

Title: Update on the CRE Debt Market

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There's been a lot of chatter over the last year on the CRE debt market and looming defaults of distressed CRE loans. As usual, most of the pundits were wrong and the CRE market did not crash, and there was not a CRE implosion. The amount of distressed and defaulted CRE loans are less than 1.5% of total loans outstanding. Below is a chart from the Mortgage Bankers Association (MBA.org) of the total CRE debt outstanding as of Q4 in 2023 and 2024.

Lender	Mortgage Debt Q4-2024 (millions)	%	Mortgage Debt Q4-2023 (millions)	%
Bank and Thrift	\$1,800	37.6%	\$1,782	38.6%
Agency and GSE's	\$1,064	22.2%	\$1,002	21.7%
Life Insurance Cos.	\$799	16.3%	\$712	15.4%
CMBS, CDO & ABS	\$625	13.1%	\$593	12.8%
State and Local Government	\$109	2.3%	\$106	2.3%
Nonfinancial Corporate	\$107	2.2%	\$106	2.3%
Federal Government	\$100	2.1%	\$96	2.1%
REITs	\$85	1.8%	\$95	2.1%
Finance Companies	\$34	.7%	\$35	.8%
Nonfarm Corporate	\$34	.7%	\$33	.7%
Other Insurance	\$32	.7%	\$32	.7%
Private Pension Funds	\$10	.2%	\$14	.3%
State/Local Govt. Retirement	\$2	.1%	\$2	.1%
Household Sector	\$1	.05%	\$1	.05%
Total	\$4,789		\$4,617	

In addition to the \$4.7 trillion of permanent loans in 2024 above, there are also \$703 billion in construction loans and \$669 billion in owner-occupied commercial mortgages, for a total of CRE debt outstanding of \$6.16 trillion. It is estimated that the current value of all investment real estate in the U.S. is approximately \$20 trillion and with \$6.16 trillion in debt, the loan to value ratio is conservative 31%. Per the MBA report, the total delinquency rate is about 1.50% or

\$92.4 billion in loans and not a significant amount that can negatively affect the CRE industry or economy. There is also approximately \$2 trillion in CRE loans that will come due by the end of 2026. This will not be a problem for the industry but a welcome big boom for the mortgage brokers, bankers and lenders as interest rates are lowered and a huge refinancing wave occurs.