

Commercial Property "Doom Loop" Could Be Triggered by Regional Banks

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The banking world is undergoing a significant transformation, with regional banks facing intense scrutiny over their commercial real estate (CRE) exposure. In [a recent report published by MyEListing.com](#), a free-to-use commercial real estate data and listing platform, recent events and changes in work culture have brought heightened concern over office property liability and the possibility of a commercial real estate "doom loop."



Logo for MyEListing.com, a nationwide, free-to-use commercial real estate listings and data platform.

Properties once viewed as premium assets with consistent rental income have suddenly turned into liabilities. Banks holding substantial portfolios of such properties are witnessing depreciating asset values and dwindling rental income.

"CNBC recently highlighted the looming dangers for regional and midsize banks," says the report. "These banks are not only grappling with rising interest rates but are also facing significant losses on commercial real estate."

The decline in demand for office spaces in the era of remote work is leading to a decrease in property values, directly impacting the bottom lines of regional banks.

"The situation becomes even more alarming when we factor in the regulatory angle," according to the report. "Heightened regulatory scrutiny means that banks will now be under the microscope for their commercial real estate exposures."

A report from Bisnow, cited in [MyEListing's](#) research, highlights that banks' total exposure to CRE could potentially trigger a "doom loop," a vicious cycle where declining property values lead to higher default rates, further reducing property values.

"The gravity of the issue is underscored by the recent failure of Silicon Valley Bank," says the report. "While multiple factors contributed to its collapse, the underlying theme of real estate vulnerability cannot be ignored. If a prominent bank like SVB can falter due to such exposures, regional banks with potentially higher proportional CRE portfolios might be in even more danger."

MyEListing's research says that to avoid the doom loop, regional banks must reassess their CRE portfolios and consider the value of their assets through the lens of time. Strategies may range from venturing into more resilient real estate segments to embracing technological innovations that reduce their physical footprint.

"Only time will tell how the saga unfolds or whether banks can avoid the doom loop. But, for now, the onus is on the regional banks to adapt, innovate, and overcome."

You can read MyEListing's published report here: <https://myelisting.com/commercial-real-estate-news/1759/office-property-liabilities-balloon-for-regional-banks/>

MyEListing.com is a national commercial real estate marketplace and data platform. Users can sign up for free and get access to accurate local market intelligence, comp software, a national agent directory, and more. The site also supports other players in the industry, including NAI Global, Colliers, and Cushman & Wakefield.

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