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Morningstar Downgrades 1 Class of 2014 CMBS Conduit Deal

Morningstar Credit Ratings has downgraded the \$21.4 million class F of COMM, 2014-CCRE15, to B from B+ because it expects credit support for the bond class to decline further when losses tied to a \$10.4 million loan against a North Dakota apartment property materialize.

The loan has been in special servicing since February 2016, just two years after it was securitized, when it defaulted. The collateral property, the 108-unit Custer Crossing at 1541, 1619 and 1763 Carroll St. in Dickinson, N.D., smack in the middle of the Bakken Shale region, suffered a sharp decline in occupancy as oil prices plunged.

Last year, it was 80 percent occupied and was on track to generate nearly \$235,000 of net cash flow, according to servicer data compiled by Trepp LLC. The occupancy rate is an improvement from 2015, during the oil market's trough, when the property was 35 percent occupied.

Midland Loan Services, the loan's special servicer, had offered the property, which is being overseen by a receiver, through a broker. The receiver is negotiating terms of a sale, according to servicer notes.

The property appraised at a value of \$17.8 million in 2014, when its loan was written. That's shrunk to \$4.8 million as of last March. As a result, an \$8.4 million appraisal reduction amount had been lodged against the loan.

Meanwhile, the CMBS trust already had suffered \$7.6 million of losses when the Century Court Apartments, which had backed a \$12 million loan, had liquidated. The 192-unit property, at 1501 Bison Drive in Williston, N.D., generated \$5.8 million of net proceeds from its sale. But when coupled with the \$1.4 million of advances, fees and other expenses that had accumulated, the sale resulted in the \$7.6 million loss, which was absorbed by the CMBS deal's class G, impacting the subordination level of the class immediately senior to it. It now stands at 4.323 percent, down from 4.75 percent at issuance. Any losses stemming from the resolution of the Custer Crossing loan would reduce that further.

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