

Wealth | Real Estate

Commercial-Property Loans Coming Due in US Jump to \$929 Billion

- Maturities have soared as more debt was extended, MBA says
- Banks hold largest share of maturing loans at \$441 billion

The Risks Around Commercial Real Estate



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Nearly 20% of outstanding debt on US commercial and multifamily real estate – \$929 billion – will mature this year, requiring refinancing or property sales.

The volume of loans coming due swelled 40% from an earlier estimate by the Mortgage Bankers Association of \$659 billion, a surge attributed to loan extensions and other delays rather than new transactions.

With the Federal Reserve signaling that it's done hiking interest rates, it's likely more deals will get done this year, according to Jamie Woodwell, head of commercial real estate research at the bankers group.

“Volatility and uncertainty around interest rates, a lack of clarity on property values and questions about some property fundamentals have suppressed sales and financing

transactions,” Woodwell said in a statement Monday. “This year’s maturities, coupled with greater clarity in those and other areas, should begin to break the logjam in the markets.”

About \$4.7 trillion of debt from all sources is backed by US commercial real estate, ratcheting up concern among regulators and investors as building values slide. Increasing defaults and write-downs have hit lenders such as New York Community Bancorp, KKR & Co.’s commercial mortgage real estate investment trust and holders of commercial mortgage-backed securities.

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An estimated \$85.8 billion of debt on commercial property was considered distressed at the end of 2023, MSCI Real Assets reported, citing an additional \$234.6 billion of potential distress.

Commercial-property prices are down 21% from a peak reached in early 2022, before the Federal Reserve launched its aggressive rate hikes to combat inflation, January data from Green Street show. Office prices have had the biggest decline, falling 35%, according to the real estate analytics firm.

Banks have \$441 billion of commercial-property debt coming due this year, the mortgage bankers group reported. About \$234 billion of maturing debt is securitized in CMBS, collateralized loan obligations and asset-backed securities, while \$168 billion in loans are coming due for nonbank lenders, such as debt funds.

About 25% of office loans are coming due in 2024, the MBA said. Values have plummeted and vacancies have soared with the growth of remote and hybrid work.



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