

US CMBS Delinquency Report: Delinquency Rate Breaks 6%, Reaches Lowest Rate in Five Years

The Trepp CMBS Delinquency Rate surprised market watchers in October with an 11-basis-point increase, the largest monthly gain in over two years. Given the aggressive rate at which special servicers have been resolving loans, Trepp anticipated gains would level-off going into 2015. However, the Trepp CMBS Delinquency Rate reversed course in November and posted its biggest drop in 10 months, falling 34 basis points. In the process, the delinquency rate fell below 6% and hit its lowest level in five years.

The delinquency rate for US commercial real estate loans in CMBS is now 5.80%. November's rate is 186 basis points lower than the year-ago level. Year-to-date, delinquencies have fallen 163 basis points from 7.43% in December of 2013.

US CMBS Delinquency Rate-30+ Days	
November 2014	5.80%
October 2014	6.14%
September 2014	6.03%
3 Months Ago	6.10%
6 Months Ago	6.27%
1 Year Ago	7.66%

CMBS loans that were liquidated with losses totaled almost \$700 million in November. Removing these previously distressed assets from the numerator of the delinquency calculation

helped move the rate down by 13 basis points. Over \$1.1 billion in loans were cured last month, which helped push delinquencies lower by 22 basis points. Loans that were previously delinquent but were resolved without a loss pushed the rate down another three basis points.

Over \$900 million in loans became newly delinquent in November, which put 18 basis points of upward pressure on the delinquency rate.

The remaining improvement was a result of a large "denominator effect." New issues added to the Trepp deal universe increased the denominator of Trepp's

delinquency rate calculation by about \$7 billion, after taking into consideration the removal of paid off and resolved loans.

We are now approaching the dreaded 2015-2017 "wall of maturities," during which the 10-year CMBS loans originated during the 'go-go' years of 2005-2007 are slated to balloon. Below are the delinquency rates for those vintages as we approach their maturity dates.

Delinquency Rate for 10-Year Maturing Loan Classes	
Origination Vintage	November Delinquency Rate
2005	6.53%
2006	6.95%
2007	10.41%
2008	11.32%

Almost 16% of the 2005 vintage has been defeased. This rate of defeasance compares to 6.75% for the 2006 vintage and 1.68% for the class of 2007. Almost \$1.8 billion in CMBS loans were defeased in November, representing about 34 basis points of the outstanding collateral pool.

The Numbers:

- The overall US CMBS delinquency rate plunged 34 basis points to 5.80%.
- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 5.66%, 27 basis points lower for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 6.12%—down 36 basis points from October.

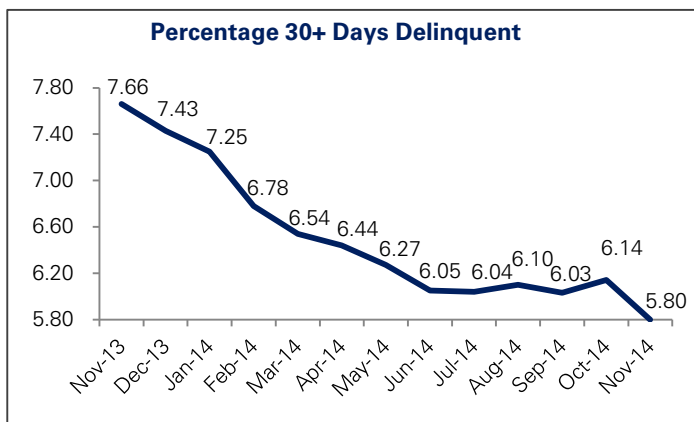
- There are currently \$30.7 billion in delinquent loans, about \$1.1 billion lower than last month. This number excludes loans that are past their balloon date but are current on their interest payments.

Delinquency Status	
Current	93.95%
30 Days Delinquent	0.14%
60 Days Delinquent	0.09%
90 Days Delinquent	0.47%
Performing Matured Balloon ¹	0.25%
Non-Performing Matured Balloon	0.29%
Foreclosure	1.19%
REO	3.62%

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

Historical Perspective:

- One year ago, the US CMBS delinquency rate was 7.66%.
- Six months ago, the US CMBS delinquency rate was 6.27%.
- One year ago, the rate of loans seriously delinquent was 7.30%.
- Six months ago, the rate of loans seriously delinquent was 6.05%.



Property Type Analysis:

- The industrial delinquency rate dropped 20 basis points to 7.49%.
- The lodging delinquency rate broke the 5% barrier, falling 38 basis points to 4.97%. Lodging remains the best performing major property type.
- The multifamily delinquency rate saw the best month-over-month performance, sinking 97 basis points to 8.83%. Apartment loans remain the worst performer among the major property types.
- The office delinquency rate shed 27 basis points to 6.21%.
- The delinquency rate for retail loans sank 21 basis points to 5.67%.

Property Type	Delinquency Rate by Property Type					
	Nov 14	Oct 14	Sept 14	3 Mo.	6 Mo.	1 Yr.
Industrial	7.49	7.69	7.66	8.39	8.94	10.44
Lodging	4.97	5.35	5.06	5.37	5.71	7.72
Multifamily	8.83	9.80	8.99	9.09	9.82	11.14
Office	6.21	6.48	6.56	6.61	6.60	8.46
Retail	5.67	5.88	5.86	5.69	5.54	6.32

Top 5 Loans Taking Losses							
Property Name	Previous Bal	Prop Type	City	State	Status	Realized Loss	Deal
Oasis Net Leased Portfolio	95,578,830	OF	Various	VR	REO	85,999,048	BSCMS 2005-PW10
Ashtabula Mall	39,151,067	RT	Ashtabula	OH	REO	39,151,067	MSC 2007-IQ16
Marriott - Memphis	38,000,000	LO	Memphis	TN	REO	38,000,000	JPMCC 2007-CB19
College Square Mall	32,479,475	RT	Cedar Falls	IA	60 Days Delinquent	21,159,663	BSCMS 2005-PW10
Embassy Crossing	31,298,752	RT	Port Richey	FL	REO	5,750,739	BSCMS 2005-PW10

Top 5 Newly Delinquent Loans							
Property Name	Current Bal	Prop Type	City	State	New DQ Status	Deal	
InTown Suites - Portfolio B	99,214,548	LO	Various	VR	60 Days	LBUBS 2005-C2	
Commerce Corporate Plaza	67,191,428	OF	Albany	NY	Non-Performing Beyond Maturity	LBUBS 2005-C2	
Hercules Plaza	64,085,888	OF	Wilmington	DE	30 Days	GSMS 2006-GG8	
824 Market	29,280,000	OF	Wilmington	DE	30 Days	WBCMT 2005-C22	
Versar Center Office Building	26,985,274	OF	Springfield	VA	30 Days	BACM 2006-2	

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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