

## Private Commercial Mortgage Returns Down in Third Quarter 2016

BOSTON, Jan. 4, 2017 /PRNewswire/ -- Returns on commercial mortgage loans held by life insurance companies fell in third quarter 2016, generating a 1.05 percent total return compared with 2.27 percent in second quarter, according to the LifeComps Commercial Mortgage Index.

Income contributed 1.13 percent while price subtracted 0.08 percent. Negative price return in third quarter stemmed from an upward shift in the treasury yield curve which outweighed the net positive contribution from mortgage spread movement, credit migration and portfolio growth. The yield on the ten-year Treasury climbed 11 basis points over the quarter to 1.60 percent.

The twelve-month total return declined to 6.81 percent from 7.41 percent in the prior quarter. Income contributed 4.87 percent while price added 1.94 percent. Lower Treasury yields boosted price performance as the yield on the 10-year Treasury finished the period 46 bps lower while spread movement, credit migration and portfolio growth dampened the gain.

Of the four major property types, apartment loans performed best for the quarter with a return of 1.36 percent compared to 0.95 percent for office and retail, and 0.77 percent for industrial. Apartments also fared best over 12 months with a return of 7.25 percent followed by retail at 6.94 percent, office at 6.57 percent and industrial at 5.88 percent.

### Commercial Mortgage Loan - Total Return by Property Type as of June 30, 2016

| Property    | Quarter      | 12 months    |
|-------------|--------------|--------------|
| Apartments  | 1.36%        | 7.25%        |
| Office      | 0.95%        | 6.57%        |
| Retail      | 0.95%        | 6.94%        |
| Industrial  | 0.77%        | 5.88%        |
| <b>All*</b> | <b>1.05%</b> | <b>6.81%</b> |

*\*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 \$111.8 billion and market value of \$119.2 billion. The weighted average duration is 5.5 years and average reported loan-to-value is 50 percent.

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](http://www.lifecomps.com).

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