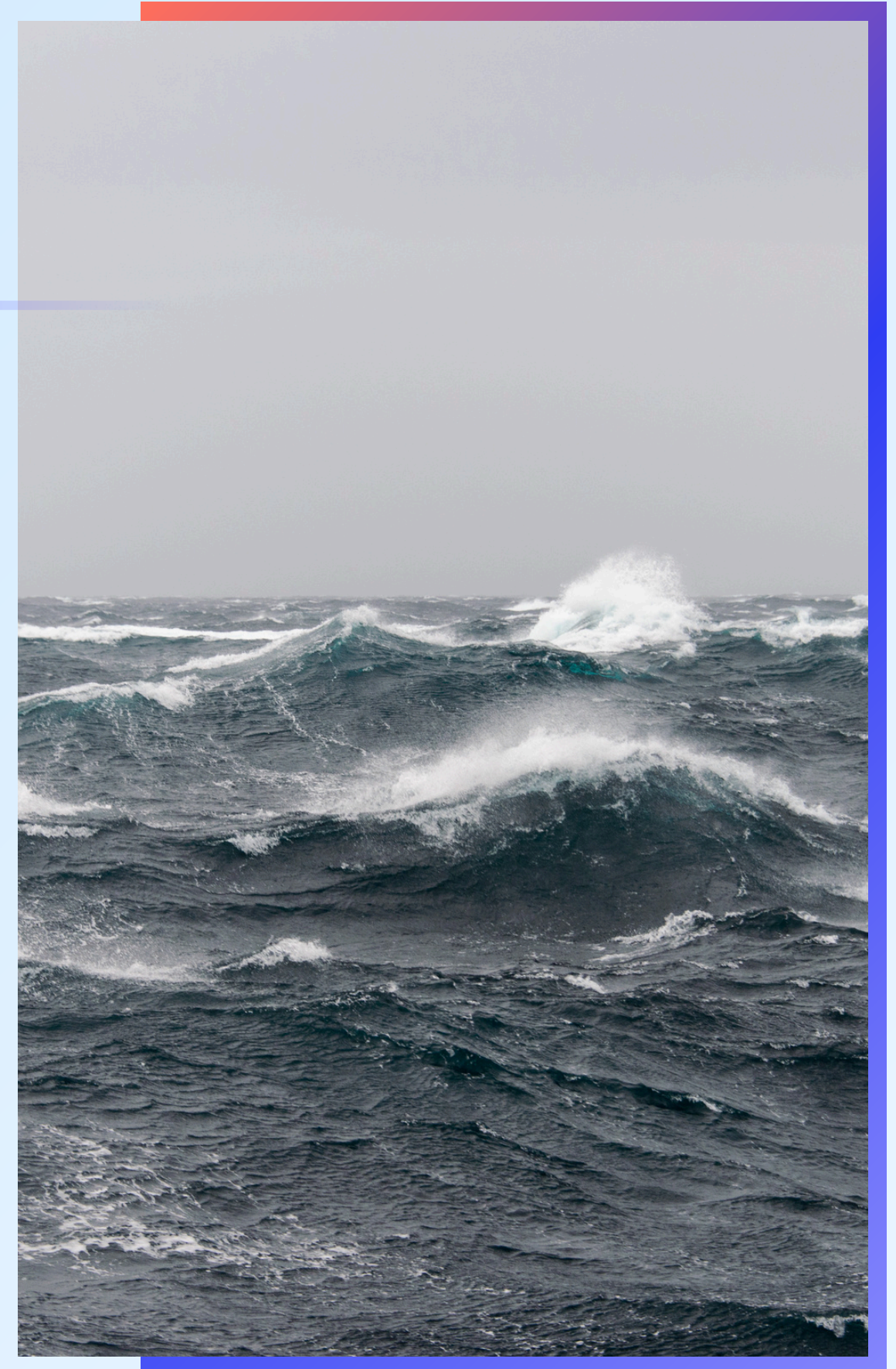


Navigating Rough Seas With Special Servicing

What Lenders & Investors Must Consider
When Dealing With A Default



Introduction

In the complex world of commercial real estate finance defaults, the strategy that special servicers take in managing non-performing loans (NPLs) can make or break outcomes for lenders, investors and borrowers. Now, more than ever, with delinquency rates rising across asset types and a looming \$2 trillion wall of CRE loans maturing over the next three years, sophisticated finance professionals should consider all their options when it comes to CRE distress, including pursuing resolution.

Unlike the traditional route of swift foreclosure, a resolution-first strategic framework seeks to maximize recovery for bondholders by prioritizing collaboration, communication and a comprehensive evaluation of alternatives. At SitusAMC, our team of experts are the named special servicer on more than \$123 billion UPB, representing 316 securitizations and 2,703 loans, as of December 2023. SitusAMC helped resolve \$21 billion in aggregate UPB in 2023. Through this experience, we've identified three critical considerations that lenders should embrace when navigating an uncertain economic landscape and distressed assets.




Three Critical Considerations When Navigating Distressed Assets

1

Evaluate Alternatives Beyond Foreclosure

For some special servicers, foreclosure is the easy and obvious route – the path of least resistance. Some pursue foreclosure simply because they don't have adequate staffing. Others don't want to invest the time or prefer to avoid potential criticism for deviating from the conventional approach. While foreclosure may move the parties one step closer to monetizing the asset, it may not maximize the economic recovery on the asset.

By contrast, a resolution-first approach entails a meticulous evaluation process to determine the root cause of default. Is it a market problem, a borrower issue, or a combination of both? Is it a short- or long-term cash-flow problem? A short- or long-term value issue? By investing in proper due diligence and taking the time to understand the nuances of each situation, special servicers can explore a myriad of alternatives, from loan restructuring to receivership sales, in collaboration with investors. This method not only seeks to maximize the value of the asset and achieve the highest recovery for bondholders, but also fosters long-term sustainability – so the asset hopefully does not return to special servicing in the future.



“Navigating defaults can be a deeply stressful process for all counterparties with major implications for their firms. To that end, we view it as our responsibility to come to our clients with options and a point of view to guide them and achieve the optimal outcome.”

CURT SPAUGH
Head of Special Servicing, SitusAMC

2

Partner with Proven, Cycle-Experienced Professionals

A resolution-first special servicer tends to have both deep experience and a collaborative culture, in which ideas are openly shared and evaluated. This environment gives servicing professionals the power to leverage the collective experience and expertise of their team on behalf of each asset, and ultimately devise more innovative solutions. A culture of continuous learning and knowledge-sharing lends itself to better navigating the complexities of non-performing loans.

It is also critical to partner with teams who have experience navigating multiple real estate cycles. Longevity brings a more informed perspective. These special servicing teams will also be better positioned to adapt, effectively manage challenging market shifts, take decisive action and ultimately achieve optimal resolutions.

OUR TEAM

We Have the Most Experienced Team in Special Servicing

Average of 30+ Years Experience

Our team averages 30+ years of experience across all levels

#1 CLO Special Servicer

Based on AUM in 2023

#1 CMBS Special Servicer

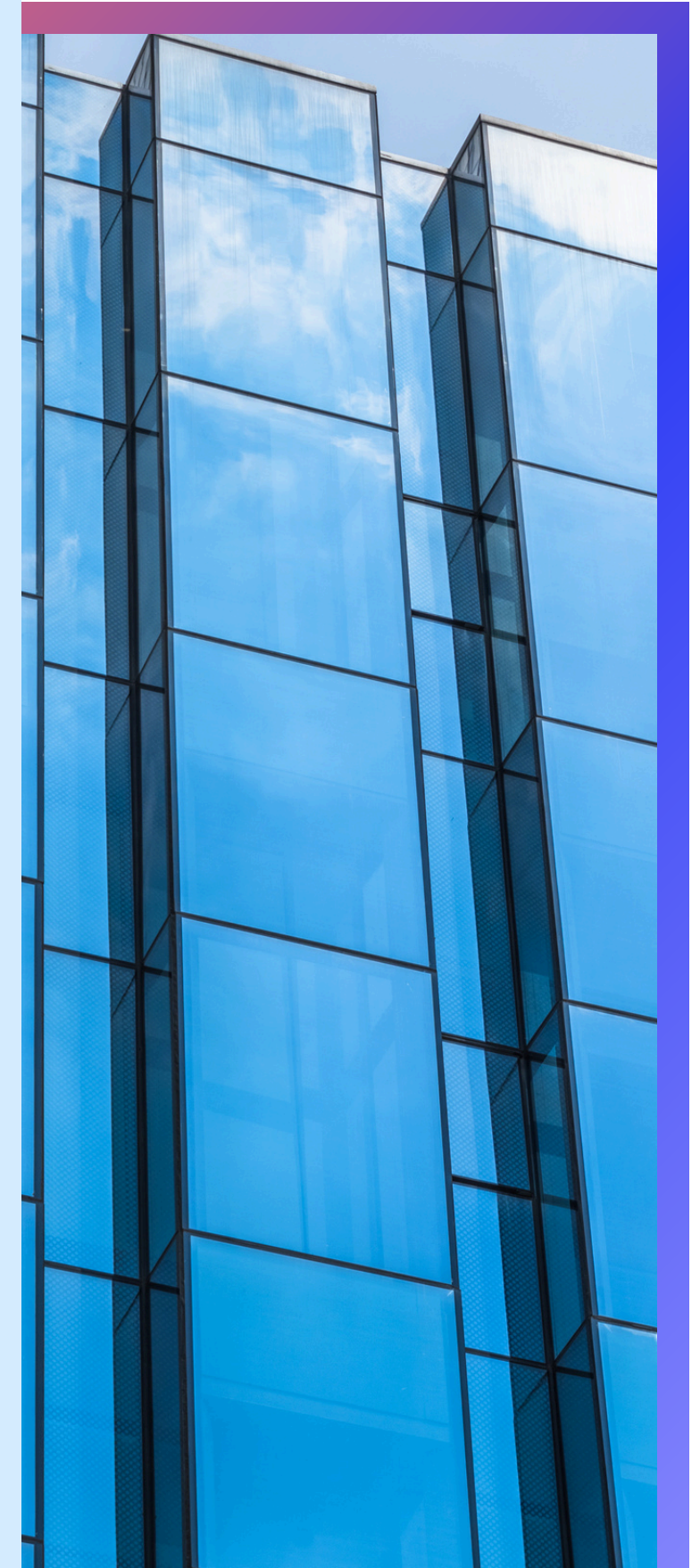
Based on AUM in 2023

Broad Coverage & Deep Expertise

We support all products and property types

92% Recovery Rate

Our resolution-first approach leads to exceptional recovery rates

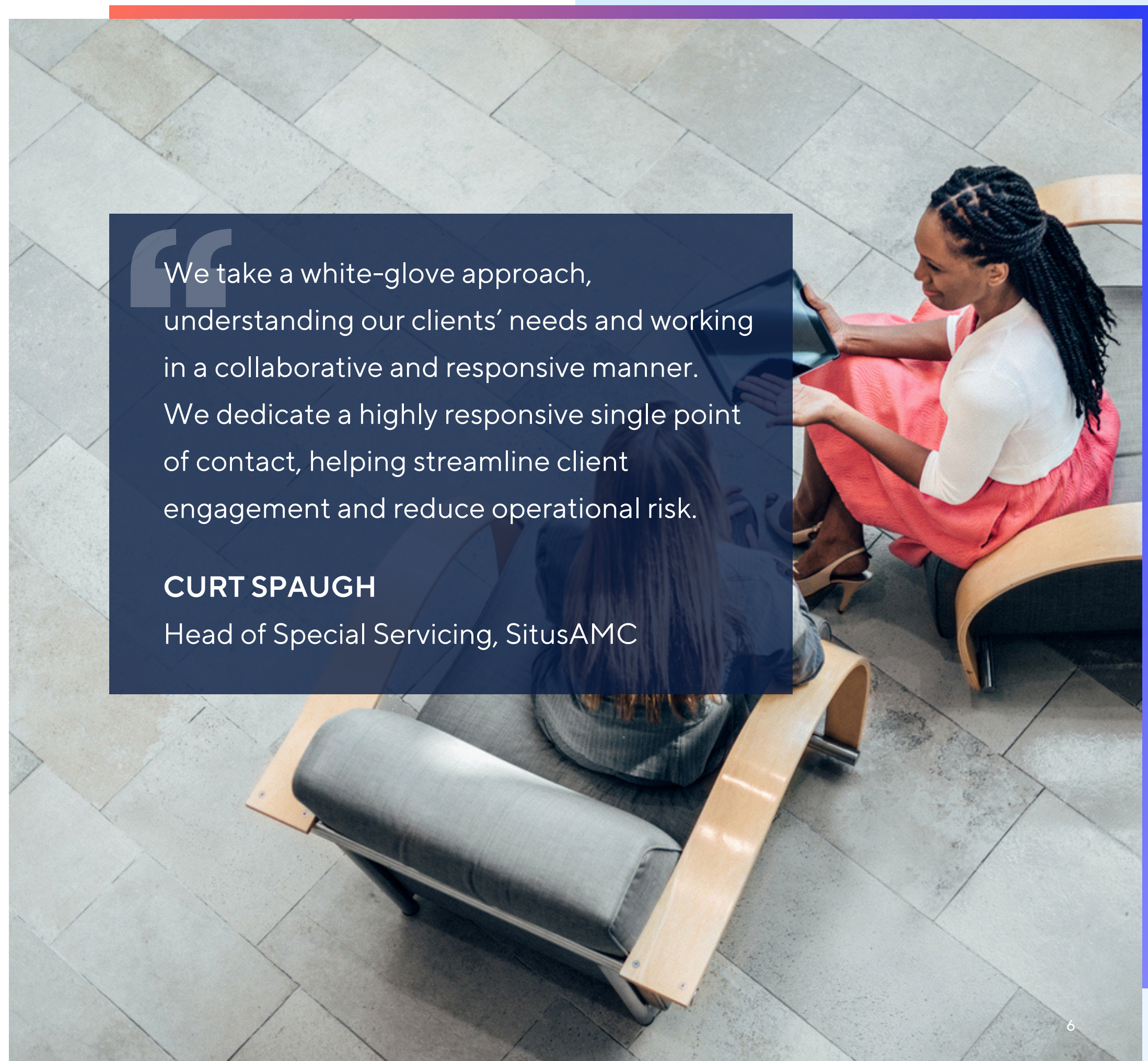


3

Focus on Relationships to Maximize Recovery

At the heart of a resolution-first approach lies a deep commitment to client interaction and collaboration. Special servicers that adopt this methodology prioritize building personal relationships with all stakeholders, starting with the directing certificate holder or controlling class. Special servicers focused on resolution work to remain consistently responsive.

By engaging in constant communication and considering the perspectives of each party, resolution-first special servicers ensure that decisions are made in the best interest of all bondholders. By transparently and consistently discussing the various options and potential disposition strategies, special servicers can align interests. This paves the way for an optimal resolution, in which lenders and investors maximize recovery opportunities and more effectively mitigate risks. Particularly in a dynamic economic landscape where CMBS delinquencies are expected to continue to rise, embracing a resolution-first approach to special servicing is essential for long-term success.



We take a white-glove approach, understanding our clients' needs and working in a collaborative and responsive manner. We dedicate a highly responsive single point of contact, helping streamline client engagement and reduce operational risk.

CURT SPAUGH

Head of Special Servicing, SitusAMC

About SitusAMC's Special Servicing

SitusAMC's Special Servicing solutions provides our clients with a white-glove approach by offering a need-driven, collaborative, and responsible engagement model. We dedicate a highly responsive single point of contact, helping streamline client engagement and reduce operational risk

To learn more, contact:



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