CMBS NOTEBOOK

Tariffs shake up securities market; Macerich loses control of hometown mall; Loan backing distinctive office campus gets downgrade

A weekly look at the commercial mortgage-backed securities business

President Donald Trump delivers remarks on reciprocal tariffs earlier this month. (Getty Images)

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This week's column looks at the effect tariffs are having on the securities market, how one real estate investment trust lost control of a California mall and why the loan on a distinctive Long Island office campus is being downgraded. Click "read more" to see the entire report.

Tariffs shake up securities: The disruption from the Trump administration’s on-again, off-again tariffs prompted bond ratings firm KBRA to put $17.5 billion in securities ratings on hold, including some for commercial mortgage-backed securities. The action comes as a growing number of transactions are being re-priced as yields rise to compensate for perceived risks.

“Issuers have generally indicated a willingness to move forward if capital markets stabilize,” KBRA said in a report. “However, persistent volatility could stifle the robust issuance volume anticipated in our 2025 outlooks. While it remains premature to revise our issuance forecasts, it is increasingly likely that issuance for the remainder of the year could be dampened if current conditions persist."

Given how quickly conditions are evolving — at times shifting by the hour — it remains too early to predict the ultimate impact on credit stability, the firm added.

Tariff-driven market volatility is reducing investor appetite for new CMBS deals, KBRA said.

New issuance activity is already slowing with only one new registration filed this month, according to Securities and Exchange Commission filings. There were 13 filed in March, totaling $8 billion.

"Several CMBS deals that were slated to be announced in the first half of April have been delayed or put on hold," KBRA said. "However, given the '90 day pause' announced on April 9, we suspect that issuers will look for opportunistic windows in which to launch transactions."

A court-appointed receiver has taken control of Santa Monica Place in Santa Monica, California. (CoStar)

Macerich loses control of hometown mall: Publicly traded Macerich has lost control of Santa Monica Place, a 527,000-square-foot retail center in the real estate investment trust's hometown of Santa Monica, California.

Trigild, a court-appointed receiver for the property, gave management and leasing duties to Prism Places, a Los Angeles property management and investment firm.

Santa Monica Place, originally designed by renowned architect Frank Gehry, underwent a $265 million renovation in 2010 to transform it into an open-air center. The longtime property owner, Macerich, defaulted on its $300 million loan last year.

"Santa Monica remains one of the most desirable and affluent areas in the United States," Stenn Parton, founder and CEO of Prism Places, said in a press release. "While challenges have led to vacancy at both Santa Monica Place and its neighboring retail district, 3rd Street Promenade, the City and State have made crucial policy changes that will allow for Santa Monica's recovery."

The Santa Monica Place loan is Macerich's only loan that would not be “refinanced, restructured, extended and/or paid off” this year, the company said in its annual report filed last month with the U.S. Securities and Exchange Commission.

Macerich did not respond to a request for comment from CoStar News.

Lenders are seeking a receiver sale or foreclosure of One Jericho Plaza on Long Island. (CoStar)

Long Island office campus loan draws downgrade: Bond rating firm KBRA downgraded the ratings on NCMS 2022-JERI, a $149.2 million CMBS transaction backing Jericho Plaza, two distinctive office buildings in Long Island, New York. The firm cited the loan’s foreclosure status with the special servicer, its anticipated high tenant rollover and weak office conditions in the property’s submarket.

The loan is backed by a pair of three-story, Class A buildings totaling 665,592 square feet in Jericho. There is also $20 million of existing mezzanine debt on the properties, according to KBRA. The loan matured without paying off in January 2024, even though it had three 1-year extension options.

The borrower, an affiliate of Birch Group, failed to purchase an interest rate cap required to exercise the first extension option, according to KBRA. Mark Meisner, president of Birch Group, did not respond to a request for comment.

Midland Loan Services, the special servicer of the loan, had a receiver appointed in February 2024. The lender is proceeding with legal remedies, including a receiver sale or foreclosure, according to CMBS commentary supplied to CoStar.

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