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CREF Roundup | Week 18, 2026

The CREF Roundup is a periodic digest of noteworthy developments, insights, and commentary in the world of commercial real estate finance (CREF). Curated for industry professionals, this ongoing series seeks to highlight key trends and news shaping the market. For more CREF intel and analysis, visit our blog, [The Carveout](#).

Federal Reserve Issues FOMC Statement

The [Federal Reserve](#) left rates unchanged this week. The Committee pointed to solid economic activity with stable unemployment but noted elevated inflation driven partly by higher global energy prices. It kept the federal funds rate at 3.5%–3.75% and will take a data-dependent approach to any future changes, while noting uncertainty from Middle East developments. While eight members supported holding rates with a potential easing bias, some dissented—one favored a rate cut and three others opposed the signal of future easing.

Key Takeaway: The Fed is holding rates steady but signaling flexibility, balancing persistent inflation against growing uncertainty and mixed internal views on when to pivot policy.

Big Banks Are Still Shedding Real Estate Debt

[BisNow](#) released an article noting that big U.S. banks like Bank of America, PNC, and Wells Fargo are continuing to reduce their exposure to troubled commercial real estate (CRE) loans, significantly cutting nonperforming debt levels over the past year. These banks have been writing down bad loans, taking losses, and cleaning up their balance sheets after the “extend-and-pretend” era of delaying loan problems. This process is helping restore liquidity and enabling banks to cautiously re-enter CRE lending, even as competition from private credit and broader economic uncertainty remains.

Key Takeaway: Banks shedding bad real estate debt isn't a sign of distress—it's a necessary reset that strengthens their balance sheets and ultimately supports a healthier, more active lending market going forward.

War, Volatility Hamper Conduit Profits

Commercial Mortgage Alert found that CMBS conduit lenders saw profitability decline in Q1 2026 as widening bond spreads reduced execution gains between loan origination and securitization. Average gross profit margins fell to 2.82% (from 3.24% in the prior quarter), with a sharp drop after late-February market volatility tied to geopolitical tensions, including the war in Iran. Deals priced after the spread widening generated significantly lower profits—some as low as 0.44%—highlighting how sensitive lender economics are to timing and market conditions.

Key Takeaway: CMBS lending is highly exposed to spread volatility—even modest market disruptions can quickly erode profitability, turning what looks like a solid pipeline into materially weaker execution by the time loans are securitized.

Data Center Campuses: Phased Buildouts to Scatter Investor Exposures

Academy Securities published a report explaining that modern data center developments are increasingly built as multi-phase campuses, with individual buildings coming online—and entering securitized deals—at different times. The report highlights that this staggered approach introduces unique risks for investors, including construction delays, uneven stabilization timelines, and uncertainty about how issues in later phases (like power constraints or build setbacks) might impact earlier, already-performing assets. It also notes that investors must evaluate whether exposure to earlier vs. later buildings in the same campus carries different risk and return profiles.

Key Takeaway: The shift to phased data center campuses is structurally changing securitized real estate risk—investors can no

longer view assets in isolation, but must underwrite interconnected, evolving ecosystems where timing, infrastructure (especially power), and execution risk matter as much as tenant demand.

Principal Asset Management: Where Real Estate Meets Infrastructure — And a Power Shortage

In the same vein, [Real Assets Adviser](#) also reported data centers are rapidly evolving from a traditional real estate niche into a hybrid asset class combining real estate and infrastructure, driven by cloud computing, AI, and digitalization. The biggest constraint on growth is no longer demand—but power availability, transmission infrastructure, and site readiness, which are limiting new supply and increasing the value of existing assets. As a result, investors must focus on location quality, power access, tenant strength, and capital structure, as returns will increasingly depend on selectivity rather than broad market growth.

Key Takeaway: Data center investing is no longer just about owning buildings—it's about controlling critical infrastructure (especially power), making it a more complex but potentially more durable and defensible investment opportunity in a supply-constrained, AI-driven world.

The Private Credit Market Is Showing Cracks. The Trickle-Down Effect Could Hit Businesses

[The Business Journals](#) reported that stress is building in the private credit market, particularly around loans made to small and mid-sized businesses, as higher interest rates and weaker economic conditions make debt harder to service. Many of these borrowers took on loans during the easy-money period and are now facing refinancing challenges, rising borrowing costs, and stricter lending terms. This is leading to increased defaults, tighter credit availability, and growing concern that private lenders may pull back, limiting a key funding source for smaller companies.

Key Takeaway: Private credit—once a flexible and abundant funding source for small businesses—is entering a stress phase that

could restrict access to capital and expose weaknesses in loans made during the boom years.

Rate Caps Recede, Worries Still There

Commercial Mortgage Alert revealed that interest-rate cap costs for floating-rate commercial real estate loans have dropped roughly 30% since late March but remain far above pre-Iran war levels due to lingering volatility. A typical two-year 5% cap tied to SOFR now costs about \$125K per \$100M loan, still roughly 4x higher than before the conflict, as geopolitical risks continue to disrupt hedging markets. While pricing has stabilized somewhat, periodic spikes tied to renewed tensions and liquidity constraints show that hedging costs remain highly sensitive to macro uncertainty.

Key Takeaway: Borrowing costs in CRE aren't just about interest rates—they're heavily influenced by hedging costs, and even when markets calm, elevated volatility can keep financing meaningfully more expensive than "normal."

The Carveout

A legal blog geared toward sophisticated capital market participants, The Carveout provides insight into current trends and developments in commercial real estate finance (CREF)—with a particular focus on non-recourse carveouts and CREF loan platforms including CMBS, debt funds, private capital, REITs, life insurance companies, and other complex sources of capital.

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