CMBS Credit Focus

Office Modifications: “Left Behind” Properties in a Recovering NYC Market

Long Office Extensions Cast Uncertainty on Future Performance

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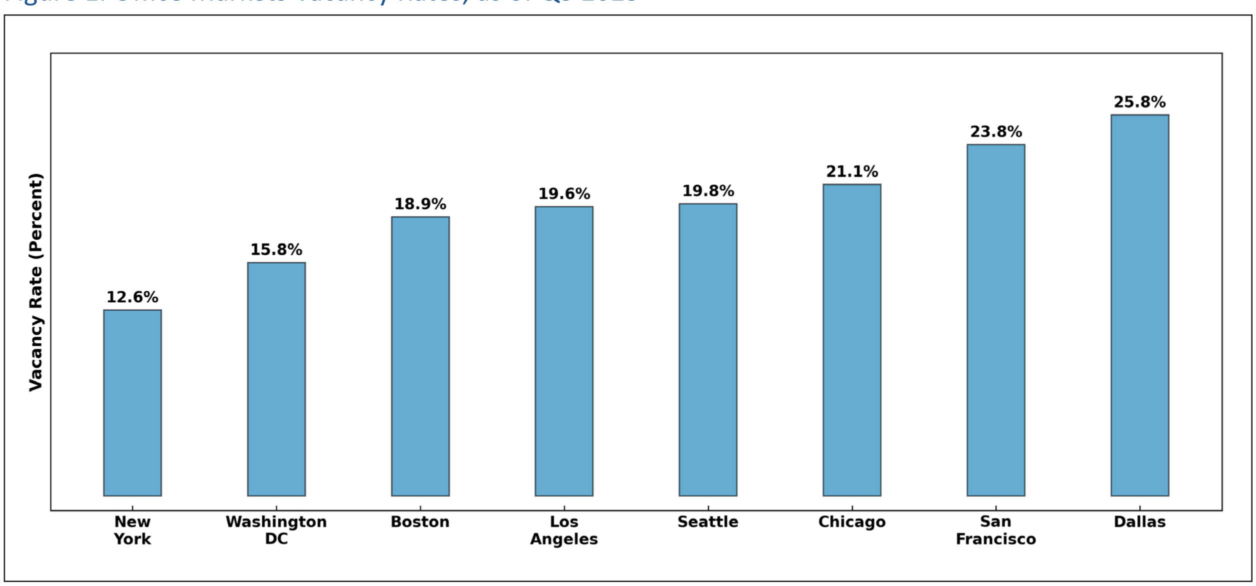
A slew of recent modifications of NYC office loans highlights properties that are still struggling in a largely recovered Manhattan office market. Buildings such as 5 Penn Plaza, 65 Broadway, and 32 Avenue of the Americas are at a crossroads. Occupancies have been declining. Large leases expired. The buildings’ future performance is uncertain. The attendant loans all received a few years of extension. The properties now need to go through major renovations and/or leasing up to stabilize cashflows and secure refinancings.

This is happening as New York is showing the lowest office vacancy across major markets. New York recently recorded a 12.6% vacancy rate compared to ~20% rates in many other cities (Figure 1). Manhattan also just saw in Q4 2025 the strongest quarterly office leasing activity since 2019, at 11.9 million square feet (+16% YoY), according to commercial brokers. As such, NYC’s “left behind” properties, including 32 AOTA ($425 million, JPMBB 2015-C33 and four other conduit deals), 5 Penn ($259.7 million, CGCMT 2016-GC36 and three other 2016-vintage conduits), and 65 Broadway ($151.1 million, CF 2019-CF1 and MSC 2019-H6), present complex, interesting situations in their respective conduits. In some instances, such as in JPMBB 2015-C33, the recent mods could single-handedly, SASB-style determine the deal’s future payments, given the conduit’s outsize exposure to the modified loan.

Figure 1. Office Markets Vacancy Rates, as of Q3 2025



Source: Bloomberg, Moody’s CRE and Academy Securities

Lease-ups, Renovations or Repositioning to Determine Mods Success

The properties backing the recent modified loans are in different NYC submarkets, and each faces unique circumstances. The 650.3K sf 5 Penn Plaza, in Midtown's Penn District submarket, mostly needs to deal with the recent lease expiration of its largest tenant (Thomas Publishing Company, 14.3% of NRA), which vacated in 2025, based on the loan mod report (Figure 2).

Figure 2. 5 Penn Plaza, 65 Broadway, and 32 Avenue of the Americas Parameters

	5 Penn Plaza	32 Avenue of the Americas	65 Broadway
Deals	JPMBB 2016-C1 CGCMT 2016-GC36 CGCMT 2016-GC37 CGCMT 2016-P3	JPMCC 2015-JP1 COMM 2016-CR28 COMM 2015-LC23 JPMBB 2016-C1 JPMBB 2015-C33	CF 2019-CF1, MSC 2019-H6
Loan Balance	$260,000,000	$425,000,000	$151,500,000
Original / Modified Maturity	January 2026 / January 2028	November 2025 / November 2027	April 2024 / December 2028
LTV (As-Of Date)	67.5% (Oct 2025)	125.0% (Sep 2025)	78.6% (Mar 2024)
DSCR / Debt Yield (As-Of Date)	1.68x / 8.4% (Jun 2025)	1.11x / 4.1% (Sep 2025)	0.96x / 4.8% (Sep 2023)
Year Built / Renovated	1917 / 2016	1932 / 2002	1914 / 2018
Occupancy (Issuance / Current)	97% / 83%	100% / 54%	99% / 67%
Square Feet	650,329	1,163,051	355,217
Modification Date	September 2025	November 2025	December 2025
Modification Terms Summary	• Two-year extension • Additional one-year forbearance • New $10MM sponsor equity • Excess cash flow sweep	• Two-year extension • Two one-year extension options • Two new reserves • New $30MM sponsor equity • "Cooperation covenants"	• Two-year extension • Split A/B structure with $69.5 million "hope note" • New $6MM sponsor equity • New "All Purpose Reserve" • Prepayment option after December 2027

Source: Del documents, Presale reports, and Academy Securities

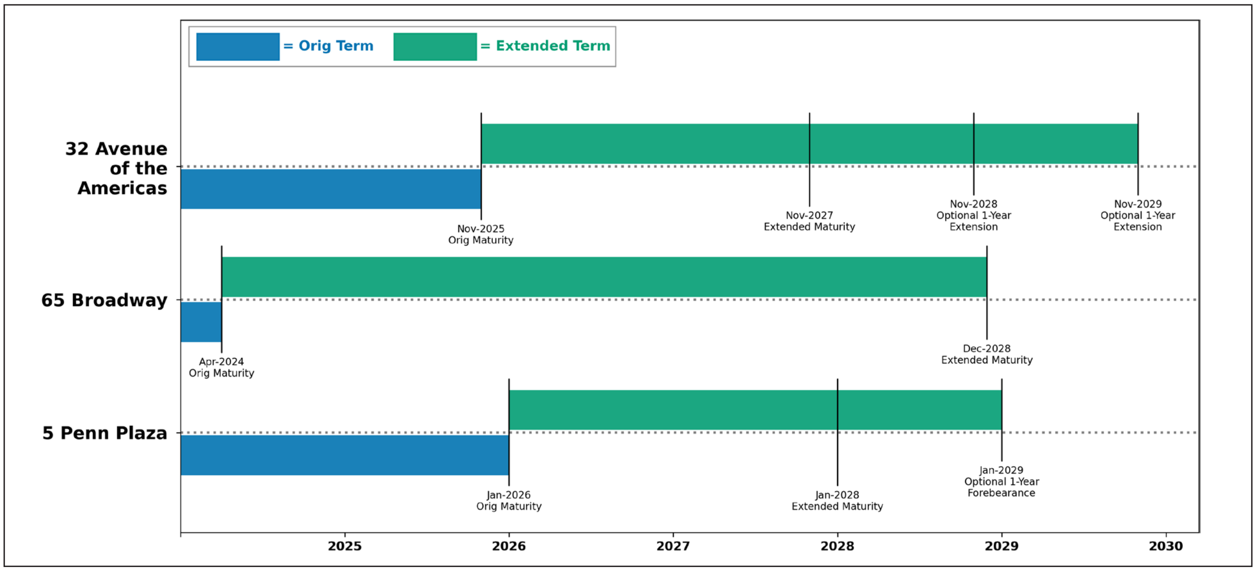
The 355.2K sf 65 Broadway, in Downtown's Financial District, has a more granular tenant base, and longer-term rollovers. But with 67% reported occupancy (down from 99% at issuance), and amid strong competition in the submarket, 65 Broadway's competitive edge and its lease-up prospects are not clear. In turn, the 1.2M sf 32 AOTA, in Manhattan's Tribeca neighborhood, appears more of a renovation/repositioning situation. The property is configured as ~60% traditional office space, and 40% carrier hotel/data center space. The building's future positioning is key to its success as the borrower is reportedly contributing a significant amount to fund renovations.

The struggling office properties we see do share a few, perhaps unsurprising attributes, despite their different circumstances and challenges. All are old properties, built in the early years of the last century. 65 Broadway and 5 Penn, the pure-play office buildings, did go through significant renovations. But those renovations took place pre-pandemic. As Class B office properties, their current appeal for evolving tenant preferences is not apparent. All told, the recent mods remind investors that secular changes in the office market continue to hobble quite a few properties, even in stronger locations.

Equity Contributions Vary Across Mods

The loan mods in 5 Penn, 65 Broadway, and 32 AOTA, provide the sponsors with a few years to execute turnaround plans. The basic extensions hover around two years (Figure 3). But the complex mods also include extension options, or in the case of 5 Penn, a post-extension forbearance period, of the kind the market first saw in One Market Plaza ($975 million, OMPT 2017-1MKT).[1]

Figure 3. Long Extensions in Recent NYC Office Modifications



Source: Deal documents, Morningstar Credit, and Academy Securities

The mods feature some variation in the borrower equity contributions. Given a potential repositioning effort, 32 AOTA includes the highest equity contribution, on both absolute and relative terms. The mod documents indicate a $30 million contribution (7.1% of the loan's outstanding balance). Interestingly, press reports noted a much higher level – $100 million in capital improvements and leasing initiatives commitment that the sponsor launched as part of the modification. In contrast, at 5 Penn, the borrower $10 million contribution (3.8%) is at the lower end of recent mods. The 65 Broadway mod includes $8.3 million equity contribution, 5.5% of the loan's balance.

5 Penn's mod substantiation appears fairly thin, and raises some questions about the sponsor's game plan. Aside from the infusion of some new equity, the mod template notes that a key rationale for the mod is a "clear, uncontested path to title" if the modification fails. To be sure, such "cooperation covenants", aka "drop dead" provisions, could be valuable in mitigating protracted, costly mortgage foreclosure processes, especially in New York.[2] But investors may look for more fleshed-out turnaround plans in long extensions. Still, 5 Penn did see some positive leasing momentum in recent years. If the sponsor manages to lease up the space that the top tenant just vacated, the loan may recover.

1 "Forward Forbearances: One Market Plaza Introduces a Twist to Complex Mods," CMBS Credit Focus, Academy Securities, March 26, 2024
2 "Equity Pledges: Hotel Bossert Spotlights Dual Collateralized Loans," CMBS Credit Focus, Academy Securities, March 26, 2024

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