



Special Servicing Rate Improves in June 2022 but CRE Distress Rises Elsewhere

The Trepp CMBS Special Servicing Rate fell 21 basis points in June to 4.91%. Six months ago, the rate was 6.75% and 12-months ago, the rate was 8.24%.

The lodging sector once again saw the largest improvement in the special servicing rate, reporting a 49-basis point drop in June to 7.93%. The retail sector followed closely behind, reporting a 40-basis point drop to 10.46%.

The percentage of loans on the servicer watchlist inched up one basis point to 22.36%, breaking what had been a streak of eight consecutive months of declines.

Despite the loan cures representing a positive sign for CMBS and the greater commercial real estate market, elsewhere the Trepp CMBS delinquency rate rose six basis points. It is too early to tell whether a new trend is emerging, but special servicing rate increases in the coming months would not be surprising considering the current interest rate and economic environment.

New Transfers

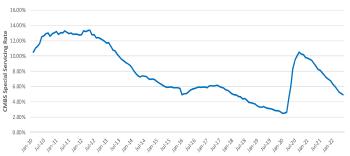
Approximately \$341.1 million in CMBS debt was transferred to a special servicer in June. Two thirds of the newly transferred balance was made up of retail and office loans.

The largest of the newly transferred loans was the \$120 million piece of the Eastview Mall and Commons (COMM 2012-CR4) loan. (There is also a \$90 million piece that is part of COMM 2012-CR5 and has not yet been reported as being in special servicing. The loan report will likely update within the month.)

This is a return to special servicing for the superregional mall in Victor, NY. In 2021, the loan posted a DSCR (NCF) of 1.42x when occupancy was 79%. Occupancy slipped to 77% in Q1 2022, and the loan is due to expire in September of this year. Despite occupancy increasing at the property from underwriting, the average rental rate has decreased by almost \$4 per square foot, and income has been impacted by COVID. The loan was transferred for Imminent Monetary Default as a borrower request related to the COVID-19 pandemic.

Other noteworthy transfers include the \$60.4 million Trenton Office Portfolio (UBSBB 2012-C2) and the \$31.8 million Hotel Mela Times Square (CD 2017-CD6).

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



Source: Trepp

TABLE 1: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS FULL

	JUN-22	MAY-22	APR-22	3 MO.	6 MO.	1 YR.
Industrial	0.40%	0.46%	0.53%	0.62%	0.60%	0.77%
Lodging	7.93%	8.42%	8.98%	10.88%	13.72%	18.68%
Multifamily	1.29%	1.29%	1.49%	1.66%	2.11%	2.69%
Office	3.23%	3.36%	3.35%	3.15%	3.23%	3.01%
Retail	10.46%	10.86%	11.06%	10.90%	12.73%	14.43%
Overall	4.91%	5.12%	5.30%	5.66%	6.75%	8.24%

Source: Trepp

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

	JUN-22	MAY-22	APR-22	3 MO.	6 MO.	1 YR.
Industrial	0.14%	0.20%	0.21%	0.26%	0.22%	0.22%
Lodging	7.80%	8.28%	8.85%	10.72%	13.56%	18.49%
Multifamily	1.29%	1.29%	1.49%	1.66%	2.10%	2.68%
Office	2.79%	2.91%	2.83%	2.60%	2.67%	2.07%
Retail	9.54%	9.92%	10.11%	9.96%	11.64%	12.96%
Overall	4.54%	4.76%	4.90%	5.25%	6.30%	7.59%

Source: Trepp

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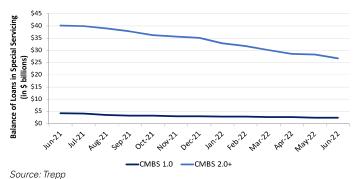
CMBS Research July 2022

TABLE 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0

	JUN-22	MAY-22	APR-22	3 MO.	6 MO.	1 YR.
Industrial	77.25%	75.95%	78.20%	56.70%	51.23%	47.59%
Lodging	38.44%	38.28%	38.14%	43.03%	43.31%	47.91%
Multifamily	0.00%	0.00%	0.00%	0.00%	2.17%	6.95%
Office	44.49%	44.31%	47.11%	46.41%	39.85%	45.79%
Retail	71.42%	70.71%	70.70%	70.52%	74.36%	74.13%
Overall	40.44%	40.42%	41.74%	41.50%	41.02%	46.21%

Source: Trepp

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



Overall Numbers (CMBS 1.0 and 2.0+)

- The overall US CMBS special servicing rate is 4.91% in June.
- One year ago, the US CMBS special servicing rate was 8.24%.
- Six months ago, the US CMBS special servicing rate was 6.75%.

The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate is 4.54%.
- One year ago, the US CMBS 2.0+ special servicing rate was 7.59%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 6.30%.

The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate is 40.44%.
- One year ago, the US CMBS 1.0 special servicing rate was 46.21%.
- Six months ago, the US CMBS 1.0 special servicing rate was 41.02%.

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

- Industrial special servicing rate: 0.40% (down 6 basis points)
- Lodging special servicing rate: 7.93% (down 48 basis points)
- Multifamily special servicing rate: 1.29% (No Change 0 basis point)
- Office special servicing rate: 3.23% (down 13 basis points)
- Retail special servicing rate: 10.46% (down 39 basis points)
- Industrial special servicing rate: 0.40% (down 6 basis points)

Property Type Analysis CMBS 2.0+:

- Industrial special servicing rate: 0.14% (down 6 basis points)
- Lodging special servicing rate: 7.80% (down 49 basis points)
- Multifamily special servicing rate: 1.29% (No Change 0 basis point)
- Office special servicing rate: 2.79% (down 13 basis points)
- Retail special servicing rate: 9.54% (down 39 basis points)

Property Type Analysis CMBS 1.0:

- Industrial special servicing rate: 77.25% (up 129 basis points)
- Lodging special servicing rate: 38.44% (up 16 basis points)
- Multifamily special servicing rate: 0.00 % (no change)
- Office special servicing rate: 44.49 % (up 18 basis points)
- Retail special servicing rate: 71.742% (up 71 basis points



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