



US CMBS Delinquency Report: Delinquency Rate Jumps In June Thanks to Balloon Defaults

The Trepp CMBS Delinquency Rate moved noticeably higher in June, as the rate was pushed up by loans that reached their maturity date but were not paid off. It was the fourth straight month that the rate has crept higher following two large decreases in January and February. The delinquency rate for US commercial real estate loans in CMBS is now 4.60%, an increase of 25 basis points from May. The rate is 85 basis points lower than the year-ago level and 57 basis points lower since the beginning of the year. However, the rate is now 45 basis points above its multi-year low of 4.15% which was reached in February 2016. The all-time high was 10.34% in July 2012.

In June, CMBS loans that were previously delinquent but paid off with a loss or at par totaled almost \$900 million. Removing these previously distressed assets from the numerator of the delinquency calculation helped move the rate down by 18 basis points. Over \$500 million in loans were cured last month, which helped push delinquencies lower by another 10 basis points. However, over \$2 billion in loans became newly delinquent, which put 42 basis points of upward pressure on the delinquency rate. Also putting upward pressure on the number was a falling denominator: over \$13 billion in loans were paid off, forcing the remaining delinquent loans to have an increased weight.

Of note is the percentage of loans that were classified as "non-performing loans that were past their balloon date." That number jumped 14 basis points in June. These would be loans that reached their maturity date and did not pay off or make an interest payment to satisfy the debt service. Separately, loans that were past their maturity date

but did make an interest payment jumped 22 basis points in June. Trepp does not include the latter category as delinquent, but it does serve as another data point that indicates that borrowers are having trouble refinancing their loans. This is particularly true of loans issued before the financial crisis.

The Numbers:

- The overall US CMBS delinquency rate increased 25 basis points to 4.60%.
- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 4.48%, up 24 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 4.83% - up 25 basis points.
- There are currently \$22.5 billion in delinquent loans. This number excludes loans that are past their balloon date, but are current on interest payments.

Delinquency Status	
Current	95.12%
30 Days Delinquent	0.12%
60 Days Delinquent	0.08%
90 Days Delinquent	0.22%
Performing Matured Balloon ¹	0.29%
Non-Performing Matured Balloon	0.64%
Foreclosure	1.20%
REO	2.34%

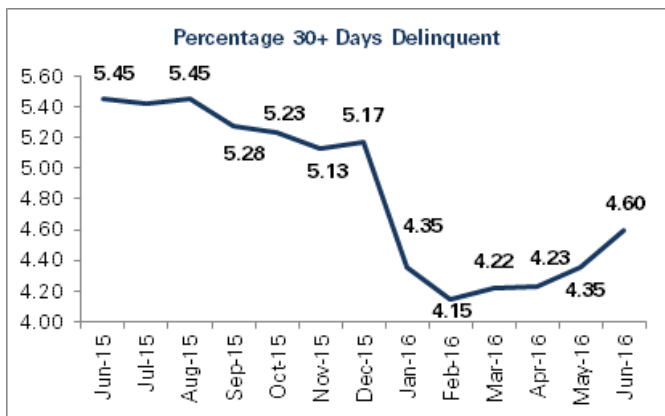
¹Loans that are past their maturity date but still current on interest are considered current.

Historical Perspective:

- One year ago, the US CMBS delinquency rate was 5.45%.
- Six months ago, the US CMBS delinquency rate was 5.17%.
- One year ago, the rate of loans seriously delinquent was 5.32%.
- Six months ago, the rate of loans seriously delinquent was 5.00%.

Property Type Analysis:

- The industrial delinquency rate moved up 23 basis points to 5.95%.
- The lodging delinquency rate jumped 31 basis points to 3.27%.
- The multifamily delinquency rate fell one basis point to 2.35%. Apartment loans are the best performing major property type.
- The office delinquency rate increased 25 basis points to 5.76%.
- The retail delinquency rate added 36 basis points lower to 5.72%



Delinquency Rate by Property Type						
	Jun 16	May 16	Apr 16	3 Mo.	6 Mo.	1 Yr.
Industrial	5.95	5.72	5.95	5.91	5.73	7.12
Lodging	3.27	2.96	2.87	2.76	2.82	3.75
Multifamily	2.35	2.36	2.32	2.34	8.28	8.73
Office	5.76	5.51	5.30	5.23	5.79	5.90
Retail	5.72	5.36	5.20	5.33	5.76	5.54

Top 5 Newly Delinquent Loans						
Property Name	Current Balance	Prop Type	City	State	New DQ Status	Deal
Skyline Portfolio - A note	\$140,000,000	OF	Falls Church	VA	30+ Days	BACM 2007-1
Times Sq. Hotel Portfolio	\$132,286,758	LO	New York	NY	Non-Performing Beyond Maturity	DBUBS 2011-LC3A
Two Gateway	\$121,689,813	OF	Newark	NJ	Foreclosure	CD 2006-CD3
Southern Hills Mall	\$101,500,000	RT	Sioux City	IA	Non-Performing Beyond Maturity	BACM 2006-3
Skyline Portfolio - B Note	\$98,400,000	OF	Falls Church	VA	90+ Days	JPMCC 2007-LDPX

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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