

Macro Markets Podcast Episode 91: Commercial Real Estate: An Uneven but Genuine Recovery

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Jay Diamond: Commercial real estate, a foundational investment sector for institutional and individual investors, is rarely far from the business page headlines. This has been true since the pandemic, as office vacancies, higher interest rates, refinancing concerns and the health of regional banks have all come into play. It's been a lot to digest, and investors want to know what's next for commercial real estate.

Well, joining us on Macro Markets to help answer this question is Tom Christopoul, Head of Global Real Estate at Guggenheim Investments. Tom is also co-author of our white paper, [The Advantages of Investing in Infrastructure and Other Real Assets](#), which you can find on our website and in our show notes. I'm Jay Diamond, Head of Thought Leadership, and we are recording this episode on August 10th, 2026.

Welcome, Tom, and thanks for taking the time to chat with us today.

Tom Christopoul: Thanks, Jay. Good morning. It's good to be with you.

Jay Diamond: Before we dive into some of the more substantive questions, would you give listeners a quick overview of where and what you invest in as head of Guggenheim Commercial Real Estate platform, on behalf of our clients?

Tom Christopoul: Happy to, Jay. Guggenheim's clients, and our investment strategy really reaches across all asset classes and all parts of the capital stack, predominantly in US real estate. We'll handle and originate as well as diligence and underwrite, manage, stabilize, and ultimately dispose of investment securities on a quarterly, annual and extended basis. So as an example, we do most of our

credit investing in real estate directly. And that is with borrowers across different geographies and across asset classes. So we will invest credit strategies in retail and multifamily as well as in specialized real estate, including specialty medical. There are some data center work that we're doing in connection with today's marketplace. We also invest in equity, and our equity investments are predominantly done through partnerships, either local operating partners or sponsors who are working on those equity investments on our behalf. In typical, equity investing requires a little bit more active management and active supervision. And so we find our exposure to equity predominantly through partners. And we find our exposure to credit primarily directly.

Jay Diamond: I think it's safe to say that commercial real estate is a market that has been on its heels since Covid. Is that narrative true? Is it beginning to change? How would you characterize the state of the market today?

Tom Christopoul: At a high level, you're right. The narrative around commercial real estate has meaningfully shifted over the last year to a year and a half. And what was uniformly, as you mentioned, a market on its heels, that story is now better described as what I would refer to as bifurcated, uneven, but a genuine recovery. The pace and depth of that recovery differs sharply by sector, by geography, and by asset class. Let me just address three fundamentals underpinning that shift. First of all, as we all know, the rate environment has stabilized. The Fed's soft landing narrative has held, price discovery on distressed assets has largely occurred and gone through its stages and deals that were sort of frozen in 22 to 24 or now transacting.

The second fundamental underpinning is that this return to office shift has really accelerated. It's moved from aspirational to mandate. So you have these return to work or RTO mandates four and five days a week for major employers around every major market in the US.

And then finally, supply is rationalized. Very little new office has been built, obsolete stock is being converted into residential in certain cities. Adaptive reuse, as an example, is becoming a real theme. And industrial overbuilding from the pandemic has really tightened. So you've got this dynamic in office which combines really this bifurcated approach as an example, in markets like New York, in Miami in trophy properties, you have almost 100% occupancy. New York and Boston and now San Francisco, interestingly, the same sort of thing, driven by slightly different dynamics. However, in the middle of the country and certain

other markets like the Pacific Northwest still see material vacancy rates and still ultimately are under distress. So really it matters in office specifically, categorically across which markets you're in. Retail, on the other hand, incredibly surprising. One of the strongest sectors, very little new supply in retail coming on in the last decade. And that's left really well located retail, extremely tight multifamily, of course, working through a supply wave from 2021 to 2023. But rent growth is finally starting to stabilize, particularly in the Sun Belt, which was overbuilt at that time. And as I mentioned, alternative—data centers, self-storage, healthcare and medical office, as well as student housing are seeing strong institutional bids and some rebounding as well.

Jay Diamond: We're going to get back to some of the sector descriptions a little bit later in our conversation. But you mentioned the macro backdrop has clearly shifted this year. So what has changed the most? How has that reshaped the way you underwrite, and how is that changed the way investors should think about returns in commercial real estate?

Tom Christopoul: I'm going to come back to interest rates and cap rate at a high level. But let me address some of the surprises, and it builds off of what we were just talking about. For a decade, the narrative in retail was that Amazon was going to kill the category. So the surprise today is that retail is arguably the tightest major CRE real estate sector. It's availability is at multi-decade lows. Rent growth is accelerating. And institutional capital that was writing off the sector four years ago is now competing for well-located strip centers and grocery anchored assets. A decade of essentially zero new supply, plus the death of weaker malls have left the survivors in a structurally strong position. I mentioned earlier the adaptive reuse theme that's coming into play, particularly in money center cities, because for years convert offices to apartments was treated as a talking point that penciled for maybe 5% of obsolete stock. But in 2025, 2026, we're seeing it happen in meaningful volume. And this is aided by a couple of things that were probably unpredictable—municipal incentives, and the fact that the basis in some of these buildings has finally reset low enough.

And then ultimately, the other surprise is this geographic inversion. The Sun Belt was winning post-Covid, and there wasn't a second place close. Gateway cities were sort of wondering what was next for them. New York and Boston are now leading the office recovery and several Sunbelt markets, namely Jacksonville, Atlanta and most major cities in Texas, have been entering cooling phases in their post-pandemic in-migration surge period. So that mean reversion happened faster

than expected. Coming back to macro, because of where the Treasury has traded, the rate regime is structurally higher and the markets finally accepted it. For two years, the entire industry underwrote every deal assuming that a return to the pre-2022 rate environment would normalize down and everybody's assumption was wrong. The ten year has spent 2026 oscillating between 4.25 and 4.75, and that band now has people in the market underwriting to that case as the base case, not the bear case. It's the biggest single change here because when interest rates remain structurally higher, it impacts cap rates and every debt yield requirement and every exit assumption in the industry is driven by that. Capital availability, therefore, is structurally reorganized, regional banks have retreated, private credit has advanced, the cost of debt is higher not just because Treasuries are higher, but because the spreads over Treasuries are wider and stickier.

Jay Diamond: We mentioned before refinancing risk. That's also something that's in the concern of the market. Walk us through the scale of what's maturing this year, how the market is planning to absorb it. Where do you see any real stress sitting and what is more headline than reality?

Tom Christopoul: It's a really good question because on this one, I think the headline actually diverges meaningfully from what we see, let's call it on the ground. So it's a big number and the scale is large, but it's contextualized. So the Mortgage Bankers Association this year has a probably clean read on the maturity wave. Their estimate is that roughly \$957 billion of commercial and multifamily mortgages, which is about 17% of the \$5.6 trillion outstanding matures in 2026. Now, that's up from \$929 billion in 2025, and really represents the true peak year of post-Covid maturity before it starts stepping down next year. Within that, though, the CMBS slice is the most scrutinized. Approximately \$100 billion of CMBS loans mature in 2026, and this vintage 2016 10-year era loans is disproportionately office heavy, so the concentration is why office dominates the distress headlines, even though it's just a small fraction of the total. The cumulative overhang cited most often is this multi-trillion dollar figure, but as that number gets recycled in the press, it's rarely noted that it is a four year cumulative total, not an annual number. And it's worth calling out because it's frequently misunderstood.

Jay Diamond: So where's the credit going to come from? Who's providing capital in commercial real estate today, and what does that tell you about terms and spreads and where private credit comes in?

Tom Christopoul: Yeah, that's exactly the extent of the options. First of all, let's distinguish between banks, obviously large money center city banks, JPMorgan, Wells, Bank of America, Citi have continued to lend and they will. Their new origination share has fallen. But they continue to do business with relationships and high quality sponsors, and that's unlikely to change. Where there's been a material displacement of course is in the regional bank sector, where their loans outstanding have continued to cause trouble on their balance sheet, but their origination has materially pulled back. And so that's been driven a lot, not just by the performance of the loans, but by additional regulatory pressure on CRE concentration, the post Silicon Valley bank concerns and ultimately Basel 2 and other internal risk mitigation regimes. Who has stepped up, of course, are life cos. Life insurance companies are back. They're more disciplined, they're still meaningful players, but they're particularly looking at longer duration class A stabilized product, and their quantum of lending has been reduced. They're primarily winning deals on execution instead of certainty in rate. But they're very, very selective—multifamily, industrial, grocery-anchored retail, as I mentioned before, dominate their pipelines. And office is largely off their map.

Agency doesn't get spoken about a lot, but it's the anchor for multifamily in this country and specifically the dominant source of debt that continues to be available today with pricing in sort of the 5.75% to 6.5% range for well-underwritten deals. And, of course, CMBS has reopened. Its recovered significantly from its 2023 trough. As an example, 2026 CMBS is on pace for one of the strongest issuance years in the past decade, but the composition has shifted. SASB deals are predominantly dominate, conduit deals are back, but with tighter underwriting, higher debt yields and also near zero office exposure.

And of course, finally, importantly, private credit. Private credit, which is going to be, in my opinion, the structural winner of this cycle. Really important shift. Private credit firms, mortgage REITs, debt funds and specialty finance vehicles now provide something like 4 to \$500 billion of CRE debt capacity annually. And they're the dominant source for transitional, bridge, construction to perm, mezz capital. And you see the usual names in this field: Blackstone, Brookfield, KKR, Apollo, Aries, dozens of smaller shops that have raised record capital and have actively been deploying, right. And so they are probably the biggest winners in this category because they are the biggest contributors and really represent the largest structural change in CRE debt financing in 30 years. I'd add one thing that doesn't get a lot of attention: family offices and sovereign wealth have really become a

meaningful portion of this market. Their direct lending activities are real. They're much quieter. Their exposure isn't as large as the other categories that we've mentioned, but they have moved into direct lending rather than lending through funds, particularly when the quantum of those loans are in the sort of \$50 to \$150 million range. They're taking senior positions on prime assets at coupons exceeding 6.5%, and finding those returns compelling versus alternatives or investing, say, in funds of funds.

Jay Diamond: Follow up though, are these credit providers having any problems with their existing portfolios of commercial real estate. Or is this also kind of working through?

Tom Christopoul: Yeah, you're seeing a material amount of what I would call capitulation, but that capitulation tends to be less structural than it is pricing. And what I mean by that is let's use regional banks as an example. After the SVB implosion, there was a prediction that that contagion would spread to all regional banks, and ultimately the real estate loans held on those balance sheets would need to be restructured through some declaration or some change to the credit structure itself, underlying credit structure. But really, those issues resolved themselves through repricing, either loans that were sold at a discount or the dreaded amend and extend approach that those banks took. Now, in some cases, the market did come back and ultimately relieve them of challenges that they would have had to really take some structural action on two years ago. And in other cases, that repricing allowed them to continue to keep those assets on their balance sheet and continue to work them out.

So the reality is the economy has performed well. And in this, particularly in the cities that I've mentioned before, a lot of the lending that was in trouble, say, two and a half years ago may not be, let's call it performing to underwritten standards, but it's not performing to distressed standards either.

Jay Diamond: Well thank you. And by the way, SVB is Silicon Valley Bank. Yes. And S A S B or SASB is single asset single borrower. That's right. Okay, Tom, this has all been great. I want to talk a little bit about what you're seeing now, where you're seeing value, what you might be avoiding and just kind of a round robin want to run you through them all. Let's start with industrial. What are you seeing now.

Tom Christopoul: So industrial is normalizing. Obviously post-Covid there was a material building. Some would argue overbuilding. There's still healthy fundamentals there. But rent growth has moderated and speculative development

has slowed tremendously. So I think our view is that there's probably another... call it half-year to year-and-a-half of additional digestion in that market, but certainly normalizing.

Jay Diamond: What about lodging/hotels?

Tom Christopoul: Lodging also is a bit of a bifurcated story. Tremendous concentration of higher end trophy product that has done incredibly well post-Covid. And in the same markets that I was mentioning earlier about office, you see that sort of definition of bifurcation where there tends to be office distress in central business districts. There's also hospitality distressed in certain asset categories, particularly limited service, and let's call it budget or mid-market brands, whereas the more 4 or 5 star brands, the higher quality names continue to perform, driven by what seems to be a unrelenting high end leisure demand that doesn't seem to be falling off at all.

Jay Diamond: Okay, retail, you mentioned that briefly, but what are you seeing there in terms of opportunities?

Tom Christopoul: Yeah, again, surprisingly one of the strongest sectors, very little new supply in over a decade, material reduction in what I would call underperforming assets. Think about a, perhaps, midwestern strip mall. And with well-located retail and no additional inventory, the pricing there is extremely tight. And the general consensus is that the leasing market providers expect that to continue to have momentum.

Jay Diamond: All right. Multifamily.

Tom Christopoul: Yep. Mentioned it earlier. Multifamily is working through a material supply wave that was extended from, say, 2021 to 2023, higher starts than had ever been recorded, and rent growth that was nominally underwritten to 5 to 6% and exceeded on annual basis. That was particularly felt in the Sun Belt. And what we see now, of course, is that there's been almost three years of no additional supply. You're starting to see rent growth finally stabilized in some of those overbuilt markets. And we expect those deliveries to continue to taper. I would say another year and a half before we see real growth entering into those markets. But multifamily isn't going anywhere in this country. Housing affordability is something that's in the headlines every day, and that's unlikely to change in the foreseeable future.

Jay Diamond: This might be a little nichey, but I've heard you talk about it. Senior housing.

Tom Christopoul: Yeah. Well, it's a great question and it probably is one of my key themes for investing going forward. So senior housing today is probably the closest thing that commercial real estate offers to a demographic certainty. And it's combined with a supply constrained real estate setup. And it's priced differently than it probably should have. Let me give you an example. So the setup for senior housing is genuinely unusual. You rarely get a real estate sector where the demand curve and the supply curve are moving in opposite directions at meaningful magnitude at the same time. I'll walk you why I think that's the case. In senior housing in the US, occupancy has climbed for 19 consecutive quarters and is now approaching 90% at a sector average. That's not been seen since before the pandemic, and it's clearly not the case for most real estate to be stabilized at peak occupancy above 90% for that long. Meanwhile, new construction starts have collapsed to multi-decade lows. Development lending for senior has been very difficult to obtain since 2022, construction costs are prohibitive, senior debt for new deals is scarce, and lender risk committees have been reluctant to underwrite operating intensive products like this. So let me give you a statistic. The National Investment Center for Seniors Housing, they've quantified this gap that I'm addressing. The industry needs to develop, they say, new communities roughly three and a half times faster than the current pace that meets that demand by 2030. So this demographic wave is real and it's just starting. It's been telegraphed for a decade—you know, this whole boomers are aging, they'll need housing. But the 80-plus demographic is entering its steepest growth decade in US history. This is the age cohort where senior housing penetration meaningfully accelerates.

I think it would be intellectually dishonest for me to not present the senior housing opportunity as not having some risks. Well, let's focus on one thing. Importantly, senior housing is as much an operational business as it is a real estate investment business. So staffing, margin compressions, management, these are real issues in this area. If wage inflation, as an example, reaccelerates, if immigration policy continues to tighten, this impacts the supply of frontline caregivers and operating margins can get squeezed in this category. The other thing I'd say about senior housing is affordability is also bifurcated, right. Senior housing at \$7 to \$10 thousand a month is a stretch for a middle income cohort. Occupancy tailwinds could hit a ceiling if pricing pushes above what that demographic can actually pay. And the middle market gap is a real problem.

And the last thing I'd say about it is that there's always regulatory or let's call it reimbursement risk. You know, assisted living today is primarily private pay, which insulates it from Medicare and Medicaid policies. But any move to broaden that coverage or assisted living at the state level could materially impact the change in the operating margin. Having said that, as I said before, it's the closest thing that we have to a truly unique opportunity, I'd say in the last 10 or 12 years. It's rare that you get to invest in a sector where you know the demand will double and the supply can't keep pace. Senior housing is that sector.

Jay Diamond: Is there anything that you're just avoiding?

Tom Christopoul: I think we're still in a wait and see mode on the two categories we addressed earlier, certainly B/C market office. We, like everyone else, even at ridiculously low basis entry points continue to be a challenge, in part because the population dynamics in those cities that are driving the office, let's call it occupancy issue, affect all the other categories of real estate in those areas. And the second thing, I think we're still in a bit of a wait and see we mentioned this earlier, is Sunbelt multifamily, particularly for older vintage multifamily. Again, we think of that more as a basis play than as a sector or thesis that we would be interested in at the moment.

Jay Diamond: Now, Tom, you mentioned pricing a number of times here. Let's talk a little bit about pricing. What types of levels in terms of yields and returns are you seeing? Give us a sense of what you're expecting.

Tom Christopoul: It always is. It's a highly competitive market. It takes a lot of work to identify the appropriate high quality sponsors and projects to invest in. And so at senior lending levels where we try to be competitive outside of pricing, which today on a on a stabilized high quality asset could be 2 to 250 basis points wide of whatever benchmark we're pricing against. We typically try to lean into other elements of either prepay or terms and conditions around requirements around reporting to ensure that we're competitive and we're user friendly. On the equity side, it's a much wider band because the types of equity investments that we have vary, as I said before, across category and geography, and there you'd expect to see in today's rate adjusted market, at least low double digit returns to make those investments worthy, particularly if you're, let's call it senior pricing on stretch can get you 3 to 400 basis points above your benchmark. The old equity requirements of higher single digits don't really justify the additional risk. I think it's probably

likely that we would prefer to look at maybe even mezzanine or pref equity options in the low to mid double digits, then equity risk might pay us for.

Jay Diamond: Obviously we can't talk about any market, any investment strategy, any sector across the investment universe without bringing in the impact of AI, artificial intelligence. So how is real estate seeing its fundamentals change or potentially being affected by AI?

Tom Christopoul: It's obviously a headline every day. So I guess from a real estate perspective, I'd say AI's real footprint, which means both the demand side and the labor market side, is currently a net positive, oddly, for office. As an example, in San Francisco, the office rebound has been primarily driven by AI large companies that are creating absorption, data center demand. Big mansion, by the way, residential prices for tech founders. And over the next—I would call it year to year and a half—we're watching really two things. One, whether this leasing impact broadens beyond the core ecosystems where AI is concentrated today, as an example, the Bay area. That would be genuinely bullish if that happened. And b, whether this labor displacement thesis starts showing up in white collar employment data. Right. That's the corresponding labor market side. As an example, with banks, law firms, consulting shops, we begin to see that they're visibly shrinking headcount and office demand begins to get cut quickly, which is spooking some submarkets already. That may be a catalyst in some of these markets that would be, let's call it, counter to some of the conclusions that we were offering before.

And of course, this is outside of the area of real estate, but certainly data center power constraints and let's call it Nimby—and that would be not in my backyard—orientation that you're now starting to see in both local and national press really could have an impact here, right? Data centers are hot, but the binding constraint in this category isn't capital, it's grid capacity. And it's also water utility. Water utility impacts consumers. And so those are the things that we tend to look at when we think about AI's footprint, not just from its impact on the data centers themselves, but the impact that it has around labor markets on the demand and supply side.

Jay Diamond: Now, Tom, thank you again for all the time you're giving us today. I know you're very busy. One last question before I let you go, though. When you're talking to clients, prospective clients. What are you telling them that they should be paying the closest attention to in, let's say, the next year?

Tom Christopoul: I mean, it's hard, especially given the context of this podcast, Jay, at a macro level, not to emphasize the ten-year Treasury and the shape of the yield curve, right? I mean, we like to believe and I think we are really good at executing strategy from the bottom up, so to speak. But we can never escape the macro environment and what borrowing costs are. So the ten-year is the single most important variable in CRE. Obviously cap rates key off of that. And the takeout math on every maturing loan depends on where it settles. The recent break above 4.5% was absorbed without breaking the market, but a sustained move towards five plus would probably refreeze the transaction market more than any other element. And if that ultimately continues, you end up in a circumstance where you sort of see manageable distress become for-sale distress. And we watch this daily, not quarterly. And the corollary here as to watch the Fed's posture on the pace of any further cuts or increases, because the market is currently repricing almost on a daily basis.

The other thing I would probably say is we tend to focus on and we ask our clients to focus on what I mentioned before, regional bank commercial real estate exposure, where it sits and how it's being worked out. The regional banks' story, as I mentioned, has quietly gotten better, but the risk isn't gone. We watch the FDIC problem bank list, the OCC's quarterly reports on CRE concentrations on balance sheet, and most importantly, of course, any headline failure of a bank with heavy commercial real estate exposure. The market has been priced expecting it so far, as we mentioned, that hasn't happened. But if that assumption breaks and spreads widen, the private credit backstop gets stressed for the first time.

Jay Diamond: Tom, before I let you go, any last takeaways you'd like to leave with our listeners? Kind of summing up all that we've talked about today.

Tom Christopoul: Not anything to add about the categories of real estate. I would just say it's an exciting time for us in the real estate group to be investing. We're having such very active and very engaged discussions with our clients. Our asset management team and our origination team are very busy, and we are thankful for being in the position that we are. We're excited, cautious, enthusiastic, and as we always are, thoughtful. Appreciate it.

Jay Diamond: Well, thank you again, Tom, for your time and your insight. Please come back and visit us soon. And thanks to all of you who have joined us for our podcast. If you like what you are hearing, please rate us five stars. That's how people find us and follow us so you won't miss an episode. And as always, if you

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