Commercial Mortgage Returns Rise to Start 2016

BOSTON, June 10, 2016 /PRNewswire/ -- Private commercial mortgage investments held by life insurance companies yielded a 3.39 percent total return in first quarter 2016, rebounding from a loss of 0.04 percent in fourth quarter 2015 according to the LifeComps Commercial Mortgage Index.

Income contributed 1.23 percent to total return while appreciation added 2.16 percent in first quarter. The price gain was fueled by sinking Treasury yields. The 10-year Treasury yield fell 49 basis points over first quarter ending the period at 1.78 percent.

The 12-month return improved to 3.73 percent from 2.51 percent in fourth quarter. Annual income was 4.96 percent while price subtracted 1.23 percent. Treasury yields on maturities three years and longer finished lower than a year ago, but mortgage spreads increased sufficiently to push the portfolio's price return negative. The yield on the 10-year Treasury fell 16 basis points over the twelve month period.

Of the four major property types, retail loans performed best for the quarter with a return of 3.58 percent compared to 3.47 percent for office, 3.41 percent for apartments and 2.92 percent for industrial. Over twelve months, office and retail loans tied for best at 3.76 percent followed by industrial at 3.70 percent and apartments at 3.60 percent.

Commercial Mortgage Loan – Total Return by Property Type as of March 31, 2016

Property	Quarter	12 months
Apartments	3.41%	3.60%
Office	3.47%	3.76%
Retail	3.58%	3.76%
Industrial	2.92%	3.70%
All*	**3.39%**	**3.73%**

**Includes hotel, mixed use, and other commercial*

About LifeComps
The LifeComps Commercial Mortgage Loan Index is the only published benchmark for the private commercial mortgage market based on actual mortgage loan cash flow and performance data, which has been collected quarterly from participating life insurance companies since 1996. Active loans in the LifeComps Index number approximately 4,500 with an aggregate principal balance of $107.2 billion and market value of $113.4 billion. The weighted average duration is 5.3 years and average reported loan-to-value is 50 percent.

Since its inception, the LifeComps database has tracked individual cash flows on more than 21,000 loans with principal balances totaling in excess of $280 billion. More than 6,500 loans totaling $100 billion have been tracked from origination to disposition.

Participating life insurers include Allstate Life Insurance Company, CIGNA Investment Management, AXA Equitable,John Hancock, Northwestern Mutual, Principal Financial, Prudential Insurance Company of America, and TIAA. For more information, visit www.lifecomps.com.

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