CMBS Rankings: 2015 Issuance Up 9.8% Y/y; Wells in Top Spot

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By Charles Williams and Christopher DeReza
(Bloomberg) -- U.S. private label CMBS volume rose ~9.8% in 2015 to ~$90.9b, according to data compiled by Bloomberg; Wells Fargo finished year as top underwriter with ~$14b.

* “CMBS for 2015 was like the month of March – it came in like a lion and went out like a lamb,” said Edward L. Shugrue III, CEO of Talmage, in an e-mail
* “More important, AAA spreads widened out to levels not seen since 2012, ending the year at swaps + 135bps”
* “Storm clouds” for 2016 include continued Fed rate increases, pending adoption of risk retention, potential for distress in high yield/emerging markets/commodities to spillover into CMBS and constrained dealer liquidity due to new regulations
* “New normal” consensus sees AAA spreads range-bound between 100bps-130bps, while issuance should be in-line with 2014 and 2015; expect to see push for SASB transactions ahead of adoption of risk retention at end of year
* CMBS outstandings at ~$600b are essentially flat as new issuance keeps pace with maturities
* New regulations are increasing capital charges for dealers holding CMBS; trend should benefit “real money” investors that are not leverage-dependent and have longer-term investment strategy * Expect “excess returns resulting from the market dislocation and volatility that we anticipate in 2016”

* Investors last yr had to deal with global macroeconomic risks, Greece uncertainty, declining oil prices, 1st Fed rate hike and wider high yield spreads, and other factors nearly as influential, Chris Sullivan, chief investment officer at the United Nations Federal Credit Union, said in an e-mail
* Other factors included new issuance, which by late summer was running more than 25% ahead of last year’s pace and new banking regulations (increased capital requirements and Volcker Rule) that went into effect, which constrained trading and liquidity provisions

* Deteriorating underwriting standards or exclusion of unfavorable ratings cautioned investors and enabled some push-back "against what appeared to be overvaluation of some bonds and ongoing credit tiering"
* More of the same expected in 2016 "as we move beyond January when new money allocations generally may have a stabilizing or narrowing effect on spreads"
* Investors don't seem likely to give up "cautious stance" (unless oil stages dramatic and prolonged turn)
* Corporate credit issuance projected to be robust and pace of CMBS issuance may be "considerably above" 2015; one could expect spreads to again be heavily influenced by these factors
* Technical positive may be defeasement rate ahead of what could be gradually increasing (but likely more volatile) rates and lesser overall refinance burden

* Breakdown of private label CMBS by type:
  * Conduits $57.1b
  * Single Asset/Single Borrower (SASB) $28.94b
  * Floating-Rate $3.41b
  * Other $1.459b

* 2015 underwriter rankings:
  * Wells Fargo $14b
  * JP Morgan $10.65b
  * Deutsche Bank $9.98b
  * Morgan Stanley $9.10b
  * Credit Suisse $7.97b
  * BofAML $7.53b
  * Citigroup $7.18b
  * Barclays $7.04b
  * Goldman Sachs $6.96b
  * Cantor $6.18b
  * UBS $2.06b
  * SocGen $1.09b
  * Jefferies $450m
  * Scotia $312.5m
  * RBC $130m

* Nov. Rankings
* Oct. Rankings
* 3Q Rankings
* July Rankings
* 1H Rankings
* May Rankings
* April Rankings

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