Commercial Real Estate Finance Ecosystem: Fluctuations, Valuations and Servicing

September 10, 2020

Presentation for National Association of Realtors

Andrew Foster, Associate Vice President- CREF,
Mortgage Bankers Association

Background

Associate Vice President of Commercial Real Estate

As Associate Vice President of Commercial Real Estate with the Mortgage Bankers Association, Foster focuses on member engagement and brings a strong background in securitization and loan workouts to the Association through prior work experience with MBA member firms.

Prior to joining MBA, Foster spent several years at Fitch Ratings as a director in CMBS responsible for servicer operational risk reviews. Prior to joining Fitch Ratings, Foster spent four years at S & P Global in CMBS as an associate director responsible for servicer evaluations.

Foster began his career in commercial real estate finance with C-III Asset Management as an asset manager responsible for the management and disposition of a portfolio of REO properties and defaulted mortgage loans.

Outline of Today's Session

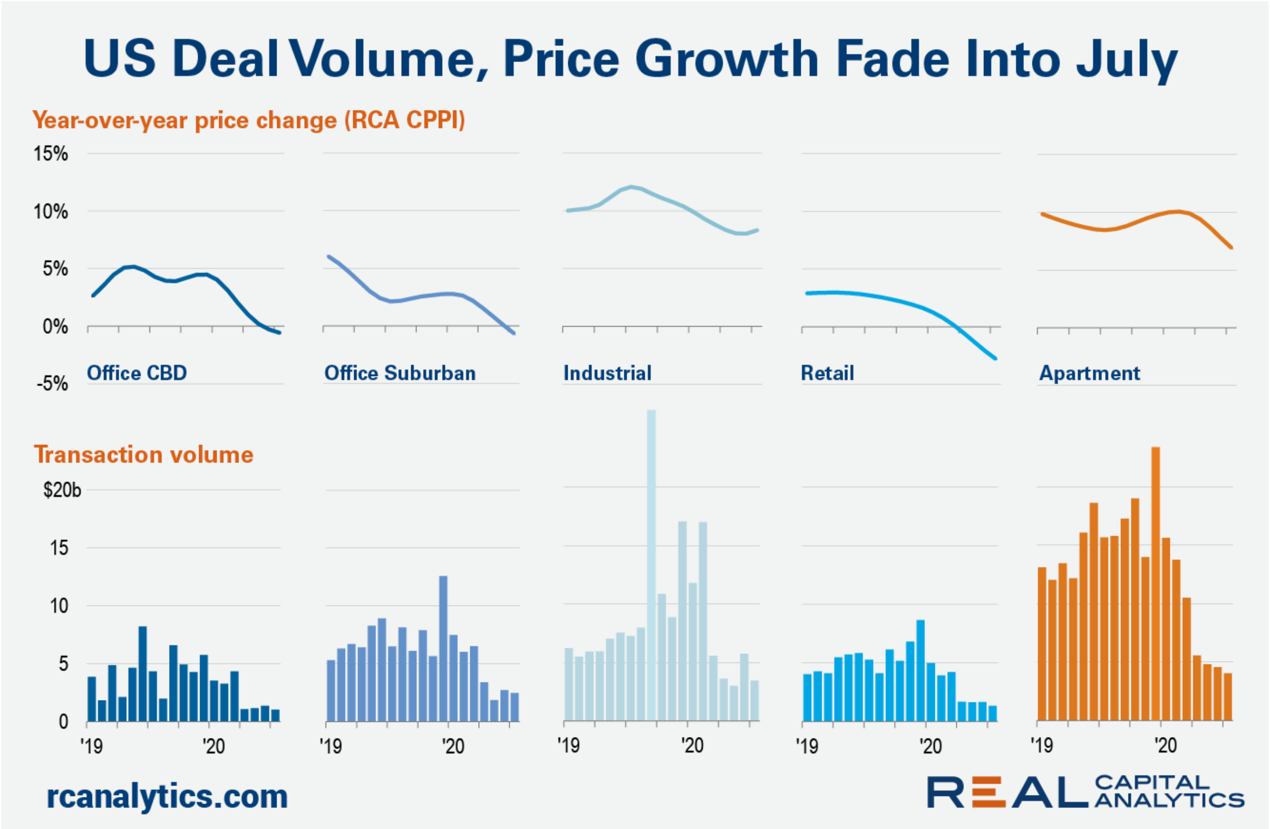
- Fluctuations in Commercial Real Estate Finance World
- Banker Perspective on Valuing Deals
- How Servicers are Navigating Borrower Defaults

Fluctuations– New Originations

- Fluctuations in Commercial Real Estate Finance World

As of July, Commercial and multifamily mortgage bankers are expected to close $248 billion of loans backed by income-producing properties in 2020, a 59 percent decline from 2019's record volume of $601 billion, according to a new forecast released today by the Mortgage Bankers Association (MBA).

Banker Perspective on Valuing Deals



Illiquidity continued to plague the U.S. commercial real estate market in July, with volume across the property types falling at high double-digit rates, the latest edition of *US Capital Trends* shows.

Total U.S. sales activity fell 69% versus July 2019, the fourth month in a row that the Covid-19 crisis has scuttled deal making. However, the monthly sales level is still trending above the lows set in 2009 during the Global Financial Crisis. RCA 8/26/2020

How Servicers are Navigating Defaults

- Forbearance, Delinquencies and Defaults

MBA reports 93.6% of commercial/multifamily mortgage balances were current as of August 20, down slightly from 93.8% in July and 93.7% in June.

Lodging and retail loans continue to show the greatest impacts from the COVID-19 pandemic, with delinquency rates falling in August for lodging property loans and rising for retail. The share of lodging property loan balances that were non-current fell to 23.4% in August (from 26.2% in July and 27.3% in June). For retail property loans, delinquencies rose to 15.0% in August (from 13.9% in July and 14.7% in June).

QUESTIONS AND DISCUSSION