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CMBS Delinquencies Rise Again In June

According to Moody's Investor Services

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The 60 day delinquency rate for commercial mortgage backed securities moved up fractionally to 9.93% in June from 9.83% a month earlier. At the end of 2011, delinquencies stood at 9.32% overall. Delinquencies were relatively flat in 2011 but began inching up again in early 2012 with renewed weakening of the broader economy and brisk European headwinds. In June, delinquency rates increased for office, retail and hotel but declined for industrial and multifamily. The rates for each property class are shown in the table at the bottom of this page.

The total volume of CMBS loans outstanding decreased in June to \$557.6 billion from \$560.5 billion the previous month. Outstanding balances have steadily been declining in both the CMBS sector and in bank portfolios as few new loans are made and most construction is still not economically feasible. June was the 12th consecutive month of declining balances in the CMBS sector. Since early 2010, balances have declined 25%.

The year 2007 was the largest vintage year for new CMBS originations. It was also one of the poorest performing vintages. December 2007 was the peak value month for most commercial real estate assets. The trough occurred two years later in December 2009 and by that time the sector had lost 50% of its value.

The overall CMBS delinquency rate is nearing 10% after hovering around 9% since early 2010. As of June roughly 85% of five year CMBS loans originated in 2007 had already matured leaving just 15% to come due before year end.

The total outstanding balance of delinquent CMBS loans rose \$300 million in June to a total of \$55.4 billion. While \$3.8 billion in loans were newly delinquent, \$3.4 billion were resolved.

Delinquencies have historically been very low hovering around one-percent or less since this financing vehicle (CMBS) became popular in the 1990s. Indeed, delinquencies were exceedingly low most of last decade (around 1%) before surging with the collapse of the commercial real estate market coincident with The Great Recession in mid 2008.

Here is a look at CMBS delinquencies in June 2012 by property type:

Property Type	Delinquency June 2012	Delinquency Jan 2012	Delinquency July 2011
Industrial	11.57%	11.9%	10.77%
Office	10.25%	8.53%	7.59%
Retail	7.78%	7.58%	7.37%
Multifamily	14.09%	13.77%	15.13%
Hotel	12.66%	12.95%	15.00%



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