RISK & REAL ESTATE INSIGHTS

CRE REFINANCING RISK REPORT

Strategic insights on navigating NYC commercial real estate refinancing risk in 2026.

The North Star Universal, LLC | Risk & Real Estate Insights | 2026

Refinancing risk has moved to the forefront of New York City commercial real estate risk management. With a wave of loan maturities looming, The North Star Universal, LLC believes market participants must act now to protect cash flow stability, safeguard property valuation, and strengthen debt service coverage. This report analyzes current data on refinancing pressures, how they influence operational risk, and what investors and managers can do to mitigate risk while positioning for long-term growth.

OFFICE SECTOR

Office Sector Pressure

Tracking refinancing challenges across major NYC office properties.

DEBT MATURITY

Debt Maturity Wall

CMBS and bank financings reaching maturity in the near term.

CAP RATES

Cap Rate Divergence

Risk premiums widening across weaker cash-flow assets.

CASH FLOW

DSCR & Cash Flow

Debt service coverage as the core refinancing safeguard.

SECTION 01

Why Refinancing Risk Matters in NYC Commercial Property

Refinancing risk arises when a property's existing debt matures and the owner must secure new financing at current market rates. Rising interest rates and tightened credit conditions have made this challenge acute in 2026.

In the NYC office sector, lenders and analysts now highlight a heavy concentration of commercial mortgage debt maturing in the next 12–18 months. Many of these loans will come due when underwriting standards remain tight and debt is more expensive than when the original financing occurred. This amplifies risk for property owners and lenders alike.

At The North Star Universal, LLC, we view refinancing risk not as a future problem but as a present one. It affects real-time NOI performance, debt service coverage ratios (DSCR), and exit strategies across asset classes.

SECTION 02

Current Market Signals: Refinancing Risk Is Real and Rising

1. Office Sector Pressure — Borrowers across major NYC office properties face refinancing challenges. Analysts note a heightened risk of default when loans reset during periods of high rates and uneven occupancy levels.

2. More Debt Maturing — A significant portion of outstanding commercial loans—especially CMBS and bank financings—is scheduled to mature soon. Owners in these segments are increasingly evaluating refinancing alternatives to avoid liquidity stress.

3. Cap Rate Divergence Signals Capital Caution — Across the broader market, cap rates vary considerably by property type, signaling lenders are demanding more risk premium for assets with weaker cash flow resilience.

> ***"These indicators remind us that traditional underwriting models tied to past market norms are no longer reliable. Savvy risk mitigation now requires forward-looking analysis."***

SECTION 03

Case Study: A Midtown Office Loan Reset

In a recent engagement, one of our NYC office clients faced a $150M loan reset tied to a Class A tower in Midtown. Leasing momentum had slowed, and the property's DSCR was below target.

Rather than pursuing a high-cost refinancing with steep amortization, we recommended a blended strategy:

- Negotiating short-term interest-only debt to bridge until market conditions improve.
- Enhancing lease rollover protections to increase projected NOI.
- Aligning capex investments with tenant demand for flexible spaces.

This hybrid approach turned what could have been a liquidity crisis into a manageable transition. By prioritizing commercial property risk mitigation and NOI resilience over aggressive leverage, the asset maintained valuation and lender confidence.

SECTION 04

Case Example: Industrial Asset With Strong Fundamentals

Not all sectors face the same refinancing pressure. Our analysis of a recent industrial acquisition showed why select asset types weather refinancing risk better.

Industrial sales activity has remained robust, and cap rate compression in quality assets indicates investor conviction. Despite market disruptions, the industrial sector's spread between yield and benchmark rates suggests enduring demand for logistics infrastructure.

For this client, strong cash flow, favorable cap rates, and a diversified tenant base translated to high DSCR ratios before refinancing, greater negotiating power with lenders, and attractive long-term financing options.

> ***"This illustrates how investment property strategy must be asset-specific and data-driven."***

SECTION 05

Managing Operational Risk and Future Uncertainty

So what can commercial property stakeholders do to manage refinancing risk effectively?

1. Stress Test Cash Flow Scenarios — Account for rising rates, vacancy fluctuation, and leasing delays. Running stress tests helps owners understand worst-case outcomes and plan proactively.

2. Strengthen Lease Management — Maintaining high occupancy and stable rental income supports DSCR. Staggered rollover schedules and tenant incentives can stabilize cash flow.

03

Diversify Financing

A mix of fixed-rate debt, private credit, and alternative structures spreads risk and lowers cost.

04

Link CapEx to Value

Prioritize capex that improves tenant retention, augments NOI, and appeals to lenders.

SECTION 06

The Bigger Strategic Picture

Refinancing risk is not isolated to a single property type. It reverberates through all aspects of commercial real estate investment property strategy. In NYC, where market fundamentals are shifting beneath investors' feet, risk management must be dynamic and data-centric.

We observe vacancy levels trending down in some submarkets, signaling that leasing demand is stabilizing, even as capital markets adjust. Like a ship navigating shifting tides, a well-prepared portfolio can leverage strong fundamentals while avoiding the shoals of too much debt at the wrong time.

CONCLUSION

Looking Ahead With Confidence

At The North Star Universal, LLC, we remain optimistic about the resilience of NYC commercial real estate. While refinancing risk demands attention, it also creates opportunities for those who:

- Strengthen operational risk frameworks
- Emphasize NOI performance and cash flow stability
- Employ smart capital allocation tactics

Markets evolve. Risk becomes opportunity when it is understood and managed.

We Welcome Your Thoughts

Share your perspective on refinancing risk and commercial property strategy, or follow The North Star Universal for more insights at thenorthstaruniversal.com/WP.

THE NORTH STAR UNIVERSAL, LLC

Commercial Real Estate Risk Management & Advisory

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