



**The Commercial Real Estate Debt Wall:
Implications of \$1.5 Trillion in Maturing Loans for Alternative Asset Allocators**

April 2026

EXECUTIVE SUMMARY:

Commercial real estate is confronting one of the largest refinancing events in its history. Over US\$1.5 trillion in commercial mortgage debt matured or will mature across 2025 and 2026, with some estimates placing 2026 maturities alone at US\$936 billion – nearly triple the 20-year annual average. This paper examines the mechanics, magnitude, and transmission channels through which the CRE debt wall affects alternative asset allocators, including those with no direct real estate exposure.

The core challenge is structural: the majority of this debt was originated during a period of historically low interest rates (3–4%), and borrowers now face refinancing into an environment where prevailing rates have roughly doubled. Simultaneously, property valuations in several sectors – most acutely office – have deteriorated materially, creating equity shortfalls that compound the refinancing gap. The result is a slow-moving but consequential stress event that is already visible in delinquency data, foreclosure activity, and regional bank balance sheets.

For institutional allocators in alternatives, the implications extend well beyond direct CRE fund exposure. The debt wall creates second- and third-order effects across private credit portfolios, regional banking counterparties, GP distress and continuation vehicle dynamics, and the competitive landscape for opportunistic capital deployment. This paper provides an evidence-based assessment of these channels and their relevance to portfolio construction decisions.

THE SCALE OF THE MATURITY WALL:

The Mortgage Bankers Association reported that 20% of the US\$4.8 trillion in outstanding commercial mortgages – approximately US\$957 billion – was scheduled to mature in 2025 alone. This figure was itself inflated by approximately US\$400 billion in loans originally due in 2023 and 2024 that were extended forward through “extend and pretend” modifications. S&P Global projects 2026 maturities at US\$936 billion, representing a further 19% increase over the revised 2025 estimate. Critically, annual maturities are expected to exceed US\$1 trillion through 2030, meaning this is not a single-year event but a sustained multi-year refinancing cycle.

The maturity burden is unevenly distributed across property types and lender categories, creating pockets of acute stress alongside segments of relative stability.



Stephen Johnston

Director

sjohnston@omnigenceam.com



Matt Barr

Director

mbarr@omnigenceam.com



Keenan Viney

Data Scientist

kviney@omnigenceam.com



Table 1: CRE Maturity Distribution by Sector and Lender (2025–2026)

Category	Share of Maturities	Delinquency Rate	Key Risk	Outlook
Office	~14%	12.34% (CMBS)	Structural vacancy	Severe stress
Multifamily	~32%	6.94% (CMBS)	Rate reset / overbuilding	Moderate stress
Retail	~9%	7.04% (CMBS)	Selective; grocery-anchored OK	Stabilizing
Industrial	~10%	0.62% (CMBS)	E-commerce tailwind	Low stress
Lodging	~5%	5.56% (CMBS)	70% floating rate	Elevated

Sources: Trepp, MBA, CREID IQ, Connect CRE. CMBS delinquency data as of January 2026.

Table 2: CRE Lender Exposure Profile

Lender Category	2025 Maturity Share	Outstanding Balance	Risk Posture
Depositories (Banks)	~60% (\$452B)	~\$3.0T total CRE	Scaling back; offloading risk
CMBS / CLO / ABS	~24% (\$231B)	~\$600B outstanding	7.47% delinquency; rising
Life Insurance Co.	~7% (\$64B)	Conservative LTVs	Stable; selective
Private Credit / Debt Funds	Growing share	\$137B+ raised since 2020	Expanding into gap
GSEs (Fannie/Freddie)	~3% (\$31B)	Multifamily focused	Low risk; policy-backed

Sources: MBA, JLL Capital Markets, S&P Global, FDIC.

“EXTEND AND PRETEND”:

The dominant response to the maturity wall since 2023 has been loan modification and extension. Roughly 30% of CMBS loans received maturity date extensions in 2023–2024 combined, and preliminary data suggests a similar pace through the first half of 2025. Among modified CMBS office loans maturing before 2026, 83.7% are now delinquent and 92.7% require special servicing.

This strategy has successfully prevented a GFC-scale cascade of forced sales, but it has not resolved the underlying economic impairment. Instead, it has shifted the maturity concentration forward – compressing a larger volume of stressed debt into a narrower window. The distinction between “distressed properties” and “distressed sellers” is important: in many cases, the underlying assets continue to generate adequate operating income, but the capital stack no longer functions at current interest rates.

A further complication arises from regulatory changes. Updated bank reporting rules will allow modified loans to fall off bank disclosure requirements after one year, potentially as early as Q4 2025. This creates a transparency gap precisely when maturity volumes peak, making it harder for allocators to assess the true health of CRE lending portfolios at counterparty institutions.

CURRENT DISTRESS INDICATORS:

Multiple data sources confirm that CRE stress is elevated and, in key sectors, still intensifying. The overall CMBS delinquency rate reached 7.47% in January 2026, up 17 basis points from December and nearly 150 basis points higher year-over-year. The CRED iQ Overall Distress Rate – which combines delinquency with special servicing – stood at 11.63% in November 2025.

Office remains the epicentre of stress. The sector’s CMBS delinquency rate hit a new all-time high of 12.34% in January 2026, with the special servicing rate reaching 15.8% by late 2025. Vacancy rates nationally remain near 19–20%, reflecting a structural shift in workspace demand that shows no signs of reversal. Approximately US\$13.72 billion in office CMBS loans are due to mature by year-end 2026, of which US\$2.38 billion carry debt service coverage ratios of 1.09x or below – a level that makes refinancing at current rates extremely challenging.

Foreclosure activity has accelerated. In the first half of 2025, lenders recorded nearly 150 CRE foreclosures – the highest midyear total since 2014. Two-thirds of multifamily foreclosures involved loans originated in 2021 or 2022, when rates were at their lowest. Distress-related apartment sales reached US\$13.8 billion on a rolling 12-month basis by June 2025, up from US\$1.1 billion in early 2020.

Critically, nearly 59% of all distressed CMBS loans are past their maturity date but have failed to pay off the balloon balance – they are technically current on interest payments but unable to secure refinancing. This maturity default phenomenon, distinct from payment default, underscores how rate-driven capital structure impairment – rather than operating deterioration – is the primary driver of the current cycle.

BANKING SECTOR TRANSMISSION CHANNEL:

The CRE debt wall’s most significant systemic risk lies in the banking sector. Banks hold approximately US\$3 trillion in CRE loans, and depositories account for roughly 60% of near-term maturities. The concentration risk is heavily skewed toward regional and community banks: research from the Wharton Real Estate Center finds that regional banks now account for 55%

of non-residential and 49% of multifamily mortgage holdings, representing an almost 20-percentage-point increase in each segment relative to 2012.

The FDIC flags any institution with total CRE loans exceeding 300% of Tier 1 capital as warranting heightened supervisory scrutiny. As of mid-2025, approximately 31% of all US banks (1,374 institutions) met this CRE-concentrated threshold. Aggregate CRE exposures across the banking sector stood at 369% of Tier 1 capital and allowances at year-end June 2025 – down from a peak of 432% in Q2 2023, but still well above regulatory comfort levels.

For alternatives allocators, this creates counterparty risk through multiple channels: subscription line facilities provided by CRE-exposed banks, LP commitment capacity at regional bank-affiliated foundations and endowments, and broader credit availability for portfolio companies that rely on regional bank lending. A Wharton stress-test scenario modelling a 25–40% decline in CRE values found that most large banks experienced only modest capital impacts due to their limited CRE exposure, while regional banks faced materially more significant impairment.

PRIVATE CREDIT: OPPORTUNITY AND CONTAGION:

As traditional banks retreat from CRE lending, private credit has aggressively expanded into the gap. Since 2020, nonbank lenders have raised more than US\$137 billion through over 430 closed-end debt funds. S&P expects banks to continue scaling back as private credit firms partner with them to stay active while offloading risk.

This shift creates both opportunity and risk for allocators. On the opportunity side, CRE debt funds can originate at wider spreads with more conservative structures than prevailed during the low-rate era. The average rate on CRE loans originated in 2025 was 6.24%, compared to 4.76% on the maturing debt it replaces – a meaningful spread differential that, if underwritten conservatively, can deliver attractive risk-adjusted yields.

The risk dimension is less visible. Many allocators now hold CRE debt exposure through their private credit allocations without fully recognizing the sectoral concentration. A pension fund that exited direct CRE equity in 2022 may nonetheless have re-entered CRE risk through mezzanine debt funds, bridge lending vehicles, or multi-strategy credit platforms that have pivoted toward real estate debt. The FDIC’s 2025 Risk Review specifically flagged the opacity of private credit’s interactions with the banking system, noting that “data on private credit fund deposits or deposits under the control of a single asset manager in banks are generally not publicly available.”

Additionally, the mezzanine and bridge debt that sustained many borrowers through the extension period is itself becoming a source of stress. As one industry observer noted, the “mezz stuff is where there’s pain in the cycle” – the subordinated capital that kept deals alive may face write-downs as senior lenders force resolutions.

GP DISTRESS AND CONTINUATION VEHICLE DYNAMICS:

The maturity wall is creating acute pressure on real estate GPs, with implications that ripple into the broader alternatives ecosystem. Fund managers holding properties acquired during 2020–2022 with short-term bridge debt are facing a stark choice: inject additional equity at unfavorable terms, sell assets at steep discounts, or hand back keys to lenders.

This environment is accelerating the use of continuation vehicles and GP-led secondaries as a release valve. Rather than force a sale into a depressed market, GPs are rolling assets into new structures – often with fresh equity from secondaries buyers – to extend hold periods and wait for more favourable refinancing conditions. While this can be value-preserving, it creates governance and alignment concerns: the GP acts simultaneously as seller, buyer, and valuation agent, and existing LPs face a binary choice between accepting rolled-forward terms or taking a discounted liquidation.

For allocators evaluating new real estate fund commitments, the debt wall creates vintage year dispersion. Funds deploying capital in 2026–2027 into dislocated assets may produce meaningfully different return profiles than adjacent vintages. The Counselors of Real Estate note that the “once in a generation” buying wave has been slower to materialize than expected, with the bid-ask gap likely persisting through 2027 before beginning to narrow.

CROSS-ASSET IMPLICATIONS FOR NON-CRE ALLOCATORS:

Allocators without direct CRE exposure are not immune to the debt wall's effects. Several transmission channels merit attention:

Regional bank credit contraction. As CRE-concentrated banks preserve capital, they may tighten lending to non-CRE borrowers – including the lower middle market operating companies that form the backbone of many PE portfolios. A bank managing through CRE loan workouts has less capacity and appetite for new commercial and industrial lending, potentially constraining growth capital for portfolio companies and acquisition financing for buyout sponsors.

Private credit portfolio contamination. Multi-strategy credit funds that pivoted into CRE debt may face mark-to-market pressure on those sleeves, affecting blended fund-level returns and potentially triggering liquidity management actions (gate provisions, distribution suspensions) that impact allocators' broader portfolio cash flows.

Insurance company capital allocation. Life insurance companies are meaningful CRE lenders (US\$64 billion maturing in 2025) and significant allocators to alternative strategies. CRE losses at insurance companies could reduce their appetite for new alternative fund commitments, affecting GP fundraising pipelines.

Fiscal and monetary policy interaction. CRE stress at regional banks creates pressure on regulators and policymakers. If bank failures materialize, the resulting FDIC actions and potential contagion could tighten financial conditions more broadly. Conversely, the threat of systemic stress may influence the pace of Federal Reserve rate decisions – creating a policy feedback loop that affects all asset classes.

Competition for opportunistic capital. The CRE distress opportunity is attracting substantial capital from the same institutional LP base that funds non-CRE alternative strategies. If allocators redirect commitments toward CRE distressed debt and equity, this could reduce available capital for farmland, LMM private equity, GP stakes, and other strategies – a crowding-out effect driven by perceived vintage year opportunity.

CONCLUSION:

The CRE debt wall is not a single cataclysmic event but a sustained, multi-year refinancing cycle that will reshape capital flows, credit conditions, and competitive dynamics across the alternatives landscape through at least 2028–2030. The immediate risk is concentrated in office and, to a lesser extent, multifamily sectors where rate-driven capital structure impairment – rather than underlying operational failure – is forcing difficult decisions for borrowers, lenders, and fund managers alike.

For allocators in non-CRE alternative strategies, the primary risks are indirect but real: regional bank credit contraction, private credit portfolio contamination, competition for institutional capital, and the broader macroeconomic and policy implications of sustained stress in a US\$4.8 trillion asset class. Conversely, the dislocation creates genuine opportunity for well-capitalized investors willing to deploy patient capital into attractively priced assets.

The disciplined allocator will neither ignore the CRE debt wall nor overreact to it. Instead, they will map their exposure, stress-test their counterparties, and position their portfolio to benefit from the dislocation rather than be surprised by it.

REFERENCES:

1. S&P Global Market Intelligence, CRE Loan Maturity Projections, October 2025.
2. Mortgage Bankers Association, 2024 Commercial Real Estate Survey of Loan Maturity Volumes, February 2025.
3. Baker Tilly / Moss Adams, The Commercial Real Estate Debt Dilemma, October 2025.
4. Trepp CMBS Research, Monthly Delinquency Report, January 2026.
5. Connect CRE, "The CRE Debt Wall Looms Once Again," January 2026.
6. CRED iQ, Overall Distress Rate Report, November 2025.
7. Trepp, Sector Hot Spots for CMBS Default Risk in 2026, January 2026.
8. MSCI Real Capital Analytics, CRE Foreclosure Tracker, H1 2025.
9. Wharton Real Estate Center, Hinzen et al., "Too-Many-to-Ignore: Regional Banks and CRE Risks," October 2025.
10. FDIC Risk Review 2025, Section 4: Credit Risks – Commercial Real Estate.
11. JLL Capital Markets, Private Credit in CRE: 430+ closed-end debt funds raised \$137B+ since 2020.
12. Counselors of Real Estate, 2026 Top Ten Issues Affecting Real Estate, January 2026.



Toronto Office:

TD Canada Trust Tower, 161 Bay St.
27th Floor, P.O. Box 508
Toronto, ON, M5J 2S1

Calgary Office:

Suite 300, 4954 Richard Road SW
Calgary, AB, T3E 6L1

Montréal Office:

3 Place Ville Marie, Suite 3190
Montréal, QC H3B 2E3

www.omnigenceam.com

DISCLAIMER

Our reports, including this paper, express our opinions which have been based, in part, upon generally available public information and research as well as upon inferences and deductions made through our due diligence, research and analytical process. The information contained in this paper includes information from, or data derived from, public third-party sources including industry publications, reports and research papers. Although this third-party information and data is believed to be reliable, neither Omnigence Asset Management nor its agents (collectively "Omnigence") have independently verified the accuracy, currency or completeness of any of the information and data contained in this paper which is derived from such third party sources and, therefore, there is no assurance or guarantee as to the accuracy or completeness of such included information and data. Omnigence and its agents hereby disclaim any liability whatsoever in respect of any third-party information or data, and the results derived from our utilization of that data in our analysis. While we have a good-faith belief in the accuracy of what we write, all such information is presented "as is," without warranty of any kind, whether express or implied. The use made of the information and conclusions set forth in this paper is solely at the risk of the user of this information. This paper is intended only as general information presented for the convenience of the reader and should not in any way be construed as investment or other advice whatsoever. Omnigence is not registered as an investment dealer or advisor in any jurisdiction and this report does not represent investment advice of any kind. The reader should seek the advice of relevant professionals (including a registered investment professional) before making any investment decisions. The opinions and views expressed in this paper are subject to change or modification without notice, and Omnigence does not undertake to update or supplement this or any other of its reports or papers as a result of a change in opinion stated herein or otherwise.