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CMBS Research

Another Month of Falling Special Servicing Rates Despite a Notable Uptick in Office Loan Transfers

The Trepp CMBS Special Servicing Rate fell 20 basis points in December to 6.75% despite an uptick in the number of office loans sent to the special servicer.

The office special servicing rate tipped upwards to 3.23% — a 26 basis point rise. Behind the notable transfers were the \$133 million 181 West Madison Street loan and the \$100 million 135 South LaSalle loan in Chicago (more on these below).

Despite these transfers, large cures in the lodging sector (down 143 basis points to 13.72% in December) and the retail sector (down 35 basis points to 12.73% in December) helped continue the downward trend of the special servicing rate in December.

The percentage of loans on the servicer watchlist fell for the third consecutive month. 26.49% of loans were reported as on the servicer watchlist, a drop of 103 basis points from the November reading.

Approximately \$830 million in CMBS debt was transferred to special servicing in December. The transfers were heavily focused in the office and retail sectors, which made up 92% of the newly transferred balance. Part of the office transfer balance can be attributed to the updated reporting of 245 Park Avenue, which Trepp anticipated and noted in our November special servicing report.

CHART 1: CMBS SPECIAL SERVICING RATE (DECEMBER 2020 - DECEMBER 2021)



TABLE 1: SPECIAL SERVICING RATE BY I	PROPERTY TYPE CMBS FULL
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	DEC-21	NOV-21	OCT-21	3 MO.	6 MO.	1 YR.
Industrial	0.60%	0.59%	0.67%	0.68%	0.77%	1.22%
Lodging	13.72%	15.15%	16.16%	16.84%	18.68%	24.07%
Multifamily	2.11%	2.16%	2.39%	2.53%	2.69%	2.90%
Office	3.23%	2.97%	2.33%	2.68%	3.01%	2.71%
Retail	12.73%	13.08%	13.67%	13.97%	14.43%	17.20%
Overall	6.75%	6.95%	7.17%	7.48%	8.24%	9.81%

Source: Trepp

TABLE 2: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 2.0+

	DEC-21	NOV-21	OCT-21	3 MO.	6 MO.	1 YR.
Industrial	0.22%	51.99%	0.25%	0.25%	0.22%	0.62%
Lodging	13.56%	14.99%	16.01%	16.68%	18.49%	23.85%
Multifamily	2.10%	2.17%	2.39%	2.53%	2.68%	2.89%
Office	2.67%	2.40%	1.68%	2.01%	2.07%	1.56%
Retail	11.64%	11.94%	12.51%	12.79%	12.96%	15.36%
Overall	6.30%	6.82%	6.67%	6.98%	7.59%	8.97%

Source: Trepp

New Chicago office transfers include the \$133 million 181 West Madison loan which makes up the SASB deal, JPMCC 2020-LOOP. Servicer commentary notes that the 946,000 square-foot property was transferred to special servicing as the borrower filed for a petition of bankruptcy in the state of Delaware. The Northern Trust Company makes up 29.97% of the NRA. The office building is also securitized across three other deals, amounting to approximately \$107 million more that currently have yet to be transferred.

The second Chicago office transfer belonged to the \$100 million 135 South LaSalle loan, which makes up 15.09% of CGCMT 2015-GC31.The 1.3-million-square-foot property was initially placed on the watchlist due to Bank of America's (62% of the GLA) confirmed lease expiration in July 2021. Once Bank of America's rent was excluded, Cash Flow Adjustments resulted in a Q1 2020 stressed DSCR of 0.30x.

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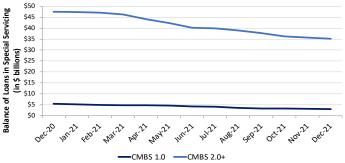
CMBS Research

TABLE 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0

	DEC-21	NOV-21	OCT-21	3 MO.	6 MO.	1 YR.
Industrial	51.23%	50.05%	50.74%	47.93%	47.59%	43.45%
Lodging	43.31%	43.17%	43.01%	44.49%	47.91%	46.38%
Multifamily	2.17%	0.00%	0.00%	0.00%	6.95%	9.46%
Office	39.85%	38.71%	41.43%	40.12%	45.79%	48.09%
Retail	74.36%	74.77%	72.07%	71.93%	74.13%	80.04%
Overall	41.02%	41.17%	41.94%	41.65%	46.21%	50.55%

Source: Trepp

CHART 2: BALANCE OF LOANS IN SPECIAL SERVICING (DECEMBER 2020 - DECEMBER 2021)



Source: Trepp

As of Q3 2021, occupancy was 23.28%. The borrower began reporting negative cashflow in August 2021.

Other notable transfers include the \$180 million 1551 Broadway loan (GSMS 2011-GC5) and the \$36 million SkyLoft Austin loan (UBSCM 2019-C16).

Overall Numbers (CMBS 1.0 and 2.0+)

- The overall US CMBS special servicing rate is 6.75% in December.
- One year ago, the US CMBS special servicing rate was 9.81%.
- Six months ago, the US CMBS special servicing rate was 8.24%.

The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate is 6.30%.
- One year ago, the US CMBS 2.0+ special servicing rate was 8.97%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 7.59%.

The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate is 41.02%.
- One year ago, the US CMBS 1.0 special servicing rate was 50.55%.
- Six months ago, the US CMBS 1.0 special servicing rate was 46.21%.

Overall Property Type Analysis (CMBS 1.0 and 2.0+):

- Industrial special servicing rate: 0.60% (up 1 basis point)
- Lodging special servicing rate: 13.72% (down 143 basis points)
- Multifamily special servicing rate: 2.11% (down 6 basis points)
- Office special servicing rate: 3.23% (up 26 basis points)
- Retail special servicing rate: 12.73% (down 35 basis points)

Property Type Analysis CMBS 2.0+:

- Industrial special servicing rate: 0.22% (down 5176 basis points)
- Lodging special servicing rate: 13.56% (down 143 basis points)
- Multifamily special servicing rate: 2.10% (down 6 basis points)
- Office special servicing rate: 2.67% (up 27 basis points)
- Retail special servicing rate: 11.64% (down 30 basis points)

Property Type Analysis CMBS 1.0:

- Industrial special servicing rate: 51.23% (up 118 basis points)
- Lodging special servicing rate: 43.31% (up 14 basis points)
- Multifamily special servicing rate: 2.17 % (up 217 basis points)
- Office special servicing rate: 39.85 % (up 114 basis points)
- Retail special servicing rate: 74.36% (down 41 basis points)

For more information about Trepp's commercial real estate data, contact info@trepp.com. For inquiries about the data analysis conducted in this research, contact press@trepp.com or 212-754-1010.

About Trepp

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