

Announcement: Moody's: Credit quality of European CMBS pools will decline in 2013

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London, 12 December 2012 -- The credit quality of European commercial mortgage-backed securities (CMBS) pools will deteriorate in 2013, says Moody's Investors Service in a Special Report published today. Further losses on secondary properties will be unavoidable and exacerbated by the European CMBS €16 billion refinancing wall, which will peak in 2013. Overall new issuance will be muted in the year ahead.

The new report, entitled "European CMBS: 2013 Outlook", is now available on www.moody.com. Moody's subscribers can access this report via the link provided at the end of this press release.

"The majority of European CMBS collateral pools are increasingly vulnerable to deteriorating asset quality and losses," says Ramzi Kattan, a Moody's Assistant Vice President --Analyst and author of the report.

While prime properties in core liquid markets are being successfully refinanced or worked out at minimal loss, it is becoming more difficult to avoid losses on the remaining secondary properties located in riskier and less liquid markets. Over the next five years, the rating agency estimates that European CMBS pool-level losses will be as high as €10 billion. Moody's expects that the constrained lending environment for European commercial real estate debt will persist for years to come.

Moody's notes that the European CMBS refinancing wall will reach its peak in 2013 when 135 loans totalling €16 billion will require refinancing. Around 60% of CMBS loans will not repay in 2013. While most European CMBS collateral is experiencing credit deterioration and benefits from very limited access to commercial real estate (CRE) lending, a small number of loans and transactions with strong institutional sponsors, good quality property or moderate leverage have outperformed or repaid on time. These loans and transactions could help to reduce the enormity of the refinancing issue.

Moody's expects that new issuance will remain low in 2013. Moreover, the rating agency anticipates that most collateral pools will gradually transform into shrinking portfolios of distressed or non-performing loans over the coming years.

Subscribers can access this report via this link http://www.moody.com/research/European-CMBS-2013-Outlook-PBS_SF310233.

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