June 2017

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Chris Nebenzahl
Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Justin Dean
Real Estate Market Analyst
Justin.Dean@Yardi.com
(800) 866-1124 x2071

CMBS Walks a Fine Line in 2017

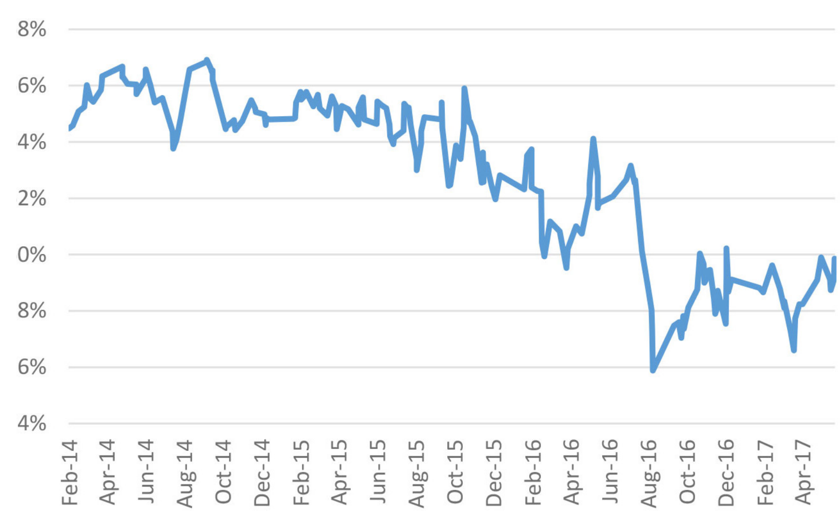
CMBS was bound to face a transitional year in 2017. The market is dealing not only with a new regulatory environment, but also the widespread perception that commercial real estate values are peaking and fundamentals are due to cool.

After a shaky start, volume has largely recovered compared to a year ago, and metrics such as loan quality and bond prices look favorable. Still, the market must deal with regulatory changes, a shrinking investor base and concerns about the state of real estate fundamentals—challenges that won't be quickly resolved.

CMBS issuance was at $27.0 billion as of May 26, down 6.6 percent from a year ago, according to Commercial Mortgage Alert. CMBS quality metrics have improved since risk-retention rules started being implemented in the second half of 2016, which require issuers to hold 5 percent of securities. (The requirements went into effect in late December 2016, but some securitization programs began to comply as early as August.)

For example, loan-to-value (LTV) and debt-service coverage (DSC) ratios have improved. The average issuer LTV of pooled conduit deals through May 26 was 58.7 percent, down from 60.0 percent in 2016, 64.4 percent in 2015, and 65.5 percent in 2014. DSC levels

CMBS Loan-To-Value Ratio (Issuer)



Sources: Commercial Mortgage Alert, Yardi Matrix

To Subscribe
Hollie Zepke
Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389