EMBREY INSIGHTS

EMBREY

WHEN HEADLINES AND MARKETS DIVERGE:
THE REAL STORY IN PRIVATE CREDIT

JULY 2026

Research Publication

www.embrey.com

SOUTHERLY LOSO
CHARLOTTE, NC

Headlines suggest that private credit is under pressure, citing rising default rates and growing redemption requests at debt funds. At the same time, a meaningful share of multifamily loans originated between 2021 and 2023 are coming due, and many are being refinanced through private credit lenders. The question worth asking is whether one of the industry's most important sources of bridge financing is pulling back. Based on what we are seeing in our own refinancing activity this year, the answer is no.

Understanding why requires separating the part of private credit that is under stress from the part that isn't.

Private credit is a broad term for lending done by non-bank entities. It includes corporate direct lending to middle market companies, asset-backed lending against pools of consumer debt such as auto loans, and commercial real estate mortgages collateralized by physical real estate assets among others. These are different businesses with different borrowers, different collateral, and different risk profiles.

The concern began in corporate lending and the asset-backed auto market, where a handful of defaults, a fraud-related bankruptcy in subprime auto securitizations, and valuation stress in the SaaS industry rattled investors. From there, worry spread through media coverage into the broader private credit conversation, eventually reaching commercial real estate, an asset class with a lending structure fundamentally different from the loans that were showing stress.

The vehicle most responsible for the headlines is the business development company, or BDC, a fund structure that pools direct loans and sells shares to investors, often through retail and wealth channels rather than institutional placement. Many BDCs built outsized exposure to software company debt, drawn by recurring subscription revenue and what looked like durable competitive moats.

The arrival of capable AI coding tools added a new layer of uncertainty to that calculus. AI began to look like a competitor to software rather than a tailwind for it, raising real questions about the licensing models underpinning much of that debt. Valuations on software borrowers came under pressure and the equity cushion protecting lenders narrowed.

Investors in BDC funds, expecting periodic liquidity, started asking for it. Several of the largest managers, including Blackstone, Apollo, and Blue Owl, were forced to limit redemptions to avoid selling assets into a market not ready to absorb them.

That is a real story, but it is a story about retail investor expectations colliding with a fund structure that was not built to offer substantial liquidity on demand. It is not a story about commercial real estate.

The structural differences are not subtle. Corporate loans are repaid out of business cash flow, which depends on competitive dynamics and market sentiment that can move quickly. Commercial real estate loans are repaid out of rental income from a physical asset, a steadier stream backed by collateral with value independent of any single borrower's performance, and loss rates on real estate credit have historically run well below corporate credit as a result.

BDCs are not significant lenders against commercial real estate to begin with. The institutional capital that does fund multifamily debt, including life companies, debt funds, and lenders who finance themselves through CLOs and repo facilities, has continued to operate with little disruption. One real estate-focused lender we spoke with put it plainly: CLO and repo pricing has stayed firm, and in some cases improved, over the past year despite the noise out of corporate credit.

That observation matches what we are seeing in our own capital markets activity. In 2026 alone, we have refinanced four construction loans with real estate debt funds, all at attractive and improving terms. Each time, multiple lenders competed for the opportunity, allowing us to improve terms through the bidding process.

Brokers active across dozens of similar transactions describe a market with ample capital available to absorb refinancing activity. We have also spoken with several institutional real estate debt managers who are actively raising new funds, with investor demand supporting multibillion-dollar targets. That kind of fundraising does not happen in a market allocators believe is contracting.

None of this means real estate credit is risk-free. Underwriting has grown more attentive to micro-location and sponsor quality than it was eighteen months ago. Those are normal adjustments in a market digesting a supply wave, not signs of a credit event.

The more useful comparison is what happened at BCRED, Blackstone's corporate direct lending fund, which restricted redemptions in June after requests surged to roughly 10% of shares, capping payouts at 5%. That is the same fund category driving the headlines, and the same retail liquidity mismatch described above.

Real estate vehicles have faced similar redemption pressures before. BREIT prorated redemptions during the 2022-2023 period before ultimately returning to full liquidity and continuing to generate positive performance. In both cases, the structures functioned as designed. The broader point is that redemption management and credit performance are not the same thing, and the fact that one vehicle is corporate and the other is real estate matters.

For multifamily specifically, the evidence continues to point in the same direction. Real estate debt funds remain active, agency lenders continue to provide a deep source of liquidity, and private capital is competing aggressively for deals that meet today's underwriting standards.

That does not mean every deal will find financing. Lenders have become more selective on location, sponsorship, and execution than they were during the most aggressive years of the cycle. But that is a sign of disciplined underwriting, not a withdrawal of capital.

The question is increasingly not whether financing exists, but whether a deal is strong enough to attract it. Understanding that distinction is the difference between an accurate read on the current environment and a misread driven by a narrative that, however loud, was never really about us.

This analysis is adapted from an article by Garrett Karam that was recently published by the Urban Land Institute (ULI). The ULI version is available here: ULI Private Credit

EMBREY INSIGHTS

EMBREY

Stay in the loop! Access expert research, along with data-driven insights and forecasts regarding the economic and capital market environments within the multifamily industry, by subscribing to our EMBREY Insights distribution:

CLICK HERE TO SUBSCRIBE

Garrett Karam

Chief Investment Officer

Garrett Karam leads investment and capital markets activity for EMBREY. As a seasoned industry professional, he sets strategic direction and drives performance alongside a talented in-house investments team, with a focus on maximizing returns and building long-term relationships.

Interested in learning more about EMBREY's current investment opportunities? Click here or email garrett@embrey.com