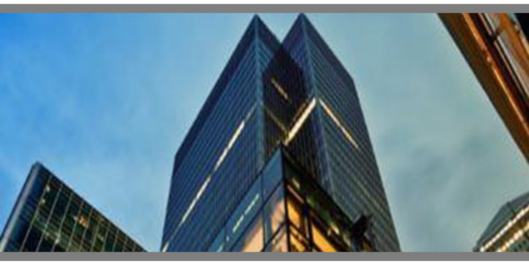
CMBS Credit Focus

Office Receiverships: Gauge the Value of Changing Up Management



Chicago's AMA Plaza Sheds Light on Office Receivers Actions

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Office receiverships are poised to become prevalent. The value receivers can add to CMBS trusts in distressed office situations is an open question. Servicers are now more inclined to appoint receivers and foreclose on properties, rather than ink loan modifications.[1] Receivers so far have been mostly active in retail/mall and hotel situations.[2] Receivership may be especially appropriate for properties that require intensive day to day operation. Hotels often make good receiver candidates, according to market participants. Receivers have also taken over notable CMBS malls such as Palisades Center Mall ($388.5 million, PCT 2016-PLSD) and Santa Monica Place ($300.0 million, WFCM 2017-SMP). The elevated specially serviced office loan volume should lead to more receivers taking over property management from in-place borrowers.

The $370 million AMA Plaza loan (BCP 2021-330N) is a case study for office receivership dynamics. The borrower exercised an extension option pushing the loan's maturity to June 2025 (Figure 1). But shortly afterwards the borrower failed to pay $3.8 million taxes on the underlying 52-story Chicago office building, based on servicer commentary. Following a transfer to special servicing, the servicer requested a court-appointed receiver for the property. The borrower looked to negotiate A/B modification, according to deal commentary. The speed at which the special servicer moved to receivership is notable; the special did that while seemingly negotiating with the borrower, and months before the loan's maturity.

Figure 1. AMA Plaza Loan and Property Parameters

AMA Plaza Office & Parking				
Balance	$370,000,000		Other Information	
Deal Name	BCP 2021-330N			
Loan Type	Floating-rate, interest only		Appraisal History	
Maturity	June 2025		October 2024	$208.5 MM
Coupon	TSFR1M + 2.5645%		May 2022	$545.5 MM
Loan Status	Delinquent 90+ days (transferred to special servicing July 2024)		May 2021	$550.5 MM
Property Type / Size	Office / 1,186,081 square feet and Parking / 904 spaces		Loan Level Cash Reserves	
Year Built / Renovated	1971 / 2016		Tenant Reserves	$3.5 MM
Location	Chicago, IL		Other Reserves	$0.1 MM
			Servicer Advancing & ASERs	
Financials	T-12 as of March 2024	Securitization (UW)	P&I	$11.1 MM
Net Cash Flow	$21,557,846	$28,855,273	T&I	$0.0 MM
DSCR	0.74 x	2.02 x	Other	$0.4 MM
Occupancy	84.1%	99.0%	Adv Int	$0.3 MM
Debt Yield	5.8%	7.8%	Cumulative ASERs	$4.4 MM

Source: Morningstar Credit and Academy Securities

1 "Office Re-defaults: Foreclosures to the Fore as Modified Maturities Approach," CMBS Credit Focus, Academy Securities, January 8, 2025
2 "Hotel Receiverships: Palmer House Hilton Spotlights Stabilization Efforts," CMBS Credit Focus, Academy Securities, November 17, 2022

AMA Plaza Receiver Changes Up Operations

Court-appointed receiverships may provide investors with enhanced transparency on the operations and performance of distressed properties. Receivers submit update reports to the courts. Such reports could include information that may not be readily available in standard deal reporting. The AMA Plaza receiver recently submitted its first report, covering Q1 2025. The report includes comprehensive financials breakdown by month, and details on leasing prospects and cash reserves. The AMA Plaza receiver report also suggests how receivers typically operate as they take over office properties:

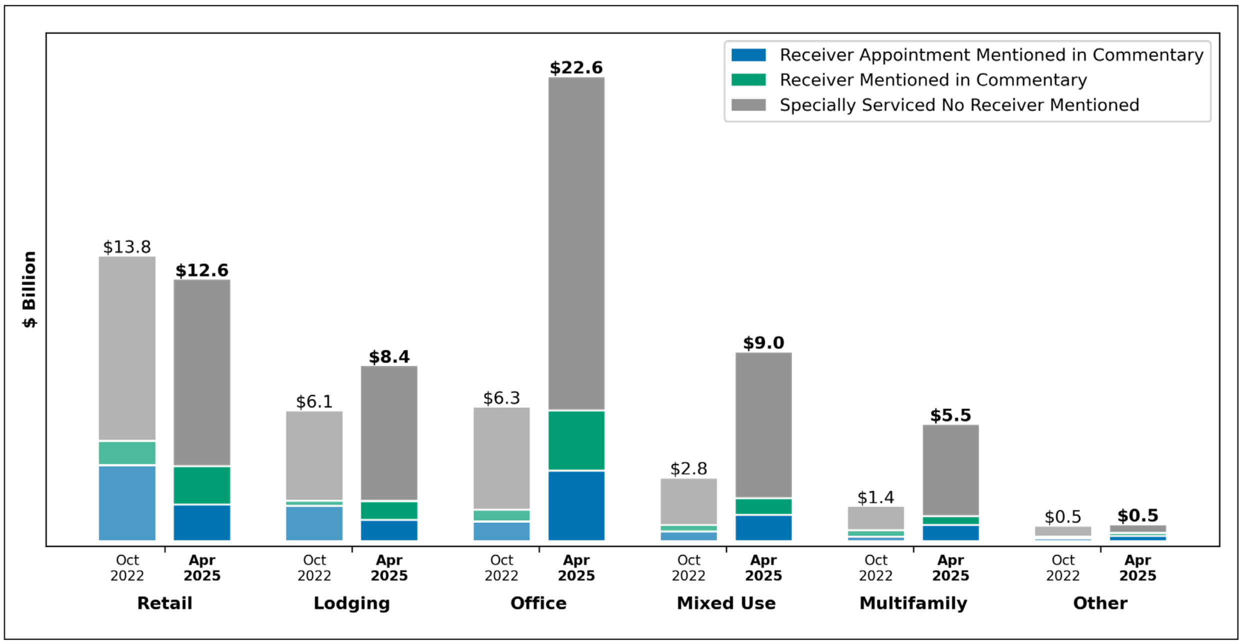
- **Property management replacement.** The AMA Plaza receiver noted it appointed a new property manager and set up new bank accounts. The property manager also picked up the leasing efforts, creating "updated marketing materials" and contacting existing and prospective tenants. Such moves underscore the potential value trade-off in office receiver appointments. A receiver may be able to turn around operations and leasing dynamics that have been languishing under previous management. But it remains to be seen what dramatic changes a new office manager and leasing agent can make. A CMBS borrower that is motivated to keep control of the property, may also work to maximize performance. Indeed, one common concern with using receivers for property operations in lieu of the original borrower is that the receiver may not be as familiar with the property, lack the management expertise of the existing operator, and may need time to properly pick up operations.
- **Real estate tax appeals and outstanding litigations.** The AMA Plaza receiver is addressing an outstanding ground lease litigation, that preceded the BCP 2021-330N deal issuance. The receiver engaged a new law firm, according to the court report. Separately, the receiver has also engaged a new tax attorney to appeal the property's taxes and valuations. **Overall, the AMA Plaza receiver report suggests that one of the initial actions receivers typically take is the replacement of most service providers on a property.**
- **Receivership fees.** The AMA Plaza receiver is charging a monthly fee of the greater of $25K or 1% of gross revenue per month. The receiver charged $21.4K, $51.8K, and $35.4K, in January 2025 through March 2025, respectively. Deal commentary notes that the combined receivership and property management fee to operate AMA Plaza, as a percentage of rents, is significantly less than the property management fee under the borrower's control in 2024. The commentary characterizes the lower receivership fees a "surprise".
- **Lender/trust liabilities.** A key benefit of receivership is providing some protection to the trust and servicer against liabilities that may arise from taking title to the property. The ground lease litigation in AMA Plaza does not suggest unusual liability exposure. On the contrary, the servicer notes there may be potential for recovery of some portion of the past ground lease payments the borrower made. But litigation liabilities have been popping up across CMBS situations, in some cases leading to significant trust holdbacks.[3] We will be tracking receivership situations to assess any legal insulations receivers provide.

3 "Litigation Holdbacks: Long Gone Loans Keep Haunting Trusts," CMBS Credit Focus, Academy Securities, April 15, 2025

Office Receiverships Inch Up

Consistently identifying CMBS properties in receivership is still a challenge. The standard Investor Reporting Package (IRP) fields, as well as cashflow system data, do not capture receiver situations. Investors are mostly left to identify receivership loans anecdotally via news feeds or servicer commentary. The data exercise we ran searching though servicer commentaries for indications of receiver appointments, confirms the rise of office receiverships, compared to a previous receivership sleuthing exercise we did in late 2022 (Figure 2). Beyond AMA Plaza, other notable office receiverships include 1500 Market Street ($368 million, JPMCC 2020-MKST), 725 South Figueroa Street ($275 million, BFLD 2020-EYP), and Tower Place ($212.5 million, GSMS 2018-TWR).

Figure 2. Receivership in Servicer Commentary, by Property Type



Source: Morningstar Credit and Academy Securities

Academy Securitized Products Research Recent Reports

Securitized Products Special Topics - Esoteric ABS:

Power Costs: Data Centers and Recovery Bonds Poised for More Predicatability

Sports Securitization: Vet League Revenues and Stadium Cashflows

Timeshare ABS: Program-specific Attributes to Drive Performance

Music ABS: Pool Variations Emerge Amid Constructive Sector View

Tower ABS: Tenant Preferences Bode Well for Leasing Demand

Aircraft ABS: Momentum Builds for Insurance Booster

Data Centers: Tenant Rosters Poised to Change

Container ABS: Geopolitical Tailwinds as Issuance Picks Up

Gas Securitization: Shorter WAL Alternative to Electric Charge Deals

Net Leases: Scarcity Value as Issuance Poised to Pick Up

Recovery Bonds: Deal Reporting Shows True-Up Adjustments Potency

Data Centers: Performance Wrinkles to Test Operators' Role

Recovery Bonds: Diversifying Exposure Moves Beyond Disasters

Device Payment ABS: Expect Stable Performance as Collateral Evolves

Aircraft ABS: Waterfalls Playing Catch-Up as Fundamentals Recover

Data Centers: Teakeaways from 2023-Vintage Deals

Litigation ABS: Tailwinds in Place for an Uncorrelated Segment

Equipment ABS: Pick Your Spots Amid Diverging Collateral Trends

Commercial Solar ABS: Emergent Segment to Alleviate Headline Risks

Cell Towers: Lender-Friendly Features Dovetail with Secular Tailwinds

Timeshare ABS: Exposure to Favorable Hospitality Segments

Recovery Bonds: No Need to Closely Watch the Fed or the Economy Here

Data Centers: A Strong Segment Juggles ABS and CMBS

Securitized Products Special Topics:

Early Terminations: Tenant-friendly Provisions to Move Up Data Center Rollovers

Life Sciences: Surveil Your Exposure as Distress Percolates

CRE CLO Liquidations: Losses Accumulate, but No Immediate Writedowns

Office Contractions: New Term Rollover Risk, and Swelling Reserves

Multifamily Expenses: Broad Increases Mask the Fluctuations

Small Balance Commercial: Periphery Locations and “Weak” Sponsors May Prove Supportive

Investor Non-QM: Pockets of Value as Underwriting Tightens

Multifamily Prepays: Becoming Less Common, as Property Sales Drop

CRE CLO Mods: Rising Volume Not Immediately Telegraphing Distress

Agency Floaters: Adjusting Interest Rate Cap Escrows

Multifamily CRT: Limited Credit Risk on Synthetic Exposures

OC Triggers: Subtle Thresholds Come to the Fore As Collateral Stress Builds Up

Self Storage: Aspects to Watch as Performance Decelerates

Transitional Multifamily: Collateral Migration Away from CRE CLO Offers Different Deal Profile

Affordable Mortgages: Fee Elimination Spotlights Convexity Profile

Investor Non-QM: Rental Exposure with Some Structural Twists

Small Balance Multifamily: Value Ahead of Slow Prepays

Future Funding: Potential Key Performance Driver as CRE CLO Pipeline Builds Up

Multifamily Prepays: Property Sales Trigger Paydowns

Manufactured Housing: Resilient Segment Amid Potential Multifamily Softness

Tender Offers: Expect More to Come, Though Not on a Predictable Schedule

NYC Multifamily: Rent Increases to Support Cashflows Amid Regulatory Restrictions

Housing at a Crossroads: Single-family and Multifamily Exposures

Senior Housing: Focus on Segment Selection Amid Pandemic Impact

Disaster Performance: Pandemic Forbearance Resolutions Bode Well for Future Stresses

Russian Sanctions Impact: Lease Terminations and Forced Property Sales

CMBS Credit Focus:

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Privileged Appraisals: Surprise ARA Jumps Baffle Investors

Office Re-defaults: Foreclosures to the Fore as Modified Maturities Near

Interest Adjustments: Track Shortfalls Repayment and Priority

New Leases: Track Post-Issuance Replacement Tenants

Property Protection Advances: Track Opaque Expenses in Long Workouts

Parkmerced: Abundance of Structural Angles to Determine Bond Cashflows

Pro-rata Prepays: Surprise Booster for Subordinate Bonds

PILOT: Check Another Wrinkle of Ground Leases

Non-Trust Debt: Check the Seniority of Your CMBS Collateral

Recovering Shortfalls: Credit IO Value in Distressed Office

Releasing Holdbacks: RENT is Writing Up Bonds

Reserves vs Advances: Servicers Tap Reserves to Lower Advances

Forward Forbearances: One Market Plaza Introduces a Twist to Mods

Loan Assumptions: Watch Waterfalls as New Borrowers Redevelop

Holdbacks: RENT in the Limelight, as Other Cases Brewing

Blanket NRAs: Shutting Down Advances Upends Credit IO Trades

Credit 2024: Workout Nuances Come to the Fore

Recovering the Non-Recoverable: Liquidation Nuance Bolsters Paydowns

Special Servicer Replacements: 1740 Broadway Crystalizes Implications

Crossgates Liquidation: Holdbacks Complicate Severity Projections

WODRA: Bond Cashflows Under Stress in Post-Mod Advance Recovery

Securitized Mezz: Workout Dynamics in Public Display

Dark Triggers: Nuances in Focus as Tenant Departures and Subleasing Pick Up

Upping Appraisals: Recovering Valuations Reverse Shortfalls

Non-Recoverable Advances: Unveiling a Rationale for a Key Decision

Excess Cash Allocations: Probing Advances on Positive Cashflowing Loans

Release Prices: Cherry Picking Across Office Portfolios, Sometimes at a Discount

Mezz Loan Sales: A Potential Headache for CMBS Workouts

Equity Pledges: Hotel Bossert Spotlights Dual Collateralized Loans

The Road to Conversion: Consider Office Ground Leases and ARD Loans

Credit 2023: Advancing and Workout Approaches to Play a Central Role

Hotel Receiverships: Palmer House Hilton Spotlights Stabilization Efforts

Office Modifications: 285 Madison May Offer a Blueprint for More to Come

Triple-A Shortfalls: Destiny Spotlights Delayed ASERs Impact

Inflation-Resistant Leases: Rent Steps Offer Some Revenue Protection, though Not Much

Industrial Delinquencies: Don't Happen Often, but Watch Closely When They Do

Hotel Reserves: Key Performance Driver after Pandemic-Driven Depletion

Government Tenants: Short Termination Notices and Specialized Properties

Mall Foreclosures: What to Track as Servicers May Shift Away from Modifications

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