Green Street
Commercial Mortgage Alert
THE WEEKLY UPDATE ON REAL ESTATE FINANCE & SECURITIZATION

Midland Tops Master-Servicer Ranking

Midland Loan Services edged out **KeyBank** to lead the CMBS master-servicer league table at midyear, thanks largely to a dominating performance in the conduit market.

Amid a dramatic drop in CMBS issuance overall, **PNC's** Midland was the master servicer on $5.27 billion of deals, good for a 31.9% market share. KeyBank, which topped last year's ranking, came next with $5.13 billion (31.1%), followed by **Wells Fargo** ($3.58 billion, 21.7%) and **Berkadia** ($2.52 billion, 15.3%).

Per usual, servicers tended to favor certain segments of the market. Midland and Wells had the lion's share of conduit deals, while KeyBank and Berkadia did most of their business in the single-borrower market.

But with CMBS volume plunging 67% year over year to $16.49 billion in the half, activity was down sharply for all master servicers — ranging from a 45.8% fall for Berkadia to a 75.6% drop for KeyBank.

There were similarly steep declines in the first-half issuance totals of **Freddie Mac** CMBS, down 46.7% year over year to $29.28 billion, and CRE CLOs, down a whopping 91.2% to just $2.11 billion.

Wells led the master-servicer rankings in the Freddie segment with $5.27 billion (33.7%) of deals, followed by KeyBank ($4.75 billion, 30.4%), Midland ($3.17 billion, 20.3%) and Freddie itself ($2.43 billion, 15.6%).

Only two servicers saw action in the CRE CLO market, which produced just four deals during the half of 2023 as many regular issuers remained on the sidelines. KeyBank was the master servicer on two of those deals, worth $1.23 billion, while **SitusAMC** had the other two, worth $879.7 million.


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THE GRAPEVINE

Executive director **Kevin Porter** has left **Morgan Stanley** to become chief credit officer at **Petros PACE Finance.** He started on July 6 in the commercial Property Assessed Clean Energy lender's Austin headquarters, reporting to chief executive **Mansoor Ghori.** Porter was head of CMBS conduit-loan originations at Morgan Stanley, which he joined in 2017. He previously spent four years as a managing director at **MC-Five Mile** and had a

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Five-Year Conduit B-Piece Yields on the Rise

The projected B-piece yields for CMBS offerings backed by five-year conduit loans have started to creep higher, reflecting efforts by issuers to attract a wider field of buyers for the first-loss pieces of their deals.

The strategy has worked to some extent, as more B-piece buyers who routinely invest in traditional conduit issues have demonstrated greater interest in the shorter-term offerings. But so far, only three shops actually have taken down such paper since the first five-year conduit deal priced on Feb. 10 (FIVE 2023-V1).

Greystone purchased the B-piece from that deal and acquired the equivalent bonds from a comparable securitization of five-year conduit mortgages (BMARK 2023-V3) that priced this week (see article on Page 2).

Of the three other deals in that category that have priced so far, **Basis Investment** acquired the B-pieces from two (BANK5 2023-5YR1 and 5YR2). The corresponding bonds in the third went to **3650 REIT,** which also contributed loans to the

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Fitch Takes the Lead in Rating-Agency Race

Volatile issuance patterns once again shook up the league tables for rating agencies, with **Fitch** returning to the top position for the U.S. CMBS market at the end of the first half.

Moody's took the crown at yearend due to its strong showing in the single-borrower market but fell to third place at the half amid a sharp drop in such deals, according to **Commercial Mortgage Alert's** CMBS Database. **KBRA** and **S&P** each moved up a notch, to second and fourth, while **DBRS Morningstar** dropped a rung to fifth.

Moody's maintained its top position in the greatly diminished CRE CLO market, appearing on the senior tranche of all four deals that priced in the first six months, while DBRS rated the entire stack on three offerings for a 72.3% market share, based on issuance volume. Fitch appeared on one deal, and KBRA did not rate any deals.

KBRA remained in the top spot in the agency market, a position it grabbed at

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JV Seeks Debt for Miami Mixed-Use Project

A **Related Cos.** affiliate and **Oak Row Equities** are looking for up to $254 million of financing that would back the development of an office and residential building in Miami.

The joint venture is in talks with lenders via advisor **Newmark.** Proceeds would be used to finance the construction of a 41-story mixed-use tower at 2600 Biscayne Boulevard that has been in the works for more than a year. The preference is for floating-rate financing, and sources said the developers could consider quotes at multiple proceeds levels, with $254 million representing the upper end of the range.

Oak Row, formerly known as **Carpe Real Estate Partners,** paid $35 million to buy the 2.1-acre project site from **Fairholme Funds** last July. Related Fund Management, an arm of New York-based Related Cos., appears to have been a partner from the beginning.

Plans call for 399 high-end apartments on the upper floors of a segmented,

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The lower half-year volumes likely will spur little change in the makeup of the largest master and primary servicers overall, encompassing all CMBS issuances outstanding. According to the **Mortgage Bankers Association,** Midland was the top

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RANKINGS

Midland
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operator in the segment at yearend, with $731.74 billion outstanding. Wells, which once dominated the space for years, was close behind with $721.67 billion. KeyBank ($450.93 billion), Berkadia ($392.79 billion), and **CBRE Loan Services** ($380.11 billion) rounded out the top five.

Having won high marks for navigating a crush of troubled situations through the peak of the pandemic, servicers are once again in the spotlight as distress emerges for some properties backing floating-rate debt — particularly in the office sector.

"Servicers know there are going to be issues with certain sectors across the industry," said **David Harrison,** Midland's chief operating officer. "However, sector performance can't be painted in broad strokes, so it continues to be important for servicers to evaluate individual properties on a case-by-case basis."

The challenges, Harrison added, are just beginning to surface, with master servicers rolling up their sleeves on things like cash traps and special servicers seeing an increase in new transfers. But on a positive note, he said serious signs of a cycle turn — when resolutions become more intractable — haven't yet materialized.

Alan Kronovet, who leads the business for Wells, said that while more distress is likely, it won't compare to the tidal wave of loans that servicers dealt with following the onset of Covid.

"When the pandemic hit, many hotels stopped paying in the first 30 days," he said. "This is more stress at maturity for properties otherwise cashflowing at the current rate, which will have to get worked through. It won't be a wave; [it will be] just working through the facts and circumstances of each property."

Bryan Nitcher, head of loan servicing and asset management at KeyBank, said he has seen a notable amount of floating-rate office assets being transferred to special servicing in the first half and expects such transfers to remain elevated for the foreseeable future.

"Time will tell what the final outcome of the assets will be," he said. "On a positive note, we are seeing successful modifications being negotiated on multiple [single-borrower] assets, which will result in various loans returning to master servicing."

With a sizable amount of loans maturing in the next two years, servicers once again are preparing to dig in to manage the anticipated volume. "It is going to take a couple of years to get through this," Nitcher said. ❖

Master Servicers for CMBS and CRE CLOs Issued in the 1st Half

Some deals have more than one servicer due to loan-specific assignments

US CMBS

		Conduit/ Pooled ($Mil.)	Single Borrower ($Mil.)	1H-23 Total ($Mil.)	No. of Deals	Market Share (%)	1H-22 Total ($Mil.)	No. of Deals	Market Share (%)	'22-'23 % Chg.
1	Midland Loan Services	$4,998.6	$268.8	**$5,267.3**	13	31.9	$10,315.5	20	20.6	-48.9
2	KeyBank	1,426.7	3,700.0	**5,126.7**	13	31.1	21,002.3	31	42.0	-75.6
3	Wells Fargo	2,780.7	800.0	**3,580.7**	9	21.7	13,692.3	20	27.4	-73.8
4	Berkadia	190.0	2,330.0	**2,520.0**	9	15.3	4,653.1	15	9.3	-45.8
	NCB	0.0	0.0	**0.0**	0	0.0	311.1	4	0.6	-100.0
	TOTAL	**9,396.0**	**7,098.8**	**16,494.8**	**25**	**100.0**	**49,974.3**	**56**	**100.0**	**-67.0**

Freddie Mac CMBS

		1H-23 Total ($Mil.)	No. of Deals	Market Share (%)	1H-22 Total ($Mil.)	No. of Deals	Market Share (%)	'22-'23 % Chg.
1	Wells Fargo	**$5,269.7**	6	33.7	$6,882.8	8	23.5	-23.4
2	KeyBank	**4,747.7**	5	30.4	9,820.4	8	33.5	-51.7
3	Midland Loan Services	**3,172.9**	3	20.3	8,927.6	9	30.5	-64.5
4	Freddie Mac	**2,431.9**	6	15.6	3,652.8	10	12.5	-33.4
	TOTAL	**15,622.1**	**20**	**100.0**	**29,283.6**	**35**	**100.0**	**-46.7**

CRE CLOs

		1H-23 Total ($Mil.)	No. of Deals	Market Share (%)	1H-22 Total ($Mil.)	No. of Deals	Market Share (%)	'22-'23 % Chg.
1	KeyBank	**$1,234.6**	2	58.4	$5,711.2	4	23.8	-78.4
2	SitusAMC	**879.7**	2	41.6	7,436.9	8	31.0	-88.2
	OTHERS	**0.0**	0	0.0	10,818.5	11	45.1	-100.0
	TOTAL	**2,114.3**	**4**	**100.0**	**23,966.6**	**23**	**100.0**	**-91.2**