CMBS Market Overview

- $550 billion private-label market (not including GSE product)
- Averages $90 billion in originations per year since 2014
- Overall issuance since 2000: About $2 trillion
- CMBS market serves all major property types: Retail, Office, Multifamily, Hotel, Industrial, Self-Storage
Borrowers attracted to higher proceeds, non-recourse features of CMBS loans

Most financing is 5 or 10-year, fixed-rate debt

Average LTVs for CMBS loans 5 to 10 points higher than bank loans

Average CMBS loan size about twice that of the average bank loan

Loans can be as small as $1 million and as large as $3 billion
At Origination
- Historical and underwritten NOI, NCF, Occupancy; Appraised Value and LTV; Top Tenants, Square Footage, Lease Expiration, Rent PSF

Monthly
- Loan payment status, Watchlist status, Special servicer workout strategy (if applicable)

Quarterly
- NOI, NCF, DSCR, Occupancy; Top-five tenants, Updated lease exp. dates, Size of lease

At loan resolution
- Payoff amount, Prepayment penalty, Realized loss
Comparison of CMBS Market: GFC vs. COVID-19

Issuance:
- GFC: No CMBS issuance for 21 months
- COVID: No CMBS issuance for 60 days

Lending Spreads:
- GFC: AAA spreads as wide as 1500 over Treasuries
- COVID: AAA spreads as wide as 350 over Treasuries

Open Markets:
- GFC: No lending to any major property types
- COVID: Lending to MF, OF, IN – little to no lending for RT, LO
### Current Status vs. One Year Ago

% of Loans 30+ Days Delinquent

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Dec-20</th>
<th>Dec-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>1.14</td>
<td>1.45</td>
</tr>
<tr>
<td>Office</td>
<td>2.18</td>
<td>1.98</td>
</tr>
<tr>
<td>Multifamily</td>
<td>2.75</td>
<td>2.00</td>
</tr>
<tr>
<td>Retail</td>
<td>12.94</td>
<td>4.42</td>
</tr>
<tr>
<td>Lodging</td>
<td>19.80</td>
<td>1.53</td>
</tr>
</tbody>
</table>
Overall Delinquency Rate Over Time

% of Loans 30+ Days Delinquent – Market Aggregate

GFC Peak: 10.34%
COVID Peak: 10.32%
Delinquency Rate Over Time: Lodging

GFC Peak:
19.46% (September 2010)

COVID Market Crisis:
24.30% (June 2020)
Delinquency Rate Over Time: Retail

GFC Peak: 8.14% (March 2012)

COVID Peak: 18.07% (June 2020)
Overall Special Servicing Rate Over Time

GFC Peak: 13.36%
COVID Peak: 10.48%
Special Servicing Rate Over Time: Lodging

GFC Peak:
25.59% (September 2010)

COVID Peak:
26.04% (September 2020)
Special Servicing Rate Over Time: Retail

GFC Peak: 10.93% (September 2010)

COVID Peak: 18.32% (September 2020)
Property Type Review: Retail

Concerns:
- Shopping Malls
- Retailer Bankruptcies
- Lease Rejections
- Store Closings
- Falling Valuations
- Borrowers Giving Back Keys (Jingle Mail)

Resilience:
- Grocery Anchored
- Outdoor Shopping Centers
- Target/Walmart/Home Depot/Costco-Anchored Properties
Property Type Review: Lodging

Concerns:
– All segments hit hard: Leisure, Business, Conference
– Certain submarkets hit harder than others
  • NYC, Chicago, Houston, Portland
– Most hotels have seen partial year 2020 DSCR < 1.0x
– Lack of financing
– Falling valuations

Resilience:
– Special servicer accommodations
  • Use of FF&E Reserves
– Distressed capital plentiful – floor under values
– Pent up demand for leisure segment
Property Type Review: Office / Multifamily

Office
– Concerns:
  • Enormous amounts of sublet space in some markets
  • Fraying of co-working market
  • Questions about renewal demand post-COVID

Multifamily
– Concerns:
  • Rapidly falling occupancy in major cities (NYC, SF)
  • Long-term impact of the Eviction Moratorium
  • Questions about long-term demand for 24-hour cities
Case Study: Las Vegas Outlet Mall

*Fashion Outlets of Las Vegas Sees Disappointing Auction Bid*

- Prizm Outlets Mall (formerly Fashion Outlets of Las Vegas) in Primm, NV Auctioned Via Ten-X
  - REO asset with unpaid balance of $62.2 million
  - The collateral: 375,000 square feet of mall space
- Property was valued at $125 million in 2012 when loan was securitized.
- Most recently valued at $28.2 million in July 2020.
- Top auction bid $1.5 million (met reserve)
- $20 million in unpaid advances
- Loss of >100% of loan balance