



Single-Asset, Single-Borrower Deals Outpace Other CMBS Transactions; Industrial & Office Lead the Way

Key Takeaways:

- Single-asset, single-borrower (SASB) loans emerged in 2021 as the leading CMBS transaction type and are currently outpacing all other CMBS transaction types in 2022.
- The industrial and office sectors led all other property types in terms of SASB issuance volume in 2021.
- Floating-rate SASB loans have increased in popularity in recent years.

Since 2021, single-asset, single-borrower (SASB) CMBS transactions have outpaced all other CMBS transaction types in terms of both issuance volume and quantity of loans. SASB loans have always been a fixture of the CMBS market, but for years played second-fiddle to conduit loans as the most popular type of CMBS transaction amongst investors. With SASB loans unseating other deal types in 2021 as the prominent CMBS transaction, Trepp decided to take a deep dive into the market to better understand its abrupt rise.

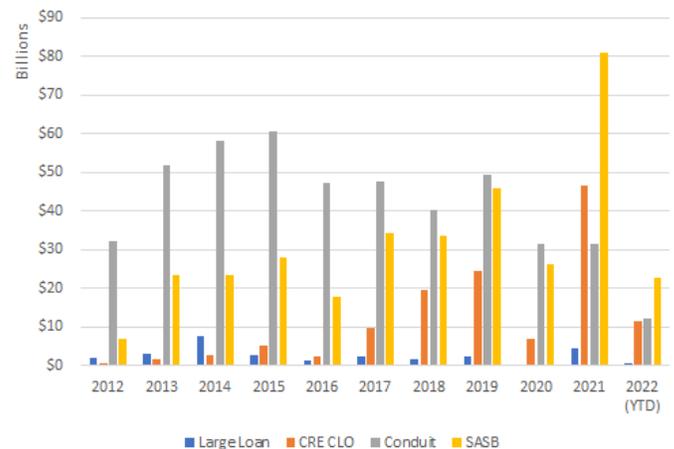
SASB Loan Background

For those with no previous knowledge of SASB CMBS transactions, they traditionally involve a lender collateralizing a single property for a single securitized loan, hence the name Single-Asset, Single-Borrower. SASB loans can also be collateralized by a group of properties owned by the same borrower, and in some cases, properties owned by multiple related borrowers.

Issuance for SASB loans has grown exponentially in recent years. For reference, figure one charts 10 years of CMBS loan issuance broken down by CMBS transaction type.

As the securities market began to regain confidence following the financial crisis of 2008, SASB CMBS issuance was, by today's standards, very low. In 2012, the volume of SASB loans reached double-figures for the first time since 2006, with 14 loans issued. The following year, SASB loans more than tripled in both quantity and issuance volume, totaling 45 SASB loans worth \$23.5 billion. Yearly increases in SASB issuance continued until 2016, when issuance dropped across CMBS transaction types due to external economic pressures.

FIGURE 1: CMBS ISSUANCE



Source: Trepp

Issuance for SASB loans surpassed \$30 billion dollars for the first time in 2017, and the number of SASB loans issued (66) exceeded the number of conduit loans (51). After essentially replicating 2017 issuance volumes in 2018, SASB issuance edged closer to conduit issuance in 2019.

In 2020, economic shocks and the subsequent recession stemming from the COVID-19 pandemic led to a decrease in issuance across CMBS. However, 2021 was a watershed year for SASB loans. A whopping \$80.9 billion in SASB loans was issued, outpacing conduit loan issuance for the first time, and increasing by over 200%. The 2022 year-to-date statistics indicate that SASB issuance is primed to cement its position as the leading CMBS transaction type.

FIGURE 2: FIVE LARGEST SASB CMBS LOANS

ORIGINATION YEAR	SECURITIZED LOAN BALANCE (BILLIONS)	CURRENT LOAN BALANCE (BILLIONS)	DEAL NAME	LOAN NAME	NUMBER OF PROPERTIES	CURRENT DSCR (NCF)	CURRENT LOAN TO VALUE RATIO	APPRAISAL VALUE AT SECURITIZATION (BILLIONS)
2019	\$4.76	\$4.61	BX 2019-XL	BX 2019-XL	406	2.7	78.23	\$8.52
2021	\$3.25	\$3.25	ESA 2021-ESH	ESH Portfolio	560	4.3	90.27	\$6.10
2021	\$3.15	\$3.15	BX 2021-ARIA	Aria Resort & Casino & Vdara Hotel & Spa	2	6.13	54.52	\$5.78
2021	\$3.00	\$3.00	SLG 2021-OVA	One Vanderbilt	1	-0.32	60	\$5.00
2022	\$2.40	\$2.40	BPR 2022-OANA	Ala Moana Center	1	2.73	54.3	\$4.42

Source: Trepp

Why Has SASB Issuance Gone Up?

SASB loans are usually reserved for the most upscale, class-A properties in commercial real estate (CRE), with high revenues and soaring appraisal values attached to the properties making large loans easier to obtain. Within Trepp data, SASB loans over the last 10 years have ranged from \$100,000 to \$4.76 billion, comprising of both single assets and several assets encompassed within a portfolio. For additional perspective, we included the five largest SASB loans issued in figure two.

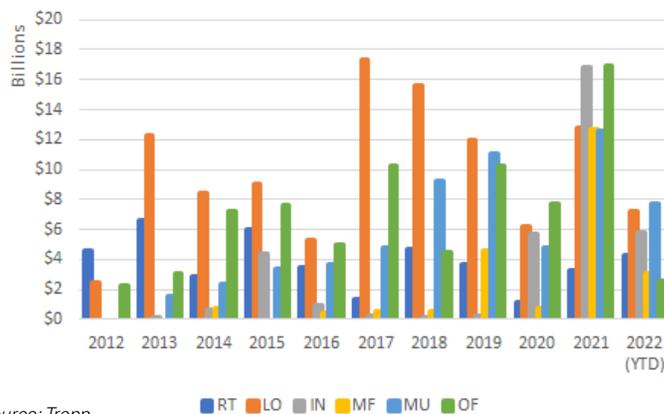
The most notable piece about the five loans depicted in figure two is the sheer size of each transaction, which explains why SASB loans have taken such a jump in recent times. Prior to 2019, the issuance amount on a singular SASB loan did not surpass \$1.75 billion. From 2019 onwards, there have been 11 separate SASB loans that have passed that threshold, as well as a host of smaller-scale loans that have reinforced the issuance totals.

In the last 10 years, there has also been a shift in demand for certain assets. Trepp covers each property type in commercial real estate extensively and has made note of the recent property types that are spurning the most interest among debt investors.

Property Type Issuance Breakdown

In 2021, five separate CRE property types posted issuance volumes on SASB loans over \$10 billion for the first time. The office and industrial sectors led the way with over \$16 billion in SASB loans issued, followed by mixed-use, multifamily, and lodging sectors, each posting issuance volumes over \$12 billion.

FIGURE 3: SASB LOAN ISSUANCE BY PROPERTY TYPE



Source: Trepp

The only major CRE property type to not surpass \$10 billion in SASB issuance in 2021 was the retail sector. In 2012, the retail sector was leading the SASB loan issuance market, but it hasn't grown in the same way that other property sectors have. Since then, issuance volume for retail backed SASB loans has decreased by almost 30%.

Over time, two of the most consistent property sectors in terms of SASB loan issuance have been the lodging and office sectors. This comes as no surprise, as both sectors have some of the most highly valued properties in commercial real estate, which are typically reserved for the single asset single borrower loan type. Office backed SASB loans totaled more in 2021 than any previous year, with \$16.9 billion in issuance. However, lodging backed SASB loans regressed when compared to recent years, despite posting an issuance volume of over \$12.8 billion in 2021. Both 2017 and 2018 SASB issuance volumes exceeded last year's issuance volume for the lodging sector.

The standout performer among property types in 2021 was the industrial sector. It was just edged out by the office sector in terms of total issuance volume but had the greatest year-over-year percentage increase in issuance of any property type with a nearly 200% increase from 2020. Industrial properties continue to post high appraisal values, full occupancy, and low default rates, making CMBS loans easier to come by and increasingly popular.

Mixed-use properties are also enjoying record SASB loan issuance, keeping pace with other established CRE property types like lodging and multifamily in 2021. As of now, mixed-use is currently ahead of all other property types in SASB issuance volume in 2022.

Fixed and Floating Rates

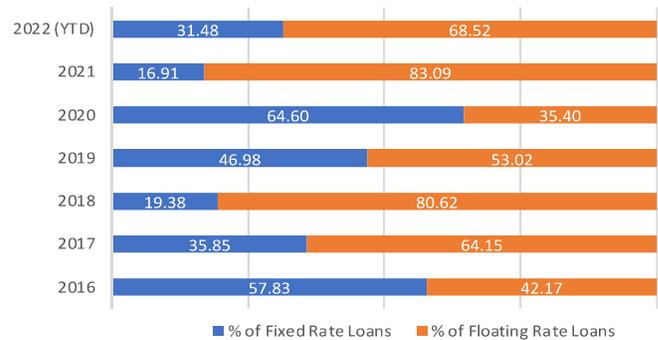
Another reason SASB issuance has shot up in recent years is due to the type of rate offered on SASB loans. SASB CMBS loans can either be fixed-rate or floating-rate, which offer different benefits depending on an investor's risk profile. Fixed-rate loans, while common in the SASB CMBS market, are much more of a staple in conduit CMBS transactions. Fixed-rate loans extend a single, unchanging interest rate throughout the duration of the loan, which is usually a 5-, 7- or 10-year term.

Floating rate loans offer a variable interest rate, backed typically by the LIBOR benchmark rate. Other characteristics common in SASB floating-rate loans are that they are typically shorter term, and offer prepayment flexibility and interest-only financing, meaning that the principal balance on the loan will remain unchanged during the interest-only period. In figure four, we have included a yearly breakdown of fixed vs floating-rate loan originations for SASB CMBS transactions.

Conclusion

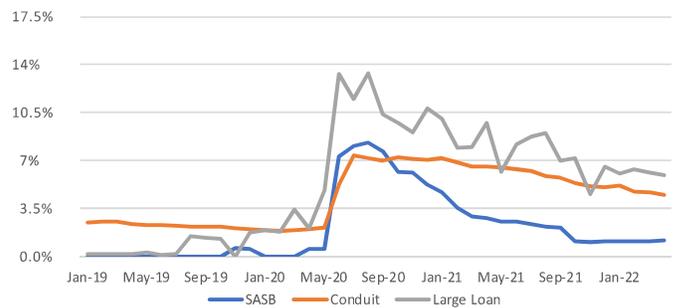
SASB loans are much more common of a transaction type than they were 10 years ago. High-end property values continue to increase, allowing for larger loans to be issued due to the value of the collateral. In the current interest rate

FIGURE 4: FIXED VS FLOATING RATE ISSUANCE



Source: Trepp

FIGURE 5: LOAN DEFAULT RATES BY TRANSACTION TYPE



Source: Trepp

environment, SASB loans have increased in frequency, and Trepp will continue to closely follow issuance trends in the SASB market amidst waves of macroeconomic volatility.



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