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WHY COMMERCIAL DEBT, EQUITY ARRANGERS ARE EXCITED FOR 2026

Though wide-ranging, numerous factors are coming together and being validated in real time to boost deal volume in the new year.

By Taylor Williams

Olympic rings, Great Lakes, stages of grief, military branches and factors that point to a more robust landscape in the world of commercial debt and equity placement in 2026 — they all come in fives.

Unlike the other items in that set, however, there is room for debate as to what those five capital markets factors actually are. But according to sources, they are, in no particular order of importance:

- Rising investment sales volume, which allows for better pricing and risk assessment in the equity markets
- No shortage of deals in need of recapitalization
- Strong liquidity and competitive spreads in the debt markets
- Short-term stability in the 10-year Treasury yield
- Resilient acclimation to a new geopolitical environment

Combined, these market forces form the basis of a larger perspective that is defined by optimism — and that optimism is rooted in both qualitative observations and quantitative analysis. And so far, the expectations of at least one major industry research and advocacy organization appear to be in line with the observations of individuals interviewed for this story.

In early February, the Mortgage Bankers Association (MBA) released its 2026 Commercial Real Estate Finance Forecast report, which projected that total commercial and multifamily originations would total \$805 billion in 2026, representing a 27 percent year-over-year increase. The MBA also



Selig Enterprises recently refinanced 1105 West Peachtree, a 31-story office tower in Midtown Atlanta anchored by Google, with a \$245 million CMBS loan.

reports that the multifamily sector, which still accounts for a disproportionate share of commercial lending, is expected to have a 2026 loan origination volume of about \$399 billion versus the estimated \$330 billion in 2025,

a 20.8 percent increase.

Sales back on track

“Equity is not back to normal, but it is back to work.”

That’s a quote from Mo Beler, senior managing director and co-head of equity and structured finance at Walker & Dunlop’s New York City office. Beler and his partner, Jonathan Paine, who holds the same title but is based in the firm’s Houston office, have seen equity players across all commercial asset classes adopt defensive, highly selective positions in recent years.

The reasons are manifold. The Federal Reserve’s war on inflation in 2023 and 2024 pushed short-term interest

rates exponentially higher, forcing owners and developers to integrate higher proportions of equity into the capital stacks of their deals and projects. Those equity sources sought higher rates of return for taking on more risk.

Using multifamily as an example, in many cases, those required rates of return simply weren’t feasible from an underwriting standpoint due to softening fundamentals at the asset level. Especially for deals and projects that were bought or financed just before the rate-hike campaign began, the math just didn’t make sense with regard to the exit strategy and/or cap rate. And so the deal didn’t get done.

Between these setbacks in capitalization during 2023 and 2024 and geopolitical turbulence during the first half of 2025 (more on that to come), investment sales activity languished.

“The volume of trades across sectors to justify what yields should be from an equity perspective wasn’t there,” Beler says of that time frame. “That discovery lag was effectively due to core capital — nontraded and public REITs, open-ended accounts — leaving the system. That capital is coming back at a meaningful scale in relation to where it was in 2025. Redemptions are down considerably, and we’re seeing inflows within the open-ended accounts that have less exposed product.”

The relative absence of hard data and usable comps during those times exacerbated investors’ wariness and hesitation to transact. Still, 2025 offered glimpses of a broader rebound to come.

According to data from MSCI, each of the five major commercial real estate asset classes saw growth in its year-over-year sales volume in 2025. Both retail and office saw gains in this metric of 26 percent; the industrial and hospitality sectors had tamer rates of investment sales volume growth at 15 and 13 percent, respectively. The multifamily segment saw 9 percent year-over-year growth in its aggregate dollar amount of closed sales.

Of course, the big winner of 2025 was the data center segment, which saw its transaction volume explode by 274 percent on a year-over-year basis as AI (artificial intelligence) mania tore through Wall Street and Capitol Hill. All told, the volume of commercial real estate sales in 2025 versus 2024 was 23 percent higher across all asset classes, anchored by a strong fourth quarter that saw a 30 percent increase in volume relative to that period in 2024, according to MSCI.

Anecdotal evidence aligns with those numbers.

“Through September, our firm’s investment sales activity improved 40 percent over the same period in 2024, which allowed investors to see where deals are trading and what the comps were,” says Paine. “There’s an expectation for this momentum to continue through the first two quarters of this year, and we’re already seeing a ‘front foot posture’ from the capital markets as opposed to a defensive posture.”

James Millon, president and co-head of U.S. capital markets at CBRE, agrees that the second half of 2025 — particularly the fourth quarter — marked a visible boost in investment sales activity such that equity participation noticeably picked up.

“A major challenge in the equity markets stemmed from a lack of transaction activity to establish [accurate] values, but most groups had big fourth quarters on the investment sales front, providing for more price discovery as it relates to asset values,” he says. “We



Patterson Real Estate Advisory Group arranged an acquisition loan for 185 Littlejohn Street, an industrial park in Spartanburg, S.C.

hadn’t seen the normal cycle of exits, which has caused issues as it relates to equity capital raising. If you don’t have exits and you can’t return capital to limited partners, you can’t really raise the next generation of funds.”

Belser says that equity groups that have been more active in the past six to nine months are mostly looking at asset classes in which the investment thesis is proven and straightforward — a sign that some degree of anxiety still persists. Per Beler, those plays might include student housing (rising enrollment); seniors housing (decentralized healthcare delivery and aging demographics); medical office (income durability, limited new supply); or shallow-bay industrial (shorter lease terms that allow a mark to market).

Opportunities galore

Belser’s last comment was made in reference to the “looming wall” of impending commercial loan maturities, a quasi-doomsday narrative that has been circulating for years but has yet to produce a massive wave of defaults.

According to MBA, about \$875 billion of commercial mortgage obligations will come due in 2026. Although that figure represents about 17 percent of the entire pie of commercial maturities, it’s also a 9 percent decrease from the \$957 billion in debt that was set to mature in 2025, per MBA.

Opportunities for fresh equity placement exist in some of those deals, with the prototypical example being the bridge loan that was originated at an incredibly low interest rate in 2020 or 2021 and is now coming due in a higher interest rate environment. According to Paine, that’s where the timing gets tricky. For while price (re)-discovery is well underway, a recalibration of values has not yet occurred such that the “looming wall” of maturities will trigger massive deployment of fresh equity.

“While [the looming wall] has opened up some discreet opportunities, overall there are very few real es-

tate owners today that want to recapitalize or trade their assets at today’s values,” he says. “So inherently, when you talk about an equity recapitalization, value is still a primary function of where the execution goes. It’s all still very dependent on individual capital stack and circumstances of what’s going on in the portfolio.”

In addition, sources say that some lenders — namely debt funds — are showing a willingness to refinance those deals, sparing owners the choice between relinquishing some ownership via an equity recapitalization or outright selling the asset.

“Debt funds are especially useful for providing liquidity in the market for maturing construction loans via their bridge loan product, and there are a lot of maturities [forthcoming],” says Barry Olson, senior managing director and partner at Patterson Real Estate Advisory Group, an Atlanta-based firm. “While every cycle tends to have industry commentators warning of the ‘wall of maturities,’ implying loan defaults and a big market for distressed debt funds, like in past cycles, this is over-sensationalized and is unlikely to happen in a material way.”

Just how aggressive are some debt funds getting on these deals? According to Matt Wurtzebach, senior vice president in the commercial finance group at Chicago-based Draper & Kramer, some debt funds are “underwriting to a 1.0 [debt service coverage ratio] on an interest-only basis at 80 percent leverage and kicking the can down the road for three to five years.”

Although debt funds represent expensive money, Wurtzebach notes that spreads on those loans have come down over the past 12 to 18 months. Today, debt funds might price riskier plays, i.e. — ground-up construction loans issued at 80 percent loan-to-cost — at SOFR (Secured Overnight Financing Rate) plus 400 to 450 basis points. But 12 to 18 months ago, that same deal might have been priced at SOFR plus 500 to 550 basis points. Bridge

loans for stabilized assets likely price at SOFR plus 175 basis points, while deals in lease-up would likely see a spread of 200 to 300 basis points over SOFR, depending on leverage and cash flow, Wurtzebach says.

Based on SOFR’s closing mark of 3.67 percent on Thursday, Feb. 19, a borrower in that situation could easily be looking at an all-in interest rate close to or above 8 percent. But as Wurtzebach explains, that’s the lender’s prerogative for taking on additional risk.

“From the new lender’s perspective, [a debt fund execution] is the business plan; it’s not can kicking,” he says. “The lender is recognizing a need in the market in which the lender can get a spread of the [10-year] Treasury [yield] plus 275 to 325 [basis points] and at minimum still have 20 percent equity ahead of their position. They can lock that rate in for four to five years, help the borrower finish the business plan and maybe exit at a more attractive basis.”

Sources say that different tranches of risk tolerance exist within the debt fund space, but overall there’s enough capital to go around.

“There are debt funds that are even willing to take on a newly built multifamily deal that has no leasing and take out the existing construction debt,” says Olson by way of example. “Other debt funds have a more measured approach. They might want to see 50 to 60 percent occupancy but feel like they can get [to the finish line], even if the property missed its pro forma, so long as leasing momentum isn’t trending backward and they can underwrite the rates.”

Millon of CBRE also downplays the threat of the “looming wall,” noting that in reality, it’s not a new phenomenon.

“Half of the commercial lending ecosystem is banks, and banks [tend to] write five-year, floating-rate loans, or three-year loans with two one-year extension options,” he explains. “So by definition, a \$2.7 trillion participant

in the marketplace is always going to have 20 percent of their books rolling every year.”

“The size of the wall and wall itself will always be here,” he continues. “The problem occurs when capital markets are vastly different from when certain loans were originated versus when they mature. Loans originated in 2021 at 1.5 to 2 percent all-in coupons with floating interest rates that are now rolling to market at a time when SOFR is around 3.5 percent, plus a 200-basis-point spread — that’s a massive increase in the costs of borrowing. And that’s assuming all other things are [being held] equal, like the cash flow [of the asset] stayed the same. That’s where you run into issues.”

The 2026 commercial debt and equity market also benefits from a simpler source of deal volume: 10-year bank loans that are now coming due. Commercial loan originators generally had very healthy volumes in 2016 given that the federal funds rate stayed below 1 percent for that 12-month period.

“Looking at our pipeline for early 2026, there’s the potential for a record first quarter of originations for our company,” says Robert Slatt, principal at San Francisco-based intermediary Gantry. “We had a very good year of production in 2016, and a lot of those loans on stabilized properties are on 10-year call dates, so borrowers have to transact.”

Wurtz bach of Draper & Kramer agrees.

“Along with 2015 and 2017, 2016 was a really good year of originations for us across all lender categories,” he says. “There should be plenty of liquidity and opportunities to refinance 10-year loans because most of those had some degree of amortization.”

“The combination of lower principal balance and higher value creation means most of those loans have a clearer path to a refinance,” Wurtz bach continues. “This contrasts with loans that were financed five years ago at peak valuations and very low interest rates, many of which will require more creative financing solutions.”

Slatt says that getting some of these troubled loans off lenders’ books via sale is already happening and will ultimately be a positive for the market.

“Value-add and bridge loans that were originated between three to five years ago are still working through the system, and some will be taken care of through the disposition market,” he says. “If it’s a property that can be sold today without equity writing a check to rightsize the deal, then you’ll see some groups cut their losses and move forward,” he continues. “Some lenders are no longer looking to extend and are looking to sell notes at discounts.”

Debt: Down to get down

If there was one point that all sources interviewed for this story agreed on

without hesitation or equivocation, it was that the commercial debt markets are highly liquid and attractive.

According to MBA, the volume of commercial loan originations in the fourth quarter of 2025 was 30 percent higher on a quarter-over-quarter basis, while the increase from the third to the fourth quarters of last year was 25 percent.

Hard, favorable data breeds positive sentiment, and that appears to have spilled over into the new year.

“Thus far, 2026 is one of the strongest and healthiest credit environments we can recall in some time — full market participation from every capital source available,” says Millon. “Credit spreads are as tight as they’ve been in a long time, which is a function of the risk and liquidity that’s out there, and capital availability is very strong. It’s rare to find lending opportunities that don’t attract capital at all.”

“Debt is not the issue in the market today; most borrowers see attractive debt available at reasonable pricing and leverage points,” adds Wurtz bach, who seconds the notion that 2026 also represents an opportunity for lenders to get some troubled loans off their books.

“If some of those assets can be cleared off lenders’ balance sheets, they can reinvest that capital into new projects and loans and create more liquidity in the market,” he notes.

Olson says the uptick in lending over the past 12 to 18 months indicates strengthened balance sheets and improved stability among banks.

“Debt capital is very optimistic, particularly debt funds that are willing to do bridge deals or stretch senior construction lending, but commercial banks are also back in the game with more aggressive terms,” he says.

10-year Treasury chills out

Even as the national debt continues to spiral, strong faith in the solvency of the U.S. government still exists within the business community. In fact, that faith is arguably stronger today than it was a year ago.

Over the past three months, the range of yields on 10-year Treasury notes have stayed within a 30-basis-point band. In the approximately three-month period between Jan. 13 and April 4, 2025, the range was closer to 80 basis points, including a brief, post-Liberation Day plunge below 4 percent. The 10-year yield would briefly cross that threshold again in late 2025, but as part of short-term fluctuations that were much less severe.

Commercial investment is more attractive when 10-year yields are low, but it’s the stability factor that really allows lenders and borrowers to confidently come to terms on deals, sources say. And that dynamic appears to be taking shape at the moment.

“From an investment sales standpoint, we’ve noticed that activity really picks up when the 10-year is below 4 percent,” says Slatt. “As of Jan. 23, it was at 4.25 percent, which is on the higher end relative to the last 60 to 90 days, and there really isn’t an expectation that the 10-year Treasury yield is going to decrease significantly anytime soon.”

Borrowers who buy that premise and seek fixed-rate debt should therefore be encouraged by the latest machinations of the 10-year yield.

“Fixed-rate borrowers are usually looking at the 10-year yield, and that index has been very steady for the entire second half of 2025 going into 2026,” Slatt continues. “‘Steady’ is a relative term, but if we see the 10-year increase 30 basis points from October to today, some consider that a stable lending environment, at least compared to 2023 and 2024.”

Slatt acknowledges that some borrowers may still be wary of accepting this premise and may need more time to assign short-term stability to the metric. But there is also an argument to be made that the Fed is done cutting rates for the immediate foreseeable future, in part due to political pressure. There is also a sense that the current range of 3.5 to 3.75 percent is fairly close to the trough over a longer time horizon and that rates are unlikely to return to pre-pandemic levels anytime soon, barring an epic economic collapse.

Geopolitical recognizance

On Jan. 20, 2026, U.S. President Donald Trump announced plans to levee tariffs against eight European countries that opposed his administration’s stance on Greenland. The president has sought to control the Danish territory under the auspices of national security since his first term in office.

Major stock indices responded negatively to the news: The Dow Jones Industrial Average fell 870 points, or 1.75 percent; the S&P 500 slid 2 percent; and the Nasdaq Composite plummeted 2.39 percent. All rebounded swiftly as the administration walked back the tariff threat and softened its language on Greenland.

Contrast that to Liberation Day, the self-imposed nickname of the day in early April 2025 in which Trump, a staunch advocate of tariffs, unveiled his initial plans for the import taxes. Following that announcement, the Dow Jones fell 1,680 points, or 4 percent, in a single day. Further, the S&P and Nasdaq posted single-day losses of 4.9 percent and 6 percent, respectively. The administration would subsequently pause the tariff rollout in response to market upheaval.

“After Liberation Day, the market went quiet and stayed quiet for most of the summer,” recalls Olson. “When equity funds see geopolitical turbulence, the response has typically

been to go quiet, not have many new transactions, wait for the all-clear and then get back out there. That has happened, and there is now real appetite for real assets in the marketplace by commercial investors, and they want to engage in markets they can [comfortably] underwrite.”

While the stock market is not real estate, the two are linked as alternative long-term investment vehicles. And the fact is, since Liberation Day, Wall Street has not panicked nearly as much in response to geopolitical events in which the current administration is at the center. This suggests that markets have simply become more acclimated to Trump 2.0.

“It goes back to markets liking stability and predictability,” says Wurtz bach. “Liberation Day really was a shock to the system that clouded investors’ views and led to a sharp increase in spreads. Almost a year later, investors have enough data and can see enough trends such that when certain policies are initially announced, they can go back to pattern recognition and wait and see what happens, and so far that’s worked well for them.”

Commercial borrowers, as well as their capital providers and arrangers, appear to have also accepted the reality that geopolitics and business cannot be fully separated in this day and age. In the view of at least one source, geopolitics is perhaps even more influential on short-term lending activity than what the Federal Reserve does.

“The Fed doesn’t really have levers to pull to [immediately] lower the cost of borrowing; what affects the lending environment in the short run is more geopolitical forces and economic news,” says Slatt of Gantry. “We saw that most recently with the concerns about tariffs on European countries and how that caused the stock market to drop heavily in one day, but the 10-year yield only rose slightly.”

Establishing direct correlations between geopolitics and commercial real estate trends is a dicey endeavor at best. Yet the belief that newfound macroeconomic uncertainty and distress can and will get resolved is a notion that helps all players transact a bit more comfortably.

“Liberation Day was a reminder that the markets are unbelievably resilient,” concludes CBRE’s Millon. “It put a pause on many transactions, but it didn’t take long for the market to recover in terms of credit spreads and transaction volume. It’s a reminder that external risk factors — whether geopolitical, micro, macro — do pop up sometimes. But there’s an abundance of capital out there that’s looking for a home, and it seems like the capital markets are pricing through risk premiums associated with geopolitics.” ■