

# Securitization in Focus

January 2024

## Residential Mortgage-Backed Securities (RMBS)

### Rental Market Update



Professionally managed apartment rent growth was 0.4% in Q3 2023, down from 15.3% in early 2022.

436,000 multifamily units were completed in Q3 2023, the highest count since 1988.

50%

Percent of cost-burdened renters\*

Represents a 2.3% increase from pre-pandemic levels

\*Those whose rent is >30% of income

257K

Number of unsheltered

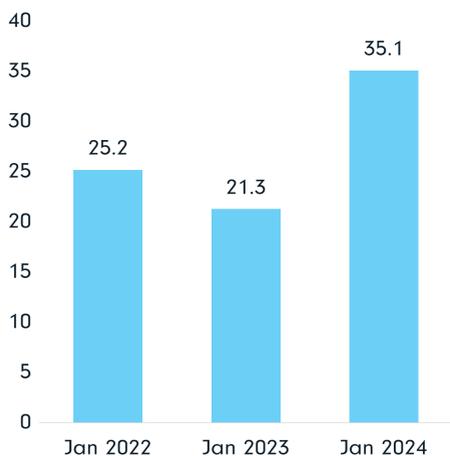
Represents a 48% increase between 2015 and 2023

## Asset-Backed Securities (ABS)

### Issuance

January 2024 issuance was up 65% year-over-year and was the highest monthly total since 2012.

### Issuance (\$B)



### Delinquencies (%)

	60+ Day Delinquencies (%)		
	Jan	MoM	YoY
Subprime Auto	5.19	0.14	0.08
Consumer Loan	4.20	0.02	0.21
Marketplace Lending	2.76	0.01	-0.20
Prime Auto	0.47	0.06	0.10

## Commercial Mortgage-Backed Securities (CMBS)

### Issuance

January 2024 issuance was up 250% year-over-year but less than half of 2022 issuance.

### Issuance (\$B)



### Delinquencies (%)

	60+ Day Delinquencies	
	Jan	MoM
<b>Conduit 2.0</b>	3.5	0.2
Hotel	4.4	0.2
Retail	4.4	-0.1
Office	3.8	0.3
Multifamily	1.3	0.6
<b>Single Asset, Single Borrower (SASB)</b>	3.0	0.0

### Spread Rally in Non-Agency CMBS

Rate stability and expectations for the end of the tightening cycle reinvigorated the CMBS market, but issues remain.

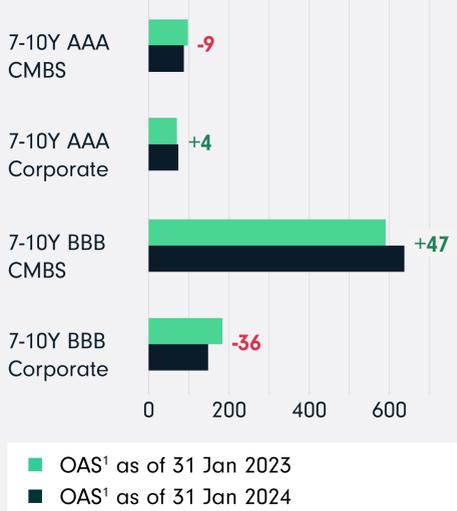
### Duration

7-10Y AAA CMBS	7-10Y AAA Corporate	7-10Y BBB CMBS	7-10Y BBB Corporate
6.89	7.42	6.47	6.68

### 3M Change



### 1Y Change



### Total Return (%)



Sources: Deutsche Bank, ICE BofA Index data, America's Rental Housing 2024 by the Joint Center for Housing Studies of Harvard University.

Investment Grade is a bond quality rating of AAA, AA, A or BBB.

<sup>1</sup>Option-Adjusted Spread: Option-Adjusted Spread is the difference between the portfolio yield and the risk-free rate, accounting for embedded options.

The views expressed are those of Diamond Hill as of February 2024 and are subject to change without notice. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. Investing involves risk, including the possible loss of principal. Past performance is not a guarantee of future results.