



US CMBS Delinquency Rate Drops Sharply Again in October

The Trepp CMBS Delinquency Rate dropped sharply in October, marking the fourth straight month in which it has fallen. The delinquency rate for US commercial real estate loans in CMBS is now 5.21%, a decrease of 19 basis points from the September level. That is the second-largest rate drop measured in the last 19 months.

After hitting a post-crisis low in February 2016, the reading climbed consistently for more than a year as loans issued in 2006 and 2007 reached their maturity dates and were not paid off via refinancing. In the 16 months between March 2016 and June 2017, the delinquency rate moved up 13 times. However, now that the dreaded "wave of maturities" has passed, delinquency levels have receded as well.

Last month, we wrote that "further declines in the overall reading are quite possible in the coming months." That certainly proved true in October as the rates for all five major property types improved. As fewer 2006 and 2007 loans reach their balloon dates and more distressed loans are resolved, the delinquency rate should continue to trend lower.

The October 2017 rate is just 23 basis points higher than the year-ago level, and two basis points lower

CHART 1: DELINQUENCY STATUS

| | |
|--------------------------------|--------|
| Current | 94.52% |
| 30 Days Delinquent | 0.09% |
| 60 Days Delinquent | 0.03% |
| 90 Days Delinquent | 0.13% |
| Performing Matured Balloon | 0.27% |
| Non-Performing Matured Balloon | 0.78% |
| Foreclosure | 1.67% |
| REO | 2.51% |

Source: Trepp

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

| | OCT-17 | SEP-17 | AUG-17 | 3 MO. | 6 MO. | 1 YR. |
|-------------|--------|--------|--------|-------|-------|-------|
| Industrial | 6.24 | 6.55 | 6.55 | 6.96 | 7.15 | 5.54 |
| Lodging | 3.42 | 3.84 | 3.49 | 3.68 | 3.22 | 3.43 |
| Multifamily | 2.98 | 3.00 | 2.91 | 2.91 | 2.66 | 2.41 |
| Office | 6.92 | 7.10 | 7.31 | 7.24 | 7.97 | 6.44 |
| Retail | 6.47 | 6.55 | 6.61 | 6.63 | 6.30 | 6.19 |

Source: Trepp

year-to-date. This is the first time in 2017 that the year-to-date number has been lower than the final 2016 rate.

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

About \$660 million in loans became newly delinquent in October, which put 16 basis points of upward pressure on the delinquency rate. However, that was offset by a nearly identical volume of loans which were cured last month. About \$750 million in previously delinquent CMBS loans were resolved with a loss or at par in October. This shaved 18 basis points off of the October reading.

The Numbers

- The overall US CMBS delinquency rate fell 19 basis points to 5.21% in October.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.12%, down 12 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 5.34%, down 19 basis points from September.

Historical Perspective

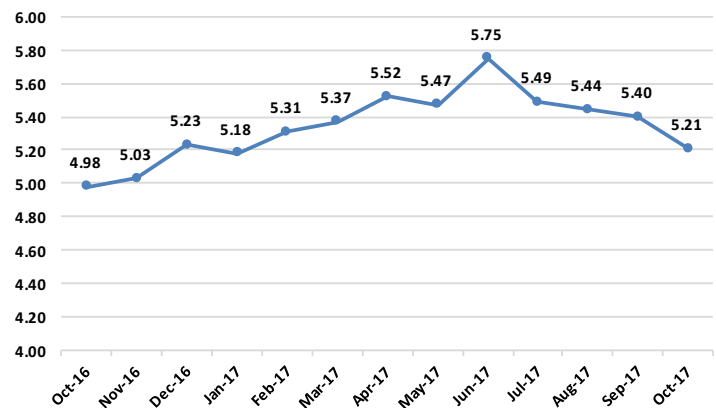
- One year ago, the US CMBS delinquency rate was 4.98%.
- Six months ago, the US CMBS delinquency rate was 5.52%.
- One year ago, the rate of seriously delinquent loans was 4.87%.
- Six months ago, the rate of seriously delinquent loans was 5.42%.

- The office delinquency rate decreased by 18 basis points to 6.92%.
- The retail delinquency rate slid eight basis points to 6.47%.

Property Type Analysis

- The industrial delinquency rate fell 31 basis points to 6.24%.
- The delinquency reading for hotel loans posted the largest drop, falling 42 basis points to 3.42%.
- The multifamily delinquency rate dipped two basis points to 2.98%. Apartment loans remain the best performing major property type.

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 |
|-------------------------------|-----------------|-----------|----------------|-------|--------------------------------|----------------|
| Bangor Mall | \$80,000,000.00 | RT | Bangor | ME | Non-Performing Matured Balloon | MSC 2007-IQ16 |
| 50 Danbury Road | \$59,815,982.91 | OF | Wilton | CT | Foreclosure | LBCMT 2007-C3 |
| Fontainebleau Park Plaza | \$49,000,000.00 | RT | Miami | FL | 30 Days Delinquent | MSBAM 2015-C21 |
| South Temple Tower | \$29,625,000.00 | OF | Salt Lake City | UT | 30 Days Delinquent | CLNY 2014-FL2 |
| Sterling & Milagro Apartments | \$28,791,438.83 | MF | Houston | TX | 30 Days Delinquent | CSAIL 2015-C2 |

Source: Trepp

About Trepp

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