

## Macro Roundup Article

**Headline:** [Commercial-Property Losses Will Add to Banks' Woes](#)

**Article Link:** <https://www.economist.com/finance-and-economics/2023/03/29/commercial-property-losses-will-add-to-banks-woes>

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**Tweet:** Back of the envelope math suggests banks should be able to weather the decline in office values; small banks face losses of \$140B on offices, which is only 10% of their equity capital. @TheEconomist

**Summary:** At the end of 2022, the commercial-property industry owed \$5.6trn in debt to investors and financial institutions. According to Trepp, a data provider, half of this was to banks. Brookfield and funds of its size might need to repay big institutions, but the vast majority are on the hook to lenders with below \$250bn in assets—ones which are already under severe stress after the collapse of Silicon Valley Bank. Even the worst-case scenario would have limited impact. Roughly a quarter of the \$2.2trn of commercial-property loans owed to small banks are office loans. Imagine that landlords hand back the keys on half these loans this year—some \$280bn in total. If banks could recover just half the value of the loans by selling off the assets at deep discounts (say, a third of their value three years ago) they would be wearing losses of \$140bn. That is just 10% of the equity capital that small banks hold. The blow would be unevenly distributed, however, and could imperil some institutions.

**Primary Topic:** Business Cycle

**Topics:** Banking, Business Cycle, Factoid, News article

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