

Dallas, TX

Commercial Real Estate Lending Market Slows in First Quarter, Showed Signs of Stabilizing

Alternative Lenders Are Largest Contributors to Non-Agency Loan Closings

May 13, 2024



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The commercial real estate lending market slowed in Q1 2024 due to high interest rates and limited credit availability, but a tightening of credit spreads indicated signs of stabilizing, according to the latest research from CBRE.

The CBRE Lending Momentum Index, which tracks the pace of CBRE-originated commercial loan closings in the U.S., decreased by 11% from Q4 2023. The index saw a decline of 32.7% compared with the strong loan volume of Q1 2023. The index closed Q1 2024 at a value of 168.

Credit spreads between the 10-year Treasury yield and seven-to-10-year fixed-rate permanent commercial loans with loan-to-value ratios of 55% to 65%, tightened by 22 basis points (bps) quarter-over-quarter to 212. Multifamily spreads also tightened by 17 bps to 175.

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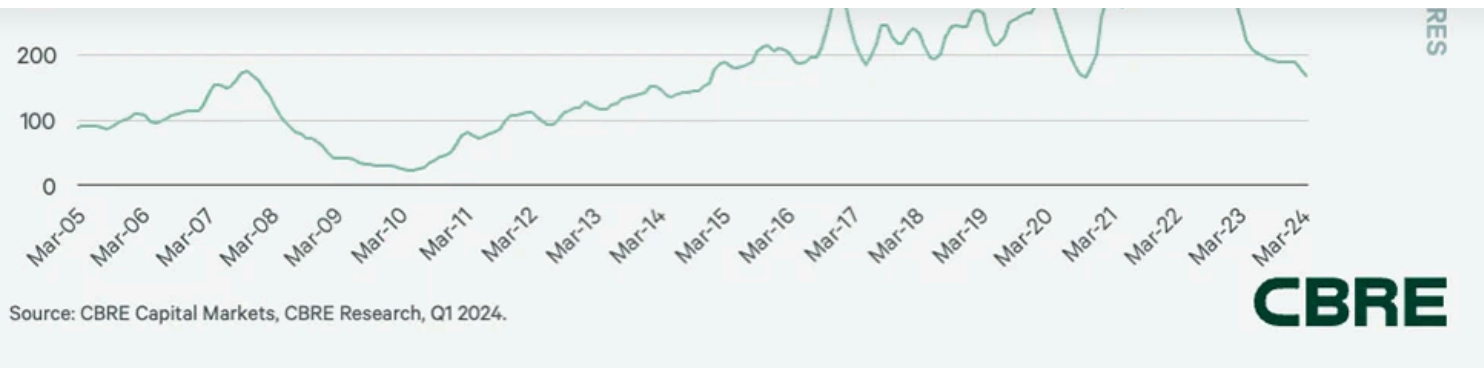


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CBRE Lending Momentum Index

Q1 2024

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"While the commercial real estate lending market experienced a slowdown in the first quarter, this was primarily influenced by market conditions in the third and fourth quarters of 2023; looking forward, we are seeing an uptick in activity, particularly driven by institutional investors seeking to recycle capital, with a notable increase in BOV (broker opinion of value) activity and financings over \$100 million. CBRE's lending volume in Q1 2024 increased compared to the same period in 2023," said [James Millon](#), U.S. President of Debt & Structured Finance for CBRE.

"With investment sales down, we are seeing a shift towards hard maturity refinancings, construction loans, and bridge lending, which is expected to continue until there is consensus on rate cuts. While commercial banks are reducing their presence in the market, the combination of agency, life companies, CMBS, and debt funds continues to support credit availability. Credit spreads remain favorable, but the challenge lies in securing accretive financings on core assets due to higher benchmarks."

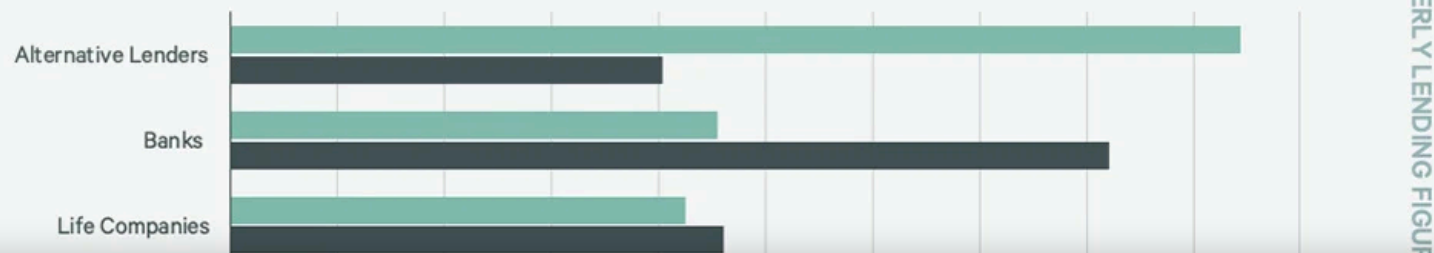
previous quarter.

Banks were the next most active lending group with 22.7% of non-agency loan closings in Q1 2024, down from their 41.1% share a year earlier. Banks are expected to remain cautious due to the increase in loan extensions, limited liquidity and the potential for increased regulatory pressures.

Life insurance companies contributed 21.3% of origination volume in Q1 2024, down from 23.1% a year earlier. While still active, life insurance companies are expected to adopt a more selective approach this year.

CMBS conduits represented the remaining 8.8% of origination volume in Q1 2024, declining from 15.7% a year earlier.

Lender Composition Q1 2024



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In Q1 2024, there were slight changes to underwriting criteria. Average underwritten cap rates and debt yields stabilized at 6% and 9.8%, respectively. The average LTV ratio increased by 80 bps to 62.3%. Higher interest rates translated to loan constants averaging 6.92% in Q1 2024, representing a 50 bps decline from Q4 2024.

Government agency lending on multifamily assets decreased to \$19.2 billion in Q1 2024, down from \$27.1 billion in Q4 2023. CBRE's Agency Pricing Index, reflecting average fixed agency mortgage rates on 7–10-year permanent loans, fell by 32 bps in Q1 2024 but rose by 40 bps year-over-year to 5.72%.

About CBRE Group, Inc.

CBRE Group, Inc. (NYSE:CBRE), a Fortune 500 and S&P 500 company headquartered in Dallas, is the world's largest commercial real estate services and investment firm (based on 2023 revenue). The company has more than 130,000 employees (including Turner & Townsend employees) serving clients in more than 100 countries. CBRE serves a diverse range of clients with an integrated suite of services, including facilities, transaction and project management; property management; investment management; appraisal and valuation; property leasing; strategic consulting; property sales; mortgage services and development services. Please visit our website at www.cbre.com.

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