



## Retail Sector Snapshot: \$3.1B in Loans Slated to Mature in November

### Trends

The retail sector has been turbulent in the last couple of years, with many big-box anchors such as JCPenney, Sears, Macy's, and Sports Authority closing hundreds of storefronts and selling assets. The retail landscape continues to gravitate towards online shopping and new companies on the rise that have adapted to modern millennial trends. While the rush of store closings can be troublesome to retail CMBS loans, these new companies (along with food services), helped these loans post an average occupancy of 94.2% last month, which indicates a sturdy foundation for growth in the retail sector.

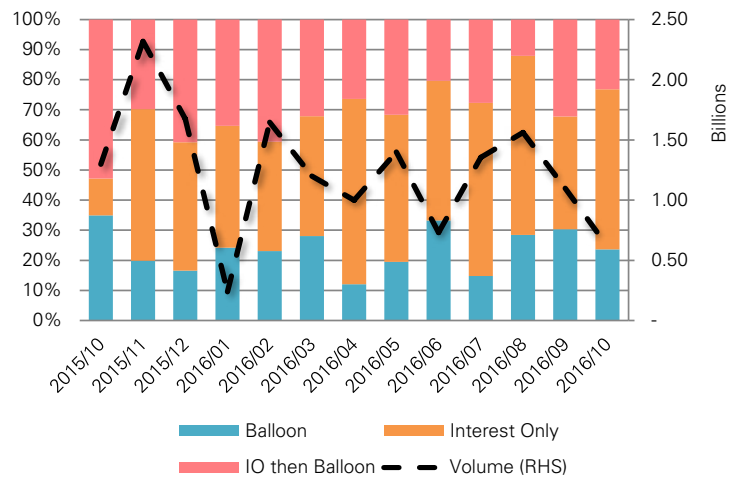
### Issuance

October private-label issuance for retail CMBS loans dropped from last month's \$1.1 billion to roughly \$616.1 million. This is also down from August's \$1.56 billion for conduit, single-asset/borrower, and large loan deals. Like September, last month's issuance was entirely comprised of conduit loans. Retail loans with an interest-only structure make up the majority (76.3%) of October issuance volume, a trend that has persisted over the last seven months. Since April, partial and full

interest-only loans have made up over 65% of monthly issuance.

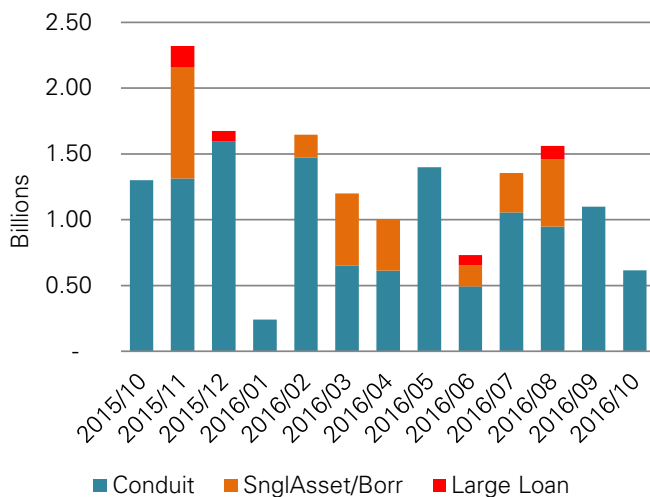
Average LTV for new retail issuance has remained steady since June, hovering between 62% and 64.5%. Cap rates for conduit retail loans are compressing slightly, an indication that retail collateral is being valued higher.

**Figure 2: Retail Issuance by Amortization Type**



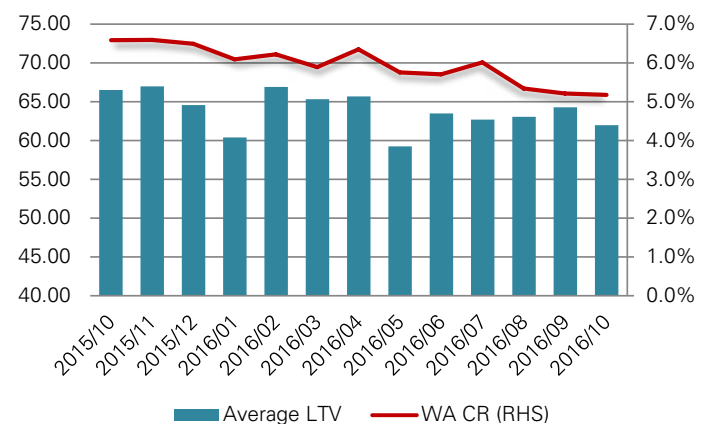
Source: Trepp

**Figure 1: Retail Issuance by Deal Type**



Source: Trepp

**Figure 3: Conduit Retail LTV and Cap Rates**

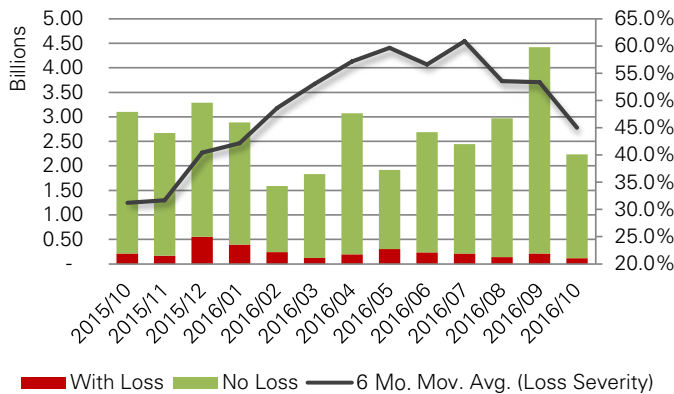


Source: Trepp

## Losses & Dispositions

Last month's disposition volume shrank to \$2.2 billion, which is about half of the prior month's total. The six-month moving average for loss severity has continued on its downward trend since July, and came in at 45% for October.

**Figure 4: Monthly Retail Dispositions & Losses**



Source: Trepp

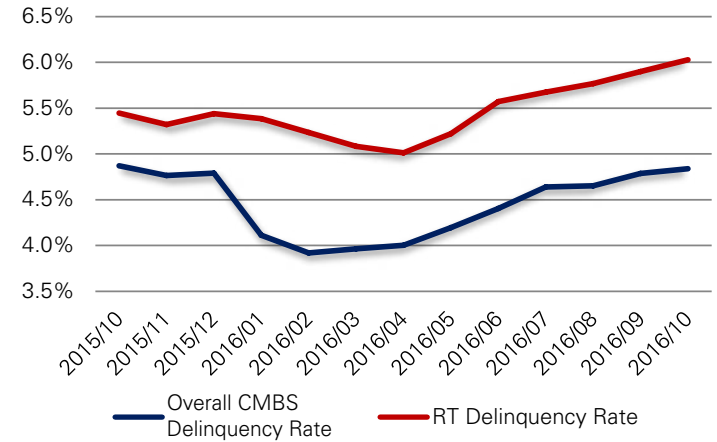
## Delinquencies

Found in Figure 5 are the five largest retail loans by balance to become newly delinquent in October. The October retail delinquency rate came in at 6.03%, while the overall delinquency rate rose to 4.98%. The similarity between the slope of the two curves reflects that retail loans make up a large portion (40.4%) of the overall delinquent loan totals. The rising retail delinquency rate is a major catalyst that has been pulling the overall delinquency rate up since April.

**Figure 5: Top Five Newly Delinquent Retail Loans - October 2016**

Bloomberg Name	Property Name	Current Balance	City	State	Delinquency Status
BACM 2005-1	The Mall at Stonecrest	\$93.8 MM	Lithonia	GA	Non-Performing Beyond Maturity
MSC 2006-HQ9	Gatway Shopping Center	\$60.0 MM	West Bloomfield	MI	30 Days
JPMCC 2006-LDP9	Kimco PNP - Cheyenne Commons	\$55.0 MM	Las Vegas	NV	Foreclosure
CGCMT 2006-C5	Tri City Plaza	\$40.0MM	Vernon	CT	Non-Performing Beyond Maturity
GSMS 2006-GC8	Algonquin Center	\$28.6 MM	Algonquin	IL	Non-Performing Beyond Maturity

**Figure 6: Retail Delinquencies**

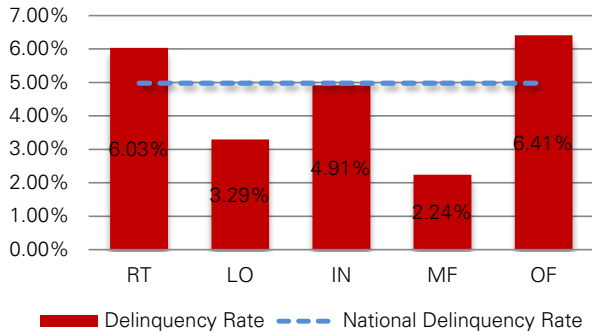


Source: Trepp

## Monthly Property Type Stats

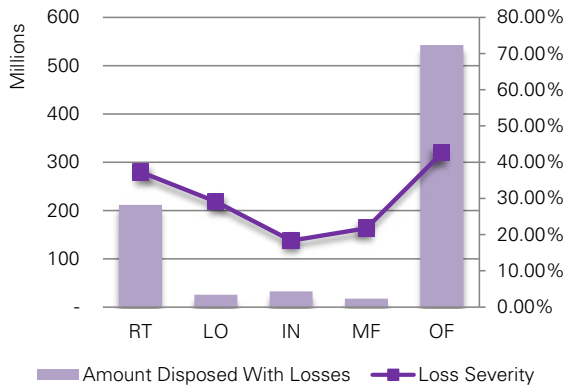
- The CMBS delinquency rate rose from last month's 4.78% to 4.98%. Retail CMBS loans currently have a delinquency rate of 6.03%.
- Retail CMBS collateral currently has the second-highest average occupancy among major property sectors at 94.2%.
- Retail loans incurred the second-highest average loss severity for all major property types in October, with 37.3%.
- \$616.1 million of retail CMBS was issued last month, the third-highest total across all major property sectors.

**Figure 7: October Delinquency Rates by Property Type**



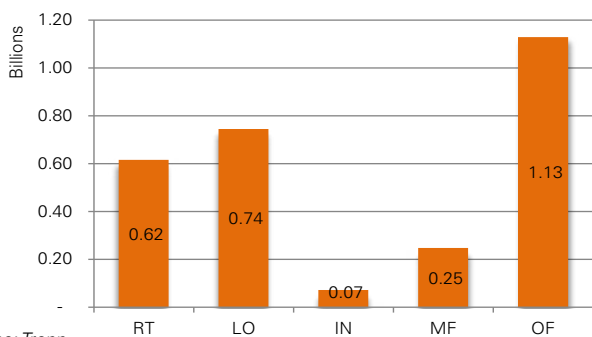
Source: Trepp

**Figure 8: October Loss Severity**



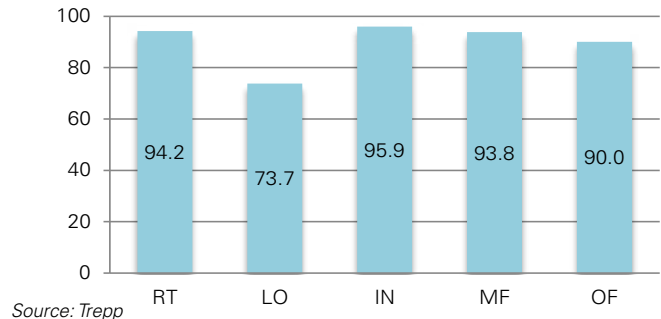
Source: Trepp

**Figure 9: October Issuance**



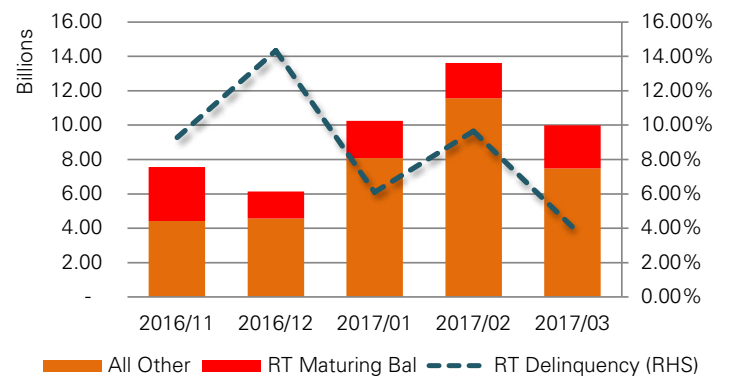
Source: Trepp

**Figure 10: Current Average Occupancy**



Source: Trepp

**Figure 11: Maturing Retail Loans**



Source: Trepp

## Looking Ahead: Maturing Loans

In November, a total of \$3.1 billion across 160 retail loans is slated to mature (based on underwritten maturity dates). This makes up roughly 41.5% of November's total maturing balance for conduit, single-asset/borrower, and large loans. About 9.3% of the maturing retail balance is currently delinquent. Looking ahead at retail loans maturing in December, our data indicates a smaller balance of \$1.6 billion, with a larger delinquent percentage of 14.3%. However, current property fundamentals are solid and will certainly help a number of borrowers land refinancing.

For inquiries about the data analysis conducted in this research, contact [press@trepp.com](mailto:press@trepp.com) or 212-754-1010. For more information about Trepp's commercial real estate data, contact [info@trepp.com](mailto:info@trepp.com)

## About Trepp

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