



Special Servicing Rate Rises for First Time Since 2020 in August; Potential Sign of What's to Come?

The Trepp CMBS Special Servicing Rate rose 13 basis points in August to 4.92% – slightly above the July print. Six months ago, the rate was 6.08%, and 12 months ago, the rate was 7.79%.

This is the first time the rate has increased since Q3'2020. In August 2022, the distress was concentrated in the retail and multifamily sectors, which saw 117 and 67 basis point jumps, to 11.03% and 1.90%, respectively.

The percentage of loans on the servicer watchlist rose 26 basis points to 21.34%.

August CMBS data has the makings of an inflection point. After struggling during COVID, the current economic environment may have hampered what retail borrowers hoped would be a full recovery. Companies like Bed Bath & Beyond and Cinemark have announced store closings and Chapter 11 filings which may indicate a larger trend in the CRE market. This month's large retail transfers were heavily tied to regional and superregional malls that were transferred due to imminent monetary default. This may indicate the lack of belief that the market has in some of the non-A Class malls and the retail sector as a whole going forward.

New Transfers

Approximately \$2.45 billion in CMBS debt was transferred to a special servicer in August. Retail transfers made up 56% of the newly transferred balance while multifamily made up 20%.

The largest loans to transfer this month were the \$481 million MFP Portfolio, and the \$300 million Santa Monica Place.

The MFP Portfolio (**JPMCC 2019-MFP**) is a 43-property multifamily loan located throughout the Midwest and

TABLE 1: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS FULL

	AUG-22	JUL-22	JUN-22	3 MO.	6 MO.	1 YR.
Industrial	0.30%	0.34%	0.40%	0.46%	0.71%	0.68%
Lodging	7.40%	7.40%	7.93%	8.42%	11.88%	17.40%
Multifamily	1.90%	1.23%	1.29%	1.29%	1.95%	2.56%
Office	3.18%	3.48%	3.23%	3.36%	3.10%	2.73%
Retail	11.03%	9.86%	10.46%	10.86%	11.92%	14.18%
Overall	4.92%	4.79%	4.91%	5.12%	6.08%	7.79%

Source: Trepp

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

	AUG-22	JUL-22	JUN-22	3 MO.	6 MO.	1 YR.
Industrial	0.07%	0.08%	0.14%	0.20%	0.30%	0.25%
Lodging	7.26%	7.27%	7.80%	8.28%	11.73%	17.25%
Multifamily	1.90%	1.23%	1.29%	1.29%	1.95%	2.56%
Office	2.85%	3.10%	2.79%	2.91%	2.55%	1.97%
Retail	10.19%	9.04%	9.54%	9.92%	10.85%	12.99%
Overall	4.61%	4.47%	4.54%	4.76%	5.64%	7.25%

Source: Trepp

TABLE 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0

	AUG-22	JUL-22	JUN-22	3 MO.	6 MO.	1 YR.
Industrial	77.95%	77.59%	77.25%	75.95%	56.42%	47.50%
Lodging	38.73%	33.92%	38.44%	38.28%	42.88%	44.35%
Multifamily	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Office	38.22%	41.24%	44.49%	44.31%	46.30%	41.44%
Retail	70.80%	70.67%	71.42%	70.71%	75.69%	71.04%
Overall	37.45%	29.77%	40.44%	40.42%	43.41%	42.05%

Source: Trepp

Southeast of the United States. Per Q1 2022 financials, consolidated DSCR (NCF) was 0.91x, less than the required 1.0 threshold and 35.92% underwriting. Consolidated occupancy was also below the multifamily threshold of 80%. The loan was transferred due to maturity default.

Santa Monica Place (**WFCM 2017-SMP**) is 523,000 square foot regional mall in Santa Monica, California. Q1'2022 DSCR was 3.42x but occupancy at the mall has since fallen to 59.10% in the wake of the 101,000 square foot Bloomingdales and the 48,000 square foot ArcLight becoming vacant. The borrower was in talks with the servicer on a maturity extension date and the loan was transferred for imminent monetary default.

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



Source: Trepp

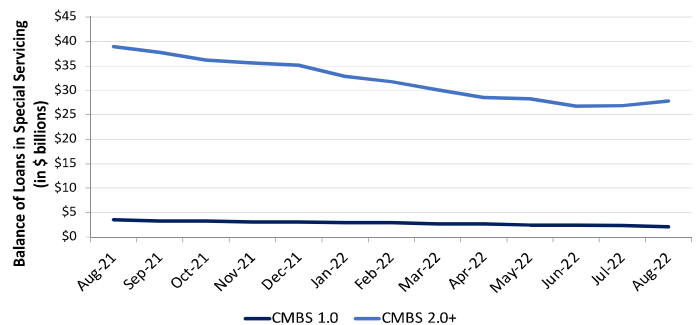
Overall Numbers (CMBS 1.0 and 2.0+)

- The overall US CMBS special servicing rate is 4.92% in August.
- One year ago, the US CMBS special servicing rate was 7.79%.
- Six months ago, the US CMBS special servicing rate was 6.08%.

The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate is 4.61%.
- One year ago, the US CMBS 2.0+ special servicing rate was 7.25%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 5.64%.

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



Source: Trepp

The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate is 37.45%.
- One year ago, the US CMBS 1.0 special servicing rate was 42.05%.
- Six months ago, the US CMBS 1.0 special servicing rate was 43.41%.

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

- Industrial special servicing rate: 0.30% (down 5 basis points)
- Lodging special servicing rate: 7.40% (No Change 0 basis pnt)
- Multifamily special servicing rate: 1.90% (up 67 basis points)
- Office special servicing rate: 3.18% (down 30 basis points)
- Retail special servicing rate: 11.03% (up 117 basis points)
- Industrial special servicing rate: 0.30% (down 5 basis points)

Property Type Analysis CMBS 2.0+:

- Industrial special servicing rate: 0.07% (down 1 basis point)
- Lodging special servicing rate: 7.26% (down 1 basis point)
- Multifamily special servicing rate: 1.90% (up 67 basis points)
- Office special servicing rate: 2.85% (down 25 basis points)
- Retail special servicing rate: 10.19% (up 116 basis points)

Property Type Analysis CMBS 1.0:

- Industrial special servicing rate: 77.95% (up 35 basis points)
- Lodging special servicing rate: 38.73% (up 481 basis points)
- Multifamily special servicing rate: 0.00% (No Change 0 basis pnt)
- Office special servicing rate: 38.22% (down 302 basis points)
- Retail special servicing rate: 70.80% (up 13 basis points)



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