



Special Servicing Report: Low Distress in July 2022 Data Reinforces Economic Isolation of CMBS

The Trepp CMBS Special Servicing Rate fell 12 basis points in July to 4.79%. Six months ago, the rate was 6.33% and 12 months ago, the rate was 8.14%.

The property types that saw the largest improvement in July were the retail and lodging sectors, which reported special servicing rates of 9.86% (60-basis point drop) and 7.40% (53-basis point drop), respectively.

The percentage of loans on the servicer watchlist fell 128 basis points to 21.08%, its lowest reported rate in 2022.

July CMBS data continued to promote the narrative that despite turmoil in the wider economic sectors, the commercial real estate market is isolated. Issuance has fallen off, specifically in what was a thriving CRE CLO market, but distress has continued to recede despite mounting economic concerns. When the pandemic first happened, it was easy to explain the low distress as a by-product of COVID loan extensions/ and forbearance, but the markets continued ability to weather distress speaks to the safety of the market post Great Financial Crisis regulations and changes to deal structures. However, market participants are still cautious as there is ample room for refinance risk, and the future of the office market continues to loom somewhere in the distant background.

New Transfers

Approximately \$372.8 million in CMBS debt was transferred to a special servicer in July. New retail transfers made up 40% of the newly transferred and was followed closely by mixed-use transfers which made up 23.71%.

The largest loans to transfer this month were the \$66.63 Arbor Walk and Palms Crossing (WFRBS 2011-C5) and the \$65.08 Southland Center Mall (UBSBB 2012-C2).

TABLE 1: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS FULL

	JUL-22	JUN-22	MAY-22	3 MO.	6 MO.	1YR.
Industrial	0.34%	0.40%	0.46%	0.53%	0.64%	0.67%
Lodging	7.40%	7.93%	8.42%	8.98%	12.59%	17.95%
Multifamily	1.23%	1.29%	1.29%	1.49%	2.13%	2.67%
Office	3.48%	3.23%	3.36%	3.35%	3.19%	2.93%
Retail	9.86%	10.46%	10.86%	11.06%	12.29%	14.66%
Overall	4.79%	4.91%	5.12%	5.30%	6.33%	8.14%

Source: Trepp

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

	JUL-22	JUN-22	MAY-22	3 MO.	6 MO.	1YR.
Industrial	0.08%	0.14%	0.20%	0.21%	0.27%	0.21%
Lodging	7.27%	7.80%	8.28%	8.85%	12.43%	17.80%
Multifamily	1.23%	1.29%	1.29%	1.49%	2.13%	2.68%
Office	3.10%	2.79%	2.91%	2.83%	2.63%	2.01%
Retail	9.04%	9.54%	9.92%	10.11%	11.20%	13.24%
Overall	4.47%	4.54%	4.76%	4.90%	5.87%	7.51%

Source: Trepp

TABLE 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0

	JUL-22	JUN-22	MAY-22	3 MO.	6 MO.	1 YR.
Industrial	77.59%	77.25%	75.95%	78.20%	52.52%	47.16%
Lodging	33.92%	38.44%	38.28%	38.14%	42.73%	44.53%
Multifamily	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Office	41.24%	44.49%	44.31%	47.11%	46.84%	46.07%
Retail	70.67%	71.42%	70.71%	70.70%	76.08%	74.14%
Overall	29.77%	40.44%	40.42%	41.74%	43.53%	45.91%

Source: Trepp

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The Arbor Walk and Palms Crossing is made up of two power centers totaling 792,000 square feet in Texas. The Shops at Arbor is 464,700 square feet and located in Austin. Roughly 178,000 square feet of space is leased to a Home Depot and four out-parcels who own their own stores but are subject to ground leases with the borrower.

Palms Crossing is a power/lifestyle center consisting of seven anchor buildings and four inline buildings with tenant spaces ranging from 1,036 square feet to 10,500 square feet. The loan was transferred due to imminent default related to the loan's upcoming maturity.

The Southland Center Mall is a 905,000-square-foot mall in Taylor, Michigan. Its currently largest anchor tenant is JCPenney (35% of the NRA) and first quarter of 2022 occupancy was reported as 91%. The loan was also transferred for imminent monetary default at the borrower's request after they indicated to the master servicer, they may be unable to payoff prior to maturity. It was set to mature on August 10th, 2022.

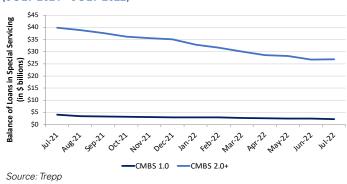
CHART 1: CMBS SPECIAL SERVICING RATE (JULY 2021 - JULY 2022)



Overall Numbers (CMBS 1.0 and 2.0+)

- The overall US CMBS special servicing rate is 4.79% in July.
- One year ago, the US CMBS special servicing rate was 8.14%.
- Six months ago, the US CMBS special servicing rate was 6.33%.

CHART 2: BALANCE OF LOANS IN SPECIAL SERVICING (JULY 2021 - JULY 2022)



The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate is 4.47%.
- One year ago, the US CMBS 2.0+ special servicing rate was 7.51%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 5.87%.

The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate is 29.77%.
- One year ago, the US CMBS 1.0 special servicing rate was 45.91%.
- Six months ago, the US CMBS 1.0 special servicing rate was 43.53%.

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

- Industrial special servicing rate: 0.34% (down 6 basis points)
- Lodging special servicing rate: 7.40% (down 53 basis points)
- Multifamily special servicing rate: 1.23% (down 6 basis points)
- Office special servicing rate: 3.48% (up 24 basis points)
- Retail special servicing rate: 9.86% (down 60 basis points)
- Industrial special servicing rate: 0.34% (down 6 basis points)

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Property Type Analysis CMBS 2.0+:

- Industrial special servicing rate: 0.08% (down 6 basis points)
- Lodging special servicing rate: 7.27% (down 53 basis points)
- Multifamily special servicing rate: 1.23% (down 6 basis points)
- Office special servicing rate: 3.10% (up 31 basis points)
- Retail special servicing rate: 9.04% (down 50 basis points)

Property Type Analysis CMBS 1.0:

- Industrial special servicing rate: 77.59% (up 35 basis points)
- Lodging special servicing rate: 38.92% (down 453 basis points)
- Multifamily special servicing rate: 0.00 % (no change)
- Office special servicing rate: 41.24 % (down 325 basis points)
- Retail special servicing rate: 70.67% (down 75 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.

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