



Rare Uptick in CMBS Delinquency Rate to Close 2021, New Office Delinquencies Push Rate Higher

Key Highlights

- After two huge increases in May and June 2020, the rate fell for 17 consecutive months. That stretch ended in December as the rate increased 19 basis points to 4.75%.
- Several large office delinquencies contributed to the overall rate increase.
- The office delinquency rate jumped 72 basis points to 2.53%.

The Trepp CMBS delinquency rate increased for the first time in 18 months in December 2021. After two huge increases in May and June 2020, the rate fell for 17 consecutive months. That stretch ended at the end of the year as several large office delinquencies contributed to the increase.

The CMBS delinquency rate in December was 4.57%, an increase of 19 basis points from the November number. The percentage of loans in the 30 days delinquent bucket is 0.49%, up 24 basis points for the month.

As noted in Trepp's daily, client-only newsletter, TreppWire, last month, several big office loans became 30 days delinquent in December, including 245 Park Avenue (NY) and 181 West Madison Street (Chicago). Both loans, which total more than \$1.2 billion, became delinquent after PWM Property Management, an arm of Chinese Conglomerate HNA Group, filed for bankruptcy. HNA is the borrower under both loans.

Two other loans that we flagged as being 30 days behind on payment in December were the 175 West Jackson and 135 South LaSalle loans, also backed by offices in Chicago.

In terms of loans in grace period, 2.13% of loans by balance missed the December payment but were less than 30 days delinquent. That was up eight basis points for the month.

Some other overall statistics:

The percentage of loans with the special servicer fell to 6.75% in December from 6.94% in November.

For lodging loans, 13.72% were with the special servicer, representing a decline of 132 basis points in December.

For retail loans, 12.73% were in that category, a drop of 32 basis points in December.

CHART 1: DELINQUENCY STATUS

Current	94.42
30 Days Delinquent	0.49
60 Days Delinquent	0.15
90 Days Delinquent	1.18
Performing Matured Balloon	1.02 ¹
Non-Performing Matured Balloon	0.50
Foreclosure	1.33
REO	0.92

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

CHART 2: DELINQUENCY RATE BY PROPERTY TYPE (% 30 DAYS +)

	DEC-21	NOV-21	OCT-21	3 MO.	6 MO.	12 MO.
Overall	4.57	4.38	4.61	5.25	6.15	7.81
Industrial	0.52	0.53	0.53	0.59	0.65	1.14
Lodging	8.79	9.40	10.04	11.45	14.27	19.80
Multifamily	1.76	1.90	1.70	1.95	2.02	2.75
Office	2.53	1.81	1.80	2.02	2.09	2.18
Retail	8.28	8.09	8.39	9.75	10.71	12.94

Source: Trepp

The story wasn't as positive for office loans as the percentage of those loans with the special servicer moved up to 3.23% in December from 2.97% in November.

The percentage of loans on servicer watchlist dropped to 26.49% in December from 27.53% in November.

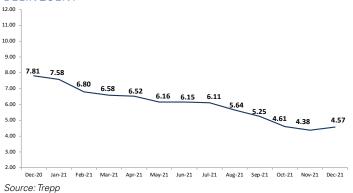
Our numbers above reflect percentages that assume defeased loans are still part of the denominator.

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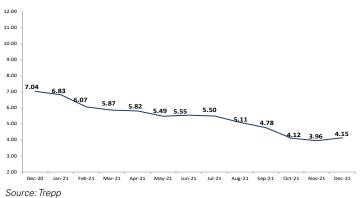


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GRAPH 1: PERCENTAGE OF CMBS MARKED AS 30+ DAYS DELINQUENT



GRAPH 2: THE CMBS 2.0+ DELINQUENCY RATE



GRAPH 3: PERCENTAGE OF CMBS IN GRACE PERIOD OR BEYOND GRACE PERIOD (<30 DAYS BEHIND PAYMENT)



The Overall Numbers

- The overall US CMBS delinquency rate increased 19 basis points in December to 4.57%. (The all-time high on this basis was 10.34% registered in July 2012. The COVID-19 high was 10.32% in June 2020.)
- The percentage of A/B loans (i.e. loans in grace period or beyond grace period) was 2.13% in December.
- Year-over-year, the overall US CMBS delinquency rate is down 324 basis points.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 4.08%, down five basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 4.82%, up 20 basis points from November.
- One year ago, the US CMBS delinquency rate was 7.81%.
- Six months ago, the US CMBS delinquency rate was 6.15%.

The CMBS 2.0+ Numbers

- The CMBS 2.0+ delinquency rate rose 19 basis points to 4.15% in December. The rate is down 289 basis points year-over-year.
- The percentage of CMBS 2.0+ loans that are seriously delinquent is now 3.65%, down six basis points for the month.
- If defeased loans were taken out of the equation, the overall CMBS 2.0+ delinquency rate would be 4.37%, up 21 basis points for the month.

Overall Property Type Analysis (CMBS 1.0 and 2.0+)

- The industrial delinquency rate fell one basis point to 0.52%.
- The lodging delinquency rate tumbled another 61 basis points to 8.79%.
- The multifamily delinquency rate dropped 14 basis points to 1.76%.
- The office delinquency rate jumped 72 basis points to 2.53%.
- The retail delinquency rate moved up 19 basis points to 8.28%.

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Property Type Analysis CMBS 2.0+

- Industrial delinquency rate: 0.21% (up one basis point month over month)
- Lodging delinquency rate: 8.67% (down 62 basis points)
- Multifamily delinquency rate: 1.76% (down 14 basis points)
- Office delinquency rate: 2.04% (up 77 basis points)
- Retail delinquency rate: 7.22% (up 19 basis points)



TreppTalk, Trepp's daily blog, leverages our market expertise and proprietary data sets in structured finance, commercial real estate, and banking.

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