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CREF Roundup | Week 42, 2025

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](#).

Commercial Real Estate Positioned to Feel Minimal Impacts from Government Shutdown

[Real Assets Adviser](#) published an article finding that the Oct. 1 government shutdown has had minimal immediate impact on commercial real estate, as most operations and transactions continue unaffected. However, prolonged shutdowns beyond 30 days could disrupt HUD subsidies and delay critical economic data, potentially weakening investor confidence. Broader economic effects—such as reduced GDP growth, furloughed worker spending, and consumer sentiment—pose secondary risks to the market. **Key Takeaway:** While short-term effects on CRE are limited, an extended shutdown could indirectly strain the sector through economic ripple effects and weakened investor and consumer confidence.

Q3 2025 Lending Market Overview

[Chatham](#) released a report on Q3 2025, where the market saw a 32-basis-point decline in 10-year fixed-rate debt due to lower Treasury yields and steady credit spreads, with SOFR dropping 17 bps amid ample liquidity from banks and debt funds. The 10-year Treasury yield rose in July, held steady in August, then fell in September following the Fed's first rate cut of the year, reflecting weakening labor market conditions. Credit spreads tightened for investment-grade bonds, while CMBS and LifeCo lender spreads remained stable; and improved underwriting appetite led to modest spread reductions for floating-rate office and hotel loans. **Key Takeaway:** Stable credit conditions and ample liquidity in Q3 2025

supported tighter spreads and lower borrowing costs across CRE debt markets despite shifting economic signals.

CRE CLO Distress Rate Sheds 180 Basis Points

[CredIQ](#) published an article reporting on the resilience of CRE CLOs in September 2025, with delinquency and special servicing rates declining to 9.2% and 7.2%, respectively, down significantly from earlier peaks. The overall distress rate dropped to 11.5%, aided by low early-stage delinquencies and proactive servicing. However, a large portion of distressed loans stem from matured non-performers. The data highlights a maturing portfolio with liquidity risks tied to extensions and refinancing. **Key Takeaway:** CRE CLOs remain stable despite economic pressures, but extension and maturity risks continue to cause some concern.

How HUD Borrowers Can Bring More Financing to Their Capital Stack

An article in [Multifamily & Affordable Housing Business](#) (authored by our own Keely Downs) relayed that certain HUD-insured multifamily loans offer stable, long-term financing but are increasingly challenged by rising construction costs, operating expenses, and tenant demands, often requiring borrowers to inject additional capital post-closing. While HUD permits preferred equity and certain forms of secondary debt, strict regulatory conditions—such as no project liens, limited investor remedies, and surplus cash restrictions—must be followed. Additional financing tools include HUD’s 241(a) supplemental loans, subordinated debt and PACE financing (all where approved), offering structured pathways for upgrades without jeopardizing the first mortgage. **Key Takeaway:** Although HUD loans offer reliable financing, borrowers often need to carefully structure any additional equity or debt after closing to meet HUD’s strict guidelines and to protect the original mortgage.

Survey Reveals CRE’s AI Paradox: Leaders Accelerating AI Adoption Despite Persistent Challenges

Real Assets Adviser reported on a survey of institutional real estate investors revealing that while 90% of firms are forming AI-focused teams and all are planning AI adoption, 93% face significant barriers—most notably, lack of internal expertise and fragmented data systems. Despite these challenges, nearly all respondents view improving data infrastructure as a top priority, and 96% plan to boost AI investment within a year. Firms are already using AI for tasks like document analysis and portfolio monitoring, with expectations of improved efficiency and deal velocity. **Key Takeaway:** Institutional real estate investors recognize AI as critical to their future but face major implementation hurdles due to expertise gaps and data fragmentation.

Heavy CMBS Dealflow Tests Demand

GreenStreet reported last week that despite the U.S. government shutdown, the CMBS market remained active, with \$2.94 billion in deals priced and nearly \$5 billion more marketed. Investor demand is strong—especially for high-profile office and retail properties—though the rapid pace of issuance is slightly slowing the tightening of spreads. Major deals include billion-dollar offerings backed by Manhattan office towers and large conduit deals with significant allocations to multifamily, office, and retail sectors. **Key Takeaway:** Strong investor appetite and expectations of rate cuts are sustaining momentum in the CMBS market, even amid macroeconomic uncertainty and heavy issuance.

Office Sector Weighs on Loan Metrics

Despite the above, GreenStreet also reported that quality in the CMBS market declined further in September, led by worsening conditions in the office sector, where the 60-day delinquency rate rose to 8.12%. Overall CMBS delinquencies reached 3.10%, and special servicing rates increased to 10.65%, driven largely by troubled office loans. While some sectors like retail saw modest improvement, the market faces challenges due to a wave of maturing office debt and limited refinancing options. **Key Takeaway:** The office sector continues to drive deterioration in CMBS credit quality, posing significant refinancing risks despite broader market

resilience.

Fundraising for September DST Offerings Surpasses August by 50%

[Real Assets Advisor](#) revealed that fundraising for Delaware Statutory Trust (DST) offerings surged to \$826.3 million in September 2025, a 50% increase from the previous month. Year-to-date equity raised reached \$5.8 billion, a 46.6% increase over the same period in 2024, with industrial, retail, and multifamily offerings leading the categories. **Key Takeaway:** DST fundraising is experiencing significant growth in 2025, positioning the market to potentially surpass \$7.5 billion by year-end.

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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