

# 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 reimaging office space into apartments, data centers, warehouses, even agri space for crops.



**58.5%**

**Unused San Francisco office space**

2023q1 tops the dot.com bust record of 1998



**51%**

**unused office space in NYC**



**63%**

**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**



**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.



**\$11 billion**

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

**\$60 billion**  
in CRE loans

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



**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.

**\$2.6 billion**  
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.

**\$2.3 trillion**

total CRE debt including rental apartment mortgages held by small banks

**\$13 billion**

in Signature Bank (SB) loans and billions more in other assets were assumed by N.Y. Community Bancorp (NYCB) on Mar. 20, after SVB's failure on Mar. 12



**RELATED TRENDS**



**remote work**  
53 percent of workers worked hybrid/remote (2022)



**citycoreflight**  
tens of thousands flee. Remote work, crime, homelessness fuel flight



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



**online shopping**  
reached \$16.6T in 2022 expected to reach \$70.9T by 2028



**massive layoffs**  
bankruptcies plague economy 2023 become year of the layoff led by tech

SOURCE: FDIC; FEDERAL REGULATOR; REUTERS; REAL ESTATE DATA PROVIDER TREPP; WELLS FARGO; CITIGROUPS; JPMORGAN CHASE; PATRICK CARROLL; INVESTMENT FIRM CARROLL; INVESPIDIA; CBRE; KASTLE SYSTEMS SECURITY CARD TRACKER; COSTAR; SILICON VALLEY BANK; 2022 ANNUAL REPORT; E-COMMERCE MARKET; 2022 ANNUAL REPORT; E-COMMERCE MARKET; GLOBALE INDUSTRY TRENDS; SHARE, SIZE, GROWTH, OPPORTUNITY AND FORECAST 2023-2028 BY RESEARCH AND MARKETS; SHARE OF WORKERS WORKING ON-SITE VERSUS HYBRID OR REMOTE IN THE UNITED STATES FROM 2019 TO 4TH QUARTER 2022; STATISTA; ECONOMIC INNOVATION GROUP; IMMIGRATION REPORT; THE COMPANIES CONDUCTING LAYOFFS IN 2023; HERE'S THE LIST; WSJ;