

What Stabilizing Interest Rates Mean for Commercial Real Estate

Federal Reserve policy remains constrained. Elevated inflation readings and a soft labor market have shifted market expectations toward rates remaining higher for longer.

- Kevin Warsh, President Trump’s nominee to succeed Fed Chair Jerome Powell, testified before the Senate Banking Committee, bringing renewed focus on the direction of monetary policy.
- The Fed remains bound by its **dual mandate** to balance maximum employment with price stability.
- Labor conditions have softened but remain stable, with job growth averaging roughly **22,000 per month** over the past year and unemployment in the **low- to mid-4 percent** band.
- An unemployment rate in this range is **historically consistent** with full employment, limiting the urgency for policy easing.
- Inflation risks have grown, driven largely by rising energy costs, pushing the CPI up **85 basis points** last month to **3.3 percent**.
- With headline PCE expected to rise toward **3.4 percent**, well above the **2 percent target rate**, market expectations for near-term rate cuts have **diminished** sharply.

Borrowing costs appear stable. After a brief period of volatility surrounding the Middle East conflict, long-term interest rates have settled for now.

- At the onset of the Iran conflict, the 10-year and 5-year Treasury yields rose roughly **50 basis points**, reflecting heightened geopolitical and inflation risk.
- In response to interest rate volatility, CRE lenders **widened spreads**, temporarily raising the cost of debt capital.
- Treasury yields peaked in late March and have since retreated, with recent movements suggesting rates are **stabilizing** rather than continuing to trend higher.
- The Blue Chip consensus forecast places the 10-year Treasury near **4.2 percent** at year-end, implying a relatively range-bound interest rate environment, barring further shocks.
- Greater stability may support lender confidence, potentially leading to **narrower spreads** and a lower cost of debt capital.

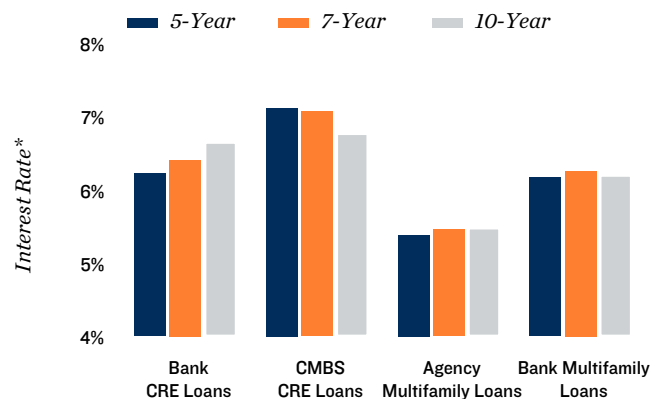
Financing conditions recalibrate. Commercial real estate borrowing costs have returned to a more consistent range across capital sources following early-year disruptions.

- Bank lending for commercial properties is currently consistent with the last quarter of 2025: the **low- to mid-6 percent** band.
- CMBS borrowing costs remain higher relative to banks, with rates in the **7 percent** range.
- Multifamily financing remains comparatively attractive, with agency debt in the **low- to mid-5 percent** range and bank lending in the **low-6 percent** range.
- With benchmark rates stabilizing, financing costs appear to have **normalized** following the early-year disruption.
- In a high-inflationary environment, CRE benefits from its role as a hard asset with durable **long-term value retention**.

48% Pre-Conflict: Chance of 3+ rate cuts by year-end

25% Current outlook: Chance of 1 rate cut by year-end

CRE Financing Rates by Capital Source



* As of April 13, 2026

Sources: Marcus & Millichap Research Services; Blue Chip Economic Indicators; Board of Governors of the Federal Reserve; Bureau of Economic Analysis; Bureau of Labor Statistics; CME Group; Federal Reserve; MMCC