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The Carveout

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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.

The Fed Hikes: What It Means for CRE

Cushman & Wakefield published an article on the Federal Reserve raising its federal funds target by 25 bps to 3.75%–4.00%, noting that the move that was largely expected due to higher bond yields and inflation, while signaling that additional increases are possible but not predetermined. The outlook depends heavily on inflation, energy prices, and economic growth; a resilient economy supports commercial real estate (CRE), but persistently high oil prices or inflation expectations could require further tightening. For CRE, higher borrowing costs will pressure highly leveraged and refinancing-exposed properties, while constrained new construction, improving leasing activity, and stronger NOI growth provide some offset. **Key takeaway**: Rates are likely to remain higher for longer, but improving CRE fundamentals and limited new supply may help cushion the impact; the biggest risks are further inflation-driven hikes, elevated financing costs, and refinancing pressure on leveraged assets.

CMBS Market Enters Yearend Sprint

Commercial Mortgage Alert reported that the CMBS market restarted strongly after Labor Day, with nearly $4 billion of new securitizations across office, industrial, multifamily, retail, and data-center assets, despite uncertainty around inflation and rising interest rates. Investors remain active, but rate volatility and Treasury yields above 5% could create hesitation and affect pricing (see above). **Key takeaway**: CMBS demand remains resilient, but the market is increasingly sensitive to interest-rate volatility, with strong issuance providing a constructive signal while pricing will depend heavily on the macro environment.

Multifamily NOI Growth Weakened in 2025 Even as Expense Growth Cooled

Trepp found that multifamily operating conditions weakened in 2025: expense growth slowed to 3.7% from 5.1%, but revenue growth fell to 2.8%, causing median NOI growth to decline to 1.8% from 3.4%. Over 2021–2025, expenses grew 32.4% versus 26.6% for revenue and 21.9% for NOI, showing that cost pressures continue to outpace income growth despite recent relief in areas such as insurance. **Key takeaway:** Multifamily fundamentals are still under pressure—slower expense growth isn't translating into stronger NOI, which could constrain property values, debt-service coverage, and refinancing capacity.

Data-Center Boom Tests Securitization

Commercial Mortgage Alert reported that U.S. data-center expansion is creating enormous demand for financing, with ABS and CMBS markets increasingly used to refinance projects, but the scale of upcoming debt needs may exceed what traditional securitization structures were designed to handle. Despite this structural mismatch, investor appetite remains strong, with $44.4 billion of data-center-backed ABS and CMBS issued since the start of 2025 and spreads tightening across both markets. **Key takeaway:** Data-center investment is growing so rapidly that developers will need to tap a broad mix of financing sources, while ABS and CMBS markets face the challenge of accommodating increasingly large and concentrated exposures.

Malls Are Back: Retail Tops the CRE Leaderboard

LightBox published an article on the surge of U.S. mall values to 13% over the past year, more than twice the broader CRE market, driven by limited new supply, resilient consumer spending, and successful shifts toward luxury retail, dining, and entertainment. However, active mall listings show that the recovery remains highly uneven, with some properties thriving while others face vacancy and significant repositioning needs. **Key takeaway**: Malls are no longer uniformly distressed, but the recovery is highly asset-specific—investors need to distinguish successful retail destinations from properties whose best value may come from redevelopment or an alternative use.

CMBS DQs Rise Again to 5-Year High

Commercial Mortgage Alert reported that office CMBS delinquencies reached a second consecutive record in August, rising to 9.08%, driven primarily by maturity defaults and refinancing difficulties. Fitch expects office delinquencies to approach 10% by year-end. Overall CMBS delinquencies rose to 3.58%, while retail and multifamily also deteriorated, and $3.25 billion of securitized loans entered special servicing—though Trepp noted that roughly 60% of those transfers were not immediate credit concerns. **Key takeaway:** Office refinancing risk remains the biggest source of CMBS stress, with maturities increasingly driving defaults, but the elevated special-servicing figures may overstate near-term credit losses because many troubled loans are likely to be modified or refinanced.

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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