

Macro Roundup Article

Headline: [Real-Estate Doom Loop Threatens America's Banks](#)

Article Link: https://www.wsj.com/real-estate/commercial-real-estate-regional-banks-9f8f591d?mod=hp_lead_pos1

Author(s)	Shane Shifflett and Konrad Putzier
Publication	Wall Street Journal
Publication Date	September 06, 2023

Tweet: US banks have total exposure to commercial real estate of \$3.6T or 20% of deposits. They are facing the risk of a “doom loop” where loan losses trigger lending reductions and further price declines, this creates particular risk for regional banks.

Summary: Indirect lending—along with foreclosed properties, trading portfolios and other assets linked to commercial properties—brings banks’ total exposure to commercial real estate to \$3.6 trillion, according to a Wall Street Journal analysis. That’s equivalent to about 20% of their deposits. Holdings of CMBS and loans to mortgage REITs and other nonbank lenders accounted for about 18% of the nearly \$3.6 trillion in commercial real-estate exposure in 2022, or nearly \$623 billion. The first quarter of 2023 marked the first decline in banks’ commercial real-estate holdings since 2013. At that point, banks’ overall securities holdings had lost nearly \$400 billion in value, largely due to higher interest rates. Banks don’t have to mark down the value of loans in most cases, so the real losses are likely greater. The banks are in danger of setting off a doom-loop scenario where losses on the loans trigger banks to cut lending, which leads to further drops in property prices and yet more losses. Related: [Work From Home and the Office Real Estate Apocalypse](#) and [Who’s Afraid of Commercial Real Estate?](#) and [Rates Are Up. We’re Just Starting to Feel the Heat](#)

Primary Topic: Financial Markets

Topics: Banking, Financial Markets, GDP, Monetary Policy, News article

Permalink: <https://www.edwardconard.com/macro-roundup/us-banks-have-total-exposure-to-commercial-real-estate-of-3-6t-or-20-of-deposits-creating-the-risk-of-a-doom-loop-where-loan-losses-trigger-lending-reductions-and-further-price-dec?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2023/09/900-billion-in-commercial-property-loans-are-maturing-.png>