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CMBS Research
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February Loss Analysis: Average Severity Dips on Low Volume

CMBS liquidation volume fell in February as average loss severity remains at a low level. Last month, 29 loans totaling $377.3 million paid off with losses, with the average loan size clocking in at $13.0 million. The 29 loans were resolved with an average loss severity of 32.50%, down from 35.0% in January. February's average severity is considerably lower than the six-month moving average of 47.19%.

CHART 1: TOTAL CMBS LOSSES - LAST SIX MONTHS

DATE	LOAN COUNT	LOAN BALANCE	REALIZED LOSSES	LOSS SEVERITY (%)
September - 17	47	$478,393,985	$208,331,027	43.55
October-17	37	$609,627,651	$219,312,601	35.97
November-17	54	$881,149,509	$483,961,818	54.92
December-17	76	$1,021,319,349	$627,513,095	61.44
January-18	39	$595,436,476	$208,506,174	35.02
February-18	29	$377,274,279	$122,617,244	32.50

Although the office sector posted the highest average loss severity, the retail sector tallied the largest realized loss total last month. There was an aggregate $66.8 million in retail loan losses, the bulk of which came from the write-down of the $59.9 million Chesapeake Square note. That loan's loss amount accounts for more than 50% of the aggregate realized loss tied to all disposals in February. Realized losses from the office sector followed with $45.4 million, most of which was also tied to one loan, the $25.6 million 3 Gannett Drive loan which was resolved with a 101% loss.

CHART 2: FEBRUARY AVERAGE LOSS SEVERITY BY PROPERTY TYPE - ALL LOANS

PROPERTY TYPE	LOAN COUNT	LOAN BALANCE	REALIZED LOSSES	LOSS SEVERITY (%)
RT	8	$97,931,131	$66,817,291	68.23
OF	6	$64,008,517	$45,438,343	70.99
LO	4	$96,760,085	$5,916,565	6.11
IN	3	$57,908,841	$3,830,092	6.61
MU	2	$51,226,806	$517,746	1.01
OT	6	$9,438,899	$97,207	1.03
Total	**29**	**$377,274,279**	**$122,617,244**	**32.50**

The retail and lodging sectors combined to account for more than half of the month's disposition volume. However, the $96.8 million of hotel debt that paid off with losses was resolved with a light 6.1% average severity. This helped bring the month's overall loss percentage down significantly. The largest lodging loan that was liquidated was the $57.0 million Westin – Falls Church, VA note, which was dealt a relatively small loss amounting to 8.8% of the outstanding balance. The underlying asset was a 405-room, full-service Westin hotel located in a Washington, DC suburb. The hotel's RevPAR and DSCR began to fall in 2014 due to declining government contribution, and the appraisal value of the loan collateral was slashed from $96 million at securitization to just $60.5 million last year. The loan made up nearly 19% of WBCMT 2006-C28 prior to disposal.

Another notable piece of February's disposition activity was the liquidation of the $97.8 million BlueLinx Holdings. Securitized as two pari passu notes in BACM 2006-4 and WBCMT 2006-C27, the loan was originally backed by a portfolio of 57 industrial distribution centers and one office operated by Atlanta building products firm Bluelinx Holdings. Since origination, roughly two dozen of those properties have been released from the collateral pool. Commercial Real Estate Direct reported earlier this year that Bluelinx sold off four of its properties in long-term sale-leaseback agreements. The sales of those properties generated $110 million in proceeds that were used to pay down the firm's remaining debt, which helped the loan resolve with less than 2% in losses at disposition.

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