


## CMBS Alert

# Tornado-Related Damage Could Hit Some \$977.8 Million in Dayton, Ohio, Securitized Mortgages

May 30, 2019

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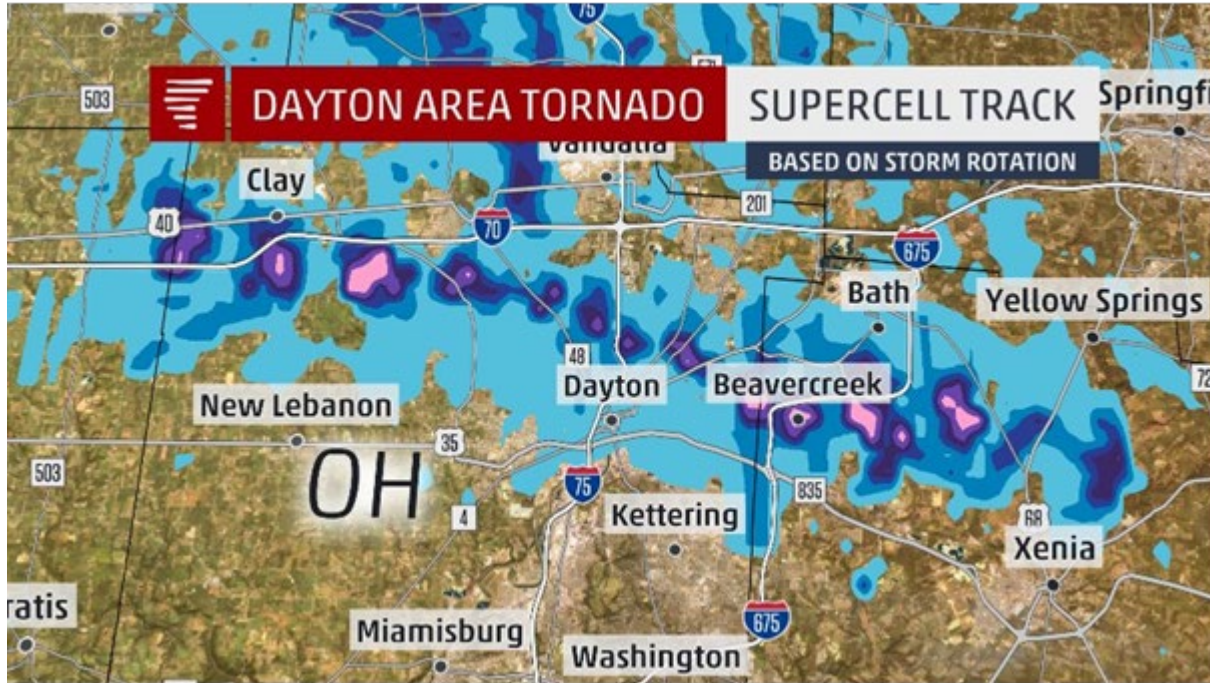
### Morningstar Perspective

Morningstar Credit Ratings, LLC has identified some \$977.8 million in securitized commercial mortgages potentially at elevated risk because of the potential for damage in the wake of recent destructive tornadoes around Dayton, Ohio. While the extent of damage still is being assessed and the federal government has not issued a disaster declaration as of the date of this alert, we found 130 properties backing 123 securitized loans in Greene, Mercer, and Montgomery counties in Ohio that could have seen significant damage from large tornadoes that touched down May 28 and 29. This includes properties with a combined balance of \$739.9 million in Montgomery County, Ohio, home to the state's sixth-largest city, Dayton.

Tornadoes are largely unpredictable and may not strike these areas again anytime soon, but it's worth considering the substantial harm they can cause. Nevertheless, Morningstar does not expect waves of loan defaults resulting from these storms because business-interruption insurance should cover the gap in service, if necessary, for most properties. Still, property damage could prevent refinancing some existing loans and jeopardize the payoff of roughly \$134.0 million in securitized loans that mature over the next 12 months. Ultimately, if a property is operating, meeting its debt obligations, and has no lasting tornado-related fallout, financing should proceed, and the loan should pay off.

The National Weather Service confirmed an EF3 tornado, which indicates a severe level of intensity, hit Montgomery and Greene counties in Ohio causing extensive damage, but it didn't affect the properties securing the two largest loans. The \$127.9 million Greene Town Center loan split between GSMS 2014-GC20 and CGCMT 2014-GC21 accounts for the largest exposure. The more than 700,000-square-foot lifestyle center is about 10 miles southeast of Dayton. The loan, which is current, posted a 1.44x debt service coverage ratio on 90.0% occupancy as of year-end 2018. Another retail property, the Dayton Mall, where about 778,487 square feet of a 1.4-million-square-foot regional mall back a \$79.9 million loan in WFRBS 2012-C10, is also in the less severely affected area

south of Dayton. Year-end 2018 net cash flow declined 20% since issuance amid noncollateral anchors Elder-Beerman and Sears closing in 2018. A February 2019 article in Bizjournals.com noted plans for a mixed-use area around the mall that would convert the Sears space into a main street corridor with a walkable, community-based layout. However, a timeline has not been established.



Source: The Weather Channel


Freddie Mac-issued deals account for 21.0% of the total exposure by balance. The three deals with the largest property-level exposure are FREMF 2016-K57 with \$24.8 million among three properties, FREMF 2019-KL4L with one \$22.8 million loan, and FREMF 2015-K50 with one \$22.1 million loan.

**Table 1 - Top 10 Loans in Affected Ohio Counties**

Deal ID	Property Name	Status	Property Type	City	Allocated Property Balance (\$)	Maturity Date
GSMS 2014-GC20, CGCMT 2014-GC21	Greene Town Center	Current	Mixed Use	Beavercreek	127,949,067	12/1/2023
WFRBS 2012-C10	Dayton Mall	Current	Retail	Dayton	79,863,678	9/1/2022
BANC 2017-CRE2, GSMS 2013-GC12, BANC 2019-CRE5	North Heights Plaza	Current	Retail	Huber Heights	24,862,305	8/9/2020
COMM 2015-CR23, COMM 2015-LC21, GSMS 2015-GC30	Courtyard Dayton South Mall	Current	Hotel	Miamisburg	23,456,818	4/6/2020
SMPT 2017-MONT	MetLife - Dayton, OH	Current	Office	Dayton	23,097,970	8/15/2019
FREMF 2019-KL4L	Hunters Chase	Current	Multifamily	Miamisburg	22,801,545	11/1/2025
FREMF 2015-K50	Washington Place	Current	Multifamily	Washington Township	22,125,000	8/1/2025
UBSCM 2017-C7, UBSCM 2018-C8, UBSCM 2018-C9, UBSCM 2018-C11	Northpark Center	Current	Retail	Huber Heights	20,399,569	1/1/2028
FREMF 2014-K39, FREMF 2017-KJ12	Austin Springs Luxury Apartments	Current	Multifamily	Miamisburg	17,750,573	7/1/2024
FREMF 2017-KF32	The Province	Current	Multifamily	Fairborn	17,458,763	5/1/2024

Source: Morningstar Credit Ratings, LLC

As damage assessments across hard-hit areas are ascertained, undamaged multifamily properties and hotels could see more demand because families will be forced to find temporary housing.

Loan-level details for all CMBS loans backed by properties in areas hard hit by the tornadoes can be found in Excel format by clicking the download icon  at the top of page one.

Please see our Morningstar DealView® Credit Risk Analyses in the coming months in which property-level analysis, performance, and value analysis will be available at the loan and deal level.

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