

# Capital Trends

US Big Picture

2.4% YOY price change  
\$36.0b Transaction volume  
-8% YOY volume change

The headline figures for August paint a picture of weakness in the market with falling sales volume. Looking past the impact of one-off deals a year ago, however, the market continues to see improvements in both deal volume and pricing.

Deal structure clouded the performance of the commercial property market in August. Portfolio sales were down 48% from August of last year, with declining activity for all major property sectors but retail.

In addition to challenges from portfolio sales, there were no entity-level deals closed in August. For some sectors like industrial and hotel, such M&A deals have not been seen for more than a year. It can be challenging to make these types of acquisitions accretive in the face of economic uncertainty and still-high costs of financing relative to cap rates.

The strength for the month was with individual asset sales, which were up 6% from last year on sales of \$30.5b. This signal in the market is often a better gauge of investor interest than the portfolio or entity-level activity as investors are underwriting these deals without portfolio effects to paper over any mistakes. Only retail and industrial posted declines in individual asset sales for the month.

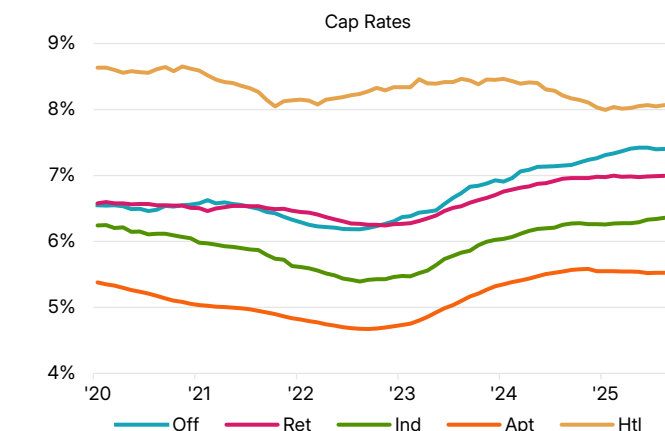
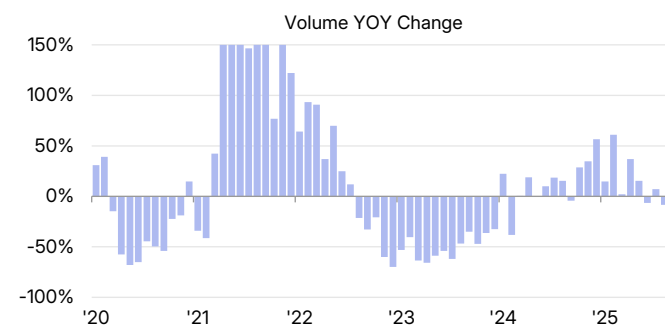
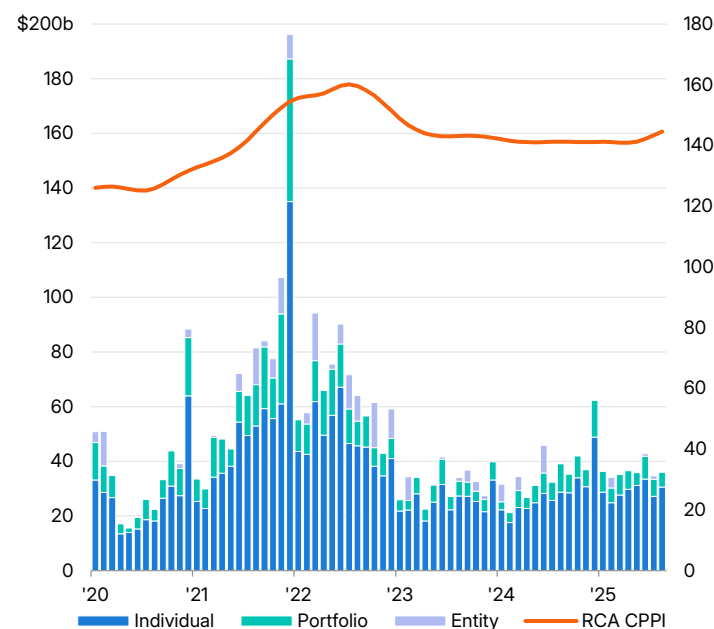
Prices continued to grow in August with the RCA CPPI US National All-Property Index up 2.4% from August of last year. Prices are growing even faster in the recent term: the annualized change from the previous month has averaged 9.7% for each of the last three months. Cap rates were generally flat or increasing in August relative to last year.

## Transaction Volume and Pricing Summary

	August 2025		YTD 2025		RCA CPPI	
	Vol (\$b)	YOY	Vol (\$b)	YOY	Cap Rate	YOY
Office - CBD	2.5	115%	15.2	45%	7.1%	0.7%
Office - Suburban	3.5	-12%	28.9	4%	7.5%	0.3%
Industrial	7.4	-15%	63.8	10%	6.4%	5.0%
Data Center	0.0	-76%	2.8	-24%	7.1%	
Retail	4.7	-11%	42.8	18%	7.0%	5.3%
Apartment	12.5	-8%	91.6	5%	5.5%	0.2%
Hotel	2.0	-27%	15.0	-10%	8.2%	4.5%
Snr Hsg & Care	1.6	-20%	11.7	57%	7.0%	
Dev Site	1.8	7%	19.7	33%		
Total	36.0	-8%	291.4	11%		2.4%*

\*All-Property Index comprises office, industrial, retail and apartment.

## Monthly Transaction Volume and Pricing



RCA CPPI Dec 2006 = 100. Volume change truncated at 150%. Trailing 12-mth cap rates.

In this **debt edition**, find commentary on the [impact of leverage](#); analyses on [loan maturities](#) and H1 2025 lender [LTVs](#), [loan sizes](#) and [market share](#); plus [construction trends](#) and insights into [cross-border lenders](#), the [use of leverage](#) by funds, and debt market [liquidity](#).

# The Schedule of Maturing Loans

At midyear 2025, approximately \$300b in loans were scheduled to mature in the second half of the year. In addition, we have identified more than \$600b in mortgages that appear to have been extended beyond their original maturity dates into late 2025 and beyond.

CMBS lenders are the largest single lender group behind the loans maturing in H2 2025, accounting for 27% of the outstanding balance. Taken together, banks represent 40% of loans coming due, led by regional and local banks (20%) and national banks (13%). Banks hold an even larger share of the loans likely to have been extended, accounting for more than half of the volume. Investor-driven lenders represent 22% of loans likely extended, although their share of known H2 2025 maturities is smaller, at 13% by value.

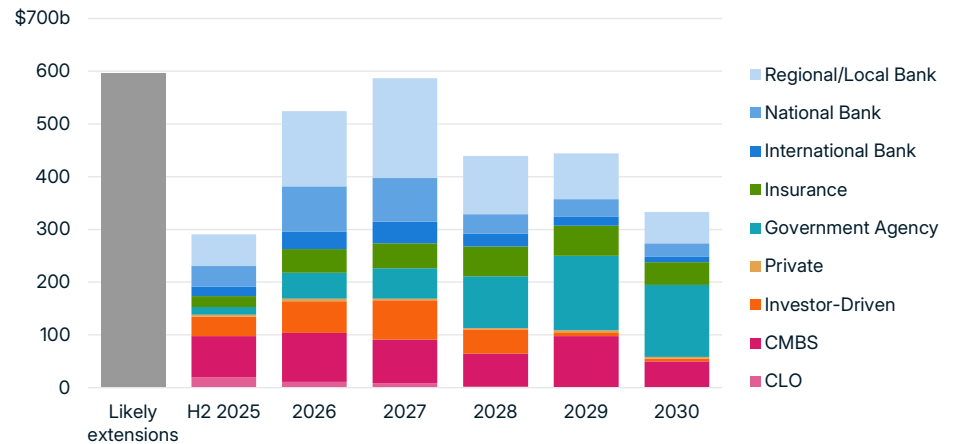
Across asset classes, apartments represent the largest share of loans maturing in H2 2025, accounting for 35% of the total, followed by offices at 20%. Within the pool of loans likely to have been extended, however, offices comprise 25% — a disproportionately higher share relative to their scheduled maturities in any given year. While the data indicates that debt capital remains available to office owners, the elevated share of extensions suggests that office properties continue to face greater headwinds than other asset types.

Distressed asset sales accounted for 2.8% of investment activity in H1 2025. However, rising foreclosure activity points to potential increases ahead. Nearly 150 foreclosures were recorded in the first half of the year, marking the highest midyear total since 2014.

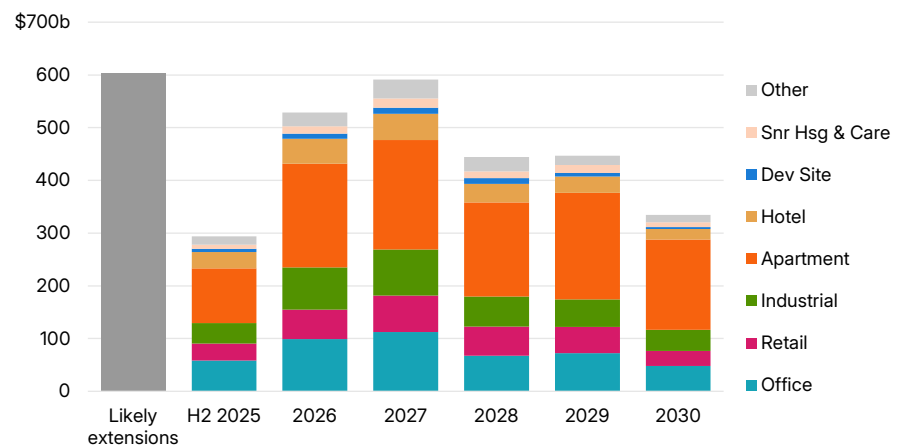
The apartment sector led foreclosure activity in H1, representing the largest share of cases since 2011. Offices had dominated foreclosure activity over the past two years, while retail and hotel assets alternated in earlier periods beginning in 2018. Two-thirds of apartment foreclosures were tied to loans originated in 2021–22, when borrowing costs were at historic lows. With nearly 60% of apartment loans maturing in H2 2025 also stemming from that same origination window, a significant share of upcoming maturities may encounter refinancing challenges.

## Volume of Maturing Commercial Property Loans

### By Lender Type

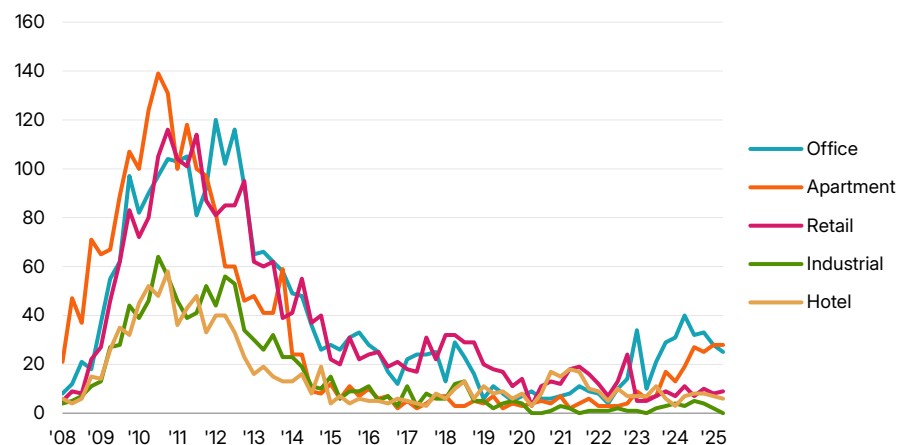


### By Property Type



Aggregate statistics include asset types not included in our standard volume statistics, such as self storage, manufactured housing and parking facilities. Loan maturities data is available to Mortgage Debt Intelligence subscribers.

## Count of Foreclosures by Property Type



# When Debt No Longer Does the Work

Leverage has long been a cornerstone of investment strategy in commercial real estate. Buy an apartment property with favorable financing, enjoy some price appreciation, and watch your equity multiply. When market conditions are right, leverage amplifies gains, turning steady asset growth into outsized returns. But when the math behind the leverage changes, the effect can reverse just as quickly, exposing investors to more risk than reward.

Throughout much of the 2010s, this strategy worked well. Investors benefited from low interest rates and steadily rising property values. The combination of cheap debt and price growth often turned a single-digit compound annual growth rate (CAGR) in price into leverage-adjusted appreciation two-to-three times that. This dynamic made leverage not just useful but essential to meeting return targets for investors. However, in today's environment, that payoff is no longer guaranteed.

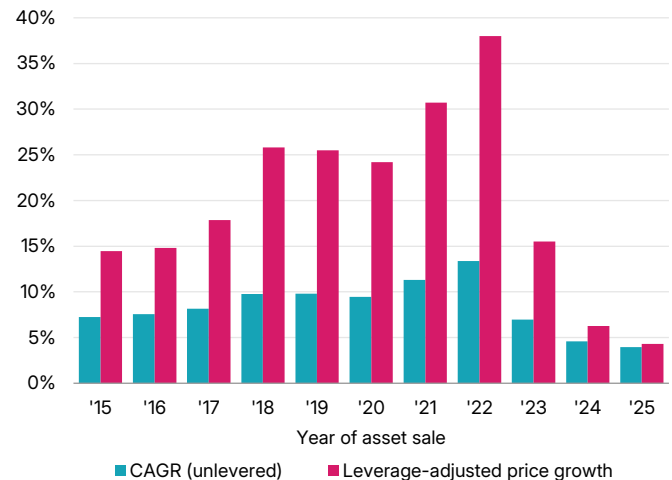
Data for repeat sales of apartment property shows that many investors exiting deals in the early 2020s realized unleveraged price growth — measured as average CAGR — above 10%. Given the lower interest rate environment preceding 2022, leveraged compound annual price growth from those same deals was upwards of 30–40%. But by 2023, that picture began to shift. Although unleveraged price growth remained healthy, averaging 7% in 2023 and 5% in 2024, the corresponding leveraged growth fell to just 16% and 6% in those years, respectively. In 2025 so far, leveraged growth has dropped to around 4% — barely above the unleveraged figure. This signals a dramatic collapse in the added value of leverage.

The explanation lies in the spread between price growth and the cost of debt. When investors borrow at a lower rate than the property's appreciation, the spread is positive and leverage boosts growth. For much of the past decade, this was the case. Mortgage rates hovered around 4–5%, while apartment CAGRs regularly exceeded that figure. But starting in 2022, mortgage rates rose and the spread between CAGR and mortgage rates compressed, reducing the value of leverage in amplifying price growth.

In today's higher-rate lending environment, leverage is no longer a certain amplifier. With less room for leverage to generate excess growth, success will increasingly depend on the intrinsic performance of the property rather than on the capital structure used to finance it.

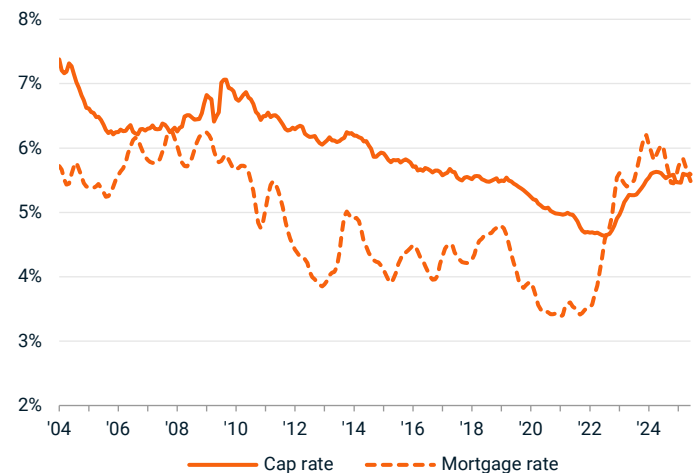
While price growth has historically been a key driver of returns in apartment investing, it represents only one side of the equation. Income performance is equally critical. From late 2022 through early 2024, mortgage rates rose above cap rates in many apartment deals, creating conditions of negative leverage — where the cost of debt exceeded the property's income yield.

## Leverage Impact on Asset Appreciation



'25 shows Jan-Aug data.

## Apartment Cap Rates vs Mortgage Rates



Cap rate and mortgage rate are 3-month trailing averages.

Just as leverage previously amplified price appreciation through the spread between price growth and debt cost, the same principle applies to income: when borrowing costs exceed a property's yield, leverage shifts from a return enhancer to a performance drag.

As cap rates began to rise in late 2024, a positive spread over borrowing costs was restored — an encouraging sign that supports healthier deal performance. Lower financing costs would also be of benefit, but Federal Reserve rate cuts are no guarantee of this outcome.

# Debt Snapshots Leverage Use and Liquidity

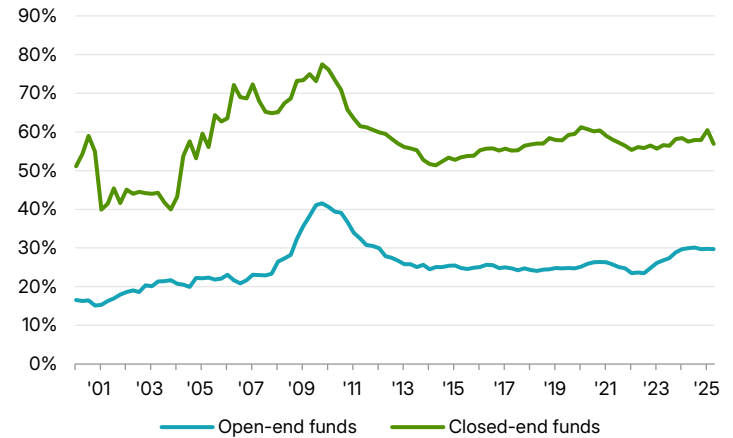
## Contrasts in Leverage Use

Debt exposure remains a defining feature of fund performance and risk for investors. Closed-end funds, which dominate the value-add and opportunistic segments, carry far higher leverage than their open-end peers. As of early 2025, LTV ratios for closed-end funds averaged just under 60% compared with roughly 30% for open-end vehicles.

Transparency also varies. In the open-end world, comprehensive index coverage makes tracking debt ratios relatively easy. Closed-end funds, by comparison, are harder to track. We have used holdings data from the MSCI Private Capital Universe dataset to estimate LTVs for a sample of 677 closed-end funds. These estimates provide a new window into how much debt exposure investors face, even if exact figures vary across individual funds.

The findings underscore a fundamental structural difference. Closed-end funds, which often target development, repositioning or other higher-risk strategies, rely more heavily on debt to boost returns. This magnifies upside potential but also increases refinancing and valuation risk. Open-end funds, by contrast, are oriented toward core assets and liquidity management, maintaining far less financial leverage.

## LTV Ratios by Fund Structure



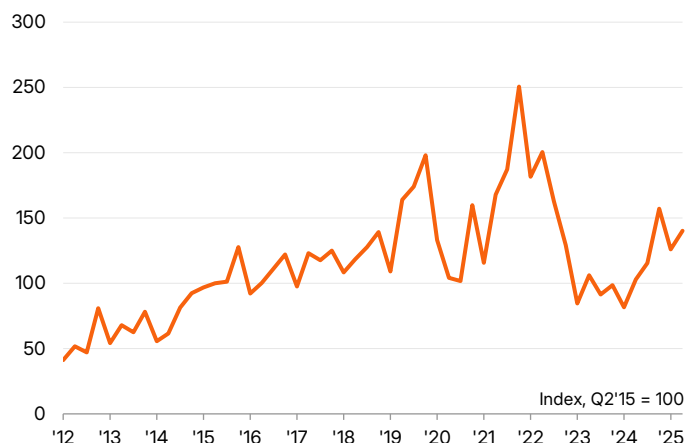
Sources: MSCI, NCREIF.

Importantly, today's levels sit below extremes observed in prior cycles. Closed-end LTVs remain well under the near-80% peaks seen around the GFC, while open-end funds have settled into a band of about 30% after surpassing 40% in 2009. Still, the persistence of a large gap highlights that investors in different fund structures face starkly different leverage profiles.

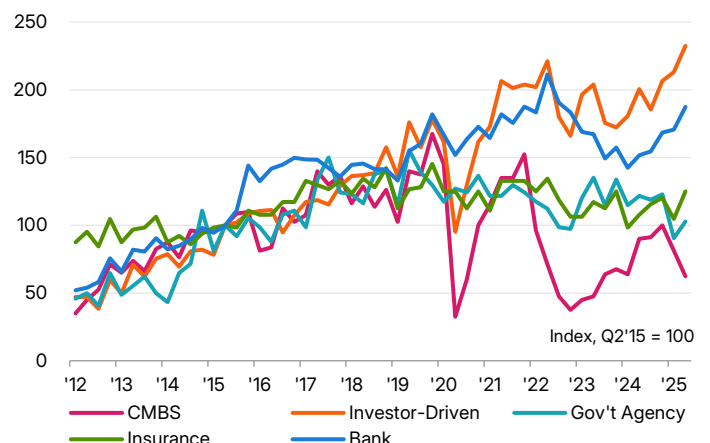
## Debt Market Liquidity Improves

Loan originations point to resilience in the debt market, with originations higher than midyear trends in recent years. First-quarter originations reached their highest level since 2022, while second-quarter volumes also exceeded all Q2 benchmarks since that year. The resurgence of origination activity, while not even across property or lender types, could be a reason for optimism in the market's recovery.

## Origination Volume



## Count of Unique Lenders by Type



# Lender Composition H1 2025

Commercial property lending rebounded in the first half of 2025, with loan volumes rising across all lender types amid a more competitive environment. The overall lending market became more aggressive, driven by opportunistic investor-driven lenders expanding their presence and offering competitive terms. Market-average LTVs rose by 170 bps from a year earlier in the first half of 2025.

Banks originated a larger share of loans in H1 2025 compared to 2024, reversing course to claim 33% this year after holding just a 27% market share last year. National banks increased their share by 3 percentage points to 10%, reflecting renewed confidence and risk appetite following several years of balance sheet caution. National banks grew lending volume by about 90% YOY without increasing LTVs, suggesting healthier underlying credit conditions. Regional and local banks also registered a meaningful recovery, with their share rising to 19% from 17% in 2024. Regional banks dominated the market of loans \$10m and under, accounting for 57% of this segment in the first half of the year.

Investor-driven lenders increased their share to 14% in H1 2025, up from 11% the year prior and continuing an upward trend that began before the Covid-19 pandemic. These lenders posted the highest LTV ratios in the market, highlighting their capacity to provide more aggressive financing. Investor-driven financing surged in the apartment and industrial sectors, where lending volume nearly doubled compared to H1 2024. These lenders increased LTVs by over 400 bps in both property sectors.

Government agencies' market share declined by 5 percentage points to 20% in H1 2025. These lenders often retreat from lending when private sources of capital are readily available to fill the gap in the multifamily sector. CMBS lenders also lost ground, with market share falling by 2 percentage points to 21% — still above their average of recent years. Over the past five years, CMBS activity has become more concentrated, with average loan sizes climbing to \$27.9 million in H1 2025 from \$12.1 million in H1 2020.

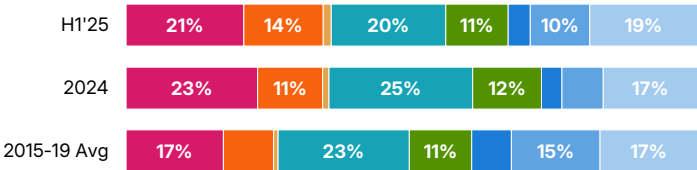
## Conventional Financing Overview

	Loan Average (\$m)		LTV Average	
	H1'25	H1'24	H1'25	H1'24
Gov't Agency	19.9	16.0	61.8%	60.4%
CMBS	27.9	26.4	63.5%	61.5%
Int'l Bank	18.5	14.7	61.3%	62.5%
Nat'l Bank	12.3	10.6	63.4%	63.4%
Reg'l/Local Bank	6.0	6.0	67.6%	66.7%
Investor-Driven	19.9	18.0	68.6%	65.1%
Insurance	20.2	18.0	60.0%	60.7%
Grand Total	13.1	12.6	64.4%	62.8%

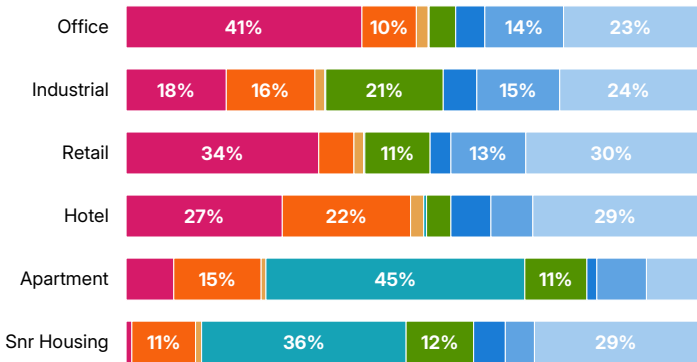
## Lender Composition



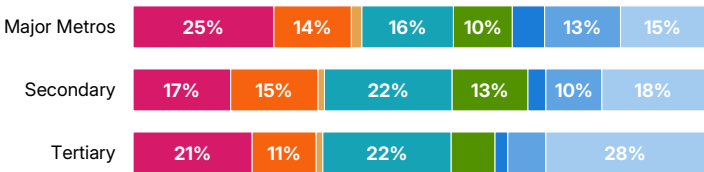
### By Year



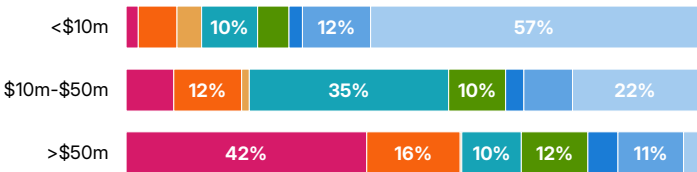
### Property Types



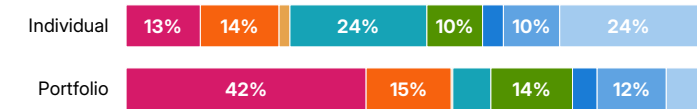
### Market Tier



### Loan Size



### Deal Type



CLO lending included in CMBS segment.

Go to this report's [Excel supplement](#) for data and charts.

# Construction Financing H1 2025

Construction lending in the first half of 2025 showed only slight changes compared to the composition of lenders in 2024.

Investor-driven lenders held on to the increased market share that they captured last year, while the share of banks overall remained well below their historical average.

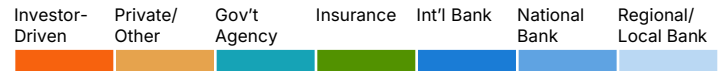
Investor-driven lenders, of which debt funds are a significant component, constituted the largest share of lending, with 30% of all construction loans in H1 2025. These types of lenders were prominent in the major and secondary metros, making up a respective 38% and 30% of lending in those geographies. Investor-driven lenders also made four of the five largest loans in the first half of the year and were the largest provider of loans greater than \$50m, with 37% of the total share.

Regional and local banks posted a slight decline in share, dropping to 25% in H1 2025 from 29% in 2024 and 37% as recently as 2023. National banks, which had scaled back considerably last year, regained some footing in 2025, rising to 18% from 11%. Still, this is well below their 33% average share between 2015 and 2019.

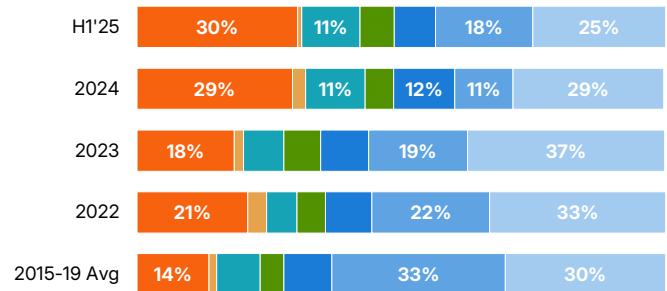
International banks, after a surge in 2024 to 12%, pulled back to 8% in H1 2025. By contrast, government agencies maintained their recent expansion, holding steady at 11% in both 2024 and early 2025, their largest presence in recent years. When looking at only apartments though, government agency lenders lost share in the first half of 2025 compared to last year, as investor-driven lenders continued to make more headway.

On construction itself, starts for both office and apartment properties have slowed in recent years. In the four quarters through Q2 2025, the number of apartment units built declined 5% from the previous period and square footage for new office starts fell nearly 20% YOY.

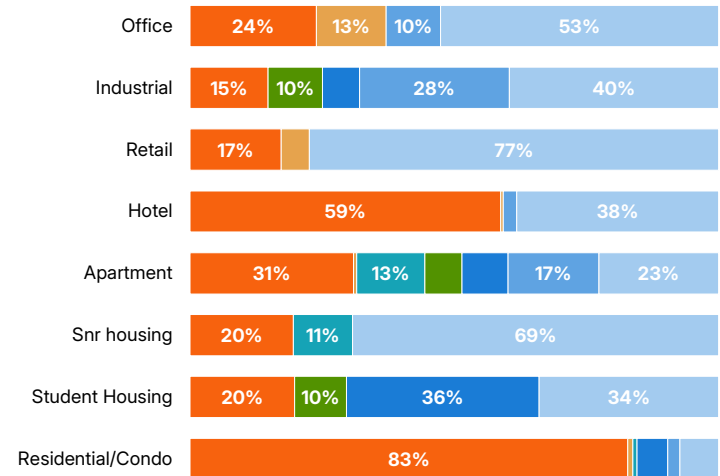
## Construction Lender Composition



### By Year



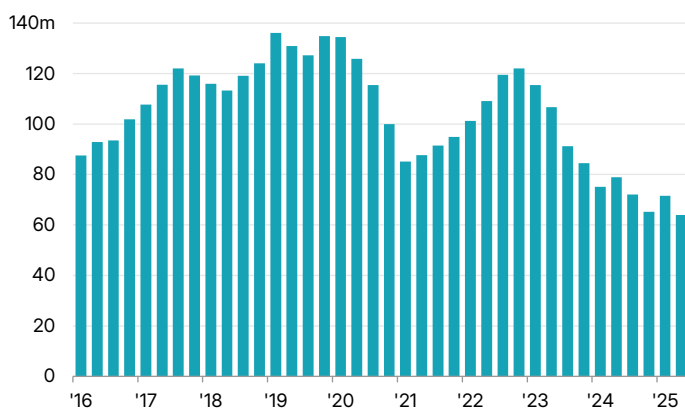
### Property Types



\*Res/Condo not captured in traditional financing aggregates or sales transaction volume.

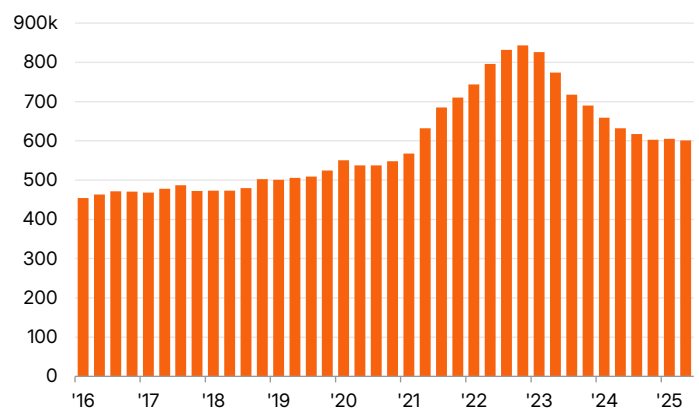
## Construction Starts

### Office



Square feet, trailing 12-month data.

### Apartment



Units, trailing 12-month data.



# Spotlight on Cross-Border Lenders

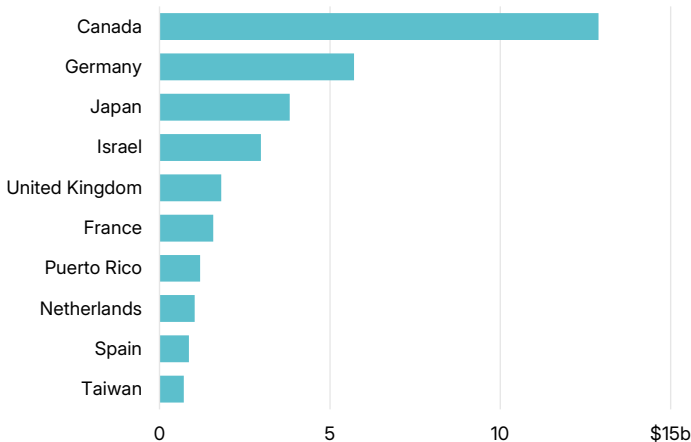
While domestic lenders remain the dominant source of debt for commercial real estate in the U.S., lenders headquartered overseas still account for a notable part of the market, as these lenders tend to be more well-capitalized players and often make sizeable loans.

Investor-driven sources from outside the U.S. have increased their share of acquisition loans and refinances by foreign lenders in recent periods. In the first half of 2025, these lenders constituted 18% of loans and were behind 24% in 2024. That figured hovered around 13% in the three years prior. For construction loans, foreign investor-driven lenders have consistently represented roughly 30% of the market, while international banks have constituted the bulk of the remainder.

Cross-border lenders on average are committing significantly more per loan than domestic lenders. Foreign lenders typically make larger loans than their U.S. counterparts because they focus on high-value, institutional-grade assets in gateway markets. They also tend to target lending to higher value properties, while domestic sources cater to a wider spectrum of borrowers. In H1 2025, the average acquisition and refinancing loan made by a foreign lender was \$25m; the average of all lenders was just over half of that, at \$13m. The largest individual loan made in the first half of 2025 by a foreign lender was a \$484m refinance by Canadian firm Brookfield for an office property in the San Francisco metro area.

Canada, typically one of the top cross-border investors into the U.S., was also the top country lending into U.S. commercial real estate in the four quarters ending in Q2 2025. Canada lent more than double that of Germany, the second largest lender. Western European countries represented five of the top 10 overseas sources of loans by volume.

## Top Overseas Lending Sources

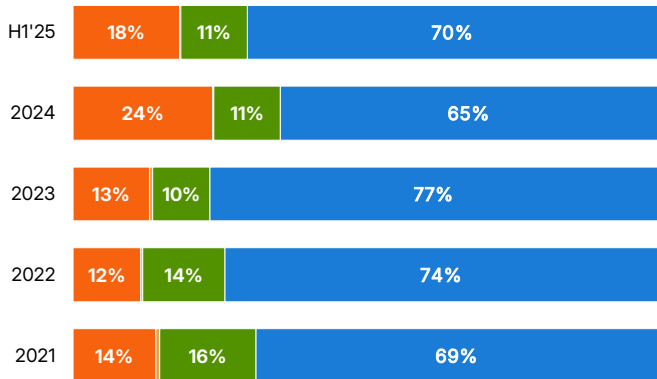


Four quarters through Q2 2025.

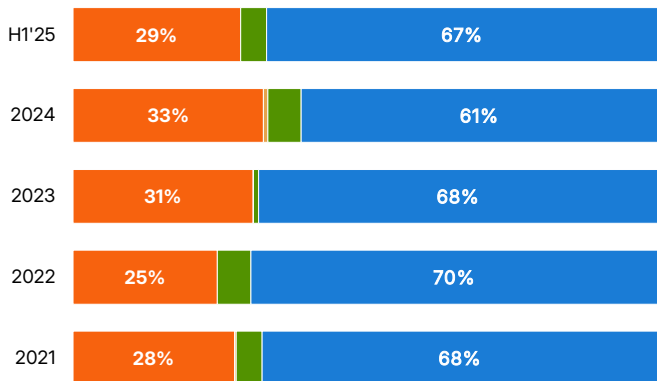
## Cross-Border Lender Composition



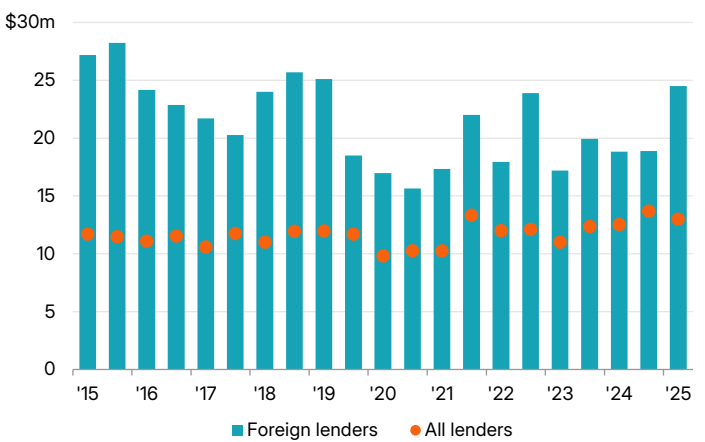
### Conventional Lending



### Construction Lending

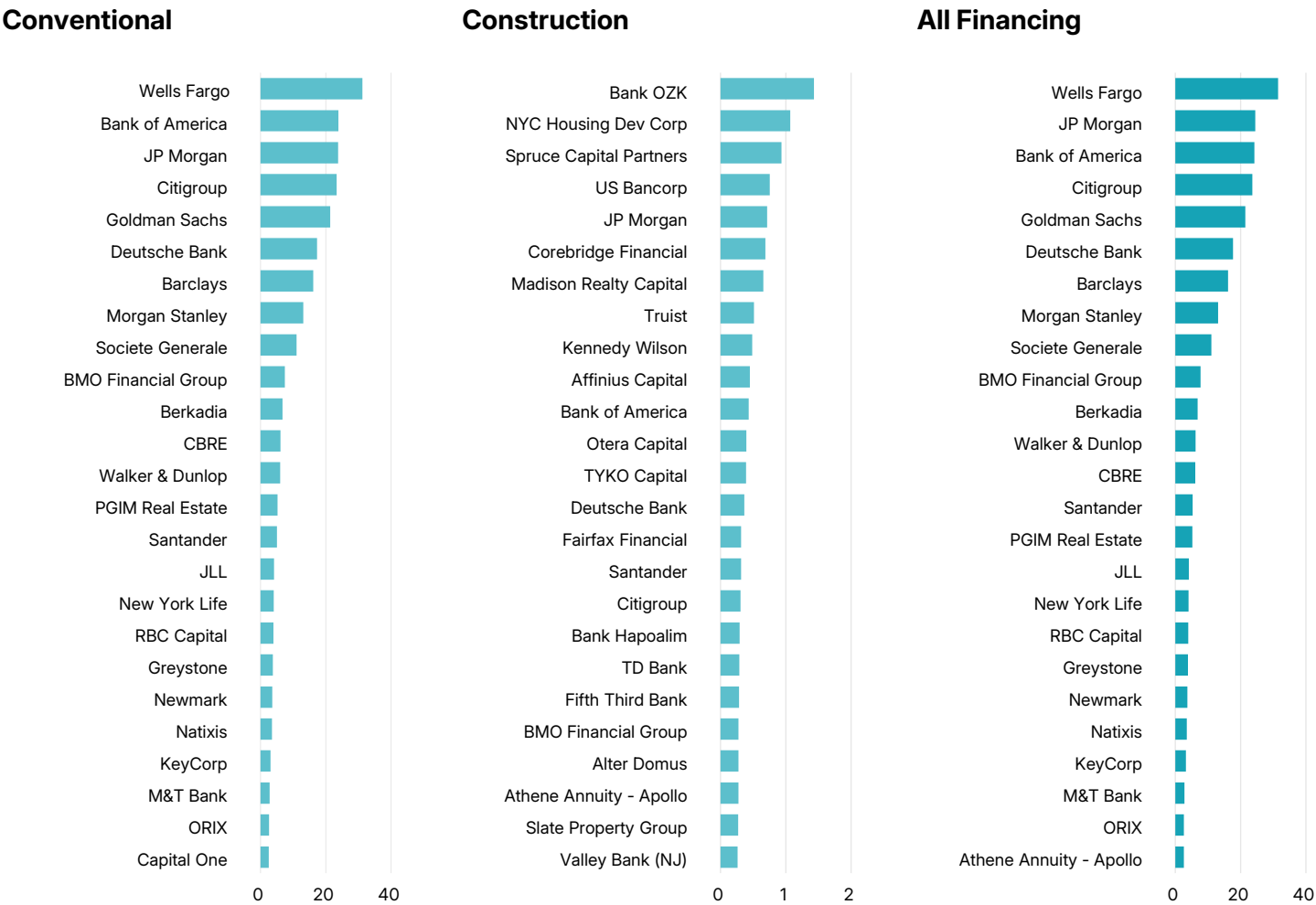


## Average Loan Size



By half year. Conventional lending only (acquisition and refinancing).

Top Originators H1 2025



By volume of first mortgages (\$b)

Methodology: In instances where multiple parties have provided a mortgage for a single asset or portfolio, the full value of the loan is credited to each party.

Conduct your own analysis of U.S. lending trends with the *Loan Trends & Trades* dashboard on the *MSCI Real Capital Analytics* website. View loan originations and maturities, distress trends, and top lenders and borrowers for specific markets and property types.

*Loan Trends & Trades* is available to *Mortgage Debt Intelligence®* subscribers. Use the [Contact Us](#) button on the *MSCI Real Capital Analytics* homepage to learn more.



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**Methodology**

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of Sept. 23, 2025, unless otherwise stated.

**About Capital Trends**

Capital Trends reports analyze and interpret investment trends in the global real estate market. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types.

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