US CMBS Delinquency Report: Delinquency Rate Jumps by Largest Amount in Over Five Years

The impact of the "wall of maturities" on the CMBS market has not been one of much consequence. That changed in June, as the Trepp CMBS Delinquency Rate increased by its largest amount in over five years. The delinquency rate for US commercial real estate loans in CMBS is now 5.75%, an increase of 28 basis points from May.

After hitting a post-crisis low in February 2016, 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. However, the last time the rate increased this much was in March 2012. The rate has moved up in 13 of the last 16 months.

Delinquency readings for all five major property types increased in June, including a jump of more than 100 basis points for the mutlifamily sector.

To be sure, the incline in the delinquency rate during this wall of maturities window has only been a fraction of what many expected a few years ago. At that time, worries were plenty that many 2007 vintage loans would fail to pay off when they reached their maturity dates. The 28-basis-point jump is also well below the increases seen throughout 2010, when the delinquency rate would regularly climb by 40 basis points or more each month.

DELINQUENCY STATUS	
Current	93.85
30 Days Delinquent	0.10
60 Days Delinquent	0.03
90 Days Delinquent	0.20
Performing Matured Balloon	0.39
Non-Performing Matured Balloon	1.31
Foreclosure	1.77
REO	2.34

Source: Trepp

The June 2017 rate is now 115 basis points higher than the year-ago level, and 52 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.

Last month, we noted that it was hard to see the rate going down anytime in the near future – something that came to pass in June. We added that we still believed the rate should continue to inch higher over the next few months as pre-crisis loans reached their balloon dates.

About $2.4 billion in loans became newly delinquent in June, which put 58 basis points of upward pressure on the delinquency rate. About two-thirds of that $2.4 billion came from loans that reached their balloon date and did not pay off. A reduction in the denominator also helped push the delinquency rate higher, as over $10 billion in performing loans paid off.

Over $400 million in loans were cured last month, which helped push delinquencies lower by 10 basis points. About $1.3 billion in CMBS loans that were previously delinquent were resolved with a loss or at par in June. Removing those previously distressed assets from the numerator of the delinquency calculation moved the rate down by 31 basis points.

The Numbers:

- The overall US CMBS delinquency rate jumped 28 basis points to 5.75%.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.65%, up 30 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 5.92%, up 31 basis points from May.

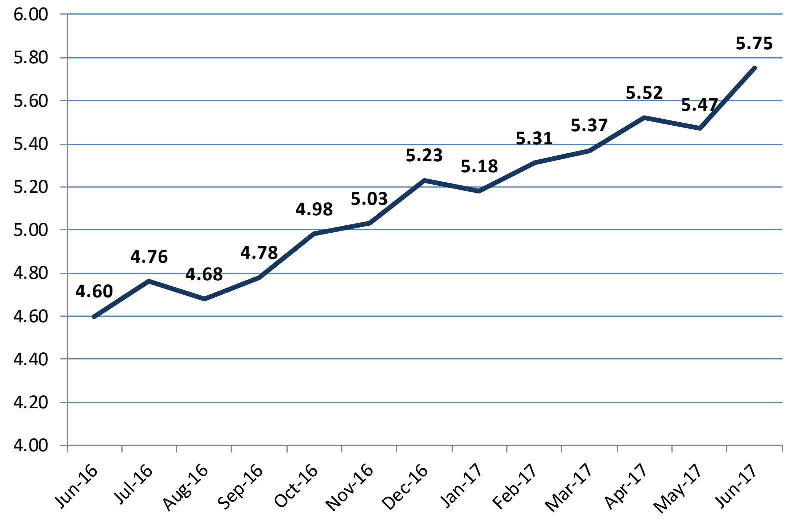
Historical Perspective:

- One year ago, the US CMBS delinquency rate was 4.60%.
- Six months ago, the US CMBS delinquency rate was 5.23%.
- One year ago, the rate of seriously delinquent loans was 4.48%.
- Six months ago, the rate of seriously delinquent loans was 5.08%.

Property Type Analysis:

- The industrial delinquency rate moved up 20 basis points to 7.57%.
- The delinquency reading for lodging notes jumped 11 basis points to 3.53%. Hotel loans are now the best performing major property type.
- The multifamily delinquency rate spiked 110 basis points to 3.92%. Apartment loans are no longer the best performing major property type after two large portfolio loans failed to pay off in June.
- The office delinquency rate increased 21 basis points to 7.46%.
- The retail delinquency rate rose 15 basis points to 6.65%.

PERCENTAGE 30+ DAYS DELINQUENT



Source: Trepp

DELINQUENCY RATE BY PROPERTY TYPE

	Jun 17	May 17	Apr 17	3 Mo.	6 Mo.	1 Yr.
Industrial	7.57	7.37	7.15	7.03	5.62	5.95
Lodging	3.53	3.42	3.22	3.70	3.57	3.27
Multifamily	3.92	2.82	2.66	2.60	2.72	2.35
Office	7.67	7.46	7.97	7.38	7.13	5.76
Retail	6.65	6.50	6.30	6.12	6.37	5.72

Source: Trepp

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.

TOP 5 NEWLY DELINQUENT LOANS

Loan Name	Current Balance	Prop Type	City	State	Delinquency Status	CMBS Deal
400 Atlantic Street	265,000,000.00	OF	Stamford	CT	Non-Performing Beyond Maturity	GSMS 2007-GG10
Empirian Multifamily Portfolio Pool 1 - A note	177,713,611.20	MF	Various	VR	Non-Performing Beyond Maturity	MLMT 2007-C1
Empirian Multifamily Portfolio Pool 3 - A note	140,893,917.40	MF	Various	VR	Non-Performing Beyond Maturity	MLMT 2007-C1
HPI - GSA Portfolio (Rollup)	114,645,878.30	MU	Various	VR	Non-Performing Beyond Maturity	BACM 2007-3
JQH Hotel Portfolio (Rollup)	100,000,000.00	LO	Various	VR	Non-Performing Beyond Maturity	BACM 2007-3

Source: Trepp

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).