

Monday, February 6, 2017

## Strong Liquidation Activity Prompts Drop in CMBS Special Servicing Volume

The volume of CMBS loans in special servicing declined last month, to 1,487 mortgages with a balance of \$27.8 billion from \$28.5 billion a month earlier, according to Morningstar Credit Ratings.

The decline more than completely erased the marginal increase registered in December. Volumes in special servicing have now declined in four of the past five months.

Meanwhile, the CMBS universe tracked by Morningstar has continued to shrink - to \$622.4 billion in January from \$637.4 billion a month earlier, so the percentage of loans in special servicing declined only marginally, to 4.46 percent from 4.47 percent.

Driving the decline was the \$1.44 billion of loan liquidations registered last month, the largest monthly

Property Name	Location	Prop Type	Deal Name	Bal \$mln	Notes /MStar value	Special Servicer
Koger Center	Tallahassee, Fla.	OFF	CSMC 2007-C1	115.50	Imminent maturity default /\$104.8mln-\$141.5mln	C-III
Shoppes at Park Place	Pinellas Park, Fla.	RET	MSC 2007-T25	71.00	Maturity default /\$71.9mln	C-III
Plaza at PPL Center	Allentown, Pa.	OFF	JPMCC 2007-C18	67.34	Maturity default /\$68.7mln	C-III
Hallmark Building	Herndon, Va.	OFF	CMLT 2008-LS1	64.00	Imminent default /\$59.3mln	LNR
One Financial Plaza	Providence, R.I.	OFF	GSMS 2007-GG10	51.75	Imminent maturity default /\$51.4mln	C-III

Source: Morningstar Credit Ratings

### Most-Active Special Servicers

Servicer	Jan. 2017			Dec. 2016	
	#Loans	Bal \$mln	Mkt Shr%	Bal \$mln	%chng
LNR Partners	564	9,631.26	34.69	9,894.43	-2.66
C-III Asset Management	424	8,527.46	30.72	8,388.88	1.65
CWCapital Asset Management	284	6,358.03	22.90	6,777.85	-6.19
Torchlight Loan Services	46	916.18	3.30	1,023.71	-10.50
Midland Loan Services	51	638.16	2.30	647.85	-1.50
Situs	33	348.10	1.25	447.25	-22.17
Rialto Capital	32	282.99	1.02	266.59	6.15
Strategic Asset Services	4	279.99	1.01	279.99	0.00
Orix Capital	7	207.63	0.73	196.18	2.89
KeyCorp Real Estate Capital	18	156.48	0.56	150.33	4.00

Source: Morningstar Credit Ratings

volume of liquidations in a year and nearly triple the \$595.4 million of liquidations registered in December.

The relatively robust volume of liquidations has outpaced new transfers to special servicing. But, loans, particularly those with pending maturities, continue to transfer. The biggest of the bunch last month was the \$115.5 million mortgage, securitized through Credit Suisse Mortgage Securities Trust, 2007-C1, against the Koger Center, an 849,765-square-foot office complex at 1311 Executive Drive in Tallahassee, Fla.

The loan matures this month and likely will have challenges getting taken out. The state of Florida leases two-thirds of the collateral property and previously had sought to terminate its lease, which matures in 2019. The property's owner, meanwhile, had sought a reduced coupon on the loan in order to be able to offer lower rents to the state as an inducement for it to remain.

Morningstar pegs a value of between \$104.8 million and \$141.5 million on the collateral property.

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