

Capital Trends

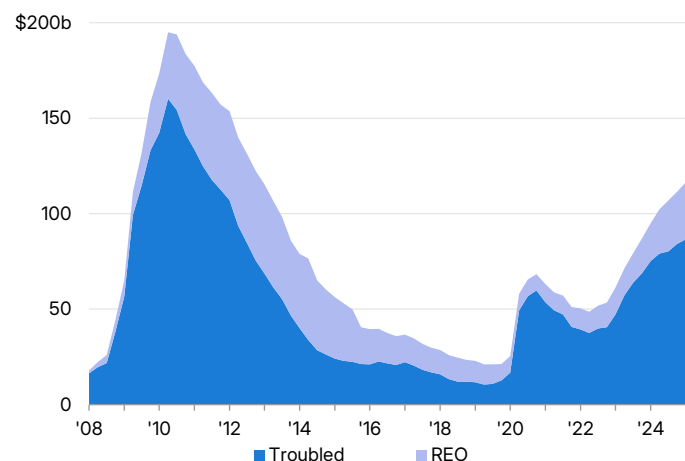
US Distress Tracker

Balance of Distress by Property Type

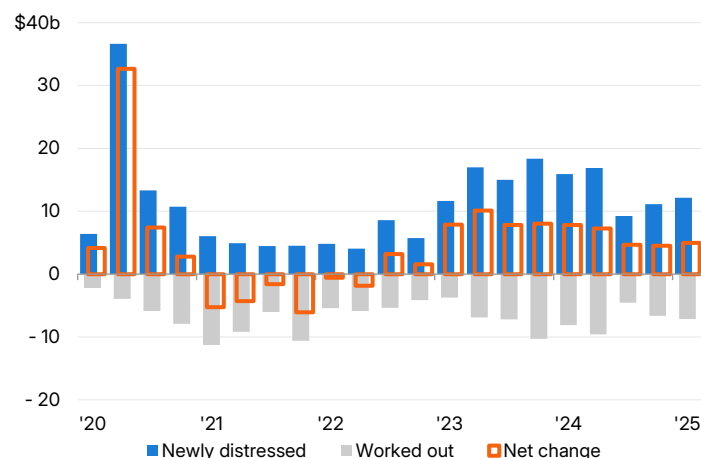
Type	Outstanding Distress (\$m)	Potential Distress (\$m)
Office	54,211	88,396
Industrial	2,318	37,998
Retail	21,550	49,427
Apartment	19,211	120,855
Hotel	15,824	37,896
Others	3,241	25,723
Total	116,355	360,294

Cumulative through Q1 2025. "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 \$116.4b by the end of the first quarter of 2025, a 23% value increase compared to the same period last year. The first quarter marked a shift in trend: since the close of 2023, the quarterly growth in net distress had been abating, but net distress expanded at the start of the year. Through the first three months, more than \$12b in new trouble emerged, outpacing workouts by about \$5b and adding more distress to the market than in either of the prior two quarters.

Through the first quarter, the total pool of distress included nearly 4,300 assets, about 400 of which were added in early 2025. It was exactly one decade ago that the number of distressed assets was last so high.

The hotel sector was behind most of the new trouble for the quarter, representing 41% of newly troubled assets by count and over 80% of the increase in the balance tied to troubled assets. Much of this growth stemmed from large, troubled portfolio loans, many of which ended the quarter with borrowers and lenders engaged in negotiations to modify or extend existing loan terms.

Still, office properties continued to represent nearly half of the total value of financially troubled and bank-owned assets. On a more positive note, however, offices were the only property type where resolutions outpaced the emergence of new trouble during the first quarter.

The impact of distress is not evenly distributed across ownership types. Private owners carry the largest burden, holding 37% of the total value of distressed assets and 59% of the total number of distressed properties. Institutional owners, by contrast, hold fewer assets — about 27% of the count — but their share of the distress value is higher at 32%, reflecting the generally larger size and higher value of their properties.

Owner Composition of Distress



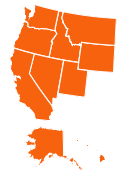
By value (\$)



By count of properties



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

Current Known Distress Cumulative through Q1 2025		Outstanding Distress (\$m)	Potential Distress (\$m)	Net Distress Past 12 mths (\$m)	Distress Share of Volume Past 5 Yrs
	Mid-Atlantic				
	Baltimore	594.7	3,662.6	(67.3)	2%
	DC	2,327.2	3,463.3	26.0	10%
	DC MD burbs	1,752.4	3,740.8	809.1	6%
	DC VA burbs	2,683.2	6,030.0	1.9	4%
	Philadelphia	2,931.9	6,974.6	315.5	7%
	Pittsburgh	724.1	1,550.3	261.5	9%
	Richmond/Norfolk	806.9	2,488.1	17.2	3%
	Tertiary Mid-Atlantic	1,652.9	6,100.1	220.1	3%
	Total	13,478.8	34,009.8	1,584.0	5%
	Midwest				
	Chicago	8,494.1	12,962.8	2,220.2	10%
	Cincinnati	305.7	1,171.8	31.8	2%
	Cleveland	823.2	1,629.7	(44.1)	11%
	Columbus	97.9	1,891.4	(72.7)	0%
	Detroit	676.6	3,408.8	12.1	4%
	Indianapolis	652.7	2,940.1	136.5	3%
	Kansas City	413.0	2,343.8	(32.2)	2%
	Minneapolis	875.5	3,399.8	96.9	3%
	St Louis	290.1	1,979.9	12.3	2%
	Tertiary Midwest	2,088.0	10,965.1	(159.0)	2%
	Total	14,716.8	43,172.5	2,201.8	4%
	Northeast				
	Boston	1,801.8	6,754.7	1,410.2	2%
	Hartford	471.9	966.4	(87.8)	8%
	Long Island	548.5	2,998.7	322.0	4%
	Manhattan	23,459.2	38,238.4	3,436.3	20%
	No NJ	2,240.6	10,873.2	437.4	4%
	NYC Boroughs	4,195.5	10,254.9	54.9	8%
	Stamford	797.6	1,404.2	435.1	10%
	Westchester	1,286.2	1,894.1	384.9	11%
	Tertiary Northeast	3,049.4	6,512.4	351.4	6%
	Total	37,850.8	79,907.7	6,744.3	9%
	Southeast				
	Atlanta	2,728.1	11,982.0	702.9	2%
	Broward	809.5	3,036.8	349.6	2%
	Charlotte	1,273.4	2,779.5	96.8	3%
	Jacksonville	438.6	2,335.2	306.2	2%
	Memphis	179.5	1,265.6	76.2	1%
	Miami/Dade Co	1,029.7	3,652.9	614.2	2%
	Nashville	571.0	2,166.2	108.4	1%
	Orlando	447.8	3,711.9	188.2	1%
	Palm Beach Co	490.9	1,736.6	209.5	2%
	Raleigh/Durham	229.2	2,726.9	24.4	1%
	Tampa	281.0	5,136.2	(77.3)	1%
	Tertiary Southeast	3,973.8	21,865.7	(397.9)	2%
	Total	12,452.8	62,395.8	2,201.2	2%
	Southwest				
	Austin	882.3	5,291.0	350.3	1%
	Dallas	2,832.0	14,650.3	379.0	2%
	Denver	2,118.6	5,133.9	483.6	4%
	Houston	4,299.5	9,861.8	1,090.3	5%
	Phoenix	897.1	7,536.4	331.2	1%
	San Antonio	633.6	2,492.6	129.4	2%
	Tertiary Southwest	2,012.5	9,302.3	592.8	2%
	Total	13,720.5	54,268.3	3,356.6	2%
	West				
	East Bay	1,962.4	4,461.2	769.2	5%
	Inland Empire	639.9	3,902.7	172.7	1%
	Las Vegas	800.1	4,159.5	(534.3)	2%
	Los Angeles	4,923.5	18,892.8	446.6	4%
	Orange Co	806.4	3,822.2	(614.9)	2%
	Portland	1,187.9	2,748.5	22.3	4%
	Sacramento	236.7	2,032.9	181.3	1%
	Salt Lake City	258.4	1,504.5	70.1	1%
	San Diego	963.0	5,048.1	398.8	2%
	San Francisco	7,483.1	8,602.6	2,253.8	20%
	San Jose	1,840.2	5,296.5	701.3	4%
	Seattle	1,426.5	8,230.0	785.4	2%
	Tertiary West	1,607.4	17,598.8	637.1	1%
	Total	24,135.5	86,355.2	5,289.4	4%
Total	Total US	116,355.2	360,294.1	21,377.3	4%

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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 Q1 2025.

About Mortgage Debt Intelligence

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About MSCI

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