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Discipline Through the Refinancing Cycle: The Opportunity in US Real Estate Debt

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US real estate debt can offer investors exposure to commercial property fundamentals while sitting higher in the capital structure than equity. Loans are typically secured by hard assets and can provide contractual income, with the potential for downside protection when underwritten conservatively. The current refinancing cycle adds to this opportunity, creating a need for flexible capital and specialist managers which seek to lend selectively, structure transactions carefully and focus on resilient sectors of the market.

The US real estate debt market has attracted renewed attention as a large volume of loans moves towards maturity. This so-called "debt maturity wall" refers to the period when a significant amount of commercial and multifamily property debt must either be repaid, refinanced or restructured. According to the Mortgage Bankers Association, approximately US$875 billion of commercial and multifamily mortgage debt, representing around 17% of the roughly US$5 trillion outstanding, is expected to mature in 2026. While this is down from approximately US$957 billion in 2025, the refinancing requirement remains substantial. [1]

However, the opportunity in US real estate debt should not be viewed simply as a broad distress trade. Many loans will refinance without major disruption. The more interesting opportunity lies in the subset of assets where older capital structures were built for a very different market environment. Loans originated in 2021 and 2022 were often written at peak property valuations, with low base rates and more optimistic assumptions around rental growth. Today, borrowers are facing higher debt costs, reset property values and, in some sectors, weaker income growth than originally expected. [2]

At the same time, today's market is not a repeat of the global financial crisis. The real estate debt market is larger, more institutionalised and supported by a broader range of capital providers, including banks, insurance companies, securitisation markets and alternative lenders. Banks remain important, but their role has evolved, with many increasingly providing back leverage to private real estate credit managers rather than taking the full direct lending risk themselves. [3]

Old capital structures in a new rate environment

The refinancing challenge is most acute where loans were underwritten at high valuations and low interest rates. A property acquired or financed in 2021 may still be a good asset, but if it was financed with too much leverage, the economics can look very different today. Higher interest costs increase debt-service pressure, while lower valuations can reduce the amount of new debt available at refinancing.

This is particularly relevant for bridge loans and transitional assets. Some borrowers expected to refinance into longer-term permanent debt or sell once the asset had stabilised. In many cases, that exit has been delayed. As a result, some bridge loans are being refinanced with new bridge loans, rather than being taken out by asset sales or permanent financing. This is not always a sign of asset-level failure. Sometimes it reflects the need for more time in a market where sale prices, refinancing proceeds and business plans have all shifted.

This creates room for alternative lenders to provide flexible capital. That may include new bridge loans, bilateral loans, loan purchases, recapitalisations or structures that allow some interest to be deferred while a property stabilises. The key is that flexibility must be paired with strong underwriting. A more creative structure can help a borrower manage short-term pressure, but it should not be used to mask a fundamentally impaired asset. [2]

Why debt may be better positioned than equity

For investors, the appeal of real estate debt is that it can provide exposure to commercial property fundamentals while sitting higher in the capital structure than equity. Real estate debt is typically secured by hard assets, with contractual income and defined repayment terms. This can make it attractive in an environment where property values have adjusted, but the outlook for equity returns remains uncertain. [4]

Equity investors generally need some combination of income growth, capital appreciation and exit liquidity to achieve their return targets. Debt investors, by contrast, may be able to earn attractive income while underwriting to conservative values and focusing on downside protection, although income and capital are not guaranteed. If property values are no longer falling sharply but are also not yet rising strongly, senior secured debt may offer a more defensive way to access the market.

A key principle in real estate debt underwriting is that lenders should not rely solely on a headline loan-to-value ratio. Strong underwriting requires an assessment of the property, the submarket, the sponsor, the business plan, the future stabilised value and the potential downside scenario. In other words, disciplined real estate debt investing starts with the quality and resilience of the underlying real estate.

Dispersion across sectors

The opportunity is not the same across all property types. While the long-term fundamentals remain attractive in many markets, some assets bought or financed near the 2021–22 peak are under pressure because of high leverage, slower rent growth and higher financing costs. Office remains the clearest area of stress, reflecting changes in tenant demand, hybrid work and the oversupply of older or lower-quality buildings. Some areas of life sciences have also faced pressure following a period of rapid new supply and softer tenant demand.

Against this backdrop, more constructive opportunities may be found in areas such as multifamily, student housing, senior housing, medical office, industrial and self-storage. These sectors can benefit from stronger demand drivers, more limited supply in certain markets, or specialised operating requirements that reduce competition. The key point is that sector selection matters. A broad allocation to real estate debt may not be enough; the quality of the underlying collateral and the specific market exposure are critical. [4]

This is where specialist managers may have an advantage. A lender with deep sector knowledge can better assess whether a borrower's business plan is realistic, whether the asset has genuine demand, and whether the loan can be structured with enough protection. In some cases, the best risk-adjusted opportunities may be in less commoditised sectors where fewer lenders have the expertise to underwrite the asset properly.

Discipline, structure and manager selection

Loan structure is central to the opportunity. In a more complex refinancing environment, lenders may need to do more than simply provide a standard loan. They may use covenants and other mechanisms to maintain alignment with the sponsor and monitor whether the business plan remains on track.

Bilateral lending can also be valuable. Unlike syndicated corporate credit, where investors may buy into a pre-packaged loan, real estate debt managers can often deal directly with the sponsor. This allows the lender to negotiate structure, pricing and protections that are tailored to the specific asset and business plan. It can also allow the lender to provide single-source execution, reducing complexity for the borrower while improving control for the lender.

That said, discipline is essential. As liquidity returns and competition increases, there is a risk that lenders accept weaker terms, higher leverage or tighter spreads simply to deploy capital. Managers that can remain selective, compare opportunities across public and private markets, and avoid deals where the pricing no longer compensates for the risk may be better positioned to navigate these conditions.

Investment Risks

Real estate debt may involve material investment risks, including borrower default, impairment or loss of capital, reductions in property values, refinancing and liquidity risk, interest rate risk, leverage risk and risks associated with the valuation and realisation of underlying property collateral. Security over an asset does not guarantee repayment, and enforcement may be delayed, costly or result in recoveries below the amount invested.

Conclusion

The US real estate debt opportunity is best understood as a refinancing and structuring opportunity, rather than a broad distress trade. The maturity wall remains significant, but the market is not uniformly distressed. Many assets will refinance successfully, while others will require more flexible and creative capital solutions.

For investors, the case for real estate debt rests on several factors: a large refinancing need, reset valuations, hard-asset collateral, contractual income and the potential for downside protection.

However, the opportunity is highly selective. Outcomes will depend on asset quality, sector exposure, sponsor strength, loan structure and manager discipline.

The opportunity is not simply to lend into a stressed market. It is to lend carefully, against the right assets, at the right basis, with the right protections, through a refinancing cycle that continues to create complexity for borrowers and opportunities for disciplined capital.

Sources

[1] Mortgage Bankers Association, 2026 commercial and multifamily mortgage maturity data.

[2] PERE Credit, "Discipline and creativity define the best risk-reward in real estate credit", June 2026.

[3] PERE Credit, "Discipline and innovation: The future of CRE debt", October/November 2025.

[4] Institutional Real Estate, Inc., "Understanding structure, return drivers, and sponsor quality in today's real estate credit market", April 2026.

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