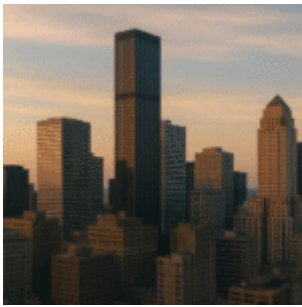




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Institutional Capital Makes a Strategic Return to Commercial Real Estate Lending



Institutional Capital Re-enters the Market

Commercial real estate lending is seeing renewed interest from institutional investors after a period of retrenchment. According to recent market indicators, funds and capital sources that pulled back during the recent downturn are now repositioning, signalling a more favourable environment for borrowers and lenders alike.

What's Driving the Shift

Several key dynamics are helping to explain this development:

- Stabilising interest rates and inflation have increased confidence among institutional lenders, enabling them to reassess risk-return profiles and extend more flexible credit.
- Improved asset fundamentals in many sectors—particularly industrial and certain net-lease retail properties—are making transactions that were once considered too uncertain now more viable.

- Liquidity pressures that constrained activity earlier in the cycle are easing, and capital that sat on the sidelines is now seeking deployment.
- Borrower demand is resurging as debt maturities and refinancing needs pile up, prompting lenders to re-engage rather than remain passive.

Where the Money Is Flowing

The renewed capital is showing up across several property types and financing strategies:

- Stabilised assets with strong cash flows and credit tenancy are seeing attractive loan terms again.
- Secondary markets and non-major gateway cities are getting increased focus as yield-seekers look beyond ultra-competitive primary markets.
- Mezzanine financing and structured debt strategies are gaining traction where senior leverage remains restrained.
- Net-lease retail assets anchored by grocery or essential services are also seeing interest, as investors view them as defensible through economic cycles.

Implications for Borrowers and Lenders

For borrowers this shift means an improved financing environment: more options, potentially better pricing and more creative structures. That said, institutional investors are still disciplined and will emphasise strong underwriting, covenant quality and sponsor track record.

For lenders it signals that waiting on the sidelines may no longer be the best approach; being early to reposition, re-engage sponsors and refresh origination pipelines is critical.

For the broader market it suggests a turning point: while headwinds remain, institutional re-entry can help restore confidence, increase transaction velocity and support broader recovery in commercial real estate lending.

What to Watch

Despite the improved optics, several risks warrant attention:

- Macroeconomic uncertainty remains, and an adverse shift in interest rates or inflation could derail momentum again.
- Valuation resets may still be incomplete, meaning some assets may face further downside.

- Competition for higher-quality deals will intensify, which could compress spreads and increase underwriting risk.
- Regulatory and capital-treatment changes may influence how institutions deploy debt capital.

At Wheeler Capital Partners we monitor these trends closely and advise clients on positioning for this evolving landscape—whether you are a borrower seeking flexible financing or a sponsor exploring institutional debt alternatives.

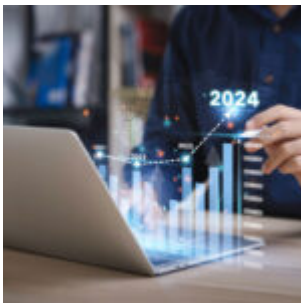
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Lending Momentum Index Sees First Increase in a Year: What It Means for the Market



Recent developments in the financial sector are providing a hopeful outlook for borrowers and lenders alike: the Lending Momentum Index has recorded its first increase in a year. This uptick might signal a significant shift in the credit market, offering potential benefits and challenges for various stakeholders.

Breaking the Downward Trend

The Lending Momentum Index, a vital measure of lending activity and market sentiment, has been on a steady decline for the past twelve months. However, recent data indicates a notable turnaround. The Index has risen for the first time since August of last year, suggesting a potential turning point in the credit market.

What Does This Increase Mean?

The recent rise in the Lending Momentum Index is a positive development for the financial sector. Historically, an increase in this Index is indicative of a more favorable lending environment, reflecting heightened confidence among both lenders and borrowers. This shift could imply that banks and financial institutions are beginning to ease their cautious stance on lending.

Here's a closer look at the implications of this change:

1. **Improved Access to Credit:** For businesses and individuals, this increase could mean easier access to loans and better credit terms. If lenders grow more optimistic, they may be more willing to approve loans and offer competitive rates.
2. **Economic Implications:** A rise in lending momentum often correlates with broader economic growth. As borrowing becomes more accessible, it can stimulate spending and investment, potentially fostering a more robust economic recovery.
3. **Investor Sentiment:** This development might also signal that the credit market is stabilizing. Improved lending conditions could enhance investor confidence and influence investment strategies.

What's Driving the Change?

Several factors could be contributing to this shift. Recent stabilization of interest rates and easing inflationary pressures might be encouraging lenders to reassess their risk appetites. Additionally, improving economic indicators and rising consumer confidence could be playing a significant role.

Supporting this optimistic view, CBRE's recent analysis provides some encouraging figures. Their second-quarter capital markets and lending data show signs of improvement in commercial debt and equity fundamentals:

- **Investment Volume:** Q2 investment volume reached \$85.7 billion, marking a 14% increase from the first quarter of 2024. However, it was still down by 3% year-over-year. The Q1 volume had risen 15% from Q4 2023 but dropped 15% year-over-year. Despite the positive quarter-to-quarter improvement in Q2, it's crucial to note the inherent volatility and the need for more data to confirm long-term trends.
- **Trailing Four-Quarter Volume:** This moving average decreased by 31.9% year-over-year, falling to \$341 billion from \$500.2 billion. This is the lowest total since Q2 2013, although this short timeframe may not fully capture the overall trend.
- **CBRE Lending Momentum Index:** After five consecutive down quarters, the Index rose 4.3% in Q2. This increase, while encouraging, pertains specifically to CBRE-originated commercial loan closings in the U.S. and may not fully reflect national CRE trends.
- **Entity-Level Investment:** Investment in Q2 surged to \$10 billion, largely due to Blackstone's acquisition of Apartment Income REIT. Without this deal, Q2 investment would have been down 9.3% quarter-over-quarter and 14.4% year-over-year.
- **Sales by Property Type:** For Q2 2024, the distribution of sales was as follows: multifamily

(\$38.3 billion, 44.7%); industrial (\$18.8 billion, 21.9%); office (\$10.6 billion, 12.4%); retail (\$9.5 billion, 11.1%); hotel (\$6.2 billion, 7.2%); and other (\$2.3 billion, 2.7%).

Looking Ahead

While the increase in the Lending Momentum Index is a promising development, it's essential to remain vigilant. The financial landscape can shift rapidly, and ongoing monitoring of lending trends and economic indicators will be crucial for making informed decisions.

At Wheeler Capital Partners, we are dedicated to keeping you updated on key developments in the financial world. Stay tuned for further insights and analysis as we navigate these evolving market conditions together.

Feel free to reach out if you have any questions or need personalized financial advice. Let's embrace these changing tides and explore the opportunities they may bring!

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Recent Commercial Financing



Multi-Tenant Office Property

Wheeler Capital Partners is a trusted partner in finding funding sources for its clients' financing needs. Continual development of new funding sources has provided WCP the ability to offer clients uncharacteristically flexible rates, terms, and conditions.

Recently the company placed a \$12,500,000 **non-recourse**, 10-year fixed rate mortgage to facilitate a \$4.3 Million cash-out refinance for a 125,750 SF multi-tenant office flex property. By purchasing a forward rate lock allowed a **sub 4% rate**.



2160 Central

Recently the company placed a \$2,750,000 fixed rate, construction / **spec** 10-year term loan for a retail center. The client was concerned about the uncertain retail leasing market and increasing interest rates. WCP was able to obtain construction / permanent bank financing with a **fixed rate during construction** and a term of 10 years.

Just another example of how WCP customizes creative solutions for clients throughout the nation. Call and have a conversation describing your needs. Let over 30 years of experience work for you.



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Palm Royale Funeral Home



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Recently the company placed a \$1 million construction **loan completing the development of an existing cemetery. The construction / permanent loan was placed at a regional bank taking advantage of current fixed long-term rates.**

Just another example how Wheeler Capital Partners customizes creative solutions for clients

throughout the nation. Call and have a conversation describing your needs. Let the over 30 years of experience work for you.

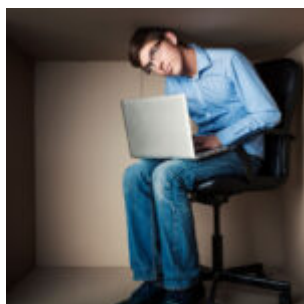
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Office Space Projected to Decrease by 145M Square Feet



That's right: 145 million.

Since April 2020, our lives have changed in myriad ways. We've become accustomed to our kids being home while "at school." We've stopped eating out, going to the movies, and vacationing. And, many of us have turned our homes into our workspaces. When you combine this factor with the massive job losses resulting from the pandemic, physical office space requirements just won't be what they were in the past.

A new study finds that the work-from-home increase resulting from the coronavirus pandemic could result in about 145 million fewer square feet of office space by the end of 2021. Global commercial real estate company Cushman & Wakefield have issued a report based on data covering widespread job loss during the pandemic combined with work-from-home mandates that demonstrate a significant decrease in the need for workplaces to provide office space. Their findings indicate a 50% baseline probability that space requirements in the US workforce will decrease by 145 million square feet during 2020 and 2021.

The study also found that the main driving force for this decrease in demand is job loss, and not the work-from-home trend – although both factor in. When compared with past recessions, these findings mean that this is the largest decrease in demand for office space ever. It outpaces the demand decrease from job loss in the Great Recession of 2008 by 30%.

Even when factors such as re-opening the workplace with six-foot distancing rules in place, the study finds that job losses and work-from-home will outstrip the need for physical square footage in the office. And, this trend was actually in place before the pandemic turned our lives upside down. Companies have been looking for ways to decrease spending, and, as a result, have been buying less office space for years.

The report's 50% probability baseline for the 145 million square foot decrease is bookended as well with other potential scenarios. Depending on the pandemic's impact on public health, and on the US government's economic stimulus response (or lack thereof), those other potential scenarios could look better for commercial real estate – or, they could look a lot worse.

The study predicts a 10% possibility that job losses continue longer than anticipated, that Congress does not enact stimulus or economic relief legislation, and that the result is a loss of nearly 300 million square feet of office space – or, a 20% vacancy rate. That's the worst-case scenario prediction. On the other hand, the scenario could work out with public health improving and job losses being staved off, and there could even be more governmental relief made available. If all goes in this optimistic direction, the study predicts a loss of a mere 69 million square feet of office space, and a vacancy rate that peaks at about 15%. The study gives this outcome a 10% probability rate as well.

If that's the good news, then the only thing to be concluded from C&W's findings is that commercial real estate is looking forward to massive decreases in the years, and maybe even generations, to come.

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Financing for Water's Edge



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Recently the company placed a **Mortgage Secured Note Offering** rated AA/A+ to facilitate \$9.5 Million cash out refinancing for a Trenton, New Jersey Skilled Nursing Facility. This credit facility was **interest only for five years and non-recourse**.

Just another example how Wheeler Capital Partners customizes creative solutions for clients throughout the nation. Call and have a conversation describing your needs. Let the over 30 years of experience work for you.

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Flexible Rates, Terms, and Conditions

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