

The 2026 Maturity Wall: A Quantitative Framework for Identifying Distressed Acquisition Targets



SUMMARY & KEY TAKEAWAYS

- Over \$930 billion in CRE loans will mature this year, triple the volume that matured in H2 2025.
- Distressed CRE volume reached \$126.6 billion in Q3 2025, up 18% year-over-year.
- Multifamily maturities are surging 56% to \$162 billion in 2026.
- Preferred equity and rescue capital present compelling risk-adjusted returns.

The commercial real estate industry faces an unprecedented refinancing challenge. Over \$1.5 trillion in commercial real estate loans reached or will reach maturity across 2025 and 2026, with this year alone accounting for more than \$930 billion in scheduled maturities. This figure is triple the volume that matured in the second half of 2025. This concentration of debt coming due, often termed the "maturity wall," represents both a systemic challenge for overleveraged borrowers and a generational opportunity for well-capitalized investors prepared to deploy rescue capital or acquire distressed assets at attractive basis points.

Understanding the Maturity Wall

The maturity wall is not a singular event but rather a rolling wave of refinancing pressure that has been building since 2022. Much of the debt now maturing was originated during the ultra-low interest rate environment of 2015 to 2021, when borrowers locked in financing at

rates between 3% and 4.5%. These same borrowers now face refinancing at rates that can exceed 7%, fundamentally altering the economics of their capital structures.

The challenge has been compounded by the "extend and pretend" strategies that dominated 2023 and 2024. Rather than force defaults during a period of extreme valuation uncertainty, many lenders opted to modify or extend loan terms, pushing maturities into 2025 and 2026. The result is a compressed timeline where an estimated \$400 billion in previously extended loans were added to scheduled maturities, creating what analysts now describe as a "maturity tsunami" rather than a wall.

CMBS data provides instructive transparency into broader lending trends. Among modified CMBS loans, approximately 30% received maturity date extensions in 2023 and 2024 combined, with full-year 2025 data showing similar modification rates. While CMBS represents a smaller component of outstanding commercial debt, the high percentage of term extensions is likely transferable to other lender categories, including regional banks and life insurance companies.

The Mathematics of Distress: Quantifying Refinancing Gaps

For investors, identifying actionable distress requires moving beyond headline statistics to property-level analysis of refinancing feasibility. The core challenge facing borrowers is straightforward: a loan that was appropriately sized at origination may be significantly mis-sized relative to current property values and income.

Consider a representative scenario. A multifamily property acquired in 2021 for \$50 million with 75% loan-to-value financing (\$37.5 million debt) at a 3.5% interest rate generated \$3.2 million in net operating income, supporting a debt service coverage ratio of approximately 1.65x. Today, that same property may appraise at \$42 million due to cap rate expansion, while refinancing rates have doubled to 7%. A new 65% LTV loan would provide only \$27.3 million in proceeds, creating a \$10.2 million funding gap that must be filled with fresh equity, mezzanine financing, or a discounted payoff negotiation with the existing lender.

This mathematical reality explains why total distressed commercial real estate volume reached \$126.6 billion in Q3 2025, an 18% increase year-over-year. Multifamily alone accounted for \$22.8 billion of this distressed volume, representing 18% of the total and marking a significant increase from historical norms when multifamily was considered among the most stable asset classes.

Where Distress Is Concentrated

Office continues to face the most severe structural headwinds. National vacancy rates remain near 19-20%, and CMBS delinquency rates for office properties have reached levels

not seen since the aftermath of the Global Financial Crisis. Properties with stable tenants and updated amenities retain value, but those dependent on legacy leases or facing significant rollover risk are increasingly being handed back to lenders. For opportunistic investors, office distress presents selective opportunities in well-located assets trading at steep discounts to replacement cost, though underwriting requires exceptional tenant credit analysis and realistic assumptions on capex and lease-up timelines.

Multifamily distress presents a different profile. The sector benefits from strong fundamental demand, as household formation continues to outpace new supply in most markets; however, properties acquired or refinanced at the peak of the 2021 to 2022 market face acute capital structure stress. Sun Belt markets that experienced aggressive institutional buying during this period now show elevated distress signals, particularly in submarkets where new supply deliveries have temporarily softened rents. Multifamily loan maturities are surging to approximately \$162 billion this year, a 56% increase from 2025 levels, with another \$168 billion maturing in 2027.

Industrial and retail present more nuanced pictures. Industrial fundamentals remain strong in most markets, though properties acquired at compressed cap rates may still face refinancing challenges. Retail has bifurcated dramatically, with grocery-anchored and necessity-based retail performing well while commodity retail continues to struggle somewhat.

A Framework for Target Identification

Investors seeking to capitalize on maturity wall dislocations should implement systematic screening processes that evaluate properties across multiple dimensions. The following framework provides a starting point for identifying actionable opportunities.

Leverage Profile Assessment: Properties with original loan-to-value ratios exceeding 70% that were financed between 2019 and 2022 represent the highest probability distress candidates. Cross-reference debt maturity schedules with current NOI trends to identify properties where refinancing gaps likely exceed 20% of the outstanding loan balance.

Sponsor Capacity Evaluation: Not all refinancing gaps result in distressed sales. Sponsors with deep capital reserves or access to institutional equity may choose to recapitalize rather than sell. Focus acquisition targeting on properties held by sponsors with concentrated portfolios, limited track records with current lenders, or observable liquidity constraints across their broader holdings.

Basis Point Opportunity Analysis: The most attractive distressed acquisitions combine capital structure stress with strong underlying real estate fundamentals. Properties in supply-constrained submarkets with above-trend demand drivers warrant premium attention, even if current occupancy or NOI has been temporarily impaired.

Lender Disposition Signals: Monitor CMBS special servicing reports, bank earnings commentary, and regulatory filings for indications of accelerating workout activity. Lenders that have already established significant loan loss reserves are more likely to accept discounted resolutions than those still hoping for full recovery.

Preferred Equity and Rescue Capital Opportunities

For investors seeking attractive risk-adjusted returns without taking direct ownership positions, the current environment creates compelling opportunities in structured capital solutions. Preferred equity investments into performing properties facing temporary refinancing gaps can generate returns in the mid-teens while maintaining senior positioning in the capital stack relative to common equity.

The ideal preferred equity opportunity involves a high-quality asset in a strong market with a temporary capital structure mismatch. This typically means a property where NOI supports debt service but current valuations do not support refinancing at the original leverage level. In these situations, \$5 to \$15 million of preferred equity can bridge the gap between available senior debt proceeds and the existing loan balance, allowing the sponsor to retain ownership while the preferred investor earns a current pay coupon plus accrued returns.

Development deals that were underwritten during the low-rate era present particularly compelling rescue capital opportunities. Many of these projects have delivered into markets with elevated supply, facing longer lease-up timelines, higher concessions, and lower market rents than originally projected. Construction lenders are increasingly motivated to see these loans resolved, creating opportunities for rescue capital providers to negotiate favorable terms.

Strategic Positioning for 2026

The maturity wall does not have to be a crisis for prepared investors. Those who have maintained liquidity, developed lender relationships, and built analytical capabilities to rapidly evaluate distressed opportunities will find 2026 offering some of the most attractive entry points in over a decade.

Key strategic considerations include the following:

- First, maintain flexibility in capital deployment. The timing of distressed opportunities is inherently unpredictable, and the most attractive deals often require rapid execution.
- Second, cultivate relationships with special servicers, regional banks, and debt funds that are motivated sellers.
- Third, build internal capabilities (or partner with advisors who possess them) to conduct rapid due diligence on complex capital structures.

Private credit has played a crucial role in supporting the market through the current cycle. Since 2020, nonbank lenders have raised more than \$137 billion through over 430 closed-end debt funds. As traditional bank lenders continue to reduce commercial real estate exposure due to regulatory pressures, private credit will remain essential to market functioning and will capture an increasing share of attractive risk-adjusted returns.

The coming twelve months will test the resilience of capital structures across the commercial real estate industry. For those prepared to act with discipline and analytical rigor, this year will also present opportunities that may not recur for another decade.

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