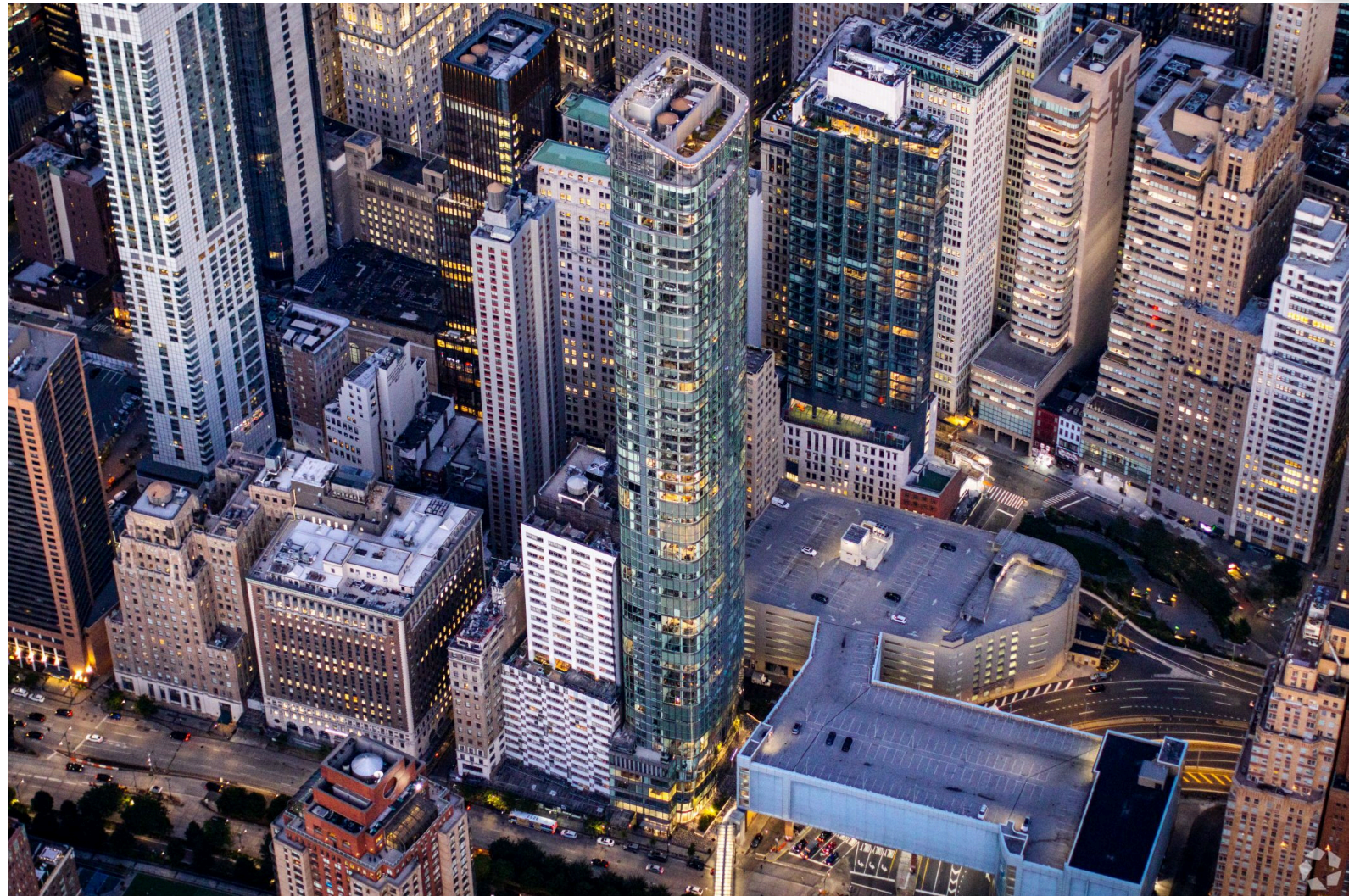


Commercial real estate finance sentiment hits three-year low

Executives cite rising rates, inflation worries



The CRE Financial Council is headquartered in New York City. (Joseph DiBlasi/CoStar)

By **Madeleine D'Angelo**

CoStar News

October 5, 2026 | 2:05 P.M.

Commercial real estate finance executives are growing increasingly wary of the market's outlook, with a closely watched industry survey showing sentiment sank to a three-year low.

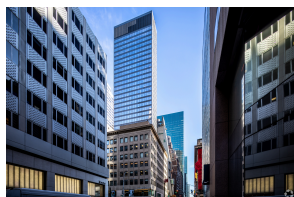
The finance sentiment hit 83.3, down from the preceding quarter and marking the lowest level since 2023, when the measure reached 82.7, according to the latest Board of Governors Sentiment Index from the New York-based CRE Finance Council. The baseline from 2017 was 100. The record high was 126.6, recorded in the fourth quarter of 2024.

The trade group's latest third-quarter survey was based on responses from 37 of 40 executives polled in late September. "This is the most negative our board has been in three years," Raj Aidasani, the council's managing director, said in a statement.

While interest rates remained the primary concern, respondents expressed broader economic unease. Those polled also pointed to worries that stubborn inflation would keep long-term borrowing costs elevated and pressure office and multifamily properties.

Board members also noted concerns about data center capital requirements, according to the report. “The number to watch from here is the economy: 62% expect it to weaken over the next 12 months,” Aidasani said. “If that view proves right, weaker rents and cash flow would compound the strain on borrowers already facing higher rates and maturing loans.”

Related Content



Commercial real estate investor sentiment stabilizes after geopolitical shock from war > >

Broadly, 38% of those surveyed were negative on CRE finance businesses in the coming year. That is up 8% from the second quarter, although most remained neutral at 51%.

Part of that gloomy uptick came from the 62% of members expecting the economy to “perform worse over the next 12 months,” the highest figure recorded since the beginning of 2025. Only 3% expected an improvement, while 37% thought the economy would remain unchanged.

Interest rates also weighed on sentiment, with 92% of board members anticipating that mortgage and capitalization rates, or rates of return, would negatively affect CRE finance businesses. That was up dramatically from 53% in the second quarter, making for the most pessimistic rates-related response since 2022.

Although commercial real estate property prices rose 0.2% year over year in July, 46% of executives anticipated price declines in the coming year, with 38% expecting a 1% dip and 8% something north of 5%. When it came to dealmaking, most board members expected demand to weaken or remain flat.

The outlook for financing and borrower demand was nearly identical: 35% expected a slump, and 41% expected no change. Fundamentals underlying commercial real estate — factors like occupancy and rent — also saw expectations wilt, turning negative for the first time since the beginning of 2025.

Follow us on Social Media



Have feedback or questions? Email us at news@costar.com
