



National Market Snapshot: CMBS Disposed Loan Trends

Since July 2014, \$91.4 billion in CMBS loans have been prepaid, paid on time, paid late, or disposed with a loss. The universe studied encompasses US Conduit, Large Loan, and Single Asset/Borrower CMBS deals. Nearly 55% of these loans fell into the prepay category as borrowers looked to lock in low rates and take advantage of recovering property values. Another 25% paid on time and 8% paid post maturity, usually just a few months after the note came due. That leaves 12%, or \$11.3 billion, in CMBS loans that took losses at an average loss rate of 41%.

Retail loans exhibited the highest loss severity, at 53%, and the second highest volume of loans disposed with losses. Office was first in volume, with \$4.4 billion taking losses at an average severity of 38%.

Compared to Trepp's study from early 2014, the proportion of total CMBS dispositions taking losses has fallen 10 percentage points, down from 22% in the 12 months ending in March of 2014. Prepays and on time payoffs have also jumped 10 percentage points each since the last study. Distressed loans are making up less and less of the total market as special servicers have continued to work out troubled loans.

On top of that, 2015 marked the beginning of the wall of maturities, increasing the total pool of loan disposals as the year progresses. Persistent low rates and improving property fundamentals have helped borrowers prepay or defease despite the monetary penalties involved. When rates do eventually rise, more marginally performing maturing loans may end up in the loss or paid post maturity buckets.

Figure 1. Loans Disposed, July 2014 - July 2015

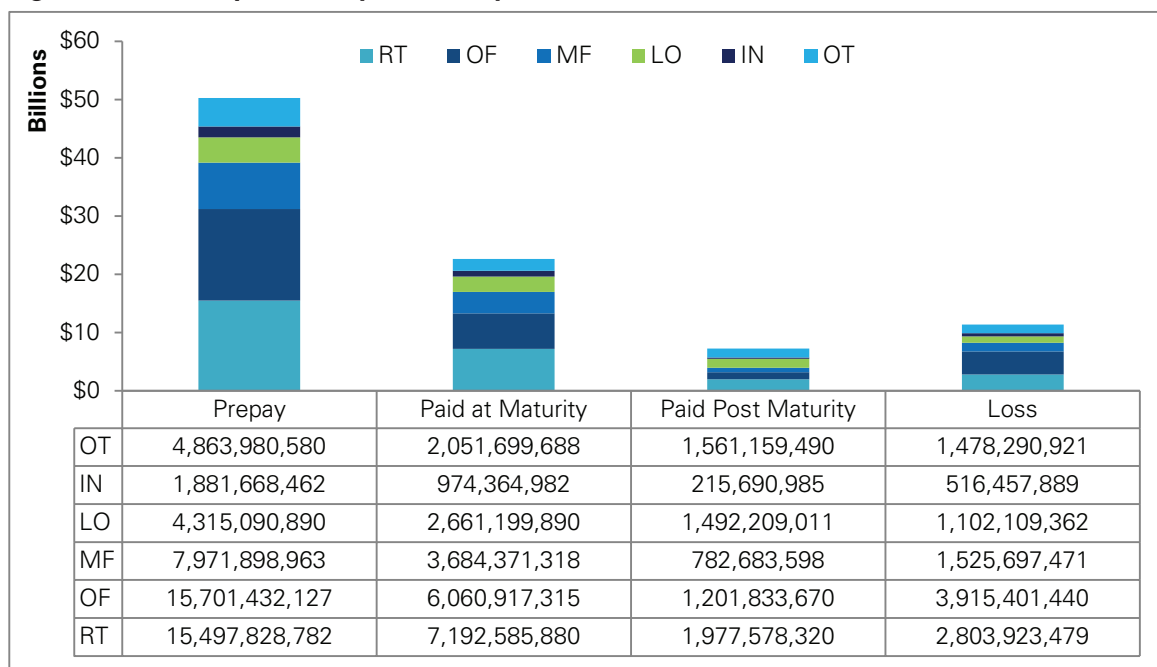


Figure 2. Loans Disposed with Losses, July 2014 - July 2015

	Retail		Office		Multifamily		Lodging	
	Disposed Bal.	Loss %	Disposed Bal.	Loss %	Disposed Bal.	Loss %	Disposed Bal.	Loss %
DPO	37,350,042	23%	145,566,598	59%	23,659,416	27%	31,686,108	11%
Note Sale	290,440,763	49%	206,760,745	45%	45,231,122	18%	5,088,459	1%
Foreclosure	206,244,529	36%	584,067,068	30%	37,698,539	19%	57,322,554	52%
REO	1,591,373,318	53%	1,797,204,447	48%	489,280,052	38%	791,383,015	52%
Modification	39,891,401	1%	364,353,527	9%	567,721,308	1%	32,500,000	2%
Deed in Lieu of Foreclosure		0%	80,000,000	35%		0%		0%
Bankruptcy	117,905,132	41%		0%		0%	9,300,000	79%
Other	797,189,834	10%	1,176,857,570	22%	555,504,121	7%	351,207,386	13%
Total	3,080,395,021	53%	4,354,809,953	38%	1,719,094,559	36%	1,278,487,523	31%

	Industrial		Other		Total	
	Disposed Bal.	Loss %	Disposed Bal.	Loss %	Disposed Bal.	Loss %
DPO	8,641,644	31%	11,354,843	42%	258,258,652	43%
Note Sale	29,754,206	44%	131,200,036	75%	708,475,331	50%
Foreclosure	65,195,455	22%	52,699,692	43%	1,003,227,838	32%
REO	255,234,475	55%	660,082,425	58%	5,584,557,732	51%
Modification	3,407,636	23%	5,400,000	0%	1,013,273,872	4%
Deed in Lieu of Foreclosure	190,000,000	33%		0%	270,000,000	34%
Bankruptcy		0%		0%	127,205,132	44%
Other	157,469,042	55%	817,824,197	40%	3,856,052,150	21%
Total	709,702,458	31%	1,678,561,192	35%	12,821,050,706	41%

Cells are color coded to draw attention to the highest concentrations and losses in each property type (red being the highest). Losses averaged 41% across all property types, with Note Sale, REO, and Deed in Lieu of Foreclosure workout strategies resulting in the highest loss severities. ■

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

About Trepp

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