European CRE/CMBS: retail renaissance

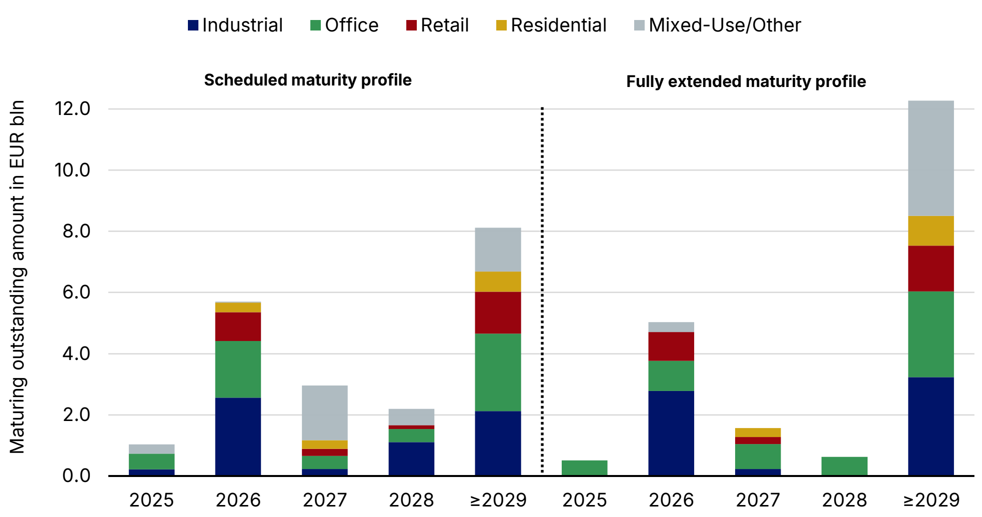
Retail leads the way in loan repayments, signalling improved fundamentals

Almost EUR 1.9bn has been repaid so far this year across 13 CRE loans, with retail assets accounting for EUR 550m across five loans. Other repayments include two industrial (EUR 760m), two residential (EUR 300m), one office (EUR 220m), two telecom exchanges (EUR 75m) and one hotel (EUR 31m). While this is far below the EUR 7.1bn of issuance to date, the decrease of delinquent loans – from 37% last December to 21% in Q3 2025 – does provide some comfort around the improved performance and fundamentals of the underlying properties.

Only one loan remains at high risk of refinancing: the senior Taurus 2021-3 DEU office transaction. We had previously expected six loans (60% by number) to face high or very high refinancing risk due to lower asset values and relatively compressed debt yields. To date, four loans (40%) have been extended and five repaid.

Around EUR 5bn of fully extended securitised loans have had their maturities pushed back to 2026, 55% of which by volume are backed by industrial and logistics assets, 20% by office, 19% by retail and the remainder by motor services assets and telecom exchanges.

Figure 1: Scheduled vs fully extended maturity profile of the European securitised CRE loans



Source: Investor reports, Score Ratings CMBS tracker

Analysts

Benjamin Bouchet
+33 1 86 26 18 76
b.bouchet@scoperatings.com

Krisztian Bellon
k.bello@scoperatings.com

Team leader

Benoit Vasseur
b.vasseur@scoperatings.com

Media

Keith Mullin
k.mullin@scopegroup.com

Table of contents

Refinancing risk: office still struggles, retail rebounds

Last loan to refinance of 2025 is office-backed with very high refinancing risk

Of the EUR 1.65bn across 10 loans maturing in 2025, four have been extended, three backed by office properties. The Squaire of Taurus 2021-3 DEU office transaction is the only remaining loan to refinance (see Appendix 1). The Squaire is secured by the eponymous property located at Frankfurt airport with large office space and two hotels. The transaction, which closed a year after the start of the pandemic in 2021, never really recovered. While last year's hotel revenue returned to pre-pandemic levels (down 2% from 2019), net operating profit is down 22%. In addition, the gross rental income from the office space decreased by 11% between 2020 to June 2025 and is scheduled to drop further from 2028 when KPMG AG (the main tenant in the property accounting for 59.8% of the income) moves to new offices in the city centre.

Figure 2: Updated refinancing risks for securitised loans maturing in 2025

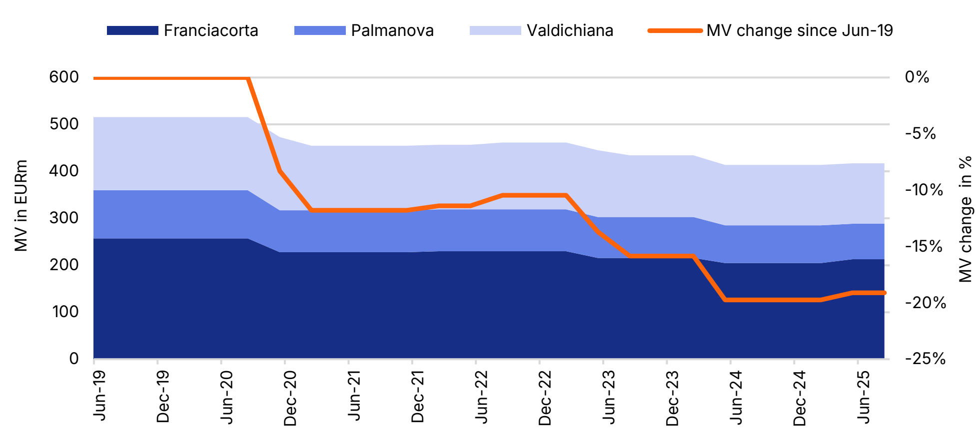
CMBS	Loan	Country	Sector	Vacancy	DY	LTV	Refinancing risk
Taurus 2020-1 NL	Loonie	Netherlands	Office	18.8%	6.8%	75.4%	Extended +1
Starz 2021-1	Sellar	UK	Hotel	N/A	N/A	N/A	Repaid
Taurus 2017-1 IT	*Senior*	Italy	Mixed-use	12.8%	10.24%	121.6%	Extended +1
ELoC 33	Salus	UK	Office	7.7%	10.1%	54.2%[1]	Extended +3
ELoC 38	Viridis	UK	Office	12.7%	6.5%	70.1%	Extended and refinanced
Starz 2021-1	Zamek	UK	Residential	N/A	N/A	N/A	Repaid
DECO 2019-RAM	Derby	UK	Retail	N/A	N/A	N/A	Repaid
Taurus 2019-4 FIN	*Senior*	Finland	Retail	N/A	N/A	N/A	Repaid
Sage AR 1	*Senior*	UK	Residential	N/A	N/A	N/A	Refinanced
Taurus 2021-3 DEU	The Squaire	Germany	Office	19.0%	7.0%	67.5%	Very high

[1] Taking the reported price tag of the property in January of this year the LTV jumps to 73.5%
Source: Scope Ratings, Scope CMBS tracker, investor reports, transaction notices

Three retail-backed Italian loans have prepaid following sale of collateral close to most recent market value

On the positive side, three Italian retail loans sponsored by Blackstone have prepaid: Franciacorta and Palmanova (secured in Deco 2019-Vivaldi S.R.L), and Valdichiana (Pietra Nera Uno S.R.L.) The loans were extended by three years last year to 2027. Real estate developer and investor Frey recently acquired the three shopping villages for EUR 410m, just short of the latest EUR 417.2m combined reported market value (MV) according to the last investor reports dated May 2025, though still 19% below their value at closing.

Figure 3: Historical combined market value of the three Italian shopping village

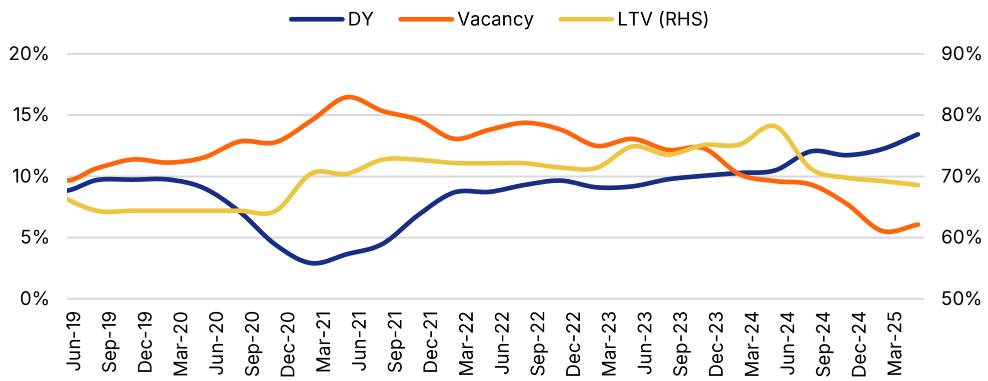


Source: Scope Ratings, investor reports

Improved and strong underlying performance since the pandemic trough of 2021

The loans have rebounded well since the pandemic: on a weighted average basis, they hit a trough in 2021 with a debt yield ('DY') as low as 2.9% and a vacancy level as high as 16.5%. Within a year, the DY and the vacancy were back at pre-Covid levels and have since outperformed, with the DY at 13.4% and vacancy standing at just above 6%. The strong performance of the retail villages, together with the equity injection from the sponsor when it extended the loans by three years in 2024, enabled the weighted average LTV to remain between 65% and 80% since June 2019.

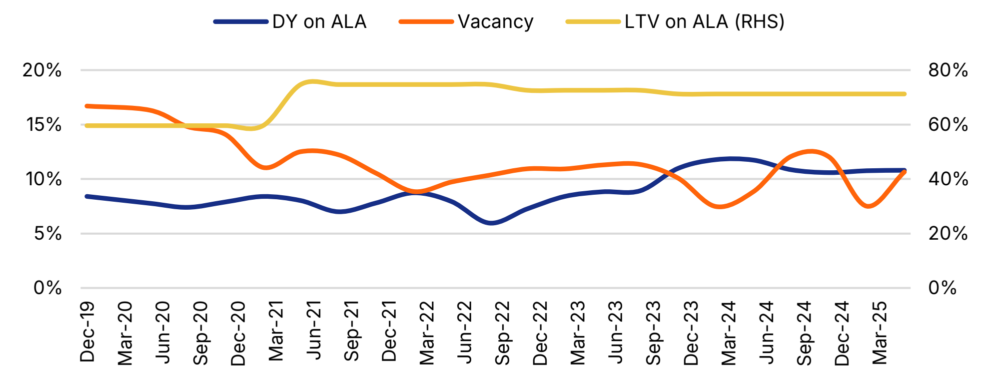
Figure 4: Weighted average loan metrics for the three Italian loans from Jun-19 to Jun-25



Source: Scope Ratings, investor reports

The Taurus 2019-4 FIN senior loan, backed solely by the Ratina shopping centre in Tampere, Finland, was pre-paid this summer. The loan was extended last year for a year after the disposals of the Ratina offices next door in February 2024 and the Vantaa mixed-use Tikkurila property in February 2022. The shopping centre has shown a resilient debt yield even during the pandemic and a decreasing vacancy of around 10%. The 20% decline in the property's market value in May 2021 has never recovered despite its performance. It was last valued in November 2023, 16% down from issuance, resulting in a 71.2% LTV.

Figure 5: Ratina shopping centre metrics from Dec-19 to May-25



Source: Scope Ratings, investor reports

European Loan Conduit No. 40 Lagarino, the newly issued European CMBS backed by 12 shopping centres and retail parks across Spain, also saw the expected sale of Txingudi and Las Huertas shopping centres go through. EUR 22.91m was applied in mandatory prepayment of the loan at the first payment date in September 2025.

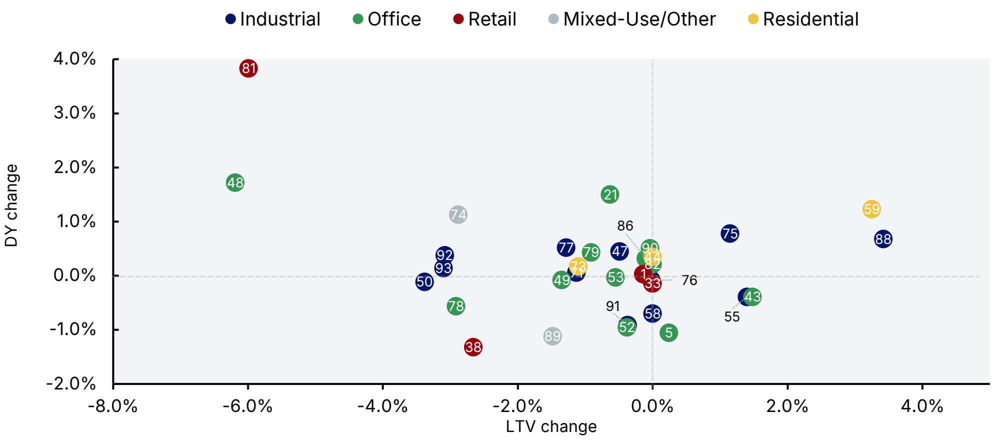
Retail loan delinquency has greatly improved, dropping from 64% in December 2024 to 29% in Q3 2025. Mixed-use/other sector also experienced a significant improvement following the repayment of the Aries and Nucleus loans of ERNA S.R.L., improving the ratio of delinquent loans to 17% in Q3 2025, down from 50% in December 2024. The office sector remains the laggard, with delinquency decreasing marginally from 50% to 43% following the refinancing of the extended Viridis loan securitised in ELoC 38.

Metrics improving across all sectors but office continues to drag

Most loans have shown an improvement in at least one of their key metrics, except office

Most loans outstanding in December 2024 have shown an improvement in one or both key loan metrics (debt yield and loan-to-value). Twenty loans (50%) have improved on both key metrics, and 16 (40%) on at least one. Of the four loans (10%) with both metrics deteriorating, three are secured by office properties, one by industrial properties.

Figure 6: Year-to-date change in the main loan metrics in percentage points (ppt)

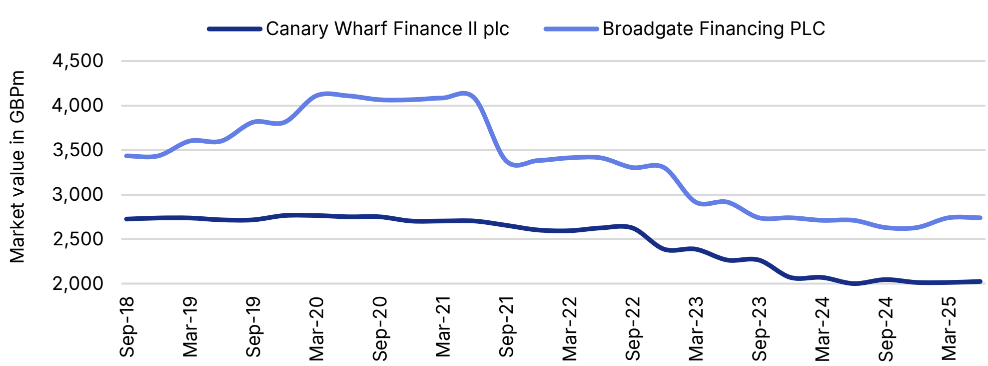


Source: Scope Ratings, Scope CMBS tracker, investor reports

French secondary office value drops while UK prime office may have hit the trough

One notable case is River Green Finance 2020, which experienced a significant increase in its LTV (from 55.7% to 128.8%) following a 55% drop in value of the office property anchored by Atos. Even though the drop was expected (see our report [Almost 75% of CRE loans in European CMBS fail to meet bank refinancing requirements](), May 2024), it underscores the still ongoing challenges for secondary office. Looking on the bright side, Canary Wharf Finance II and Broadgate Financing reported their first year-on-year increases in value since September 2020. The GBP 24m and GBP 110m increases from their troughs last year are marginal compared to their value decline over the period (GBP 750m[1] and GBP 1.436bn from September 2020 to trough respectively), but it may be an inflection point.

Figure 7: Historical reported market value of the two UK transactions



Source: Scope Ratings, Scope CMBS tracker, investor reports

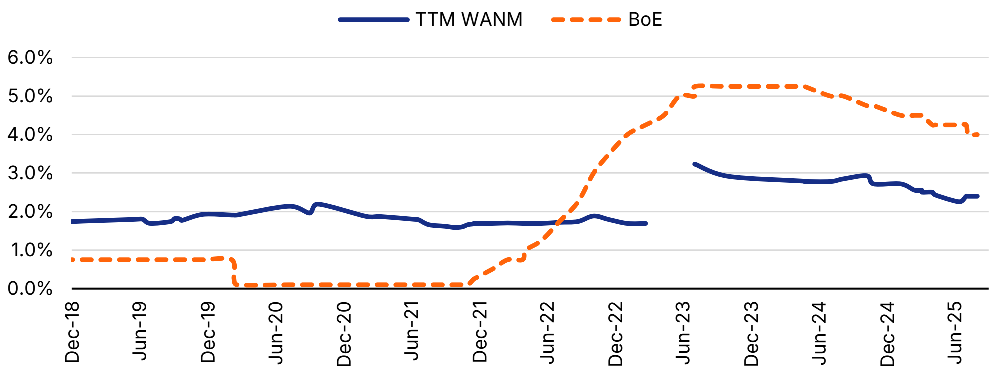
[1] We excluded the 10 Cabot Square property from the computation as it was released in December 2023

CMBS margins stabilising

Weighted average note margins stabilised despite strong issuance

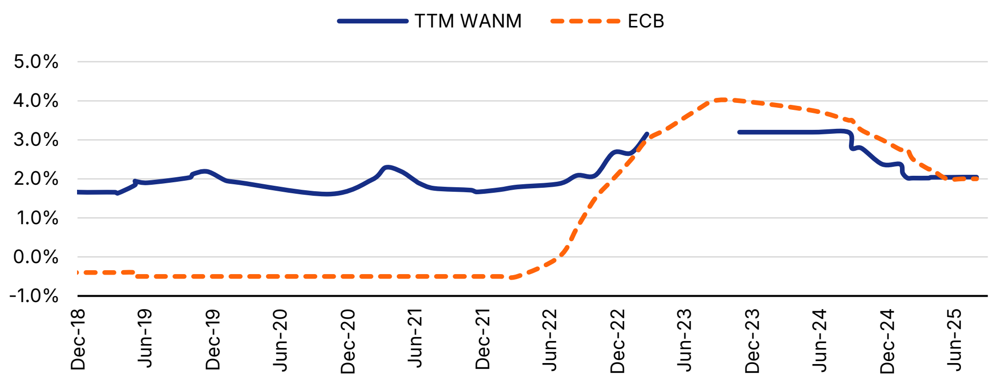
The weighted-average note margins (WANM) of CMBS have significantly tightened from their 2023 wides. The latest offered WANM were just above 2.0% for ELoC 40, the loan backed by 12 Spanish retail properties, and just below 2.0% for Taurus 2025-4 UK, secured by 24 mixed-use but predominantly industrial and logistics properties. The GBP 1.6bn Caister Finance CMBS, backed by holiday parks, is a bit of an outlier, priced at a +3.5% WANM. But considering the transaction's very large size together with its esoteric asset type, the small blip is rather encouraging for further issuance.

Figure 8: Trailing 12-month weighted-average margin over SONIA vs deposit rate



Source: Scope Ratings, Scope CMBS tracker, transactions' offering circulars, Bank of England ('BoE')

Figure 9: Trailing 12-month weighted average margin over Euribor vs deposit rate



Source: Scope Ratings, Scope CMBS tracker, transactions' offering circulars, European Central Bank ('ECB')

Appendix I: securitised loans facing high to very high refinancing risks

Squaire loan of Taurus 2021-3 DEU

Last year, this loan secured an 11th-hour extension in exchange for an extension reserve of EUR 14.5m, all the surplus from the hotels' operations to be transferred into the rental income account, and increased reporting obligations in respect of the sponsor's recapitalisation plans, among other items. However, with little traction on the leasing of vacant office space and more pain to come with the announced departure of the anchor tenant KPMG, the DY continues to deteriorate while the LTV increases. A disposal of the hotels may improve refinancing prospects.

Appendix II: Outstanding securitised CRE loans

Loan ID	Loan name	Transaction ID	Transaction name	Asset type	Reporting date	Status
76	Jupiter	69	Cassia 2022-1	Industrial	May-25	
77	Thunder II	69	Cassia 2022-1	Industrial	May-25	
71		64	Frost CMBS 2021-1	Industrial	Aug-25	
83		76	Last Mile Logistics 2023-1 UK	Industrial	Feb-25	Repaid
55		55	Last Mile Logistics Pan Euro Finance	Industrial	Aug-25	
50		51	Last mile Securities 2021-1X	Industrial	Aug-25	
75		68	Logicor 2019-1 UK	Industrial	Aug-25	
94		85	Sequoia Logistics 2025-1	Industrial	Aug-25	New
85		78	Stark Financing 2023-1	Industrial	Aug-25	Repaid
47		47	Taurus 2021-1 UK	Industrial	Aug-25	
58	United IV	57	Taurus 2021-4 UK	Industrial	Aug-25	
95		86	Taurus 2021-5 EU	Industrial	Aug-25	New
104	Bluebird	92	Taurus 2025-3 UK	Industrial	Jun-25	New
91		83	Thunder Logistics 2024-1	Industrial	Aug-25	
87	St Modwen	80	UK Logistics 2024-1	Industrial	Aug-25	
88	Mileway	80	UK Logistics 2024-1	Industrial	Aug-25	
92	Triumph	84	UK Logistics 2024-2	Industrial	Aug-25	
93	Norton	84	UK Logistics 2024-2	Industrial	Aug-25	
98	Nevis	87	UK Logistics 2025-1	Industrial	Aug-25	New
99	Fawr	87	UK Logistics 2025-1	Industrial	Aug-25	New
100	Pike	87	UK Logistics 2025-1	Industrial	Aug-25	New
106		94	Caister Finance	Mixed-Use/Other	Aug-25	New
25	Aries	26	ERNA S.R.L.	Mixed-Use/Other	Apr-25	Repaid
27	Nucleus	26	ERNA S.R.L.	Mixed-Use/Other	Apr-25	Repaid
28	Raissa	26	ERNA S.R.L.	Mixed-Use/Other	Apr-25	
74		66	Highways 2021	Mixed-Use/Other	Jun-25	
96	Wildcat	88	Taurus 2025-2 UK	Mixed-Use/Other	Aug-25	New
105		93	Taurus 2025-4 UK	Mixed-Use/Other	Jul-25	New
103		91	Vantage DC GE 2025-1	Data Centre	Aug-25	New
89		81	Vantage DC UK 2024-1	Data Centre	Aug-25	
60		59	Atom Mortgage Securities	Office	Jul-25	
52	Sirrocco	52	BERG Finance 2021	Office	Mar-22	
78		71	Broadgate Financing	Office	Jul-25	
53		53	Bruegel 2021	Office	Aug-25	
79		72	Canary Wharf Finance II	Office	Jun-25	
21	Salus	23	ELoC No. 33	Office	Jul-25	
56	Viridis	56	ELoC No. 38	Office	Jan-25	Refinanced
5	Polar	13	FROSN 2018-1	Office	Aug-25	
90	For a	82	HERA Financing 2024-1	Office	Aug-25	
86		79	Magritte CMBS	Office	Jul-25	
101		89	Pine Finance 2025-1	Office	Jul-25	New
41		40	River Green Finance 2020	Office	Jul-25	
43	Loonie	42	Taurus 2020-1 NL	Office	Aug-25	
48	Figo	48	Taurus 2021-2 SP	Office	May-25	
49	The Squaire	49	Taurus 2021-3 DEU	Office	Jun-25	
82		75	Vita Scientia 2022-1	Office	Aug-25	
59	Haus	58	ELoC No. 39	Residential	Jul-25	
44	Folio	44	Folio Residential Finance No. 1	Residential	Jul-25	
45		45	Sage AR Funding No. 1	Residential	Feb-25	Refinanced
73		65	Sage AR Funding 2021	Residential	Aug-25	
102		90	Sage AR Funding 2025 PLC	Residential	Aug-25	
66	Zamek	60	Starz Mortgage Securities 2021-1	Residential	Feb-25	Repaid
35	Derby	34	Deco 2019-RAM	Retail	Nov-23	Repaid
29	Franciacorta	28	Deco 2019-Vivaldi	Retail	May-25	Repaid
30	Palmanova	28	Deco 2019-Vivaldi	Retail	May-25	Repaid
38	Everest	37	Emerald Italy 2019	Retail	Jun-25	
107	Lagarino	95	ELoC No. 40	Retail	Jul-25	New
80		73	Meadowhall Financing	Retail	Jul-25	
1	Fashion District	11	Pietra Nera Uno	Retail	May-25	
3	Valdichiana	11	Pietra Nera Uno	Retail	May-25	Repaid
84		77	Taurus 2017-1 IT	Retail	May-25	
10	Bel Air	17	Taurus 2018-1 IT	Retail	Aug-25	
40		39	Taurus 2019-4 FIN	Retail	May-25	Repaid
97	Silverburn	90	Taurus 2025-2 UK	Retail	Aug-25	New
81		74	The Trafford Centre	Retail	Jul-25	

Source: Scope Ratings, Scope CMBS tracker

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin
scoperatings.com

Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Bloomberg: RESP SCOP
Scope contacts

Disclaimer