CREFC Board of Governors Sentiment Index Survey

2Q 2026

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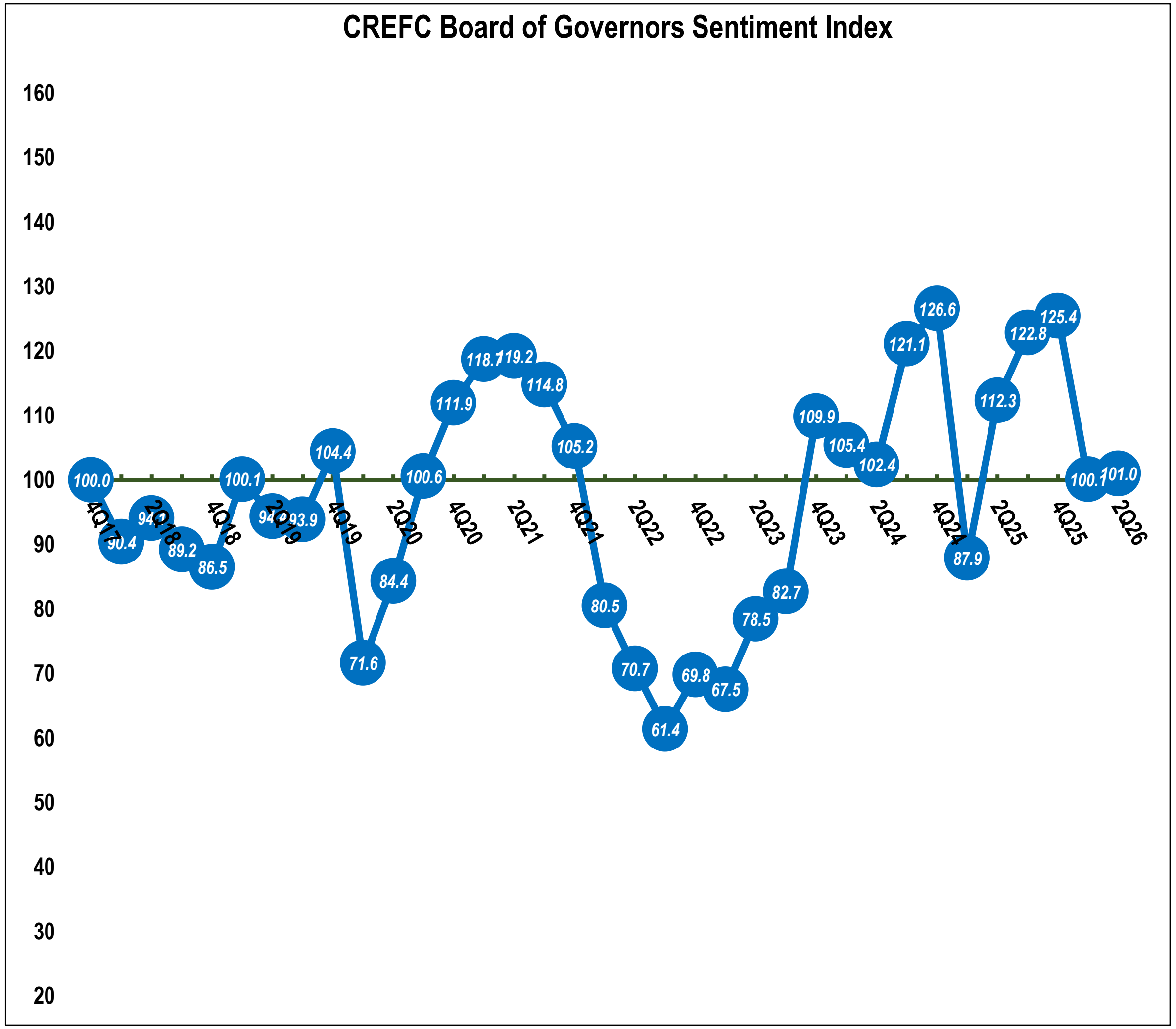
The Voice of Commercial Real Estate Finance

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

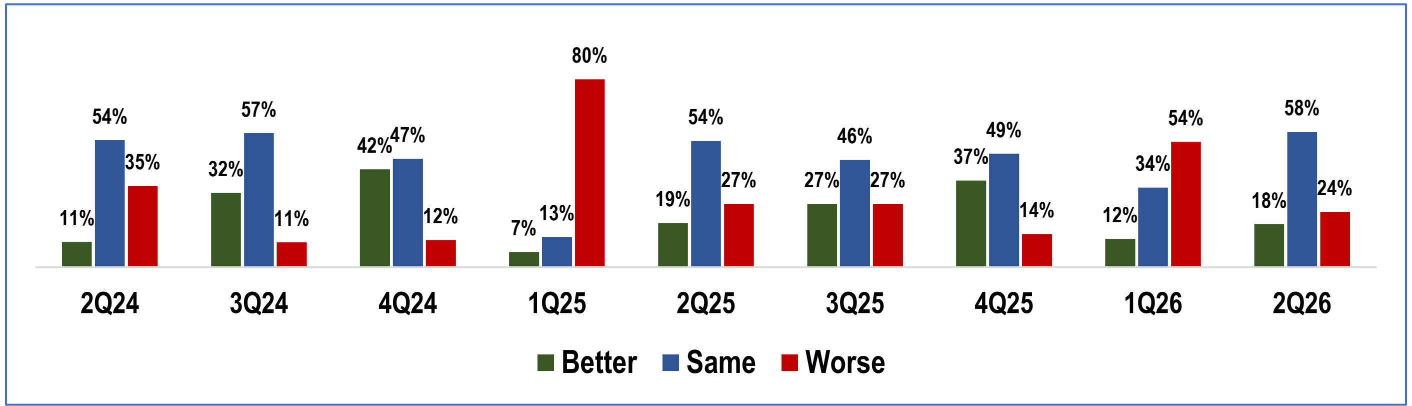
- **From June 25 – July 6, 2026, CREFC conducted its 2Q 2026 CREFC BOG Sentiment Index survey on the overall state of the CRE finance markets (administered to the BOG since 4Q 2017).**
  - The BOG Index aims to gauge quarter-to-quarter shifts in market conditions and outlook. Responses are equally weighted and combined into a single index.
  - The survey consists of nine core questions and additional topical questions (not factored into the BOG Index).
  - 95% of the BOG responded to the 2Q26 survey.
- **The 2Q26 Index edged up 0.9% quarter-over-quarter to 101.0 from 100.1 in 1Q26, holding near the 4Q17 baseline of 100 after the prior quarter's 20% decline.**
  - Results were mixed beneath the surface: five of nine core questions improved – led by the economic outlook – while four softened, led by borrower and investor demand, which moderated from 1Q26's elevated readings.
  - Responses converged toward the middle: neutral was the most common answer on seven of nine questions, including 71% on liquidity and 68% on overall industry sentiment. Rates remain the weakest reading, with 53% expecting a negative impact.



Economic Outlook Rebounds; Policy Views Evenly Split

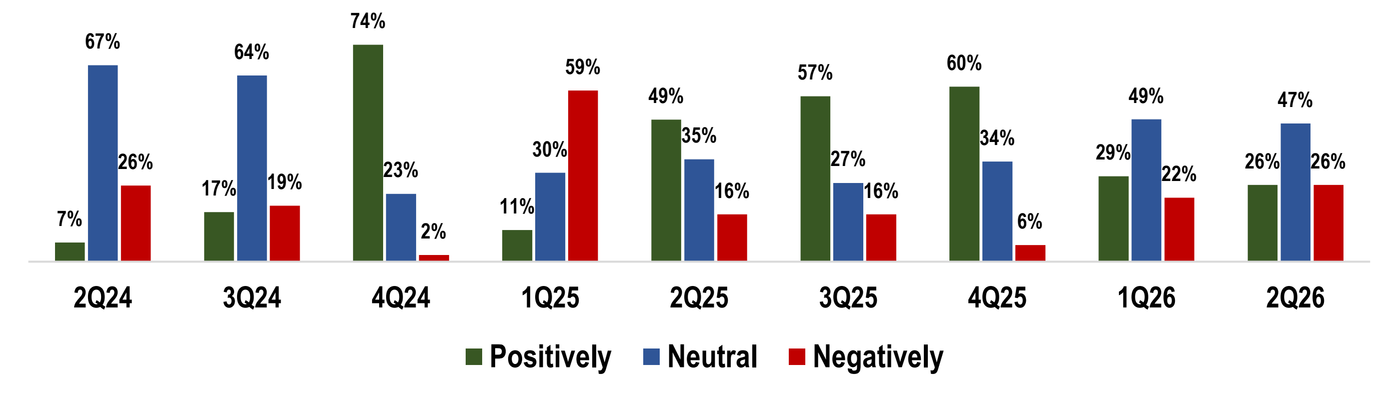
1. **ECONOMY.** How will the U.S. economy perform over the next 12 months as compared to the preceding 12 months?

Economic sentiment recovered meaningfully from 1Q26. A majority, 58%, now expect the U.S. economy to perform the same over the next 12 months, while 24% expect worse – down from 54% in 1Q26 – and 18% expect improvement.



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

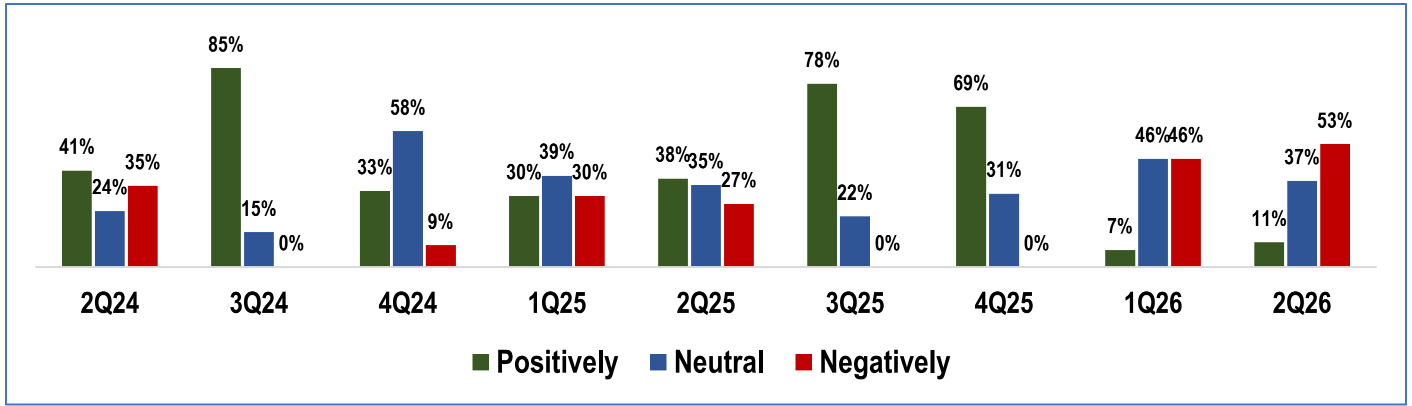
Policy expectations are now evenly divided. Nearly half, 47%, expect a neutral impact, with the remainder split equally between positive and negative at 26% each.



Rates Remain the Weakest Reading; Fundamentals Firm at the Margin

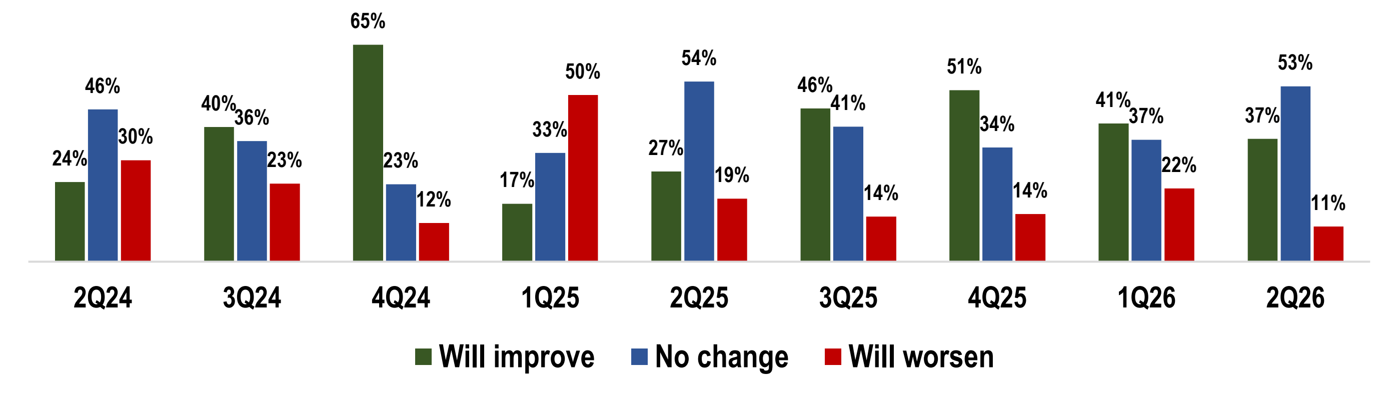
3. **RATES.** How will mortgage rates and cap rates impact the performance of all CRE finance-related businesses over the next 12 months?

Rates remain the most negative core question for a second consecutive quarter. A majority, 53%, expect a negative impact from mortgage and cap rates, while 37% are neutral and just 11% expect a positive impact.



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

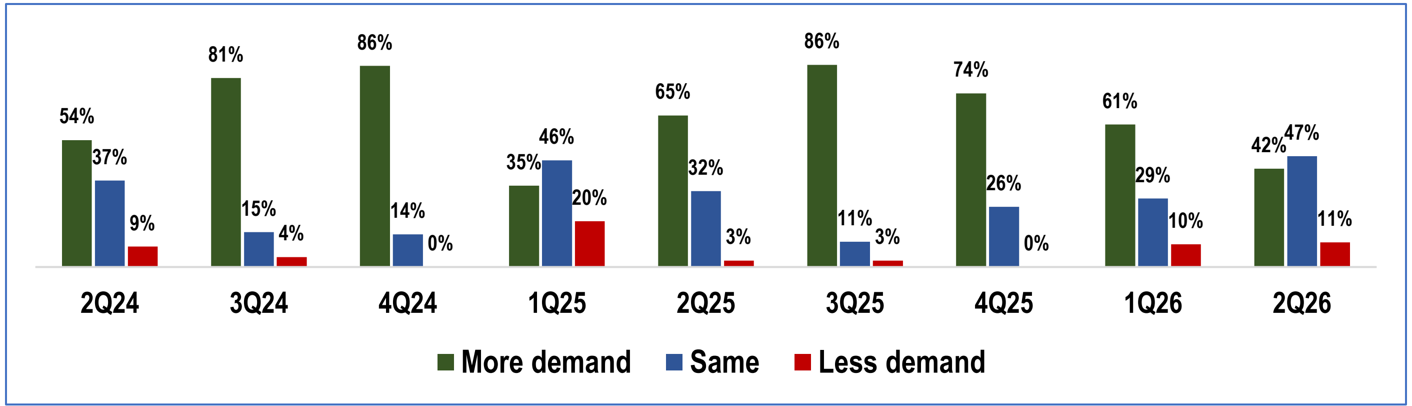
Fundamentals expectations firmed modestly. 37% expect improvement, 53% expect no change, and 11% expect worsening – a smaller negative tail than 1Q26's 22%.



Demand Expectations Moderate Toward Neutral

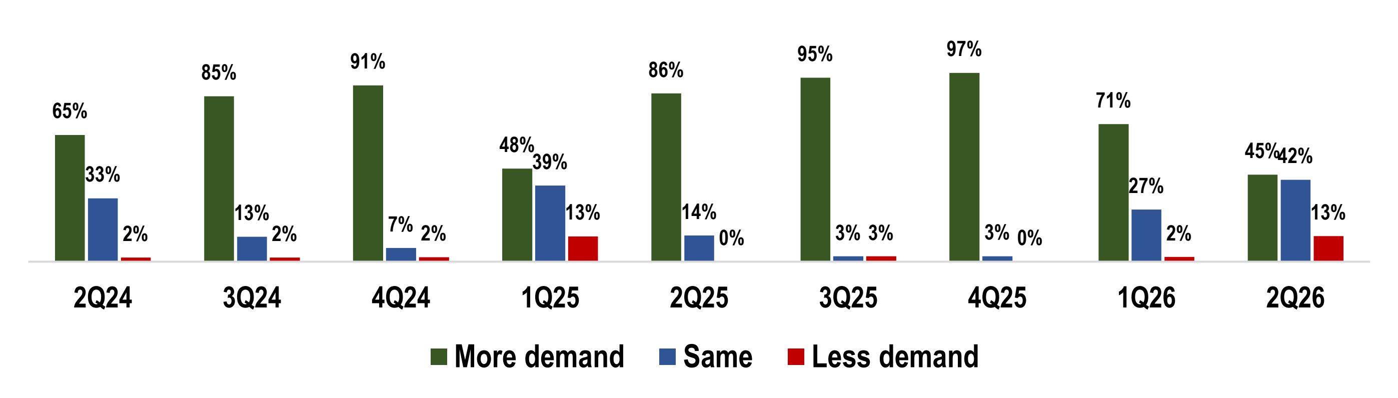
5. **CRE TRANSACTION ACTIVITY.** How do you expect investor demand for CRE/multifamily assets to change in the next 12 months compared to last year?

Investor demand expectations moderated from 1Q26. 42% expect more demand – down from 61% – while 47% expect no change and 11% expect 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?

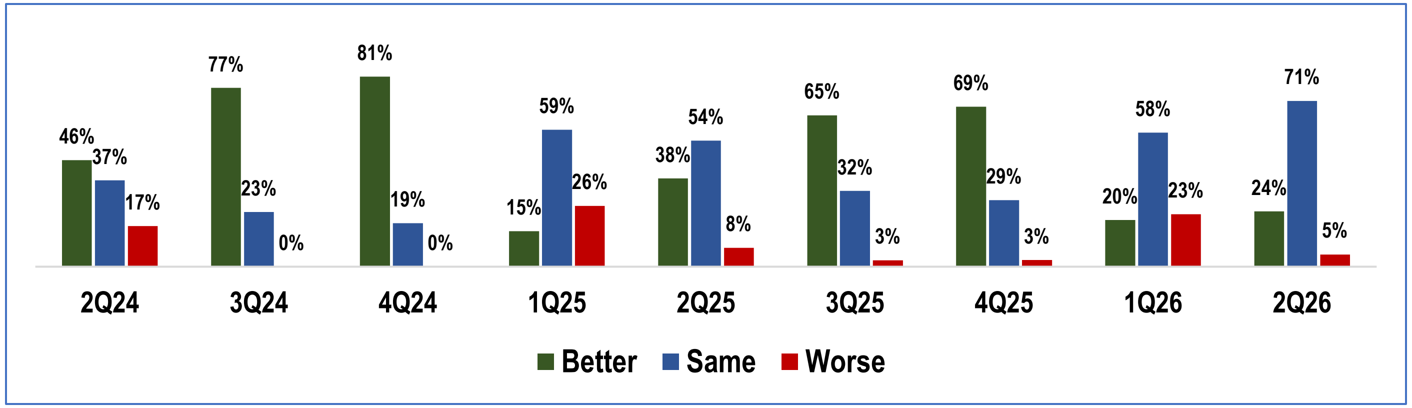
Borrower demand cooled the most of the nine core questions. 45% expect more demand versus 71% in 1Q26, with 42% expecting no change and 13% less demand – still net positive, but well off last quarter's highs.



Liquidity Steadies; CMBS and CRE CLO Views Improve

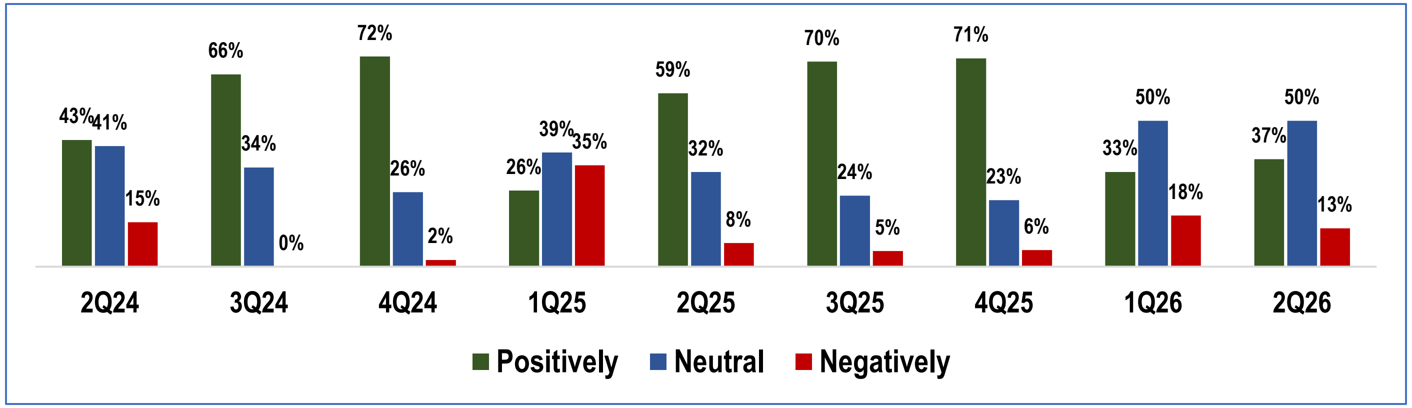
7. **LIQUIDITY. Over the next 12 months, what is your expectation for liquidity in the CRE debt capital markets?**

Liquidity expectations stabilized after 1Q26's caution. 71% expect no change, 24% expect improved liquidity – up from 20% – and just 5% expect worse conditions.



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 firmed. 37% expect a positive impact – up from 33% in 1Q26 – while half are neutral and 13% expect a negative impact.



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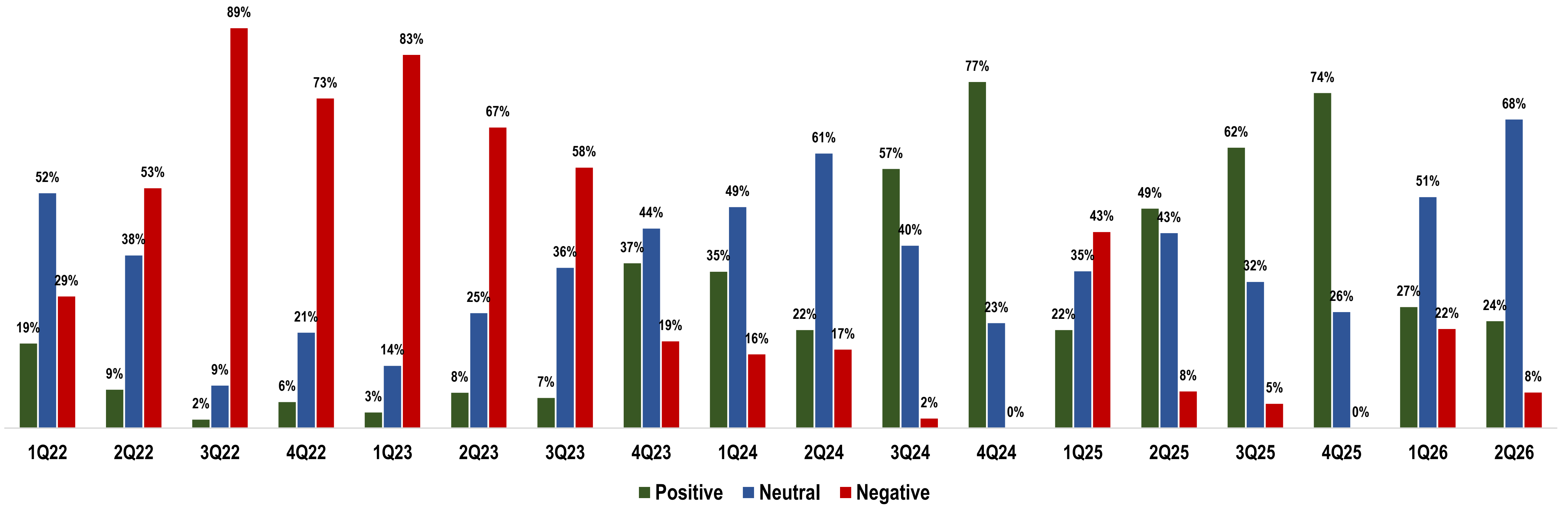
Industry Sentiment Settles at Neutral

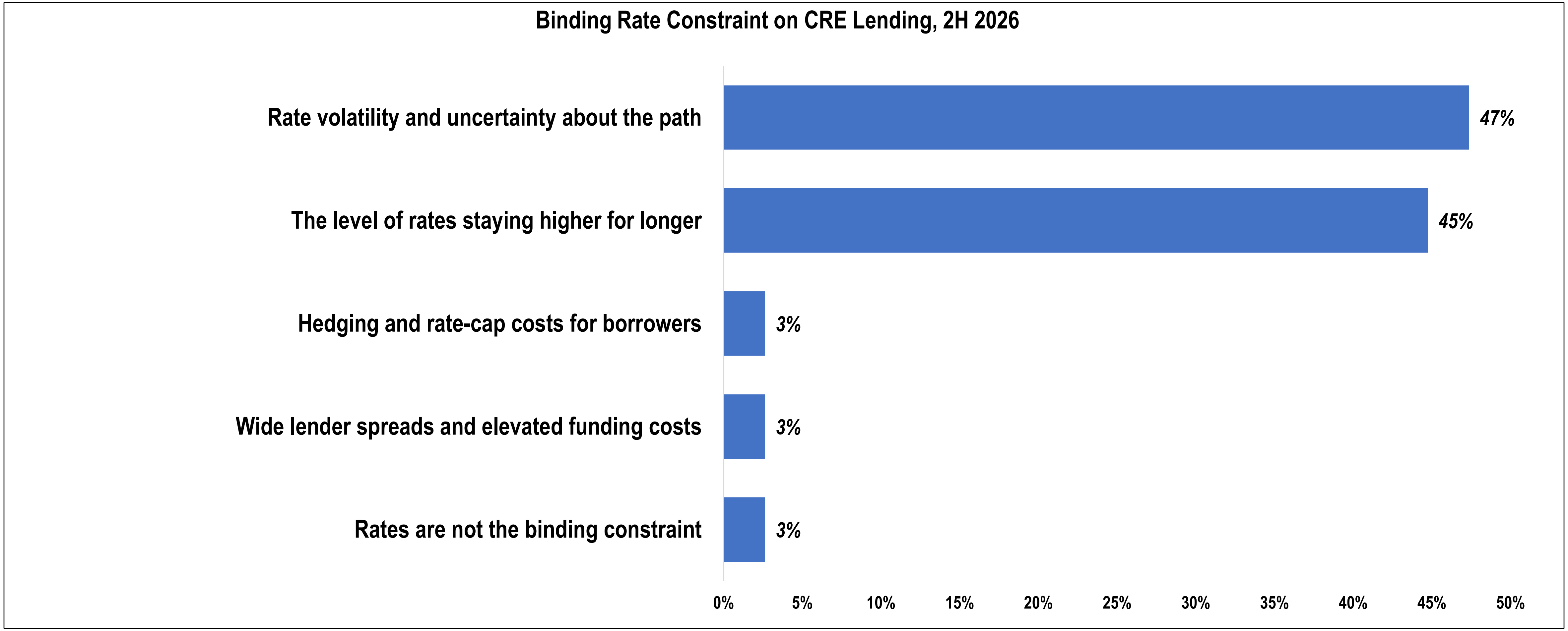
9. INDUSTRY SENTIMENT. What is your overall sentiment for all CRE finance businesses over the next 12 months?

Overall industry sentiment consolidated at neutral after 1Q26's reset. 68% are neutral, 24% are positive, and just 8% are negative – a smaller negative tail than 1Q26's 22%.



ADDITIONAL TOPICAL QUESTIONS – Question 1

1. Which rate-related factor will most constrain CRE lending and investment in the second half of 2026?



n = 38

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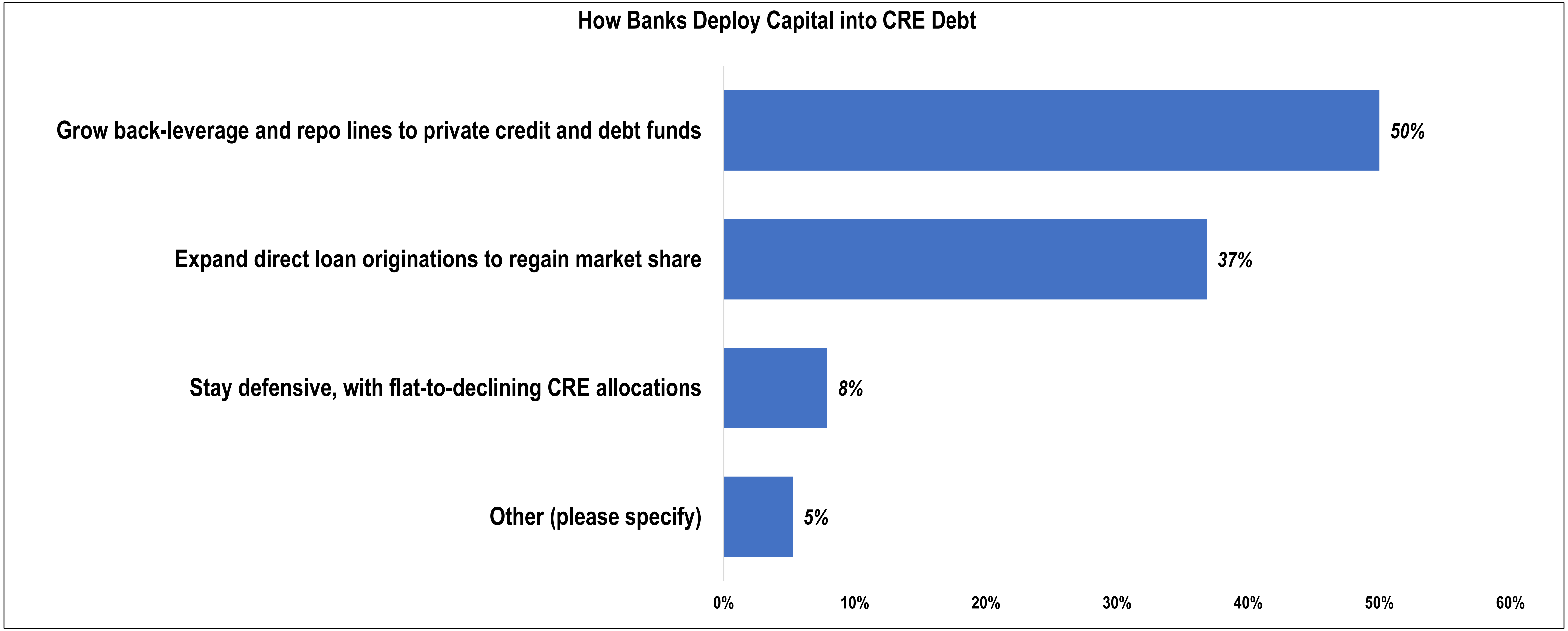
ADDITIONAL TOPICAL QUESTIONS – Question 2

2. Over the next 12 months, how do you expect banks to primarily deploy capital into CRE debt?



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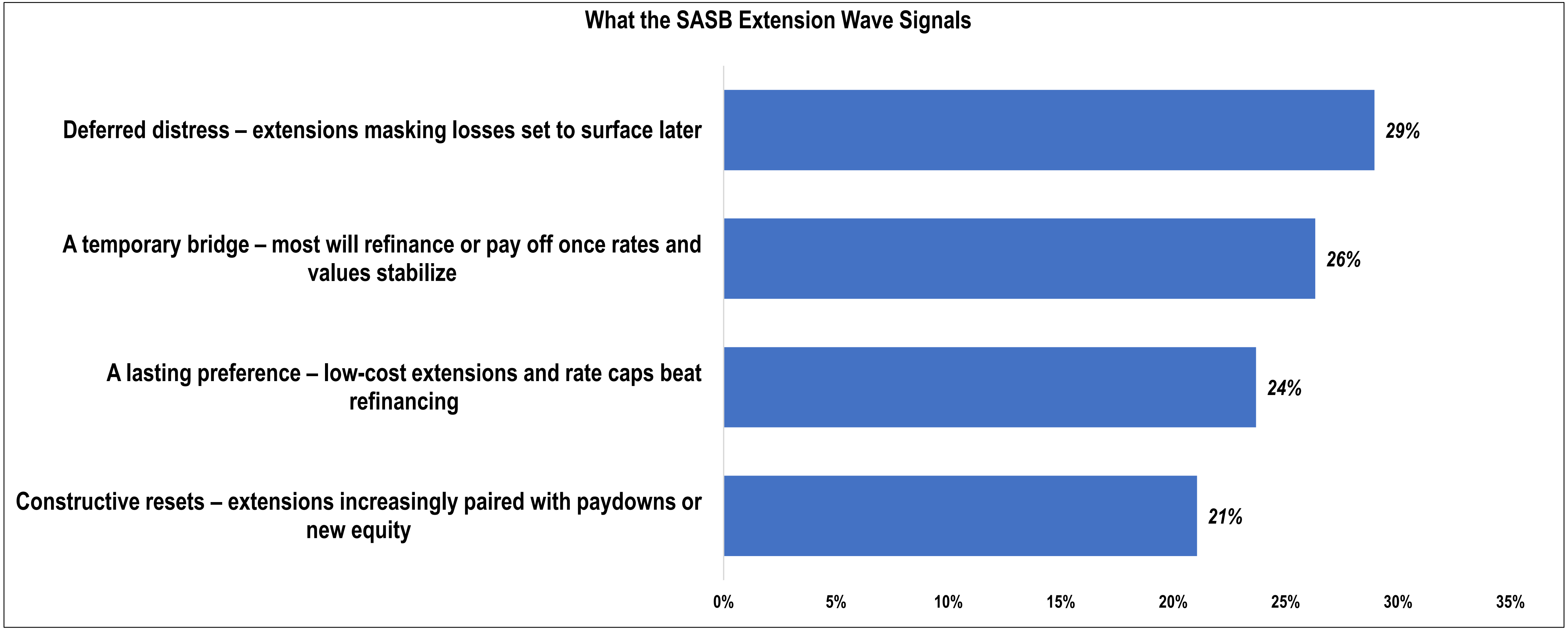
ADDITIONAL TOPICAL QUESTIONS – Question 3

3. With only about 28% of SASB loans reaching their 2026 maturities refinancing to date (per J.P. Morgan), what does the widespread reliance on extensions primarily signal?



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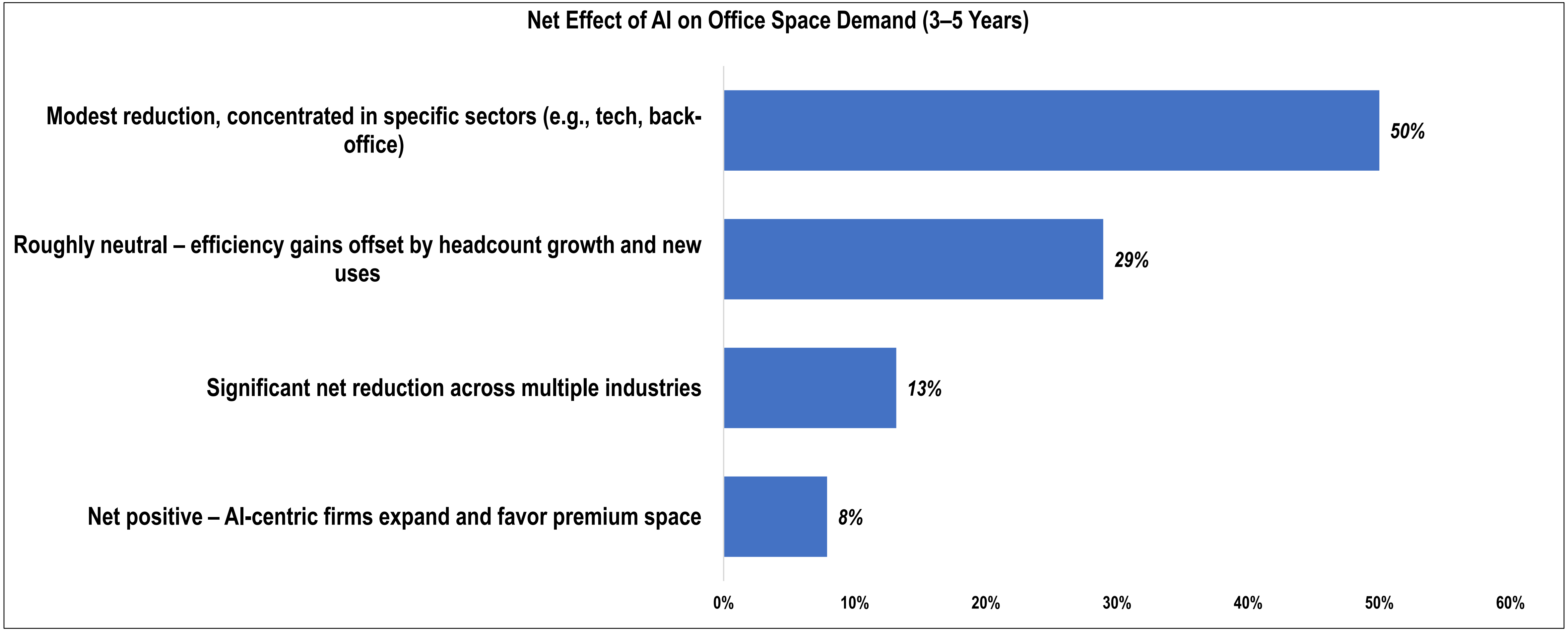
ADDITIONAL TOPICAL QUESTIONS – Question 4

4. **Over the next three to five years, what net effect do you expect AI and automation to have on corporate office space requirements?**



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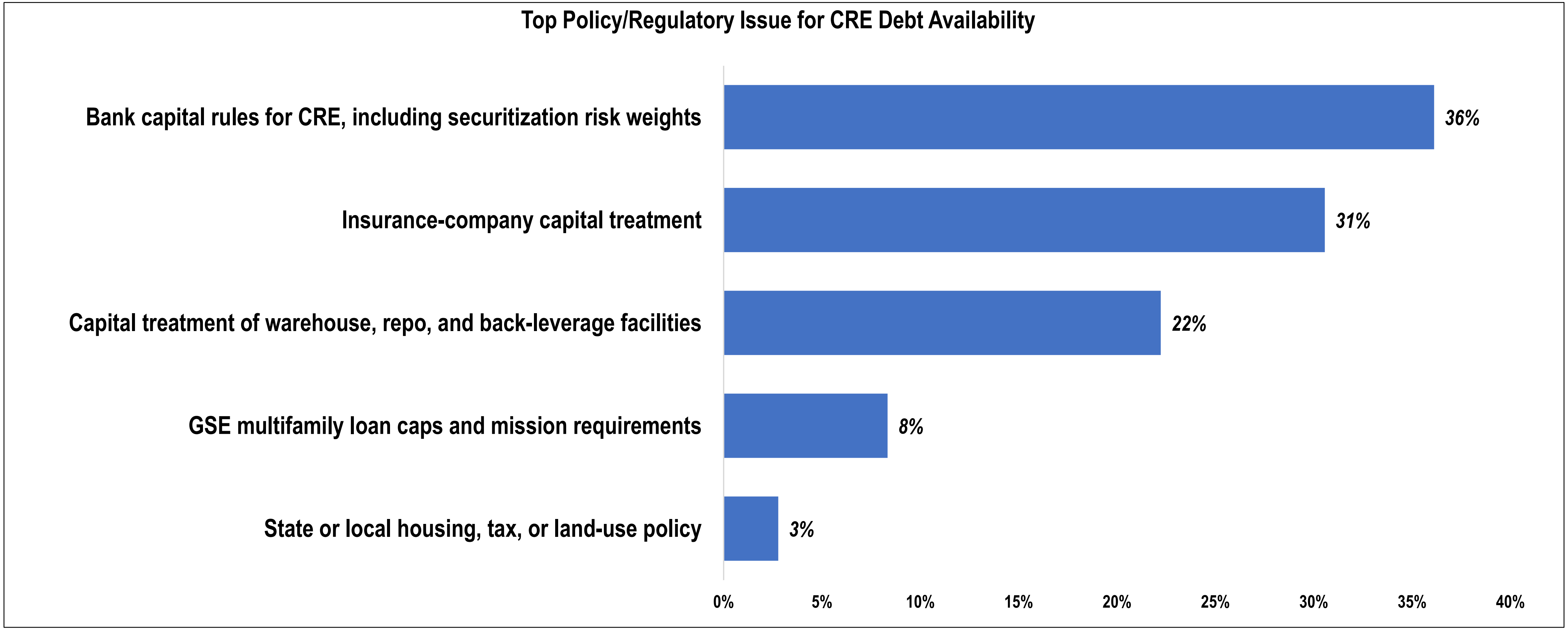
ADDITIONAL TOPICAL QUESTIONS – Question 5

5. Which policy or regulatory issue is most likely to affect CRE debt availability for your organization over the next 12 to 24 months?



n = 36 (two respondents skipped this question)

OTHER BOG THOUGHTS OR CONCERNS*

Refinancing and Market Activity

- "The refinancing 'curtain' has finally stopped moving back, and activity is strong; borrowers have accepted that rates will remain roughly in the zip code we are in today. Commercial banks will definitely focus more on warehouse and repo activities, and capital treatment related to insurance companies will be an issue as it relates to investment dollars coming into the U.S."

Bank Capital, Regulation, and Back-Leverage

- "There is a risk that the shift to back-leverage financing from banks could see enhanced scrutiny from regulators, which could reduce the overall availability of capital. The tightening of the job market has the potential to encourage more employees to voluntarily return to the office, which could lift some office demand. Class A office would still be the winner in this scenario."

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

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Credit and Underwriting Watch Items

- "Seeing more and more instances of inadequate insurance coverage, commonly wind/storm and earthquake."
- "Items to ponder: Will investor appetite be sustained to meet the continuing wave of data center debt financing needs? Will there be enough product to feed the several multifamily-only conduit shelves pursuing the strategy? The higher leverage (75% LTV, interest-only) and low coverage (1.20x, with flattening cash flow) of multifamily-only conduit loans will put pressure on credit performance."
- "CMBS appears to be in a race to the bottom."

Opportunities

- "Affordable housing expansion in 2026 and 2027."

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Macro and Political Uncertainty

- "Sitting here at the end of Q2, it is very hard to forecast the next 3, 6, and 12 months. Global issues (war, oil, lack of a functioning government), local issues (municipal debt, the rise of the Democratic Socialists, asset taxes), politics (midterms, lack of direction from D.C., housing policy), the economy (a K-shaped economy with the top of the K moving higher above the 90/10 split, interest rates and inflation), and investments (I would predict a stock market correction; this is the narrowest equity rally in history) – more risks than opportunities. Let's all hope – as that is not a strategy – that our new Fed Chair has divine guidance."
- "Political volatility around the upcoming election cycle – through the midterms and the 2028 general election – will begin to loom large as we think about how much of the basic legal and policy underpinnings of our business could radically change."

Emerging Theme vs. 1Q26: Last quarter's commentary was dominated by geopolitical shock and rate volatility. This quarter, attention rotates to regulatory capital and structural credit mechanics – back-leverage scrutiny, insurance-company capital treatment, and multifamily conduit underwriting – while political uncertainty around the midterms and the 2028 election replaces war as the top macro concern. The refinancing tone improves, with maturities increasingly clearing rather than sliding.

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