Real Estate Digest

Nov. 4, 2024

S&P Global Ratings

The aim of this newsletter is to provide a periodic update of selected commentaries and rating actions from S&P Global Ratings related to real estate. This edition covers the period from Oct. 21, 2024, to 1:00 p.m. GMT on Nov. 4, 2024.

If you have comments or feedback on this edition, please click here.

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Research Highlights

Focus On U.S. Data Centers

Data Centers: Rapid Growth Creates Opportunities And Issues (Oct. 30, 2024)

Practice: Cross-practice

Segment: Commercial

The surge in U.S. data center numbers and capacity should support credit quality for sectors exposed to the trend, including power generators, data center owners and developers, electricity utilities, and midstream gas companies. We expect U.S. data centers will require 150 to 250 terawatt hours of incremental power per year to 2030. Grid infrastructure will likely be the biggest hurdle to meeting that demand. We expect demand will result in sustained higher prices for power generators, increasing electricity demand after two decades of stagnation, and a reinforcement of the role of gas. The rapid growth in data centers poses several risks, including financial pressure from increased capital expenditure, a potential backlash against power price increases, and rising carbon emissions.

Click below to access the reports:

Data Centers: Rapid Growth Creates Opportunities And Issues (Oct. 30, 2024) »

Data Centers: Computing Risks And Opportunities For U.S. Real Estate (Oct. 22, 2024) »

Data Centers: Surging Demand Will Benefit And Test The U.S. Power Sector (Oct. 22, 2024) »

Data Centers: More Gas Will Be Needed To Feed U.S. Growth (Oct. 22, 2024) »

Data Centers: Welcome Electricity Growth Will Fall Short Of U.S. Data Center Demand (Oct. 22, 2024) »

North America

U.S. CMBS Delinquency Rate Rose 10 Bps To 5.3% In October 2024; Office Rate Surged Past 9.0% (Nov. 1, 2024)

Practice: Structured Finance

Segment: Commercial

This report is S&P Global Ratings' monthly summary update of U.S. CMBS delinquency trends. The U.S. CMBS overall delinquency rate rose 10 bps month over month to 5.3% in October. By balance, delinquency rates increased for office (92 bps to 9.1%); decreased for multifamily (48 bps to 3.7%), retail (25 bps to 6.3%), and lodging (14 bps to 5.3%); and remained unchanged for industrial (at 0.3%). Special servicing rates rose for office, lodging, multifamily, and retail loans; and decreased for industrial loans. The share of loans that were either modified or extended decreased 25 bps month over month to 10.2%.

Click here to access the report »

Rising Insurance Costs And Mounting Affordability Challenges Could Weigh On Some U.S. Governments' Creditworthiness (Oct. 31, 2024)

Practice: Public Finance

Segment: Residential

With economic losses from Hurricanes Helene and Milton estimated to exceed $60 billion, homeowners' insurance premiums are expected to continue rising in many U.S. regions. When higher insurance premiums compound existing housing affordability problems, it can affect location and purchase decisions for homebuyers and employers. If these conditions persist, it could lead to lower taxable property values, affecting local U.S. government revenues and long-term growth. Playing catch-up to replace losses keeps governments from pursuing new economic growth and can affect long-term financial stability.

Click here to access the report »

U.S. Public Finance Housing Rating Actions, Third-Quarter 2024 (Oct. 31, 2024)

Practice: Public Finance

Segment: Residential

S&P Global Ratings' U.S. Public Finance Housing rating actions (including outlook revisions) for third-quarter 2024 consisted of 14 positive rating actions, four negative rating actions, and 60 affirmations.

Click here to access the report »

U.S. RMBS Newsletter October 2024 (Oct. 31, 2024)

Practice: Structured Finance

Segment: Residential

Through third-quarter 2024, we assigned ratings to 37 new RMBS transactions totaling approximately $38.5 billion, 33% more than 2023 by issue size. We conducted surveillance reviews on over 2,500 transactions and took rating actions on 810 transactions. Upgrades outpaced downgrades three to one through September 2024, when excluding downgrades lowered to 'D (sf)' (default) from 'CC (sf)' ("virtual certainty" of default) in our RMBS 1.0 portfolio.

Click here to access the report »

Structured Finance Exposure To Hurricanes Helene And Milton And Their Ratings Impact (Oct. 23, 2024)

Practice: Structured Finance

Segment: Commercial, Residential

During the past few weeks, Hurricanes Helene and Milton had a major impact on Florida, Georgia, North Carolina, South Carolina, Tennessee, and Virginia, where high winds, rainfall, and storm surges caused extensive flooding. The severe weather effects have caused widespread property damage; however, it is difficult at this early stage to gauge the overall impact on residential homes and properties. Early insured loss estimates of Hurricane Helene are in the mid-single to low-double-digit billions of dollars. Meanwhile, damage from Hurricane Milton could match that of Hurricane Ian, which struck in 2022 and resulted in about $60 billion of insured losses. In this report, we describe the exposures to the hurricanes and the initial ratings impact (if any) for a range of structured finance asset classes.

Click here to access the report »

Latin America

Mexican Structured Finance Market Update: Spotting Opportunities Amid Economic Challenges (Oct. 24, 2024)

Practice: Structured Finance

Segment: Commercial, Residential

Mexico's challenging economic landscape has significantly impeded structured finance issuance. However, the market still has significant potential, and there are growing opportunities in several sectors. S&P Global Ratings recently held a series of meetings with several market participants, including arrangers, bankers, and investors. In this report we summarize some of the key takeaways and expectations from those discussions.

Click here to access the report »

Europe, Middle East, Africa

Non-U.S. Social Housing Providers Ratings Risk Indicators: Ratings Pressure Has Eased (Oct. 31, 2024)

Practice: Public Finance

Segment: Residential

We continue to think that the non-U.S. social housing provider (SHP) sector has reached a turning point. We expect rent increases will exceed cost inflation over the coming years, which should support the SHP sector's financial performance, and we project debt metrics will weaken on average across our rated SHPs in Germany, France, and Sweden. In the U.K., we project debt metrics will recover at a modest rate. We expect our ratings on non-U.S. SHPs will remain largely within the 'A' category. This view is underpinned by a significant reduction of the negative bias we observe across our ratings.

Click here to access the report »

Non-U.S. Social Housing Providers Ratings History: October 2024 (Oct. 31, 2024)

Practice: Public Finance

Segment: Residential

We rated 60 social housing providers (SHPs) outside the U.S., as of Sept. 30, 2024. Over the past 12 months, we took 22 rating actions, 13 of which have been taken since Jan. 1, 2024. As of Sept. 30, 2024, 17% of ratings had a negative outlook and six ratings (10%) had a positive outlook, the highest number since 2014. The gradually reducing proportion of negative outlooks across the portfolio and the comparatively high number of positive outlooks support our conviction that we have reached a turning point in the rating cycle.

Click here to access the report »

French Developers Are Navigating The Storm As Spanish Sail Ahead (Oct. 29, 2024)

Practice: Corporates

Segment: Residential

European property developers may see some light at the end of the tunnel. Easing inflation and mortgage rates will help stoke housing demand while a strong and resilient labor market should also help restore home buyer confidence. In France, though, the chance for a faster recovery is elusive because of higher household indebtedness, the end of a government tax incentive, and budget woes that are impeding support for property developers. For Spanish developers, we see a brighter trajectory; developers will benefit from their ability to pass on costs, and lower household debt will help sustain demand. Developing smaller units, simplified products, and a standardized approach to products should be key to overcoming still-elevated constructions costs.

Click here to access the report »

Credit FAQ: Is Dubai's Residential Real Estate Market Heading For Correction? (Oct. 28, 2024)

Practice: Corporates

Segment: Residential

Residential real estate prices in Dubai have not stabilized, while demand continues to increase in 2024. Property prices will remain stable over the next 18 months and could decline afterward. This is due to a potential supply increase, which could saturate the unfulfilled demand and lead to lower prices and rents. The market expects residential supply stock will increase by about 182,000 units over 2025-2026. This is significantly higher than the average of 40,000 units delivered annually over 2019-2023.

Our key predictions for Dubai real estate are that sales prices per square foot in the primary market will remain stable in 2025, that the pace of new launches will decrease over the next 12-24 months, and that the share of luxury developments will reduce in 2025. The escalation of the conflict in the Middle East constitutes the main risk to the performance of Dubai's real estate market over the next 12-18 months. We consider the current conflict is unpredictable and likely to persist well into 2025, with potentially lasting effects. Economic disruption could affect capital flows, tourism, and even population growth.

Click here to access the report »

European CMBS Monitor Q3 2024 (Oct. 24, 2024)

Practice: Structured Finance

Segment: Commercial

This report provides data for the CMBS transactions that we rate, including maturities, delinquencies, and specially serviced loans, as well as rating and note-level matters. The outstanding S&P Global Ratings-rated European CMBS balance decreased to £19.9 billion from £20.4 billion over the past quarter. The decrease is primarily due to the substantial prepayments of several loans. The new issuance only partially offsets the repayments. One loan is in special servicing, the same as in Q2 2024. No loans have been added or removed from special servicing this quarter.

Click here to access the report »

Banking Brief: French Banks Aim To Resume Housing Loan Origination (Oct. 21, 2024)

Practice: Financial Institutions

Segment: Residential

Faced with intense competition and the need to reprice their assets at higher rates, French banks appear to have eased credit standards materially since January 2024, according to the latest eurozone bank lending surveys. With interest rates declining, easing credit standards contribute to the increasing demand for housing loans and will likely translate into lending growth over the coming months. We expect that the easing of credit standards will be short-lived and that it will not lead to a mispricing of credit risk. Yet it highlights French banks' struggles to escape the intense competition in the housing loan segment, which remains at the core of their universal banking business model.

Click here to access the report »

Dutch Buy-To-Let RMBS Withstand Rate Hikes And Tighter Regulations (Oct. 21, 2024)

Practice: Structured Finance

Segment: Residential

Dutch buy-to-let originations are set to take off again in the coming months following downward pressure over 2023 and 2024. Rate hikes and regulatory constraints on the Dutch rental market have not undermined the credit performance of buy-to-let RMBS transactions that we rate. While non-call risk remains it could decrease, as origination volumes and evolving products provide encouraging signs to originators.

Click here to access the report »

Asia-Pacific

Hong Kong's Commercial Real Estate Downturn Is Spreading To Banks (Oct. 31, 2024)

Practice: Financial Institutions

Segment: Commercial

Hong Kong's commercial real estate (CRE) sector is working through its worst downturn since the Asian financial crisis.

As of end-June 2024, two major banks in the city, Hongkong and Shanghai Banking Corp. and its subsidiary Hang Seng Bank Ltd., reclassified about 8%-10% of their loans in Hong Kong CRE as credit-impaired. The banks viewed the loans as problem loans even though a significant portion of the borrowers were still current on payments of interest and principal. This reflected cash flow strains amid high interest rates and low rental yields. Despite this reclassification, the banks did not incur any material loan-loss provisions related to these exposures. The reclassification reflected the steepening refinancing risk of borrowers. It also suggests that other lenders may also shortly recognize some portion of their Hong Kong CRE loan book as impaired.

Individuals and small, financially aggressive property firms holding a large volume of Hong Kong commercial property assets will likely find they cannot service debt costs at current rental yield rates, potentially triggering asset sales at steep discounts. Recent data speak to the scale of this downturn. Hong Kong's grade-A office property values have dropped by 40% from the peak in 2018. Headcount among the regional headquarters of multinational firms in the city are down about one-third to roughly 132,000 as of end-2023. Retail rents have slipped 13% from the pre-pandemic era.

Click here to access the report »

Bulletin: Hongkong Land's Strategic Shift Hinges On Asset Recycling Execution (Oct. 31, 2024)

Practice: Corporates

Segment: Residential

Hongkong Land will be better able to deleverage and stabilize earnings if it executes its planned strategic shift. The company aims to increase recurring income and wind down its build-to-sell segment. It also proposes to fund portfolio growth with asset recycling proceeds and third-party capital without incurring much additional debt.

Click here to access the report »

Japan Private-Sector RMBS Performance Watch: Stable Labor Market Provides Support (Oct. 31, 2024)

Practice: Structured Finance

Segment: Residential

This report describes performance trends of residential mortgage-backed securities (RMBS) transactions originated by private-sector financial institutions and nonbank entities through July 2024. It is based on accumulated surveillance data.

Click here to access the report »

JHF RMBS Performance Watch October 2024: Delinquency Rise Will Be Negligible (Oct. 29, 2024)

Practice: Structured Finance

Segment: Residential

This report monitors the performance of residential mortgage-secured pass-through notes issued by Japan Housing Finance Agency (JHF) and its predecessor, the Government Housing Loan Corp. (GHLC).

The report finds that increased interest rates and slight inflation will have a limited impact on the delinquencies and defaults of the mortgage loans underlying transactions issued by JHF; the performance of mortgage loans underlying JHF notes will remain relatively stable; and a low and stable unemployment rate will underpin future performance. We also expect the prepayment rate to remain low since people who borrowed in a negative interest rate environment have little incentive to refinance amid rising interest rates.

Click here to access the report »

Credit FAQ: Will China's Latest Stimulus Initiatives Achieve Lift-Off? (Oct. 25, 2024)

Practice: Cross-practice

Segment: Residential

China's new planned stimulus measures, announced over the past few weeks, could boost consumer and homebuyer sentiment. It could also possibly lead to some upward revision in our GDP forecasts for 2025. However, we do not think the package amounts to a "big bang" style stimulus. The fresh initiatives aim to provide relief to local governments, rebuild market confidence, stabilize property prices, and encourage consumption. They include cheaper and easier access to home-mortgage loans; more government funds for destocking property inventories; and giving local governments more leeway to manage hidden debts and undertake stimulus. Officials also mooted plans for more consumption-related boosts. This report considers questions we frequently receive from investors.

Click here to access the report »

Selected Rating Actions

Non-Financial Corporations

- Spanish Residential Real Estate Developer Neinor Homes S.A. Assigned 'B+' Rating; Outlook Stable, Oct. 31, 2024
- Global Switch Holdings Ltd. Outlook Revised To Negative On Australian Business Disposal; 'BBB/A-2' Ratings Affirmed, Oct. 31, 2024
- Independence Realty Trust Inc. Rated 'BBB'; Outlook Stable, Oct. 30, 2024
- Falabella S.A. Outlook Revised To Stable From Negative On Operating Performance And Leverage; 'BB+' Rating Affirmed, Oct. 25, 2024
- French Real Estate Company Carmila 'BBB/A-2' Ratings Affirmed; Outlook Stable, Oct. 24, 2024
- Mercialys 'BBB/A-2' Ratings Affirmed On Resilient Operating Performance And Prudent Financial Policy; Outlook Stable, Oct. 24, 2024

- Auction.com Holding Co. Inc. Downgraded To 'CCC+' From 'B-' On Cash Flow Deficits And Elevated Leverage; Outlook Stable, Oct. 23, 2024
- Onity Group Inc. Rating Affirmed At 'B-'; New Senior Secured Notes Rated 'B-'; Outlook Remains Stable, Oct. 21, 2024

Financial Institutions

- Banque Internationale a Luxembourg 'A-/A-2' Ratings Affirmed; Outlook Revised To Negative On Risk Management Concerns, Oct. 30, 2024
- China Bohai Bank Outlook Revised To Stable On Improving Asset Quality; 'BBB-/A-3' Ratings Affirmed, Oct. 28, 2024
- Austria-Based Hypo Vorarlberg Bank AG Affirmed At 'A+/A-1'; Outlook Remains Negative On Asset Quality Risk, Oct. 22, 2024

Structured Finance – CMBS

- One MAD 2015-11MD Mortgage Trust Rating Lowered; One Affirmed, Nov. 1, 2024
- Six J.P. Morgan Chase Commercial Mortgage Securities Trust 2020-609M Ratings Affirmed, Nov. 1, 2024
- GS Mortgage Securities Corp. Trust 2017-FARM Class A Rating Lowered, Oct. 31, 2024
- Vantage Data Centers Jersey Borrower SPV Ltd. Class A-2 Rating Affirmed, Oct. 31, 2024
- Eight BBCCRE Trust 2015-GTP Ratings Lowered, Oct. 30, 2024
- UNITE (USAF) II PLC U.K. CMBS Rating Affirmed Following Review, Oct. 30, 2024
- Various Rating Actions Taken On CRSNT Trust 2021-MOON, Oct. 28, 2024
- Five Ratings Affirmed On CPTS 2019-CPT Mortgage Trust, Oct. 25, 2024
- Various Rating Actions Taken On GS Mortgage Securities Corp. Trust 2020-UPTN Due To Full Defeasance, Oct. 25, 2024
- Two Ratings On COMM 2020-SBX Mortgage Trust Affirmed, Oct. 25, 2024
- Seven Ratings On DBGS 2019-1735 Mortgage Trust Certificates Affirmed, Oct. 22, 2024
- Ratings Lowered On Six Classes From GS Mortgage Securities Corp. Trust 2015-590M, Oct. 21, 2024
- Eight BAMLL Commercial Mortgage Securities Trust 2015-200P Ratings Affirmed, Oct. 21, 2024

Structured Finance – RMBS

- Pontormo RMBS S.r.l. Class A2-2017, A2-2019 Italian RMBS Ratings Affirmed; Class A1-2017, A1-2019 Ratings Withdrawn, Nov. 4, 2024

- Castell 2022-1 PLC Class C-Dfrd To F-Dfrd U.K. RMBS Ratings Raised; Three Ratings Affirmed, Nov. 1, 2024
- Stratton Hawksmoor 2022-1 PLC Class D-Dfrd To F-Dfrd RMBS Ratings Lowered; Six Classes Affirmed, Nov. 1, 2024
- Mortimer BTL 2022-1 PLC Class B-Dfrd To E-Dfrd U.K. RMBS Ratings Raised; Class A Notes Affirmed, Nov. 1, 2024
- Avon Finance No.4 PLC Class E-Dfrd To G-Dfrd U.K. RMBS Ratings Lowered; Other Classes Affirmed, Oct. 31, 2024
- Avon Finance No.3 PLC Class B to X-Dfrd U.K. RMBS Ratings Lowered; Class A Notes Affirmed, Oct. 24, 2024
- Twin Bridges 2022-2 PLC Class B To E-Dfrd U.K. RMBS Ratings Raised; Class A Notes Affirmed, Oct 23, 2024

Public Finance

- Hexagon Housing Assn. Ltd. 'BBB+' Ratings Affirmed; Outlook Stable, Oct. 30, 2024
- U.K.-Based Places for People Group Ltd. Outlook Revised To Negative; 'A-' Ratings Affirmed, Oct. 30, 2024
- Forvaltnings AB Framtiden 'AA-/A-1+' And 'K-1' Ratings Affirmed; Outlook Negative, Oct. 29, 2024
- U.K. -Based Chelmer Housing Partnership 'A-' Rating Affirmed; Outlook Stable, Oct. 25, 2024
- HI-C Issuer Trust 'BBB+' Issuer Credit And Issue Ratings Affirmed; Outlook Remains Stable, Oct. 23, 2024
- Fastighets AB Förvaltaren 'AA-/A-1+' And 'K-1' Ratings Affirmed; Outlook Stable, Oct. 23, 2024
- U.K.-Based Social Housing Provider bpha Ltd. 'A+' Rating Affirmed; Outlook Stable, Oct. 22, 2024

Covered Bonds

- Transaction Update: Compagnie de Financement Foncier (Mortgage And Public Sector Covered Bonds), Nov. 1, 2024
- Transaction Update: Van Lanschot Kempen N.V. Soft Bullet Mortgage Covered Bond Program, Oct. 31, 2024
- Bausparkasse Wüstenrot Mortgage Covered Bond Ratings Withdrawn At Issuer's Request, Oct. 31, 2024
- Transaction Update: Nordea Kredit Realkredit A/S (Capital Center 2 Mortgage Covered Bonds), Oct. 30, 2024
- Transaction Update: Dutch Property Finance 2022-2 B.V., Oct. 28, 2024

- Transaction Update: E-MAC Program II B.V. Compartment NL 2007-IV, Oct. 25, 2024
- Kookmin Bank US$7 Billion Global Covered Bond Program Series 2024-1 Rated 'AAA'; Ratings On Other Series Affirmed, Oct. 21, 2024

Upcoming Events

- North America Non-Bank Financial Institutions Update, Nov. 14, 2024
- U.S. Public Finance Housing Hot Topics Event, Nov. 19, 2024

Webinar Replays

- Request For Comment: Global Methodology And Assumptions: Assessing Pools Of Residential Loans (U.S.), Oct. 30, 2024
- China Property Watch: Charting A Path To Stabilization, Oct. 24, 2024
- Asia-Pacific Quarter 3 2024 Banking Update: A Choppier Ride For The Rest Of The Year, Aug. 21, 2024

Previous Edition Of Real Estate Digest

- Real Estate Digest, Oct. 21, 2024