CRE Finance Council and Trepp, LLC Release Insurance Company Investment Performance Survey Results

January 21, 2015 – CRE Finance Council (CREFC) and Trepp, LLC are pleased to release the semi-annual preliminary survey results of the CREFC/Trepp Portfolio Lender Survey of commercial mortgage investment performance within the insurance company sector for the first-half of 2014.

The survey data is used to assess investment performance and for general benchmarking purposes. 21 insurance companies with $160 billion in combined commercial mortgage assets, which represent nearly half of the industry's total mortgage exposure, took part in the survey. Participating companies contributed data from their General Account for the first half of 2014. They also submitted data from subsidiaries in order to fully capture performance of any sub-performing or non-performing loans in these entities.

The latest survey results indicate stable allocations to commercial mortgages and continued superior performance achieved by U.S. insurance companies. Key data points from the survey include:

- **Mortgage Exposure Held:** The average commercial mortgage holdings of companies participating in the survey was 11.17% of total invested assets ranging from a high of 17.12% to a low of 4.29%. This average changed little from year-end 2013, when it was 11.16%. Larger firms continue to dedicate greater allocations to commercial mortgages in the 11%-17% range.

- **Total Realized Net Losses**: The total realized net losses in the general accounts and subsidiary entities of the participating companies were recorded at 0.04% as of mid-year 2014. When compared to the losses reported in 2013, which were at 0.10%, this level has dropped 6 basis points. Compared to the other two lending markets, CMBS and commercial banks, which experienced losses of 0.09% and 0.84% respectively, the insurance companies had lower losses and continue to outperform the other two markets.

- **Delinquencies:** Total loan delinquencies (30 days or greater) recorded by participating companies within their general account holdings and subsidiary entities averaged 0.15% during the first half of 2014, up 0.06% from year-end 2013.

- **Problem Loans:** Compared to year-end 2013, reported problem loans, (which may include loans currently 90 days or greater in delinquency) increased by 4 basis points to 0.10% as of mid-year 2014. However, delinquency rates for insurance firms have stayed well below CMBS (5.86%) and commercial banks (1.80%).

- **Actions Taken on Problem Loans:** Insurance companies are using a wide range of options to deal with troubled assets, including foreclosures, note sales, discounted pay-offs and other actions. For the realized losses that were recorded, 65.8% were generated from write-down(s), and 30.6% from discounted payoffs. Distressed note sales, foreclosures and non-distressed sales accounted for the remaining 3.6% of total realized losses. Realized losses arising from write-downs almost doubled while realized losses from distressed note sales decreased about 22.6% compared to losses recorded as of year-end 2013.

- **Other Portfolio Statistics:** During the last several years, the average reported portfolio loan-to-values and debt service coverage ratios have improved. The average commercial mortgage loan-to-value (LTV) held within participating company portfolios was 55.1% at the end of the first half of 2014. 1.19% of loan exposure for all companies was above a 100% loan-to-value. The average debt service coverage ratio (DSCR) for the portfolios was 2.0x. Also, about 95% of all exposure held was above a 1.0x debt service coverage ratio. Compared to year-end 2013, the average portfolio LTV was down 1.3% and DSCR was up 4 basis points.

- **New Originations:** Survey participants added roughly $14.5 billion of new mortgages during the first half of 2014, 90% of which were fixed rate loans. Roughly the same percentage of the new originations came from "New Business/Financing," which could include refinancing of maturing loans from elsewhere. Only 13% of these new originations resulted from "Refinancing" existing mortgages. The weighted average LTV stayed stable at approximately 60% across the different firm size spectrum (large: >$10 billion, medium: $5-$10 billion, and small: < $5 billion). Large firms reported much higher DSCRs (2.2x) and lower coupon rates (3.97%) compared to the other two firm categories.

"These results show another superior year for insurance company lenders which will equate to more dollars being allocated to whole loans for 2015," according to Mike Moran, Managing Director – Real Estate Investments, Allstate Investments and current Chair of CREFC's Portfolio Lenders Insurance Company Sub-Forum. "Trepp has done an excellent job in aggregating and presenting the information in a format that can be used by industry participants. The CREFC/Trepp survey is invaluable as there is no other source that provides this level of detail and assessment."

"CREFC's Portfolio Lenders Forum and our partners at Trepp are providing the industry with an important benchmarking performance tool," said Stephen M. Renna, CREFC President & CEO. "Importantly, this survey has evolved to provide meaningful trend analysis as well as baseline results."

The next iteration of the insurance company survey, covering data for the second half of 2014, will be distributed at a later date.

About CRE Finance Council

The CRE Finance Council (CREFC) is the collective voice of the more than $3.3 trillion commercial real estate finance market, and our members include all of the significant portfolio, multifamily, and Commercial Mortgage-Backed Securities ("CMBS") lenders and issuers; loan and bond investors such as insurance companies, pension funds and money managers; servicers; rating agencies; accounting firms; law firms; and other service providers. CREFC's membership consists of more than 280 companies and 7,000 individuals. Our industry plays a critical role in the financing of office buildings, industrial complexes, multifamily housing, retail facilities, hotels, and other types of commercial real estate that help form the backbone of the American economy. In addition to its sector specific member forums, committees and working groups, CREFC acts as a legislative and regulatory advocate for the industry, plays a vital role in setting market standards and provides education for market participants in this key sector of the global economy. For more information please visit www.crefc.org

About Trepp, LLC

Trepp, LLC is the leading provider of information, analytics and technology to the CMBS, commercial real estate and banking markets. Trepp provides primary and secondary market participants with the tools and insight they need to increase their operational efficiencies, information transparency and investment performance. For more information visit www.trepp.com.

Contact:

Stacy Stathopoulos
Executive Vice President
CRE Finance Council
Phone: (202) 448-0852
Email: sstathopoulos@crefc.org

Keegan St.Onge-May
Marketing Manager
Trepp, LLC
Phone: (212) 754-1010
Email: Keegan_Stongemay@trepp.com