PERE

September 2025 • perenews.com

US Credit roundtable 2025

ROUNDTABLE

SPONSORS
AFFINIUS CAPITAL • BEACH POINT CAPITAL MANAGEMENT • KAYNE ANDERSON
PRETIUM • SCHRODERS CAPITAL

Opportunity and uncertainty collide in US debt markets

Political volatility and economic instability present challenges for US private debt investors, but participants in PERE's roundtable remain optimistic. Stuart Watson reports

Among the US real estate debt managers gathered for *PERE*'s US debt roundtable discussion are some who attest that it has been a challenging year.

Over the course of 2025, fluctuating trade policy, geopolitical uncertainty and concerns over the expanding US federal deficit have combined to depress consumer and business sentiment. The perception of growing economic risk has also impacted bond markets, with 10-year Treasury yields increasing to 4.25 percent at time of writing.

That has not prevented a modest recovery in the real estate investment market, however, and capital is still being deployed. CBRE figures show $96 billion of real estate was traded in Q2 2025, representing a 2 percent year-on-year increase, or 13 percent excluding entity-level transactions. The broker expects commercial real estate investment activity to grow by 10 percent over the course of the year to $437 billion.

Meanwhile, the CBRE Lending Momentum Index, which tracks loans originated or brokered by the firm, rose by 45 percent year-on-year but fell by 6 percent quarter-on-quarter at the end of Q2 as tariff announcements and policy uncertainty impacted lending conditions and borrowing costs in April and May. The market regained momentum in June, however, with financing volumes up 40 percent year-on-year.

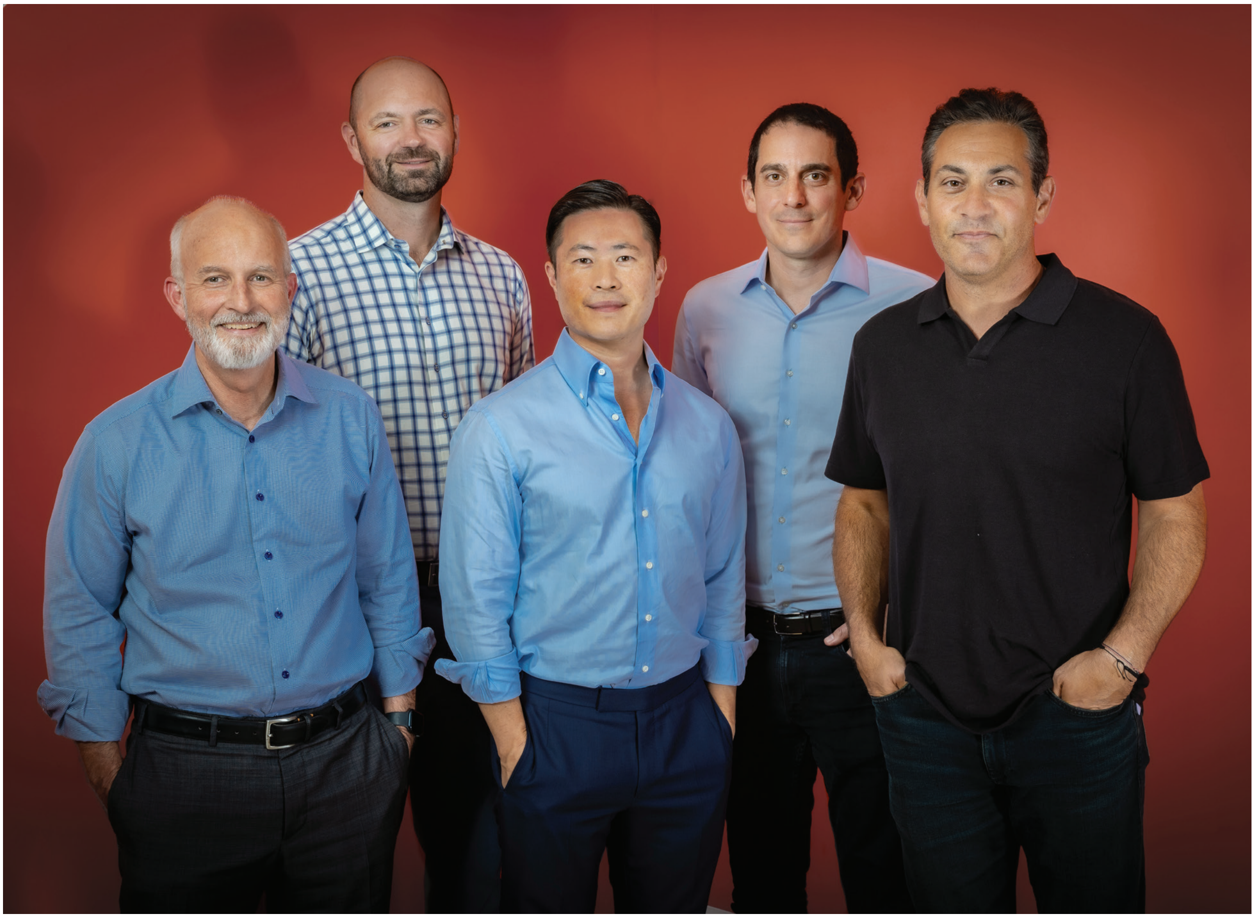
There are also positive indications for capital formation. *PERE* research shows that $9.95 billion was raised for North American private real estate debt strategies in the first six months of 2025, up 51 percent on H1 2024, albeit less than the $12.6 billion committed in H2 2024.

Lenders that have been able to stay focused despite the noise have been rewarded, says Andrew Chen, head of real estate investments at credit specialist Beach Point Capital Management. "We've been very active, but it's definitely been challenging. I can't think of an industry that has had it easy this year. Regardless of the outcome of recent policy changes, the sheer volatility of information has been a lot to manage, so all we can do is stick to our knitting of identifying and lending to quality real estate sponsors and business plans."

For manager Affinius Capital, 2025 will probably see the second-highest volume of credit transactions since the firm has been in business, exceeded only in 2021, says head of lending Michael Lavipour.

Recapitalizations of 2021-vintage acquisitions financed with what was at the time cheap floating rate debt are providing a strong deals pipeline. He notes that banks can no longer provide

PHOTOGRAPHY: **SALEM KRIEGER**



Jeffrey Williams
Head of global commercial real estate debt investments, Schroders Capital

New York-based Williams oversees Schroders Capital's commercial real estate debt investments. The firm's $5 billion commercial real estate debt business is divided between commercial mortgage-backed securities and private commercial real estate loans. The latter accounts for around $2.6 billion of AUM.

Brendan Bosman
Managing director, co-portfolio manager real estate debt, Pretium

Bosman joined Pretium in 2024 to manage the firm's real estate debt business. The firm is one of the largest single-family rental owners and operators in the US and a significant residential mortgage lender, with around $60 billion of total AUM. Its lending business focuses on home building and multifamily development loans.

Andrew Chen
Managing director and head of real estate investments, Beach Point Capital Management

Chen is a portfolio manager and leads real estate investments for Beach Point, which manages $20 billion for a diverse group of institutional investors. The firm specializes in opportunistic investing across public and private credit markets, including real estate, corporate debt and structured products.

Michael Lavipour
Head of lending, Affinius Capital

Lavipour leads the lending team at real estate investment manager Affinius Capital. The San Antonio-headquartered firm manages around $30 billion of net AUM in total, around a third of which is in the credit space, originating around $5 billion to $7 billion of loans per year in development, value-add and core lending strategies.

Lee Levy
Senior managing director, head of real estate debt, Kayne Anderson

Levy serves as head of Kayne Anderson's real estate debt platform. Kayne Anderson Real Estate has $18 billion in AUM, including $6 billion in real estate debt. The firm invests across opportunistic equity, core equity and real estate debt, with expertise in medical office, senior housing, off-campus student housing, multifamily and light industrial.

> *"Regardless of the outcome of recent policy changes, the sheer volatility of information has been a lot to manage"*
>
> **ANDREW CHEN**
> **Beach Point Capital Management**

loans at the high loan-to-value ratios that those borrowers require. "That is fueling activity whether it be for bridge lending or higher-octane preferred equity."

Development loans

Even though construction activity has slowed, there is nonetheless demand for development loans, Lavipour adds. He attributes this to banks' reluctance to offer development financing because of stricter capital charge requirements. Meanwhile, banks frequently consider syndicated loans too risky except when the strongest sponsors are involved.

Raising investor capital for development deals is difficult, he says, but that means there is a strong likelihood that well-capitalized borrowers offer attractive risk characteristics for lenders. "If someone is building a project in today's environment, and they can find capital on the equity side, it's probably a good bet as a lender."

Jeffrey Williams, head of global commercial real estate debt investments at Schroders Capital, also sees strong prospects for development lending, particularly for multifamily housing construction. "Supply is down to 10-year lows, so if you're a developer who gets something out of the ground today, you're much better off than you would have been a couple of years ago. It seems the first thing a lot of GPs do is to check if there is financing available and what it costs. Then they try to raise LP capital. If they are successful at that, then that's a stamp of approval for the project."

Because raising equity from investors is so challenging, developers are forced to evaluate a potentially complex combination of funding sources that may include mortgage debt, mezzanine finance, preferred equity and co-funding with managers, says Chen.

This constitutes an opportunity for a firm like Beach Point to step in and provide simple, unitranche capital solutions at upwards of 70-80 percent loan-to-cost, he adds.

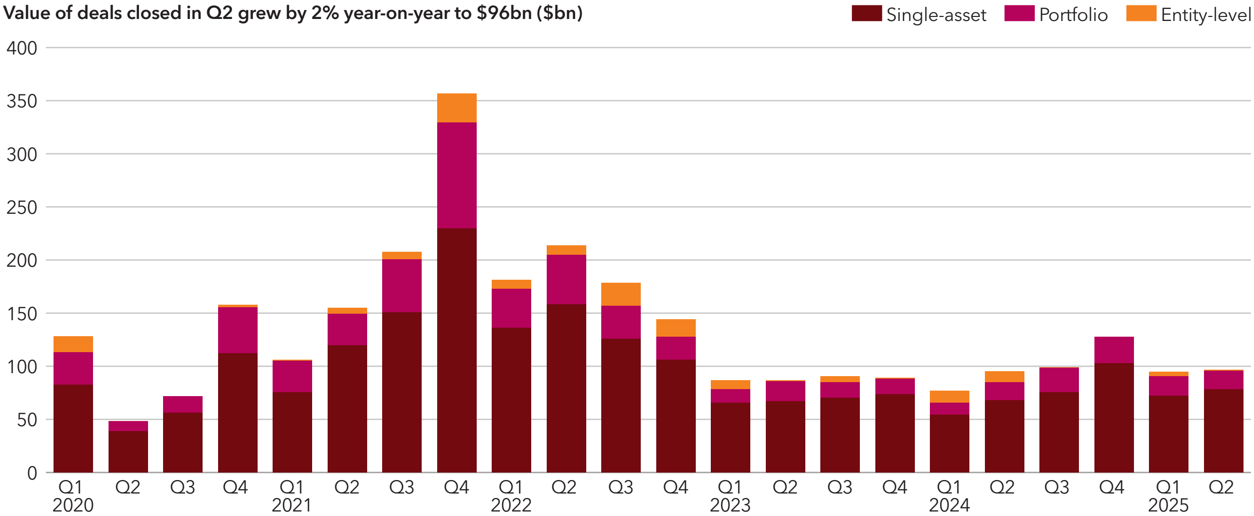
"We then look to syndicate parts of that debt off, using capital markets execution to price the senior loan piece more efficiently, so that we can end up holding a 30-40 percent junior loan piece at a high-teens to low-20s return for multifamily construction, which is an attractive risk-adjusted return for us."

Pretium, a US-focused single-family rental owner-operator, provides loan origination and servicing to the homebuilding and multifamily sectors and also operates property management businesses through its affiliate companies. Managing director Brendan Bosman says that following a 15-year period when home prices rose across the board, there is increasing differentiation between US housing markets.

Some locations, for example Texas, are exhibiting signs of oversupply, while other regions, such as the Midwest, Northeast and parts of the West Coast, are still experiencing price rises,

> *"If someone is building a project in today's environment, and they can find capital on the equity side, it's probably a good bet as a lender"*
>
> **MICHAEL LAVIPOUR**
> **Affinius Capital**

Value of deals closed in Q2 grew by 2% year-on-year to $96bn ($bn)



Source: CBRE Research, MSCI Real Assets, Q2 2025

which makes careful market selection crucial.

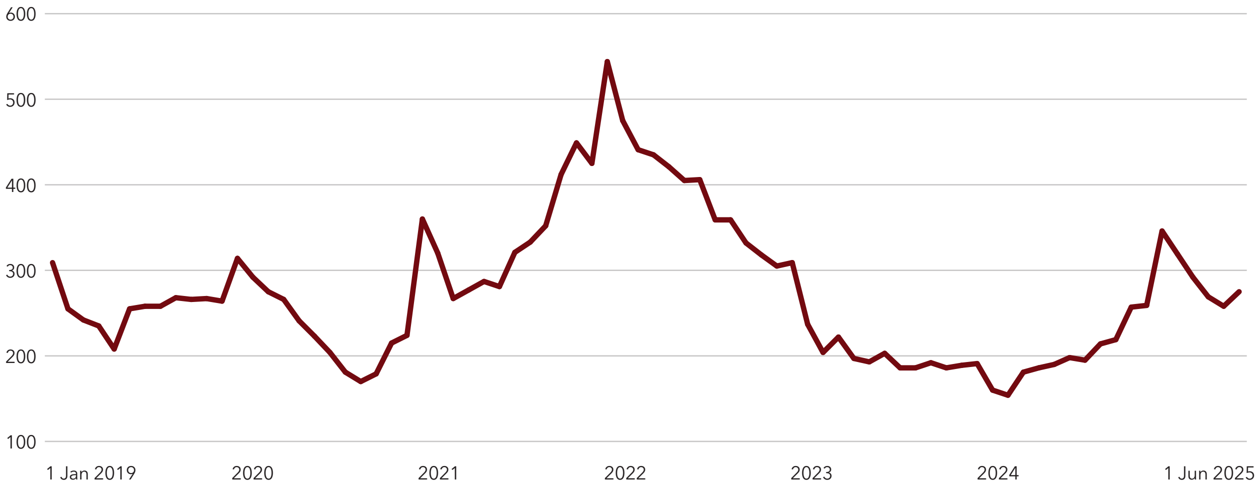
US regional banks, formerly the chief source of finance for homebuilders and land developers, have pulled back, opening the market to alternative lenders like Pretium to offer project loans or repeat-borrowing facilities.

"We have lent about $1 billion to homebuilders and developers so far this year, and we can often get recourse to the borrower. These are experienced borrowers with strong balance sheets in good markets," Bosman says.

Lee Levy, head of real estate debt at manager Kayne Anderson, says that multifamily development deals will account for around 20 percent of the firm's US loan originations this year. Kayne Anderson has focused largely on mid-market deals with an all-in cost of around $75 million.

"For some other players, and certainly for the larger banks, that's too

The CBRE Lending Momentum Index rose by 45% year-on-year in Q2 (%)



Source: CBRE Capital Markets, CBRE Research, Q2 2025

small, and we are doing it in growth markets in our sectors of focus which aren't on everybody's radar."

Interest rate cuts

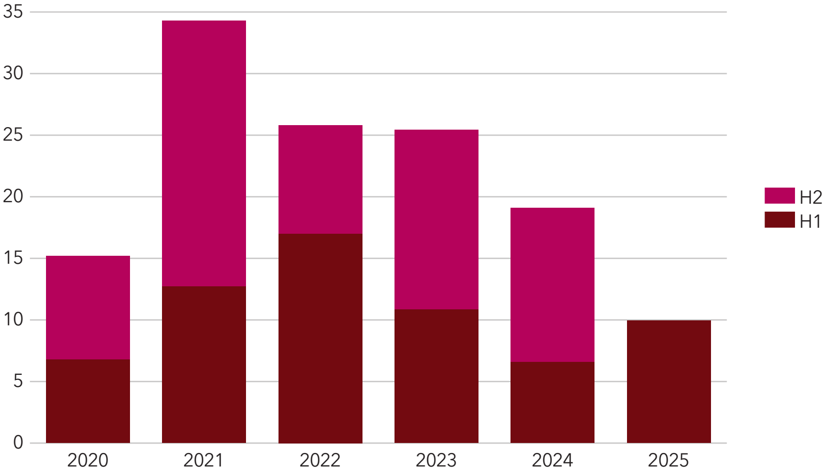
At the beginning of 2025 most economists expected to see at least two cuts to the federal interest rate over the course of the year. But concern over the risk of tariff-fueled inflation has held the Federal Reserve back – and as the roundtable took place at the end of July, no rate cuts had materialized.

The market is now anticipating two rate cuts totaling 50 basis points through the end of the year, says Levy. That could be important for easing the economic stress on consumers, he argues, because total household debt has reached all-time highs and default rates have been increasing.

"Banks and insurance companies began to wake up last year after lending very little during the run-up in inflation in the prior 18 months"

LEE LEVY
Kayne Anderson

Capital commitments to North American private real estate debt funds in H1 2025 increased by 51% year-on-year to $9.9bn ($bn)



Source: PERE

He believes the rate cuts expected this year are unlikely to make a significant difference to real estate finance transactions, however. "It won't drive material increases in refinancings if short-term borrowing becomes a little bit cheaper. Most investors focus on the 10-year rate."

Schroders Capital manages asset-backed securities, as well as private debt, and the firm has observed that high-end consumer borrowers are now beginning to come under pressure – a concerning development for the economy, says Williams.

"We are definitely seeing an uptick in delinquencies. That is an issue that people are keeping an eye on. Historically, when the Fed lowers rates, it is because they are worried about the economy and see weakness, at least in the near term."

A rate reduction will be a positive for the real estate debt market and could help reduce the need for the preferred equity piece that is currently required to make some deals viable, says Bosman. "We will certainly see more transaction volume for every 25-basis-point cut that the Fed makes."

It is curious that in a period of high inflation and Federal Reserve monetary policy easing – when credit spreads have historically tended to widen – that they have tightened over the past year instead, observes Levy.

While spreads have tightened, loans are still attractive on a relative value basis, says Chen, assisted by the fact that senior back leverage providers' spreads have tightened more than the underlying whole loan spreads.

"While there is a lot of private capital being deployed generally, there's much less for the experienced home-builder borrowers that are building 500 to 1,500 houses a year, which is where we are focused," says Bosman.

"I think it's both of those things," says Levy. "Banks and insurance companies began to wake up last year after lending very little during the run-up in inflation in the prior 18 months, so then we saw tightening spreads, but our levered returns remained the same."

Back leverage the 'secret sauce'

For managers with the banking relationships to utilize it, back leverage can be the "secret sauce" of loan business, allowing managers to scale up quickly and generate consistently attractive returns, says Chen.

Beach Point uses structural note-on-note leverage, not repo lines or warehouse facilities. "It makes more sense for banks to lend to groups like ours, as opposed to doing it themselves.

A beautiful bill for real estate?

Participants consider the implications for the sector of Trump's signature legislation

On July 4, President Donald Trump signed the 'One Big Beautiful Bill Act' into law. Among its headline provisions are the extension of Trump's 2017 tax reductions and a $1 trillion cut to the Medicaid healthcare program.

Kayne Anderson invests in the healthcare sector and has analyzed the potential implications of the Act. Levy predicts the greatest impact will fall on hospital systems and skilled nursing with greater exposure to government-supported programs. He argues that because Kayne Anderson invests mainly in higher-margin outpatient medical office and seniors housing for private-pay patients, the firm expects to be insulated from the effect of healthcare cuts.

"For us, we think it could be a net positive."

Meanwhile, the healthcare sector still benefits from demographic tailwinds, Levy adds. "We have 65 million people over 65 and 11,000 people a day turning 65. In 15 years, that 65-plus population will increase to 80 million."

Beach Point Capital's Chen notes that the Act permanently extends the opportunity zone program, without which investments in OZs after December 31, 2026 would no longer have been eligible for tax benefits.

"A lot of capital has formed around OZ opportunities, and although performance has been a mixed bag, for new multifamily construction opportunities, on the margin, it's positive," he says.

Borrowers see the value in simple capital structures

Ease of execution can be worth more than headline borrowing costs

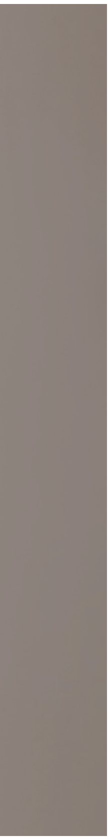
Lenders face a quandary when seeking to balance the requirements of borrowers with their duty to investors, particularly in recapitalization or refinancing scenarios, says Affinius Capital's Lavipour. Sponsors frequently want to put in less equity, secure a lower rate or negotiate more flexibility. "There is an art to getting a good enough restructuring deal where you're keeping the client happy, who is ultimately going to feed new business into your fund, while also protecting your investors."

When a prospective borrower is embarking on a new venture in the current challenging market environment, and has managed to raise investor capital, that often suggests they have a durable business plan and a good asset in a good location to underwrite, says Beach Point Capital's Chen. "The cream rises to the top."

Sponsors see value in simplicity, with a single lending partner financing the whole capital stack, he observes. "Borrowers are willing to pay a bit more for simplicity in order to focus on successfully executing their business plans."

Pretium's Bosman has noted a similar mindset among borrowers in the homebuilding sector. While debt fund capital comes at a higher cost than bank lending, managing relationships with several local banks, particularly on syndicated loans, consumes more time and resources than maintaining an established relationship with an alternative lender, he argues.

"Some homebuilders tell me they have two or three full-time employees just to deal with the bureaucracy of managing the bank's regulatory requirements. By paying a little bit more, they can make things like managing drawdowns easier and save money on staff costs by having a simpler capital structure."



"We will certainly see more transaction volume for every 25-basis-point cut that the Fed makes"

BRENDAN BOSMAN
Pretium

"We are definitely seeing an uptick in delinquencies. That is an issue that people are keeping an eye on"

JEFFREY WILLIAMS
Schroders Capital

They need fewer people and get better dealflow," he argues. "Our team is very efficient at closing and funding loans with back leverage concurrently, but it takes time to build out that capability."

Banks will ultimately return to substantial direct lending, but at present they are unable to offer the "last dollar" leverage that borrowers need, says Lavipour. In the meantime, banks and insurance companies are increasingly willing to work in partnership with private credit providers.

"Three or four years ago, insurance didn't really participate in note on note [financing], or the senior part of the capital stack with us, and now that's become a big trend. They aren't staffed to put out all the money that they need to deploy in the real estate space, so they're looking for other origination channels."

It is shaping up to be a big year for alternative lenders accessing new loan product through the establishment of private credit partnerships with banks, he continues. "Banks originate, do note on note and keep origination fees but drive products into private credit managers. For us, it's a great thing, because we get the benefit of their origination capability and access to their client base."

"We are seeing significant demand in the non-qualifying mortgage and second lien mortgage space as well as within residential transition loans, particularly from insurance companies," says Bosman. "The homebuilder lending product is also attracting interest as yields are strong relative to other debt products."

Money center banks

For a period last year there was an opportunity for debt funds to originate loans on investment-grade, quality stabilized assets in the Northeast US, but banks are already returning to that segment of the market, says Williams. "They are definitely coming back, but they are being picky, and pricing aggressively for high-quality deals."

Life insurance companies are doing the same, he adds, because loans offer 50-100 points of yield pick-up when benchmarked against BBB corporate bonds.

Unlike US regional banks, major money center banks are not overexposed to real estate credit and have significant capital to deploy with top-tier sponsors, says Levy. "It's when you go down a notch or two to a local sharpshooter GP, an owner-operator, a family office or a high-net-worth individual that those banks become less interested."

He observes that small and mid-sized banks are overweight in real estate by more than $300 billion. "That will probably have to come off their balance sheets, either through loan sales or through foreclosures or just repayments, before we're going to see them step back in."

Bosman says it is unlikely that banks' appetite for construction loans will return in the year ahead, however. "There will be a large void in that space that needs to be filled."

The best opportunities remain in the private debt markets, says Williams. "Right now, we are seeing more value in heavier-touch type loans like development versus light transition bridge loans where spreads have compressed much more due to competition from commercial real estate CLO managers."

The overarching story is the increasing power of private capital, particularly for lending, argues Chen. He believes that in a period of instability, securitized markets are more likely to experience dislocation. "Private capital is more durable and reliable. It's going to keep capturing market share as borrowers continue to value the need for creative and dependable capital solutions.

"It seems like everything is set up for that to happen throughout the rest of this year and into the foreseeable future." ■