

## Blog Post

### Ruthless

Posted on **July 9, 2010** by Charles T. Marshall

Fitch Ratings' weekly *U.S. CMBS Market Trends* newsletter released today disclosed that CMBS loan delinquencies in June pushed the delinquency rate to 8.14% (Fitch Ratings' delinquency index includes 2,962 loans totaling \$35.9 billion that are at least 60 days delinquent or in foreclosure out of the agency's rated universe of approximately 40,000 loans comprising \$440.8 billion). June also marked the fifth straight month of loan resolutions in excess of \$1 billion, as \$1.5 billion of loans leaving the index in June helped to offset the \$2 billion of new delinquencies.

The number of distressed properties continues to grow, according to Fitch, and if borrowers are unable to access capital for leasing costs or are unable to restructure their loans to a leverage level commensurate with sustained property values, they may stop subsidizing debt service payments.

Separately, *The New York Times* reported today that more than one in seven homeowners with loans in excess of a million dollars is seriously delinquent (more than three missed payments). By contrast, homeowners with smaller mortgage loans are much more likely to keep writing checks to their lender: only about one in 12 mortgages below the million-dollar mark is delinquent.

What do the two reports have in common? As an economist quoted by the *Times* expressed it, "the rich are different: they are more ruthless."

Both sets of data suggest that both commercial real estate borrowers and wealthy homeowners are engaging in "strategic defaults," purposely defaulting financially draining properties, just as they would any sour investment.

With property values, stalled leasing, and still limited lending options, even institutional real estate owners are increasingly offering deeds in lieu of foreclosure to their lenders.

The "ruthless" trend in real estate shows no sign of abating.