COVID-19 and Distress in the CMBS Markets
Economic Forecasts, CRE Fundamentals, and Its Impact on Measures of Distress in CMBS Markets

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Agenda

1. Welcoming Remarks
2. Primer – COVID-19 and the Economic Outlook
3. Thinking Through Distress in Debt Markets
4. A Conversation with Jim Shevlin and Dan Warcholak of CWCapital on the CMBS Markets
COVID-19 and the Economic Outlook

Victor Calanog PhD, Head of CRE Economics
Moody’s Analytics
What Does the Crystal Ball Say (Today?)

Real GDP, annualized quarter/quarter growth rate

Sources: BEA; Moody's Analytics
Jobs Gained, Jobs Lost in May 2020

May 2019-May 2020 Job Trends in Line Graph; May 2020 Absolute and Percentage Changes in Captions.

Leisure and Hospitality
Gained: 1,239,000 jobs
+14.4%

Food Services and Drinking Places
Gained: 1,370,600 jobs
+21.9%

Construction
Gained: 464,000 jobs
+7.1%

Specialty Trade Contractors
Gained: 325,300 jobs
+7.9%

Ambulatory Health Care Services
Gained: 375,700 jobs
+5.8%

Accomodations
Lost: 148,200 jobs
-12.6%

Air Transportation
Lost: 50,300 jobs
-11.6%

Government
Lost: 585,000 jobs
-2.7%

Local Government
Lost: 487,000 jobs
-3.5%

Electronics and Appliance Stores
Lost: 94,700 jobs
-21.8%
Thinking Through Distress in Debt Markets
Stress Will Depend on Focus and Footprint

Total MF/CRE Mortgage Debt Outstanding – and the Life Cos

Distress in the CMBS World

Share of Relief Requests Received, by Property Type (CWCapital, UPB $8 billion)

Share of Loans Mentioning ‘COVID-19’ in Servicer Notes, by Property Type (UPB approximately $41 billion)

Source: CW Capital; Moody’s Analytics Structured Finance Portal
Cap Rate Forecasts
Implied Value Declines for 2020

» Given major economic distress, expect cap rates to rise over the course of the year.

» Implied value declines will differ across property types: 7.8% for apartment, 10.2% for industrial, 16.8% for office, and 20% for retail.

» Within property types, value declines will vary across geographic markets.

Source: Moody’s Analytics REIS
Applications: COVID-19 Impact Assessment Tool

https://cre.reis.com/covid-19

COVID-19 Outbreak: Impact on CRE

New York Metro, NY

TOTAL COVID-19 CASES
11,150
15.4% OF METRO CASES
CREE PROPERTIES
Office
142
14,444
Retail
401
55
Warehouse/Distribution

COVID-19 Impact on New Construction - Office

Metro
New York Metro, NY
County
Kings County
Construction Non-Countervail
Yes
Date
DEC 17, 2020
Projects at Risk
19
$ of Risk
$5,371,370
$ at Risk
21
$2,659,192

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A Conversation Between Moody’s Analytics and CWCapital
Questions & Answers
Thank You
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