



## Special Servicing Rate Drops in April 2022; Office Sector Posts Two-Year High

The Trepp CMBS Special Servicing Rate fell 36 basis points in April to 5.30%. Six months ago, the rate was 7.17% and 12-months ago the rate was 9.02%.

This month, it was the cures in the lodging sector that carried the decrease. In April, the percentage of lodging loans with the special servicer fell 190 basis points to 8.98% down from 10.88% the month prior.

This fall came despite a 20 and 16 basis point rise in the office and retail sectors, respectively. The office sector, specifically, is worth keeping an eye on. The office special servicing rate has increased 25 basis points since February 2022. Looking even further back, the office special servicing rate fell as low as 2.33% in October 2021, but despite the beginnings of flexible returns to the office, the rate has been above 3.00% since December 2021, and at 3.35% is posting its highest rate of the past two years.

The percentage of loans on the servicer watchlist fell 37 basis points to 23.50%. This is the seventh consecutive month of declines in the rate.

Approximately \$1.09 billion in CMBS debt was transferred to a special servicer in March. The new transfers were almost completely concentrated in the office and retail sectors – which made up 95% of the newly transferred balance.

The largest of the newly transferred loans was the \$308 million 1740 Broadway (**BWAY 2015-1740**). The loan was on the watchlist due to the fact that tenant L-Brands, which occupied 418,000 square feet (70% NRA), had a current lease expiration of 3/31/2022. L-Brands neglected to renew and moved on from the property. This followed a move by Davis & Gilbert who also relocated. The loan was transferred to special servicing and is currently cash managed.

Other noteworthy transfers include the \$430 million in loans backing Destiny USA (Phase I & II, **JPMCC 2014-DSTY**) as

well as the \$115 million Peachtree Center (**JPMCC 2018-PTC**) and \$96 million 95 Morton Street (**CD 2017-CD4**).

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



Source: Trepp

**TABLE 1: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS FULL**

	APR-22	MAR-22	FEB-22	3 MO.	6 MO.	1 YR.
Industrial	0.53%	0.62%	0.71%	0.64%	0.67%	0.87%
Lodging	8.98%	10.88%	11.88%	12.59%	16.16%	21.83%
Multifamily	1.49%	1.66%	1.95%	2.13%	2.39%	2.66%
Office	3.35%	3.15%	3.10%	3.19%	2.33%	2.82%
Retail	11.06%	10.90%	11.92%	12.29%	13.67%	15.86%
<b>Overall</b>	<b>5.30%</b>	<b>5.66%</b>	<b>6.08%</b>	<b>6.33%</b>	<b>7.17%</b>	<b>9.02%</b>

Source: Trepp

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

	APR-22	MAR-22	FEB-22	3 MO.	6 MO.	1 YR.
Industrial	0.21%	0.26%	0.30%	0.27%	0.25%	0.30%
Lodging	8.85%	10.72%	11.73%	12.43%	16.01%	21.65%
Multifamily	1.49%	1.66%	1.95%	2.13%	2.39%	2.65%
Office	2.83%	2.60%	2.55%	2.63%	1.68%	1.86%
Retail	10.11%	9.96%	10.85%	11.20%	12.51%	14.22%
<b>Overall</b>	<b>4.90%</b>	<b>5.25%</b>	<b>5.64%</b>	<b>5.87%</b>	<b>6.67%</b>	<b>8.31%</b>

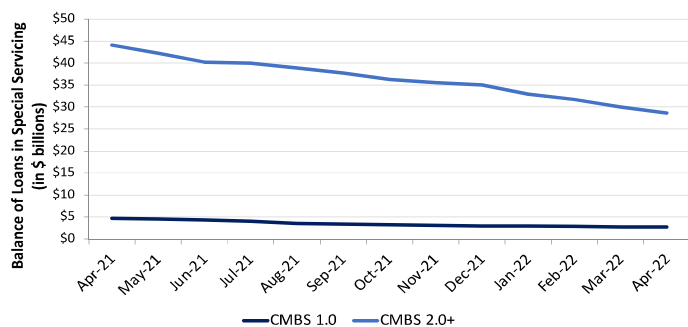
Source: Trepp

**TABLE 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0**

	APR-22	MAR-22	FEB-22	3 MO.	6 MO.	1 YR.
Industrial	78.20%	56.70%	56.42%	52.52%	50.74%	46.19%
Lodging	38.14%	43.03%	42.88%	42.73%	43.01%	41.32%
Multifamily	0.00%	0.00%	0.00%	0.00%	0.00%	6.38%
Office	47.11%	46.41%	46.30%	46.84%	41.43%	45.51%
Retail	70.70%	70.52%	75.69%	76.08%	72.07%	76.04%
<b>Overall</b>	<b>41.74%</b>	<b>41.50%</b>	<b>43.41%</b>	<b>43.53%</b>	<b>41.94%</b>	<b>47.27%</b>

Source: Trepp

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



Source: Trepp

### Overall Numbers (CMBS 1.0 and 2.0+)

- The overall US CMBS special servicing rate is 5.30% in April.
- One year ago, the US CMBS special servicing rate was 9.02%.
- Six months ago, the US CMBS special servicing rate was 7.17%.

### The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate is 4.90%.
- One year ago, the US CMBS 2.0+ special servicing rate was 8.31%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 6.67%.

### The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate is 32.28%.
- One year ago, the US CMBS 1.0 special servicing rate was 47.27%.
- Six months ago, the US CMBS 1.0 special servicing rate was 41.94%.

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

- Industrial special servicing rate: 0.53% (down 9 basis points)
- Lodging special servicing rate: 8.98% (down 190 basis points)
- Multifamily special servicing rate: 1.49% (down 17 basis points)
- Office special servicing rate: 3.35% (up 20 basis points)
- Retail special servicing rate: 11.06% (up 16 basis points)

### Property Type Analysis CMBS 2.0+:

- Industrial special servicing rate: 0.21% (down 5 basis points)
- Lodging special servicing rate: 8.85% (down 188 basis points)
- Multifamily special servicing rate: 1.49% (down 17 basis pts)
- Office special servicing rate: 2.83% (up 23 basis points)
- Retail special servicing rate: 10.11% (up 15 basis points)

### Property Type Analysis CMBS 1.0:

- Industrial special servicing rate: 21.05% (down 3565 basis pts)
- Lodging special servicing rate: 42.86% (down 17 basis points)
- Multifamily special servicing rate: 0.00% (no change)
- Office special servicing rate: 51.85% (up 544 basis points)
- Retail special servicing rate: 42.29% (down 2823 basis points)



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