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The Return of CMBS: U.S. Volume Soared by 50 Percent in 2012

In 2012, the CMBS market did even better than expected, with a U.S. lending volume that totaled $48.8 billion, according to data released in Massey Knakal's 2012 capital market overview.

"It was a great year for all loan sectors; in the fourth quarter of 2012, all lenders met or exceeded their goals," said **Garrett Thelander**, managing director of **Massey Knakal Capital Services**. The comeback of the CMBS market was the big story of the year, though. After having basically stopped in 2008, CMBS lending volume increased beyond all expectations and is forecast to rise even more in 2013.

One year ago, CMBS volume was projected to rise by 15 percent to $38 billion. In fact, 2012 activity soared much more, growing by 50 percent to $48.8 billion. The consensus is that in 2013 there will be a further jump in CMBS lending volume, projected to total $65 billion, up 34 percent from 2012. "This year, business markets are expected to be calm. CMBS will continue to gain more market share," said Mr. Thelander.

Among other forecasts for the year, the increasing value of commercial real estate properties will mean that previously underwater loans have more hope of refinancing, as shown by declining delinquency rates. In 2013, $350 billion in loans will mature.

Massey Knakal released its 2012 property sales report for New York City as well. The main trend was a peak in sales in the fourth quarter of 2012. According to the report, the total volume of buildings sold in the New York City commercial real estate market place was $39.1 billion, up from $27.3 billion in 2011. The $17.5 billion that sold in the fourth quarter was an increase of 136 percent from the third quarter of 2012 and represented 45 percent of the total sales volume in 2012.

"As expected, the threat of capital gains tax increases had a tangible impact on the investment sales market in 2012," said **Bob Knakal**, chairman of Massey Knakal Realty Services.

"The dollar volume of sales rose by 43 percent to $39.14 billion, while the number of properties sold climbed to 3,699, a 66 percent increase over 2011. Most notably, the number of properties sold in the Manhattan submarket hit an all-time high of 1,148, surpassing the cyclical peak in 2007 by 15 percent," Mr. Knakal added.

In 2013, Massey Knakal predicts that the New York City development market will continue to thrive and that large office building trades—which were relatively slow in 2012—will get back on track. The possible increase in interest rates and the debt ceiling debate will remain the main challenge to these positive trends.