Global Credit Data
by banks for banks

US Real Estate Recovery Rates
Sectoral Comparison of COVID-19 compared to the GFC

July 2024

Pandemic Aftermath: GCD Data reveals decline in Real Estate Recoveries from 2020 to 2022

During the Global Financial Crisis (GFC) years (2008-2011), recovery rates for the U.S. commercial real estate sector in the GCD data were 75% (see Crisis Impact on Sectors Grand Total). This was followed by a period of more favorable economic conditions until 2019, during which recovery rates rose to 86%. As defaults take time to fully resolve, the impact of COVID-19 and post-COVID defaults from the years after 2020 is now becoming evident. GCD's latest data indicates a decline in recovery rates for defaults during this period, with the recovery rate for defaults during this period 2020-2022 falling at 84% so far. The Recovery Rate is 78% for the full period observed, heavily influenced by the high number of defaults during the GFC.

Offices, in particular, reflect a downturn, with recovery rates even lower than those observed during the GFC. The Covid-19 pandemic has altered workplace dynamics. The rapid and widespread adoption of remote work has diminished the demand for traditional office spaces, leaving many properties, particularly older and less energy-efficient buildings, vacant and struggling to recover their value. This contrasts with Residential Real Estate which shows no COVID effect. The ultimate recoveries will emerge over the next few years, providing a final understanding of the post-pandemic real estate landscape.

The [BIS Annual Economic Report June 2024](#) (page 17) offers additional context on the post pandemic shift in demand for office space and how it affects CRE losses supporting the trends we have identified.

Note on Terms Used (see [Appendix](#) for more details)

US Commercial Real Estate refers to Facilities in the GCD LGD/EAD datapool with country of jurisdiction as the US.

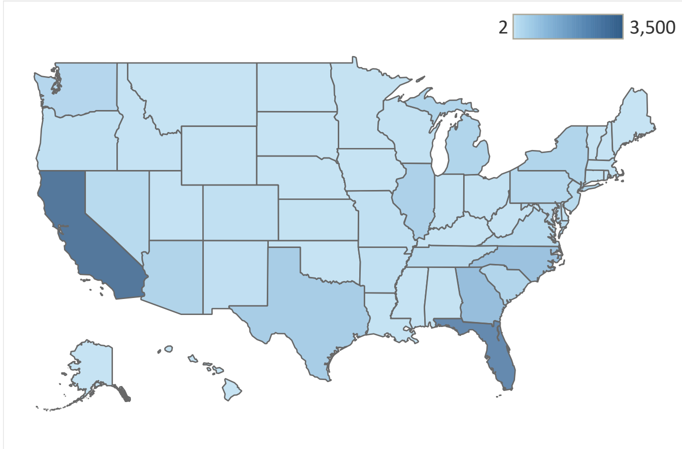
Property Locations are derived from the information provided by banks on the real estate collateral. The data is collected with granularity down to postal code level and is aggregated to US state in this report.

Recovery Rate refers to the historical observed nominal average recovery cash flows divided by outstanding at default. It is based on loans for years 2008-2022. For unresolved defaults LGDs are estimated by applying the GCD methodology for Unresolved Defaults. See [GCD LGD for Unresolved Default Methodology](#) for more details.

Time to Peak Recovery is calculated as the center point of recovered cash flow.

17,977	78%	1.3
Number of Facilities	**Recovery Rate 2008-2022**	**Time to Peak Recovery**

Property Location: From Postal Codes to States

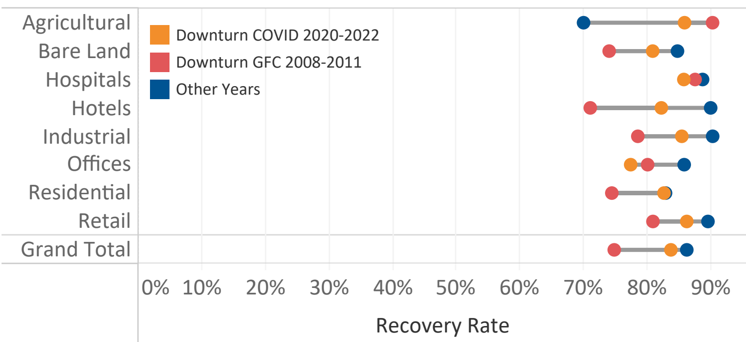


Sectoral Recovery Rates: An Overall View

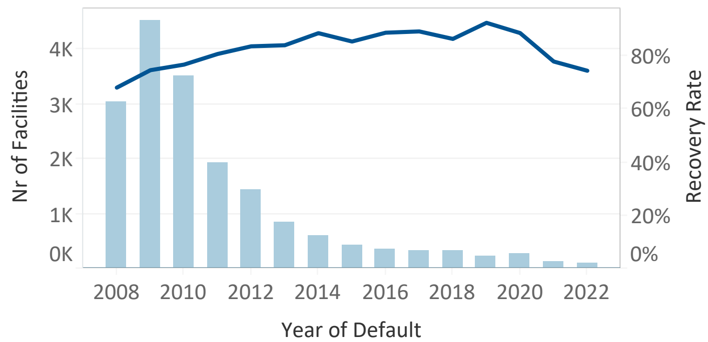
	Nr of Facilities	Observed Recovery Rate	Time to Peak Recovery
Agricultural	265	82%	1.4
Bare Land	1,268	76%	1.4
Hospitals	235	88%	1.4
Hotels	91	77%	1.5
Industrial	3,145	82%	1.4
Offices	1,895	82%	1.3
Other/Unknown	5,751	72%	1.3
Residential	2,867	76%	1.2
Retail	2,460	85%	1.5

The recovery rates are on facility level. Recoveries may come from other sources than sale of collateral.

Crisis Impact on Sectors: GFC vs. COVID-19



Year-by-year Trend: Recovery Rates over Time



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- [North America PD and Default Rate Report](#)

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This report draws on verified information collected from 50+ global or regional banks over 20 years and covers over 300,000 defaulted facilities in total.

Explore our other reports. 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 or RDARR GCD has established a robust framework to continosly measure, monitor and improve data quality.

About

At GCD we pool credit loss data directly from banks' books, providing vital insights into the financial industry since 2004. As a non-profit organization owned by over 50 member banks we focus on collecting detailed credit risk data, particularly for low default porftolios.

Beyond data pooling we offer a platform to exchange knowledge and foster research. We are actively engaged in understanding and assessing climate risk, demonstrating our commitment to addressing contemporary and future financial challenges.

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Contact

Nina Brumma
Head of Analytics and Research
nina.brumma@globalcreditdata.org

Membership Inquiries

jakub.tomczyk@globalcreditdata.org