



US CMBS Delinquency Report: Delinquency Rate Retreats Modestly in January

The Trepp CMBS Delinquency Rate, which had been moving steadily higher for almost a year, fell modestly in January. Last month, the rate hit its highest level in 14 months, but January's reading bucked the recent trend. The delinquency rate for US commercial real estate loans in CMBS is now 5.18%, a drop of five basis points from December. The delinquency rate moved higher in nine of the previous 10 months. The reading has climbed steadily as loans from 2006 and 2007 have reached their maturity dates and have not been paid off via refinancing.

The rate is now 86 basis points higher than the year-ago level. The rate hit a multi-year low of 4.15% in February 2016. The all-time high was 10.34% in July 2012.

The dip in January comes as a bit of a surprise. With a cascade of loans from the 2007 vintage coming due in 2017, we noted last month that "it is hard to see the rate going down any time in the near future." For at least one month, that prediction failed to hold true. We will now watch to see whether this is indeed a blip or an inflection point. One thing that would push the rate lower is a quickened pace of loan resolutions for notes in default. If that were to take place, the reading could certainly hold steady or continue to fall.

Many of the stronger performing loans from 2006 and 2007 were either defeased prior to maturity, or paid off during their open period. Those that made it to their maturity date tended to be loans with more middling debt service coverage or uncertainty in their rent rolls.

In January, almost \$2 billion in loans became newly delinquent. This put 45 basis points of upward pressure on the delinquency rate, and served as evidence that the rate at which water is going into the bathtub is still formidable. A sizable portion of the \$2 billion comes from loans that had been current, but are now "non-performing loans that are beyond the maturity date."

Offsetting the jump in delinquent loans were CMBS loans that were previously delinquent but paid off with

a loss or at par. That group totaled about \$1.8 billion (or water leaving the bathtub, to complete the analogy). Removing these previously distressed assets from the numerator of the delinquency calculation helped move the rate down by 40 basis points. Just over \$700 million in loans were cured last month, which helped push delinquencies lower by another 16 basis points.

Delinquency Status	
Current	94.74%
30 Days Delinquent	0.17%
60 Days Delinquent	0.04%
90 Days Delinquent	0.16%
Performing Matured Balloon	0.06%
Non-Performing Matured Balloon	0.94%
Foreclosure	1.62%
REO	2.25%

Source: Trepp

The Numbers:

- The overall US CMBS delinquency rate fell five basis points to 5.18%.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.01%, seven basis points lower for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 5.40%, down six basis points from December.

Delinquency Rate by Property Type						
	Jan 17	Dec 16	Nov 16	3 Mo.	6 Mo.	1 Yr.
Industrial	6.02	5.62	5.68	5.54	5.63	5.96
Lodging	3.56	3.57	3.63	3.43	3.12	2.82
Multifamily	2.96	2.72	2.50	2.41	2.51	2.31
Office	7.11	7.13	6.57	6.44	6.23	5.24
Retail	6.10	6.37	6.18	6.19	5.76	5.62

Source: Trepp

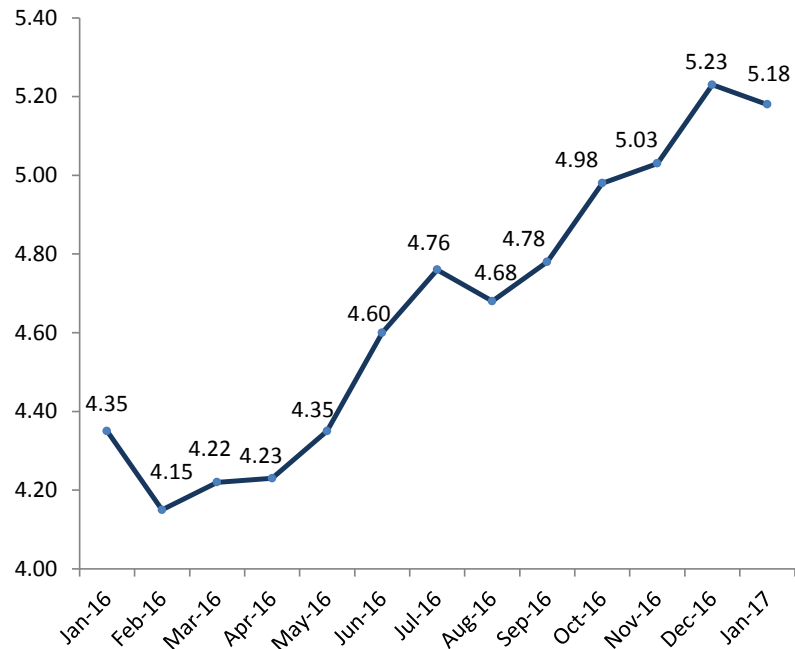
Historical Perspective:

- One year ago, the US CMBS delinquency rate was 4.35%.
- Six months ago, the US CMBS delinquency rate was 4.76%.
- One year ago, the rate of seriously delinquent loans was 4.16%.
- Six months ago, the rate of seriously delinquent loans was 4.67%.

Property Type Analysis:

- The industrial delinquency rate jumped 40 basis points to 6.02%.
- The lodging delinquency rate fell one basis point to 3.56%.
- The multifamily delinquency rate increased 24 basis points to 2.96%. Apartment loans remain the best performing major property type.
- The office delinquency rate dropped two basis points to 7.11%.
- The delinquency rate for retail loans came down 27 basis points to 6.10%.

Percentage 30+ Days Delinquent



Source: Trepp

Top 5 Newly Delinquent Loans

Property Name	Current Balance	Prop Type	City	State	New DQ Status	Deal Name
Southern Hills Mall	\$100,700,000	RT	Sioux City	IA	Non-Performing Beyond Maturity	BACM 2006-3
Rockvale Square	\$92,400,000	RT	Lancaster	PA	30 Days Delinquent	WBCMT 2007-C32
Boulevard Mall	\$91,865,830	RT	Amherst	NY	Foreclosure	GCCFC 2007-GG9
Shoppes at Park Place	\$71,000,000	RT	Pinellas Park	FL	Non-Performing Beyond Maturity	MSC 2007-T25
Hercules Plaza	\$65,106,036	OF	Wilmington	DE	30 Days Delinquent	WBCMT 2006-C25

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

Trepp, LLC, founded in 1979, is the leading provider of information, analytics and technology to the CMBS, commercial real estate and banking markets. Trepp provides primary and secondary market participants with the web-based tools and insight they need to increase their operational efficiencies, information transparency and investment performance. From its offices in New York, San Francisco and London, Trepp serves its clients with products and services to support trading, research, risk management, surveillance and portfolio management. Trepp is wholly-owned by DMGI, the information publishing division of the Daily Mail and General Trust (DMGT).