



US CMBS Delinquency Report: Delinquency Rate Increases Yet Again in April

In what's become a prevailing trend over the past year, the Trepp CMBS Delinquency Rate was pushed higher again in April as a large amount of loans reached their balloon dates and failed to pay off. After hitting a post-crisis low in February 2016, the rate has moved steadily higher in the months following. The delinquency rate for US commercial real estate loans in CMBS is now 5.52%, an increase of 15 basis points from March. The reading has consistently climbed over the past year as loans from 2006 and 2007 have reached their maturity dates and have not been paid off via refinancing. The rate has increased in 12 of the last 14 months.

The rate is now 129 basis points higher than the year-ago level, and 29 basis points higher year-to-date. The reading hit a multi-year low of 4.15% in February 2016. The all-time high was 10.34% in July 2012.

We've noted repeatedly that it is hard to see the rate going down anytime in the near future. It's a prediction we stand by, as pre-crisis loans continue to reach their balloon dates every month. If a loan posted strong financials and a impressive tenant roster, chances are that loan would have been defeased or paid off at its earliest "free" period. With this in mind, it's assumed that the loans that reach their maturity dates are of weaker

credit quality and don't meet today's lending standards. In addition, the loans coming due now were made towards the end of the 2007 cycle and underwritten very liberally. So, don't be surprised if the delinquency rate continues to rise.

Delinquency rates for four of the five major property types increased in April. The reading for the lodging sector was the only one to fall last month.

Almost \$2.5 billion in loans became newly delinquent in April. This put 58 basis points of upward pressure on the delinquency rate. Almost \$800 million in loans were cured last month, which helped push delinquencies lower by 19 basis points. About \$864 million in previously delinquent CMBS loans were resolved with a loss or at par in April. Removing those previously distressed assets from the numerator of the delinquency calculation moved the rate down by 20 basis points.

A sizable portion of the newly delinquent balance from April can be attributed to a group of four loans. Each of those notes carry a balance in excess of \$120 million, and reached their maturity dates without payoff.

The Numbers

- The overall US CMBS delinquency rate jumped 15 basis points to 5.52%.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.42%, up 24 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 5.69%, up 14 basis points from March.

DELINQUENCY STATUS	
Current	94.31%
30 Days Delinquent	0.10%
60 Days Delinquent	0.04%
90 Days Delinquent	0.15%
Performing Matured Balloon	0.16%
Non-Performing Matured Balloon	1.29%
Foreclosure	1.67%
REO	2.27%

Source: Trepp

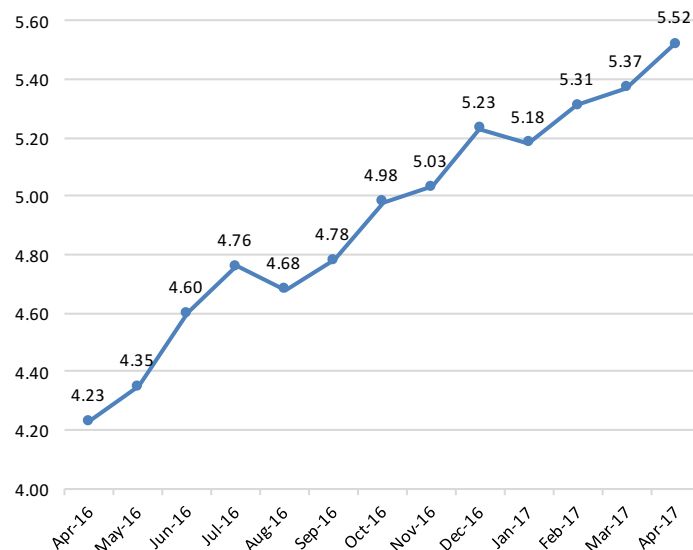
Historical Perspective

- One year ago, the US CMBS delinquency rate was 4.23%.
- Six months ago, the US CMBS delinquency rate was 4.98%.
- One year ago, the rate of seriously delinquent loans was 4.13%.
- Six months ago, the rate of seriously delinquent loans was 4.87%.

Property Type Analysis

- The industrial delinquency rate moved up 12 basis points to 7.15%.
- The delinquency reading for lodging notes dropped 48 basis points to 3.22%.
- The multifamily delinquency rate inched up six basis points to 2.66%. Apartment loans remain the best performing major property type.
- The office delinquency rate jumped 59 points to 7.97%.
- The delinquency rate for retail loans increased 18 basis points to 6.30%.

PERCENTAGE 30+ DAYS DELINQUENT



Source: Trepp

DELINQUENCY RATE BY PROPERTY TYPE

	Apr 17	Mar 17	Feb 17	3 Mo.	6 Mo.	1 Yr.
Industrial	7.15	7.03	5.94	6.02	5.54	5.95
Lodging	3.22	3.70	3.43	3.56	3.43	2.87
Multifamily	2.66	2.60	2.82	2.96	2.41	2.32
Office	7.97	7.38	7.65	7.11	6.44	5.30
Retail	6.30	6.12	5.93	6.10	6.19	5.20

Source: Trepp

TOP 5 NEWLY DELINQUENT LOANS

Property Name	Current Balance	Prop Type	City	State	New DQ Status	Deal Name
Two Herald Square	\$200,000,000	MU	New York	NY	Non-Performing Beyond Maturity	WBCMT 2007-C32
JP Morgan Portfolio	\$198,500,000	MU	Various	VR	Non-Performing Beyond Maturity	GECMC 2007-C1
Save Mart Portfolio	\$160,557,877	RT	Various	CA	Non-Performing Beyond Maturity	JPMCC 2007-LD11
Mall of Acadiana	\$124,718,836	RT	Lafayette	LA	Non-Performing Beyond Maturity	BACM 2007-2
Koger Center	\$115,500,000	OF	Tallahassee	FL	Non-Performing Beyond Maturity	CSMC 2007-C1

Source: Trepp

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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