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CREFC January Conference 2026 – Day 2 Recap

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Day 2 of the CRE Finance Council (CREFC) January conference opened with an Industry Leaders Roundtable covering a wide range of topics. This was followed by three forums focused on investment-grade (IG) bondholders, servicers, and GSE/multifamily lenders. The luncheon session featured a conversation with Scott Galloway, entrepreneur and professor of marketing at NYU Stern School of Business, who discussed consumer behavior, technology, and business trends expected to influence markets in 2026. In addition, there were remarks from CREFC President and CEO Lisa Pendergast, as well as a CREFC legislative and regulatory update. Rounding out the day's events was a session on loan sales and modifications.

Industry Leaders Roundtable

The first panel was the highly anticipated Industry Leaders Roundtable, featuring 16 market participants representing a broad cross section of the commercial real estate (CRE) finance industry. The discussion was wide-ranging and interactive, covering perspectives on artificial intelligence (AI), borrower demand for CRE financing, the current state of multifamily, and trends across other major property types. Notably, AI shifted this year from a peripheral topic to a central theme of the discussion.

Panelists began by sharing their biggest surprises of 2025. Many cited the market's muted reaction to "Liberation Day," as well as its resilience last year. Other themes included the expansion of the CRE collateralized loan obligation (CLO) market, fewer interest rate cuts than anticipated, geopolitical volatility, and increased demand for office loans despite ongoing sector challenges.

The conversation transitioned to AI, where panelists generally agreed that AI has functioned more as a productivity enhancement tool than a transformational innovation. While expectations for AI-driven disruption remain high, its most immediate value has been in improving efficiency and supporting decision-making by rapidly processing large volumes of data. Panelists emphasized that long-term success depends on sustained, practical use cases instead of novelty-driven adoption.

The discussion then touched on data centers, which panelists characterized as a hybrid asset class that blends traditional real estate with infrastructure. Given the size of the market, analysts expect CMBS, ABS, and project finance structures and markets to continue to be active in financing the product. Differences between CMBS and ABS structures, as well as the risk profiles of hyperscale versus colocation facilities, were also discussed.

The next topic addressed was the demand for CRE financing. Panelists noted an increasing need for new loan acquisitions, because many legacy loans have not refinanced due to their comparatively low interest rates. Private credit participants emphasized strong demand for real asset exposure within their strategies. Originations are expected to remain elevated, given the significant volume of term loan maturities approaching.

Panelists expect 2026 issuance will surpass 2025's volume, supported by a rebound of the CRE CLO market. Strong investor demand for both single-asset single borrower (SASB) and CRE CLO transactions is evident with robust issuance pipelines scheduled for January and February.

The discussion pivoted to property types. Panelists highlighted the recent increase in government-sponsored enterprise (GSE) lending caps as a contributor to ongoing multifamily liquidity. Despite this support, distress in the sector has increased over the past two years, driven largely by geographic concentration, inexperienced sponsors and operators, insufficient property inspections, and rising operating expenses. Panelists also noted that some conduit multifamily loans were originated with low debt service coverage ratios (DSCR), leaving little cushion against sharply rising operating expenses.

Panelists observed that conduit issuance has remained subdued in recent years. Contributing factors include longer timelines for structuring deals, limited property type diversification, and borrower experience. One panelist noted that conduit deals increasingly resemble large loan transactions, with the top 10 loans often representing more than 50% of pool balances, heightening diversification risk. Another noted that the leverage involved in these transactions has declined significantly in recent years relative to pre-COVID and pre-global financial crisis, although that trend has started to reverse. Accelerating B-piece buyer involvement earlier in the pool selection process was cited as a potential catalyst for reducing structuring time and costs. A notable positive for the conduit market is its continued willingness to finance office assets, even as other capital sources have largely pulled back.

Panelists reported strong demand for lodging, particularly in the luxury segment. Industrial experienced a modest slowdown around Liberation Day in port markets, but increased U.S.-based manufacturing activity has helped offset tariff-related pressures.

The panelists closed by emphasizing the depth and resilience of the CRE market, driven by its duration, scale, and asset diversity—characteristics not typically found in corporate debt markets. CRE debt products continue to meet the needs of a broad investor base, and panelists expect further expansion and innovation across the sector heading into 2026.

Investment-Grade (IG) Bondholders Forum

This forum focused on the disconnect between improving market sentiment and underlying credit performance in conduit CMBS. Panelists noted that new issue conduit spreads have tightened meaningfully, even as delinquency rates continue to rise. Participants said that although newly issued deals are not the primary driver of the current distress, they are concerned about the number of recently securitized loans that have become delinquent and question whether current spread levels adequately compensate investors for credit risk and extension risk.

There was broad agreement that recent conduit deals—particularly the 2023 and 2024 vintages—are experiencing a significantly higher rate of early delinquencies compared to historical levels. Panelists highlighted multifamily as a primary contributor to early stress in newer vintages. While office remains a well-known source of credit risk, these investors emphasized that multifamily's growing exposure in conduit issuance heightens its importance to the sector's overall performance.

Panelists also examined structural and ratings-related challenges facing IG CMBS. Historical data shows that while conduit AAA bonds have largely maintained ratings stability, downgrades have increased significantly lower in the capital stack, with many BBB tranches ultimately experiencing negative rating migration. On the SASB side, the panel discussed binary risks in the product type and the expected manifestation of this in ratings actions, noting a comparatively smaller difference in the downgrade rates between high- and low-IG rated bonds. That said, the panel's presentation recognized that defaults and losses have remained low to date. Participants noted that rating downgrades often lag market pricing, as bonds frequently reprice well before rating actions occur, underscoring the importance of market-based risk assessment over headline ratings.

The forum also addressed extension risk and transparency, with investors emphasizing that bonds are increasingly behaving like longer-duration instruments than originally marketed. Five-year conduit loans were frequently cited as de facto six- or seven-year exposures, while 10-year loans were described as effectively extending to 12- to 13-year terms. Panelists argued that limited transparency around loan workouts, delayed appraisals, and incomplete servicing disclosures can materially impact bond performance through advancing mechanics and waterfall outcomes. Although participants acknowledged progress in reporting initiatives and investor-servicer dialogue, they stressed that further improvements are needed to reduce uncertainty, improve predictability, and ensure that CMBS bonds behave in line with investor expectations.

Luncheon Session, Including Welcome Remarks, CREFC Legislative & Regulatory Update, and Predictions 2026 With Scott Galloway, Entrepreneur and Professor of Marketing, NYU Stern School of Business

The luncheon session kicked off with welcome remarks from Lisa Pendergast, who thanked conference sponsors, organizers, and members for their continued engagement. She highlighted CREFC's charitable contributions in 2025 ($250,000), ongoing market participant confidence as reflected in various CREFC surveys and indices, and several of the organization's key initiatives such as ongoing work on housing affordability and the development of a debt fund index currently in its buildout phase. Ms. Pendergast highlighted the evolving office landscape, noting increasing bifurcation between high-quality, middle market, and obsolete stock, along with growing office-to-multifamily conversion activity. She also emphasized generally resilient fundamentals across other major property types and strong growth in data centers.

The luncheon continued with a legislative and regulatory update on the evolving policy environment. Speakers discussed the current administration's early efforts to engage with industry participants to improve market efficiency. They highlighted the closely divided House and Senate, underscoring that meaningful legislative progress—particularly ahead of upcoming midterm elections—will require bipartisan support. Key policies relevant to commercial real estate included the importance of maintaining terrorism insurance legislation ahead of its 2027 expiration, continued focus on affordable housing and supply expansion, considerations around the future structure of government-sponsored enterprises, and preservation of Federal Reserve and Federal Trade Commission independence. Potential areas of future regulatory focus, including the single-family rental and data center sectors, were also mentioned.

The session concluded with a keynote conversation featuring Scott Galloway, entrepreneur and professor of marketing at NYU Stern School of Business, who offered a forward-looking perspective on technology and AI, highlighting competitive pressures, potential market corrections, evolving business models, and increasing market concentration across industries dominated by a small number of large players. He also discussed how these dynamics could influence consumer behavior, corporate strategy, and broader societal trends, with implications for market outcomes in 2026 and beyond.

Servicers Forum

The session opened with an Investor Reporting Package (IRP) Committee update from the new co-chair Dugger Schwartz, who outlined key changes in the forthcoming Version 8.5 of the IRP. Updates include new CRE CLO and SASB data points, added fields clarifying interest rate caps and fully extended maturity reporting, and a cleanup of watchlist guidance for multi-property loans. Additional Appraisal Subordination Entitlement Reduction (ASER) data fields will address assumed calculations for nonrecoverable loans, and Freddie Mac's new subservicer remittance file will be incorporated to streamline monthly reporting. The committee also noted growing support for eliminating watchlist reporting for CRE CLOs and encouraged attendees to review the upcoming change matrices to prepare for implementation.

The panel shifted to technology risk, beginning with a polling question on cybersecurity concerns that showed elevated awareness among attendees. Panelists emphasized that digitization has significantly expanded the potential for cyberattacks, with threats not only targeting cash movement but also data, vendors, borrowers, and property managers. Cybersecurity was repeatedly framed as an ongoing operational priority rather than a one-time initiative, with firms focusing on stronger controls, reduced reliance on email, and enterprise-wide "cyber hygiene."

A second polling question focused on borrower fraud red flags, such as falsified financials, misrepresented occupancy and rent rolls, and suspicious property inspections. Panelists agreed that AI has materially increased fraud risk, particularly in multifamily, where individuals can create fake pay stubs, employment records, and tenant applications. At the same time, AI is delivering clear benefits through faster financial statement spreading, document translation, research, and trigger detection. Despite these gains, speakers stressed that technology alone is insufficient and that a human is best suited for site inspections, lease audits, and borrower verification. Several panelists highlighted the strengthening of "bad boy" carve-outs and springing recourse tied to fraudulent information as a potential deterrent.

The discussion turned to regulatory and legislative challenges, with polling results indicating a largely negative perceived impact from tenant protection regimes such as Tenant Opportunity to Purchase Act (TOPA), Community Opportunity to Purchase Act (COPA), rent stabilization, and expanding union influence. Panelists described how city-level rules—particularly in Washington and New York—add time, cost, and friction to transactions, reducing liquidity and complicating valuations. Servicers increasingly require market-specific expertise, deeper documentation, and more intensive workflows, even on smaller loans. Real estate mortgage investment conduit (REMIC) constraints were also cited as a persistent challenge, especially in real estate owned (REO) scenarios where otherwise accretive actions may be restricted.

The panel concluded with a discussion about workouts and market outlook. Polling suggested most portfolios expect 6%-15% of loans to require workouts in 2026, with office and New York multifamily identified as key pressure points. Panelists expect continued heavy volumes across new issuance and special servicing, rising asset management complexity, and a gradual shift from repeated extensions toward more decisive outcomes such as restructurings, note sales, and recapitalizations, underscoring the continued importance of transparency, discipline, and experienced judgment.

GSE/Multifamily Lenders Forum

The forum focused on the outlook for multifamily fundamentals, Agency capital markets activity, and borrower and investor sentiment heading into 2026. Panelists generally characterized the multifamily sector as fundamentally sound, noting that while certain Sunbelt markets continue to work through elevated supply and softer rent growth, supply pipelines are declining meaningfully. In contrast, markets in the Northeast and parts of the Midwest were described as more balanced, with stronger rent growth and improving fundamentals. Participants emphasized that a sharp reduction in new construction deliveries expected in 2026 should help stabilize oversupplied markets and support medium-term operating performance.

Panelists expressed a broadly bullish outlook for multifamily financing conditions. The announced increase in the combined GSE (Freddie Mac and Fannie Mae) multifamily loan lending caps to $88 billion each for 2026 should help support the multifamily market. Agency lending continues to benefit from strong investor demand, particularly from banks returning to the sector following the regional banking stress of prior years. Panelists highlighted the appeal of Agency multifamily securities as a liquid, guaranteed product with flexible duration profiles, noting increased participation across domestic and international banks, insurance companies, and other institutional investors.

The panelists also discussed loan structures and borrower behavior, noting the growing prevalence of five-year Agency loans. While Agencies have made incremental adjustments to encourage longer-term loans, panelists indicated that borrower preference for shorter-duration financing remains strong, driven by rate uncertainty and flexibility considerations. Investor demand was described as supportive across both short and longer durations, with no meaningful signs of fatigue. Panelists noted that the growing volume of five-year production is expected to contribute to increased refinance and transaction activity over the coming years.

Regarding credit performance, panelists reported that Agency multifamily delinquencies remain below 1% and appear to have stabilized after modest increases in 2025. Expense growth—particularly insurance, taxes, and operating costs—was cited as a key area of focus for lenders and investors, with declining DSCRs driven more by expense pressure than revenue weakness. Sponsorship quality and financial capacity were repeatedly emphasized as critical risk mitigants, especially in an environment where concessions and operating costs remain elevated. Overall, participants described the multifamily sector as well positioned entering 2026, supported by strong capital availability, favorable long-term housing demand, and continued GSE engagement in the market.

Portfolio Rebalancing Strategies: Loan Sales, Modifications, and Enforcement

The session focused on how portfolio composition is evolving across new origination, discounted debt purchases, and active asset management. Panelists noted that 2025 has been an unusual year, as elevated new issuance volumes have coincided with increased distress levels, resulting in both CMBS origination and surveillance teams remaining highly active. New issue volume increased meaningfully in 2025, alongside elevated delinquency rates, particularly in the multifamily sector. Regional bank activity was described as relatively strong, after several years of reduced CRE exposure.

Panelists discussed how asset management outcomes are increasingly influencing portfolio composition, as loans that fail to execute on original business plans transition toward modification, sale, or resolution. In many cases, the performance of these assets has shaped future origination decisions and risk appetite. Stress was noted in certain multifamily segments, particularly older vintages underwritten with unrealistic rent growth assumptions amid rising expenses. These dynamics have led some borrowers approaching maturity to pursue asset sales instead of refinancing, especially where cash flow has not stabilized. Panelists also noted renewed focus on higher-quality housing, while industrial, retail (particularly open-air formats), and higher-quality residential assets were cited as core areas of focus. Data centers were described as polarizing, with firms either expressing strong conviction in long-term demand or choosing to remain on the sidelines due to asset complexity and underwriting considerations.

Panelists discussed enforcement actions as one of several tools available to lenders, noting that it is typically viewed as a last resort when a modification or sale is not viable. Enforcement decisions were described as highly asset- and sponsor-specific, with outcomes influenced by property quality, market conditions, and the borrower's willingness to contribute additional capital. Panelists emphasized that successful outcomes often depend on early engagement and realistic assessments of value. The discussion also touched on the growing role of technology and AI in portfolio management, with panelists noting its potential to enhance underwriting, monitoring, and asset management processes, while also reshaping junior-level roles, even as judgment and real world experience remain critical to credit decision-making.

Looking ahead, panelists expect 2026 activity to remain elevated, driven by 2016 vintage maturities, with office and multifamily likely to account for a significant share of volume. Panelists also highlighted increased payoff risk in 2026, particularly for large office loans and assets in secondary markets, noting that in several cases, prior extensions, modifications, and forbearance options have already been exhausted, limiting refinancing flexibility at maturity. Opportunities in discounted debt were viewed as increasingly important in portfolio allocations, particularly as investors seek to capitalize on pricing dislocations created by underperforming assets. Panelists cited consumer sentiment and housing affordability as key risks that could influence asset performance and resolution outcomes. Overall, the discussion emphasized selectivity, active asset management, and disciplined underwriting as central to shaping portfolios in the current environment.

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