

Banks and private credit are stronger together

A financing gap too large for either side to close alone is turning longtime competitors into partners

By Kyle Jeffers

For years, commercial real estate lending has been framed as a contest between banks and private credit. As private credit grew after the global financial crisis (GFC), and again after the 2023 regional banking disruption, many observers read it as one side taking share from the other. That narrative is outdated. The relationship today is complementary and understanding why matters for how investors evaluate credit managers and how borrowers think about capital.

Banks were once the backbone of CRE finance: the lowest cost of capital, deep borrower relationships, a natural focus on stabilized assets with predictable cash flows. Private lenders grew up addressing what fell outside that box: transitional properties, larger deals, complex business plans, situations requiring more flexibility. The two occasionally competed at the margin, particularly late in a cycle when banks pushed leverage higher. But the products were rarely identical, and what has changed since is the structure connecting them.

After the GFC, higher capital requirements and stress testing pushed banks toward caution. More recently, office exposure, higher rates and regional bank failures reinforced that same instinct. Many banks have repositioned, financing private lenders through repurchase agreements, warehouse facilities and subscription lines rather than financing assets directly.

The scale of that shift shows up in the numbers. Alternative lenders captured 53 percent of non-agency commercial and multifamily loan originations in the first quarter of 2026, up from 19 percent a year earlier. Much of that gain traces back to capital: Banks are financing the entities now capturing share, an engine behind the shift as much as a source of it. A commercial real estate loan today may carry institutional capital, a private credit manager and bank financing behind the scenes at once: The borrower receives capital from the private lender, and a bank helps finance a portion of that lender's portfolio. Each layer depends on the other.

The economics are attractive on both sides. Financing a diversified pool of loans originated by an experienced manager offers banks strong credit protections without the concentration of a single direct loan. These facilities are typically structured conservatively, diversified across assets and geographies, with meaningful protections for the financing provider. The bank underwrites the platform and the collateral pool, not one isolated property. Many of these structures are also more capital-efficient for banks than direct CRE lending.

We have seen this shift firsthand. For the first time in our careers, financing providers are proactively asking whether there are additional assets or products they can support. That competition among facility providers has compressed financing costs and improved terms for private lenders industrywide.

When private lenders obtain lower cost financing, that savings can flow through to borrowers as tighter spreads and better loan economics. That matters now: Commercial real estate is still in the early stages of recovery, with transaction activity improving and values beginning to stabilize, even as interest rates, geopolitics and tariff policy continue to shape the outlook. Roughly $2.6 trillion in CRE loans mature between 2026 and 2029, including about $875 billion this year alone. Each of those maturities needs a refinancing, a recapitalization or a sale, and meeting that need at scale requires both sources of capital working in tandem.

This shift reflects a lasting change in market structure that should outlast the current cycle. Investors continue to grow their allocations to CRE debt, drawn by income and risk-adjusted returns that can potentially rival equity at meaningfully lower risk, and that demand shows no sign of receding. Most banks now view private credit as a partner that helps them deploy capital efficiently and manage risk.

For borrowers and sponsors, a lending ecosystem drawing on two complementary sources of capital, rather than one, is a more resilient one. The future of CRE depends on banks and private credit working together to meet a financing need that neither could meet alone. ■

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