



# CMBS Report

Winter 2014

# The CMBS Market



- As of November 2013, outstanding CMBS loans totaled \$738 billion (down from \$744 in October)
- Exposure by property type is heavily weighted towards office collateral at 37%, retail at 25%, and multi-family at 13%.
- Seriously delinquent loans (60+ days delinquent, in foreclosure, REO, or non-performing balloons) dropped 39 basis points this month, to 7.30%.
- November marks the sixth consecutive month of default rate improvement, as it decreased 32 basis points to 7.66%.
- There are currently \$41.3 billion in delinquent loans.
- Deals issued from 2005 through 2007 now represent 77% of total delinquency (in line with the prior month), and delinquent unpaid balance from such represents 4.5% of all CMBS
- Through November 2013, California, Florida and New York account for 30.5% of delinquency.
- CMBS delinquency continues to decline to cycle lows.

# Scorecard-CMBS Swaps



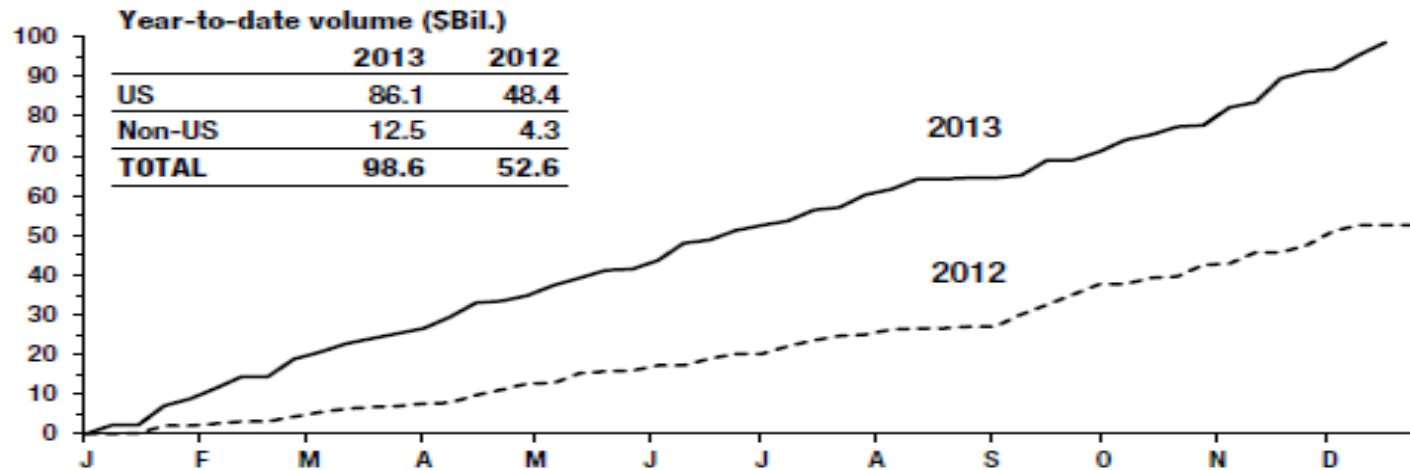
Spreads to Swaps										
Deal	Size (\$Mil.)	Date	Ratings	Jr. AAA Sub. %	AAA (5 yr)	AAA (10 yr)	Jr. AAA (10 yr)	AA	A	BBB-
UBSBB 2013-C6	\$ 1,295.5	4/11/2013	MD/FI/KR	21.38%	+55	+98	+120	+160	+220	+375
COMM 2013-CCRE7	\$ 936.2	4/11/2013	MD/MR/KR	21.50%	+53	+93	+120	+150	+200	+360
MSBAM 2013-C9	\$ 1,276.9	4/15/2013	MD/DB/KR	22.00%	+50	+90	+125	+150	+190	+325
CGCMT 2013-GCJ11	\$ 1,206.8	4/16/2013	MD/FI/KR	21.38%	+50	+88	+120	+150	+190	+320
WFRBS2013-C13	\$ 876.7	4/17/2013	MD/FI	19.63%	+48	+81	+115	+135	+170	
JPMCC 2013-LC11	\$ 1,316.0	5/2/2013	MD/SP	21.88%	+42	+82	+107	+135	+180	+310
GSMS 2013-GCJ12	\$ 1,197.5	5/16/2013	SP/FI	23.25%	+47	+82	+105	+145	+185	+310
WFRBS2013-C14	\$ 1,469.5	5/22/2013	MD/FI/KR	22.63%	+45	+85	+100	+135	+165	+315
COMM 2013-CCRE8	\$ 1,384.6	6/4/2013	MD/DB/KR	18.63%	+50	+94	+120	+140	+185	+320
JPMBB 2013-C12	\$ 1,341.2	6/14/2013	MD/SP/KR	20.63%	+58	+103	+145	+190	+235	+410
MSBAM 2013-C10	\$ 1,485.8	6/24/2013	MD/FI/KR	22.50%	+70	+120	+150	+200	+245	+410
JPMCC 2013-C13	\$ 961.2	6/28/2013	MD/SP	22.63%	+85	+122	+165	+220	+275	+450
COMM 2013-CCRE9	\$ 1,293.7	7/1/2013	SP/FI/KR	20.13%	+87	+128	+170	+220	+265	+450
GSMS 2013-GC13	\$ 1,333.9	7/17/2013	MD/FI/KR	22.63%	+75	+115	+150		+290	+450
WFCM 2013-LC12	\$ 1,409.2	7/17/2013	MD/FI/KR	21.75%		+120	+160	+215	+285	+450
Comm 2013-CCRE10	\$ 1,010.4	8/1/2013	MD/DB/KR	20.13%	+7	+100	+130	+190	+260	+400
MSBAM 2013-C11	\$ 856.3	8/1/2013	MD/FI/MR	24.25%	+80	+105	+135	+200	+260	+390
JPMBB 2013-C14	\$ 1,148.2	8/2/2013	MD/FI	23.00%	+80	+103	+130	+200	+270	+390
WFRBS 2013-C15	\$ 1,107.0	8/5/2013	MD/FI/KR	22.75%	+70	+100	+120	+175	+250	+390
GSMS 2013-GCJ14	\$ 1,242.7	8/14/2013	MD/DB/KR	22.00%	+75	+105	+130	+180	+265	+415
WFRBS 2013-C16	\$ 1,045.9	9/16/2013	MD/FI/KR	20.38%	+80	+105	+130	+180	+265	+425
CGCMT 2013-GC15	\$ 1,115.2	9/18/2013	MD/FI/DB	21.50%	+73	+103	+130	+190	+260	+425
COMM 2013-LC13	\$ 1,077.8	9/20/2013	MD/SP/KR	21.38%	+75	+101	+135	+180	+250	+410
COMM 2013-CCRE11	\$ 1,269.8	10/2/2013	MD/FI/DB	21.00%	+80	+115	+160	+210	+285	+450
MSBAM 2013-C12	\$ 1,276.3	10/10/2013	MD/FI/KR	21.75%	+77	+109	+130	+180	+240	+420



# Market Overview

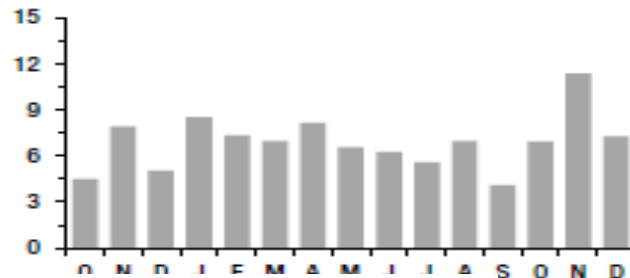


## WORLDWIDE CMBS



## US CMBS

### MONTHLY ISSUANCE (\$Bil.)



## CMBS TOTAL RETURNS

### CMBS INDEX

As of 12/18	Avg. Life	Total Return (%)		
		Month to Date	Year to Date	Since 1/1/97
Inv.-grade	3.8	0.0	0.5	194.9
AAA	4.0	-0.1	-0.2	179.8
AA	3.4	0.0	0.6	82.3
A	3.5	0.1	1.2	67.3
BBB	3.6	0.1	3.7	74.2

Source: Barclays



CHESTERFIELD FARING LTD

# Market Overview



## LOAN SPREADS

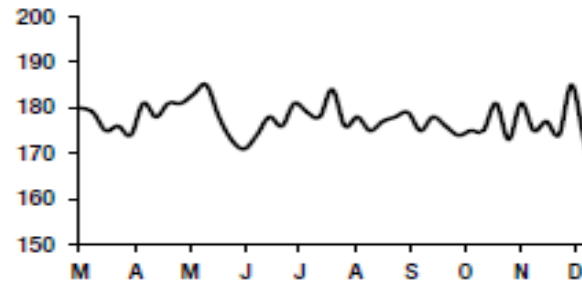
### ASKING SPREADS OVER TREASURYS

10-year loans with 50-59% LTV

	12/13	Month Earlier
Office	162	177
Retail	160	175
Multi-family	157	166
Industrial	159	169

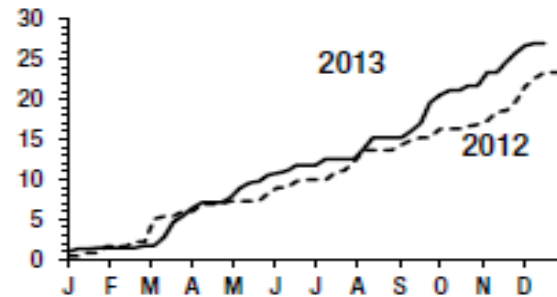
Source: Trepp

### ASKING OFFICE SPREADS



## REIT BOND ISSUANCE

### UNSECURED NOTES, MTNs, (\$Bil.)



### MONTHLY ISSUANCE (\$Bil.)

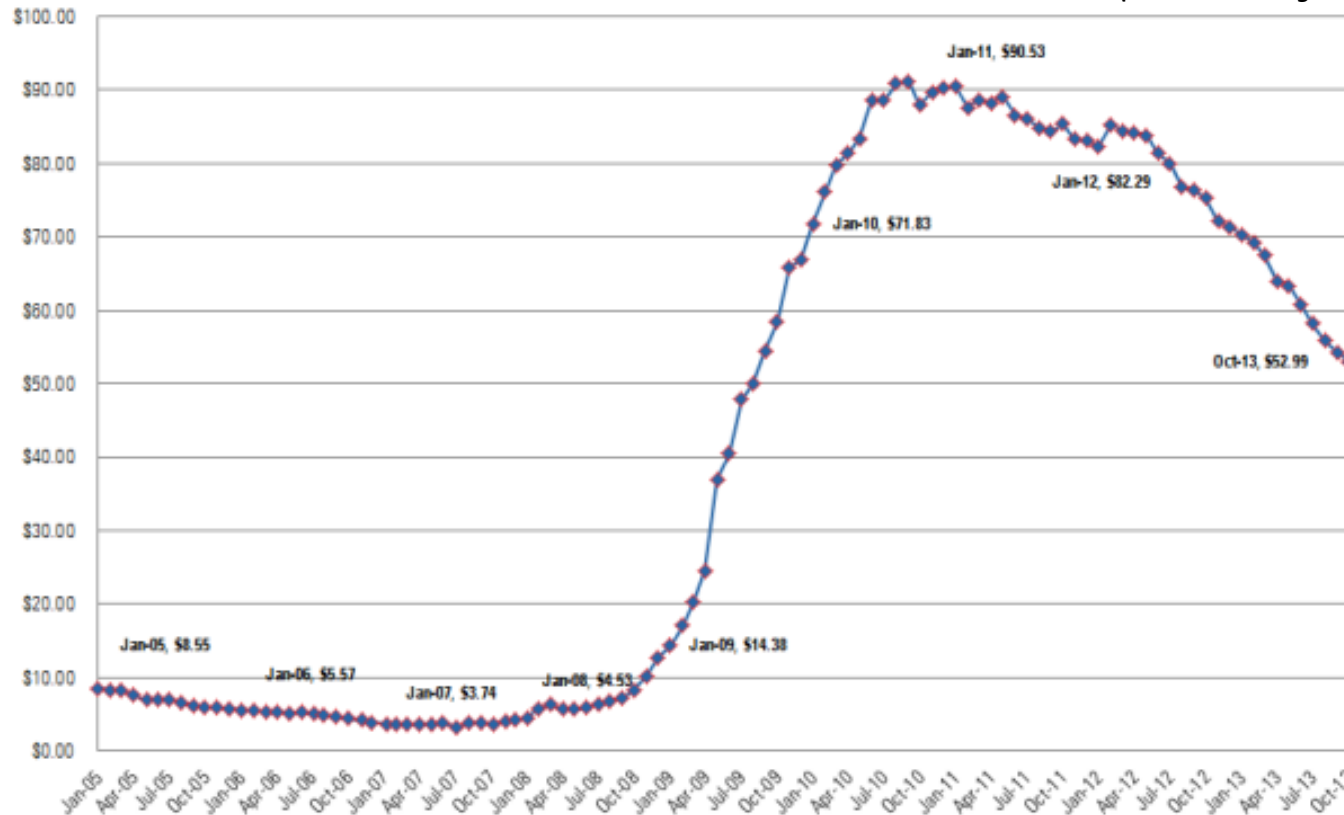


# Special Servicer Exposure



Special Servicing Exposure by Unpaid Balance (\$BB): January 2005 through October 2013

(Source: Morningstar)

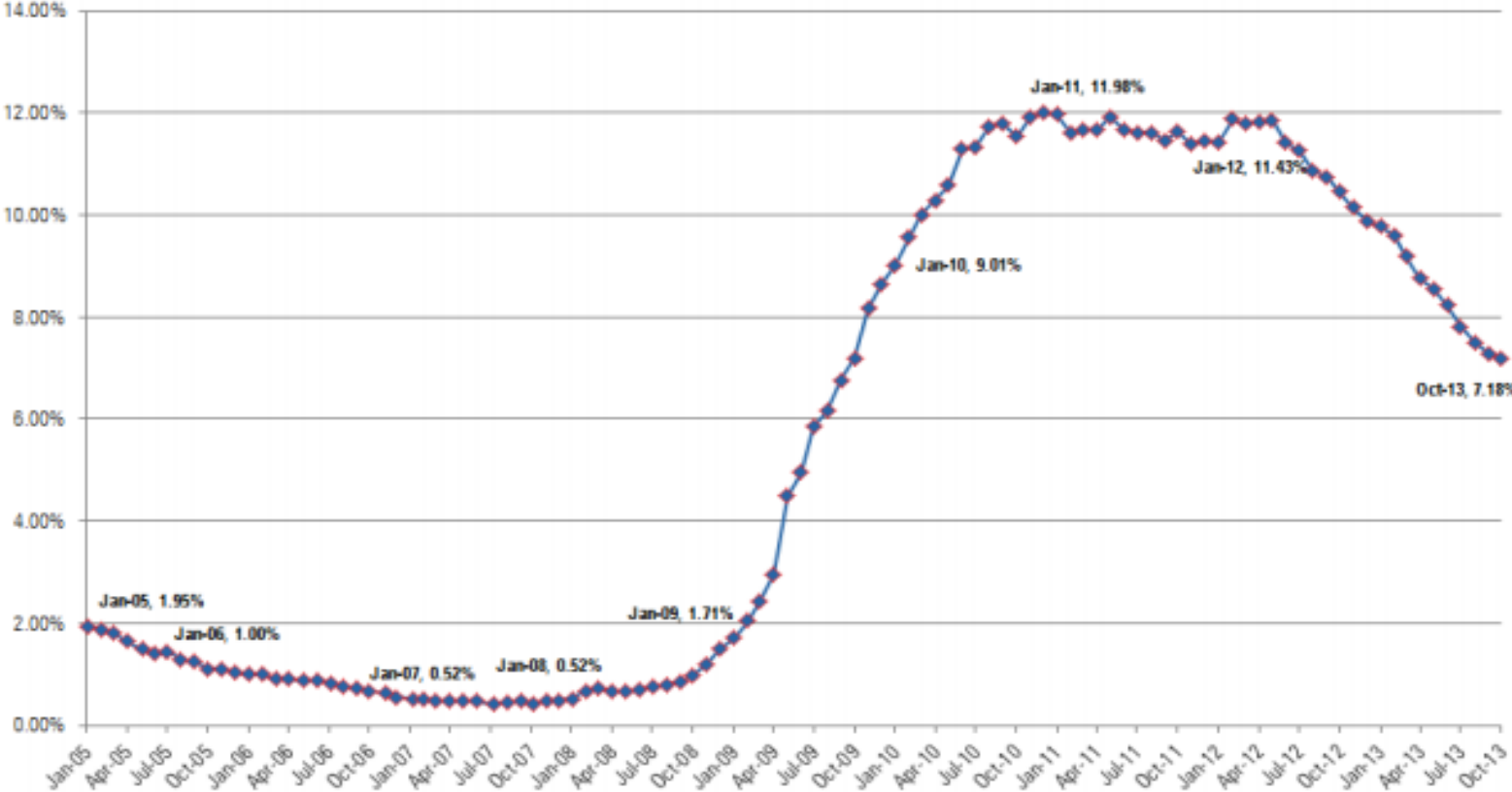


# Special Servicer Exposure



Special Servicing Exposure as a % of Outstanding CMBS: January 2005 through October 2013

(Source: Morningstar)

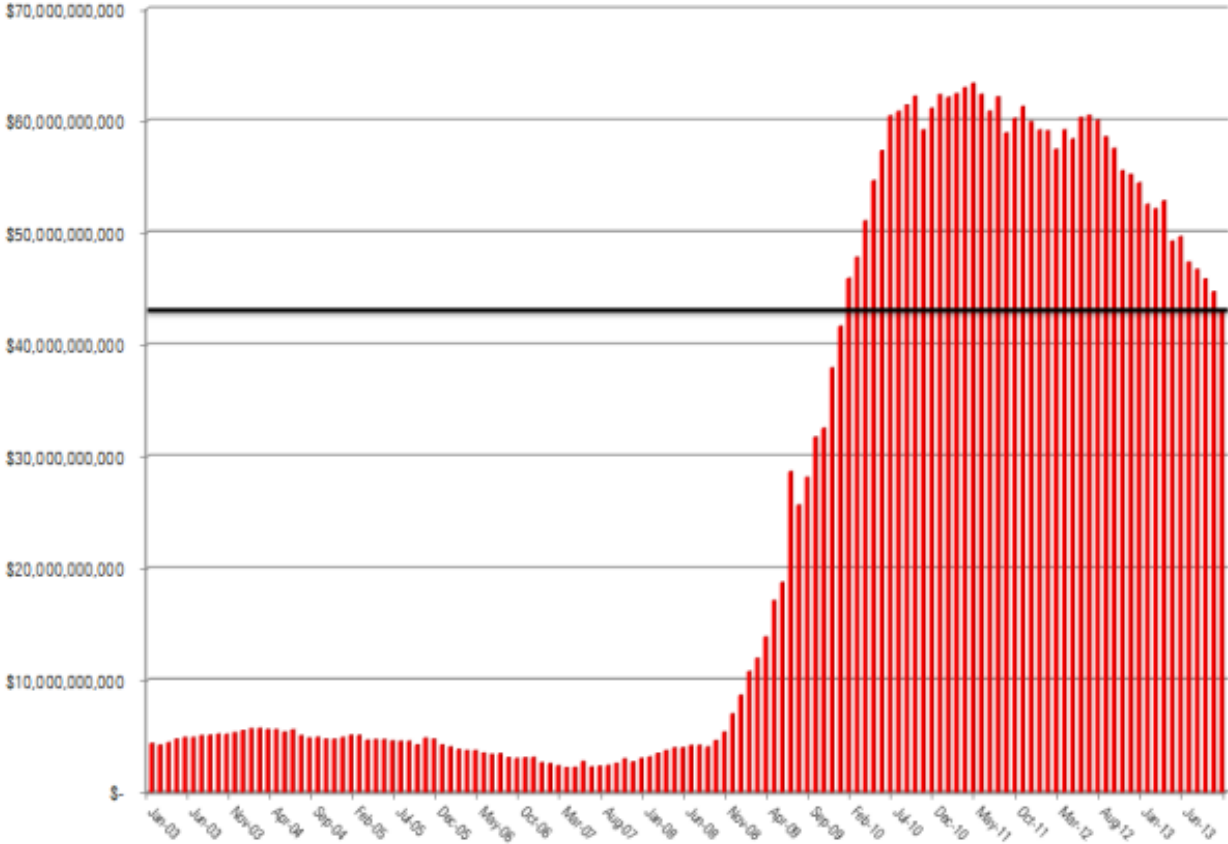


# Historical Delinquency



**Historical CMBS Delinquency by Unpaid Balance**

*(Source: Morningstar)*



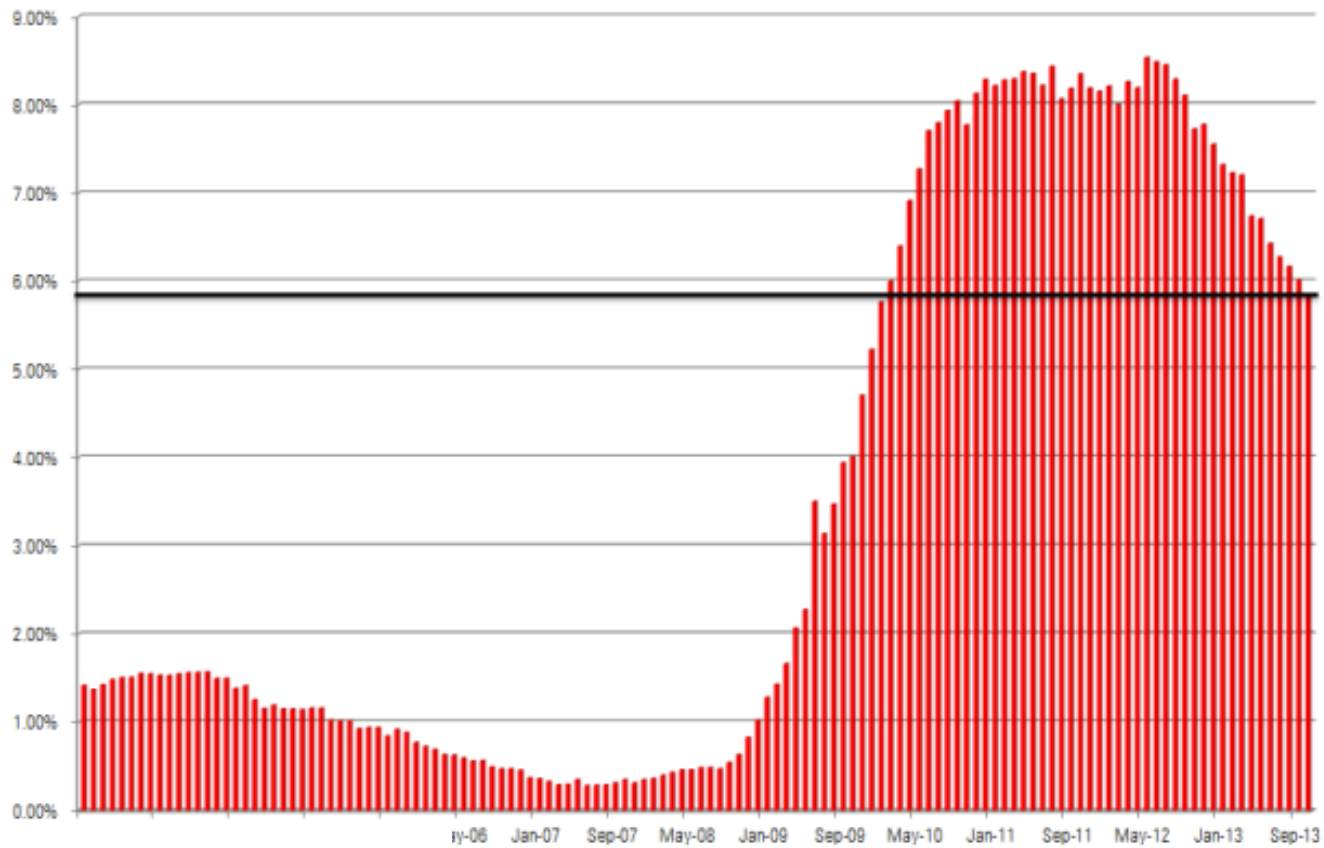


# Historical Delinquency



**Historical CMBS Delinquency as a Percentage of Outstanding CMBS Unpaid Balance**

*(Source: Morningstar)*

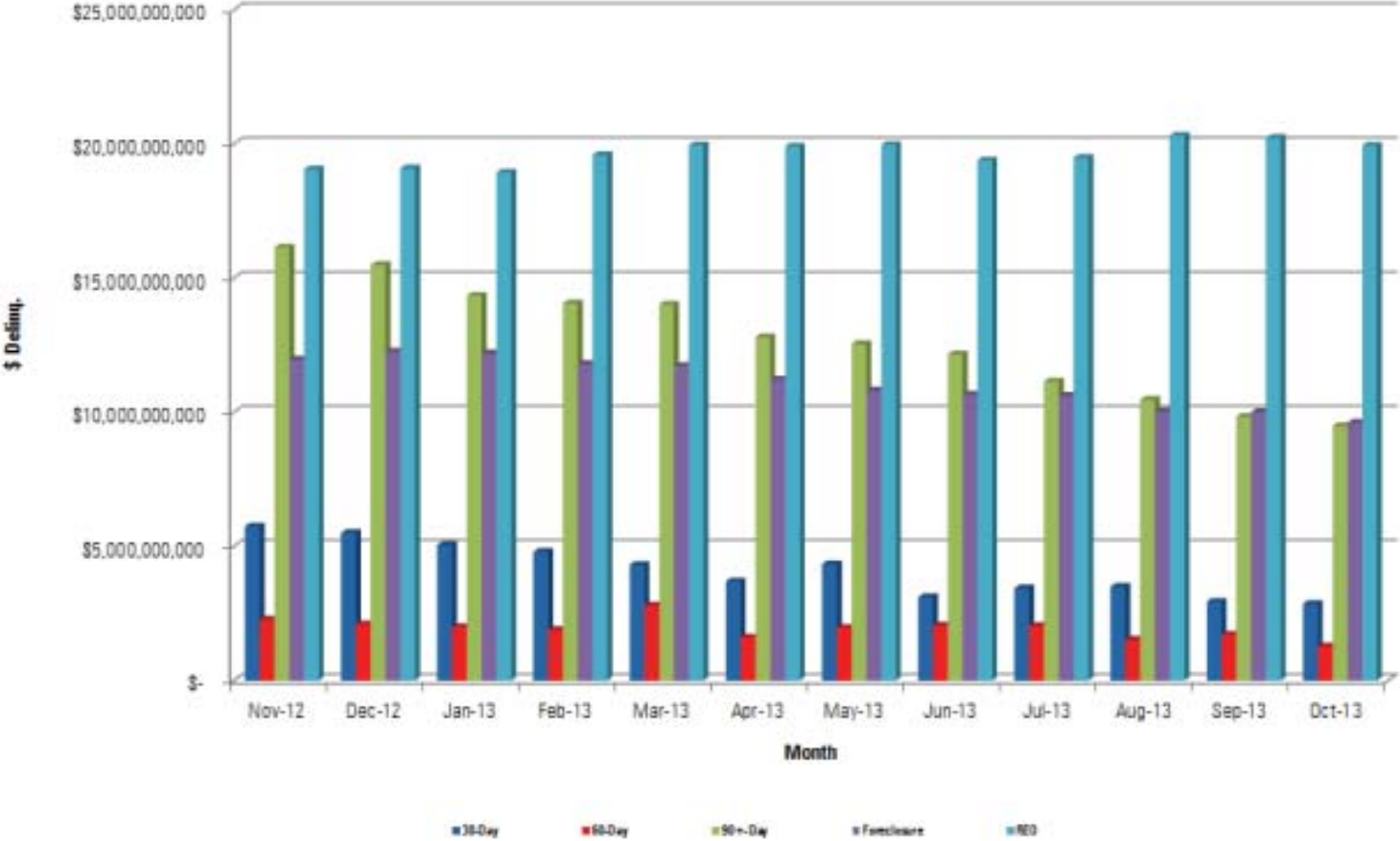


CHESTERFIELD FARING LTD

# Delinquency Categories



(Source: Morningstar)



# Delinquency by Property Type



Monthly Delinquency By Property Type					
Property Type	Current Balance	Loan Count	% of CMBS Universe	% of CMBS Delinquency	% of Property Type
Healthcare	\$ 197,139,123	9	0.027%	0.457%	9.26%
Hotel	\$ 4,644,462,857	202	0.629%	10.755%	7.02%
Industrial	\$ 2,768,613,029	184	0.375%	6.411%	11.20%
Multi-family	\$ 7,493,623,608	414	1.015%	17.353%	3.29%
Office	\$ 14,604,089,125	731	1.979%	33.818%	8.90%
retail	\$ 10,903,598,472	885	1.478%	25.249%	6.10%
Other	\$ 2,573,027,414	174	0.349%	5.958%	4.39%
<b>Total</b>	<b>\$ 43,184,553,628</b>	<b>2,599</b>	<b>5.852%</b>	<b>100.00%</b>	

# Delinquency by Year of Issuance



Delinquency By Year of Issuance					
Year	Total Year	Loan Count	% of CMBS Universe	% of CMBS Delinquency	% of Year Balance
2006	\$ 14,288,504,241	702	1.936%	33.087%	10.384%
2007	\$ 13,818,936,248	766	1.873%	32.000%	9.025%
2005	\$ 5,255,701,913	389	0.712%	12.170%	5.224%
2008	\$ 4,926,613,334	150	0.668%	11.408%	39.405%
2004	\$ 1,665,917,347	142	0.226%	3.858%	3.772%
2003	\$ 1,330,366,451	179	0.180%	3.081%	18.481%
2002	\$ 592,562,247	88	0.080%	1.372%	24.995%
2001	\$ 441,241,854	63	0.060%	1.022%	19.931%
1998	\$ 321,645,506	37	0.044%	0.745%	10.562%
2000	\$ 277,360,468	36	0.038%	0.642%	22.469%
<b>Total</b>	<b>\$ 42,918,849,609</b>	<b>2,552</b>	<b>5.817%</b>	<b>99.385%</b>	

# Delinquency by State



Monthly Delinquency By State					
State	Current Balance	Loan Count	% of CMBS Universe	% of CMBS Delinquency	% of State Exposure
NY	\$ 5,340,570,699	117	0.724%	12.367%	6.131%
CA	\$ 4,883,706,505	238	0.662%	11.309%	5.342%
FL	\$ 2,943,960,734	245	0.399%	6.817%	8.021%
GA	\$ 2,246,715,560	153	0.304%	5.203%	12.812%
TX	\$ 2,176,631,825	184	0.295%	5.040%	4.424%
NV	\$ 1,785,890,941	112	0.242%	4.135%	17.018%
IL	\$ 1,680,296,586	105	0.228%	3.891%	7.527%
VA	\$ 1,635,993,057	79	0.222%	3.788%	7.188%
PA	\$ 1,506,256,166	89	0.204%	3.488%	8.121%
AZ	\$ 1,401,399,650	97	0.190%	3.245%	10.431%
<b>Total</b>	<b>\$ 25,601,421,723</b>	<b>1,419</b>	<b>3.470%</b>	<b>59.283%</b>	

# State Delinquency



- The 10 largest states by delinquent unpaid balance reflect 59.3% of CMBS delinquency, while the 10 largest states by overall CMBS exposure reflect only 51.6% of the CMBS universe.
- The top three states ranked by delinquency exposure have remained fairly consistent, as New York, California, and Florida collectively accounted for 30.5% of delinquency through November 2013 (down from 30.2% a month prior)

# Trailing 12-Month Special Servicing Exposure



Month	Trailing 12 Month Delinquency					
	All Specially Serviced		Loans Current But w/ Special Servicer		Delinquent & Specially Serviced	
	UPB	% of CMBS	UPB	% of CMBS	UPB	% of CMBS
13-Oct	\$ 52.99	7.18%	\$ 10.92	1.48%	\$ 42.07	79.4%
13-Sep	\$ 54.23	7.29%	\$ 11.09	1.49%	\$ 43.14	79.5%
13-Aug	\$ 55.85	7.50%	\$ 11.15	1.50%	\$ 44.70	80.0%
13-Jul	\$ 58.15	7.81%	\$ 13.12	1.76%	\$ 45.03	77.4%
13-Jun	\$ 60.67	8.23%	\$ 14.30	1.94%	\$ 46.37	76.4%
13-May	\$ 63.31	8.55%	\$ 14.72	1.99%	\$ 43.34	68.5%
13-Apr	\$ 64.01	8.76%	\$ 15.96	2.18%	\$ 48.05	75.1%
13-Mar	\$ 67.45	9.19%	\$ 15.92	2.17%	\$ 51.52	76.4%
13-Feb	\$ 69.29	9.61%	\$ 18.57	2.57%	\$ 50.72	73.2%
13-Jan	\$ 70.16	9.77%	\$ 19.15	2.67%	\$ 51.01	72.7%
12-Dec	\$ 71.31	9.89%	\$ 18.62	2.58%	\$ 52.69	73.9%
12-Nov	\$ 72.06	10.15%	\$ 18.52	2.61%	\$ 53.54	74.3%
12-Oct	\$ 75.26	10.46%	\$ 21.37	2.97%	\$ 53.88	71.6%

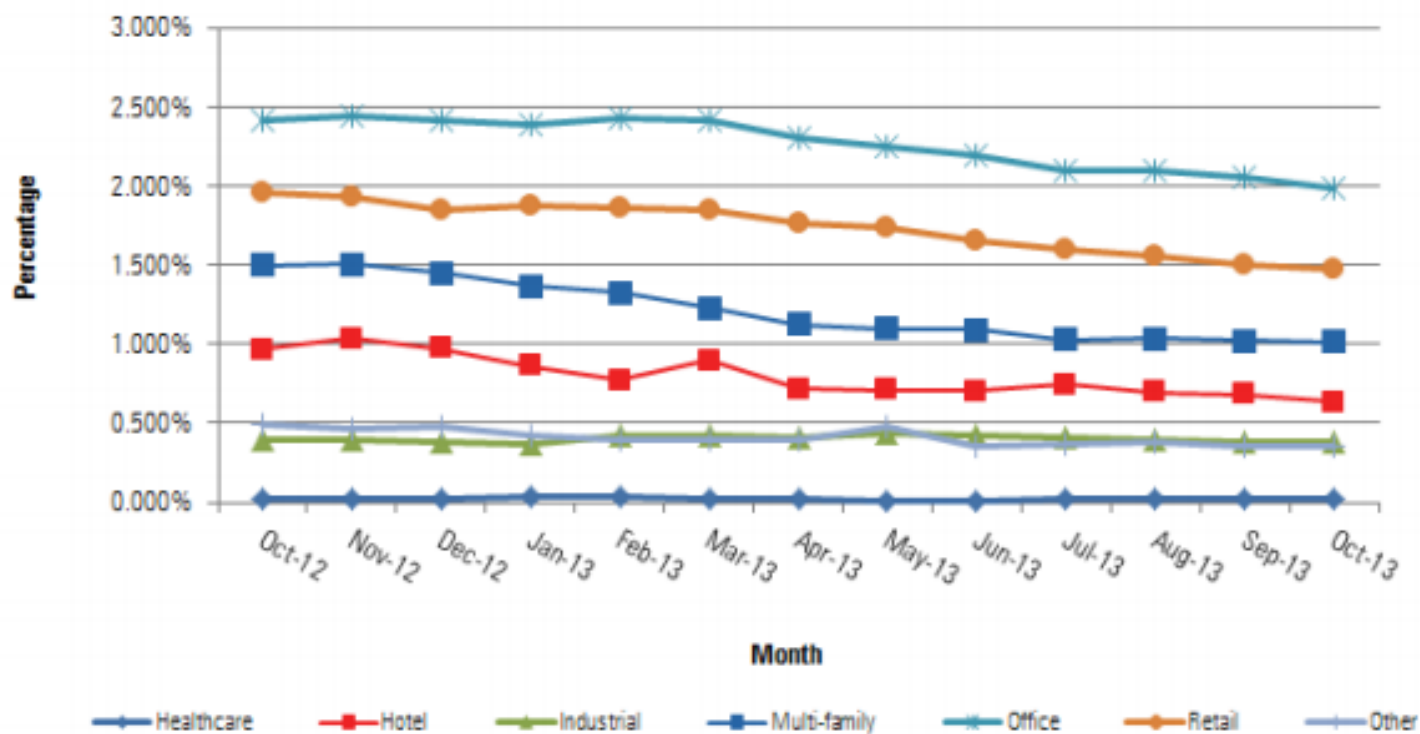
\*Figures in Billions

# Delinquency Rates: Property Type



**Property Type Monthly Delinquency: as Percentage of CMBS Universe**

*(Source: Morningstar)*



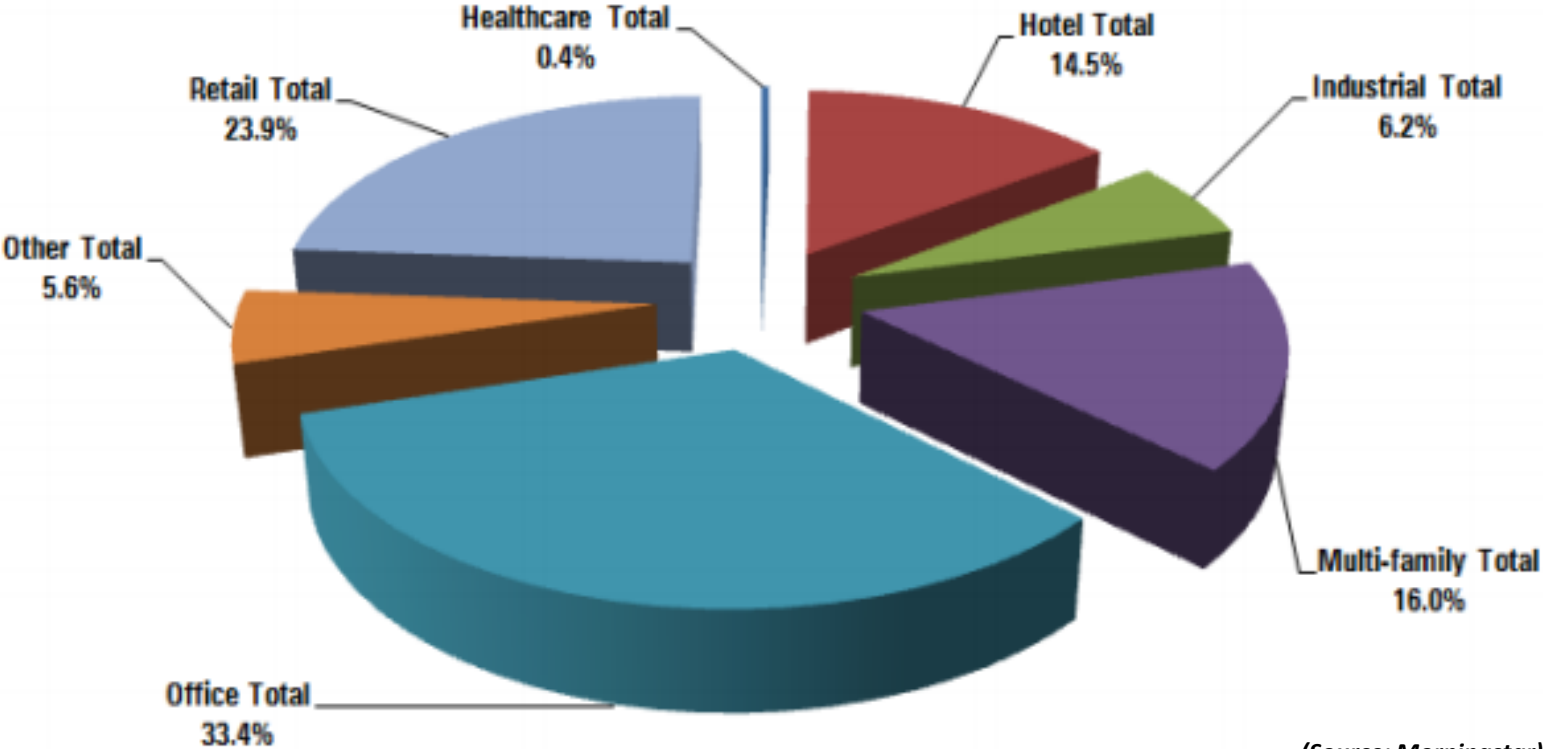
CHESTERFIELD FARING LTD



# Property Type Stratification Specially Serviced Assets



### Property Type Stratification - Specially Serviced Assets



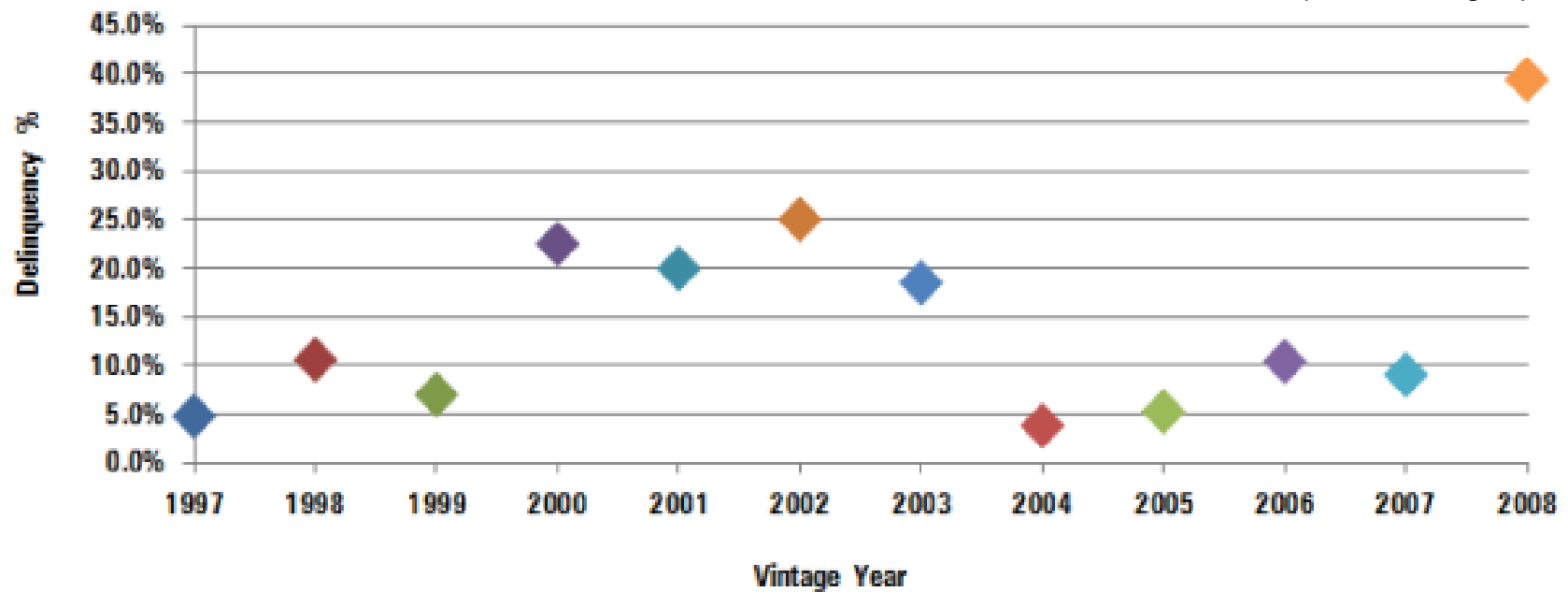
(Source: Morningstar)

# CMBS Delinquency Exposure by Vintage



## CMBS Delinquency Exposure by Vintage: As % of Outstanding Vintage Balance

(Source: Morningstar)



# “A/B” Structure



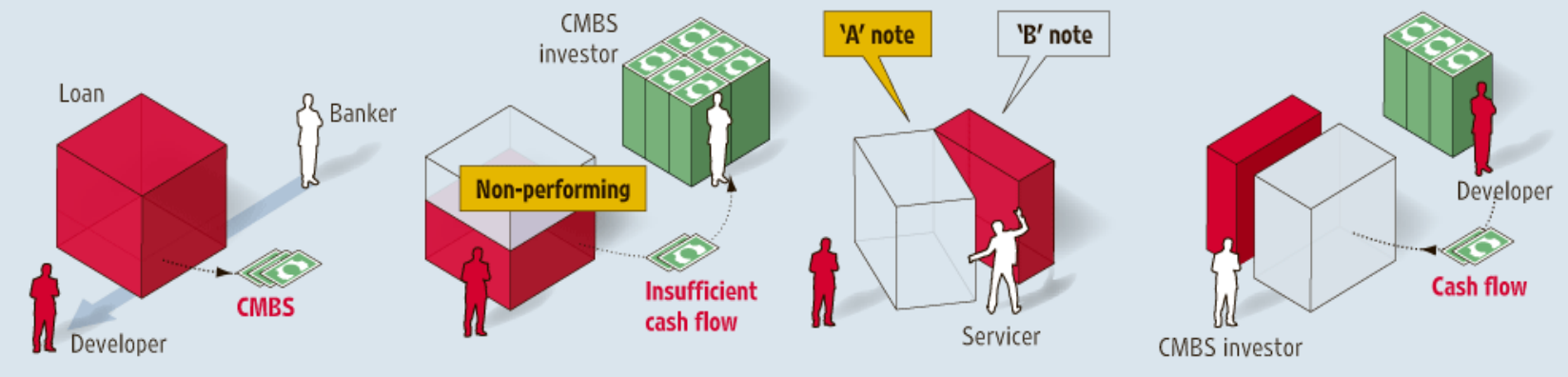
## Debt Relief | How CMBS servicers split bad loans to allow borrowers to keep their properties

A bank makes a commercial mortgage to a developer, then sells the loan as commercial-mortgage-backed securities, or CMBS. The cash flow generated by this property slowly repays investors in the CMBS deal.

If the cash flow declines, the loan becomes delinquent and the “special servicer,” who represents CMBS investors, has to choose between modifying the loan terms and foreclosing on the property.

The servicer splits the loan into an ‘A’ note and a ‘B’ note. The property’s cash flow is only enough to cover debt service on the ‘A’ note, while the ‘B’ note becomes a “hope” note and gets no payment for the loan’s term.

The hope is that upon maturity of the loan, if there are any proceeds left after the ‘A’ note is paid off, some of the remaining dollars would be used to pay down the ‘B’ note.



# Contact Information



Lawrence J. Selevan

Chief Executive Officer

**Chesterfield Faring, Ltd.**

415 Madison Avenue, 17<sup>th</sup> Floor

New York New York 10017

212.405.2492

[ljselevan@chesterfieldfaringltd.com](mailto:ljselevan@chesterfieldfaringltd.com)

[www.chesterfieldfaringltd.com](http://www.chesterfieldfaringltd.com)