

# Capital Trends

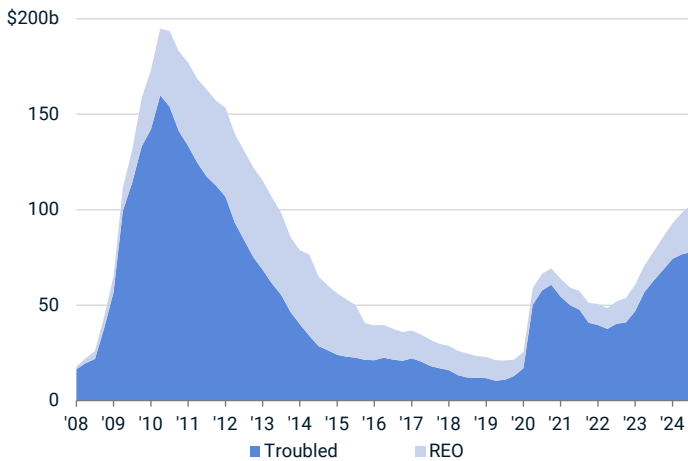
## US Distress Tracker

### Balance of Distress by Property Type

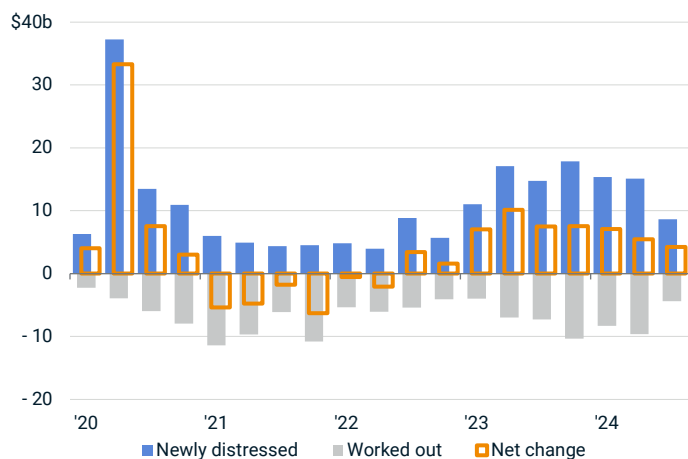
Type	Outstanding Distress (\$m)	Potential Distress (\$m)
Office	50,191	65,005
Industrial	1,713	31,100
Retail	20,249	37,672
Apartment	14,207	75,909
Hotel	13,647	32,888
Others	2,632	18,356
<b>Total</b>	<b>102,638</b>	<b>260,930</b>

Cumulative through Q3 2024. "Others" category captures asset types not included in our standard volume statistics for *Capital Trends* reports, such as self storage and manufactured housing. Definitions of distress categories on page 2.

### Cumulative Distress



### Additions and Reductions to Distress

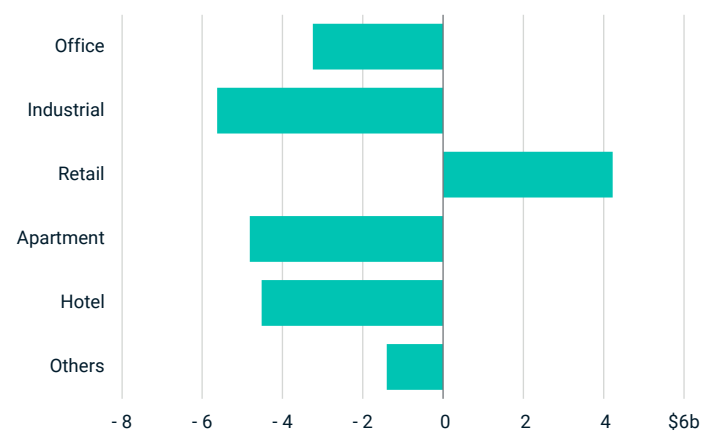


The balance of distress in the U.S. commercial real estate market reached \$102.6b by the end of the third quarter, marking the ninth consecutive quarter where new instances of distress outpaced workouts. Although the pool of distressed assets expanded in the third quarter, the pace of growth slowed. New inflows to distress outpaced workouts by \$4.3b, the smallest net change in the balance of distress since the fourth quarter of 2022.







As of September, offices constituted nearly half of the value associated with troubled properties and those taken back by lenders (real estate owned). Although new inflows of trouble in the office sector were lower in value during the third quarter than they had been since the final quarter of 2022, the net addition to office distress totaled \$4.3b because few workouts took place during the period. This net figure is in fact slightly larger than the additional trouble added to the entire market during the quarter. Both the apartment and retail sectors had more distress be resolved than emerge during the quarter, bringing down the net position for the market overall.

The value of potential distress stood at \$260.9b at the end of the third quarter, more than double the value of the pool of distress. Unlike the balance of distress, however, the value of potential trouble declined from the prior quarter. Between the second and third quarters, the total value associated with assets flagged as potentially troubled decreased by \$15.4b. Looking at the largest loans that were removed from the watchlist during third quarter, there were two primary reasons for a loan's status update: either the loan was paid off prior to maturity or the loan was modified to extend its maturity date.

### Change to Potential Distress in Q3 2024



The data supplement for this report is available to Mortgage Debt Intelligence subscribers. To learn more about MDI [contact us](#).

Current Known Distress		Outstanding	Potential	Net Distress	Distress Share
Cumulative through Q3 2024		Distress	Distress	Past 12 mths	of Volume
		(\$m)	(\$m)	(\$m)	Past 5 Yrs
	<b>Mid-Atlantic</b>				
	Baltimore	559.2	2,599.3	183.8	2%
	DC	2,573.1	2,773.5	836.2	11%
	DC MD burbs	1,356.0	2,791.8	713.9	4%
	DC VA burbs	2,348.9	4,525.2	(269.2)	4%
	Philadelphia	2,758.0	5,323.7	195.3	7%
	Pittsburgh	556.7	949.2	287.2	6%
	Richmond/Norfolk	767.6	2,070.7	335.5	3%
	Tertiary Mid-Atlantic	1,534.7	4,590.4	406.1	3%
	<b>Total</b>	<b>12,459.8</b>	<b>25,623.8</b>	<b>2,688.7</b>	<b>5%</b>
	<b>Midwest</b>				
	Chicago	8,016.7	9,048.5	888.2	9%
	Cincinnati	298.7	863.7	22.7	2%
	Cleveland	899.7	1,474.1	(74.6)	12%
	Columbus	130.6	1,214.5	(46.9)	1%
	Detroit	745.8	2,559.7	309.2	5%
	Indianapolis	506.3	1,633.9	192.6	2%
	Kansas City	427.2	1,846.1	(51.3)	2%
	Minneapolis	773.5	3,394.1	123.0	2%
	St Louis	272.8	1,869.6	49.7	1%
Tertiary Midwest	2,105.8	8,133.2	52.5	2%	
	<b>Total</b>	<b>14,177.0</b>	<b>32,516.6</b>	<b>1,465.1</b>	<b>4%</b>
	<b>Northeast</b>				
	Boston	348.3	5,341.3	16.5	0%
	Hartford	538.4	869.2	72.9	9%
	Long Island	310.5	2,251.1	265.5	2%
	Manhattan	23,559.5	28,996.0	10,210.4	21%
	No NJ	1,955.9	8,554.4	110.7	3%
	NYC Boroughs	2,939.3	6,528.1	(52.7)	5%
	Stamford	619.6	934.7	364.3	7%
	Westchester	1,091.3	1,612.7	41.2	9%
	Tertiary Northeast	3,054.9	4,895.1	1,311.8	6%
	<b>Total</b>	<b>34,417.9</b>	<b>59,993.4</b>	<b>12,340.6</b>	<b>8%</b>
	<b>Southeast</b>				
	Atlanta	2,309.7	9,417.5	439.3	2%
	Broward	458.1	2,124.1	94.0	1%
	Charlotte	1,337.3	2,040.6	91.1	3%
	Jacksonville	187.9	1,511.1	42.4	1%
	Memphis	153.8	911.7	78.6	1%
	Miami/Dade Co	557.4	3,229.3	366.7	1%
	Nashville	463.9	1,409.8	195.0	1%
	Orlando	212.4	3,025.4	20.2	0%
	Palm Beach Co	264.2	1,476.3	(122.2)	1%
	Raleigh/Durham	212.7	1,221.1	47.9	1%
	Tampa	262.7	3,221.1	(235.0)	1%
	Tertiary Southeast	3,592.4	15,494.0	524.9	1%
	<b>Total</b>	<b>10,012.4</b>	<b>45,082.1</b>	<b>1,543.0</b>	<b>1%</b>
	<b>Southwest</b>				
	Austin	659.5	3,033.9	112.7	1%
	Dallas	2,730.5	9,497.0	980.9	2%
	Denver	1,564.3	4,013.5	320.3	3%
	Houston	3,448.7	6,665.6	782.8	4%
	Phoenix	591.3	5,134.0	(225.0)	1%
	San Antonio	564.6	1,778.7	148.7	2%
	Tertiary Southwest	1,482.2	6,438.9	(83.1)	2%
		<b>Total</b>	<b>11,086.0</b>	<b>36,561.6</b>	<b>2,037.3</b>
	<b>West</b>				
	East Bay	1,353.2	3,291.4	504.9	4%
	Inland Empire	434.2	3,208.4	(167.1)	1%
	Las Vegas	667.6	3,596.0	(406.7)	2%
	Los Angeles	4,873.6	13,608.6	677.2	4%
	Orange Co	1,058.4	2,347.8	220.4	2%
	Portland	1,000.9	2,209.1	156.0	4%
	Sacramento	125.2	1,502.4	46.5	1%
	Salt Lake City	222.8	1,393.5	(40.9)	1%
	San Diego	497.3	4,112.6	(2.3)	1%
	San Francisco	6,961.1	5,224.0	1,568.4	17%
	San Jose	1,381.8	4,018.7	1,023.5	3%
Seattle	922.7	6,762.0	626.4	1%	
Tertiary West	986.3	9,693.5	65.2	1%	
	<b>Total</b>	<b>20,485.0</b>	<b>60,968.2</b>	<b>4,271.7</b>	<b>3%</b>
<b>Total</b>	<b>Total US</b>	<b>102,638.1</b>	<b>260,930.4</b>	<b>24,346.3</b>	<b>3%</b>

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## Notes and Definitions

**Distress (also Troubled/Special Servicing):** indicates direct knowledge of property-level distress. Known through announcements of bankruptcy, default and court administration as well as significant publicly reported issues – such as significant tenant distress or liquidation – that would exemplify property-level distress. This also includes CMBS loans transferred to a special servicer.

**Potential Distress (also Potentially Troubled/ Watchlist):** indicates possible future property-level financial trouble due to events such as delinquent loan payments, forbearance and slow lease up/sell out, among others. This also includes CMBS loans placed on master servicer watchlists.

**Distressed Sale:** a sale in which the property/ properties acquired were considered distressed. The sale resolves a previously distressed situation.

**REO:** signifies properties or assets that lenders have taken back through foreclosure. The property is now Real Estate Owned by a lender.

See the *Glossary* on the MSCI Real Capital Analytics website for more definitions.

Data in this report captures asset types not included in our standard volume statistics for *Capital Trends* reports, such as self storage, manufactured housing and parking facilities. All data through Q3 2024.

## About Mortgage Debt Intelligence

Mortgage Debt Intelligence is a searchable database linking properties, loans, borrowers and lenders, and more. [Contact us](#) to learn about MDI.

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