Blog Post

Scoreboard

Posted on **August 5, 2010** by Charles T. Marshall

In early August, pennant fever begins to transform the casual baseball fan into a fanatic. At ballparks, eyes dart from the field to the scoreboard and back, manically monitoring the scores of games involving competitors. The scoreboard is as important as the game. Whether the home team is ahead or behind, it provides inning by inning thrill or solace, or both. (With our local team, the Texas Rangers, in the uncharted territory of being both in first place in August and mired in bankruptcy court, *The Line* has become a big scoreboard and court watcher.)

The current economic climate is no different. Monitoring a seemingly limitless array of data, from the home price index to CMBS delinquency reports to Treasury pronouncements, we seek positive trends, validation for personal and business decisions and perverse reassurance from the similar travails of competitors.

In the Home Price League[1], for example, San Francisco leads with an 18.3% increase since May 2009. Other double digit winners are San Diego (12.4%) and Minneapolis (11.6%). Losers in the 1-Year change category are Las Vegas (-6.5%), Detroit (-2.5%), Charlotte (-2.8%), and Chicago (-1.5%). Those with middling increases, such as Denver (3.6%), Dallas (2.9%), and Atlanta (1.7%), have actually been more solid performers since their home prices never plummeted as far.

In the CMBS Delinquency League[2], the delinquency rate for hotel loans (18%) leads after the first half of 2010 with multifamily loans, at 14%, closely behind. Retail, industrial, and office loans trail, with delinquency rates of 8.25%, 7.4% and 4.5%, respectively, but are gaining. For historians of the game, CMBS loans from 2000 lead in cumulative default rates with 14.6% trailed by 2008 (11.9%), 1997 (11.86%), 1996 (11%), and 2007 and 1995 (10.5%). The delinquencies of 2007 involve by far the most loans due to the almost $130 billion of issuance, significantly more than any other year.

Teams in the CRE Workout League[3] are performing well, with lenders and special servicers resolving $14.6 billion in troubled loans in the first half of 2010, a 272% increase from the similar period of the 2009 season. Loan modifications doubled to $15.6 billion, bringing total workouts to $30.2 billion, equal to the entire workout volume in 2009. (For those keeping score, a *resolution* of a loan represents a full recovery or payment while a *loan modification* represents a partial recovery or extension.)

In the Treasury Economic Recovery League[4], business capital spending increased at an annual rate of 17%, manufacturing generated 136,000 jobs in the past 6 months, government investment in banks has generated over $20 billion in profits for taxpayers, and the Fed, Congress and White House have saved 8.5 million jobs and increased GDP by 6.5% by their actions since 2007.

We've all become amateur economists these days, looking at our favorite data for guidance or validation or glimpses of recovery. What we all share is the desire to get back to business, to put all of this skill and capital which has been sitting on the bench to work and end the prolonged CRE hitting slump.

Last week, the song "Centerfield" by John Fogerty was inducted into Major League Baseball's Hall of Fame. The song captures not only the nostalgia of America's pastime, but speaks to the idled real estate industry eager to get back in the game.

Put me in, coach. I'm ready to play today.
Look at me, I can be Centerfield.

- John Fogerty

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1. S&P/Case-Shiller Home Price Indices, July 27, 2010

2. Fitch Ratings U.S. CMBS Market Trends, July 30, 2010

3. Real Capital Analytics, reported in *National Real Estate Investor*, August 4, 2010

4. Geithner, Timothy, “Welcome to the Recovery,” *New York Times*, August 3, 2010