



1st Service Solutions Warns of Distressed CMBS Hot Spots Commercial Real Estate Advisory Firm Zeroes in on Hardest Hit Areas

DALLAS, TX (July 31, 2015) – [1st Service Solutions](#), the industry-leading commercial mortgage backed security (CMBS) borrower advocate and commercial real estate (CRE) advisory firm, is warning the industry of a looming financial problem, hoping to draw attention to some of the areas hardest hit by troubled CMBS loans.

“Our research indicates that while much of the recovery in the commercial real estate market is real, the CMBS maturity market remains on shaky ground,” states Ann Hambly, founder and CEO of 1st Service Solutions. “Geographically speaking, the Las Vegas, Phoenix and Chicago markets are showing signs of severe distress for CMBS borrowers.”

Some recent statistics bear out this warning as fact. According to research from GlobeSt.com, the following markets are in bad shape and paint a precarious picture of CMBS loans set to mature before the end of 2017:

- **Chicago market:** 194 CMBS-financed properties, 53 of which have a loan-to-value (LTV) ratio greater than 100 percent and 112 loans with an LTV greater than 80 percent
- **Phoenix market:** 150 CMBS-financed properties, 32 of which have an LTV greater than 100 percent and 80 loans with an LTV higher than 80 percent
- **Las Vegas market:** 106 CMBS-financed properties, 30 of which have an LTV greater than 100 percent and 60 loans with an LTV greater than 80 percent

In each of these three markets, over half of all CMBS loans are overleveraged. These extremely high loan-to-value ratios indicate one precipitous conclusion—these CMBS borrowers likely won’t be able to pay off their notes at maturity without some form of assistance. And CMBS servicers aren’t likely to offer flexibility when it comes to repayment.

These local snapshots focus on some of the worst examples of CMBS loan distress, but the issue neatly mirrors a nationwide problem that likely won’t conclude prior to 2017. This is because these 10-year notes, originated before the financial meltdown in 2008, were very aggressively underwritten.

While many casual observers are inclined to deem this an internal problem for the commercial real estate industry and unlikely to affect them personally, consider this: CMBS loans are owned by bondholders, some of which include a wide-reaching variety of public pension funds. These include fire, police and other civic organizations scattered throughout the country.

“The commercial real estate industry and especially borrowers with CMBS loans need to heed these warning signs,” Hambly explains. “Time is running out, and the focus on solutions to this coming crisis needs discussion and action before it’s too late. At 1st Service [Solutions], we have a saying: ‘Deal with it

now...or you'll experience it later.”

For more information, please visit 1st Service Solutions at www.1stsss.com or call (817) 756-7227.

About 1st Service Solutions

Founded in 2005 by Ann Hambly, the former CEO of several CMBS Special Servicers, 1st Service Solutions was the first firm dedicated to serving exclusively as a borrower advocate in loan restructuring and assumptions of Commercial Mortgage-Backed Securities (CMBS) based loans. Over the years, the firm has remained the industry leader in the borrower advocacy realm. 1st Service Solutions now offers their services to commercial real estate owners for all products (FHA, Fannie Mae, bank loans, EB5) in addition to its core CMBS product. The firm has served as a borrower advocate on over \$15 billion in transactions nationwide as of year-end 2014.

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