CREFC Update on CRE Debt Marketplace

June 2022

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The Voice of Commercial Real Estate Finance

CMBS Delinquency Rate Sees Slight Uptick – June 2022

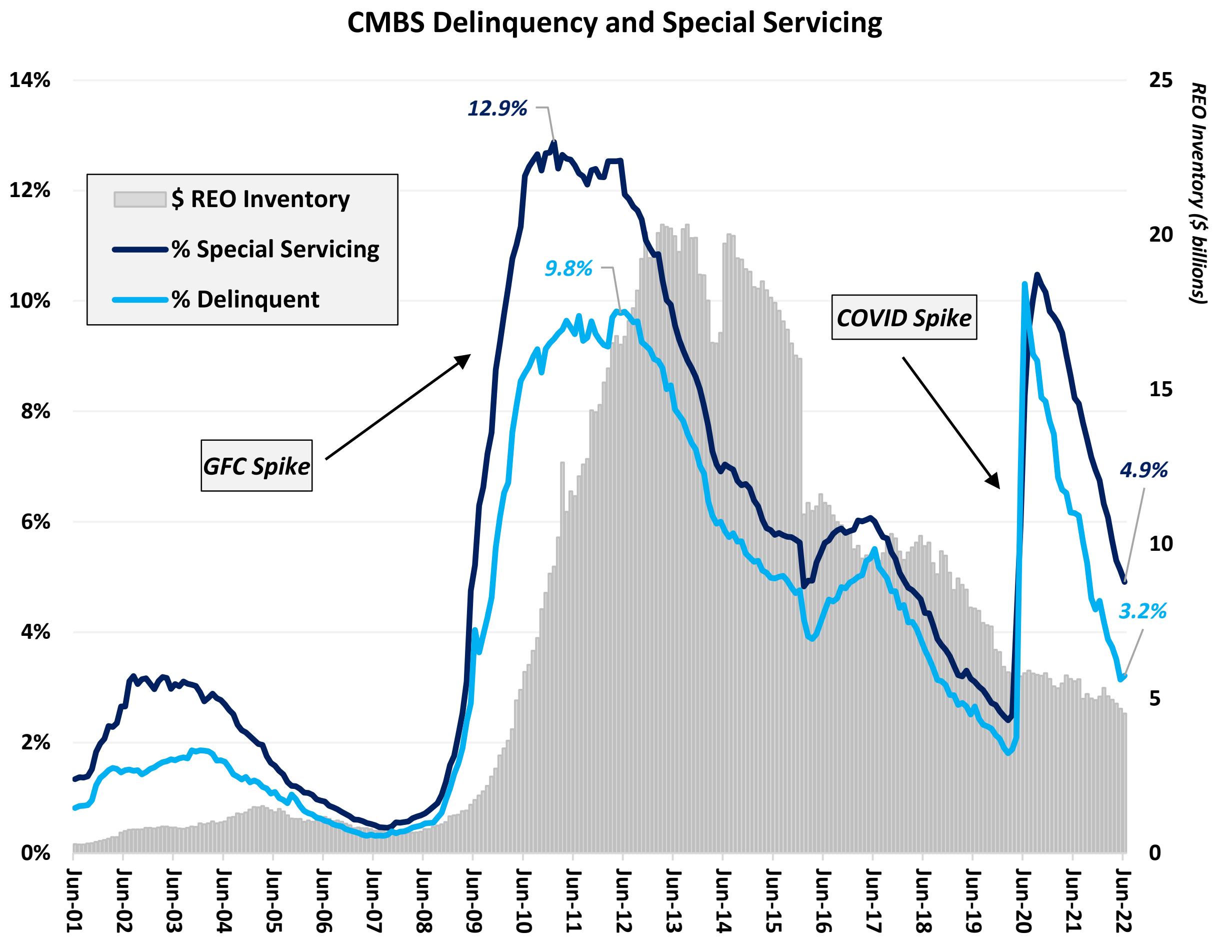
CMBS loans in this report reflect a total outstanding balance of $639.1 billion:

- ***61.1% ($390.6B) conduit CMBS,***
- ***38.9% ($248.5B) single-asset/single-borrower (SASB) CMBS***

DELINQUENCY RATE UPTICK – ONLY SECOND IN TWO YEARS

3.2% June 2022 Delinquency Rate

- *The CMBS delinquency rate notched up slightly, increasing 7 basis points (bps) to 3.2%*
  - This is only the second monthly increase in the delinquency rate over the last 24 months, with the prior increase in December 2021 (16 bps)
  - While too early to point to a trend, the delinquency rate over the next few months may continue upward given the continued macro volatility and challenges of refinancing loans at higher rates and lower valuations
  - June's delinquency rate is 710 bps lower from its peak of 10.3% in June 2020 and is the second lowest since April 2020 (2.1%) – before the impacts of the pandemic were first reflected in the data



Source: Intex, Trepp; includes both conduit and SASB

Special Servicing Rate Notches Downward – For Now

- **Decline in Special Servicing Volume:** Loans in special servicing fell 21 bps to 4.9% in June, the 21st consecutive monthly decline, and down from a high of 10.5% in September 2020
  - Hotel and retail loans led the way, decreasing 49 bps and 40 bps to 7.9% and 10.5%, respectively
  - ***Currently ~$29 billion of specially serviced loans vs. ~$14 billion at year-end 2019***
- **De-Minimis In-Foreclosure and REO Loans to Date:** Relatively high percentage of loans in special servicing over two years into the pandemic suggest in-foreclosure and REO rates should be much higher; yet, they remain low at 1.1% and 0.8%, respectively
  - Low rates reflect forbearances in place by special servicers as reported in watchlist data, special servicer comments
    - According to *BofA Global Research*, as of June 2022:
      - 448 loans across 275 conduit and SASB transactions totaling $20.6 billion (or 3.2% of the outstanding CMBS universe) had delinquency statuses of in-foreclosure or REO; and
      - An additional 247 loans across 192 conduit and SASB transactions totaling $9.5 billion (or 1.5% of the outstanding CMBS universe) mentioned foreclosure/dual tracking in the servicer commentary
        - ~40% backed by retail properties and ~28% hotel properties
        - 2014 and 2015 vintage loans most impacted
- **Outlook: Despite the positive trend in the special servicing rate, given the challenges of refinancing loans in the current interest rate and economic environment, we expect increases in loans transferred to SS in the coming months**

Current CMBS Loan Performance Still Strong

- Overall performance for conduit and SASB CMBS remains sound with delinquency rates at 4.5% and 1.1%, respectively
- Same applies for ‘in-foreclosure’ loans and REO assets at a combined 2.6% for conduit and 0.5% for SASB
- Total special serviced loan rates are also low at 6.3% for conduit and 2.6% for SASB
- Outperformance of SASB CMBS is due primarily to the institutional-quality assets and sponsorship associated with larger loans and the heightened capital liquidity of the borrowers and thus their ability to withstand cash-flow deficits caused by the pandemic

% of Balance Outstanding	Grace Period	30+ Days Delinquent	60+ Days Delinquent	90+ Days Delinquent	In Foreclosure	REO	Non-Perf Matured Balloon	Total Delinquent	Current & Specially Serviced	Delinquent & Specially Serviced	Total Specially Serviced
Conduit CMBS	2.1%	0.3%	0.1%	1.0%	1.4%	1.2%	0.4%	**4.5%**	1.9%	4.3%	**6.3%**
SASB CMBS	1.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.3%	**1.1%**	1.5%	1.0%	**2.6%**
Total CMBS	**1.7%**	**0.2%**	**0.1%**	**0.7%**	**1.1%**	**0.8%**	**0.4%**	**3.2%**	**1.8%**	**3.1%**	**4.9%**

Source: Trepp; Data represent a snapshot as of the date pulled and may differ slightly across slides as Trepp updates its website on a daily basis

Conduit CMBS Credit Characteristics and Maturity Schedule

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- **Conduit Loan Coupons Move Higher**
  - The weighted average coupon (WAC) for conduit loans increased 97 bps to 4.49% from 4Q21 to 2Q22
  - Nonetheless, current rates still remain well below the WACs of 2013 – 2015 vintages coming due in the near-term
- **Moody's Analysis of Upcoming Maturities**
  - A recent analysis by *Moody's Analytics* looked at CMBS maturities, including SASB transactions with no remaining extension options, for the remainder of 2022 to provide a sense of the pace at which maturity failures may increase
    - The analysis suggests that $7.4 billion in loans maturing in 2H 2022 may be challenged to refinance before year-end, amounting to 1.2% of the CMBS loan universe
    - When Moody's applied the same refinance analysis to 2023 CMBS maturities, an additional $14.7 billion in loans could be at risk of failing to repay (or 2.3% of the CMBS loan universe)

Conduit CMBS Credit Characteristics by Vintage

Vintage	Securitized Balance ($B)	Current Balance ($B)	U/W LTV	U/W DSCR	U/W Debt Yield	WAC	60d+ DLQ incl. FC/REO (%)
2012	32.6	9.8	63.3%	1.67x	10.5%	5.02%	8.4%
2013	53.1	34.9	63.0%	1.82x	10.5%	4.53%	5.8%
2014	57.4	41.0	65.5%	1.72x	10.1%	4.66%	6.1%
2015	61.9	50.8	64.5%	1.80x	9.8%	4.38%	4.6%
2016	47.3	40.6	59.7%	2.01x	10.4%	4.47%	3.0%
2017	47.8	43.4	57.2%	2.18x	10.9%	4.45%	2.3%
2018	40.4	38.4	57.7%	2.08x	10.9%	4.74%	2.3%
2019	49.3	48.5	58.5%	2.30x	10.6%	4.22%	1.0%
2020	31.7	31.4	55.2%	2.81x	11.1%	3.57%	0.3%
2021	31.4	31.4	55.2%	2.87x	10.7%	3.35%	0.0%
1H 2022	16.6	16.6	53.7%	2.80x	11.1%	3.93%	0.0%
Total / WA	**469.6**	**386.8**	**60.3%**	**2.10x**	**10.5%**	**4.37%**	**3.5%**

Conduit CMBS Maturity Schedule ($B)

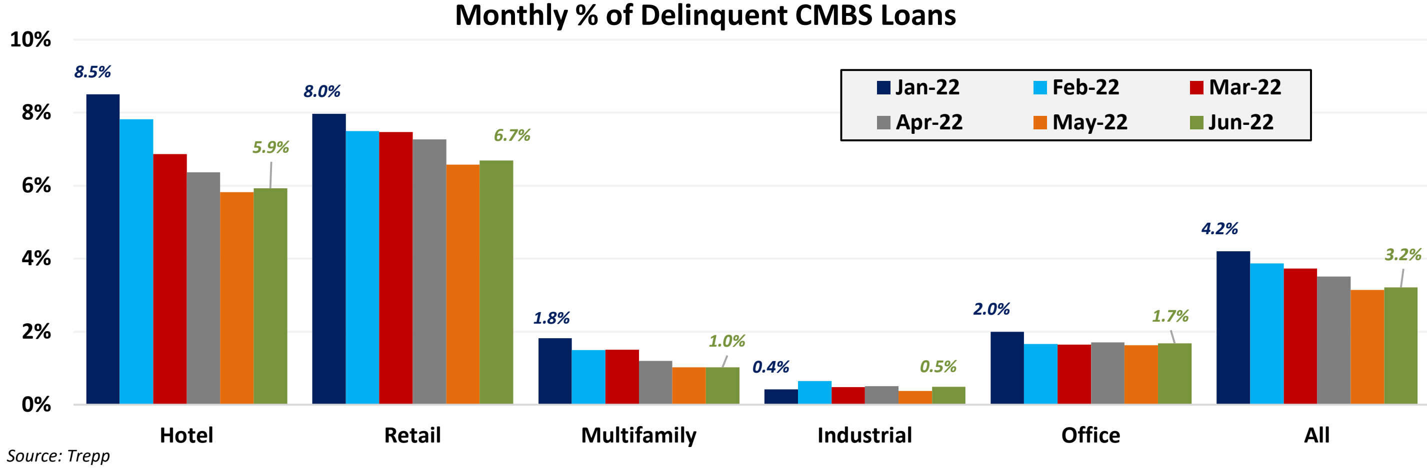
Maturity Year	Balloon Amortizing	Full-Term Interest Only	Partial-Term Interest Only	Total
2022	6.6	7.3	3.4	17.3
2023	12.9	7.5	8.8	29.1
2024	11.2	13.6	18.6	43.4
2025	14.1	13.5	19.8	47.5
2026	11.6	16.2	10.9	38.7
2027	9.0	20.5	11.7	41.2
2028	7.5	19.2	10.1	36.8
2029	7.4	32.4	9.8	49.6
2030	2.9	15.5	4.1	22.5
2031	3.7	18.3	5.1	27.1
Total	**87.0**	**164.2**	**102.2**	**353.4**

Source: J.P. Morgan and Morgan Stanley

June 2022 Delinquency by Property Type

- **Delinquencies Move Marginally Upward.** Delinquency rate of 3.2% was up 7 bps in June, driven by increases in retail (12 bps) and hotel (11 bps).
- **Notable New Large Loan Delinquencies:**
  - **Parkdale Mall & Crossing - $67.8M (GSMS 2011-GC5).** Loan transferred to SS on 2/2/2021 for imminent default (3/6/2021 maturity). Collateral consists of combined 743,000 sf of a regional mall and adjacent strip center in Beaumont, TX. Property was constructed between 1973 and 2003 and renovated in 2006. In May 2022, lender conditionally approved a modification and maturity extension; lender is currently in the process of documenting the transaction with borrower.
  - **Supor Industrial Portfolio - $51M (WFCM 2020-C56).** Secured by a 626,000 sf industrial warehouse/ distribution complex located 10-16 miles from the Port of NY/NJ. Loan was on Watchlist due to non-receipt of financial reporting for 2020 and 2021, along with a payment delinquency for March and April 2022. After bringing the loan current, borrower has once again fallen behind on debt service payments for May and June 2022. Borrower has indicated intent to make payment and is discussing outstanding financial reporting requirements with master servicer.

Delinquency by Property Type (Conduit + SASB)	30+ Days Delinquent (%)	60+ Days Delinquent (%)	90+ Days Delinquent (%)	Non-Perf Maturity Balloon (%)	In Foreclosure & REO (%)	Total Delinquent (%)	Performing Specially Serviced (%)
Hotel	0.4	0.0	1.8	0.8	2.9	5.9	2.2
Retail	0.3	0.1	0.9	0.9	4.5	6.7	3.8
Multifamily	0.0	0.1	0.4	0.1	0.5	1.0	0.4
Industrial	0.2	0.0	0.0	0.0	0.3	0.5	0.1
Office	0.1	0.0	0.4	0.2	1.0	1.7	1.6
Total	**0.2**	**0.1**	**0.7**	**0.4**	**1.9**	**3.2**	**1.8**

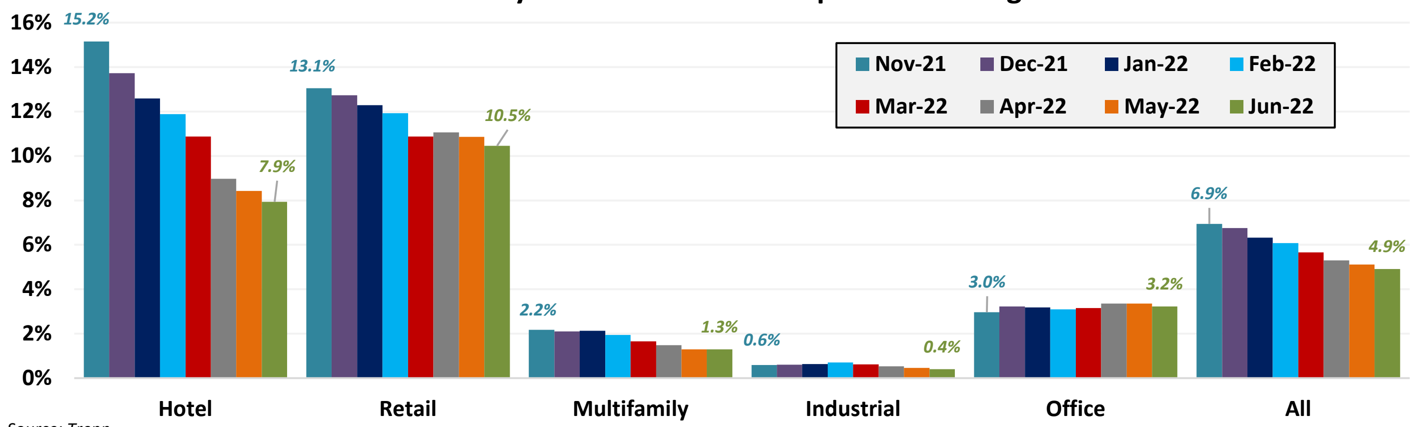


Source: Trepp

June 2022 Special Servicing by Property Type

- **Special Servicing Rate Drops Again.** SS loans totaled 4.9% in June, down from 5.2% in May. Hotel loans saw the largest decrease, dropping 49 bps to 7.9% (vs. high of 24.1% in Dec-2020), followed by retail loans, which decreased 40 bps to 10.5% (vs. a high of 17.2% in Dec-2020).
- **Loans totaling $341M Transferred to SS. Transfers Include:**
  - **Eastview Mall and Commons - $210M (COMM 2012-CR4 & CR5).** Collateral consists of a one-story, super regional mall and power center located in Victor, NY, built in 1971 and 1998, respectively, and renovated in 1995 and 2003. The property is ~14 miles southeast of downtown Rochester. Borrower reports cash flow impacted by COVID with occupancy dropping to 77% as of 3/31/2022, compared to ~90% pre-COVID. The loan was transferred to the SS on 6/1/2022 for imminent monetary default (maturity of 9/6/2022) at the borrower's request and the SS has reached out to the borrower in order to assess next steps.
  - **Trenton Office Portfolio - $60M (UBSBB 2012-C2).** Collateral consists of two Class-A mid-rise office buildings built in 1988 and 1989 totaling 474,000 sf and located in Trenton, NJ. Loan transferred to SS due to imminent default related to the loan's maturity of 6/6/2022. The borrower has requested an extension and the SS is reviewing the request.

SS by Property Type	Jun-22	May-22	Apr-22	Mar-22	Dec-21	Jun-21	Dec-20	Jun-20	Dec-19
Hotel	7.9%	8.4%	9.0%	10.9%	13.7%	18.7%	24.1%	20.5%	1.9%
Retail	10.5%	10.9%	11.1%	10.9%	12.7%	14.4%	17.2%	14.2%	5.0%
Multifamily	1.3%	1.3%	1.5%	1.7%	2.1%	2.7%	2.9%	1.9%	2.2%
Industrial	0.4%	0.5%	0.5%	0.6%	0.6%	0.8%	1.2%	1.4%	1.7%
Office	3.2%	3.4%	3.4%	3.2%	3.2%	3.0%	2.7%	2.7%	2.5%
All	**4.9%**	**5.1%**	**5.3%**	**5.7%**	**6.8%**	**8.2%**	**9.8%**	**8.3%**	**2.7%**



Source: Trepp

CRE Lending Landscape and Debt Outstanding

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CRE Debt Outstanding Continues to Grow: $5.3 Trillion

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- ***Banks outpace all lenders in CRE debt outstanding; GSEs take that honor on the multifamily debt outstanding front***

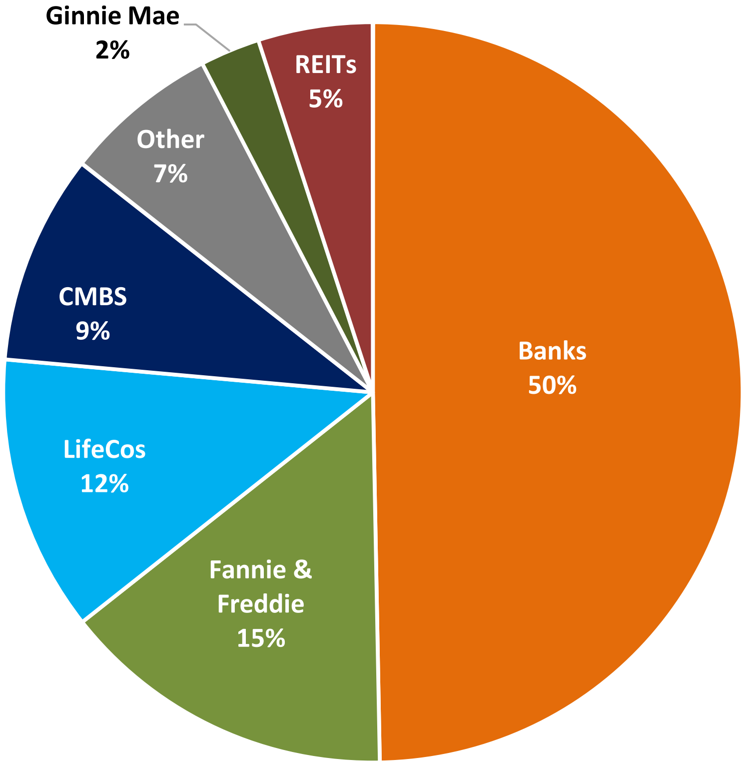
CRE Debt Outstanding: 1Q 2022 ($ billions)

Holder Type	Total CRE Debt	% of CRE Debt Outstanding
Banks	2,618	50%
Fannie & Freddie	772	15%
LifeCos	635	12%
CMBS	483	9%
Other	357	7%
Ginnie Mae	138	2%
REITs	264	5%
Total	**5,268**	**100%**

Holder Type	Multifamily Debt Only	% of Multifamily Debt Outstanding	Non-Multifamily CRE Debt	% of Non-Multifamily CRE Debt Outstanding
Banks	594	31%	2,024	60%
Fannie & Freddie	772	40%	0	0%
LifeCos	183	10%	452	14%
CMBS	72	4%	412	12%
Other	146	8%	211	6%
Ginnie Mae	138	7%	0	0%
REITs	16	1%	247	7%
Total	**1,922**	**100%**	**3,346**	**100%**

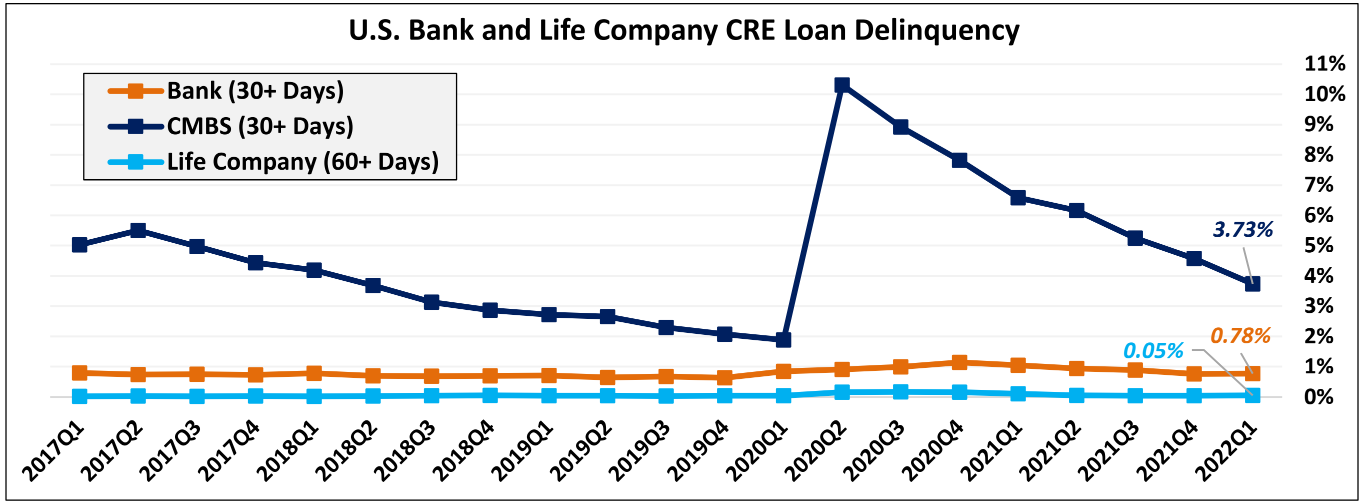
Source: Federal Reserve

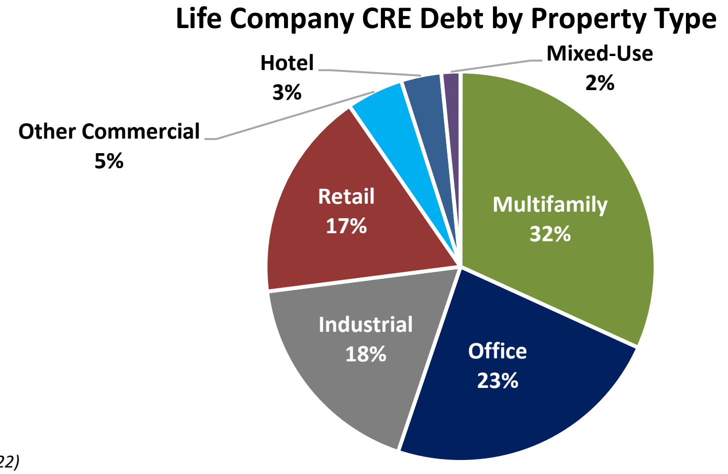
Total CRE Debt Outstanding ($5.3T)



Bank and Life Company Loan Performance Benign

- **Bank, Life Company CRE Delinquencies Remain Low**
  - 60+-day delinquency rate for life company loans remained near-zero at 0.05% in 1Q22 (ACLI)
  - 30+-day delinquency rate for bank loans also remained relatively unchanged at 0.78% in 1Q22 (FDIC)
  - CMBS delinquencies still remain higher but had narrowed to within 104 bps of bank delinquencies in early 2020, before the impacts of the pandemic were reflected in the data
- **Troubled Debt Restructuring (TDR) Guidance**
  - In response to the pandemic, federal/state regulators provided financial institutions flexibility to temporarily modify loans without being negatively impacted by risk-based capital and other requirements
  - CARES Act originally provided TDR relief for loans modified prior to 12/31/20, but extended that date through 1/1/22, while also clarifying that insurance companies were eligible to use TDR relief
  - CREFC advocated for the TDR relief extension/ clarification, aiding lenders in their efforts to continue to work with borrowers impacted by the pandemic

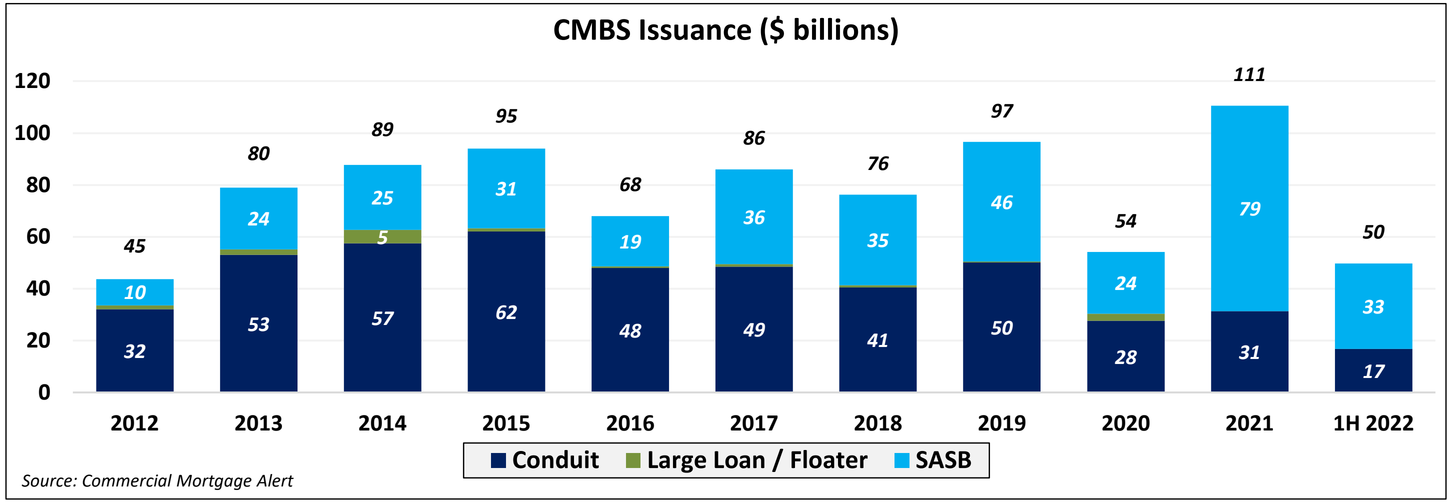


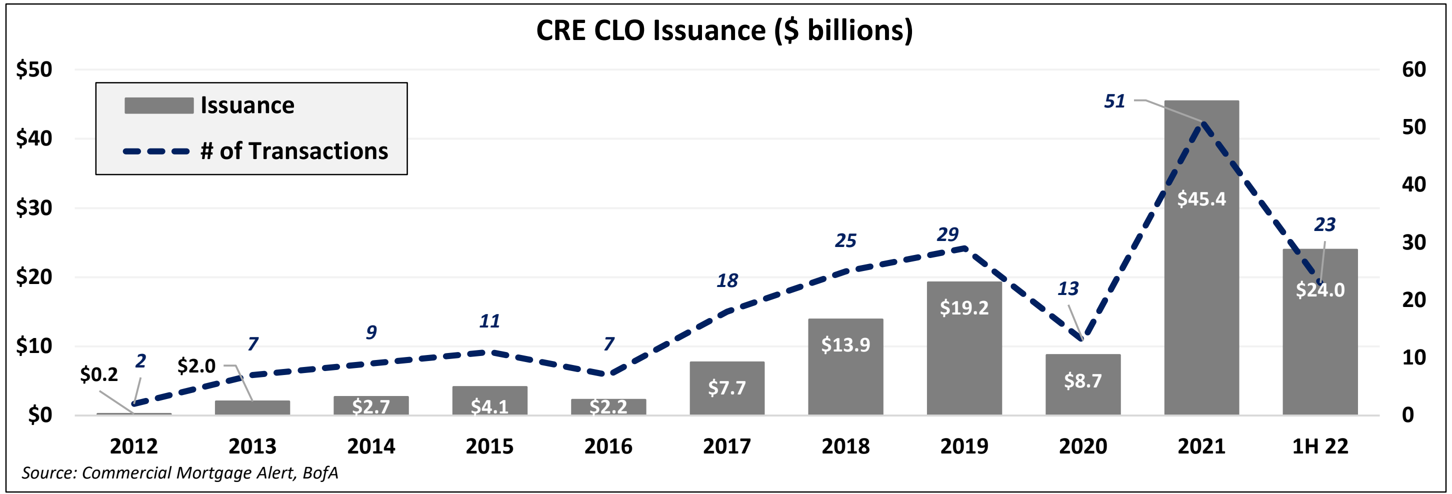


Source: ACLI (as of 1Q 2022)

Private-Label CRE Securitized Debt Overview

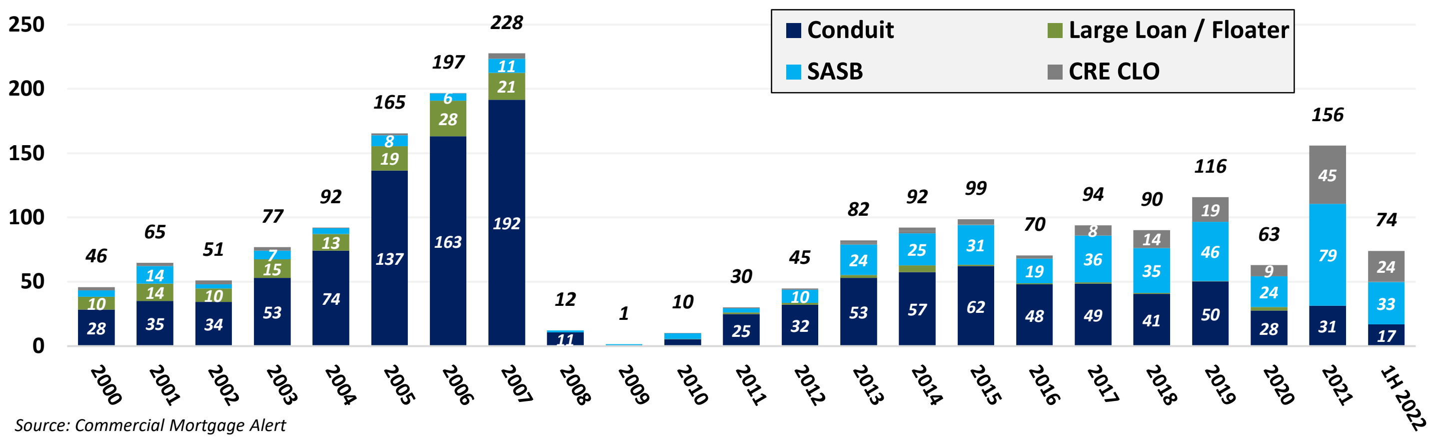
- **Conduit CMBS** are fixed-rate bonds secured by multiple fixed-rate loans to multiple borrowers across all core asset types. Each loan is secured by single stabilized asset or portfolio of stabilized assets
- **Single-Asset/Single-Borrower (SASB) CMBS** is secured by a large loan to an institutional borrower secured by either a single stabilized asset or portfolio of assets
  - ***Combined CMBS issuance through 1H22 totaled $50 billion***
- **CRE CLOs** are collateralized by first mortgages of multifamily and commercial properties in transition
  - Of the outstanding CRE CLO universe, over 65% consists of loans secured by multifamily, many of which are older, naturally occurring affordable housing (NOAH) properties that accommodate lower-income tenants
  - CRE CLO issuance rose from <$1 billion in 2012 to a record $45.5 billion in 2021 via 51 CRE CLO transactions
    - ***1H22 CRE CLO issuance hit $24 billion***



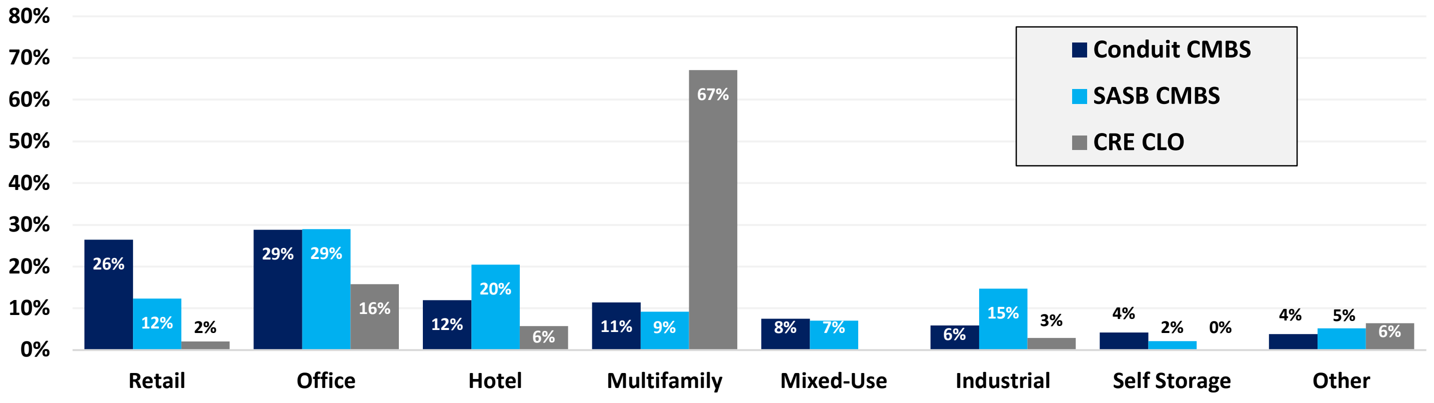


CMBS and CRE CLO Issuance Slows, Foggy Asset Valuations

- **Private-label CRE securitized debt issuance reached a post-financial crisis high of $156 billion in 2021**
  - 2021 issuance marked a sharp rebound from the $63 billion of issuance in 2020, which reflected stress from the pandemic
  - SASB and CRE CLO issuances reached record levels in 2021
- **Issuance in recent months has significantly narrowed as a result of continued macro uncertainty and the challenges of originating loans at higher coupons and lower valuations**
  - As of June 30th, CMBS and CRE CLO issuance stood at $74 billion, only 11% higher than the same period in 2021 ($66 billion); ***At the end of Q1 2022, total issuance was 70% ahead of the same period in 2021***
- **Conduit CMBS and CRE CLOs tend to be collateralized by property types most relevant to workers affected by COVID-19** (restaurants, malls, community shopping centers, hotels, multifamily, affordable housing) and by assets located in secondary and tertiary markets and non-luxury properties



Source: Commercial Mortgage Alert



Source: Trepp, BofA Global Research (as of June 2022)

CRE Lending Landscape

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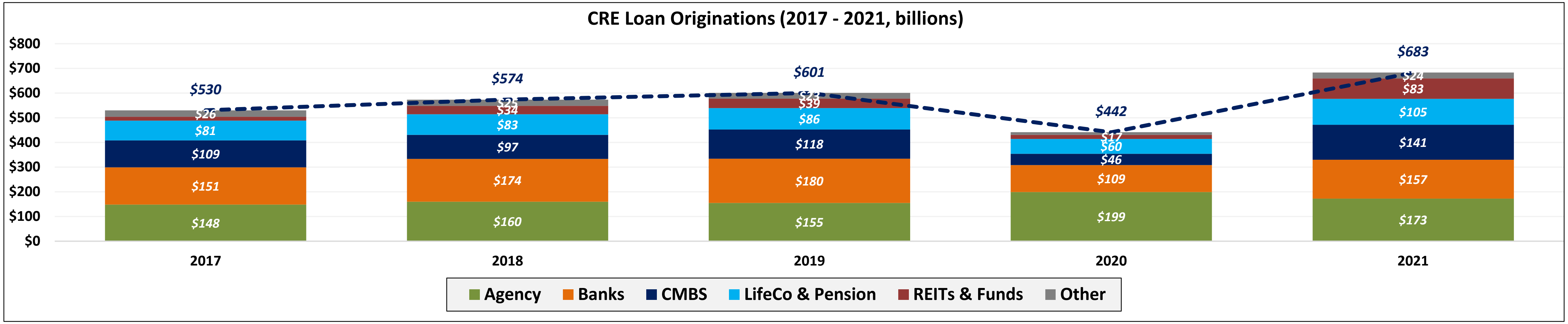

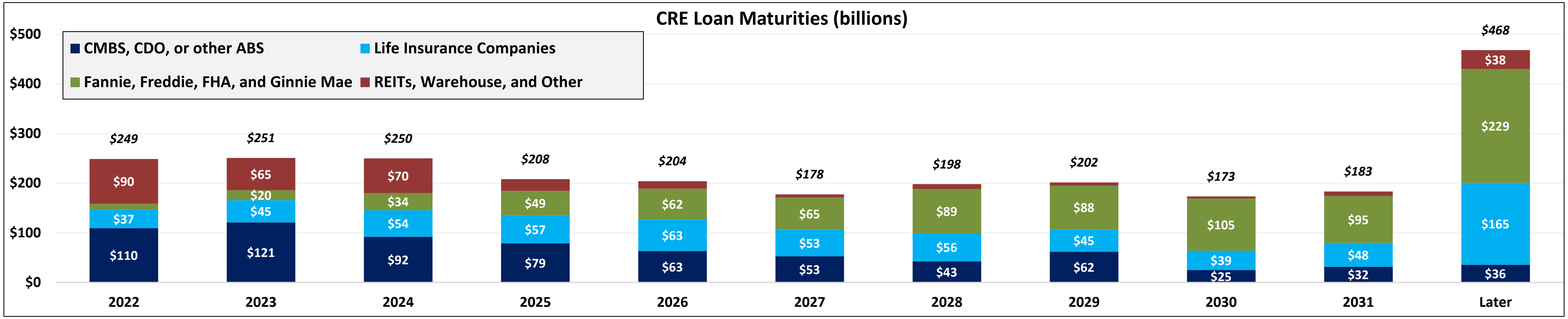

Source: Real Capital Analytics and Mortgage Bankers Association; As of December 31, 2021

ABOUT CREFC

The CRE Finance Council (CREFC) is the trade association for the $5.1 trillion commercial real estate finance industry. More than 300 companies and almost 18,000 individuals are members of CREFC. Member firms include balance sheet and securitized lenders, loan and bond investors, private equity firms, servicers and rating agencies, among others.

Our industry plays a critical role in the financing of office buildings, industrial and warehouse properties, multifamily housing, retail facilities, hotels, and other types of commercial real estate that help form the backbone of the American economy.

CREFC promotes liquidity, transparency, and efficiency in the commercial real estate finance markets. It does this by acting as a legislative and regulatory advocate for the industry, playing a vital role in setting market standards and best practices, and providing education for market participants.

CREFC also hosts globally recognized events that bring together market participants from leading companies and organizations. Complementing these major conferences are regular After-Work Seminars and regional conferences held throughout the year.

For questions regarding this update, please contact:

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