

## Macro Roundup Article

**Headline:** [Who's Afraid of Commercial Real Estate?](#)

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**Tweet:** Commercial real estate (CRE) fundamentals are, outside of offices, “sturdy enough.” Loan-to-value ratios are relatively low, meaning that falling prices aren’t likely to translate into defaults. @rbtrmstrng @EthanYWu

**Summary:** Valuations look very stretched and a reversion to the mean suggests a harsh correction. Falling prices, however, are not nearly as worrisome as defaults. And outside of offices, fundamentals seem sturdy enough. Distress remains rare. Unlike in the CRE bust of the early 1990s, when loan-to-value ratios were treacherously high, regional banks’ CRE loans have an average LTV around 66 per cent, according to MSCI Real Assets. Offices’ soaring vacancy rates are not showing up elsewhere. With the possible exception of recession-exposed retail, net operating income growth looks healthy (though this is somewhat exaggerated by inflation).

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