly sell warehoused loans.

"At some point, they'll have to get bigger," noted Richard Hill, CMBS analyst with Morgan Stanley. He noted that investors could be challenged to process large numbers of conduit transactions, so fewer larger deals would be ideal. In addition to providing efficiencies to investors, larger deals tend to be more liquid than smaller deals because they're more widely held.

Driving the optimism for this year's issuance is the upcoming wall of maturities. A total of $302.5 billion of CMBS loans are slated to mature between now and 2017, with some $75 billion of that coming due next year. When you add the maturity of loans held by other investor types, the total volume of maturities tops $360 billion. Most observers expect CMBS lenders to win up to one-third of the overall maturity universe and 85 percent of the universe of maturing CMBS loans.

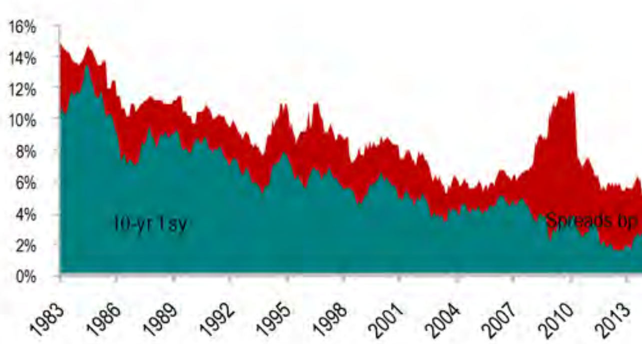
Of course, there's a risk that some loans will face challenges getting taken out. But that risk is somewhat mitigated if interest rates remain low, as expected. Recent comments by Federal Reserve Chairperson Janet Yellen indicate that the Fed would try to maintain a low interest-rate environment at least through the first half of 2015.

Meanwhile, the prospect of higher interest rates in the second half of the year and beyond will likely prompt many borrowers to either prepay early or defease loans that might not mature until 2016 or later. Last year, for instance, $18.9 billion of CMBS loans were defeased or replaced by government securities. Most think that post-recession record will be broken easily this year as borrowers scurry to beat possible higher interest rates.

While many experts view higher interest rates as a near certainty, few expect them to climb substantially this year. Rather, they anticipate a roughly 50-basis-point increase in the 10-year Treasury yield, the benchmark against which mortgages are priced. Such an increase would put the Treasury at about 2.7-2.75 percent. Meanwhile, lenders are expected to remain competitive, and are expected to squeeze their loan spreads, the risk premiums they attach to Treasurys to determine loan prices.

But higher rates could result in life-insurance companies becoming more competitive. Most are absolute yield investors and shy away from lending if they can't write loans with coupons of say 4 percent or more, depending on the collateral. As a result, the CMBS market won a number of sizable loans last year that ended up being securitized on a stand-alone basis.

Mortgage Spreads vs. 10-yr Treasurys



Source: Real Estate Capital Institute

If benchmark rates increase, insurance companies could very likely impact this year's issuance of single-borrower deals, putting downward pressure on overall issuance.

Offsetting the expected higher rates will be declining mortgage spreads. According to the Real Estate Capital

Continued on next page

Continued from previous page

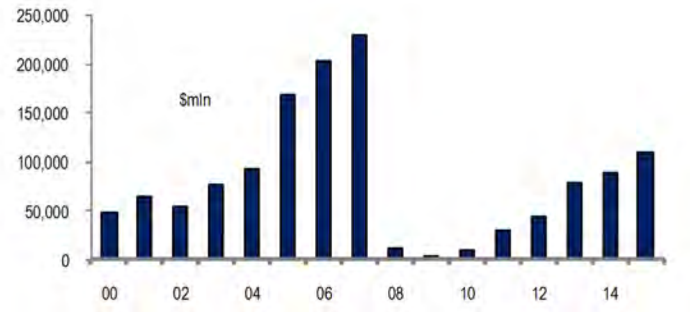
Institute, spreads last year narrowed by as much as 50 bps, putting mortgage rates at roughly 180-220 bps more than Treasurys. That compares with a spread of as much as 250 bps at the beginning of the year. Spreads are expected to continue to get squeezed, which would offset some of the expected increase in Treasury rates.

"There's some room for mortgage spreads to compress," explained Lea Overby, CMBS analyst with Nomura Securities.

As interest rates climb, the thinking is that additional investors would be drawn to CMBS. More investors would increase prices paid for bonds, which would allow lenders to squeeze the risk premiums on their loans.

Further driving the expected increase in CMBS lending volume will be a growing investment-sales market. Last year, an estimated $430 billion of properties changed hands, according to Real Capital Analytics. That amount was a post-recession high, and expectations are that sales volumes will climb by at least another 10 percent, to $475 billion. That alone should drive perhaps 25 percent of this year's projected CMBS volume, according to analysis by Citigroup's CMBS research team.

CMBS Issuance



Source: Trepp LLC

Property fundamentals remain healthy, at least in major markets, and investors are often climbing over themselves to buy trophy properties.

Meanwhile, lenders continue to push underwriting standards. Moody's Investors Service, for instance, noted that on a stressed basis, loans written during the fourth quarter had similar leverage levels as those written in 2006, during the market's last run-up. The rating agency warned that those levels could reach the previous market peak this year. ■

SEC Bypasses Franken Amendment to Revamp Ratings Practices

The SEC has, at least temporarily, passed on establishing a board that would have eliminated CMBS issuers' ability to select the agencies that rate their deals.

The government agency has been charged with considering the so-called Franken Amendment that calls for establishing a board that would have overseen the hiring of rating agencies for CMBS and other structured finance programs.

In lieu of establishing such an assignment board, the SEC in its most recent update of rating agency rules added new provisions to established regulations. Those regulations include Rule 17g-5, which since 2010 has required that all rating agencies have access to the same information on a deal and its collateral, regardless of whether they've been hired to rate that deal or not.

The new rules include requiring agencies to establish and follow prescribed guidelines for their ratings and have their chief executives annually attest to the soundness of the procedures. They also restrict agency employees involved in ratings work from also marketing ratings products, but allow for some exemptions.

Meanwhile, the assignments board proposed by the Franken Amendment would have assigned rating agencies to deals randomly or on a rotating basis and would have dictated contract terms, including prices, between issuers and rating agencies. The amendment, written by U.S. Senators Al Franken, a Minnesota Democrat, and Roger Wicker, a Mississippi Republican, is part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

An SEC spokesman declined comment on whether the government body intends to revisit the rating assignments board issue and consider establishing such a board in the future.

Sen. Franken has argued that taking away issuers' selection of their agencies would eliminate conflicts of interest and promote higher-quality ratings. Real estate industry groups have countered that the proposal doesn't take into account that issuers select specific agencies for the types of deals the agencies are best equipped to handle and that random assignments could result in lower-quality ratings.

Moreover, randomly assigning agencies may preclude a deal from attracting investors who require that their deals be rated by a specific agency.

"The bill assumes that structured finance is a homogenous, commodity product, but CMBS is not the same as credit cards or other assets," said Martin Schuh, vice president of legislative and regulatory policy at the Commercial Real Estate Finance Council. The board could also increase issuers' costs since they would be required to pay fees to keep it running.

Meanwhile, the new agency rules adopted by the SEC also include provisions that the rating agencies must have procedures for reviewing the past ratings work of employees who have since left their firms. That rule would also stipulate that they must immediately publish notifications if the employees' pending departure influenced a rating. For example, an employee who left to join an issuer may have been influenced to give that issuer's bonds a more favorable rating. ■

– John Covaleski

Investment-Sales Volume Climbs by 20% Last Year, to Rise Higher in 2015

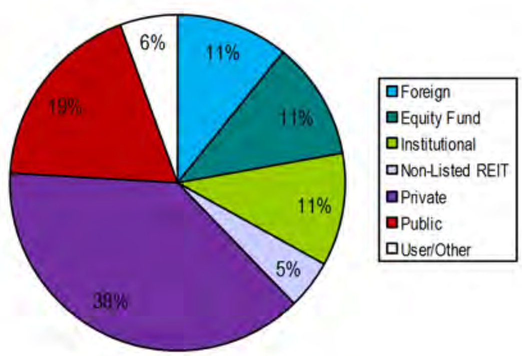
By Josh Mrozinski

The commercial property investment-sales market continues to improve, with about $430 billion of properties changing hands last year, up nearly 20 percent from the $361 billion that traded in 2013, according to Real Capital Analytics.

Last year marks the fifth straight year of increasing sales volume since 2009, when the capital-markets collapse resulted in only $68 billion of deals getting done. In 2007, the market's peak year, $573.5 billion of properties changed hands.

The belief is that 2015 will see a continued increase in sales volumes by at least 10 percent, to $475 billion, despite the expectation that interest rates will be higher than they were last year. However, higher rates are the wild card. If they climb sharply, all bets are off.

Investor Composition



Source: Trepp LLC

"If higher rates coincide with a weaker economy, you would see an effect on activity," explained Sam Chandan, president of Chandan Economics of New York.

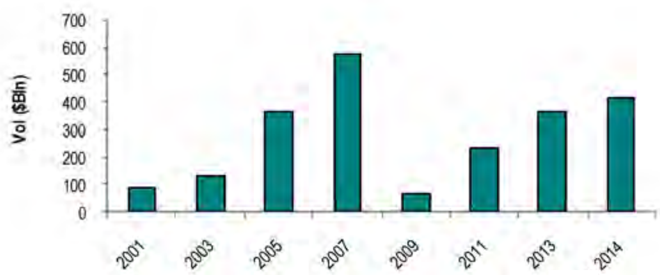
JPMorgan Securities' CMBS analysts have determined that every 100-basis-point increase in interest rates would result in a $50 billion decline in property sales, but few anticipate rates to climb by that much. Rather, they're expecting an increase of perhaps 50 bps. The negative impact that will have on sales volumes should be more than offset by continued strong investor demand.

Demand has been driven by investors' quest for yield. With stable properties providing returns of more than 4 percent, even in the best markets, some investors are increasing their allocations to the asset class.

In addition, foreign investors are becoming more interested in U.S. property markets. In 2014, they accounted for roughly $45 billion, or nearly 11 percent of the country's investment-sales volume, up from $36 billion, or 10 percent the year before. Their activity is expected to increase further in 2015.

Canadian investors have led the charge, with $12.2 billion of investments last year, up from $10.9 billion in 2013. Chinese investors accounted for $5.6 billion of deal volume, nearly double the $3 billion they invested last year.

Investment Sales Volume



Source: Trepp LLC

"The U.S. is a very attractive market for a lot of off-shore investors, on a relative basis," said Michael Zietsman, managing director and regional head of the Southwestern Capital Markets Group at JLL.

The best office properties in Manhattan, for instance, will trade at prices that result in capitalization rates, or initial yields, that are in the low-4 percent range. In Los Angeles, yields are in low-5 percent range, Zietsman said.

In contrast, cap rates for comparable properties in Tokyo, Hong Kong and Singapore are in the 2 percent to 3 percent range, while in London and other European markets, yields average slightly less than 4 percent.

Healthy demand for properties is likely to push prices higher. They're already at levels that top those reached during the market's previous peak. Prices for properties in major markets are now 16.6 percent higher than they were in December 2007, according to the Moody's/RCA Commercial Property Price Indices, while those for properties in non-major markets remain 9.6 percent below their previous peak.

Such pricing differences have already prompted investors to start scouring secondary markets for the best properties. Cap rates in Atlanta's strongest market, Buckhead, compressed last year by as much as 75 bps, pushing them closer to those in primary markets.

The "delta has clearly shrunk," explained Fred Arena, managing partner of Vision Equities/Arena Capital Group, a Mountain Lakes, N.J., property investor and developer. "Over the last 12 to 14 months, there has been substantial tightening." That will push some investors further afield, to markets like Columbus, Ohio, and Indianapolis, in search of yield.

"Capital is smart," explained Jeanette Rice, head of research for the Americas at CBRE. "It will look for sound opportunity beyond core markets."

The increasing competition and availability of both equity and debt capital could result in a further 20 to 30 bps decrease in cap rates, she said.

"The bottom line is that you will just have to accept lower returns if you want to be in the business," explained Peter Lewis, chairman and president of Wharton Equity Partners, a New York property investor.

High prices will likely lead some REITs to become sellers, while it has prompted others, such as Boston Properties, to shift to development, where it could generate greater returns than from buying existing, well-leased office properties in its favored markets. ■

Conduit Spreads Took Roller Coaster Ride in 2014

New-issue CMBS conduit spreads bounced around some this year, largely in response to broader market volatility.

Benchmark bonds, those with 30 percent subordination, 10-year average lives and the highest agency ratings, priced to yield from 71 basis points to 95 bps more than swaps.

The last conduit deal of the year, JPMBB Commercial Mortgage Securities Trust, 2014-C26, saw the widest spreads of the year, 95 bps more than swaps for its benchmark class and 390 bps more than swaps for its BBB- class. The deal was a victim of broader market discontent. The Dow Jones Industrial Average saw a 279-point decline the day the deal priced, while oil prices continued to reel amidst concern of a global economic slowdown.

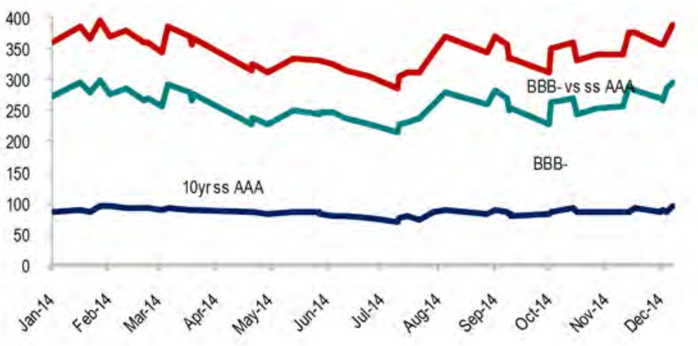
However, the year started on a bright note with COMM, 2014-CCRE14, which priced on Jan. 9. The deal saw spreads that were 8 bps to 50 bps higher than a conduit that priced just three weeks earlier.

Then the roller coaster started. Spreads on benchmark conduit bonds tightened to as little as 71 bps more than swaps in July, as investors gained confidence in the market's stability and Treasury rates inched higher, prompting renewed interest by absolute-yield investors.

Things then went south for a spell as Russia's invasion of eastern Ukraine gave markets the jitters. Treasury rates also dropped, prompting investors to demand additional yield from their fixed-income securities, which prompted spreads on benchmark bonds to climb as high as 90 bps more than swaps. ■

- Orest Mandzy

CMBS Conduit Spreads (bps vs. swaps)



Source: Trepp LLC

2H 2014 Conduit Issuance

Px Date	Trepp Abbr	Amt $mln	top10%	AAAJrLvl	BBB-Lvl	UW/DSC	IO %	Part IO%	PX10 AAA-Sr	PX-JRAAA	PX BBB
2-Jul	JPMBB 2014-C21	1,264.73	45.6	24.5	7.875	1.65	24.3	48.1	77	99	305
17-Jul	CGCMT 2014-GC23	1,232.07	54.1	22.25	6.5	1.94	24.4	43.8	71	95	285
18-Jul	WFRBS 2014-C21	1,422.65	42.2	23.5	7	1.98	18.5	35.6	77	99	305
23-Jul	COMM 2014-UBS4	1,288.30	47.1	22.75	7.5	1.58	20.7	38.9	78	105	310
30-Jul	MSBAM 2014-C17	1,036.84	47.3	25.75	7.625	1.58	23.9	38.8	74	100	310
6-Aug	JPMBB 2014-C22	1,135.41	47.3	23	8	1.56	12.9	59.2	85	115	345
13-Aug	COMM 2014-C19	1,174.16	42.4	22.375	7.625	1.72	10.7	39.6	90	118	370
5-Sep	WFRBS 2014-C22	1,487.60	43.6	23	7.375	2.16	17.0	48.2	84	115	345
9-Sep	COMM 2014-UBS5	1,416.36	44.6	22.875	7.267	1.76	20.6	54.1	88	123	370
16-Sep	GSMS 2014-GC24	1,074.35	52.7	25.5	7	1.64	15.1	47.7	87	110	355
17-Sep	JPMBB 2014-C23	1,355.63	50.5	23.625	8	1.68	24.5	51.9	84	110	335
18-Sep	COMM 2014-LC17	1,235.96	47.6	23.375	7.75	1.73	26.5	32.9	83	110	335
18-Sep	MSBAM 2014-C18	1,033.19	52.8	25.75	7.25	1.76	21.1	58.3	82	100	335
18-Sep	WFRBS 2014-C23	940.85	53.2	24	7.375	1.92	16.1	57.8	81	110	335
9-Oct	JPMBB 2014-C24	1,271.32	59.8	24	7.875	1.8	28.7	50.4	83	110	310
10-Oct	CGCMT 2014-GC25	842.02	59.7	24.625	7.75	1.58	15.2	59.8	87	125	350
22-Oct	COMM 2014-CR20	1182.59	53.9	24.625	8	1.8	32.1	24.4	91	125	360
24-Oct	WFRBS 2014-C24	1087.5	46.2	20.875	7.125	1.88	29.9	46.9	86	118	330
4-Nov	JPMBB 2014-C25	1,184.30	47.6	22.375	7.75	1.77	13.9	54.9	86	125	340
18-Nov	WFRBS 2014-C25	875.77	56.4	21.625	6.875	1.91	20.5	52.0	85	120	340
21-Nov	GSMS 2014-GC26	1,255.18	40.2	22.625	7.25	1.6	17.1	52.9	87	120	375
25-Nov	COMM 2014-UBS6	1,275.57	37.4	22.375	8	1.77	13.1	55.1	92	132	375
9-Dec	MSBAM 2014-C19	1,470.60	52.9	23.75	7.125	1.82	20.4	53.7	85	115	355
10-Dec	COMM 2014-CR21	824.84	51.4	23.625	8.625	1.75	32.7	34.6	90	135	355
12-Dec	WFCM 2014-LC18	1,138.48	36.2	21.5	7.25	2.1	13.9	43.1	85	125	370
16-Dec	JPMBB 2014-C26	1,449.61	37.6	23.5	8.125	1.69	12.5	66.0	95	125	390

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Defeasance Volume Hits $18.9Bln in 2014

Defeasance volume in 2014 rocketed to $18.9 billion, up 17 percent from $16.2 billion a year earlier.

Expectations are that if interest rates don't climb too rapidly and lenders continue their generous ways, volumes will continue climbing as property owners with loans that might be maturing in the next three years take advantage of the favorable conditions.

Defeasance involves the replacement of a loan's collateral with government securities that generate similar cash flows. As such, a CMBS transaction that has had a sizable chunk of its loan collateral get defeased would have an improved credit profile.

Such activity generally increases when values are on the rise, mortgage financing is abundant or interest rates are low, as is the case today.

During the previous market cycle, defeasance activity was driven by lenders who often provided financing based on a property's expected cash flows, as opposed to existing cash flows. That allowed property owners to squeeze more debt out of their properties than they previously owed.

This time around, defeasance has been driven primarily by lower interest rates, which allow properties to support larger mortgages than under higher rates, all other things remaining equal.

A total of 1,225 loans were defeased last year, and the average defeased loan had a balance of $15.5 million. But activity was concentrated among a few very large loans. The 15 largest loans to get defeased had a combined balance of $3.6 billion and were led by the $489 million mortgage against 112 Shopko stores. The loan was securitized through three CMBS deals: CD, 2006-CD3, which holds a $232.7 million piece; Citigroup Commercial Mortgage Securities Inc., 2006-C4, which holds a $178.9 million piece; and Cobalt CMBS Commercial Mortgage Trust, 2006-C1, which holds a $77.6 million piece.

Spirit Realty Capital Inc., which had acquired the properties in 2006 from the Green Bay, Wis., retailer, used proceeds from a pair of issues of unsecured bonds to retire the loan. Spirit was able to borrow at a rate of less than 3.75 percent—substantially lower than the CMBS debt's 6.588 percent coupon. The company said it would save money, even after accounting for some $54.7 million of defeasance costs.

- Orest Mandzy

Defeasance Volume - 2014

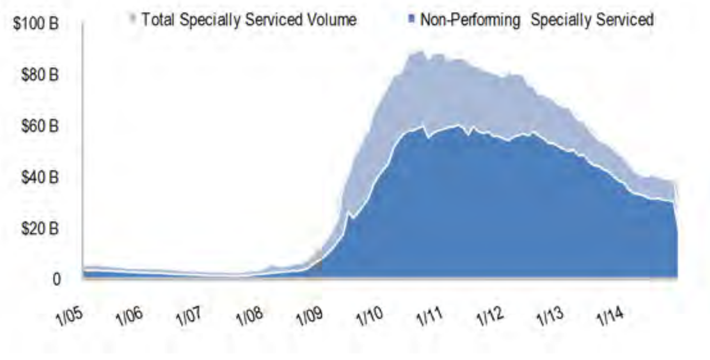
Source: Trepp LLC

Top Defeased Loans - 2014

Mo. of Defeasance	bloombergName	Vintage	Property Name	Property Type	Bal $mln	City	ST	DSCR	NOI $mln	Maturity
August	CD 2006-CD3	2006	ShopKo Portfolio	RT	231.27	Various	NA	1.64	69.45	6-Jun-15
June	CGCMT 2006-C4	2006			89.49				69.61	
June	CGCMT 2006-C4	2006			89.21				69.61	
October	CWCI 2006-C1	2006			76.85				69.61	
August	LBUBS 2006-C7	2006	520 Madison Avenue	OF	475.00	New York	NY	1.94	57.47	11-Oct-16
March	LBUBS 2007-C7	2007	Aventura Mall	RT	430.00	Aventura	FL	1.91	50.08	11-Dec-17
September	COMM 2006-C8	2006	Mall of America	RT	345.00	Bloomington	MN	1.83	82.05	1-Dec-16
October	MSC 2006-HQ9	2006	225 Franklin Street	OF	225.00	Boston	MA	2.80	42.06	1-Jul-16
July	BALL 2009-FDG	2009	FLAGLER DEVELOPMENT GROUP PORTFOLIO Note A	MU	216.15	Various	FL	2.13	58.63	10-Jan-17
January	GCCFC 2005-GG3	2005	1440 Broadway	OF	207.37	New York	NY	1.48	24.79	6-Mar-15
September	BALL 2006-277A	2006	Mezzanine loan	OF	200.00	New York	NY	1.98	68.61	10-Oct-15
May	LBUBS 2005-C2	2005	909 Third Avenue	OF	193.02	New York	NY	1.15	20.53	11-Apr-15
August	GECMC 2006-C1	2006	277 Park Avenue	OF	190.00	New York	NY	2.90	67.86	10-Oct-15
February	BACM 2006-4	2006	Technology Corners at Moffett Park	OF	176.95	Sunnyvale	CA	2.14	31.06	1-Aug-16
July	LBUBS 2005-C1	2005	2100 Kalakaua Avenue	RT	130.00	Honolulu	HI	1.30	9.95	11-Dec-14
September	GECMC 2005-C2	2005	Loews Miami Beach	LO	62.19	Miami Beach	FL	3.39	36.36	1-Apr-15
September	COMM 2005-LP5	2005			41.46			3.54	37.95	
September	GMACC 2005-C1	2005			20.73			3.22	34.79	
October	CSFB 2005-C3	2005	San Diego Office Park	OF	113.00	San Diego	CA	1.32	10.25	11-Apr-15

The Data Digest

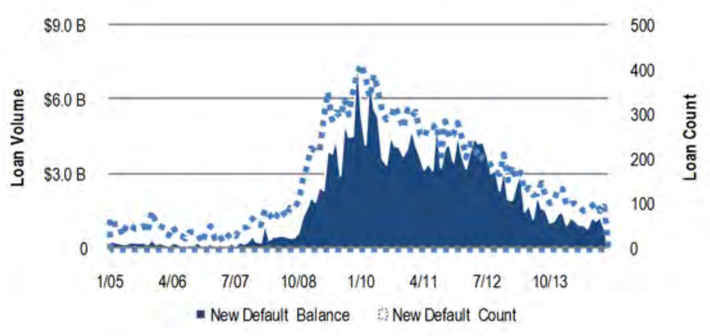
Special Servicer Volume



Source: Trepp LLC

In September 2010, some $89.9 billion of debt was in the hands of CMBS special servicers. That total fell sharply by November 2014, to $39.2 billion. The volume of nonperforming specially-serviced loans also has been cut nearly in half during that same time period.

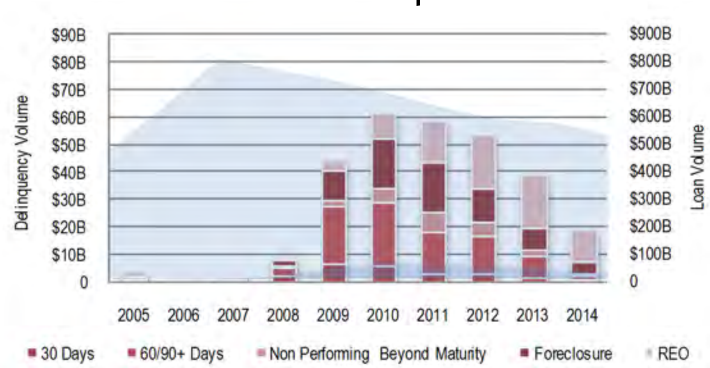
Monthly New Defaults



Source: Trepp LLC

January 2014 saw 134 loans with a balance of $563.5 million go into default. In June, only 85 defaulted, but those had a balance of some $2.1 billion. That compares to January 2010, when 411 loans with a balance of $5 billion defaulted and May 2009, which saw 350 loans with a balance of $13 billion default.

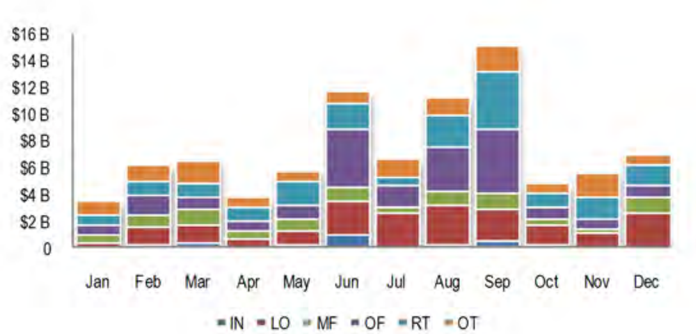
Total Annual Delinquencies



Source: Trepp LLC

In 2013, the volume of delinquent loans was nearly $400 billion. In 2014, that volume was cut in half. The volume is at its lowest level since prior to the capital-markets crash in 2008.

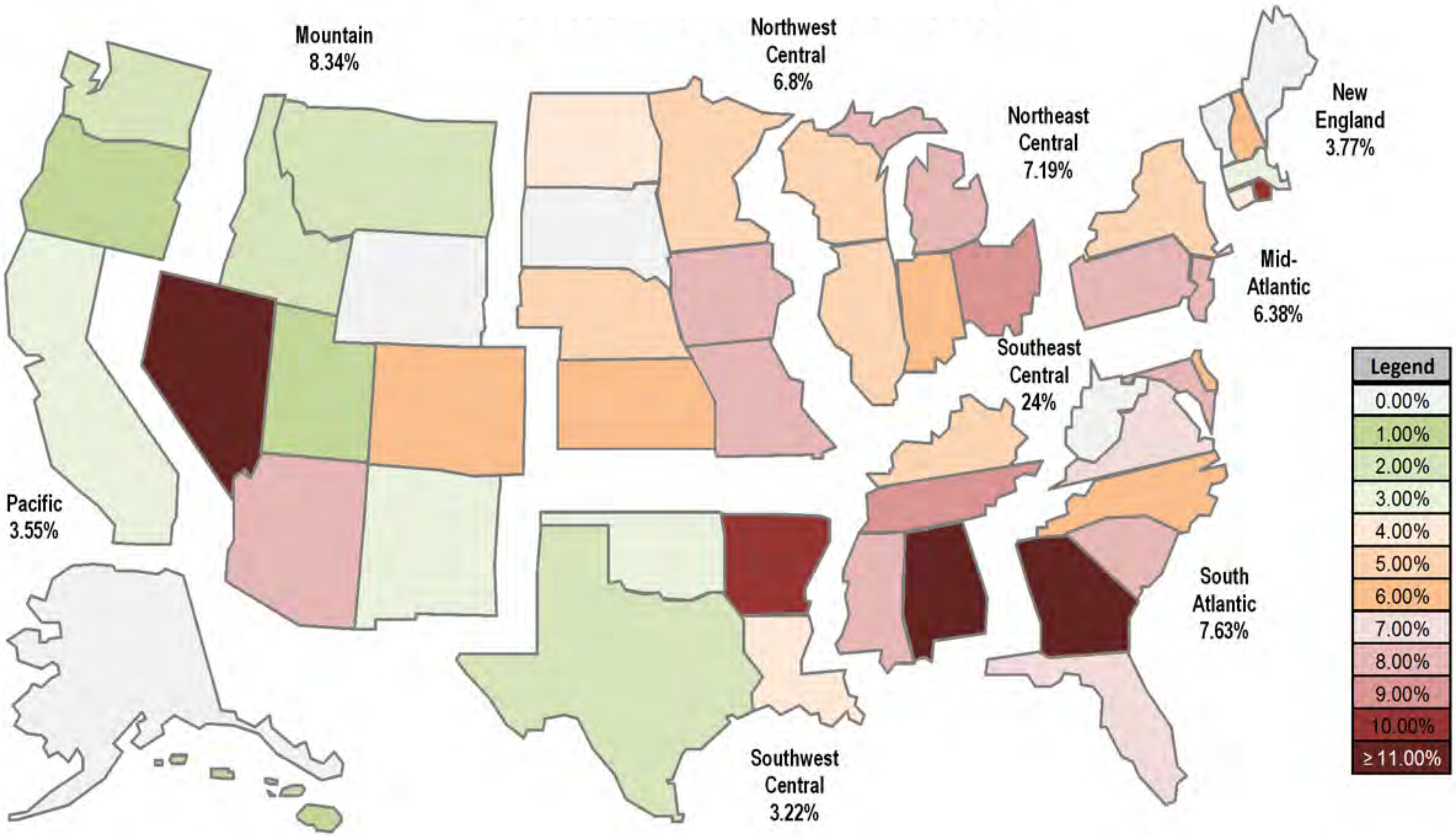
2014 CMBS Activity



Source: Trepp LLC

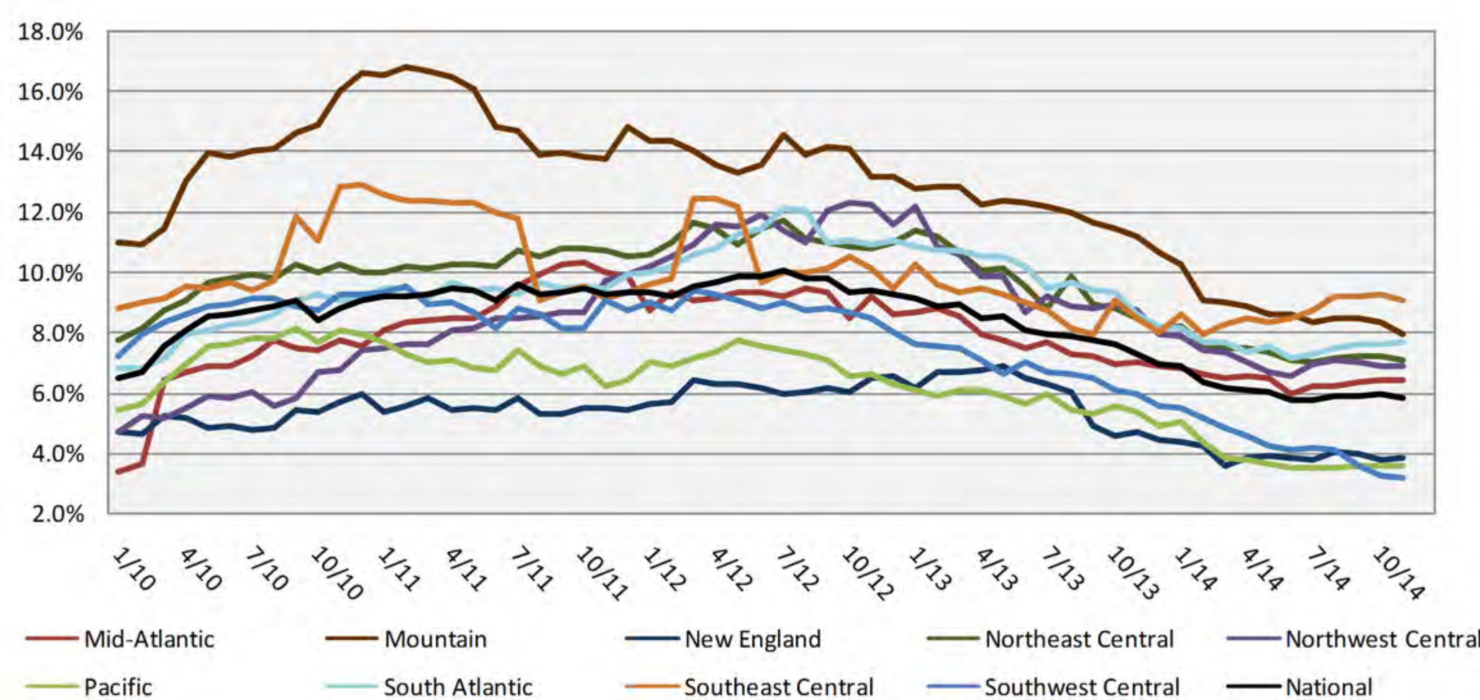
CMBS activity this year peaked in September, with almost $15 billion of debt finding its way into securitized transactions. The office sector accounted for $21.2 billion of the year's $89.9 billion of securitized debt.

Delinquencies by State



Source: Trepp LLC

Delinquencies by Region



Source: Trepp LLC

MEET THE TEAM

Orest Mandzy
managing editor
orest.mandzy@crenews.com

Manus Clancy
Senior Managing Director
Trepp LLC
Manus_Clancy@trepp.com

Bob Ferguson
vice president, Sales
bob.ferguson@crenews.com

Joe McBride
Research Associate
Trepp LLC
Joe_McBride@trepp.com

Josh Mrozinski
Staff Writer
josh.mrozinski@crenews.com

Susan Persin
Senior Director of Research
Trepp LLC
Susan_Persin@trepp.com

John Covaleski
staff writer
john.covaleski@crenews.com

Sarah Quirk
Associate Manager, Marketing
Trepp LLC
Sarah_Quirk@trepp.com

Dan Moynihan
copy editor
daniel.moynihan@crenews.com