

2023 COMMERCIAL CONFERENCE



Financial Outlook for Q4: Trends, Predictions, & Debt Service

Presented By: Lonnie Hendry, CRE



Macro Rundown – Headlines, Headlines, Headlines

Top Fed officials nod to higher bond yields as cause for caution on rates

1970's-style stagflation may be at risk of repeating itself, bank warns

Rising interest rates curb lending growth for big US banks

Mortgage Rates May Breach 8%, But Don't Expect a Major Market Shift

UAW strikes: Mack Truck workers vote 'no' on deal; GM 'resisting' concessions with Unifor as deadline looms

Multifamily Insurance Costs Up 33 Percent from Last Year

Owner of Portfolio Backing \$217.28Mln CMBS Loan Files Bankruptcy

Office Woes Continued to Push CMBS Special Servicing Volumes Higher in September

Macro (Miami) Rundown – Headlines, Headlines, Headlines

Sentinel Real Estate Sells Bay Harbor Island, Fla., Apartment Portfolio for \$21.5Mln 

Hines Pays \$46Mln for Tampa, Fla., Warehouse 

BH Group Proposes Hotel, Condo Property for Hallandale Beach, Fla. 

124-Room Hotel in Miami Sells for \$55Mln 

Peachtree Affiliate Sells 128-Room Hampton Hotel in Plantation, Fla., for \$21Mln 

Frito Lay Leases Industrial Space at Doral, Fla., Business Park 

Miramar, Fla., Apartment Property Fetches \$48.2Mln 

Aria Development Gets \$77Mln Construction Loan for Miami Condo Project

Clarion Pays \$90.55Mln for Orlando-Area Industrial Property 

428-Unit Apartment Complex in Orlando Fetches \$86.1Mln 

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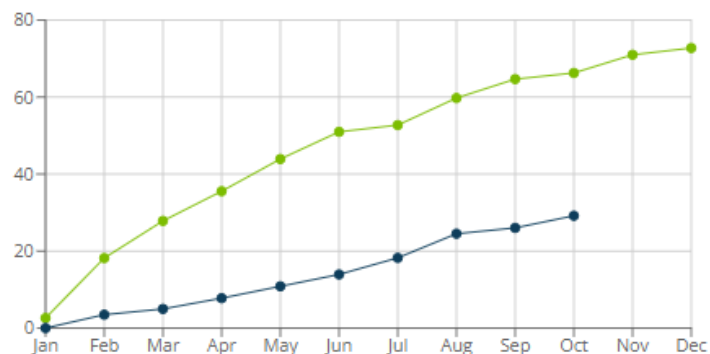


2023 Issuance

Lower Issuance.... But there is still issuance

CMBS Private Label

Yearly Volume Comparison



● 2022 ● 2023

Oct

● Volume : 66,257,979,300

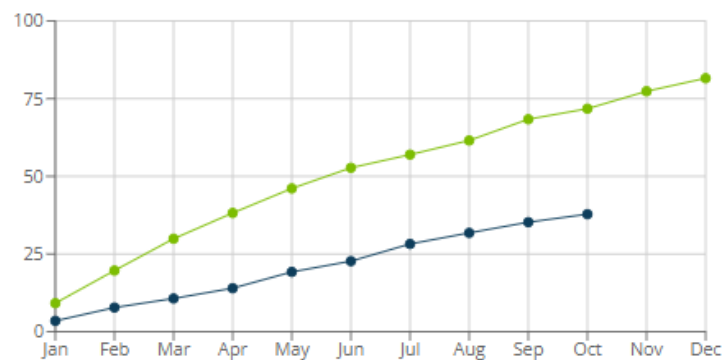
● Count : 86

● Volume : 29,171,709,736

● Count : 47

Agency

Yearly Volume Comparison



● 2022 ● 2023

Oct

● Volume : 71,759,942,397

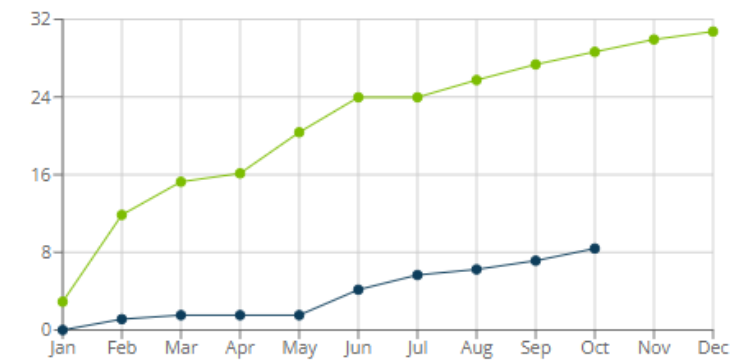
● Count : 145

● Volume : 37,815,920,729

● Count : 97

CRE CLO

Yearly Volume Comparison



● 2022 ● 2023

Oct

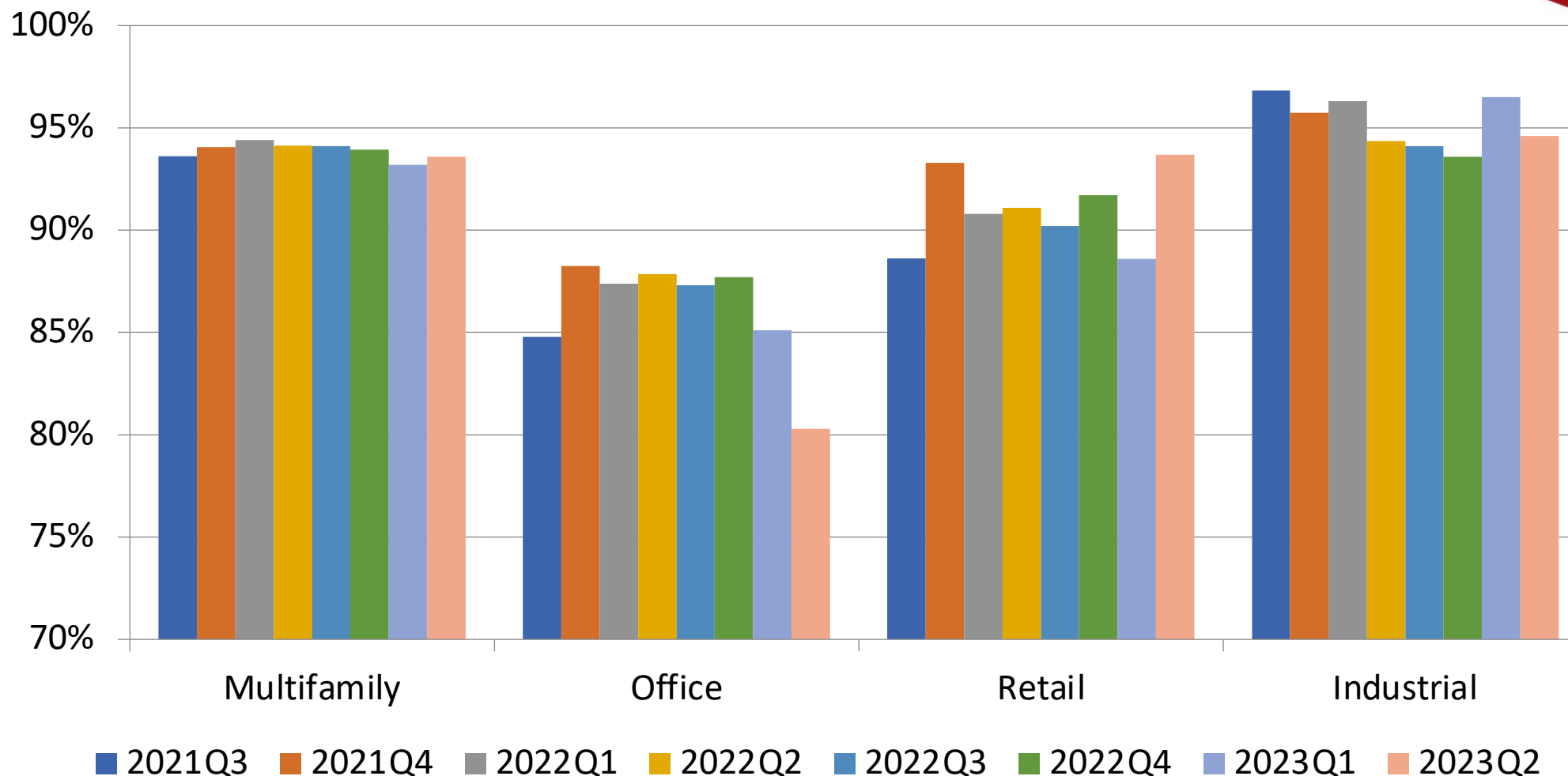
● Volume : 28,647,497,162

● Count : 29

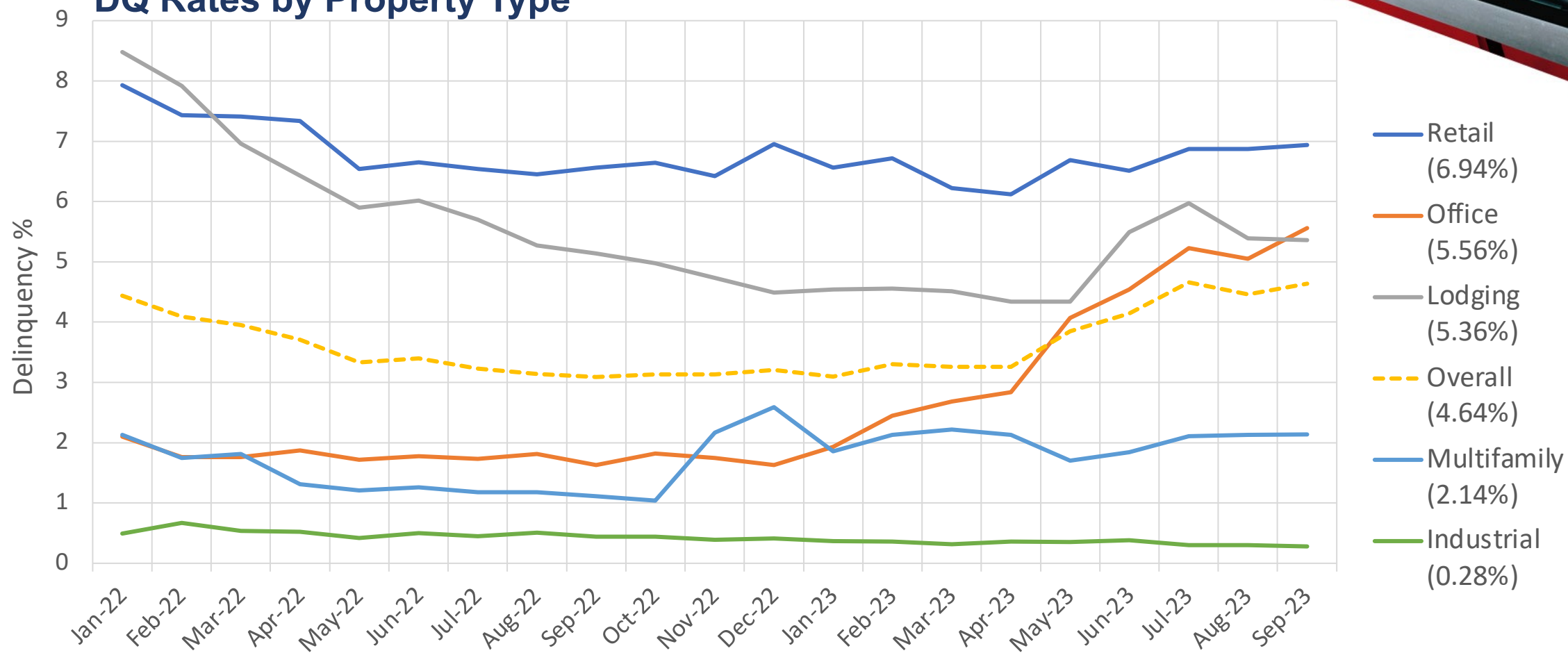
● Volume : 8,393,662,555

● Count : 12

Occupancy Rate by Property Type (T-ALLR) Lower Occupancies in Office but Resilient in other Asset Classes

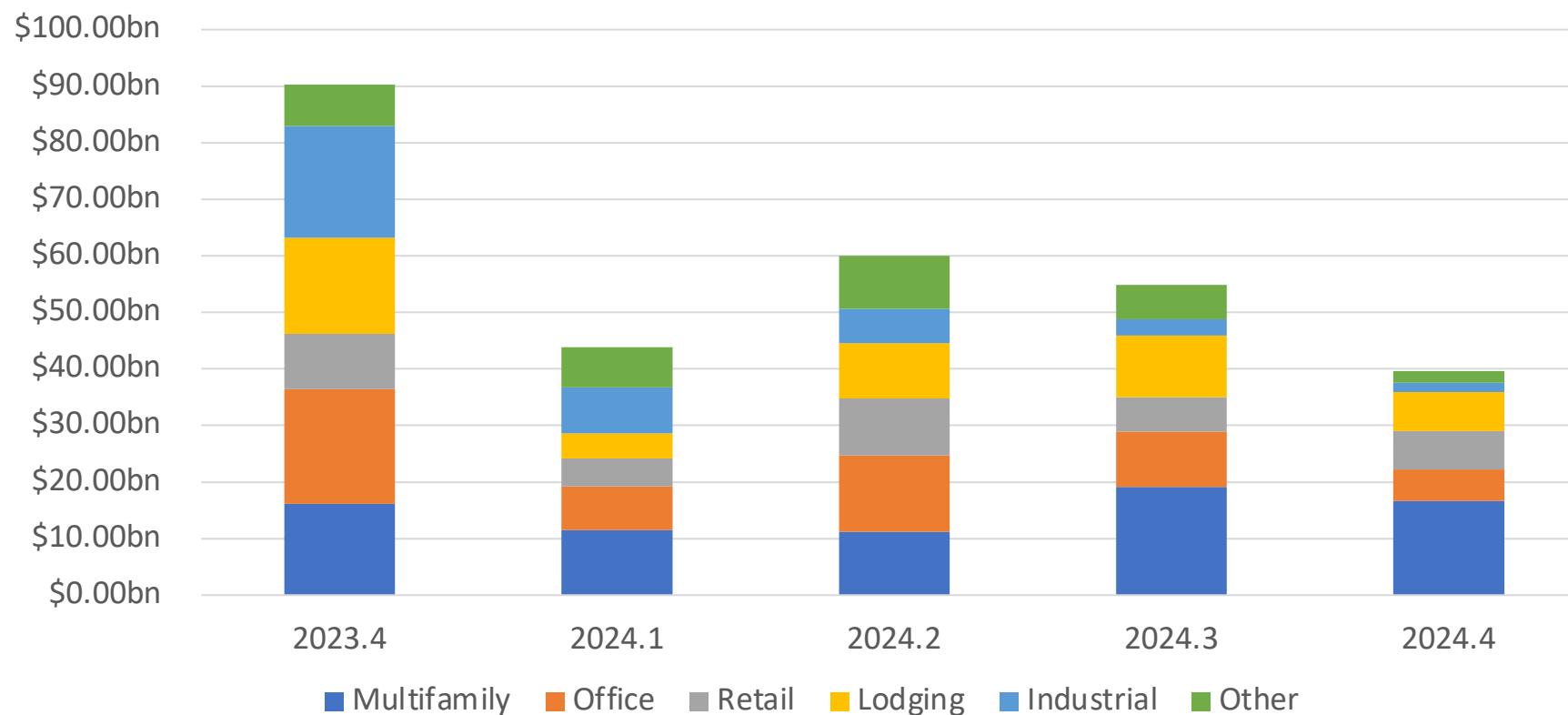


CMBS Delinquency Rate Climbing DQ Rates by Property Type



CMBS Maturity Schedule – Ending ‘23 with a Bang

Maturities by Property Type and Quarter



Notes: Includes Agency CMBS, Private Label Non-Agency CMBS, and CRE CLOs

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Loan Modifications and Reappraisals in 2023

All CMBS Modifications in 2023 (Extensions)

Loan Modification (Extension)	Loan Balance	%
Term Increased by 1-12 Months	\$ 2.10B	37%
Term Increased by 13-24 Months	\$ 1.84B	32%
Term Increased by 25-36 Months	\$ 0.49B	9%
Term Increased by 37+ Months	\$ 1.23B	22%
Total Extensions	\$ 5.65B	100%

Loans that Matured in 2023 and were Modified in 2023

Term Increased by:	2023 Maturity Quarter			
	Q1	Q2	Q3	YTD Total
1-12 Months	\$ 397M	\$ 957M	\$ 485M	\$ 1,838M
13-24 Months	\$ 226M	\$ -	\$ 1,019M	\$ 1,245M
25-36 Months	\$ 110M	\$ 51M	\$ -	\$ 161M
Total	\$ 733M	\$ 1,008M	\$ 1,504M	\$ 3,244M

Matured in 2023 and were Modified in 2023

Property Type	Loan Balance	%
Office	\$ 2,366M	73%
Retail	\$ 558M	17%
Mixed Use	\$ 252M	8%
Lodging	\$ 42M	1%
Industrial	\$ 26M	1%
Total Extensions	\$ 3,244M	100%

Office Properties Reappraised in 2023 Value Decline by Property Age

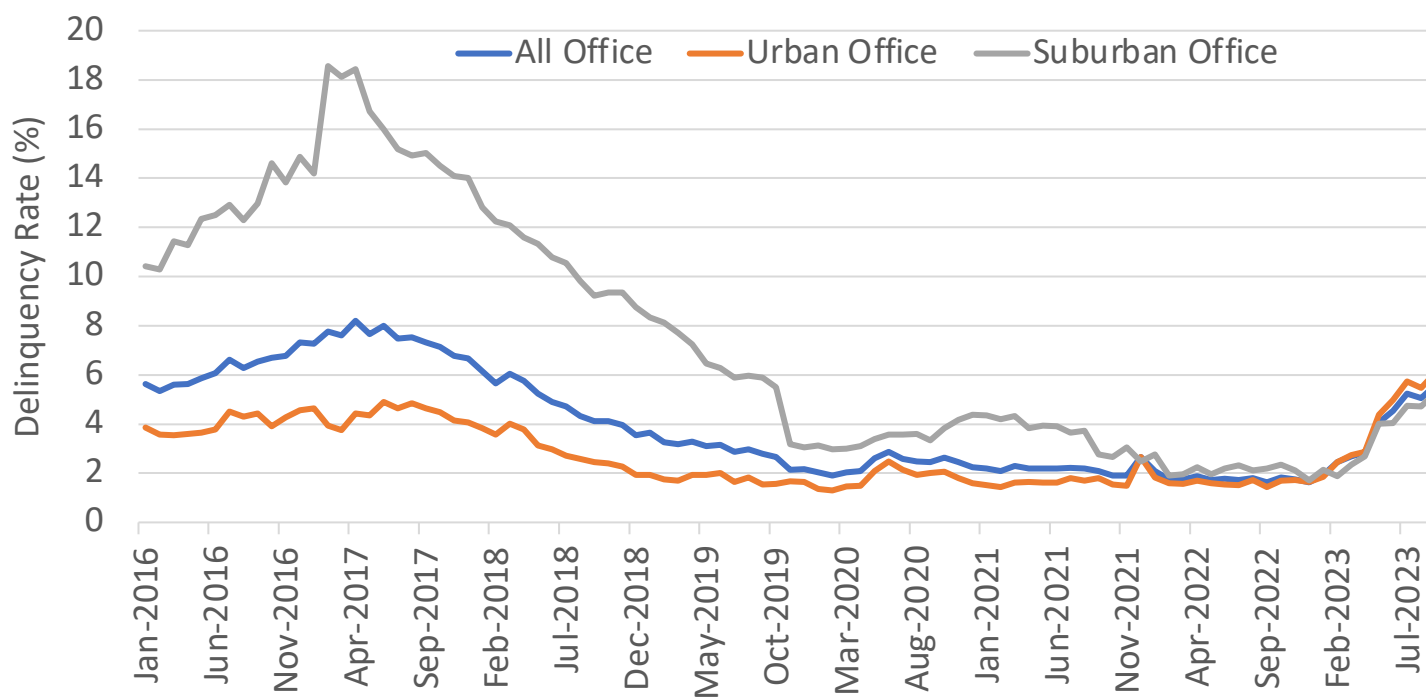
BUILD DATE	AVG. TOTAL VALUE LOSS	AVG. VALUE LOSS PER YEAR (COMPOUND RATE OF CHG.)	# OF YEARS
Pre-1950	-60%	-7.6%	9.7
1950-1980	-55%	-8.7%	10.1
1980-2000	-56%	-8.7%	10.5
2000 and On	-52%	-4.0%	12.3

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- Urban office delinquency now higher than suburban for first time
- Underwriting for office tightened significantly in 2023

Office Delinquency Rates by Subtype



Urban Office CMBS Originations in Top 25 Metros

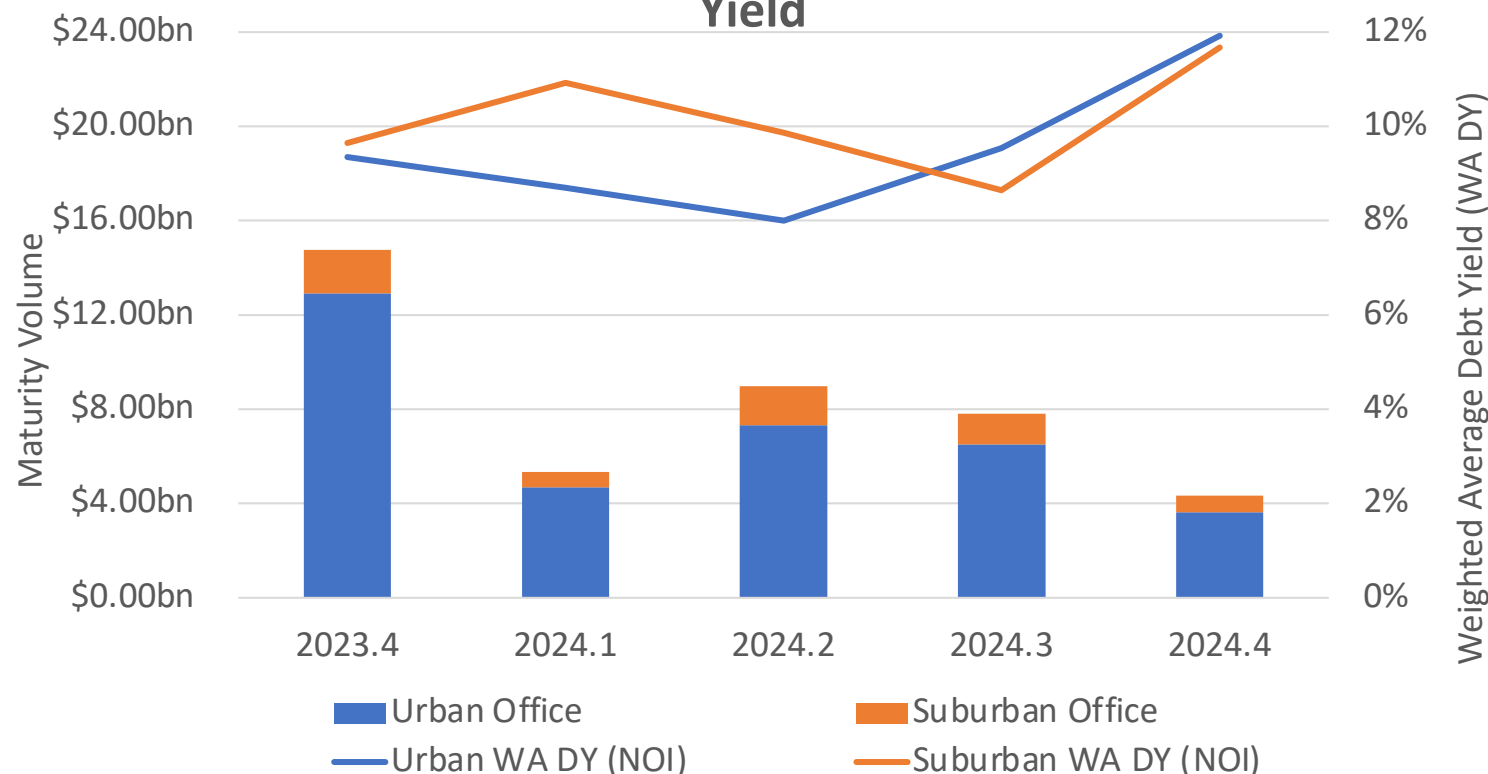
Vintage	Avg. Loan Size	WA Orig DSCR NOI	WA Orig DY NOI	WA Orig LTV	WA Cap Rate NOI %
2018	\$25.3m	2.71	10.96	57.5%	5.793
2019	\$65.1m	2.88	10.70	51.6%	4.825
2020	\$71.9m	3.47	10.10	53.4%	4.958
2021	\$77.9m	3.49	9.38	56.2%	4.891
2022	\$44.7m	2.67	10.68	53.4%	4.499
2023	\$28.3m	2.28	14.97	43.9%	

Suburban Office CMBS Originations in Top 25 Metros

Vintage	Avg. Loan Size	WA Orig DSCR NOI	WA Orig DY NOI	WA Orig LTV	WA Cap Rate NOI %
2018	\$7.0m	2.14	11.18	65.2%	6.901
2019	\$16.8m	2.44	11.21	63.2%	8.531
2020	\$13.6m	2.63	11.16	63.3%	8.514
2021	\$28.1m	3.07	10.62	61.6%	7.421
2022	\$18.1m	2.23	10.17	59.8%	5.599
2023	\$8.7m	2.32	15.22	52.3%	

Cash-In Refi Wave Coming? Or Extend & Pretend?

Urban and Suburban Office Maturities and WA Debt Yield



- **\$25bn** in Urban Office Loans Maturing 4Q23 to 2Q24
- **Weighted Avg. Debt Yield is 8.8%**
- If refi UW target is a 12% DY, then **refi proceeds would be 74%** of current balance (\$18.35bn)
- Requires cash-in of \$6.58bn
- Debt Yield = NOI/Loan Amount

Notes: Includes Conduit, SASB, and Large Loan deals

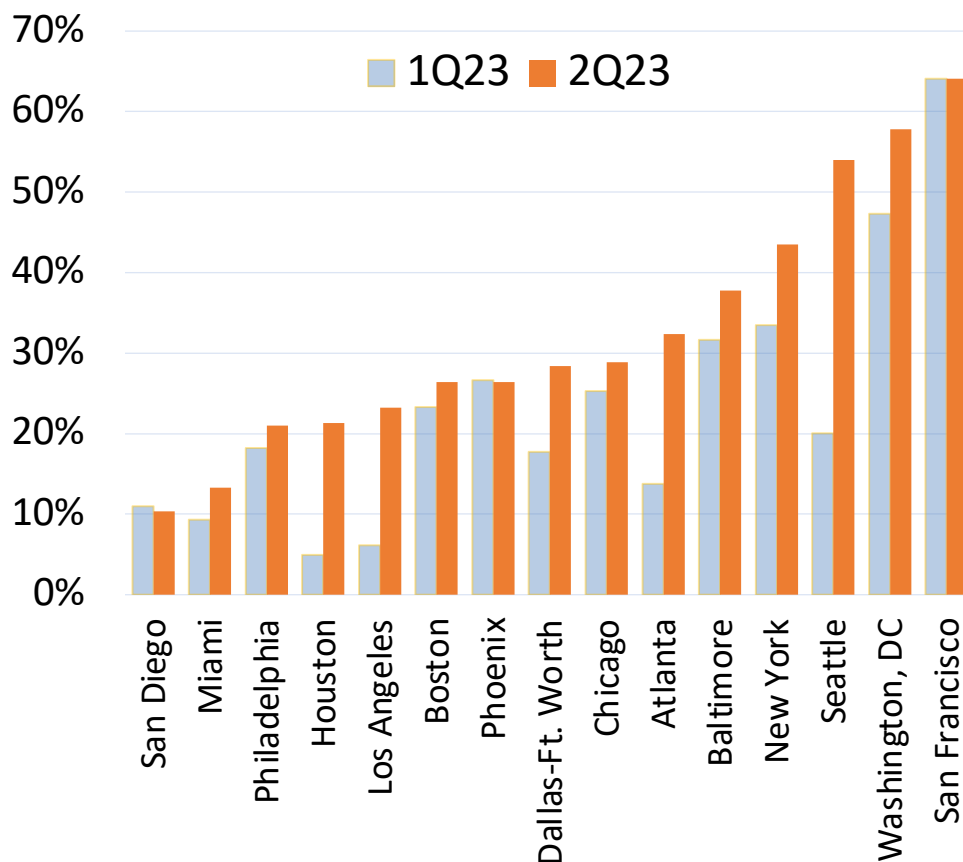
*Debt Yield is a measure of risk for mortgage lenders

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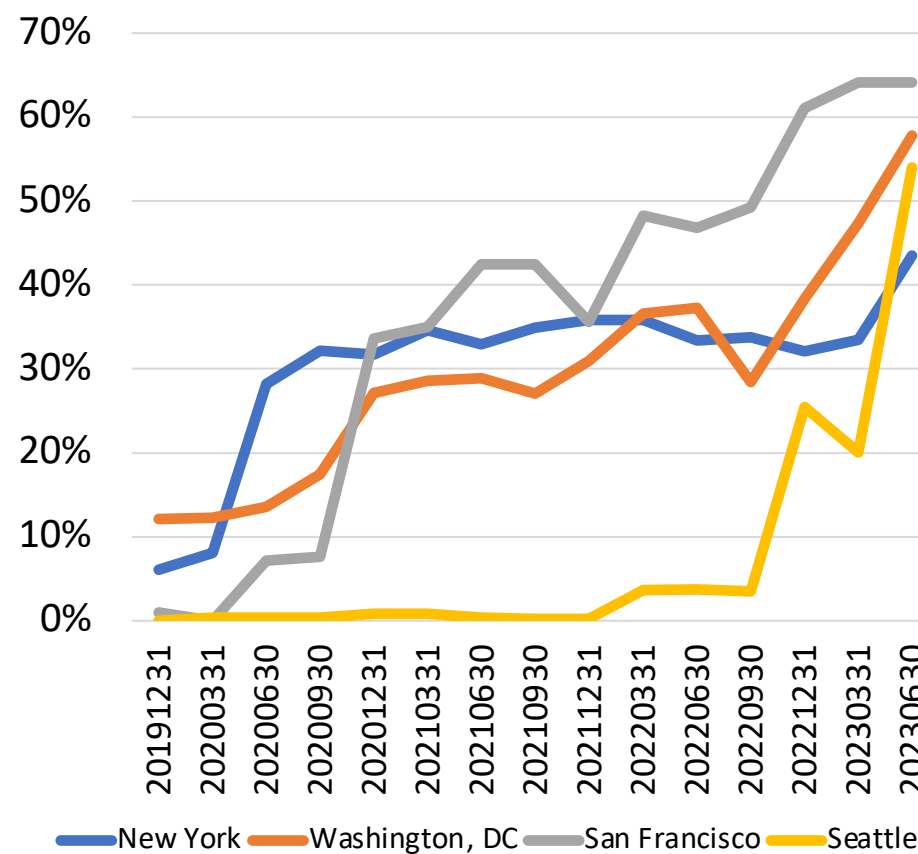


Office Risk Ratings – Foreshadowing? (T-ALLR Bank Data) Criticized Loans – Share of Office Total

Criticized Share, 2Q '23 vs 1Q '23



Criticized Share – Top 4 Metros



Source: Trepp T-ALLR

Multifamily Markets for Largest YOY Increase in Insurance Expenses (2021-2022)

RANK	MSA	AVG YOY INSURANCE EXPENSES PER UNIT CHANGE
1	Miami-Fort Lauderdale-West Palm Beach, FL	28.0%
2	New Orleans-Metairie, LA	27.9%
3	Jacksonville, FL	27.4%
4	Salt Lake City, UT	21.3%
5	Houston-The Woodlands-Sugar Land, TX	21.1%
6	Tampa-St. Petersburg-Clearwater, FL	19.3%
7	San Antonio-New Braunfels, TX	19.2%
8	Raleigh, NC	17.9%
9	Dallas-Fort Worth-Arlington, TX	16.9%
10	Riverside-San Bernardino-Ontario, CA	16.7%
11	Denver-Aurora-Lakewood, CO	16.1%
12	Atlanta-Sandy Springs-Roswell, GA	15.8%
13	Louisville/Jefferson County, KY-IN	15.5%
14	Cleveland-Elyria, OH	15.4%
15	Charlotte-Concord-Gastonia, NC-SC	15.1%

- Highest increase – Miami-Fort Lauderdale-West Palm Beach, FL
- In 2021, Florida witnessed 21 named storms which surpassed the norm of 14 named storms
- Cost for building materials have increase 31% from 2020-2022
- Florida leads the US in insurance lawsuits
- Average of top 50 MSAs was 13.6%

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Insurance Cost for Disaster Prone MSAs All Hotels

All Hotels				
High Risk Score 4/5		Low Risk Score 1/2		
Median Cost/Unit	Median YoY Chg (Same Prop)	Median Cost/Unit	Median YoY Chg (Same Prop)	Cost/Unit Diff
\$2,142	21%			
\$1,899	13%	\$688	17%	\$1,211
\$1,854	19%			
\$1,390	13%	\$818	22%	\$573
\$1,230	11%	\$809	11%	\$421
\$956	46%	\$793	13%	\$163
\$929	0%	\$608	2%	\$321
\$866	14%	\$746	22%	\$120
\$840	9%	\$781	14%	\$59
\$604	-1%	\$476	29%	\$128

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Insurance Cost for Disaster Prone MSAs Limited-Service Hotels

New Orleans-Metairie, LA
Crestview-Fort Walton Beach-Destin, FL
Miami-Fort Lauderdale-West Palm Beach, FL
Tampa-St. Petersburg-Clearwater, FL
Virginia Beach-Norfolk-Newport News, VA-NC
Jacksonville, FL
Orlando-Kissimmee-Sanford, FL
Houston-The Woodlands-Sugar Land, TX
Savannah, GA
Boston-Cambridge-Newton, MA-NH

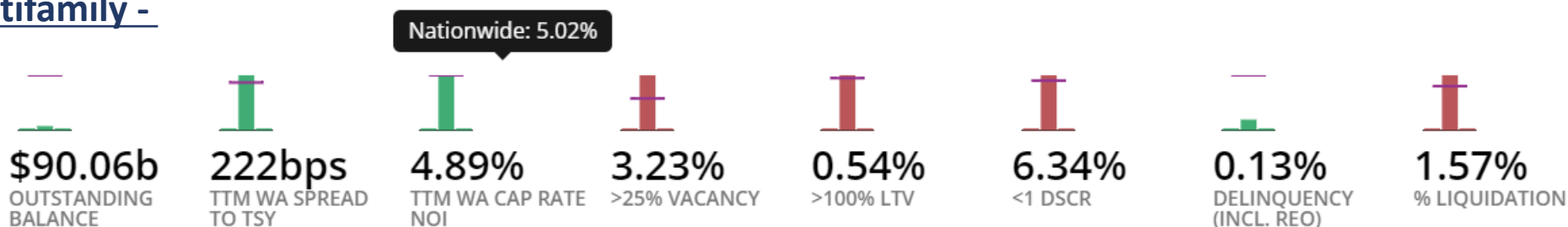
Limited-Service Hotels Only				
High Risk Score 4/5		Low Risk Score 1/2		Cost/Unit Diff
Median Cost/Unit	Median YoY Chg (Same Prop)	Median Cost/Unit	Median YoY Chg (Same Prop)	
\$2,354	29%			
\$1,899	13%	\$688	17%	\$1,211
\$1,449	19%			
\$1,333	13%	\$905	45%	\$428
\$1,161	0%	\$378	7%	\$783
\$918	16%	\$717	35%	\$201
\$840	8%	\$727	14%	\$113
\$691	-1%	\$476	29%	\$215
\$601	-22%	\$359	10%	\$242
		\$663	18%	

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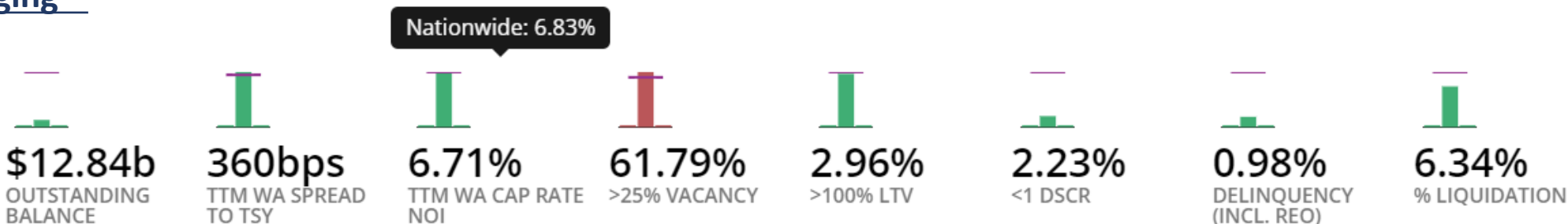


Miami Market Snapshot

Multifamily -



Lodging -



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- crenews.com

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