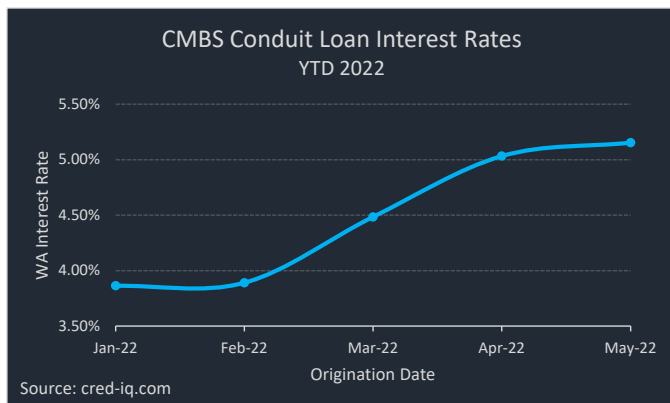


CMBS – Rising Interest Rates for CMBS Conduit Loans

CRED iQ monitored interest rates for CMBS conduit loans that were originated in 2022, evaluating the trends and impacts of a rising rate environment for commercial real estate mortgages. Loans with origination dates in 2022 were isolated, examining 15 CMBS conduit securitizations issued through mid-June. Interest rates for commercial mortgages have risen as the Federal Reserve has set its policy rate higher to reduce inflation. Higher interest rates can have many reverberations throughout the commercial real estate market, including heightened maturity default risk for active loans, for example. In these cases, refinancing at a higher rate may not be feasible due to debt service coverage limitations. Interest rate changes were examined across the entire subset of 2022 CMBS conduit loan originations as a whole and on an individual basis by collateral property type.



The weighted average (WA) interest rate for conduit loans increased 129 basis points from

January 2022 through May 2022. Based on available data, the WA interest rate for CMBS conduit loans was 5.15% in May 2022, which compares to 3.86% in January 2022. The rise in the WA interest rate represents an increase of approximately 33% over this time frame.

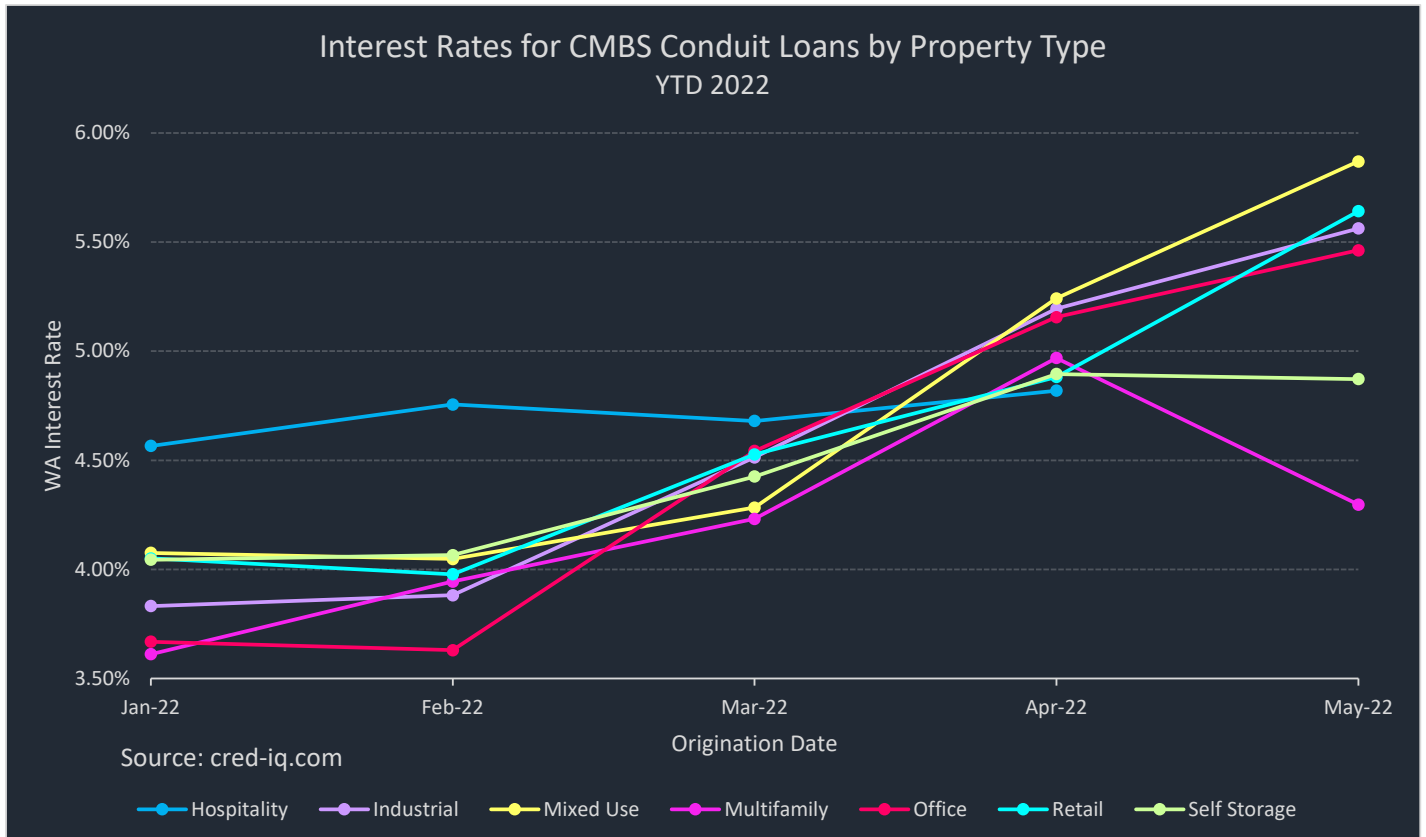
From the subset of data, loans secured by [mixed-use](#) properties had the highest WA interest rate (5.87%) while loans secured by [multifamily](#) properties had the lowest (4.30%). This was not the case in January 2022, suggesting interest rates, on average, may have increased at different velocities during the first half of 2022. For loans with January 2022 origination dates, multifamily still had the lowest WA interest rate (3.61%), but [hospitality](#) had the highest WA interest rate (4.57%). An important note to the subset of data, there were zero May 2022 originations of loans secured by lodging properties — the May 2022 WA interest rate for hospitality loans was not a data point.

Interest rates for loans secured by office properties exhibited the sharpest increase so far in 2022. The WA interest rate for [office](#) loans increased approximately 49%, from 3.67% in January 2022 to 5.46% in May 2022. Office collateral, and especially Class-B and Class-C office, has been a growing concern for originators and investors alike due to weakening fundamentals and uncertainty relating to the overall economy as well as changing dynamics in the workforce. Although rates are rising across all property types, the additional headwinds facing the office sector have likely contributed to sharper increases in interest rates for mortgages secured by office properties.

Excluding hospitality due to a lack of May 2022 originations, CMBS conduit loans secured by multifamily and [self-storage](#) properties exhibited the most modest increases in interest rates from January through May. However, May 2022 multifamily originations were heavily weighted downward by the \$539.5 million [Yorkshire & Lexington Towers](#) loan, which carried a relatively low 3.04% interest rate. Interest rates for self-storage loans increased 83 basis points from January through May, equal to a 20% increase and among the lowest increases among all property types.

the volatility and velocity of such interest rate increases may have a dampening effect on new originations slated to be securitized in CMBS conduits deals, at least temporarily until a more stable rate environment materializes.

With additional interest rate increases in the coming months a forgone conclusion, the effects of rate hikes will continue to impact commercial real estate originations. However,



About CRED iQ

[CRED iQ](#) is a commercial real estate data, analytics, and valuation platform designed to unlock investment, financing, and leasing opportunities. CRED iQ provides real-time property, loan, tenant, ownership, and valuation data for over \$2.0 trillion of commercial real estate.

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