

US CMBS Delinquency Report: Rate Plunges in February Due to Huge Loan Liquidations

Trepp has been anticipating a big drop in the CMBS delinquency rate since the fall of 2013. That reduction took place in February, driven by the continued CWCapital distressed asset sales. With roughly \$3 billion in CMBS loans and properties out for bid, the removal of these loans from the roster of delinquent assets would send the CMBS delinquency rate spiraling lower. A big chunk of those loans were

resolved over the last 28 days.

US CMBS Delinquency Rate-30+ Days

February 2014	6.78%
January 2014	7.25%
December 2013	7.43%
3 Months Ago	7.66%
6 Months Ago	8.38%
1 Year Ago	9.42%

The Trepp CMBS delinquency rate decreased 47 basis points in February, marking the ninth straight month of improvement. The

delinquency rate for US commercial real estate loans in CMBS is now 6.78%. The rate is 264 basis points lower than it was a year ago and 356 basis points lower than the all-time peak during the summer of 2012.

As noted, February's rate decrease can be attributed to a big jump in loan resolutions. Over \$2.6 billion in previously delinquent loans were resolved with losses over the course of the month. This was more than twice the amount that was posted in January. By removing these delinquent loans from the numerator, the rate saw 50 basis points of improvement.

Loans that cured totaled about \$1.3 billion in February, which resulted in 25 basis points of additional downward pressure on the delinquent loan percentage. However, new delinquencies totaled almost \$1.4 billion in February. These loans pushed the rate up by 26 basis points.

The Numbers:

- The overall US CMBS delinquency rate decreased 47 basis points to 6.78%.
- The percentage of loans 30+ days delinquent or in foreclosure was 7.25% in January and 7.43% in December 2013.
- The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 6.54%, down 48 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 7.03%—down 50 basis points from January.
- There are currently \$36 billion in delinquent loans, which is down from \$38.9 billion last month. This number excludes loans that are past their balloon date but are current on their interest payments.
- There are \$45.1 billion in loans with the special servicer. This represents almost 2,600 loans.

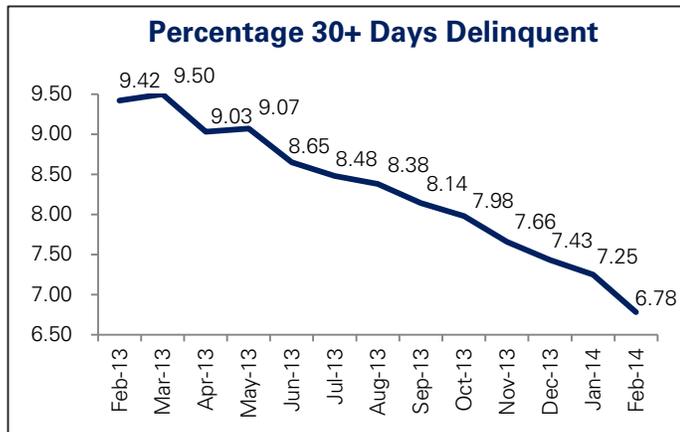
Delinquency Status	
Current	92.75%
30 Days Delinquent	0.24%
60 Days Delinquent	0.12%
90 Days Delinquent	1.27%
Performing Matured Balloon ¹	0.48%
Non-Performing Matured Balloon	0.36%
Foreclosure	1.40%
REO	3.39%

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 9.42%.
- Six months ago, the US CMBS delinquency rate was 8.38%.
- One year ago, the rate of loans seriously delinquent was 8.96%.
- Six months ago, the rate of loans seriously delinquent was 7.96%.

Change in Delinquency Rate	
February 2014	(0.47)
January 2014	(0.18)
December 2013	(0.23)
November 2013	(0.32)
October 2013	(0.16)
September 2013	(0.24)
August 2013	(0.10)



Property Type Analysis:

- The industrial delinquency rate had the biggest month-over-month improvement, decreasing 131 basis points to 9.28%.
- The lodging delinquency rate fell 73 basis points to 6.62%.
- The multifamily delinquency rate decreased by 32 basis points to 10.35%. Apartment loans are still the worst performer among the major property types.
- The office delinquency rate dropped 57 basis points to 7.23%.
- The retail delinquency rate shed 36 basis points and is now 5.77%. Retail remains the best performing major property type.

Delinquency Rate by Property Type						
	Feb 14	Jan 14	Dec 13	3 Mo.	6 Mo.	1 Yr.
Industrial	9.28	10.59	10.46	10.44	11.51	11.79
Lodging	6.62	7.35	7.91	7.72	9.03	10.08
Multifamily	10.35	10.67	10.86	11.14	11.14	13.27
Office	7.23	7.80	8.13	8.46	9.60	10.63
Retail	5.77	6.13	6.06	6.32	6.76	7.79

About Trepp

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