



Fitch Upgrades Green Loan Services' Special Servicer Rating

April 29, 2022

Fitch Ratings - Austin - 28 Apr 2022: Fitch Ratings has upgraded Green Loan Services LLC's (GLS) loan level special servicer rating to 'CLLSS2' from 'CLLSS2-1'.

KEY RATING DRIVERS

The loan level special servicer rating reflects GLS' continued demonstrated proficiency servicing large, complex loans for its parent and third parties as evidenced by two recent SASB resolutions totaling over \$1.2 billion, its scalable shared staffing structure with its parent, and the highly experienced management and asset manager team. The rating also considers GLS' limited quality controls and the overall control framework, technology platform and the financial condition of the parent company.

GLS is a wholly owned loan servicing subsidiary of SL Green Realty Corp. (NYSE: SLG), a publicly traded REIT. GLS's special servicing portfolio includes CRE mortgages, mezzanine loans, junior loan participations and preferred equity investments. The company performs special servicing predominantly for loans held on SLG's balance sheet; however, it may perform third-party special servicing for holders of controlling class positions or rake bonds on a limited basis. GLS's debt portfolio consists of first mortgages and subordinated positions generally in large, complex loan structures. Debt investments are typically backed by New York City properties and often are properties SLG underwrote as potential acquisitions.

Year over year, GLS resolved five securitized loans in two SASB transactions; however, as of YE21, the loans had yet to transfer out of special servicing. One transaction was comprised of a \$846.2 million loan broken into three components secured by a portfolio of 34 retail properties (including 24 vacant stores) in 15 states. GLS executed a modification to extend the maturity dates of two loan components while bringing debt service current and commencing full debt service payments and trapping excess revenue for further loan paydowns. GLS also obtained values for each property in the portfolio on a 'dark' and 'as-is' basis to adjust minimum property release thresholds on a property level basis. The loan was ultimately returned to the master servicer as a performing loan in 1Q2022. For the second transaction, GLS obtained a full payoff for a \$330 million loan split into two notes secured by a large transit hub in Washington D.C. The securitized trust recovered 100%, including all legal and special servicing costs as well as master servicing advances and interest on advances.

GLS maintains a highly experienced and tenured special servicing team consisting of 14 employees, down slightly from 17 at the last review. GLS's employees are shared resources within SLG, allocating approximately 50% of their time to special servicing. GLS employees include SLG's CEO and president, members of the legal team, other senior managers and asset underwriters/credit personnel. Collectively, the management team serves as the company's asset managers averaging 22 years of industry experience with extensive experience resolving large, complicated real estate assets with a particular expertise in the New York metropolitan office market.

GLS experienced 32% total turnover, up from 17% at the time of last review, driven wholly by voluntary departures related to the current labor market. Departures were offset by three new team members, including one middle manager as well as two new staff-level employees. Management turnover increased to 30% as one senior manager and two middle managers departed the company, up from 17% at the time of last review. GLS experienced 30% asset manager turnover year over year, up from 0%, which Fitch notes is slightly mitigated by the new hires as well as the remaining nine asset managers' breadth of experience. Consistent with last review's minimal asset manager turnover, GLS has typically experienced stable to low departure volume in previous years.

As of Dec. 31, 2021, GLS was named the special servicer on six securitized loans across three SASB transactions, totaling \$1.5 billion in outstanding balance, and 20 non-securitized loans totaling \$1.7 billion. As of the same date, five securitized loans in two SASB transactions totaling \$1.2 billion were in special servicing and GLS was also managing two non-securitized REO assets totaling \$63.7 million. Both SLG's securitized and its non-securitized portfolio reflect the company's diverse investments in residential and retail properties, in addition to office, increasing GLS's experience with diverse property types. Between the two portfolios, multifamily and retail properties each make up 35% of all loans. Additionally, SLG performs construction lending with debt investments in both Brooklyn and Queens.

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

- [Criteria for Rating North American Commercial Mortgage Servicers \(pub. 22 Jan 2020\)](#)
- [Criteria for Rating Loan Servicers \(pub. 07 Feb 2020\)](#)

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Green Loan Services LLC -

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