

Special Servicing Rate Inches Upward in April 2025, Mainly Driven by Lodging



The Trepp CMBS Special Servicing Rate was back on the rise in April, up by a modest six basis points to 10.17%.

One year ago, the overall rate sat at 8.11%, and in April 2023, the rate was 5.62%. Though the balance of loans in special servicing increased by \$800 million last month, the overall balance of CMBS loans outstanding also rose by \$4.2 billion.

Breaking it down by property type, there was a substantial discrepancy across the different sectors. Once again, it was the lodging rate that had the highest increase in April, jumping 126 basis points to 10.21%. This followed the sector’s 64-basis-point jump the month prior, bringing the lodging rate above 10.00% for the first time in three years.

Two other sectors that advanced month-over-month, albeit by smaller margins, were multifamily and retail, by about 30 basis points each. At the other end of the spectrum, office experienced more relief in April, with its rate dropping another 68 basis points to 14.91% after peaking north of 16.00% two months prior.

TABLE 1: SPECIAL SERVICING RATE BY PROPERTY TYPE (ALL VINTAGES)

PROP TYPE	APR-25	MAR-25	FEB-25	3 MO.	6 MO.	12 MO.
Overall	10.17%	10.11%	10.32%	9.87%	9.14%	8.11%
Industrial	0.69%	0.60%	0.61%	0.65%	0.39%	0.41%
Lodging	10.21%	8.95%	8.31%	8.17%	8.32%	7.40%
Multifamily	8.59%	8.31%	8.51%	8.42%	6.21%	5.10%
Office	14.91%	15.58%	16.19%	15.11%	13.94%	10.84%
Mixed-Use	12.29%	12.37%	13.04%	12.71%	8.76%	8.25%
Retail	11.53%	11.21%	11.26%	10.68%	11.37%	10.85%

Source: Trepp



New Transfers

The balance of new transfers to special servicing was very heavy in April, totaling nearly \$4.4 billion. This was almost triple the volume of March's new transfers, and the balance of new lodging transfers in April alone eclipsed March's total across all sectors. Lodging's \$1.5 billion in new transfers accounted for 35% of the monthly total, followed by retail with 22% and mixed-use with 19%. The balance overall was quite top-heavy, with the balance of the top five loans totaling just shy of \$2 billion.

In April, the top three loans to transfer to special servicing were massive lodging portfolio loans, led by the \$727.4 million Innkeepers Portfolio. The loan transferred for imminent maturity/balloon default. Most recent special servicer commentary mentions that it is working with the borrower to resolve this maturity default. The loan's securitized fully extended maturity date, after exercising all available options, would be in November 2026. Its collateral pertains to 46 lodging properties scattered across the United States.

The majority of the hotels were constructed in the late 1900s, and all have been renovated since 2010. The hotel with the largest allocated property balance is the Residence Inn San Jose South, which collateralizes 5.72% of the loan balance. The collateral portfolio's aggregate value was appraised at \$1.08 billion at securitization in 2019 and has been adjusted several times since. The portfolio's most recent valuation was at \$1.06 billion. During full-year 2024, the loan posted a DSCR (NCF) of 0.69x with 69% occupancy.

April's largest non-portfolio loan to newly transfer to the special servicer was the \$310 million 535-545 Fifth Avenue. It transferred due to balloon payment/maturity default. The loan collateral consists of two adjacent office and retail buildings in Midtown Manhattan. The buildings were constructed in 1898 and renovated in 2009, totaling more than 512,000 square feet. The top tenant at the space is Best Buy, which occupies 7% of the square footage on a lease expiring in March 2031.

Additional tenants include Penton Learning Systems and NBA Media Ventures. The collateral's current appraised value is \$630 million, issued at securitization in 2015. During full-year 2024, the loan posted a DSCR (NCF) of 1.96x with 95% occupancy. Updated special servicer commentary from this month indicates that the lender is in discussions with the borrower regarding a potential maturity extension.



WHAT IS THE DIFFERENCE BETWEEN CMBS 1.0 AND CMBS 2.0+?

CMBS 1.0 refers to CMBS issued prior to the 2008 financial crisis, characterized by higher loan-to-value ratios and lower debt service coverage ratios. **CMBS 2.0+** refers to the second generation of CMBS issued after the financial crisis, incorporating reforms to restore investor confidence. These include enhanced underwriting standards, increased disclosure requirements, improved loan servicing practices, and stronger risk retention rules in compliance with Dodd-Frank regulations.



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

PROP TYPE	APR-25	MAR-25	FEB-25	3 MO.	6 MO.	12 MO.
Overall	10.09%	10.02%	10.22%	9.77%	9.05%	8.00%
Industrial	0.69%	0.60%	0.61%	0.65%	0.39%	0.31%
Lodging	10.14%	8.88%	8.23%	8.10%	8.26%	7.35%
Multifamily	8.59%	8.31%	8.51%	8.42%	6.21%	5.10%
Office	14.90%	15.59%	16.20%	15.11%	13.94%	10.79%
Mixed-Use	12.28%	12.36%	13.02%	12.69%	8.96%	8.41%
Retail	11.20%	10.82%	10.86%	10.26%	10.88%	10.35%

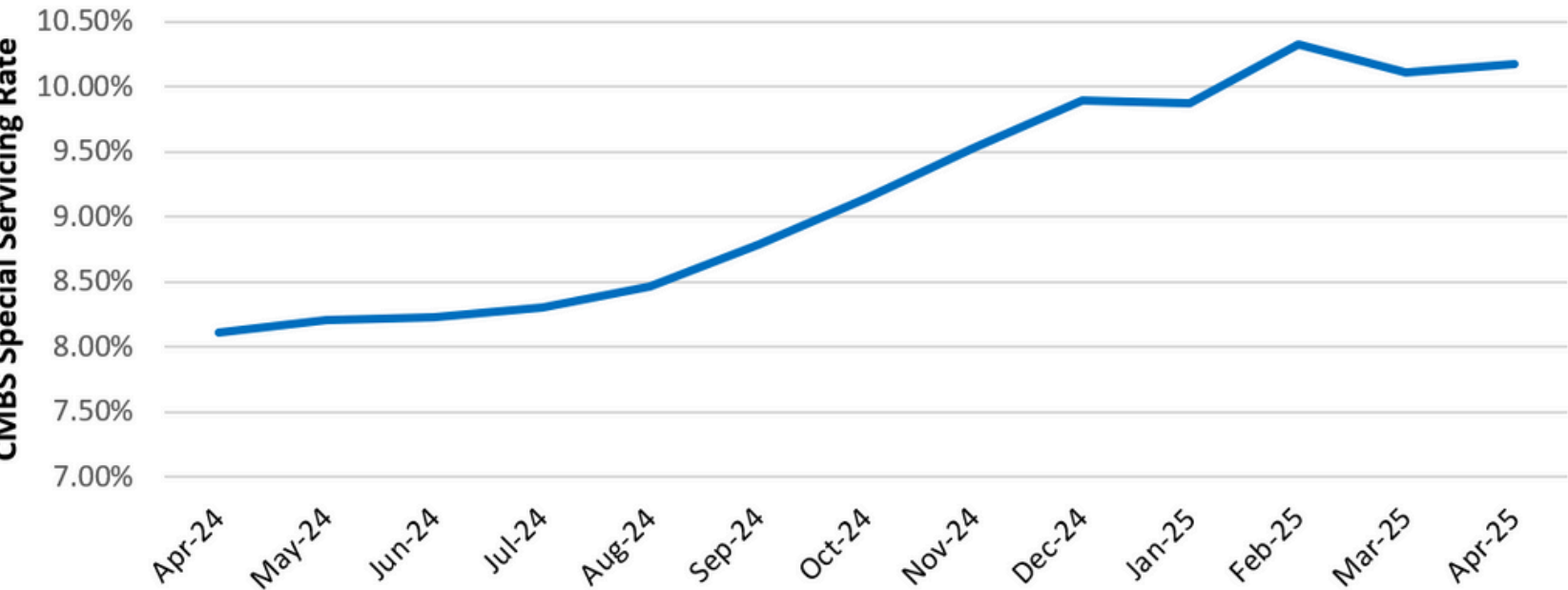
Source: Trepp

TABLE 3: SPECIAL SERVICING RATE BY PROPERTY TYPE CMBS 1.0

PROP TYPE	APR-25	MAR-25	FEB-25	3 MO.	6 MO.	12 MO.
Overall	42.73%	44.43%	45.15%	45.45%	23.51%	24.86%
Industrial	0.00%	0.00%	0.00%	0.00%	0.00%	81.21%
Lodging	93.44%	73.21%	72.19%	70.35%	25.42%	24.48%
Multifamily	2.36%	2.31%	2.25%	2.20%	2.40%	10.97%
Office	15.24%	15.22%	15.19%	15.16%	15.08%	18.09%
Retail	91.79%	92.65%	92.85%	92.87%	93.53%	75.89%

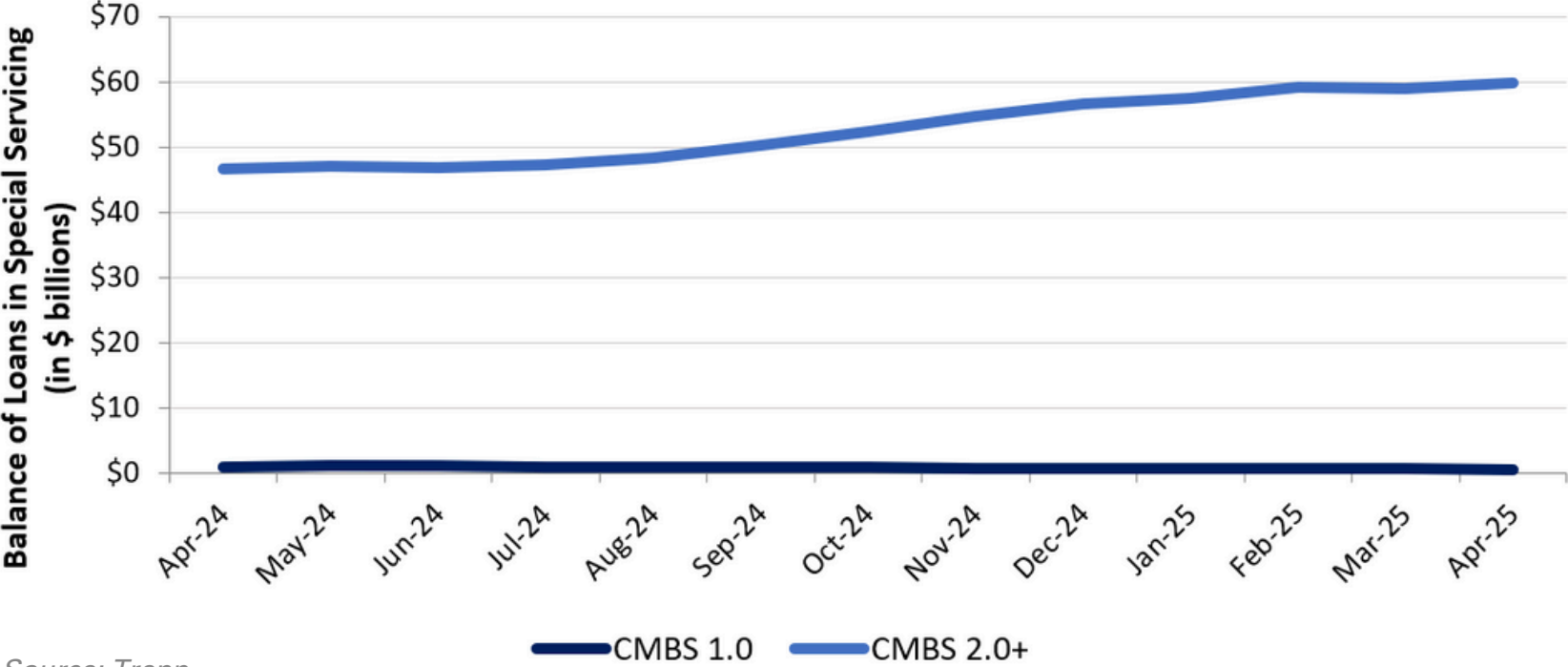
Source: Trepp

CHART 1: CMBS SPECIAL SERVICING RATE (APRIL 2024 – APRIL 2025)



Source: Trepp

CHART 2: BALANCE OF LOANS IN SPECIAL SERVICING (APRIL 2024 – APRIL 2025)



Source: Trepp

The Overall Numbers (CMBS 1.0 and 2.0+):

- The overall US CMBS special servicing rate is 10.17% in April.
- One year ago, the US CMBS special servicing rate was 8.11%.
- Six months ago, the US CMBS special servicing rate was 9.14%.

The CMBS 2.0+ Numbers

- The overall US CMBS 2.0+ special servicing rate is 10.09%.
- One year ago, the US CMBS 2.0+ special servicing rate was 8.00%.
- Six months ago, the US CMBS 2.0+ special servicing rate was 9.05%.

The CMBS 1.0 Numbers

- The overall US CMBS 1.0 special servicing rate is 42.73%.
- One year ago, the US CMBS 1.0 special servicing rate was 24.86%.
- Six months ago, the US CMBS 1.0 special servicing rate was 23.51%.



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