



April CMBS Delinquency Rate: It's Time to Throw Out the Old Measurements

The Trepp CMBS Delinquency Rate saw its biggest jump in almost three years in April 2020. The April reading is 2.29%, a jump of 22 basis points over the March number. The last time the delinquency rate saw a bigger jump was in June 2017 – when the industry was still talking about the “wave of maturing” 2007 loans.

While an increase in the delinquency rate was probably expected by most industry watchers, the magnitude of the move likely surprised many by its modest size.

In this report, we explain why this month's relatively modest increase in the delinquency rate was not a very big surprise to us (or most daily [TreppWire](#) readers) and why it's necessary to throw out the old way of looking at the data.

For now, many are eyeing the loans that have transferred to special servicing as an indicator of what is to come. The percentage of loans with the special servicer grew from 2.83% in March to 4.39% in April. Prior to the April servicer data, 2.27% of all lodging loans were in special servicing. In April, that ballooned to 11.42%. The balance of loans in special servicing grew from \$14.1 billion to over \$22 billion. The new additions to special servicing increased ten-fold between March and April.

As we pointed out in our daily research, most CMBS borrowers impacted by COVID-19 will not appear as “delinquent” until the May payment cycle. The reason for that is this: most borrowers made their March 1 payments as that payment was due before the COVID-19 headlines and shelter-at-home orders became widespread. Many of these borrowers did not make their April 1 payments. But that did not make their loans delinquent. Instead – at that point – the loans were classified as either “in grace period” or “beyond grace period” in the servicer data. (These are called status A or status B loans, respectively.) Once borrowers miss their May 1 payment, they will become 30 days delinquent (unless the borrower is granted a forbearance).

CHART 1: DELINQUENCY STATUS

Current	97.51
30 Days Delinquent	0.18
60 Days Delinquent	0.02
90 Days Delinquent	0.20
Performing Matured Balloon	0.21 ¹
Non-Performing Matured Balloon	0.39
Foreclosure	0.34
REO	1.16

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

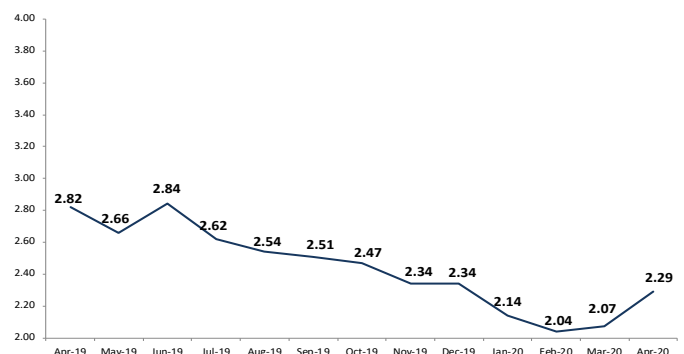
Source: Trepp

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

	APR-20	MAR-20	FEB-20	3 MO.	6 MO.	12 MO.
Industrial	1.36	1.35	1.45	1.57	2.46	2.10
Lodging	2.71	1.53	1.60	1.49	1.49	1.55
Multifamily	1.92	1.63	1.79	2.02	2.07	1.99
Office	1.92	1.86	1.72	1.87	2.50	3.11
Retail	3.67	3.89	3.62	3.76	4.20	4.62

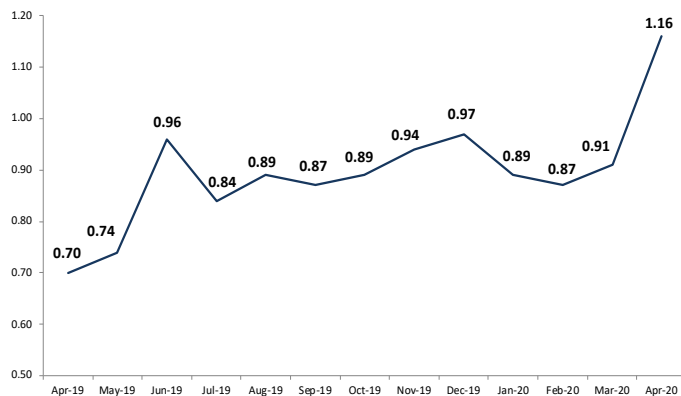
Source: Trepp

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



Source: Trepp

GRAPH 2: THE CMBS 2.0+ DELINQUENCY RATE



Source: Trepp

Historically, the A/B category has been neglected by people looking at CMBS data. Loans in this category usually totaled 2% of the market or less. Most of these loans were either notes on their way to becoming 30 days delinquent or loans for which “the check was in the mail” – essentially loans that would quickly return to current the following month. Because of the low percentages in these categories historically, no one worried about them.

Now, there is no ignoring these categories as in the case of the retail loans the number jumped 6x in April and for hotels, it spiked more than 10x. These numbers should now be looked at as proxies for what the delinquency number could grow to in May and beyond. On the other hand, borrowers granted forbearances should put a cap on the increase in delinquencies at some point.

As a result, we have added A/B numbers as a new line item to our delinquency report.

The Overall Numbers

- The overall US CMBS delinquency rate climbed 22 basis points in April to 2.29%. (The all-time high on this basis was 10.34% registered in July 2012.)
- The % of A/B loans was just over 7.6% in April. If these loans were all to become 30 days delinquent in May, then the overall delinquency rate would be over 10% next month.

- Year-to-date the overall US CMBS delinquency rate is down five basis points.
- The percentage of loans that are seriously delinquent (60+ days delinquent, in foreclosure, REO, or non-performing balloons) is now 2.11%, up 11 basis points for the month.
- If defeased loans were taken out of the equation, the overall 30-day delinquency rate would be 2.41%, up 19 basis points from March.
- One year ago, the US CMBS delinquency rate was 2.82%.
- Six months ago, the US CMBS delinquency rate was 2.47%.

The CMBS 2.0+ Numbers

- The CMBS 2.0+ delinquency rate jumped 25 basis points to 1.16% in April. The rate is up 46 basis points year-over-year.
- The % of A/B loans was 7.77% in April. If these loans were all to become 30 days delinquent in May, then the overall delinquency rate would be almost 9% next month.
- The percentage of CMBS 2.0+ loans that are seriously delinquent is now 0.98%, which is up 15 basis points from March.
- If defeased loans were taken out of the equation, the overall CMBS 2.0+ delinquency rate would be 1.23%, up 26 basis points for the month.

The CMBS 1.0 Numbers

Note: With CMBS 1.0 loans outstanding dwindling, we plan to retire this statistic beginning in Q3 2020.

- The CMBS 1.0 delinquency rate dropped 60 basis points to 40.74 % in April.
- The % of A/B loans was 16.58% in April.
- The percentage of CMBS 1.0 debt that is seriously delinquent fell 69 basis points to 40.65% last month.
- If defeased loans were taken out of the equation, the overall CMBS 1.0 delinquency rate would be 45.83%.

Overall Property Type Analysis (CMBS 1.0 and 2.0+ and the % of A/B Loans in April):

- The industrial delinquency rate inched up one basis point to 1.36%.
 - A/B status: 4.48%, up from 1.43% in March
- The lodging delinquency rate jumped 118 basis points to 2.71%.
 - A/B: 20.39%, up from 1.52%
- The multifamily delinquency rate rose 29 basis points to 1.92%.
 - A/B: 5.40%, up from 2.71%
- The office delinquency rate rose six basis points to 1.92%.
 - A/B: 2.38%, down from 2.59%
- The retail delinquency rate declined 22 basis points to 3.67%. Retail remains the worst performing major property type.
 - A/B: 10.48%, up from 1.71%

Property Type Analysis CMBS 1.0:

- Industrial delinquency rate: 47.75% (up 33 basis points month over month)
- Lodging delinquency rate: 32.92% (down 31 basis points)
- Multifamily delinquency rate: 19.26% (up 161 basis points)
- Office delinquency rate: 35.55% (down 15 basis points)
Retail delinquency rate: 63.30% (down 134 basis points)

Property Type Analysis CMBS 2.0+:

- Industrial delinquency rate: 0.20% (up three basis points month over month)
- Lodging delinquency rate: 2.31% (up 122 basis points)
- Multifamily delinquency rate: 1.77% (up 30 basis points)
- Office delinquency rate: 0.56% (up 11 basis points)
Retail delinquency rate: 1.51% (down eight basis points)

For more information about Trepp's data on distressed commercial real estate loans by property type, region, and more: [See a short demo today.](#)

For more information about Trepp's commercial real estate data, contact info@trepp.com.
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About Trepp

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