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Publications
The Carveout

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CREF Roundup | Week 24, 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.

Banks Optimistic on Market Strength Even as Some Deal Terms Loosen

Green Street News reported that lenders remain optimistic about overall market strength in commercial real estate finance, even as competitive pressures increase. Loan spreads have tightened significantly, indicating strong demand for lending opportunities and increased competition among lenders. To win business, lenders are loosening deal terms by reducing covenants and simplifying loan structures. This shift reflects a market where capital is available, and lenders are adjusting underwriting standards to stay active in deal flow. **Key takeaway:** Lender optimism and competition are driving looser credit terms, signaling strength in capital availability but potential easing of underwriting discipline.

NY Lawmakers Give Green Light to Expansion of C-PACE Parameters

Green Street News reported that New York lawmakers approved an expansion of the state's C□PACE (Commercial Property Assessed Clean Energy) program, broadening the scope of eligible projects under the financing framework. If signed by Governor Kathy Hochul, the changes will allow C□PACE proceeds to fund water efficiency upgrades and climate resiliency improvements, extending beyond the program's traditional focus on energy efficiency improvements. The underlying legislation also reflects a broader policy push to align the program with climate goals by updating definitions and expanding what qualifies for financing. This would also loosen certain constraints, expanding potential projects, reducing a cost-

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benefit requirement, and expanding the maximum loan-to-value ratio to 35% on stabilized value. **Key takeaway:** New York may materially widen C-PACE's use cases—especially into resiliency and water infrastructure—which should make the product more deployable and relevant in real estate capital stacks.

KBRA Releases Research – CRE CLO Loan Default and Loss Study: Rising Defaults and Modifications Amid Limited Losses

Business Wire reported on KBRA's study that analyzes the performance of commercial real estate (CRE) collateralized loan obligation (CLO) loans and highlights that the asset class has been materially affected by factors such as inflation, rising interest rates, and changes in property fundamentals, particularly in transitional assets. The report finds that the combined default rate across the analyzed loans is approximately 10%, incorporating both payment and maturity defaults. When loan modifications are included, the broader level of distress increases significantly, indicating that a larger portion of loans are experiencing some form of credit pressure. Despite these rising defaults and modifications, the study notes that realized losses have remained relatively limited to date. **Key takeaway:** Credit stress in CRE CLO portfolios is increasing meaningfully, but realized losses have not yet caught up, suggesting potential lag between deterioration and loss recognition.

Emerging Risks and Opportunities in Commercial Real Estate – June 2026

JD Supra identifies several emerging trends in commercial real estate that are expected to impact leasing, development, and dispute risk in the near term. It highlights infrastructure constraints—particularly related to data center growth and power availability—as a key factor shaping development feasibility and requiring more complex lease and zoning considerations. The market is also becoming increasingly bifurcated, with stronger assets outperforming weaker ones, leading to continued distress, renegotiations, and greater reliance on remedies such as

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receiverships and foreclosures. In addition, expanding regulatory and legislative activity is increasing compliance burdens and prompting review of lease structures, fee transparency, and dispute mechanisms such as arbitration. **Key takeaway:** CRE participants should expect a more complex environment where infrastructure constraints, asset-level distress, and heightened regulation collectively drive increased legal risk and more sophisticated deal structuring.

CRE Risk Mounts At Small Banks As Giants Hold Steady

CRE Daily explains that risk tied to CRE exposure is becoming more acute for small and regional banks, which tend to hold a larger share of CRE loans relative to their balance sheets than larger institutions. In contrast, large banks are better insulated due to more diversified portfolios and comparatively lower CRE concentration levels. Ongoing pressures from higher interest rates, declining property values, and refinancing challenges are disproportionately affecting smaller banks, increasing concerns about asset quality and potential losses. Despite these challenges, larger banks have remained relatively stable, reflecting stronger capitalization and broader risk distribution across asset classes. **Key takeaway:** CRE-related stress is becoming increasingly concentrated in smaller banks, highlighting a growing divergence in risk exposure between regional lenders and large, diversified institutions.

The Mid-Year 2026: Green Lights Across CRE Finance

Trepp notes that conditions in commercial real estate are stabilizing and improving, even as risks such as inflation and geopolitical uncertainty remain present. Capital markets activity is rebounding, highlighted by increased commercial mortgage-backed securities issuance and a surge in CRE CLO volumes, alongside strong multifamily lending from housing-finance agencies. Lenders are becoming more active, including re-engaging with office lending, signaling a renewed willingness to originate loans across asset

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classes. At the same time, distress indicators—such as delinquencies and special servicing volumes—are stabilizing rather than worsening, suggesting the market is beginning to work through existing credit stress. **Key takeaway:** The CRE market is showing early signs of recovery, with improving liquidity and lending activity outweighing lingering risks as the sector transitions from stress to stabilization.

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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