

# *Commercial Real Estate is Putting Regional Banks in Distress*

*By: Andrea Gonzalez, Mark Greenberg,  
Rich Newman and Seth Waschitz,  
Alvarez & Marsal*

*As originally published in the Credit Research Foundation 3Q 2023 Credit & Financial Management Review*

## **Abstract**

*The US banking system has experienced stress in 2023 with four regional banks failing and the Federal Reserve hiking interest rates. The latest challenge is potential defaults from commercial real estate, since the pandemic has normalized remote work in large cities. Will banks kick this can down the road or are some willing to take the hit now, betting on smaller losses a few years from now?*

It's no secret that the U.S. banking system has experienced stress in 2023. Four regional banks have already failed this year as the Federal Reserve hiked interest rates, turning assets such as long-term U.S. Treasury bonds and other securities held by the banks into unrealized, paper losses.

The 2023 bank failures represent the largest collapse in the industry since the Great Recession, and the risk may be spreading. Moody's downgraded 10 small- to mid-sized banks in August, and cautioned that 17 other lenders, including large institutions, could be downgraded next. This follows Fitch Ratings' June warning that...

*This article is only available to members of the Credit Research Foundation (CRF).*

*Interested in reading more? Join CRF to gain access to this and hundreds of other resources! [CLICK HERE](#) for membership information.*

*Members should [LOGIN](#) to view the full article.*