



Special Servicing Rate Improves as Lodging, Office & Retail See Large Cures

The Trepp CMBS Special Servicing Rate fell 31 basis points in October to 7.17%, from 7.48% the month prior. This is the thirteenth consecutive month that the special servicing rate has declined.

The largest drops came in the lodging, office, and retail sectors. The lodging special servicing rate fell 68 basis points to 16.16% in October from 16.84% in September. The office sector reported a 35-basis point drop, down to 2.33% in October from 2.68% in September, and the retail sector reported a 30-basis point drop, to 13.67%.

The percentage of loans on the servicer watchlist fell for the first time in nine months. Roughly 28.23% of loans were reported to be on the servicer watchlist in October, down 109 basis points from its reading of 29.32% in September.

Approximately \$244.9 million in CMBS debt across 13 notes were transferred to special servicing in October. This is the lowest balance of newly transferred loans in 2021. The new transfers were mostly made up by retail and mixed-use properties backing CMBS loans, which made up 70% of the newly transferred balance.

CHART 1: CMBS SPECIAL SERVICING RATE (OCTOBER 2020 - OCTOBER 2021)



Source: Trepp

TABLE 1: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS FULL

	OCT-21	SEP-21	AUG-21	3 MO.	6 MO.	1 YR.
Industrial	0.67%	0.68%	0.68%	0.67%	0.87%	1.15%
Lodging	16.16%	16.84%	17.40%	17.95%	21.83%	25.45%
Multifamily	2.39%	2.53%	2.56%	2.67%	2.66%	2.74%
Office	2.33%	2.68%	2.73%	2.93%	2.82%	2.95%
Retail	13.67%	13.97%	14.18%	14.66%	15.86%	18.00%
Overall	7.17%	7.48%	7.79%	8.14%	9.02%	10.29%

Source: Trepp

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

	OCT-21	SEP-21	AUG-21	3 MO.	6 MO.	1 YR.
Industrial	0.25%	0.25%	0.25%	0.21%	0.30%	0.49%
Lodging	16.01%	16.68%	17.25%	17.80%	21.65%	25.20%
Multifamily	2.39%	2.53%	2.56%	2.68%	2.65%	2.72%
Office	1.68%	2.01%	1.97%	2.01%	1.86%	1.68%
Retail	12.51%	12.79%	12.99%	13.24%	14.22%	16.17%
Overall	6.67%	6.98%	7.25%	7.51%	8.31%	9.38%

Source: Trepp

TABLE 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0

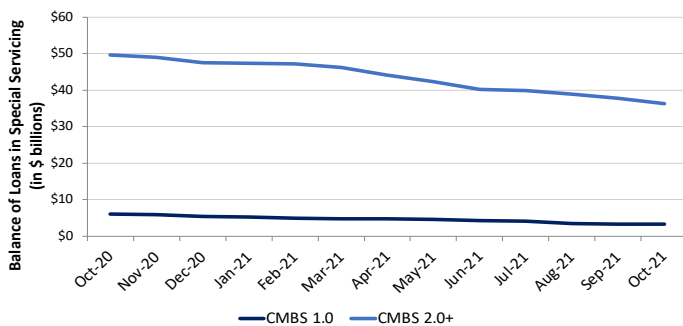
	OCT-21	SEP-21	AUG-21	3 MO.	6 MO.	1 YR.
Industrial	50.74%	47.93%	47.50%	47.16%	46.19%	44.62%
Lodging	43.01%	44.49%	44.35%	44.53%	41.32%	46.95%
Multifamily	0.00%	0.00%	0.00%	0.00%	6.38%	9.43%
Office	41.43%	40.12%	41.44%	46.07%	45.51%	49.40%
Retail	72.07%	71.93%	71.04%	74.14%	76.04%	77.79%
Overall	41.94%	41.65%	42.05%	45.91%	47.27%	51.40%

Source: Trepp

The largest loan sent to the special servicer was the \$73 million The Branson at Fifth. Special servicer commentary notes that the occupancy of the mixed-use property decreased with Domenico Vacca (25% of the net rentable area) vacating the property prior to lease expiration. As such, debt-service coverage ratio (DSCR) came in below the 1.10x threshold and a Cash Trap was activated. As of October, the loan is more than 60 days delinquent.

Other noteworthy transfers include the \$45 million PacStar Retail Portfolio (MSBAM 2014-C19) and the \$32.1 million 350 East 52nd Street (WFCM 2018-C46).

CHART 2: BALANCE OF LOANS IN SPECIAL SERVICING (OCTOBER 2020 - OCTOBER 2021)



Source: Trepp

Overall Numbers (CMBS 1.0 and 2.0+)

- The overall US CMBS special servicing rate is 7.17% in October.
- One year ago, the US CMBS special servicing rate was 10.29%.
- Six months ago, the US CMBS special servicing rate was 9.02%.

The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate is 6.67%.
- One year ago, the US CMBS 2.0+ special servicing rate was 9.38%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 8.31%.

The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate is 41.94%.
- One year ago, the US CMBS 1.0 special servicing rate was 51.40%.
- Six months ago, the US CMBS 1.0 special servicing rate was 47.27%.

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

- Industrial special servicing rate: 0.67% (down 1 basis point)
- Lodging special servicing rate: 16.16% (down 67 basis points)
- Multifamily special servicing rate: 2.39% (down 14 basis points)
- Office special servicing rate: 2.33% (down 34 basis points)
- Retail special servicing rate: 13.67% (down 30 basis points)
- Industrial special servicing rate: 0.67% (down 1 basis point)

Property Type Analysis CMBS 2.0+:

- Industrial special servicing rate: 0.25% (No Change 0 basis point)
- Lodging special servicing rate: 16.01% (down 67 basis points)
- Multifamily special servicing rate: 2.39% (down 14 basis points)
- Office special servicing rate: 1.68% (down 33 basis points)
- Retail special servicing rate: 12.51% (down 28 basis points)

Property Type Analysis CMBS 1.0:

- Industrial special servicing rate: 50.74% (up 280 basis points)
- Lodging special servicing rate: 43.01% (down 148 points)
- Multifamily special servicing rate: 0.00% (no Change 0 basis points)
- Office special servicing rate: 41.43% (up 131 basis points)
- Retail special servicing rate: 72.07% (up 14 basis points)

For more information about Trepp's commercial real estate data, contact info@trepp.com.

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