



## CMBS Special Servicing Rate Continues To Decline; Industrial Sector Sees Largest Drop

The Trepp Special Servicing rate came in at 2.92% in December, a decline of eight basis points from the previous month. All property types excluding lodging, which saw a paltry increase of one basis point, witnessed a decline in their special servicing rates. The industrial sector saw the largest drop of 54 basis points.

Looking back at 2019, Manus Clancy, Senior Managing Director at Trepp, said “We’ve seen the volume of loans in special servicing continue to fall, but at a slower rate. We expect that to continue in 2020. As the remaining legacy loans continue to be squeezed out of the system, that will put downward pressure on the total, but we do expect post-crisis loans to see a modest uptick. The combination of fewer CMBS 1.0 loans to resolve, along with some modest increase in CMBS 2.0+ transfers will result in a more limited drop than we’ve seen in recent years.”

In December, the special servicing rate for CMBS 2.0+ notes also saw a decline of six basis points. This was mainly on account of a 20 basis points drop in the office special servicing rates. In the legacy CMBS universe, office loans witnessed an opposite trend with the special servicing rates seeing an increase of 415 basis points. Additionally, legacy industrial rates saw a decline of 744 basis points. Since the balance of legacy office loans is more than 12 times the balance of industrial loans, the result was a net increase of 82 basis points for legacy CMBS special servicing rates.

The number of loans newly transferred to special servicing slashed in half in December, with a total of 14 loans sent to special servicing in comparison to 29 the month before. Together, these loans hold an outstanding balance of \$368.1 million, a sharp decrease from last month. The majority of the new specially serviced loans are in the office and retail sector, accounting for 34.40% and 31.91% of the total outstanding balance respectively.

The \$112.1 million Wellpoint Office Tower loan was the largest loan newly transferred to special servicing in December. Wellpoint Health Networks - which merged with Anthem in 2004 - has occupied 100% of the Wellpoint Office Tower since the facility was constructed in 1977. However, their lease ended in December. Most recent special servicer

**CHART 1: SPECIAL SERVICING STATUS**

SS TRANSFER REASON	PERCENT
Not In Special Servicing	97.08%
Monetary Default	0.65%
Non-Monetary Default	0.09%
Imminent Default	1.69%
Other	0.50%

Source: Trepp

**CHART 2: OVERALL CMBS SPECIAL SERVICING RATE BY PROPERTY TYPE**

	DEC-19	NOV-19	OCT-19	3 MO.	6 MO.	1 YR.
Industrial	1.86%	2.40%	2.76%	2.22%	2.54%	2.57%
Lodging	2.08%	2.07%	1.91%	1.90%	2.17%	2.09%
Multifamily	2.49%	2.50%	2.62%	2.65%	2.56%	2.58%
Office	2.66%	2.71%	3.20%	3.39%	3.61%	4.28%
Retail	5.19%	5.36%	4.78%	5.00%	5.55%	5.94%

Source: Trepp

**CHART 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 2.0+**

	DEC-19	NOV-19	OCT-19	3 MO.	6 MO.	1 YR.
Industrial	0.62%	0.64%	0.98%	0.75%	0.78%	0.40%
Lodging	1.28%	1.29%	1.11%	1.07%	1.27%	1.29%
Multifamily	2.16%	2.18%	2.28%	2.26%	2.06%	1.89%
Office	0.93%	1.13%	1.04%	1.22%	1.10%	1.00%
Retail	2.29%	2.30%	1.64%	1.71%	1.90%	1.55%

Source: Trepp

**CHART 4: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0**

	DEC-19	NOV-19	OCT-19	3 MO.	6 MO.	1 YR.
Industrial	44.45%	51.89%	50.18%	44.48%	44.39%	45.97%
Lodging	51.18%	51.61%	52.36%	52.28%	53.77%	42.03%
Multifamily	25.41%	24.98%	24.93%	26.05%	27.97%	30.31%
Office	40.37%	36.22%	41.11%	40.70%	42.44%	45.22%
Retail	71.20%	71.44%	70.45%	70.92%	66.96%	62.96%

Source: Trepp

commentary indicated that the borrower has engaged a third party debtor representative and “has expressed that it intends to make a proposal to resolve the loan.”

The underlying collateral consists of a 13-story, class-A office building and three single-story structures totaling almost 450,000 square feet. The note makes up 45.5% of the remaining collateral behind GECMC 2007-C1. Despite being fully leased, the financials for the property have been weak with declining revenues and DSCR (NCF) below 1.00x since 2016.

Second on the list is the \$64.3 million Greece Ridge Center. We sent a trading alert about this loan in our daily newsletter TreppWire in mid-December. According to December remittance notes, the loan was sent to special servicing because the borrower is exploring refinance opportunities. The collateral is nearly 1.5 million square feet of retail space in Greece, NY. The loan makes up 12.64% of the remaining collateral behind JPMCC 2010-C2. The property has performed well with the loan posting a DSCR (NCF) of 1.27x at 88% occupancy in mid-2019.

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

- The overall US CMBS special servicing rate declined by eight points from last month and came in at 2.92% in December.
- One year ago, the US CMBS special servicing rate was 3.80%.
- Six months ago, the US CMBS special servicing rate was 3.36%.

### The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate fell by six basis points to 1.41%.
- One year ago, the US CMBS 2.0+ special servicing rate was 1.28%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 1.33%.

### The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate increased by 82 basis points to 47.48%.

- One year ago, the US CMBS 1.0 special servicing rate was 48.50%.
- Six months ago, the US CMBS 1.0 special servicing rate was 48.22%.

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

- Industrial special servicing rate: 1.86% (down 54 basis points)
- Lodging special servicing rate: 2.08% (up one basis point)
- Multifamily special servicing rate: 2.49% (down one basis pnt)
- Office special servicing rate: 2.66% (down five basis points)
- Retail special servicing rate: 5.19% (down 17 basis points)

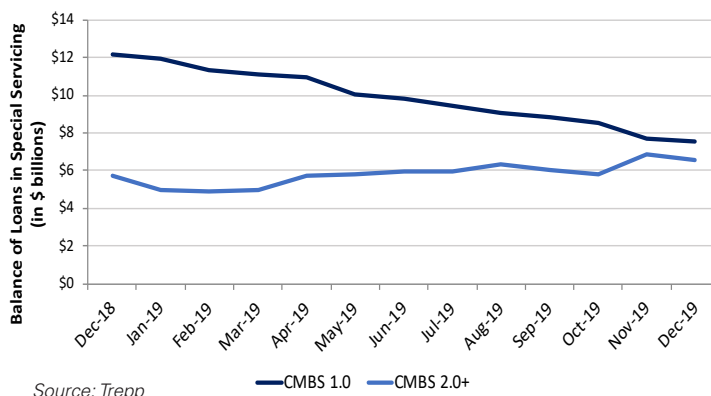
### Property Type Analysis CMBS 2.0+:

- Industrial special servicing rate: 0.62% (down two basis pnts)
- Lodging special servicing rate: 1.28% (down one basis point)
- Multifamily special servicing rate: 2.16% (down two basis pnts)
- Office special servicing rate: 0.93% (down 20 basis points)
- Retail special servicing rate: 2.29% (down one basis point)

### Property Type Analysis CMBS 1.0:

- Industrial special servicing rate: 44.45% (down 744 basis pts)
- Lodging special servicing rate: 51.18% (down 43 basis pts)
- Multifamily special servicing rate: 25.41% (up 43 basis pts)
- Office special servicing rate: 40.37% (up 415 basis points)
- Retail special servicing rate: 71.20% (down 24 basis points)

FIGURE 1: SPECIAL SERVICING RATE (DEC 2018 – DEC 2019)



**CHART 5: FIVE LARGEST LOANS NEWLY SENT TO SPECIAL SERVICING**

LOAN NAME	BALANCE (\$)	PROPTYPE	CITY	STATE	DEAL NAME	TRANSFER REASON
Wellpoint Office Tower	112,143,767	OF	Woodland Hills	CA	GECMC 2007-C1	Imminent Default
Greece Ridge Center	64,300,789	RT	Greece	NY	JPMCC 2010-C2	Other
Mall at Johnson City	48,096,744	RT	Johnson City	TN	GSMS 2010-C1	Imminent Default
DoubleTree San Diego	33,904,494	LO	San Diego	CA	COMM 2015-CR23	Other
200 Precision & 425 Privet Portfolio	27,964,772	MU	Horsham	PA	WFCM 2016-C34	Imminent Default

Source: Trepp

**CHART 6: FIVE LARGEST LOANS SENT TO SPECIAL SERVICING IN 2019**

LOAN NAME	BALANCE (\$)	PROPTYPE	CITY	STATE	DEAL NAME	TRANSFER MONTH
Starwood Mall Portfolio	\$680,800,000	RT	Various	VR	SRPT 2014-STAR	November 2019
Destiny USA Phase I	\$300,000,000	RT	Syracuse	NY	JPMCC 2014-DSTY	April 2019
Franklin Mills - A note	\$112,911,241	RT	Philadelphia	PA	JPMCC 2007-LD11	March 2019
Franklin Mills - A note	\$75,274,161	RT	Philadelphia	PA	GSMS 2007-GG10	April 2019
Franklin Mills - B note	\$54,000,000	RT	Philadelphia	PA	JPMCC 2007-LD11	March 2019
Franklin Mills - B note	\$36,000,000	RT	Philadelphia	PA	GSMS 2007-GG10	April 2019
Franklin Mills Total	\$278,185,402					
1500 Market Street	\$240,000,000	OF	Philadelphia	PA	CGCMT 2017-1500	August 2019
MSKP Retail Portfolio - A - A-1 note	\$129,515,269	RT	Various	FL	MLCFC 2007-6	January 2019
MSKP Retail Portfolio - A - A-2 note	\$93,100,000	RT	Various	FL	MLCFC 2007-6	January 2019
MSKP Retail Portfolio Total	\$222,615,269					

Source: Trepp

For more information about Trepp's commercial real estate data, contact [info@trepp.com](mailto:info@trepp.com).

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## About Trepp

Trepp, founded in 1979, is the leading provider of information, analytics and technology to the CMBS, commercial real estate and banking markets. Trepp provides primary and secondary market participants with the web-based tools and insight they need to increase their operational efficiencies, information transparency and investment performance. From its offices in New York, San Francisco and London, Trepp serves its clients with products and services to support trading, research, risk management, surveillance and portfolio management. Trepp is wholly-owned by Daily Mail and General Trust (DMGT).

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