RECOVERY RATE REPORT 2026
REAL ESTATE FINANCE

69,540	82%	1.5
Facilities	Observed recovery rate	Time to peak recovery

Almost 70,000 defaults in our LGD database

2026 Outlook
Residencial real estate comprises a large portion of banks' loan books and also GCD loss and recovery data. Over the past decade the number of defaults in the GCD database has been relatively stable. However, recoveries has decreased since 2021 showing a downward trend.

Real Estate Defaults in the GCD Loss Databas
We have collected bank internal loss and recovery data from 50+ global banks since 2000. Historical observed recovery rates and time to peak recovery are shown here by common risk drivers: lending portfolio, region and real estate type.

Generally, real estate-backed loan defaults have higher recoveries than corporate loans (see Corporate Report).

Drivers of Loss
Recovery rates on real estate secured lending are affected by property prices, vacancy and rental rates. In the SME data residential properties comprise a significant portion of the collaterals while large corporate and specialised lending exhibit a greater variety of property types. By looking at real estate type the data shows lowest recoveries for bare land and hotels while agriculture has relatively high recovery rates.

GCD members receive data in many more categories granular data including country, post codes and more detailed real estate types.

Lending portfolio

	Facilities	Observed recovery rate
Large Corporates	3,994	81%
Other	797	80%
Private Banking	1,900	85%
Real Estate Finance	20,589	79%
SME	42,260	83%

Region

	Facilities	Observed recovery rate
Africa & Middle East	1,227	84%
Asia & Oceania	1,630	87%
Europe	39,667	82%
Latin America	1,047	75%
North America	25,969	82%

Real estate type

	Facilities	Observed recovery rate
Agricultural	2,273	91%
Bare Land	5,012	75%
Hospitals	549	88%
Hotels	844	78%
Industrial	8,343	84%
Offices	6,443	81%
Other/Unknown	15,218	79%
Residential	25,312	84%
Retail	5,546	85%

Observed recovery rate refers to the historical observed nominal average recovery cash flows divided by outstanding amount at default.

Time to peak recovery is calculated as the center point of recovered cash flow.

Recoveries and losses in crisis times

Covid had a limited impact. Defaults increased only modestly in 2020, while recovery rates remained high. The more notable pattern came later. Since 2021, recovery rates have declined and the decline looks lasting.

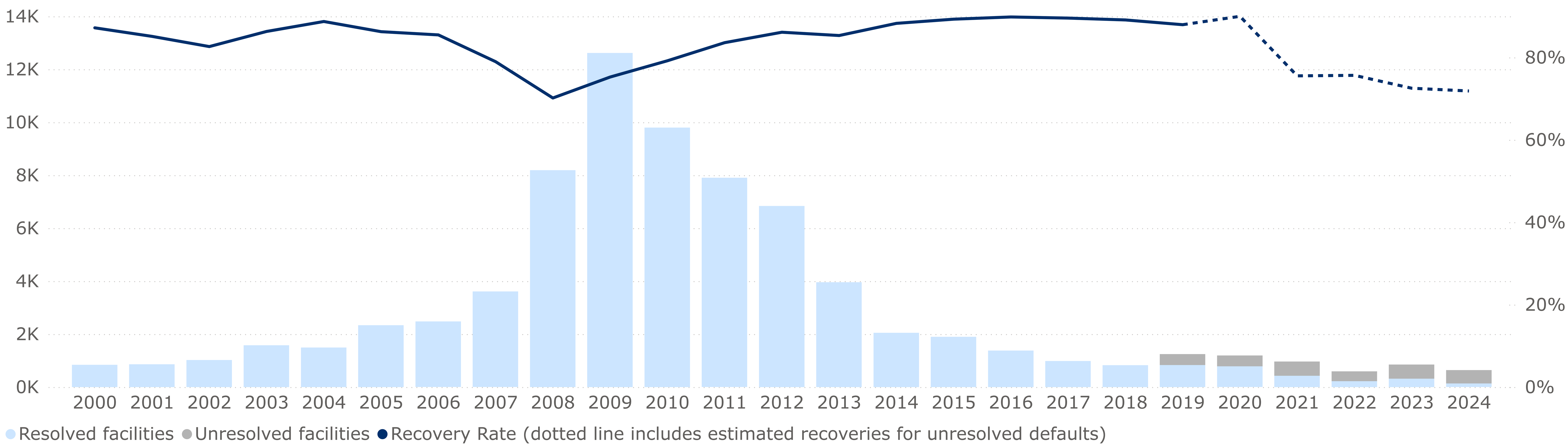
The GFC originated within the financial system. The impact was much tougher. It combined high default volumes with the lowest recovery rate in the series in 2008, a stress point that has not repeated.

Crisis period

	Total recovery rate	Observed recovery rate	Time to peak recovery
Covid: 2020	89%	94%	1.0
GFC: 2008-2009	73%	74%	1.8
Other years	84%	85%	1.3

Total recovery rate includes estimated values for unresolved defaults while observed recovery rate is based on resolved defaults only. See GCD LGD for Unresolved Defaults Methodology.

Recovery rate by year of default



Global Credit Data
by banks for banks

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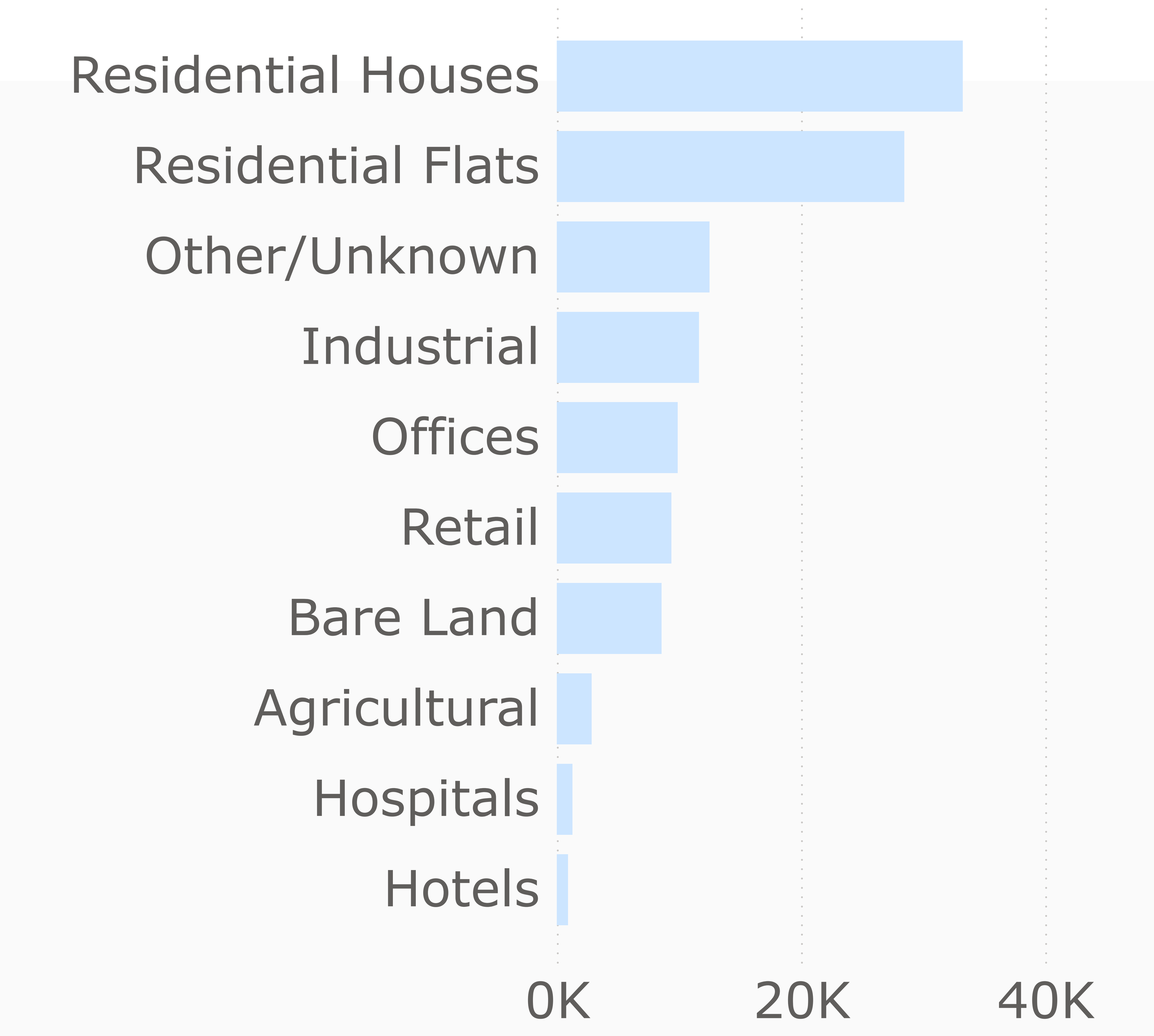
115,299	24%	70%
Total collateral	Observed haircut	Loan to value

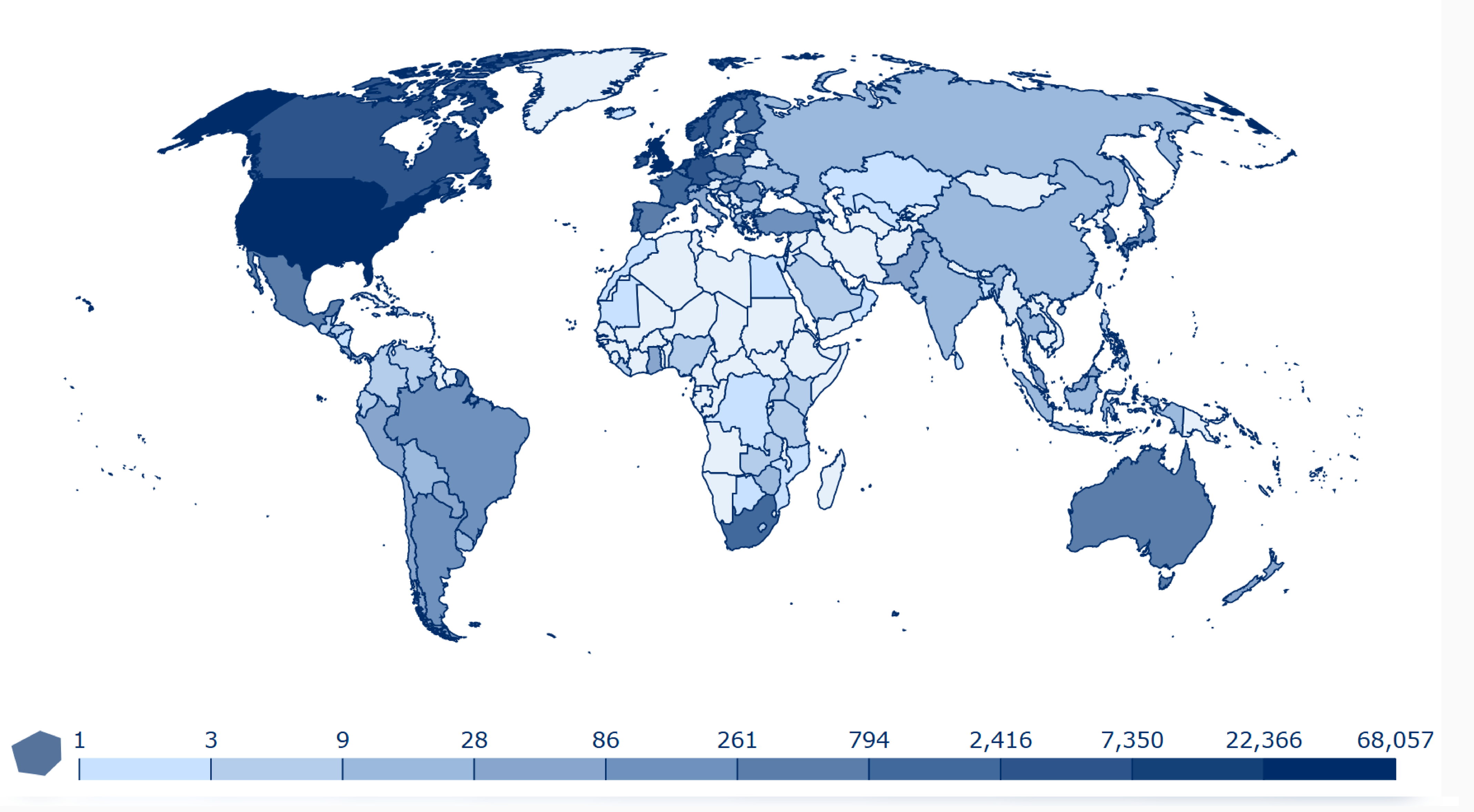
This section explores the collateral dimension on defaulted facilities from the previous page. A single loan can be secured by multiple real estate and a single real estate can be collateral for multiple loans. Therefore, the number of real estate collaterals and the number of loans will not be equal. At the same time, where there are real estate industry facilities without a real estate collateral then these cases are excluded.

Real estate characteristics

Real estate type



Collateral location



Haircut and loan to value

Haircut

Collateral value typically declines during the default and workout process. On average, this decline (haircut) is observed as 24% for real estate defaults. When the collateral is not sold, this decline appears as lower valuations after default reflecting the general market decline for second-hand real estate due to age depreciation and market circumstances e.g. downturn.

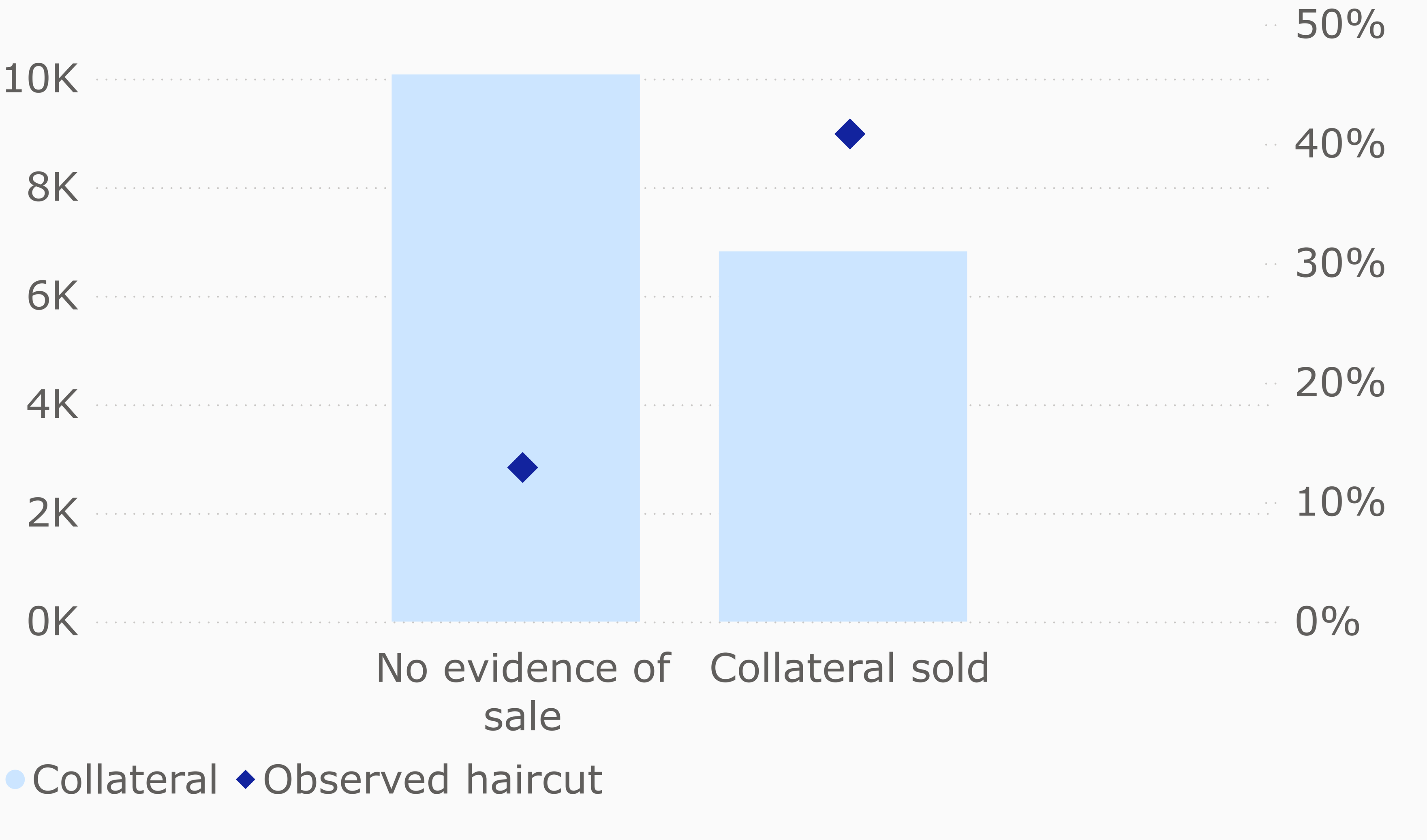
The low number of sold collaterals suggests that a sale is not the most likely workout scenario. Rather than selling collateral immediately, lenders usually wait for better market conditions.

Loan-to-Value

A typical real estate financing case involves a long-term loan that amortizes over time as the value of the real estate financed declines. The data shows that cases with high loan-to-value prior to default produce higher LGD. Real estate is recognized as a high-quality collateral. For lenders, this results in generally high recovery rates after default, even when lending at approximately 70 loan-to-value.

GCD members receive detailed data enabling them to create loan-to-value and haircut-based real estate financing models.

Collateral haircut



Observed haircut is the collateral value prior to default (max. 2 years prior) minus the collateral value after default (e.g. data of sale or resolution) divided by the collateral value prior to default.

Loan-to-Value (LTV) refers to the ratio of the outstanding amount of a loan to the value of the collateral at the default date. Where collateral supports multiple exposures, values are allocated to avoid double counting.

MORE FROM GLOBAL CREDIT DATA

Based on internal ratings from 50+ member banks, Global Credit Data monitors the rating migrations on the basis of more than 300,000 facilities over the last 20+ years.

This report is based on the LGD Platform, find more information on our website.

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, GCD has established a robust framework to measure, monitor and improve data quality.

ABOUT GCD

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.

Our 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.

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