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$16B in CMBS loans nearing cliff in NYC

Challenged borrowers may be unable to kick can down road

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By Rich Bockmann

(Illustration by Kevin Cifuentes for The Real Deal with Getty Images)

Commercial mortgage maturities are piling up in New York City as higher interest rates and recession anxiety make refinancing a major challenge.

More than $16 billion in loans secured by New York City commercial properties are set to mature this year, according to data from Trepp. That's almost 30 percent more than the $12.7 billion that came due last year.

This swell of maturities is in part because borrowers kicked the can down the road over the past three years by exercising extension options on their loans. But that life preserver may no longer be available.

Trepp's Manus Clancy said that while a significant portion of those maturing loans have extension options, borrowers can no longer take for granted that lenders will agree to their requests.

"It's not a slam dunk," he said, explaining that lenders may be hesitant to extend loans on struggling properties.

Read more

- Swell of maturing debt pressures office owners
- Breaking down the wild CMBS market (https://therealdeal.com/2022/08/25/breaking-down-the-wild-cmbs-market/)
- Commercial prices down 13% this year (https://therealdeal.com/2022/11/08/commercial-prices-down-13-this-year/)
- Workout specialists get busy as owners scramble to restructure debts (https://therealdeal.com/issues_articles/real-estates-heavy-workout/)

Major loans coming due this year include a $783 million mortgage on Aby Rosen's Seagram Building (https://therealdeal.com/2020/07/01/aby-rosen-to-build-sprawling-gym-in-seagram-building/) and a $485 million loan on Tishman Speyer's 300 Park Avenue (https://therealdeal.com/2019/05/03/tishman-speyer-passes-on-midtown-east-redev-opportunity-to-keep-anchor-tenant/) .

With the Fed hiking interest rates to fight inflation, property owners face a harsh reality. Any new debt they take on will cost much more than the loans they're replacing. At the same time, the specter of a recession has many end users — such as office tenants and hotel guests — pulling back, which leads to falling property values.

Many owners at their refinancing date are seeing two unappetizing choices: walking away or throwing good money after bad.

And while offices have gotten a lot of the attention, it's not the only struggling property type. Several New York City hotel properties (https://therealdeal.com/2022/09/20/foreclosure-looms-at-struggling-row-hotel/) went into foreclosure (https://therealdeal.com/2022/09/21/capstone-and-highgates-maxwell-hotel-facing-foreclosure/) in 2022, and some national apartment portfolios (https://therealdeal.com/2023/01/16/chetrit-making-progress-on-pesky-481m-loan/) have recently come under stress (https://therealdeal.com/sanfrancisco/2023/01/18/veritas-450m-loan-default-a-sign-of-things-to-come/) .

"We're starting to see some news in multifamily distress," said Xander Snyder, an economist at the title insurance firm First American Financial Corporation.

Snyder said that with the CMBS market slowing, alternative lenders including mortgage REITs and debt funds are stepping in to refinance properties, though at a higher cost.

"That's always going to impact returns, there's just no way around that," he said.

For many struggling borrowers, 2023 may be the end of the line.

Michael Cohen (https://www.linkedin.com/posts/michaelcohen36_cmbs-volume-down-29-in-q2-activity-6958046342627688448-vovL/) , founder of the CMBS workouts (https://therealdeal.com/issues_articles/real-estates-heavy-workout/) shop Brighton Capital Advisors, said many office properties with maturities this year have relatively short leases in place, a result of tenants refusing to commit to their offices long-term.

Hotels that got through the early days of the pandemic did so by extending their loans and dipping into reserves that by now have run empty. Cohen said the days of putting Band-Aids on busted deals are over.

"There's no more extend and pretend," he said. "I can tell you that with 1,000 percent certainty."

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