



Perspectives on Commercial Real Estate Lending

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2021: A Year-in-Review & Major Themes

Real Estate Capital Stronger
Than Ever

Multifamily, Single-
Family Rental, Industrial,
and Life Sciences are up

Retail and Hotels are
off the Peak Delinquencies

Property Markets Resilient

Office is the “Great
Unknown”

Strong Capital Markets



Record CMBS Issuance



Record Agency Issuance



MBA outlook on total lending



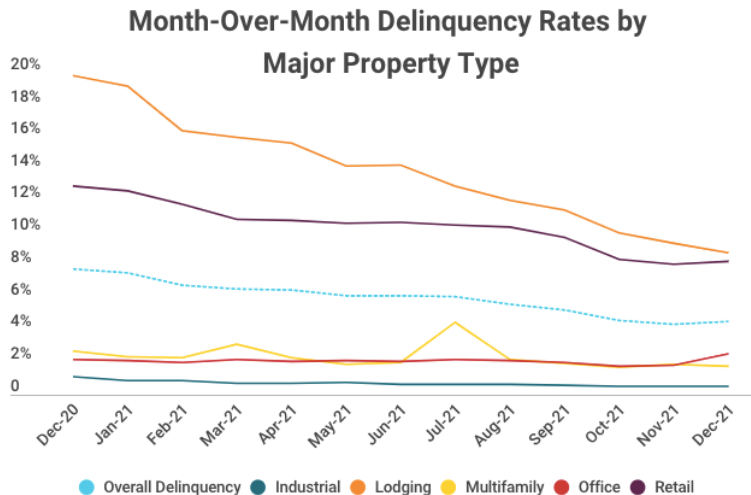
Equity capital raised globally



REIT shares up

- Delinquency numbers
- Special servicing volume
- Cumulative losses
- Appraisal reductions

CMBS Delinquencies



Delinquency Trends



10.34%

Peak Delinquency Rate (July 2012)



4.47%

Overall Delinquency Rate (December 2021)



7.81%

Overall Delinquency Rate (December 2020)



2.53%

Office Delinquency Rate (December 2021)

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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 November. The percentage of loans in the 30 days delinquent bucket is 0.49%, up 24 basis points for the month.

CMBS Special Servicing Rates

CMBS Special Servicing Rates (December 2020 - December 2021)



Source: Trepp

Special Servicing Rates by Property Type

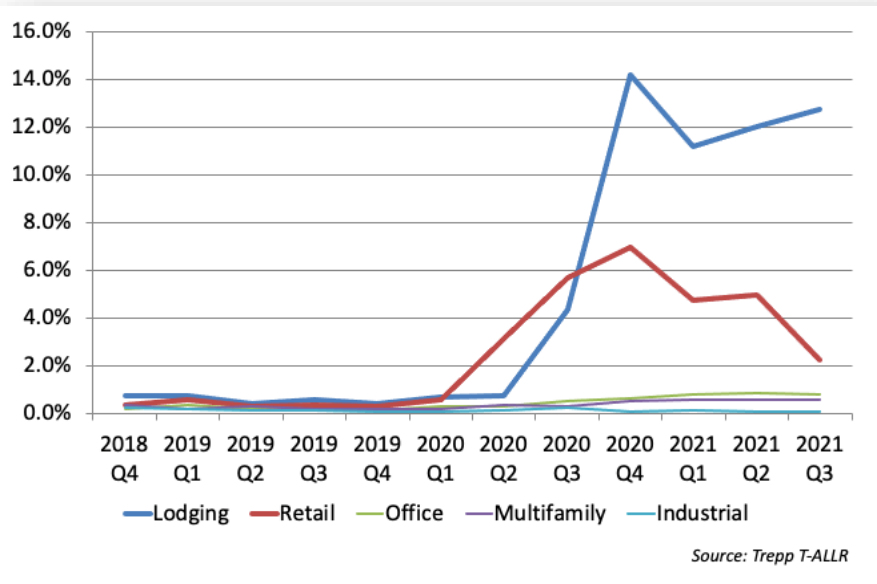
	DEC-21	NOV-21	OCT-21	3 MO.	6 MO.	1 YR.
Industrial	0.60%	0.59%	0.67%	0.68%	0.77%	1.22%
Lodging	13.72%	15.15%	16.16%	16.84%	18.68%	24.07%
Multifamily	2.11%	2.16%	2.39%	2.53%	2.69%	2.90%
Office	3.23%	2.97%	2.33%	2.68%	3.01%	2.71%
Retail	12.73%	13.08%	13.67%	13.97%	14.43%	17.20%
Overall	6.75%	6.95%	7.17%	7.48%	8.24%	9.81%

Source: Trepp

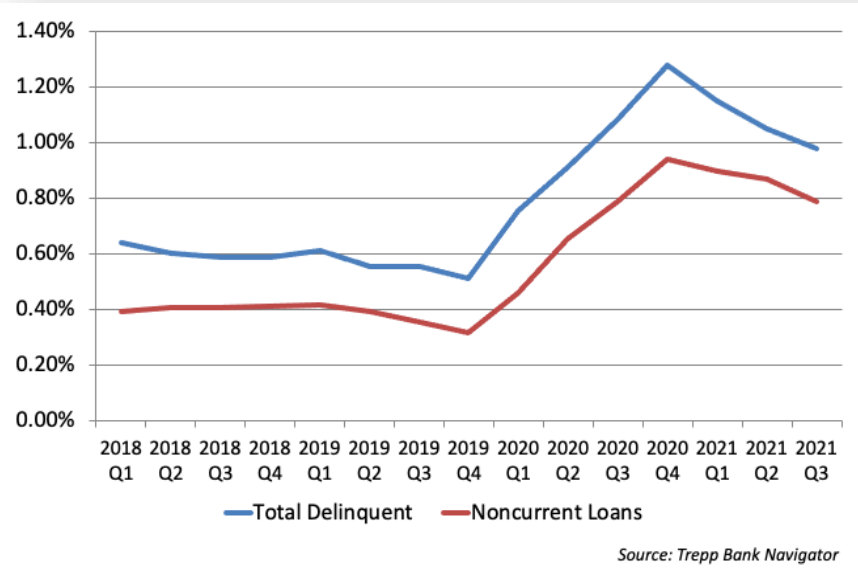
Bank CRE Loan Performance



Delinquency Rate by Property Type
Continued Stress in Hotels, Improvement in Retail



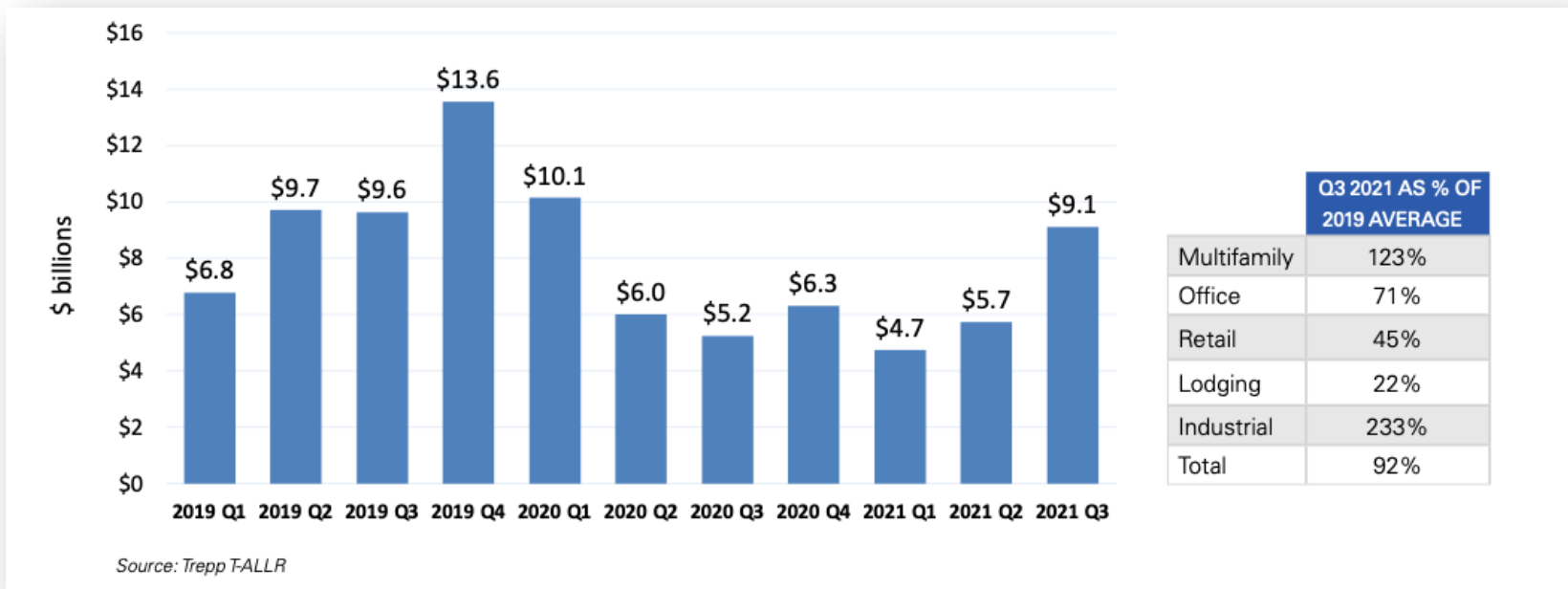
Delinquency Rates Peaked in Late 2020



Bank CRE Loan Performance



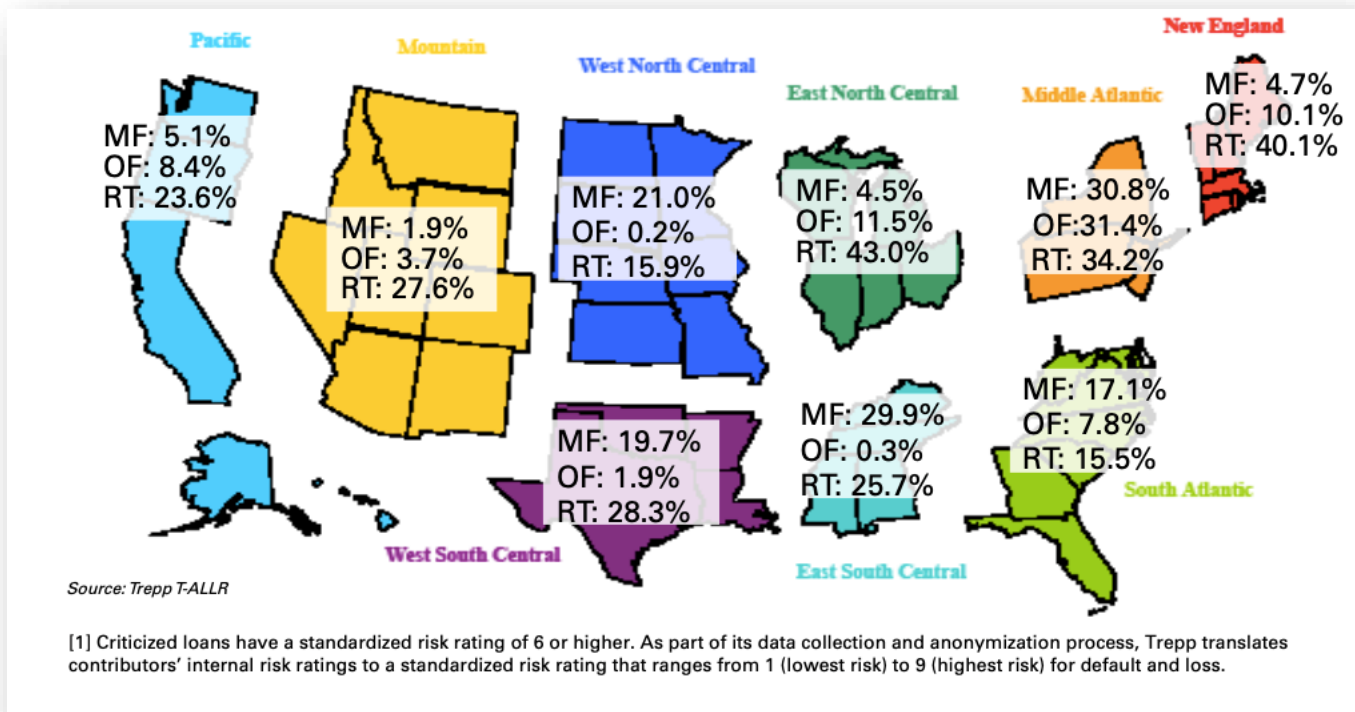
Commercial Mortgage Origination Volume: Getting Back on Track – Q3 2021



	Q3 2021 AS % OF 2019 AVERAGE
Multifamily	123%
Office	71%
Retail	45%
Lodging	22%
Industrial	233%
Total	92%

Bank CRE Loan Performance

Criticized Loans by Region, Multifamily, Office, and Retail – Q3 2021



Cumulative Losses



December 2021: Average Loss Severity by Property Type – Losses >2% of Loan Balance

Property Type	Loan Count	Loan Balance	Realized Losses	Loss Severity
RT	6	146,104,116	82,129,772	56.21
OF	1	14,837,234	14,640,104	98.67
MF	2	41,413,551	26,781,206	64.67
LO	3	29,390,789	6,311,969	21.48
IN	-	-	-	0.00
MU	1	6,205,328	6,205,328	100.00
MH	-	-	-	0.00
SS	-	-	-	0.00
HC	-	-	-	0.00
OT	-	-	-	0.00
CH	-	-	-	0.00
Grand Total	13	237,951,018	136,068,378	57.18

December 2021: Average Loss Severity by Property Type – All Loans

Property Type	Loan Count	Loan Balance	Realized Losses	Loss Severity
RT	7	148,622,805	82,157,936	55.28
OF	1	14,837,234	14,640,104	98.67
MF	2	41,413,551	26,781,206	64.67
LO	3	29,390,789	6,311,969	21.48
IN	-	-	-	-
MU	1	6,205,328	6,205,328	100.00
MH	-	-	-	-
SS	-	-	-	-
HC	-	-	-	-
OT	-	-	-	-
CH	-	-	-	-
Grand Total	14	240,469,707	136,096,543	56.60

Appraisal Reductions

Occupancy Rates by Property Type for 2021 Re-Appraisals

	Securitized Occupancy Rate	Current Occupancy Rate	Percentage Change
Retail	94.67%	81.31%	-14.11%
Lodging	74.09%	56.34%	-23.95%
Multifamily	95.72%	81.68%	-14.66%
Office	90.81%	73.38%	-19.19%
Industrial	100%	100%	0%

 Share

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Loan-to-Value Ratios by Property Type for 2021 Re-Appraisals

	Securitized LTV	Current LTV	Percentage Change
Retail	65.7	154.6	+135.3%
Lodging	63.9	101.3	+58.4%
Multifamily	69	123.2	+78.4%
Office	67.7	132.4	+95.7%
Industrial	74.8	76.4	+2.1%

 Share

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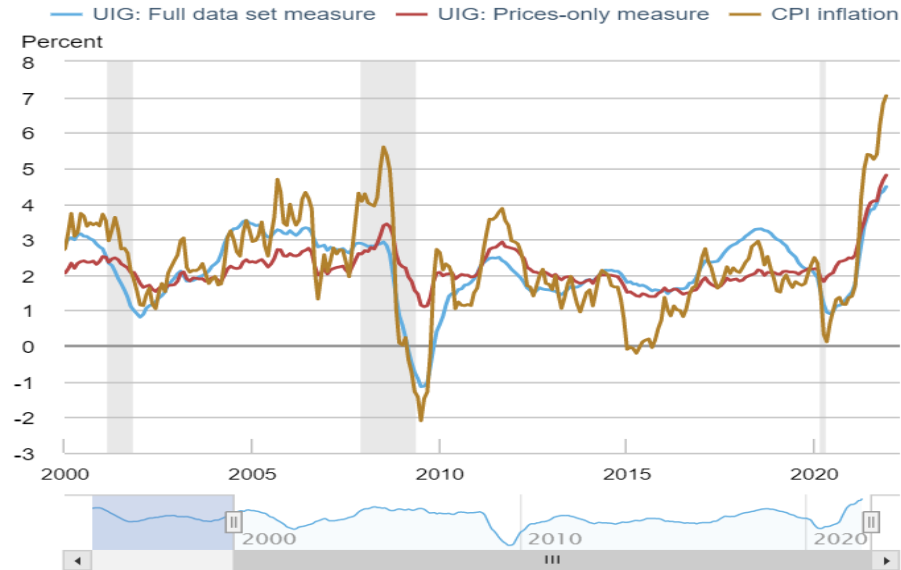
Headwinds for 2022 and Beyond

- Inflation
- Interest Rates
- Labor Shortages
- COVID
- Supply Chain
- World Events

Headwinds for 2022 and Beyond

Inflation: Prices Going Up

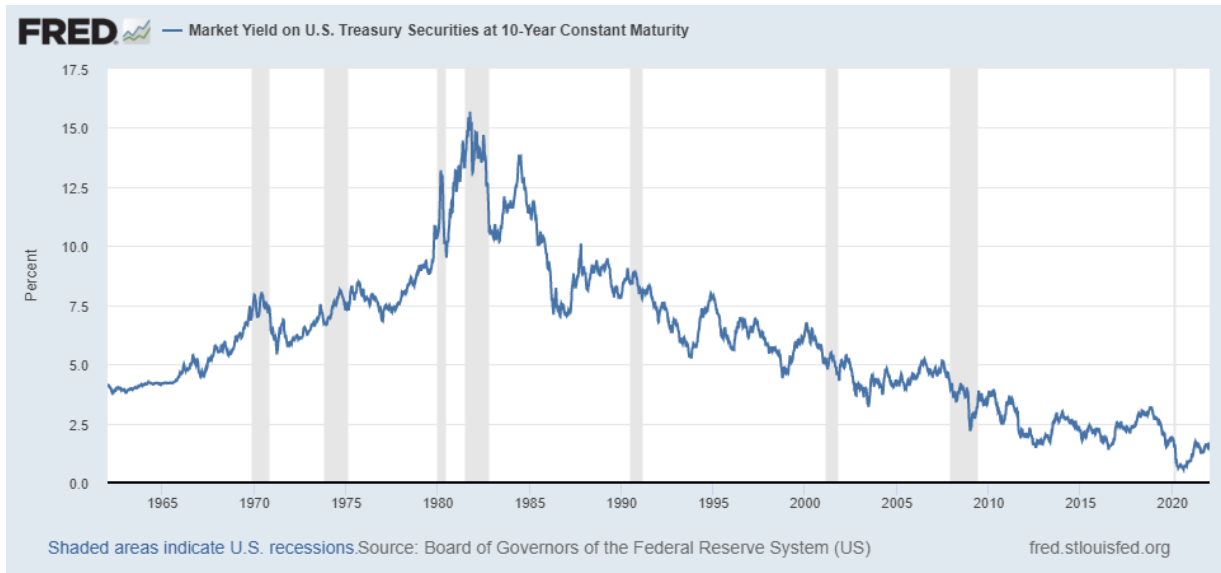
UIG Measures and 12-Month Change in the CPI



Recently, prices paid to U.S. producers of food and energy, key drivers of inflation, decelerated in December, providing some respite from recent trends.

Headwinds for 2022 and Beyond

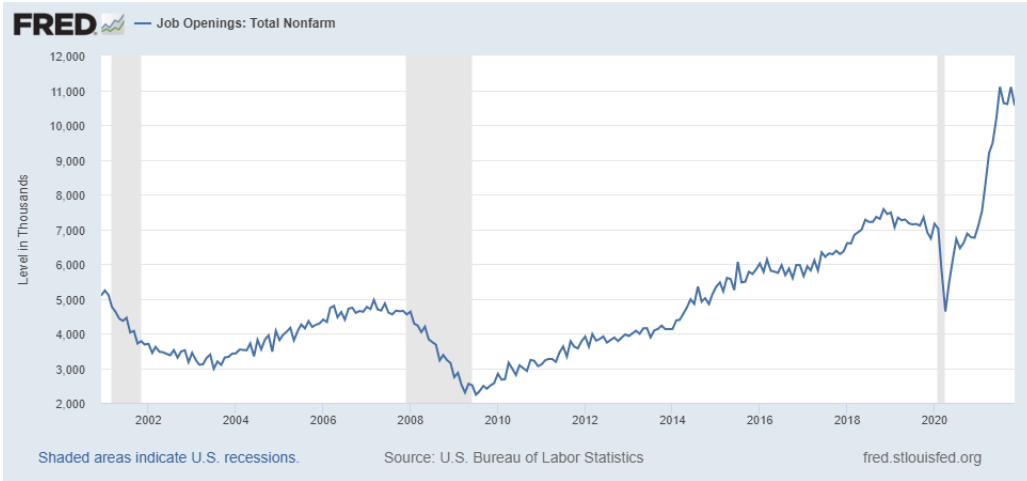
Interest Rates: Fed Calls For Rate Hikes



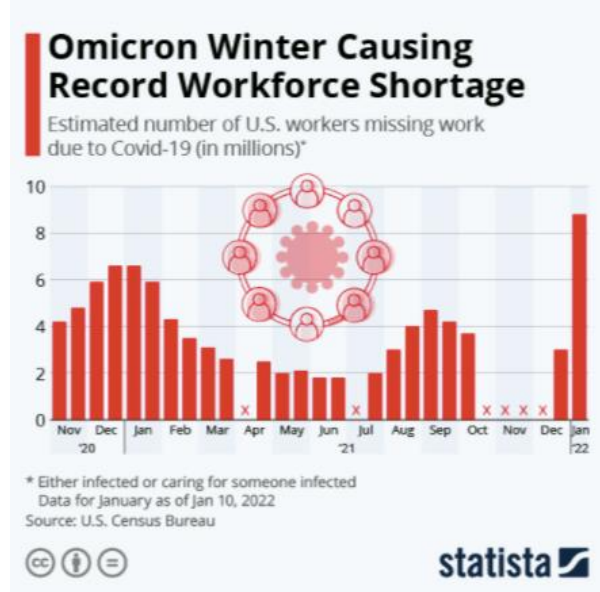
The Fed had already been tapering its \$120 billion per month bond purchases by \$15 billion per month. Last month the Fed said it would double the rate of that tapering. Given the new guidance, the bond purchase program will likely end in Q1 2022. The Federal Reserve also updated its interest rate hike expectations. The plan calls for three rate hikes next year and two each in 2023 and 2024

Headwinds for 2022 and Beyond

Labor Shortages: Unemployment Rate Drops below 4%



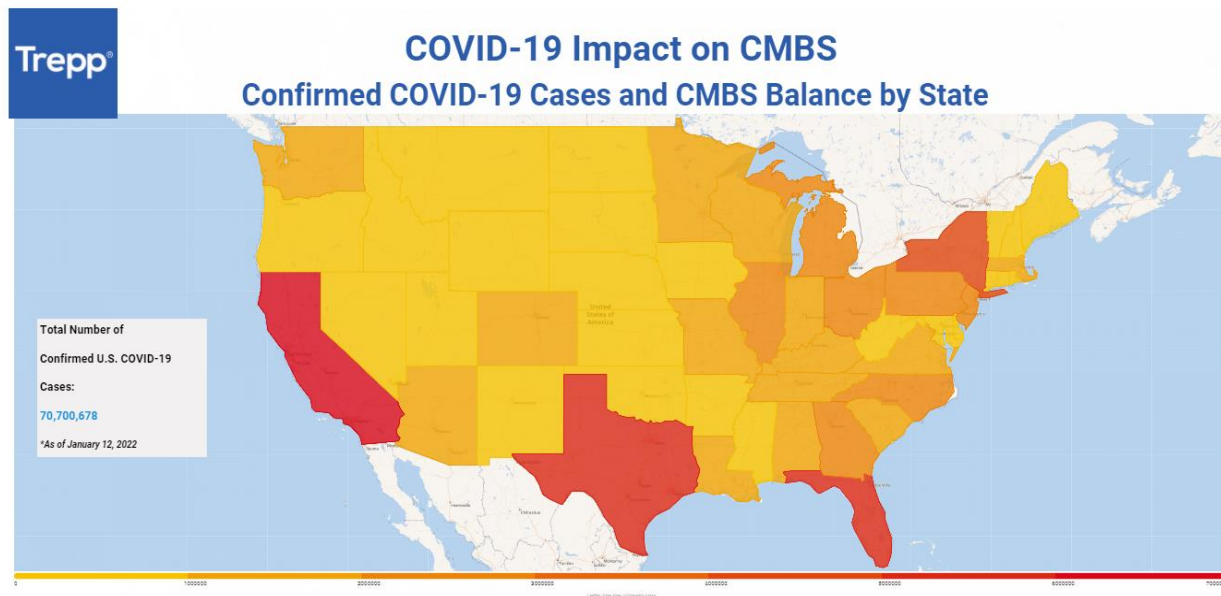
The unemployment rate dropped 0.3 percentage points in December, marking the first time the unemployment rate dipped below 4% since the pandemic began.



Headwinds for 2022 and Beyond

COVID: Facing Omicron

- Endemic rather than Pandemic
- Seasonality
- Office



Source: Johns Hopkins University, Trepp

*The scale represents the number of confirmed COVID-19 cases; Last Updated: January 24, 2022

Headwinds for 2022 and Beyond

Supply Chain: Uncertainty

- Emphasis on efficiency and production cost
- Creates a higher level of interdependency
- Long lead times reduce flexibility
- Resiliency is the new watch word



Headwinds for 2022 and Beyond

World Events: New Empires

- Russia and China –
Building new empires
 - Opposition: U.S., EU,
India, Japan
- Wild Cards: North
Korea, Iran



- [Trepp Research & Insights](#)
- [The TreppWire Podcast](#)
- [Bank CRE Loan Performance Report](#)
- [December 2021 Special Servicing Report](#)

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