Global Credit Data
by banks for banks

Real Estate in North America
PD & Default Rate Report

November 2023

Pressure on Real Estate & Construction industries

Post-Covid
The defaults in 2022 show an uptick due to multiple factors: new working habits, inflationary pressures and interest rate spikes.
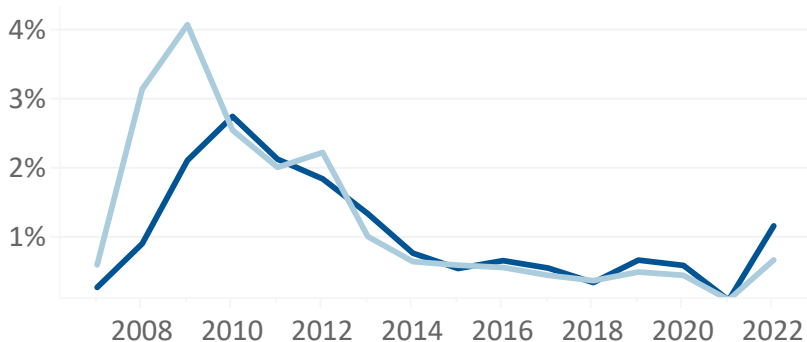
Real Estate defaults at Global Credit Data
Worldwide bank internal rating and default data is collected from 30 banks for over 15 years. This report focuses on Real Estate related borrowers in North America. GCD members receive granular data including country level and industry groups for deeper analysis.

Residential vs Non-Residential Default Rate in North America
In contrast to the 2008 subprime crisis, the non-residential default rate rose faster in 2022 than the residential segment. This could be due to the higher pressures on non-residential real estate from changes in behavior (working-from-home, shopping-from-home).

71,374	1.39%	2007 - 2022
Cohort Size	**Default Rate**	**History Coverage**

Region	Cohort Size	Default Rate
Europe	52,074	1.46%
North America	18,958	1.21%
Other	343	1.07%

North American Industry		Cohort Size	Default Rate
Construction	Residential	1,331	2.49%
	Non-residential	1,103	1.19%
	Special. contractors	3,694	1.14%
	Heavy construction	1,596	1.74%
	Other	91	0.55%
RE Invest.	Residential	3,660	0.71%
	Non-residential	5,841	0.99%
	Other	1,642	1.73%

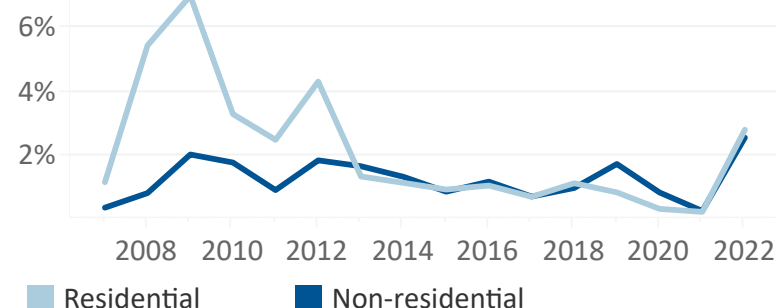### Residential vs Non-residential Default Rate in North America

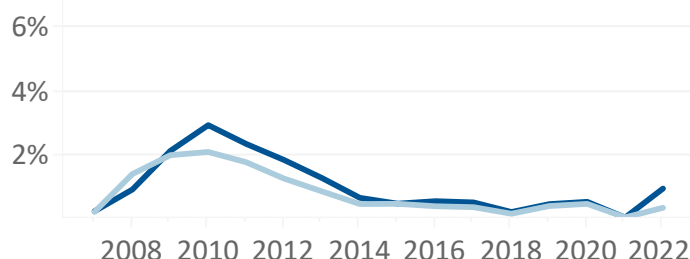### Construction vs Real Estate Investment
For Construction (left-hand graph), the default rate rose to 3% in 2022, the highest for the last decade with both residential and non-residential segments suffering higher inflationary pressure. For Real Estate Investment (right-hand graph), the non-residential segment is markedly more impacted than the residential.

Note on Terms Used (see Appendix for more details)

Default Rate is the observed proportion of performing borrowers at the beginning of the year that experience a default event within a one-year period.

Cohort size is the count of performing borrowers on January 1st of each year of the dataset. The overall **Cohort Size** is calculated by averaging the yearly cohort sizes.

Real Estate scope is the combination of Construction (NAICS code 23) and Real Estate Investment (NAICS code 531). REITs are excluded due to their greater proximity to funds.

Comparison of the Construction vs Real Estate Investment in North American Default Rate

Construction industry

Real Estate Investment industry

Residential   Non-residential

Global Credit Data

by banks for banks

Global Credit Data maintains the world's highest quality, most exhaustive member-bank contributed data source for credit risk.

More from Global Credit Data

Based on internal ratings from 30 member banks, Global Credit Data monitors the rating migrations on a basis of 86,000 Large Corporate borrowers over the last +15 years.

This dashboard is based on the platform PD&Rating, find more information on our website.

Explore our other dashboards. They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types:
Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

To meet the standards set by global regulations like BCBS239, GCD has established a robust framework to measure, monitor and improve data quality.

About

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit risk through a unique data source. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks' books.

GCD's activities revolve around pooling credit data, particularly from low default portfolios. Beyond data pooling we foster knowledge exchange, facilitate research and information sharing services, creating a dynamic environment for insights and collaboration.

Join our community to access exclusive data insights, gain market understanding, and benchmark your performance against industry peers.

www.globalcreditdata.org

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