



US CMBS Delinquency Rate Inches Lower in November

The Trepp CMBS Delinquency Rate fell modestly in November, marking the fifth straight month in which the reading has dropped. The delinquency rate for US commercial real estate loans in CMBS is now 5.18%, a decrease of three basis points from the October level.

After hitting a post-crisis low in February 2016, the reading climbed steadily for more than a year as loans from the "bubble" years of 2006 and 2007 reached their maturity dates and were not paid off. The delinquency rate moved up 13 times in the 16 months between March 2016 and June 2017. However, the delinquency level has receded since June as bubble-year loans have passed their maturity date and been resolved. Put another, simpler way: fewer loans are defaulting and those that defaulted in recent years are being resolved away (often with losses).

At the beginning of the summer, we noted that further rate declines were possible in the following months. Now that delinquencies have fallen in each of the last five months, we can safely call that a trend. As fewer 2006 and 2007 loans reach their balloon dates and more distressed loans are resolved, the delinquency rate should continue to trend even lower.

CHART 1: DELINQUENCY STATUS

Current	94.47%
30 Days Delinquent	0.17%
60 Days Delinquent	0.02%
90 Days Delinquent	0.14%
Performing Matured Balloon	0.36%
Non-Performing Matured Balloon	0.82%
Foreclosure	1.59%
REO	2.44%

Source: Trepp

CHART 2: DELINQUENCY RATE BY PROPERTYTYPE (% 30 DAYS +)

	NOV-17	OCT-17	SEP-17	3 MO.	6 MO.	1 YR.
Industrial	6.10	6.24	6.55	6.55	7.37	5.68
Lodging	3.63	3.42	3.84	3.49	3.42	3.63
Multifamily	2.71	2.98	3.00	2.91	2.82	2.50
Office	6.50	6.92	7.10	7.31	7.46	6.57
Retail	6.79	6.47	6.55	6.61	6.50	6.18

Source: Trepp

The November 2017 rate is only 15 basis points higher than the year-ago level and five basis points lower than the level measured at the start of 2017.

The reading hit a multi-year low of 4.15% in February 2016. The all-time high was 10.34% in July 2012.

About \$1.1 billion in loans became newly delinquent in November, which put 27 basis points of upward pressure on the delinquency rate. A little more than \$300 million in loans were cured last month, which reduced the delinquency rate by eight basis points. About \$900 million in previously delinquent CMBS loans were resolved with a loss or at par in November. Those resolutions shaved 22 basis points off the November reading.

The Numbers

- The overall US CMBS delinquency rate fell three basis points to 5.18% in November.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.01%, down 11 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 5.30%, down four basis points from October.

Historical Perspective

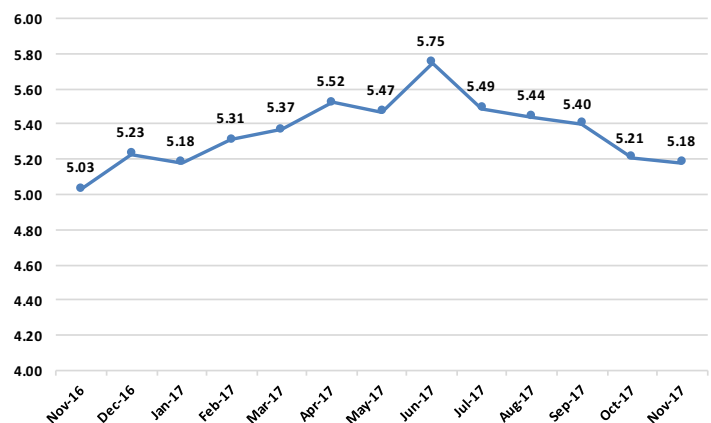
- One year ago, the US CMBS delinquency rate was 5.03%.
- Six months ago, the US CMBS delinquency rate was 5.47%.
- One year ago, the rate of seriously delinquent loans was 4.95%.
- Six months ago, the rate of seriously delinquent loans was 5.35%.

Property Type Analysis

- The industrial delinquency rate fell 14 basis points to 6.10%.
- The delinquency reading for hotel loans increased 21 basis points to 3.63%.
- The multifamily delinquency rate dropped 27 basis points to 2.71%. Apartment loans remain the best performing major property type.

- The office delinquency rate decreased by 42 basis points to 6.50%.
- The retail delinquency rate moved up 32 basis points to 6.79%

GRAPH 1: CMBS: PERCENTAGE 30+ DAYS DELINQUENT



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.

CHART 3: FIVE LARGEST NEWLY DELINQUENT CMBS LOANS

LOAN NAME	BALANCE	PROP TYPE	CITY	STATE	DELINQUENCY STATUS	CMBS DEAL
Toys R Us	\$403,744,944.70	RT	Various	VR	30 Days Delinquent	TRU 2016-TOYS
Metropolitan Square	\$124,144,152.90	OF	Saint Louis	MO	Non-Performing Matured Balloon	WBCMT 2005-C21
Toys R Us Freely Prepayable	\$102,400,000.00	RT	Various	VR	30 Days Delinquent	TRU 2016-TOYS
Shadow Lake Towne Center	\$78,553,653.32	RT	Papillion	NE	Non-Performing Matured Balloon	MSC 2008-T29
Marriott Houston Westchase	\$72,328,049.15	LO	Houston	TX	Non-Performing Matured Balloon	BSCMS 2007-PW18

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).

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