



CMBS Delinquency Rate Continues Retreat from Near All-Time High

The Trepp CMBS delinquency rate continued its downward trend in August after posting the largest decline in four years in July. The overall CMBS delinquency rate in August was 9.02%, a decline of 58 basis points from the July number. About \$6.5 billion in loans were “cured” in August, helping the rate post another sizable decline.

By “cure,” we mean that the loan was delinquent in July but reverted to current (or in or beyond grace period) status in August. Some of these cures came as a result of forbearances being granted and borrowers being authorized to use reserves to make the loan current. In other cases, relief was canceled or withdrawn by the borrowers and the loans were brought current without relief.

About 1.21% of the overall number represents loans in the 30 days delinquent bucket while another 1.04% is now 60 days delinquent. Both of those numbers were sizable improvements from July. However, the percentage of loans that are 90 or more days delinquent rose to 4.02% in August from 2.65% in July.

In terms of loans in grace period, 3.14% of loans by balance missed the August payment but were less than 30 days delinquent. That was up from 2.83% in July.

Earlier this summer, we noted that the delinquency rate could be reaching “terminal delinquency velocity” – which reflected the belief that most borrowers that felt the need for debt service relief have already requested it. (Put another way, if a borrower didn’t need relief between April and June, there is a good chance the borrower won’t be needing it – although maturity defaults could still be an issue.)

The delinquency numbers over the last two months have done even better. However, with relief windows ending for some loans and new parts of the country being hit with the virus for the first time over the last 60 days, an uptick in delinquencies in the future is possible. Going forward, we believe future increases in the delinquency rate will be more modest than what we had seen during the height of the coronavirus crisis.

CHART 1: DELINQUENCY STATUS

Current	90.90
30 Days Delinquent	1.21
60 Days Delinquent	1.04
90 Days Delinquent	4.02
Performing Matured Balloon	0.07 ¹
Non-Performing Matured Balloon	1.08
Foreclosure	0.60
REO	1.07

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

Source: Trepp

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

	AUG-20	JUL-20	JUN-20	3 MO.	6 MO.	12 MO.
Industrial	1.20	1.24	1.57	1.82	1.45	1.75
Lodging	22.96	23.79	24.30	19.13	1.60	1.54
Multifamily	3.02	3.33	3.29	3.25	1.79	2.39
Office	2.32	2.40	2.66	2.40	1.72	2.83
Retail	14.88	16.10	18.07	10.14	3.62	4.07

Source: Trepp

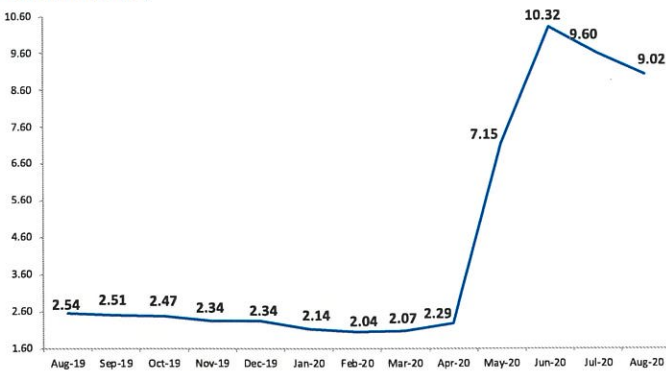
Some other overall statistics:

The percentage of loans with the special servicer grew to 10.04% in August from 9.49% in July. According to August servicer data, 25.0% of all lodging loans were in special servicing, up from 24.3% in July. In addition, 17.3% of retail loans are with the special servicer, up from 16.0% in July.

The percentage of loans on servicer watchlist in August was 19.9%, which was basically up from 19.7% last month.

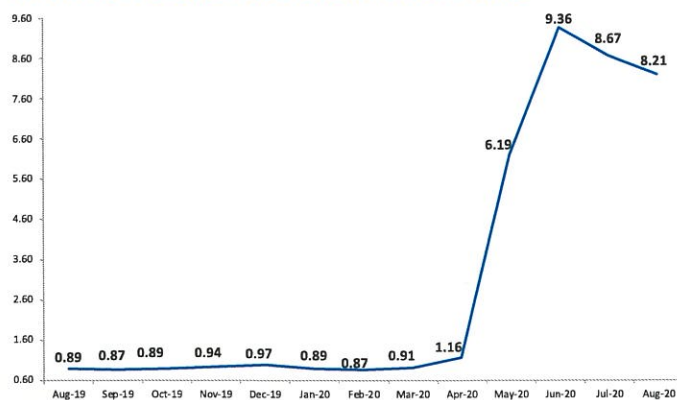
(Our numbers above reflect percentages that assume defeased loans are still part of the denominator.)

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



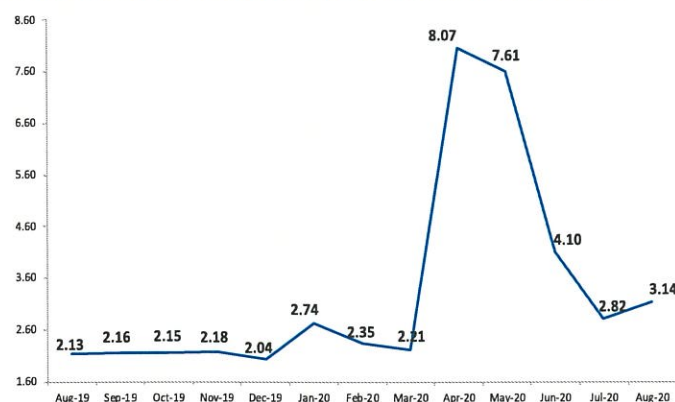
Source: Trepp

GRAPH 2: THE CMBS 2.0+ DELINQUENCY RATE



Source: Trepp

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



Source: Trepp

The Overall Numbers

- The overall US CMBS delinquency rate dropped 58 basis points in August to 9.02%. (The all-time high on this basis was 10.34% registered in July 2012.)
- The percentage of A/B loans (i.e. loans in grace period or beyond grace period) was 3.14% in August.
- Year over year, the overall US CMBS delinquency rate is up 648 basis points.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 7.81%, down five basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 9.49%, down 60 basis points from July.
- One year ago, the US CMBS delinquency rate was 2.54%.
- Six months ago, the US CMBS delinquency rate was 2.04%.

The CMBS 2.0+ Numbers

- The CMBS 2.0+ delinquency rate fell 46 basis points to 8.21% in August. The rate is up 732 basis points year over year.
- The percentage of CMBS 2.0+ loans that are seriously delinquent is now 7.00%, which is up eight basis points from July.
- If defeased loans were taken out of the equation, the overall CMBS 2.0+ delinquency rate would be 8.61%, down 48 basis points for the month.

Overall Property Type Analysis (CMBS 1.0 and 2.0+)

- The industrial delinquency rate fell four basis points to 1.20%
- The lodging delinquency rate dropped 83 basis points to 22.96%
- The multifamily delinquency rate declined 31 basis points to 3.02%
- The office delinquency rate dipped eight basis points to 2.32%
- The retail delinquency rate tumbled 122 basis points to 14.88%

Property Type Analysis CMBS 2.0+

- Industrial delinquency rate: 0.50% (up one basis point month over month)
- Lodging delinquency rate: 22.75% (down 84 basis points)
- Multifamily delinquency rate: 3.00% (down 28 basis points)
- Office delinquency rate: 1.17% (unchanged)
- Retail delinquency rate: 13.12% (down 92 basis points)

For more information about Trepp's commercial real estate data, contact info@trepp.com.
For inquiries about the data analysis conducted in this research, contact press@trepp.com or 212-754-1010.

About Trepp

Trepp, founded in 1979, is the leading provider of information, analytics and technology to the CMBS, commercial real estate and banking markets. Trepp provides primary and secondary market participants with the web-based tools and insight they need to increase their operational efficiencies, information transparency and investment performance. From its offices in New York, San Francisco and London, Trepp serves its clients with products and services to support trading, research, risk management, surveillance and portfolio management. Trepp is wholly-owned by Daily Mail and General Trust (DMGT).

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