

CREFC Board of Governors Sentiment Index Survey

1Q 2026

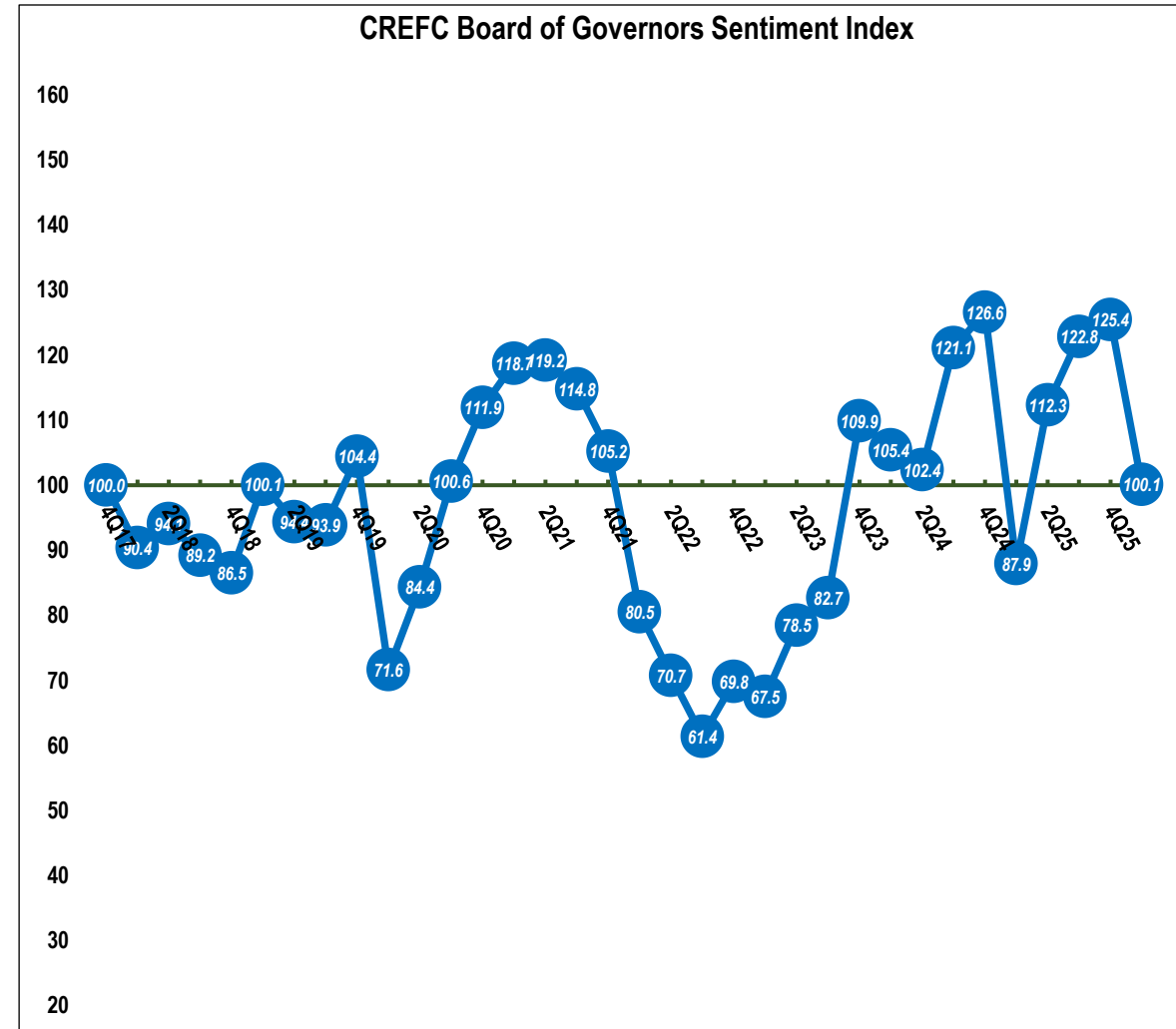


CRE Finance Council®

The Voice of Commercial Real Estate Finance

CREFC First-Quarter 2026 Board of Governors (BOG) Sentiment Index Survey

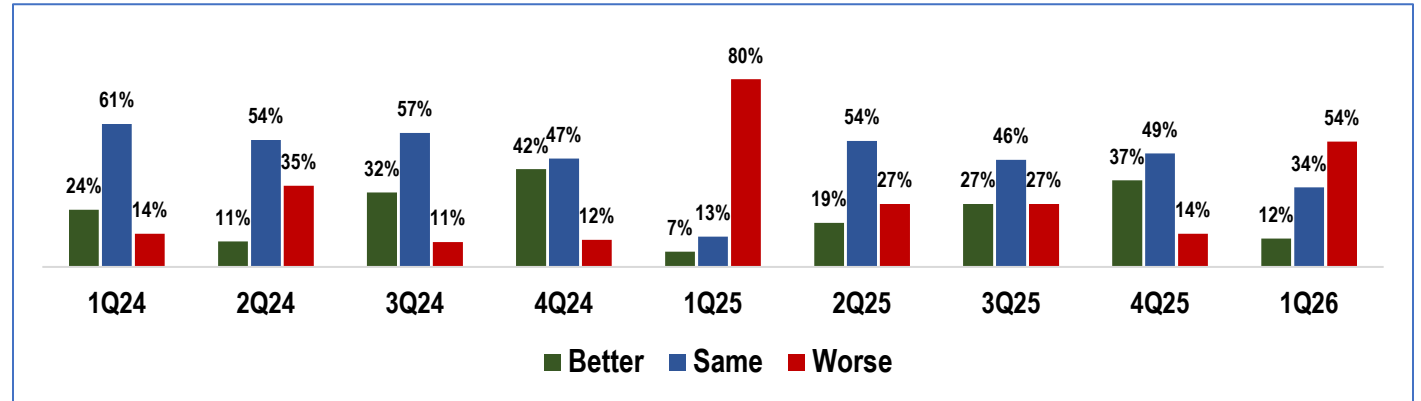
- From April 7–13, 2026, CREFC conducted its 1Q 2026 CREFC BOG Sentiment Index survey on the overall state of the CRE finance markets (administered to the BOG since 4Q 2017).
 - The BOG Index aims to gauge quarter-to-quarter shifts in market conditions and outlook. Responses are equally weighted and combined into a single index.
 - The survey consists of nine core questions and additional topical questions (not factored into the BOG Index).
 - 91% of the BOG responded to the 1Q26 survey.
- **The 1Q26 Index fell 20.2% quarter-over-quarter to 100.1 from 125.4 in 4Q25, essentially returning to the 4Q17 baseline of 100.**
 - Deterioration was broad-based, with all nine core questions declining quarter-over-quarter, led by rates, overall industry sentiment, liquidity, and the economic outlook.
 - Demand-side readings held up better than the rates and macro questions, though all three moderated from 4Q25 highs: 41% expect improving fundamentals, 61% expect stronger investor demand, and 71% expect higher borrower demand.



Economic Outlook Weakens; Policy Sentiment Cools

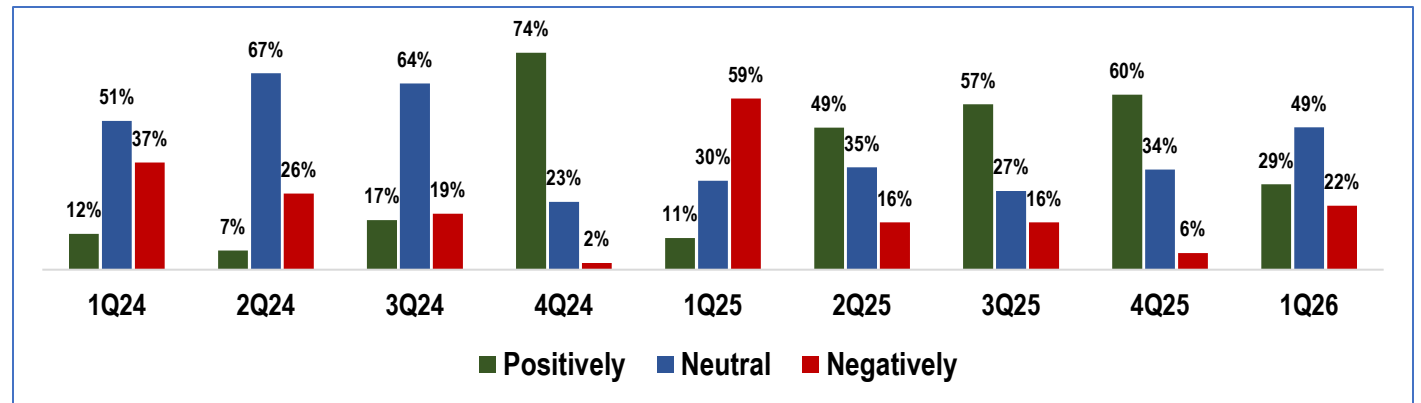
1. **ECONOMY.** How will the **U.S. economy perform** over the next 12 months as compared to the preceding 12 months?

Economic sentiment turned sharply more cautious. A majority, 54%, expect the U.S. economy to perform worse over the next 12 months, while 34% expect no change and only 12% expect improvement.



2. **POLICY.** How will **Federal government legislative and regulatory actions impact CRE finance-related businesses** over the next 12 months?

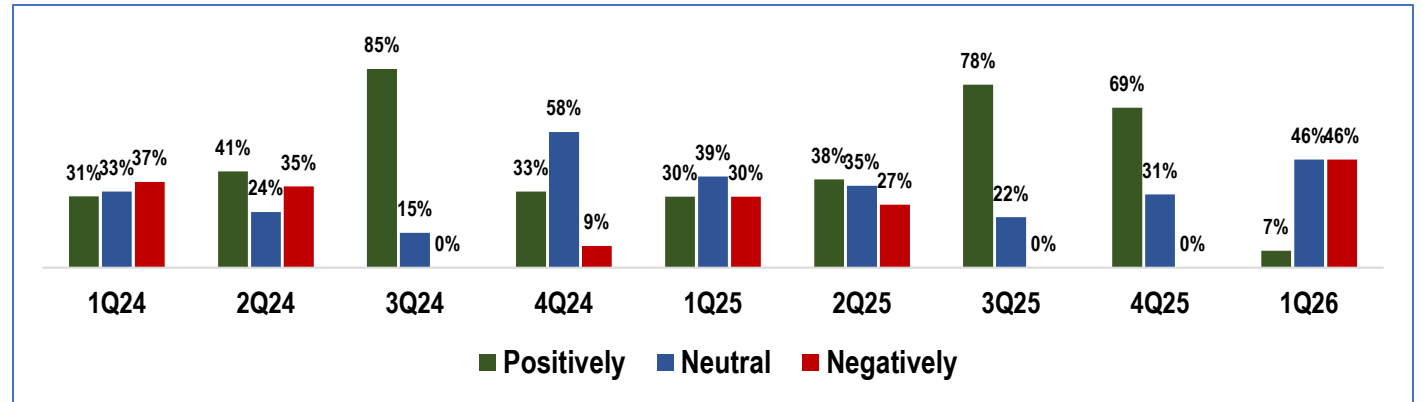
Policy expectations also cooled. Nearly half, 49%, expect a neutral impact, while 29% expect a positive impact and 22% expect a negative impact.



Rates Sentiment Sharply Less Constructive; Fundamentals Stay Net Positive

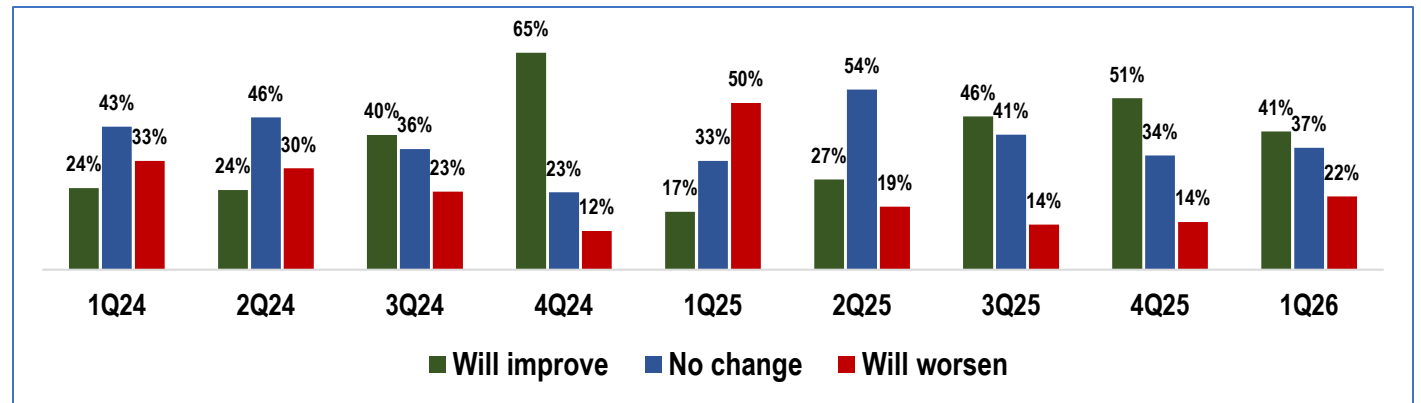
3. **RATES.** How will mortgage rates and cap rates impact the performance of all CRE finance-related businesses over the next 12 months?

The rates question posted the sharpest pullback this quarter. Only 7% expect a positive impact, while 46% are neutral and 46% negative.



4. **CRE FUNDAMENTALS.** Over the next 12 months, what is your expectation for CRE fundamentals (e.g., occupancy, rents, NOI)?

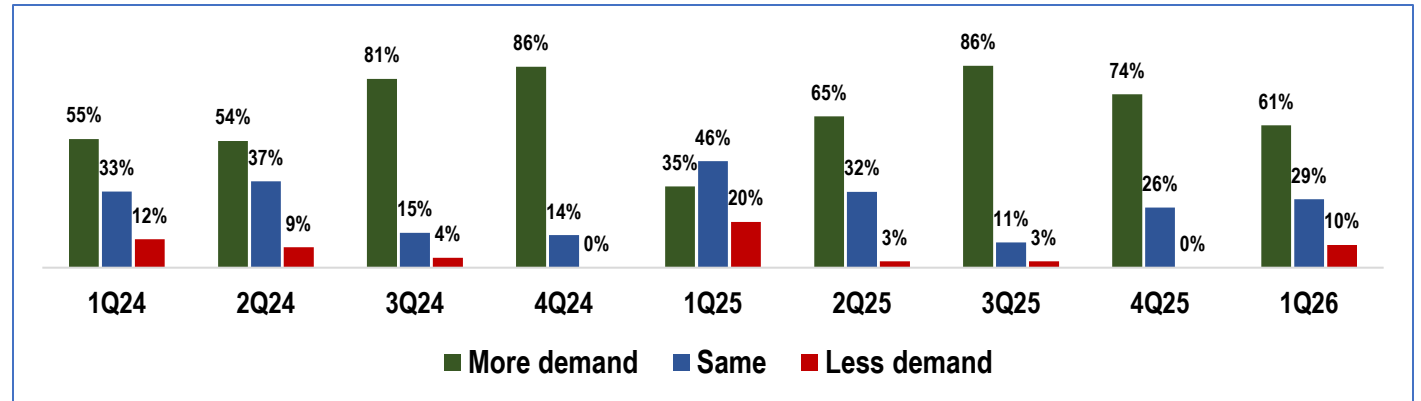
Fundamentals weakened from 4Q25 but remain relatively resilient. 41% expect improvement – down from 51% in 4Q25 – while 37% expect no change and 22% worsening.



Demand Expectations Remain Positive, but Moderate from 4Q25 Highs

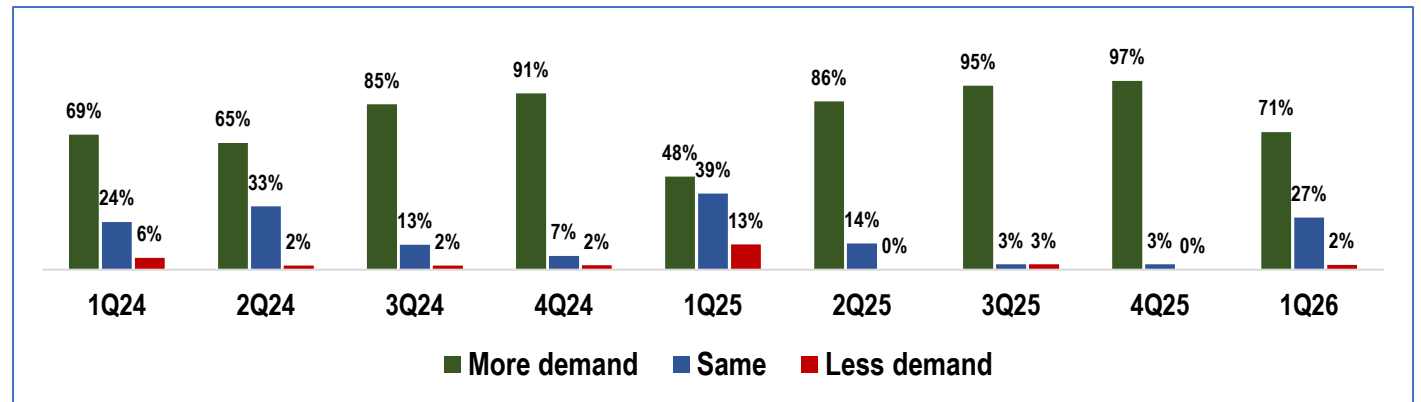
5. **CRE TRANSACTION ACTIVITY.** How do you expect investor demand for CRE/multifamily assets to change in the next 12 months compared to last year?

Investor demand expectations remain positive but moderated from 4Q25. 61% expect more demand, 29% no change, and 10% less demand.



6. **FINANCING DEMAND.** How do you expect borrower demand for CRE/multifamily loans/financing to change in the next 12 months compared to last year?

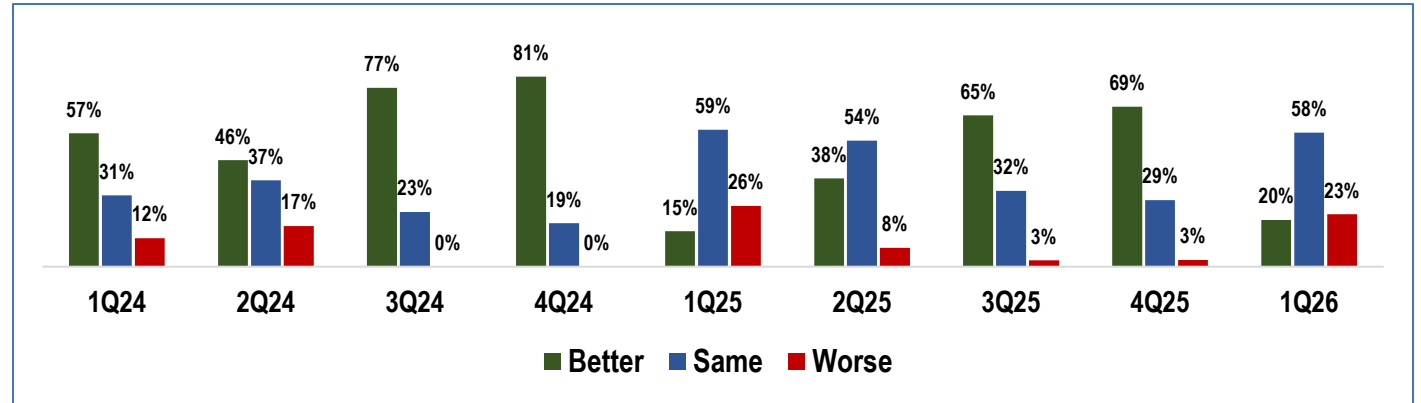
Borrower demand remains the strongest core reading. 71% expect more demand, 27% no change, and just 2% less demand, signaling continued refinancing and acquisition needs.



Liquidity Turns More Cautious; CMBS and CRE CLO Views Soften

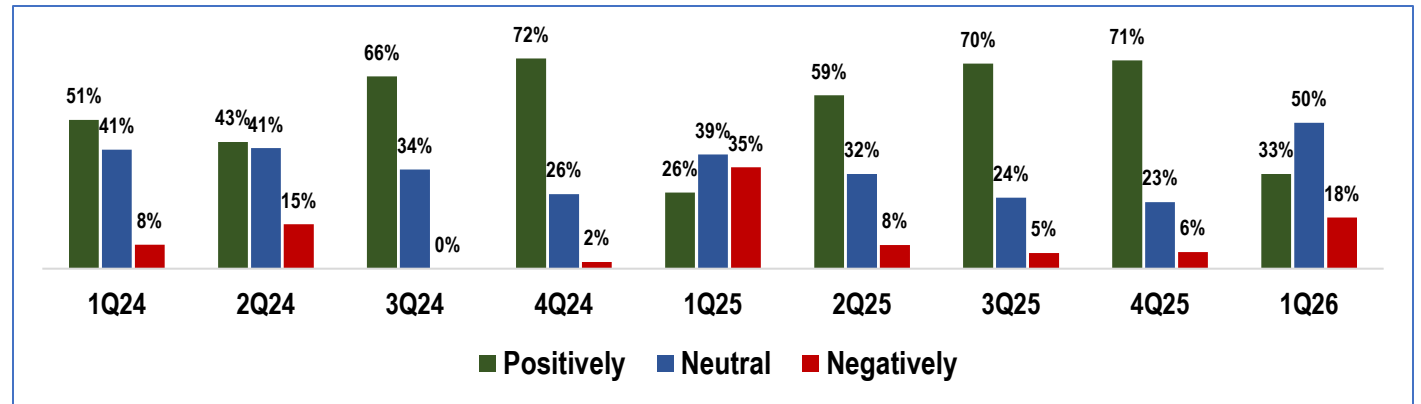
7. **LIQUIDITY.** Over the next 12 months, what is your expectation for **liquidity in the CRE debt capital markets?**

Liquidity expectations weakened materially from last quarter. A majority, 58%, expect no change, while 23% expect worse conditions and 20% expect improvement.



8. **CMBS CAPITAL MARKETS.** How will expected trends in **CMBS and CRE CLO demand/spreads** impact the performance of all CRE finance-related businesses over the next 12 months?

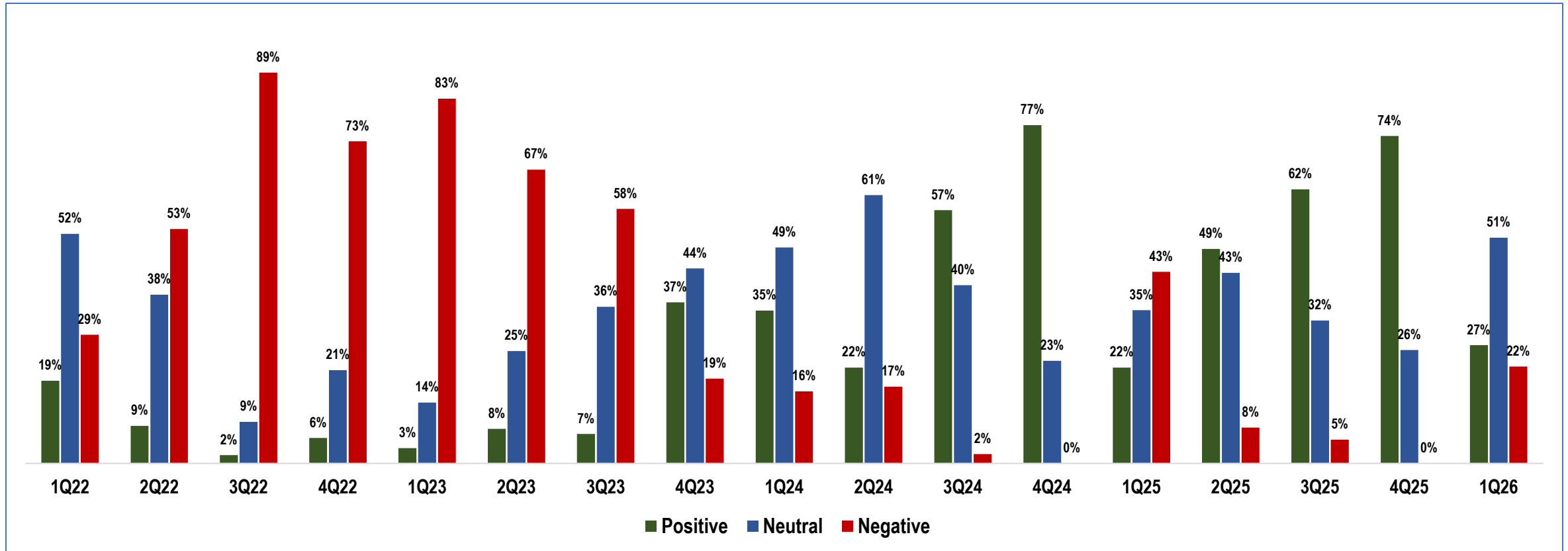
Views on CMBS and CRE CLO trends also softened. Half expect a neutral impact, 33% expect a positive impact, and 18% expect a negative impact.



Industry Sentiment Resets to Neutral

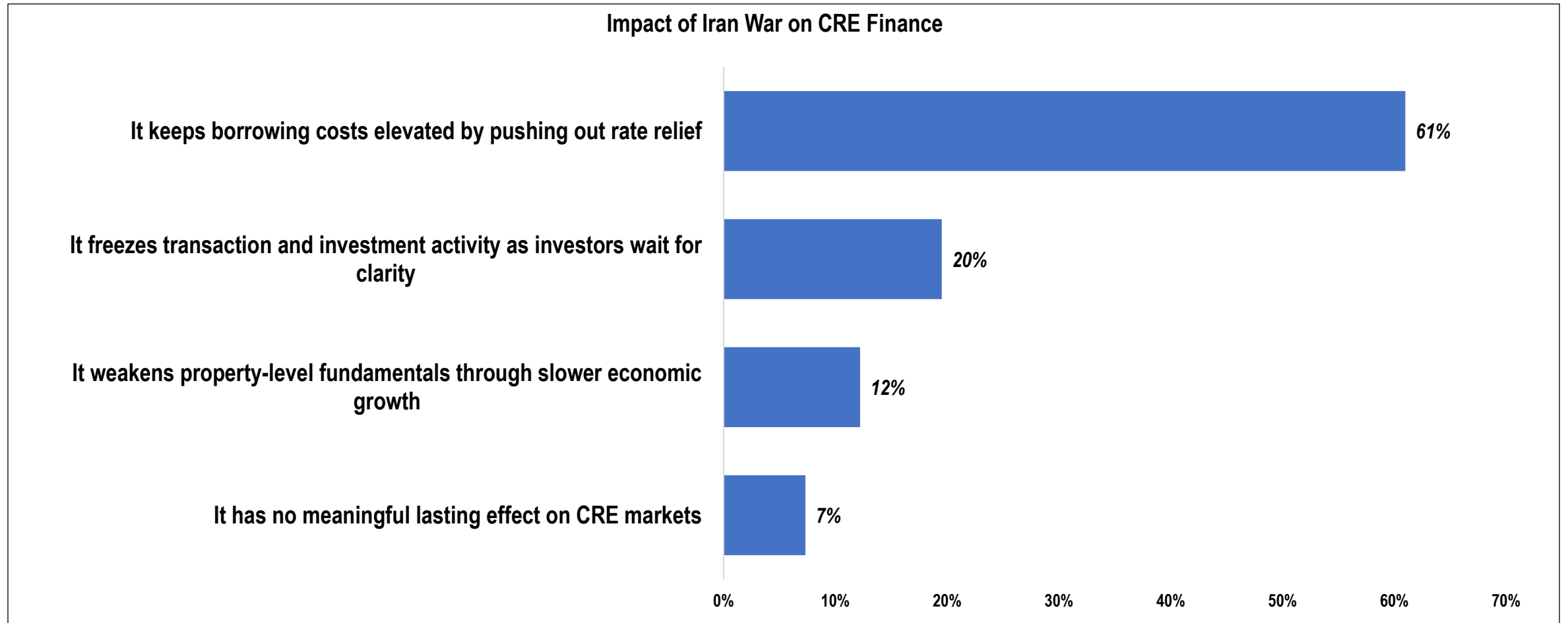
9. INDUSTRY SENTIMENT. What is your overall sentiment for all CRE finance businesses over the next 12 months?

Overall industry sentiment cooled sharply from 4Q25. A majority, 51%, are neutral, while 27% are positive and 22% negative.



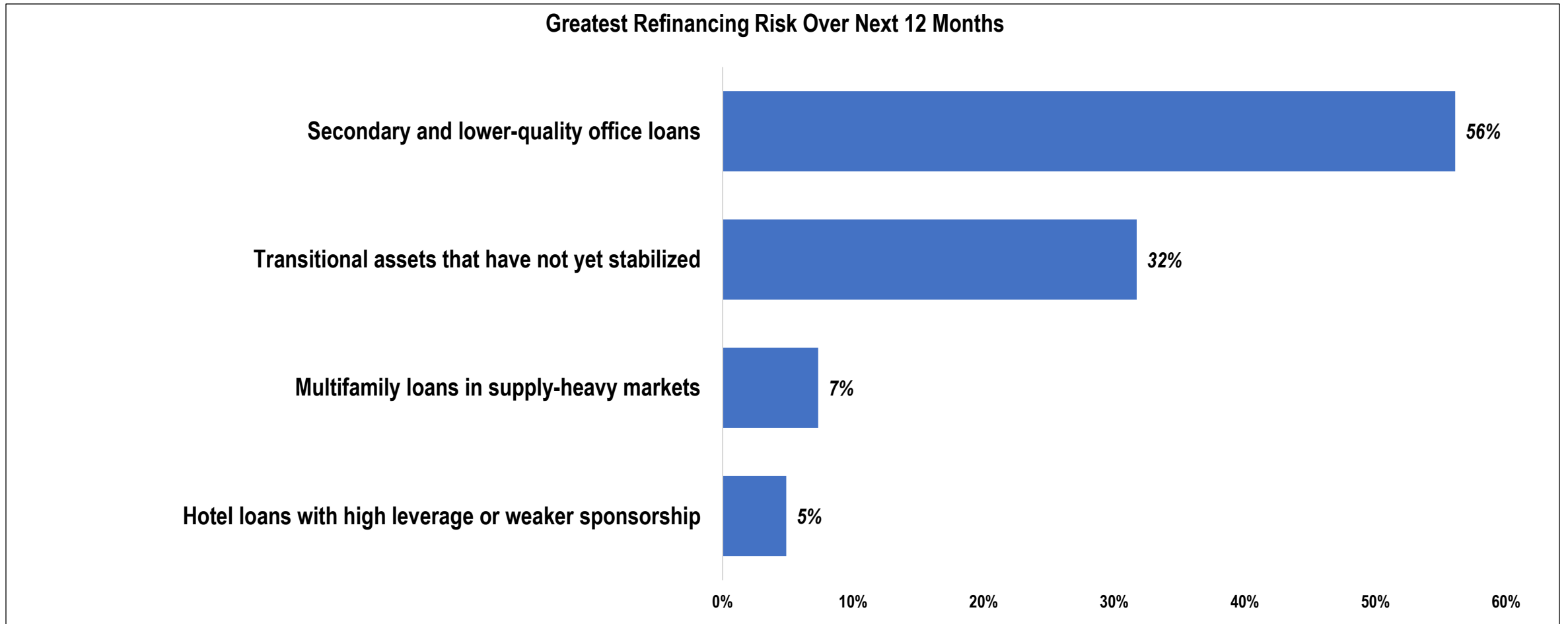
ADDITIONAL TOPICAL QUESTIONS – Question 1

1. What is the most likely impact of the Iran war on CRE finance over the next 6 months?



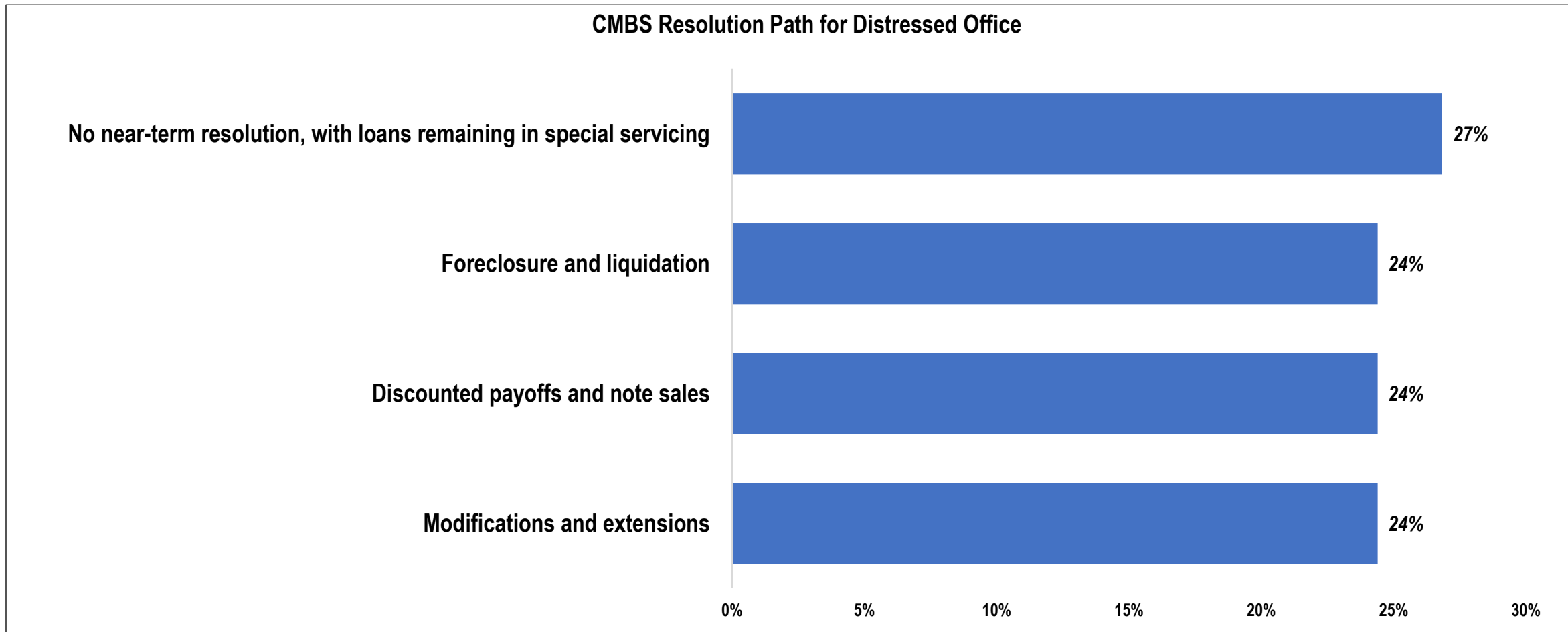
ADDITIONAL TOPICAL QUESTIONS – Question 2

2. Which borrower cohort faces the greatest refinancing risk over the next 12 months?



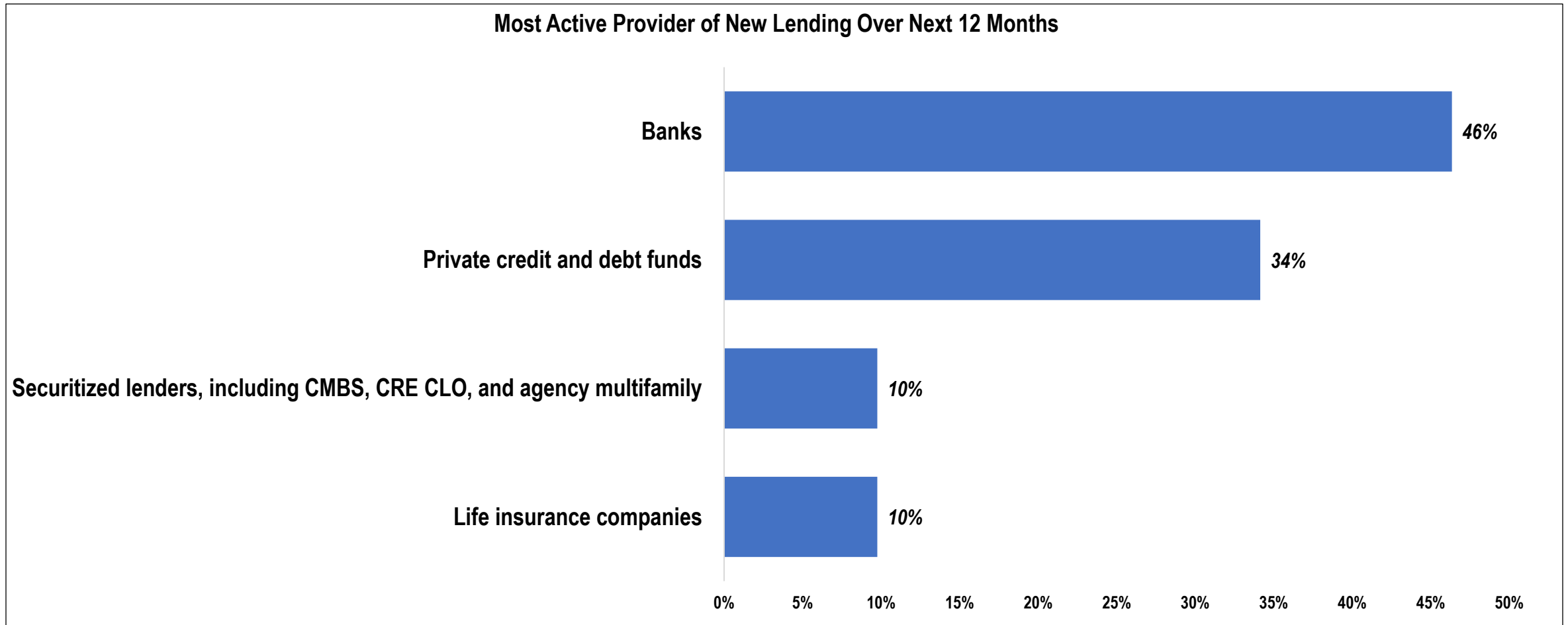
ADDITIONAL TOPICAL QUESTIONS – Question 3

3. Which path do you expect to account for the largest share of distressed office CMBS resolutions over the next 12 months?



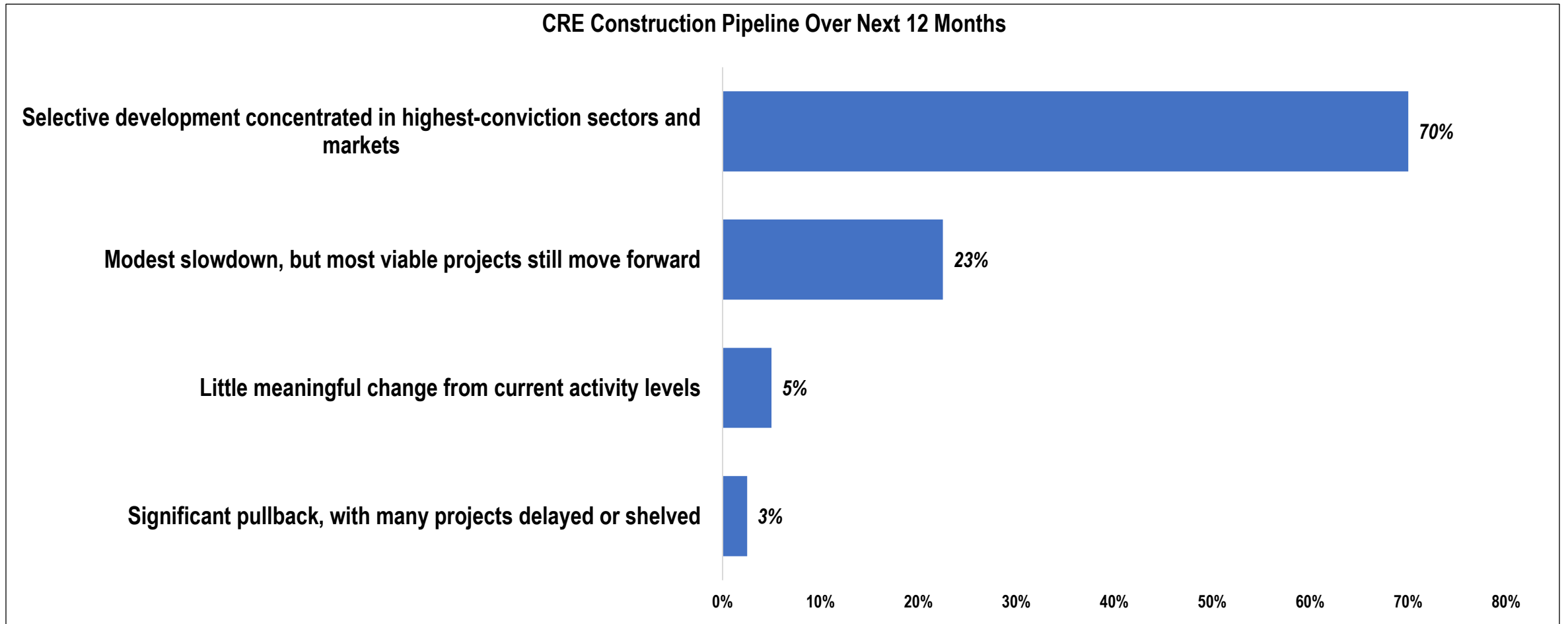
ADDITIONAL TOPICAL QUESTIONS – Question 4

4. Which source of CRE debt capital do you expect to be the most active provider of new lending over the next 12 months?



ADDITIONAL TOPICAL QUESTIONS – Question 5

5. With construction costs elevated and labor availability constrained, how do you expect the new CRE construction pipeline to respond over the next 12 months?



OTHER BOG THOUGHTS OR CONCERNS*

Rates, Macro, and Geopolitics

- "Pretty risky point in the cycle, with lots of geopolitical uncertainty, not to mention AI disruption, which was not in any of the Q&A and should be."
- "War or no war, higher long-term rates will remain a reality. This will exert sustained negative pressure on owners of properties with low cash-on-cash yields. Lenders are financially solid and want and need to recycle older-vintage loans. Fund investors similarly want and need to recycle capital. These realities will cause more investment sales activity, which will improve liquidity and price discovery, but retard boosts in property values."
- "Geopolitical activity is causing volatility in the market, leading to a disruption in origination and capital-markets transactions. The market is still open, but transactions are moving more slowly than prior to the Iran war. Interest-rate movements are harder to predict. This period of uncertainty could continue through the midterm elections."
- "Current geopolitical risks are significant, with market volatility highly sensitive to real-time political discourse and social media sentiment. CRE capital markets have remained resilient, maintaining liquidity through wider spreads and a focus on asset quality."

** Lightly edited for spelling, grammar, and syntax. Respondent views preserved.*

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Capital Markets, Valuation, and Price Discovery

- "M&A is almost record-breaking, but not in CRE. The risk premium to cap rates is still too low. Corporate activity is muted because private loan books and hard-asset prices are wrong. Public markets are more indicative of current and future values. Borrowers are too optimistic on interest rates. We are in a 3.00% real-rate market for a long time."

Distress, Servicing, and Surveillance

- "The continued growth in maturity defaults, even on "performing" assets, points to the increased need for data accuracy, covenant tracking, cash management, and surveillance. Refinancing risk now appears driven more by structure than by operating performance. Servicing quality is becoming more visible to both lenders and investors, and execution risk may show up first as volumes shift from "manage" to "work out." Regulatory pressure has not reduced CRE exposure, but it has changed behavior, including how banks approach post-origination risk management and their reliance on third-party servicing."
- "Spiking shortfalls in end-of-life conduits, partly driven by the lack of an objective materiality threshold for servicers' advancing obligation. Also watching increased multifamily lending by private label, and industrial's below-market-rent trade nearing its end."

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Downside Asymmetry and Complacency Risk

- "Asymmetrical bias to the downside. It might all amount only to a modest contraction of liquidity and velocity, with modestly elevated coupons, but it also could ignite a doom loop."
- "There is a growing sentiment that market participants operate under the assumption that markets will continue to function despite ongoing disruptions and may be overly optimistic. The convergence of persistent inflation, AI-driven labor shifts, and global turmoil poses a substantial threat that could abruptly destabilize the economy and accelerate a recession."

Sector Observations

- "Annuity and life insurance will face higher scrutiny."

Emerging Theme vs. 4Q25: Last quarter's dominant narrative was haves-versus-have-nots bifurcation. This quarter's commentary is shaped more by geopolitical shock and its second-order effects on rates, transaction pace, and how respondents framed their answers. Workout commentary also shifts from appraisal and valuation pressure to advancing, note-sale, and structural refinancing-risk mechanics.



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