



# GILIBERTO-LEVY

COMMERCIAL REAL ESTATE DEBT INDEXES

## Gilberto-Levy Commercial Mortgage Performance Index (G-L 1) First Quarter 2023 Flash Report

### Gilberto-Levy Commercial Mortgage Performance Index First Quarter 2023 Summary

<b>Total Return:</b> (in %)	Total (all sectors)	3.13
	Office	2.82
	Multi-family	3.26
	Retail	2.93
	Industrial	3.16
<b>Index Statistics:</b> (as of 3/31/2023)	Capitalization (\$ billion)	277.22
	Duration (years)	4.73
	Coupon (%)	3.96
	Maturity (years)	6.55
	Book LTV (%)	48.18

Source: Gilberto-Levy

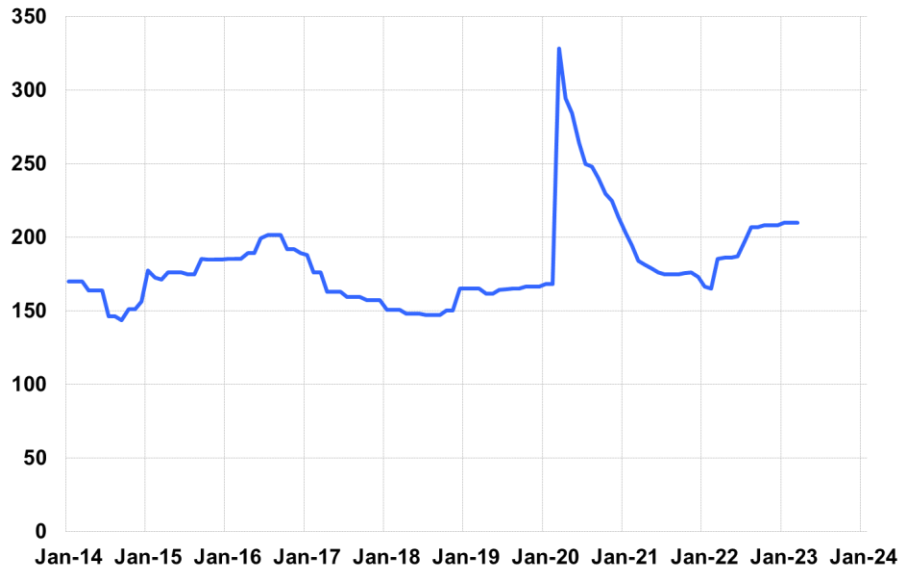
**The Gilberto-Levy Commercial Mortgage Performance Index (G-L 1) posted a 3.13% total return in 1Q 2023.**<sup>1</sup> Income return was 1.09%, comparable to 1.08% generated in 4Q 2022. A 2.04% capital value return was the strongest since 2Q 2020, when markets had settled down a bit from the COVID-induced shock at the end of 1Q 2020.

Reductions in U.S. Treasury yields drove the strong capital value return. On average, yields for issues with two or more years to maturity declined 37 basis points (bp).

<sup>1</sup> The Index's components are fixed-rate commercial mortgage loans held on balance sheets of institutions such as life insurance companies and pension funds. Index returns are a market-value-weighted blend of office, apartment, retail, industrial, lodging, mixed-use and other miscellaneous property types. Index performance tracks senior loans only; it does not include construction loans, mezzanine and other subordinate instruments and bridge loans made by such institutions.

Commercial mortgage spreads did not change much (see Chart 1). There appeared to be some upward movement after the failures of Silicon Valley Bank and Signature Bank, but spreads on priced deals – as distinct from price “talk” on possible new deals – settled back to only slightly above December 31, 2022 levels.

Chart 1. Spreads over Treasuries for Ten-year Commercial Mortgages  
In basis points, reflecting 30/360-day count convention



Source: Giliberto-Levy. Chart data are averages of office, apartment, retail and industrial property loans at 60% to 65% LTV for a term of ten years.

In contrast, CMBS spreads widened, which blunted the favorable effect of falling Treasury yields. Investment-grade CMBS showed a 1.70% total return, according to Bloomberg Index Services. Investment-grade corporate bonds did better. For example, Baa-rated intermediate bonds produced 2.66% total return, after adjusting to match G-L 1 duration.

G-L 1 rolling four-quarter total return improved considerably, rising from -8.98% as of year-end 2022 to -1.79% as of March 31, 2023. What happened? First quarter 2022's negative 4.41% return was replaced by this quarter's positive 3.13%.

Lending volume continued to be down considerably, as shown in the G-L 1 summary below. Several lenders reported that they made no new loans in one or more months of 1Q 2023. Multifamily and industrial continue to be favored, although retail lending also has picked up. Office stayed out of favor. Added detail and analysis will appear in the 1Q 2023 *Giliberto-Levy Monitor*.

**G-L 1 Summary**

	<b>Most Recent Period 1Q 2023</b>	<b>Prior Period 4Q 2022</b>	<b>Year Ago Comp. Period 1Q 2022</b>
<b>Index Results:</b>			
Total Return	3.13%	1.22%	-4.41%
Income Return	1.10%	1.08%	0.91%
Capital Value Return	2.04%	0.14%	-5.32%
Credit Effect (bp; annualized)	5	5	3
<b>Index-eligible Lending Activity [Note 1]:</b>			
Loan Volume (\$ billions)	3.3	3.7	14.1
Weighted Average:			
LTV	59.2%	57.8%	58.9%
DSCR	1.69	1.51	1.96
Coupon Rate	5.72%	5.98%	3.61%
Spread (basis points) [Note 2]	185	202	163
Term to Maturity (years)	7.4	8.6	10.6
Loan Size (\$ millions)	24.6	36.0	38.7
<b>Notes:</b>			
1. Lending activity statistics are subject to revision as added data are received.			
2. Spread is measured with respect to comparable maturity U.S. Treasury yield.			
Source: Giliberto-Levy			