



CMBS Delinquency Rate Plunges to Lowest Level in 15 Months

Just like the thermometer over the last two weeks, the Trepp CMBS Delinquency Rate fell sharply in December. The final reading of 2017 was the lowest reading since September 2016, which was in the middle of the Wall of Maturities. December also marked the sixth straight month in which the reading has dropped.

The delinquency rate for US commercial real estate loans in CMBS is now 4.89%, a decrease of 29 basis points from the November level.

The 29-basis-point drop is the largest monthly dip since January 2016 when several large troubled CMBS loans were resolved, including the \$3 billion Stuyvesant Town/Peter Cooper Village loan.

After hitting a post-crisis low in February 2016, the reading climbed steadily for more than a year as loans from the "bubble" years of 2006 and 2007 reached their maturity dates and were not paid off.

The delinquency rate moved up 13 times in the 16 months between March 2016 and June 2017. However,

CHART 1: DELINQUENCY STATUS

Current	94.93%
30 Days Delinquent	0.06%
60 Days Delinquent	0.02%
90 Days Delinquent	0.11%
Performing Matured Balloon	0.19%
Non-Performing Matured Balloon	0.66%
Foreclosure	1.71%
REO	2.33%

Source: Trepp

CHART 2: DELINQUENCY RATE BY PROPERTYTYPE (% 30 DAYS +)

	DEC-17	NOV-17	OCT-17	3 MO.	6 MO.	1 YR.
Industrial	5.67	6.10	6.24	6.55	7.57	5.62
Lodging	3.82	3.63	3.42	3.84	3.53	3.57
Multifamily	2.36	2.71	2.98	3.00	3.92	2.72
Office	6.40	6.50	6.92	7.10	7.67	7.13
Retail	6.13	6.79	6.47	6.55	6.65	6.37

Source: Trepp

the delinquency level has receded since June as bubble-year loans have passed their maturity date and been resolved. Put another, simpler way: fewer loans are defaulting, and those that defaulted in recent years are being resolved away (often with losses).

In the beginning of the summer, we noted that further rate declines were possible in the following months as the Wall of Maturities passed. Delinquencies have now fallen in each of the last six months, and further reductions could be in the cards for 2018.

The December 2017 rate is 34 basis points lower than the year-ago (or 2016 year-end) level.

The reading hit a multi-year low of 4.15% in February 2016. The all-time high was 10.34% in July 2012.

More than \$800 million in loans became newly delinquent in December, which put 20 basis points of upward pressure on the delinquency rate. About \$835 million in loans were cured last month, which reduced the delinquency rate by 20 basis points. Roughly \$1.16 billion in previously delinquent CMBS loans were resolved with a loss or at par in December. Those resolutions shaved 28 basis points off the December reading.

The Numbers

- The overall US CMBS delinquency rate fell 29 basis points to 4.89% in December.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 4.83%, down 18 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 5.00%, down 30 basis points from November.

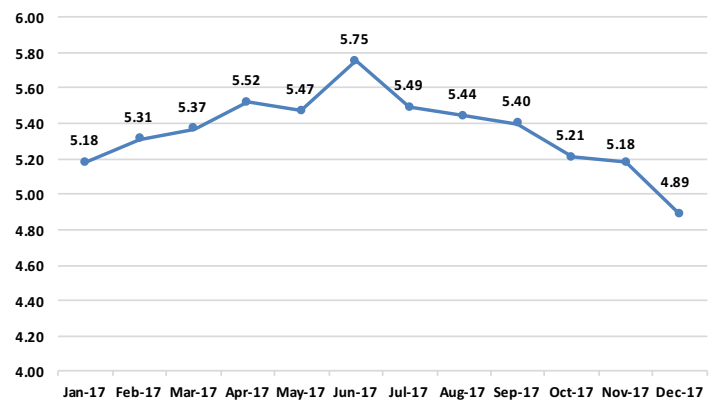
Historical Perspective

- One year ago, the US CMBS delinquency rate was 5.23%.
- Six months ago, the US CMBS delinquency rate was 5.75%.
- One year ago, the rate of seriously delinquent loans was 5.08%.
- Six months ago, the rate of seriously delinquent loans was 5.65%.

Property Type Analysis

- The industrial delinquency rate fell 43 basis points to 5.67%. Year-over-year, the industrial reading was up five basis points.
- The delinquency reading for hotel loans increased 19 basis points to 3.82%. The lodging rate moved up 25 basis points year-over-year, the worst move of any major property type.

GRAPH 1: CMBS: PERCENTAGE 30+ DAYS DELINQUENT



Source: Trepp

CHART 3: FIVE LARGEST NEWLY DELINQUENT CMBS LOANS

LOAN NAME	BALANCE	PROP TYPE	CITY	STATE	DELINQUENCY STATUS	CMBS DEAL
Independence Mall	\$200,000,000.00	RT	Independence	MO	Foreclosure	WBCMT 2007-C33
JQH Hotel Portfolio (Rollup)	\$100,000,000.00	LO	Various	-	Non-Performing Beyond Maturity	BACM 2007-3
4000 Wisconsin Avenue	\$53,000,000.00	OF	Washington	DC	30 Days Delinquent	BACM 2007-5
Sheraton Station Square	\$39,000,000.00	LO	Pittsburgh	PA	Non-Performing Beyond Maturity	CGCC 2014-FL2
NorthPointe Apartments	\$38,082,516.15	MF	Euclid	OH	30 Days Delinquent	COMM 2013-LC13

Source: Trepp

- The multifamily delinquency reading dropped 35 basis points to 2.36%. Apartment loans remain the best performing major property type. Year-over-year, the multifamily rate fell 36 basis points.
- The office delinquency rate decreased by 10 basis points to 6.40%. Year-over-year, the office rate moved down 73 basis points, which represented the greatest improvement of any major property type.
- The retail delinquency rate plunged 66 basis points to 6.13%. The retail reading finished 24 basis points lower year-over-year.

For inquiries about the data analysis conducted in this research, contact info@trepp.com or call 212-754-1010. For press inquiries, contact press@trepp.com.

About Trepp

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