GRAYCAPITAL

**Research Brief**
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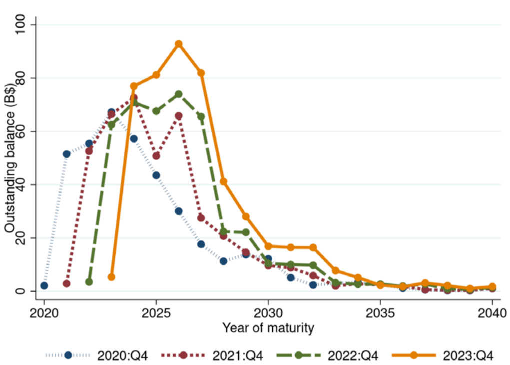
# EXTEND-AND-PRETEND CREATES A NEW WAVE OF LOAN MATURITIES

## Loan extensions in recent years have not eliminated interest rate pressure for many borrowers.

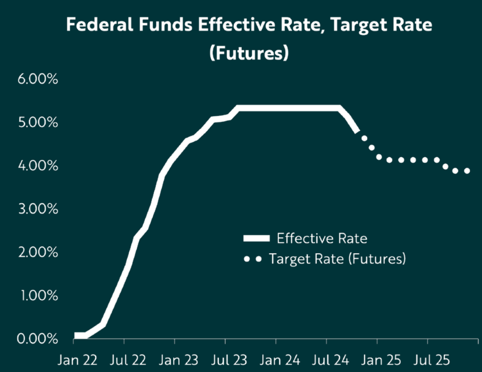
Multifamily borrowers facing loan maturities during this recent high interest rate period have contended with declining prices, increasing debt costs, rising expenses, and sluggish rent growth.

For lenders worried about their own balance sheets, these unfavorable near-term prospects incentivized extend-and-pretend practices which have lessened the impact of a late-2023 wave of loan maturities, but **extend and pretend is coming to an end** as lenders and equity are growing impatient with borrowers.

Recent research from the New York Federal Reserve suggests that **a new wave of loan maturities may peak in 2026 for CRE** as a whole, with multifamily-specific data from CoStar pointing to a spike in Q3 2025.



Source: Federal Reserve Bank of New York

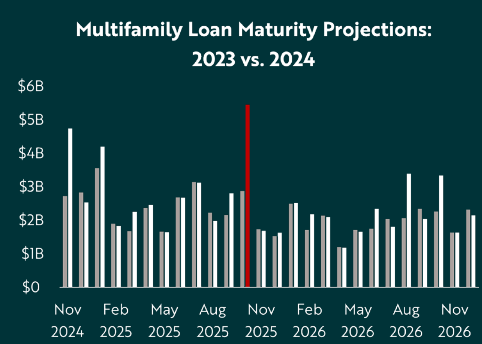


Source: Federal Reserve, FedWatch (CME Group)

## Interest Rates Are Not Falling Fast Enough

According to current projections, the downward path of the federal funds rate will be much slower than its rise in 2022.

Elevated rates will continue to put pressure on borrowers facing loan maturities, **particularly those with bridge loans or construction loans that have already been extended**.



Source: CoStar estimates

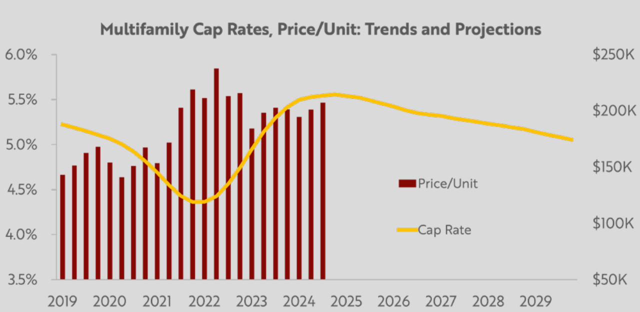
## New Wall of Loan Maturities in October 2025

Compared to projections made in September 2023, current (Nov. 2024) projections feature several prominent spikes, the largest of which is marked for October 2025 and is **over 25% larger than earlier projections** of a much-anticipated wall of multifamily loan maturities in October 2023.

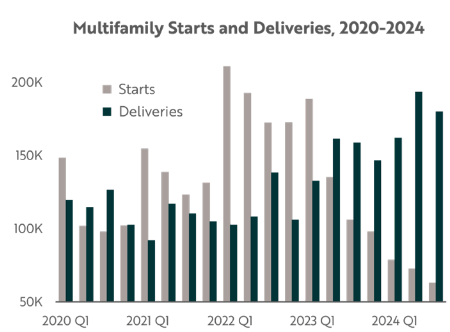
# THE CRE LANDSCAPE IS ALREADY CHANGING

CRE borrowers, especially those with extensions or accommodations for loans that would have matured in the past 2 years, will benefit from improving asset values and lower interest rates.

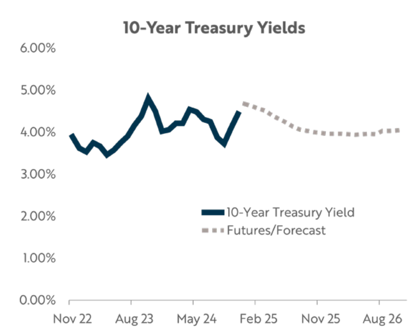
For multifamily borrowers specifically, past high interest rate levels have led to a decrease in construction starts, which should lead to a more balanced market and improved asset performance.



Source: CoStar estimates



Source: CoStar estimates



Source: Econoforecasting

# WHAT HAPPENS NEXT?

## Property Prices

Favorable trends for apartment supply and demand, sales activity, and interest rates point to stable, gradual price growth in the multifamily sector.

## Distress

Opportunities to invest in distressed properties at a lower basis will be elevated throughout this period in the rate cycle, but at the individual asset level rather than sector-wide.

## Interest Rates

Lower sovereign demand for 10-year treasuries and persistent inflation pressures could buouy rates above previous trends.




**Gray Capital, LLC**
**(317) 203-9457**
**CONTACT@GRAYCAPITALLLC.COM**