

CREFC Board of Governors Sentiment Index Survey

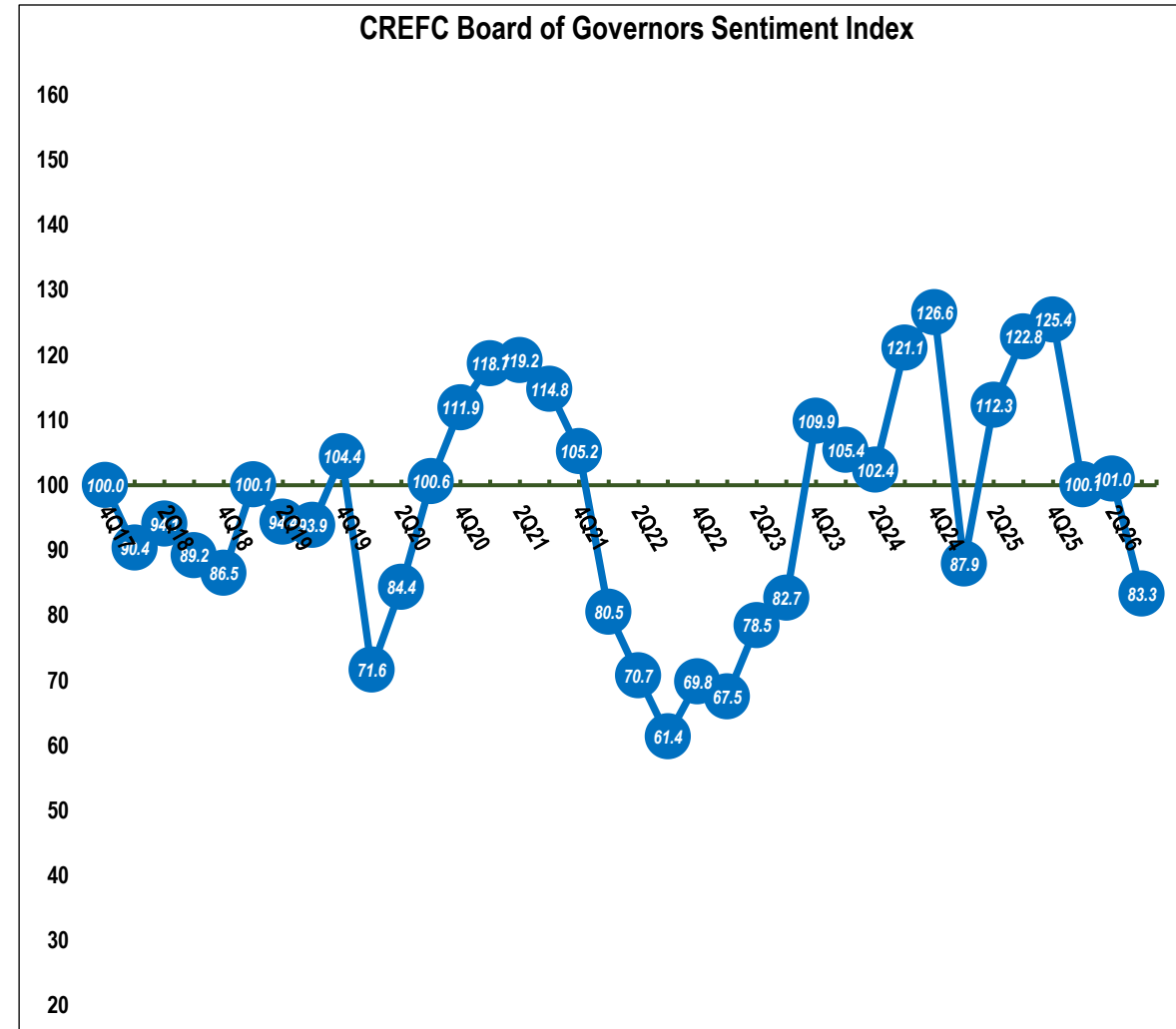
3Q 2026



CRE Finance Council®
The Voice of Commercial Real Estate Finance

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

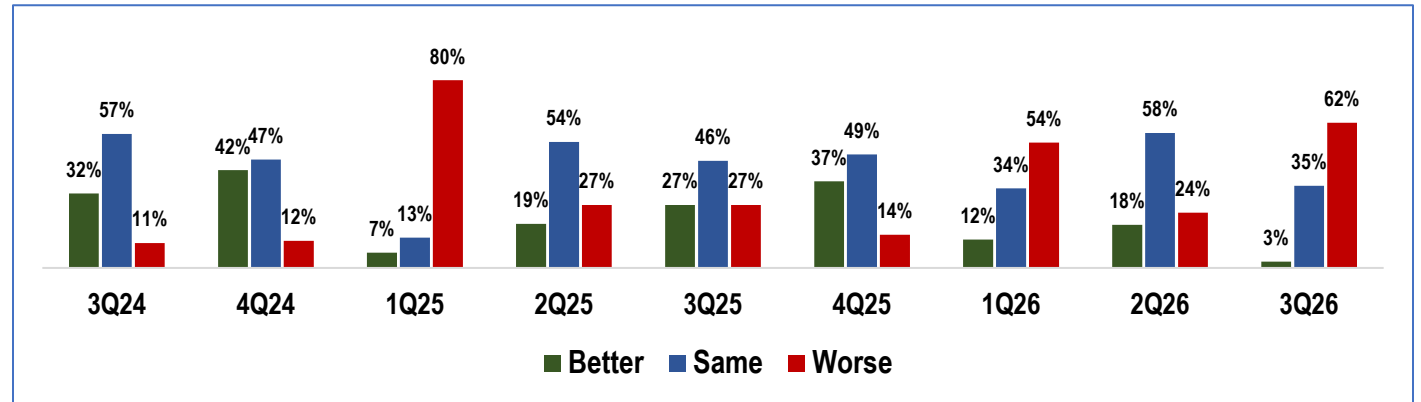
- From September 21 – 28, 2026, CREFC conducted its 3Q 2026 CREFC BOG Sentiment Index survey on the overall state of the CRE finance markets (administered to the BOG since 4Q 2017).
 - The BOG Index aims to gauge quarter-to-quarter shifts in market conditions and outlook. Responses are equally weighted and combined into a single index.
 - The survey consists of nine core questions and additional topical questions (not factored into the BOG Index).
 - 93% of the BOG responded to the 3Q26 survey (37 of 40 members).
- The 3Q26 Index fell 17.5% quarter-over-quarter to 83.3 from 101.0 in 2Q26 – its lowest reading since 3Q23 (82.7) and 34% below the 4Q24 record high of 126.6.
 - All nine core questions weakened, led by the economic outlook (62% expect a worse economy, up from 24%) and rates (92% negative, up from 53% – the most negative since 3Q22).
 - Caution spread beyond rates: neutral was still the most common answer on seven of nine questions, but the share of negative answers increased on eight of the nine – 38% on industry sentiment (8% in 2Q26), 35% expect less borrower demand (13%), and 32% see CMBS and CRE CLO trends as a negative (13%).



Economic Outlook Deteriorates Sharply; Policy Optimism Fades

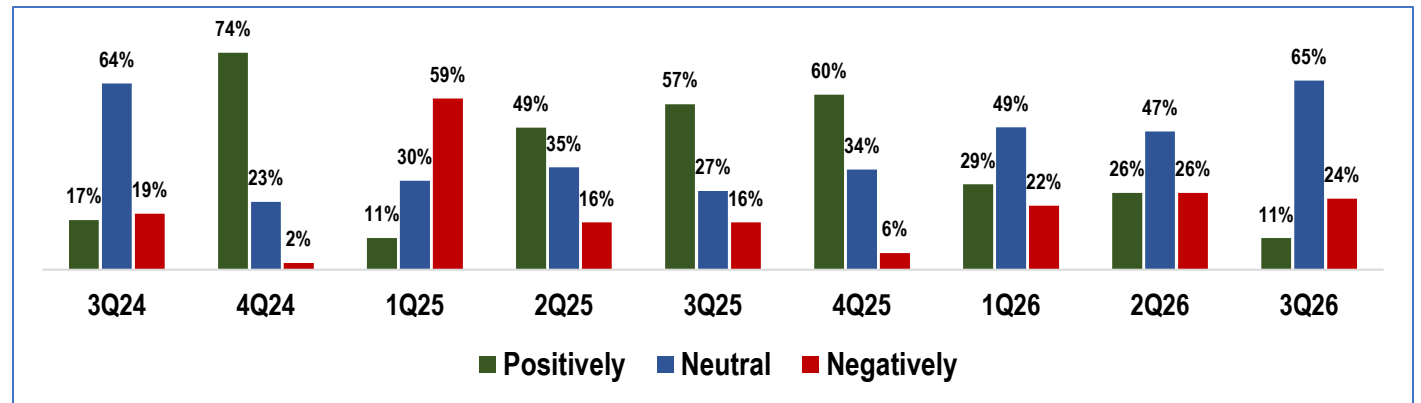
1. ECONOMY. How will the U.S. economy perform over the next 12 months as compared to the preceding 12 months?

Economic expectations deteriorated sharply. 62% now expect the U.S. economy to perform worse over the next 12 months, up from 24% in 2Q26, while 35% expect the same and just 3% expect improvement (18% in 2Q26).



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

Policy optimism faded. The positive share fell to 11% from 26% in 2Q26, while 65% now expect a neutral impact from federal legislative and regulatory actions (47% in 2Q26) and the negative share edged down to 24% from 26%.



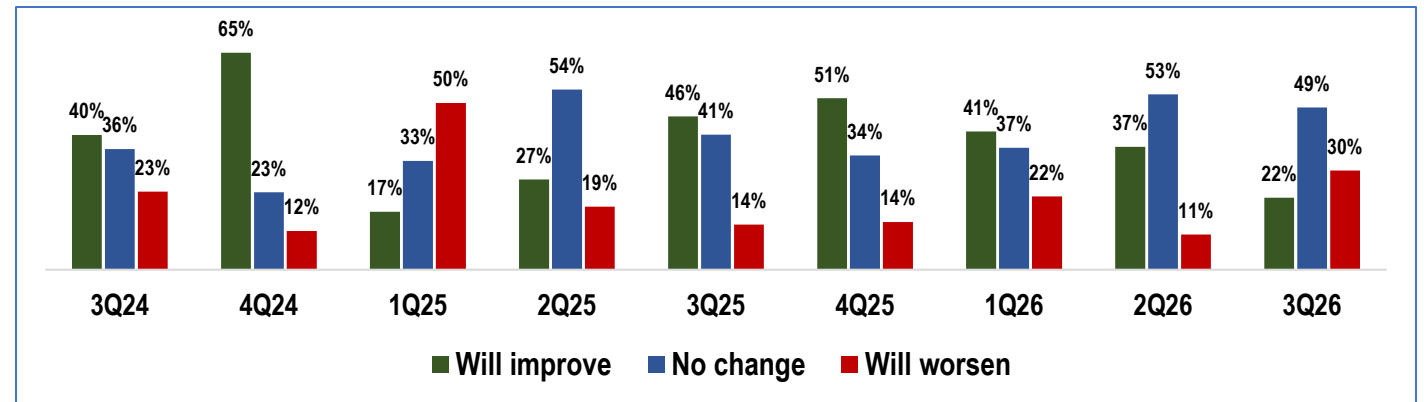
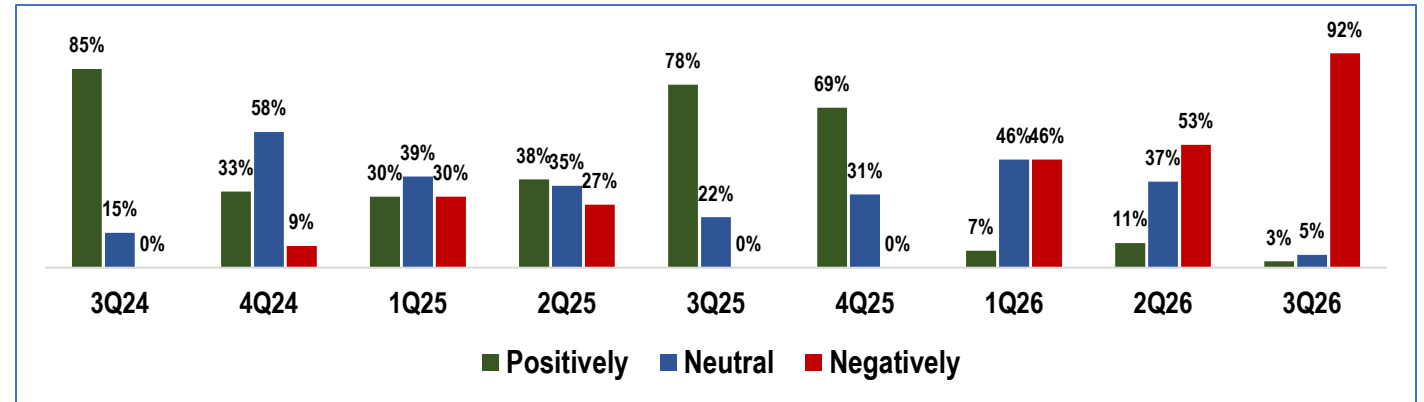
Rates Reading Weakest Since 3Q22; Fundamentals Turn Net Negative

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

Rates are the weakest core reading for a second consecutive quarter. 92% expect mortgage and cap rates to weigh negatively on CRE finance businesses, up from 53% in 2Q26 and the most negative reading since 3Q22 (98%); just 3% 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 turned net negative for the first time since 1Q25. 30% now expect CRE fundamentals to worsen, up from 11% in 2Q26, while 22% expect improvement (37%) and 49% expect no change.



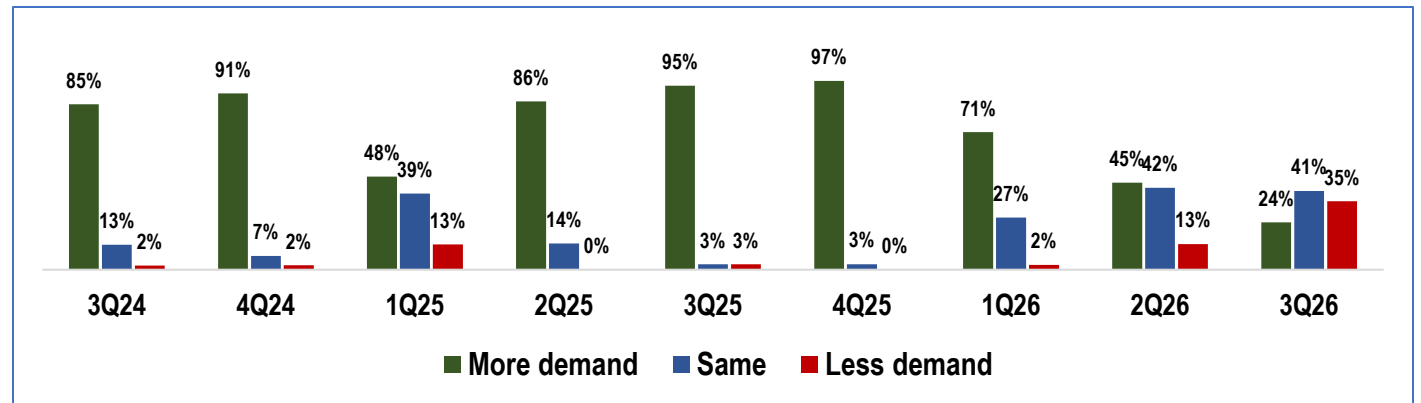
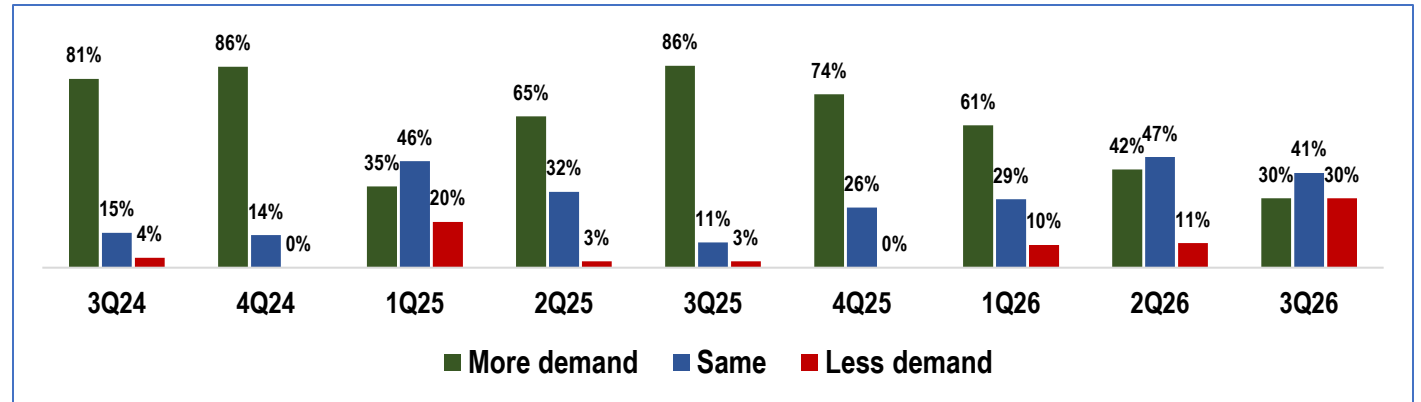
Investor Demand Evenly Split; Borrower Demand Turns Net Negative

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?

Equal shares, 30% each, expect more and less investor demand for CRE/multifamily assets; the largest group, 41%, expects no change. The more-demand share fell from 42% in 2Q26 and the less-demand share rose from 11%.

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?

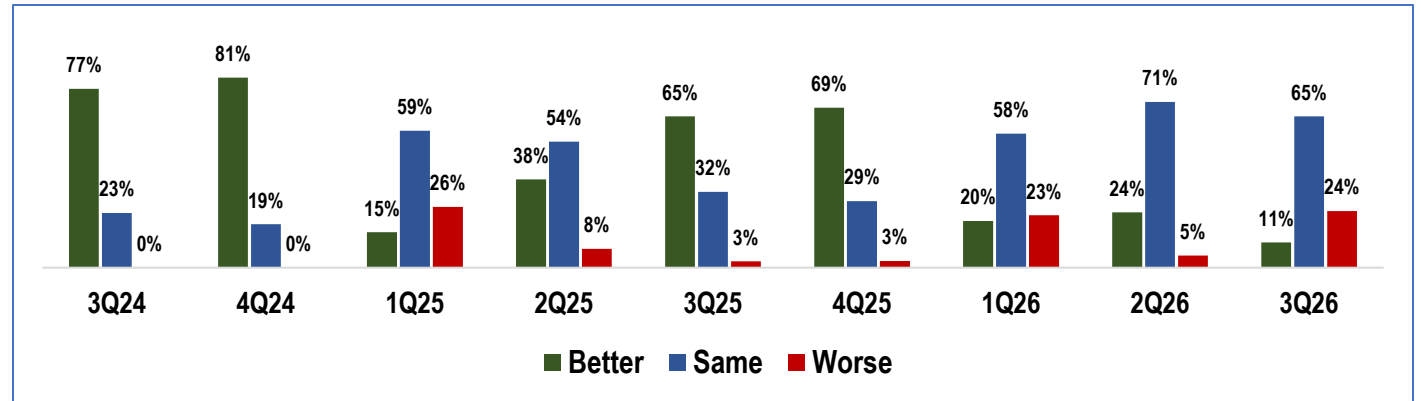
Borrower demand expectations turned net negative for the first time since 4Q22. 24% expect more demand for CRE/multifamily loans, down from 45% in 2Q26, while 35% expect less demand (13% in 2Q26) and 41% expect no change.



Liquidity Skews Cautious; CMBS and CRE CLO Views Turn Net Negative

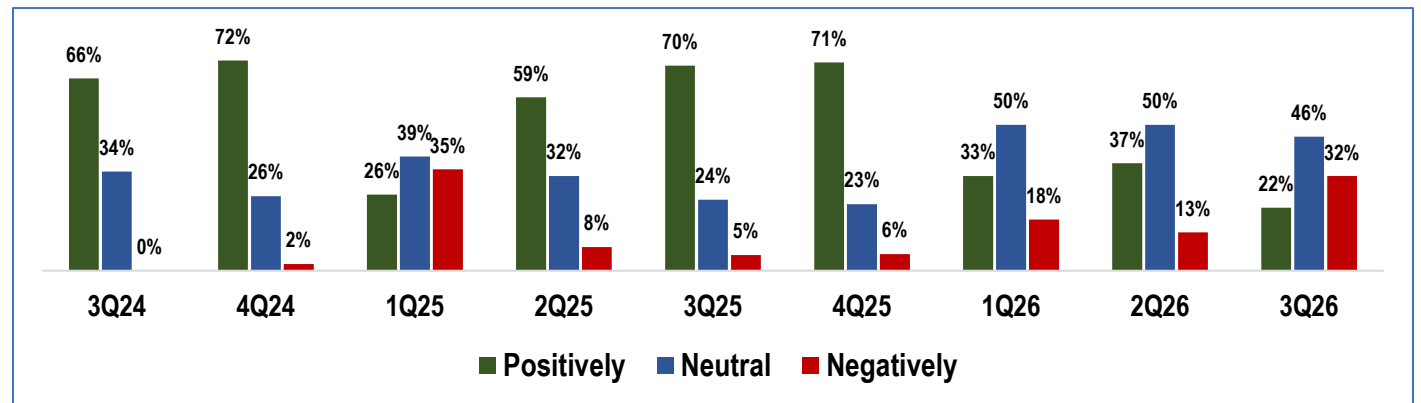
7. LIQUIDITY. Over the next 12 months, what is your expectation for liquidity in the CRE debt capital markets?

Liquidity expectations skewed more cautious. 65% expect no change in CRE debt market liquidity (71% in 2Q26), while 24% expect a contraction (5% in 2Q26) and 11% expect improvement (24%).



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?

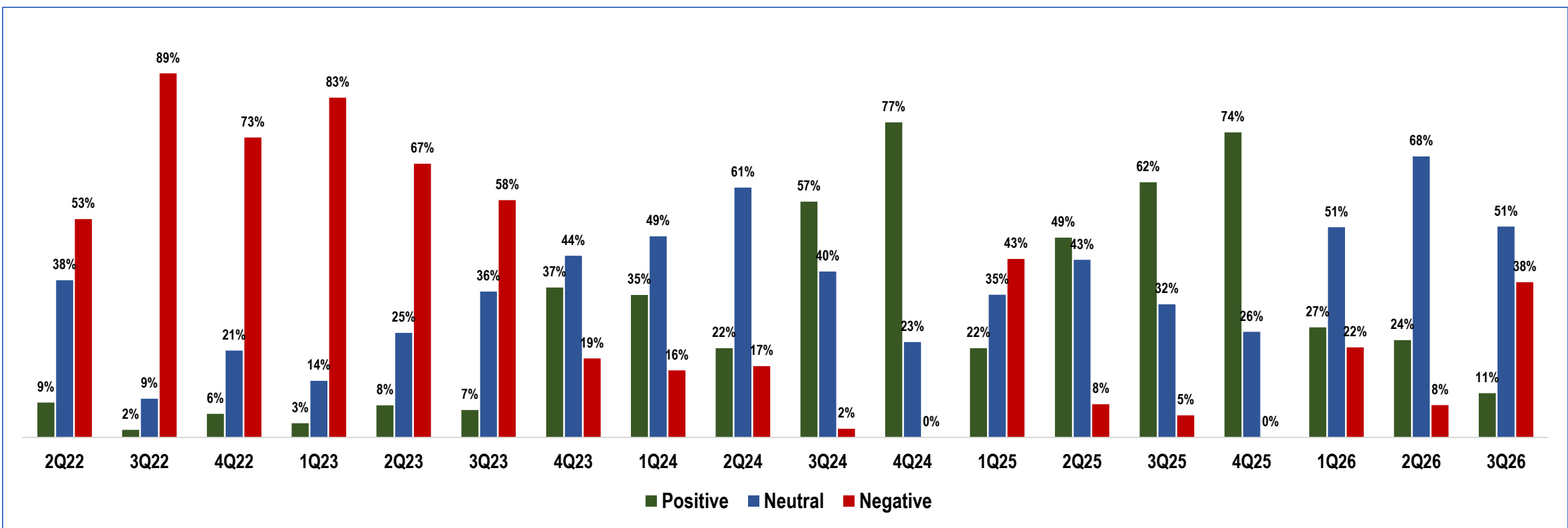
CMBS and CRE CLO views turned net negative. 32% expect demand and spread trends to weigh on performance, up from 13% in 2Q26, while 22% expect a positive impact (37%) and 46% are neutral.



Industry Sentiment Tilts Negative: 38% Now Negative, Up from 8%

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

Overall industry sentiment tilted negative. 38% are negative on CRE finance businesses over the next 12 months, up from 8% in 2Q26 and the largest negative share since 1Q25, while 51% are neutral (68% in 2Q26) and 11% are positive (24%).

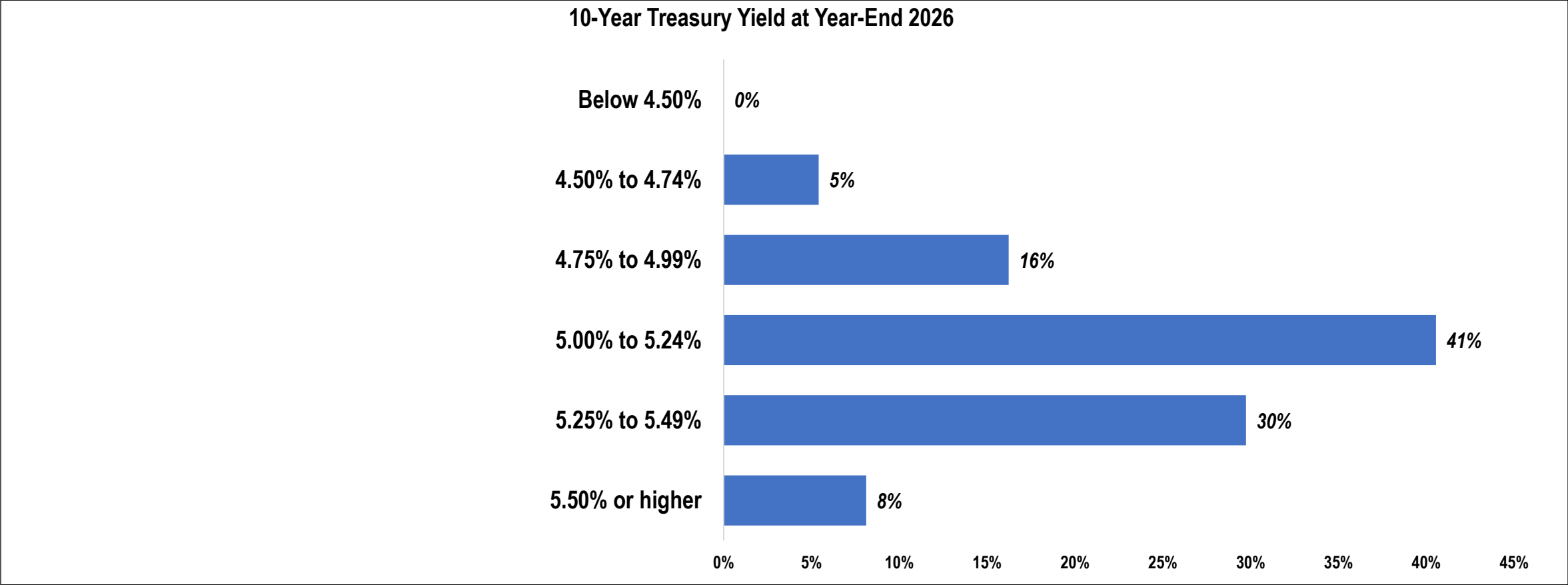


n = 37. Percentages exclude blanks; totals may not sum to 100% due to rounding.

ADDITIONAL TOPICAL QUESTIONS – Question 1

1. The 10-year Treasury yield was 5.00% on September 18, 2026. Where do you expect it to close on December 31, 2026?

78% expect the 10-year to close 2026 at 5.00% or higher, and 38% at 5.25% or higher; none expect a yield below 4.50%.

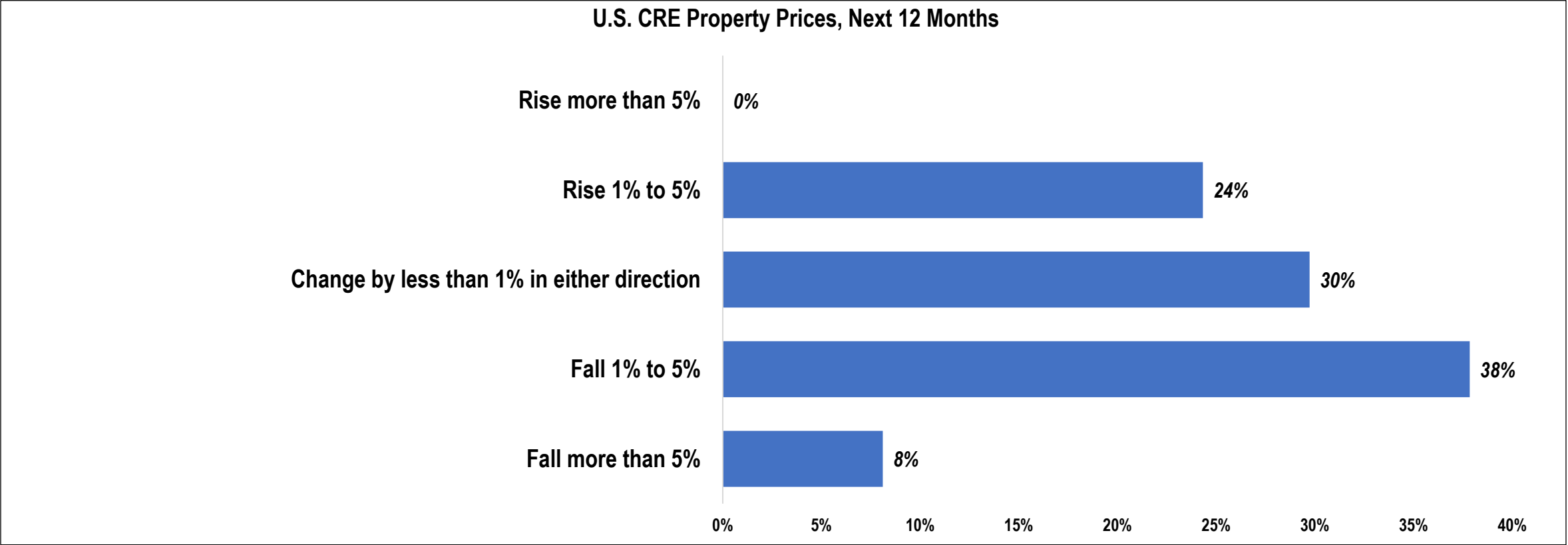


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ADDITIONAL TOPICAL QUESTIONS – Question 2

2. U.S. CRE property prices were up 0.2% year over year through July 2026, according to MSCI. How do you expect U.S. CRE property prices to change over the next 12 months?

46% expect prices to fall at least 1% over the next 12 months, versus 24% expecting a rise; 30% see little change.

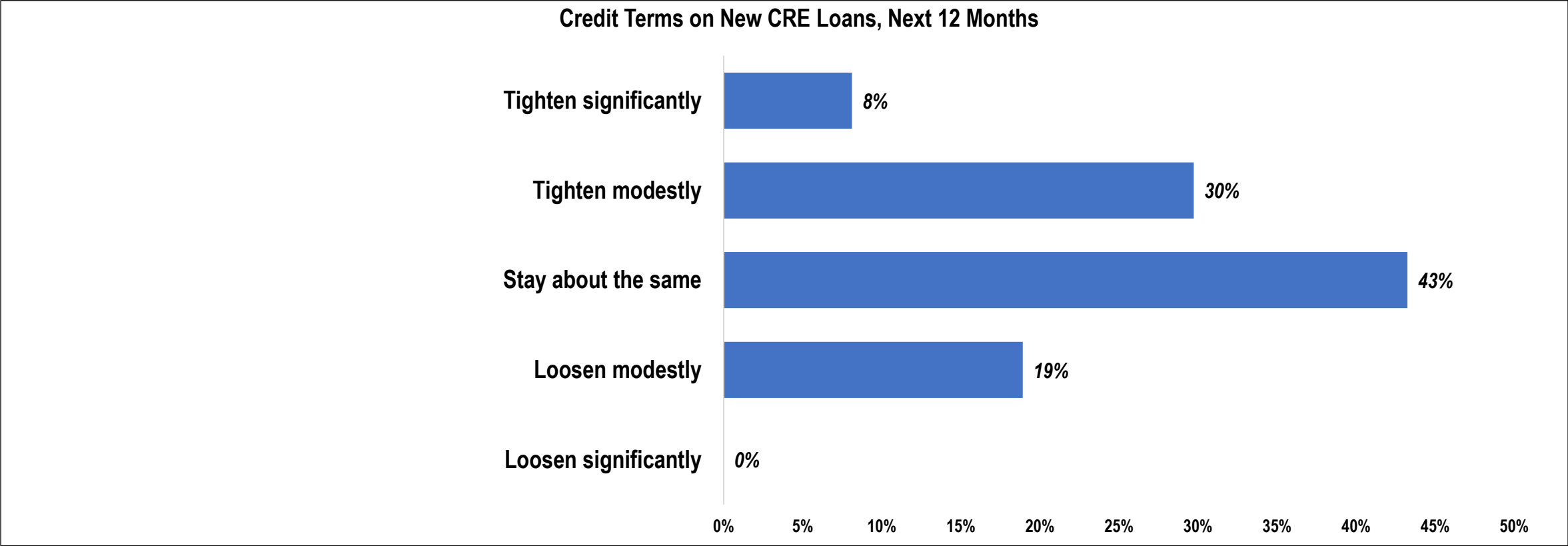


n = 37. Percentages exclude blanks; totals may not sum to 100% due to rounding.

ADDITIONAL TOPICAL QUESTIONS – Question 3

3. Over the next 12 months, how do you expect credit terms on new CRE loans, such as leverage, interest-only periods and lender protections, to change?

38% expect credit terms to tighten, twice the 19% expecting looser terms; the largest group, 43%, sees little change.

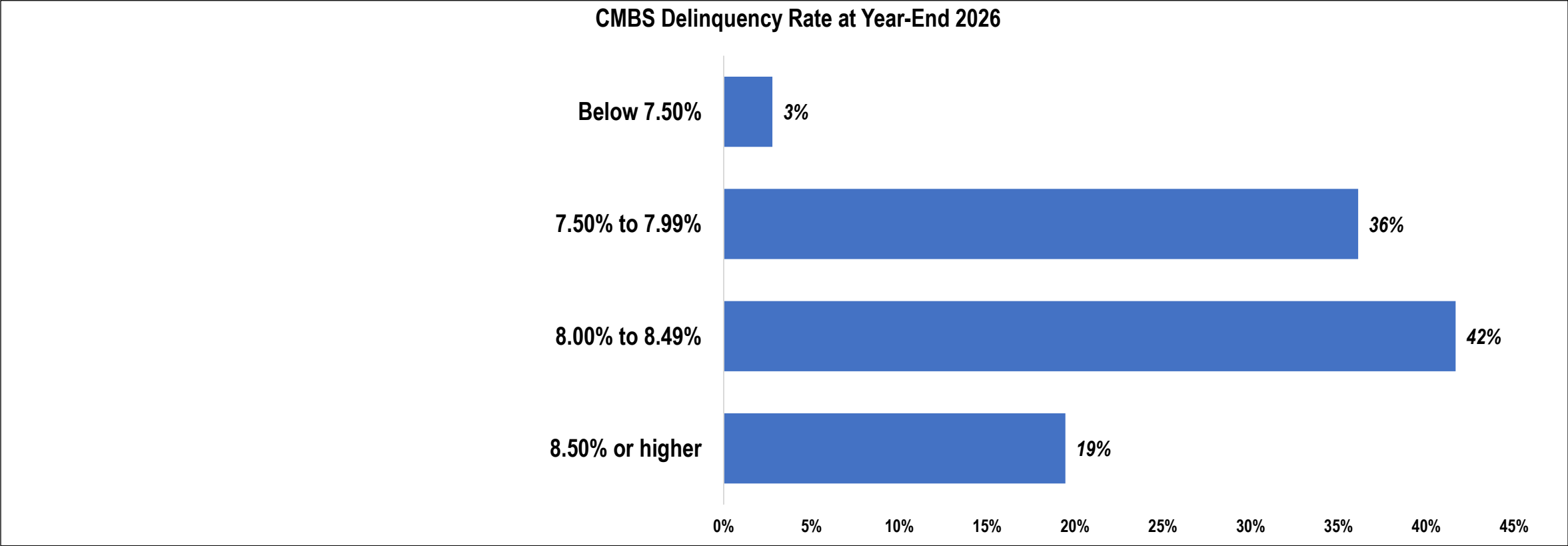


n = 37. Percentages exclude blanks; totals may not sum to 100% due to rounding.

ADDITIONAL TOPICAL QUESTIONS – Question 4

4. The CMBS delinquency rate, including conduit and SASB loans, was 7.85% in August 2026, according to Trepp. Where do you expect the delinquency rate to be on December 31, 2026?

61% expect delinquency at 8.00% or higher by year-end (19% at 8.50% or higher); only 3% expect a drop below 7.50%.

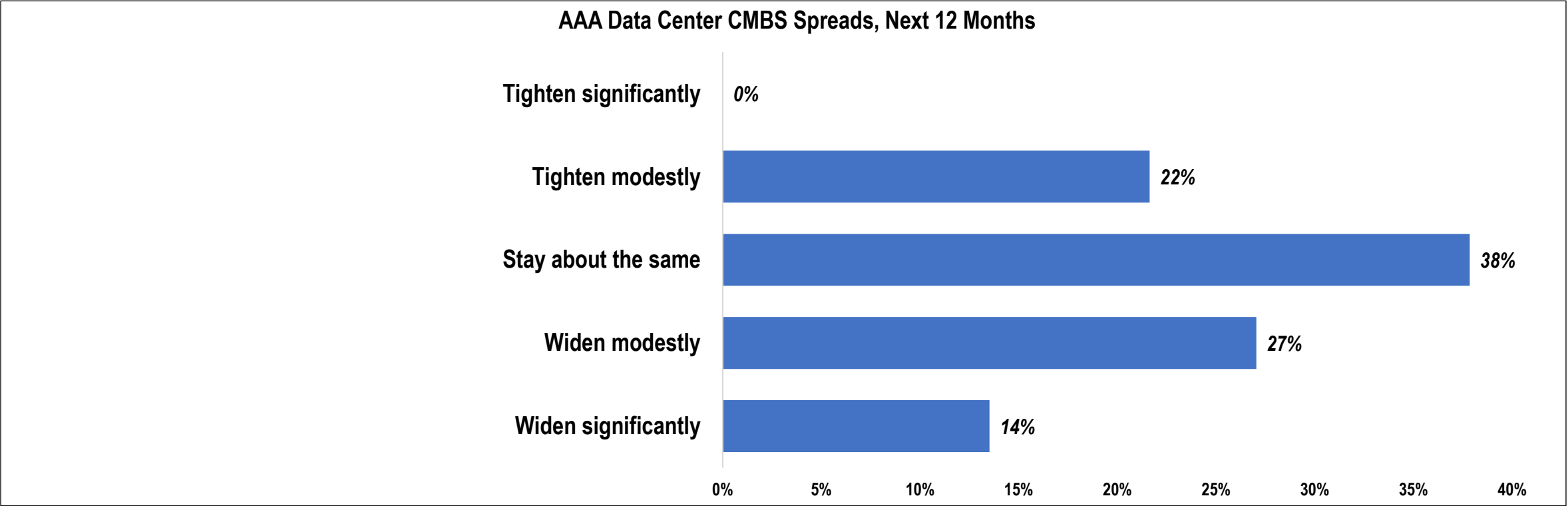


n = 36 (one respondent skipped this question). Percentages exclude blanks; totals may not sum to 100% due to rounding.

ADDITIONAL TOPICAL QUESTIONS – Question 5

5. AAA-rated data center SASB CMBS paid about 165 basis points over their benchmark rates in mid-September 2026, compared with 85 to 120 basis points for other property types, according to BofA Global Research. How do you expect AAA-rated data center CMBS spreads to change over the next 12 months?

41% expect spreads to widen over the next 12 months versus 22% expecting tightening; 38% see little change.



n = 37. Percentages exclude blanks; totals may not sum to 100% due to rounding.

OTHER BOG THOUGHTS OR CONCERNS*

Rates, Inflation and Macro Risks

- “Growing fiscal deficits and Treasury issuance continue to place upward pressure on long-term rates. Even if short-term rates decline, elevated Treasury yields could keep borrowing costs higher than many market participants expect. The CRE industry has spent the last several years focused on property fundamentals and maturities, but the bigger risk may be the broader macro environment. Persistent government deficits, record debt issuance, and geopolitical instability have the potential to drive continued volatility in the long end of the yield curve. The industry’s refinancing challenges are increasingly tied less to property performance and more to the cost of capital. Long-term Treasury volatility remains a significant headwind and could delay a full recovery in transaction volumes and capital markets activity. Capital markets have become highly sensitive to fiscal policy, inflation expectations, and geopolitical events. Even modest changes in long-term rates can materially impact asset values, refinancing proceeds, and borrower viability. Many of the pressures facing CRE today stem from a rapid increase in the risk-free rate. Until there is greater stability in long-term Treasury yields, uncertainty around valuations, refinancing activity, and distress resolution is likely to persist.”
- “Uncertain path ahead given macroeconomic factors (oil, inflation, etc.) putting pressure on interest rates.”
- “Diesel prices will be the leading indicator for the amount and direction of change we will see in our CRE markets, and just about everything else – except for multifamily, which is destined to decline.”

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

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Rates, Inflation and Macro Risks (continued)

- “Treasury rates will continue to rise due to declining investor confidence in the U.S. fiscal condition and political instability. CMBS credit spreads will widen as delinquency data worsens, and corporate spreads will widen due to slowing consumer spending and weakening corporate operating results ex-AI-related capex. CRE property values will remain stable, except office and multifamily are likely to experience pricing pressure in response to increasing transaction volumes as owners are forced to sell.”
- “The economy (rampant inflation) and policy uncertainty are causing major headwinds right now. Specifically, immigration policies are driving up vacancies in multifamily housing, which will further stress the asset class. The rising cost of diesel will have far-reaching impact on the CRE markets. The 10-year Treasury was a major psychological barrier for many; now that we have surpassed that, it is fueling economic concerns and uncertainty.”

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Refinancing, Credit and Issuance

- “While the rate environment does not help, the overall demand for credit will be strong as the 2021/2022-vintage five-year loans, as well as 2017 ten-year loans, come due. Most activity will be refinancings, as acquisition activity will remain relatively muted.”
- “Higher rates are likely to slow transaction activity and increase refinancings and very short-term lending. CMBS maturity issues will continue to occur, especially for office, and higher rates exacerbate the problem.”
- “Refinancing risk is increasing and more distress will appear in the market.”
- “Multifamily will continue to impact delinquency rates for CLO and CMBS in the near term.”
- “Uncertainty in rates and geopolitical matters is causing a significant slowdown in CMBS products. New issuance volume is expected to slow down in Q4.”
- “CRE CLO markets continue to expand. Less data center CMBS (as a percentage of total) – repricing will occur, then CMBS will fill in gaps. M&A will drive SASB. Sales volume will increase as capitulation occurs on mark-to-market of equity and the need to return capital.”

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Politics and Policy

- “Political landscape may chill transaction activity in the first quarter of 2027. Concerned that equity capital has moved upstream, leaving middle markets underserved and affecting possible recapitalizations and transaction velocity.”
- “Political risk will stay elevated in a boiling-frog sort of way. More gridlock, more populist-stoked anger impairing a realistic pro-growth agenda. More government debt, which will keep interest rates elevated (even if, shockingly, the war ends and oil begins to flow). And that’s the good news compared to being Matrix-ed.”

Diverging Outcomes and Asset Selection

- “Well, I expect things to generally stay the same. The volatility of outcomes will continue to increase. We will have some big losers and some big winners, but overall it will look average. This will fool people into thinking things are average. The reality will be that you need to be very careful about your selection of assets.”

OTHER BOG THOUGHTS OR CONCERNS *(continued)*

Data Centers and Broader Market Risks

- “Capital needs for data centers are insane. Oracle trades like a junk credit and is not calling MACs on leases as local governments push back on power and water, plus the social impact near and long term. For a sector that needs trillions of dollars, well, not sure how that works. More generally, inflation is still running hot, tariffs are offsetting all economic gains, D.C. is a complete mess, local politics are polarized, housing policy is broken, and interest rates are at a 2007 level. Cap rates are not reflective of the CRE risk (5-year Treasury = Austin, TX multifamily cap rates). However, liquidity is crazy high, so maybe we equal out. The math does not give a positive outcome. Oh, midterms – should be a washout for Republicans, and Democrats will come back hot and heavy on policies. If the DSA shows well, we can all move to Sweden.”

Emerging Theme vs. 2Q26: Last quarter’s commentary centered on regulatory capital, back-leverage scrutiny and structural credit mechanics. This quarter the long end of the Treasury curve dominates: fiscal deficits, record issuance and inflation are cited as the drivers of higher-for-longer rates, with refinancing risk, CMBS spread widening and pricing pressure on office and multifamily as the expected consequences. Data center capital needs and political uncertainty around the midterms round out the list. Several respondents still see opportunity: strong refinancing demand as 2021–2022 and 2017 vintages mature, continued CRE CLO growth and rising sales volume as owners capitulate.



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