

CMBS Delinquency Rate Reduction Accelerates; Possible 'Inflection Point' Ahead?

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Carlton Fields Executive Director - Financial Services, Brian Olasov, was quoted in the *Mortgage Bankers Association Newslink* article, "CMBS Delinquency Rate Reduction Accelerates; Possible 'Inflection Point' Ahead?" discussing the commercial mortgage-backed securities delinquency rate's notable drop.

The commercial mortgage-backed securities delinquency rate has consistently been falling, though the speed of improvement recently accelerated.

Industry insiders suggested that the forward-looking risk is increasing, potentially bringing about a delinquency rate inflection point within the next two years.

However, net operating income for commercial properties has increased.

"Given that there's an adverse selection bias among reporting borrowers — healthy properties are likelier to share operating results as opposed to weak properties — the 60 percent of respondents likely overstate overall growth," Olasov noted.

Olasov also remarked, "The more likely near term outcome is an environment with flat revenues. These flat revenues may be undermined by inflating operating expenses."

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