



US CMBS Delinquency Report: Delinquency Rate Inches Lower, Large Drop Imminent

The Trepp CMBS Delinquency Rate decreased for a second straight month, falling by five basis points in October. The delinquency rate for US commercial real estate loans in CMBS is now 5.23%. The rate is now 52 basis points lower year-to-date and 91 basis points lower than the year-ago level.

In October, \$1.4 billion in loans became newly delinquent, which put 27 basis points of upward pressure on the delinquency rate. Over \$400 million in loans were cured last month, which helped push delinquencies lower by nine basis points. CMBS loans that were previously delinquent but paid off with a loss or at par totaled almost \$1.2 billion in October. Removing these previously distressed assets from the numerator of the delinquency calculations helped move the rate down by 23 basis points.

The real news is the next big move for the delinquency rate, which could come as early as November. The forthcoming resolution of the \$3 billion StuyvesantTown/Peter Cooper Village loan will result in a huge drop in delinquencies.

The loan, which is backed by more than 11,000 apartments in Manhattan, has been REO for years. As the loan was made at the height of the lending frenzy in 2007, instead of using in-place financials, underwriters gave the borrowers credit for the future conversion of rent stabilized apartments to market rents. When that didn't happen, the loan defaulted and was later foreclosed upon. Last month, Blackstone agreed to buy the properties for \$5.3 billion, which will resolve the existing \$3 billion.

The removal of StuyTown from the list of distressed assets alone should lead to a 60-basis-point drop in the delinquency rate. Currently at over 8%, the delinquency rate for multifamily loans will plummet. As of October, multifamily has the worst delinquency rate among the five major property types. Over the next few months, multifamily could become the best performing sector.

The Numbers:

- The overall US CMBS delinquency rate improved five basis points to 5.23%.
- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.10%, five basis points lower for the month.

Delinquency Status	
Current	94.69%
30 Days Delinquent	0.13%
60 Days Delinquent	0.03%
90 Days Delinquent	0.23%
Performing Matured Balloon ¹	0.08%
Non-Performing Matured Balloon	0.42%
Foreclosure	1.13%
REO	3.29%

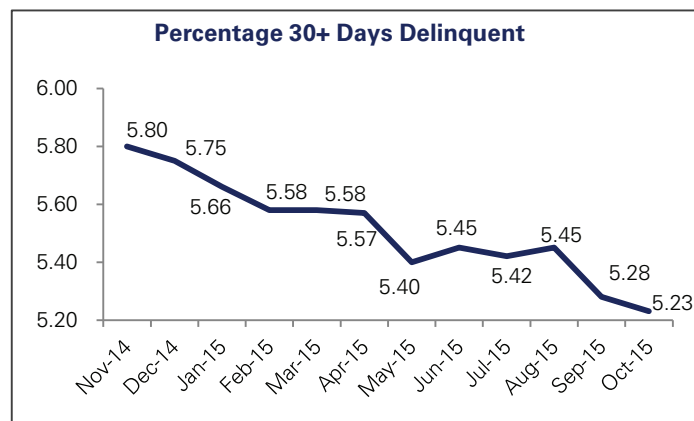
¹ Loans that are past their maturity date but still current on interest are considered current.

- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 5.52%—down six basis points.

- There are currently \$27.0 billion in delinquent loans. This number excludes loans past their balloon date but current on interest payments.

Historical Perspective:

- One year ago, the US CMBS delinquency rate was 6.14%.
- Six months ago, the US CMBS delinquency rate was 5.57%.
- One year ago, the rate of loans seriously delinquent was 5.93%.
- Six months ago, the rate of loans seriously delinquent was 5.44%.



Property Type Analysis:

- The industrial delinquency rate moved up 10 basis points to 6.28%.
- The lodging delinquency rate improved by 11 basis points to 3.17%. Lodging remains the best performing major property type.
- The multifamily delinquency rate dropped two basis points to 8.18%. Apartment loans remain the worst performing property sector.
- The office delinquency rate fell 11 basis points to 5.70%.
- The retail delinquency rate inched one basis point lower to 5.72%.

Delinquency Rate by Property Type						
	Oct 15	Sep 15	Aug 15	3 Mo.	6 Mo.	1 Yr.
Industrial	6.28	6.18	7.62	7.41	7.83	7.69
Lodging	3.17	3.28	3.44	3.70	4.18	5.35
Multifamily	8.18	8.20	8.99	8.76	8.92	9.80
Office	5.70	5.81	5.86	5.93	6.11	6.48
Retail	5.72	5.73	5.53	5.51	5.45	5.88

Top 5 Newly Delinquent Loans

Property Name	Current Balance	Prop Type	City	State	New DQ Status	Deal
Lafayette Property Trust	\$203,250,000	OF	Alexandria	VA	Foreclosure	JPMCC 2007-LDPX
Commerce Corporate Plaza	\$65,918,915	OF	Albany	NY	Non-Performing Beyond Maturity	CSMC 2007-C5
Chesapeake Square	\$62,843,579	RT	Chesapeake	VA	30 Days	JPMCC 2004-LN2
Cedarbrook Corporate Center Portfolio	\$56,474,035	OF	Cranbury	NJ	Foreclosure	CD 2005-CD1
First Industrial Portfolio	\$47,497,721	IN	Various	GA	30 Days	BSCMS 2006-PW13

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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