

CRE pivot

With lockdowns came a seismic shift in the way executives work. But remote work is only one in a cascade of events forever changing large city inner cores and their supporting commercial ecosystems. What's remains are large metro cores scrambling to reimagine space in a digital world.



HISTORIC OFFICE VACANCIES

80%

of commercial mortgage debt will be refinanced in the next five years, most in the office sector impacted by falling demand, rising interest rates, and challenging capital markets.

\$1.5trillion in CRE debt

will mature in three years—80 percent of which is held by small and medium-sized banks

\$270billion

in CRE loans will mature this year alone.

reimagine

San Francisco, Chicago, New York, Los Angeles lead the way in reimagining office space into apartments, data centers, warehouses, even agri space for crops.





Unused San Francisco office space

2023q1 tops the dot.com bust record of 1998



51% unused office space in NYC



unused office space in San Jose



22.2%

office vacancy rate in Houston



20.9%

office vacancy rate in Dallas



19.6%

office vacancy rate in Chicago

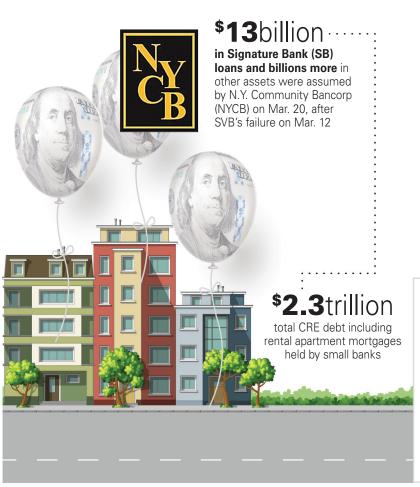


SOURCE: FDIC: FEDRAL REGULATOR. RELITERS REAL ESTATE DATA PROVIDET TREP: WELLS FARGO CHIGGAN CHASE, PATRICK CARROLL REAL ESTATE INVESTMENT FINAL CARROLL. REAL ESTATE INVESTMENT FOR SEASONED AS CHASE AS AND FAST SEASONED WITH A SEASONED WAS RESEARCH WAS AND FAST SEASONED WAS RESEARCH WAS A SHARE OF WORKERS WORKING CARD TRACKER, COSTAR, SULCON WAIR 2022 AS AND FAST SHARE OF WORKERS WORKING ONSITE BUILD AND FAST SHARE DET WAS A THAI LUSHING A THAI LUSHING



RISING BANK FAILURES

The Federal Deposit Insurance Corporation (FDIC) is preparing to sell the remaining **\$60 billion** loan portfolio acquired in the **collapse of Signature Bank**. These predominantly CRE loans include many multifamily properties, largely in the inner cores of major cities such as San Francisco, Los Angeles and New York City.





\$60billion

were excluded from the NYCB deal and remain in trust with the FDIC



\$11billion

in "toxic waste" loans on rent restricted NYC apartments, whose values fell when the state toughened rent control laws in 2019, remain with the FDIC pending sale



\$2.6billion in CRE loans

2nd biggest bank failure in history placed total \$209B assets in flux.
15 percent of its loan portfolio is attached to residential/commercial real estate mortgages.



what this means to apartments

Coming on top of unsettled economic conditions, such collapses will result in lenders tightening lending standards. CRE is already experiencing rising interest rates and lower valuations. Underwriting and credit facilities are next.

RELATED TRENDS



remoteWork 53 percent of workers worked hybrid/remote (2022) citycoreflight tens of thousands flee. Remote work, crime, homelessness fuel flight



regulations
\$2 trillion total cost
of federal regs
annually to the
private sector



onlineshopping reached \$16.6T in 2022 expected to reach \$70.9T by 2028



massivelayoffs bankruptcies plague economy 2023 becomes year of the layoff led by tech