The Rate Reset: Lenders Split on the Response, but Capital Keeps Moving

SLATT CAPITAL LENDER SENTIMENT SURVEY

Six months ago, lenders told us their biggest problem was each other. Competition was the leading headwind for nearly half of respondents, two-thirds expected the 10-year Treasury to finish 2026 at or below 4.25%, and three-quarters planned to grow allocations. September's survey shows how quickly that changed.

Slatt Capital's fourth **Lender Sentiment Survey**, our largest yet, finds interest rates back at the center of lender worries. The more important finding is who moved and who did not. The market is not retreating in unison; it is splitting by capital source.

Index Expectations Flip

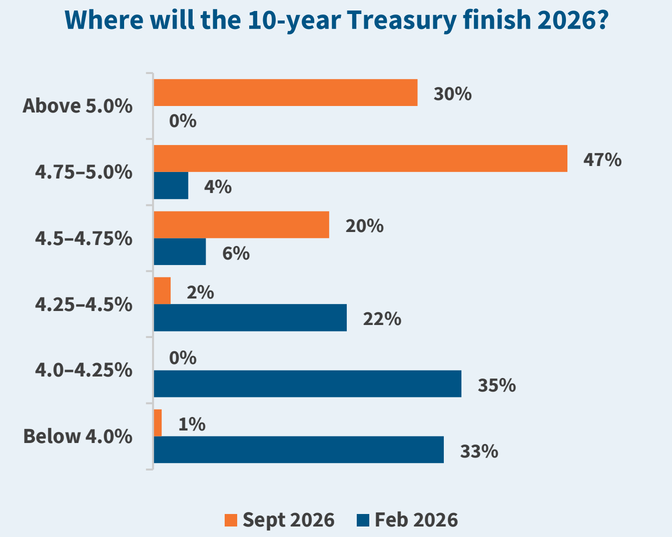
In February, **68%** of lenders expected the 10-year to end 2026 at or below 4.25%. In September, just **1%** do. 77% of lenders now expect a 10-year of 4.75% or higher, including 30% of lenders expecting a 10-year above 5%. Interest rates returned as the top headwind for 44% of respondents, up from just 10%, while competition concerns fell from 47% to 20%.

For Borrowers: Lenders are rewriting their underwriting to expect a year-end well-above 4.50% which should translate into more limited proceeds and complicating exit strategies.

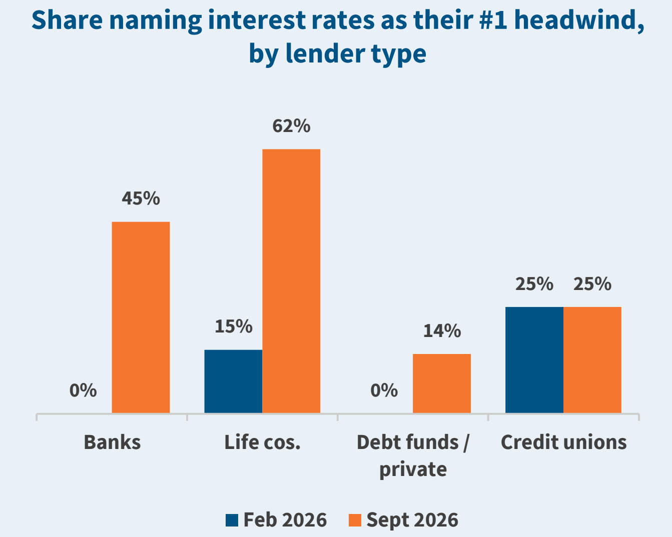
Market Struggles Are Cited Differently By Lender Type

Among life companies, the share that name rates as their top headwind jumped from 15% to **62%**, and that sentiment jumped from zero to **45%** among banks. Debt funds and private lenders barley budged; just 14% named rates as their top concern. Instead, debt funds pointed to market fundamentals (29%) and credit appetite (21%) as most challenging. Banks are the most hawkish, with 42% expecting the 10-year above 5%.

For Borrowers: The right capital source now depends as much on the lender's balance sheet as on the asset.



Source: Slatt Capital Lender Sentiment Survey



Source: Slatt Capital Lender Sentiment Survey

Allocations and Appetite Remain, While Growth Expectations Cool

Half of respondents still expect allocations to rise, down from **76%**. Those expecting growth to remain flat rose to 41%, while 9% expect a decline, the highest in any wave. Life companies remain the most committed (up 66%), followed by banks (52%); debt funds fell from 83% to 43% and credit unions from 50% to 25%. Among lenders expecting the 10-year above 5%, 24% plan to cut allocations, versus 3% of everyone else.

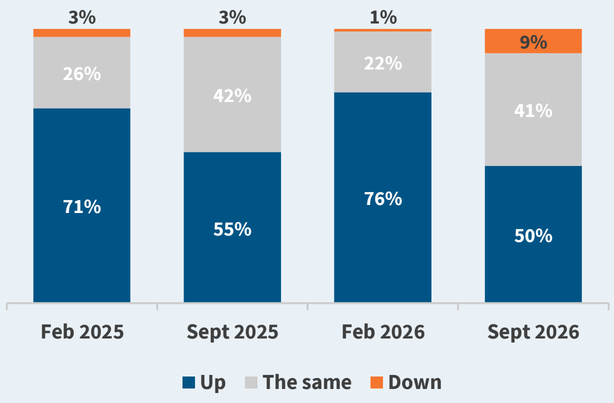
For Borrowers: Capital is available, but availability depends on the specific lender's rate view. The lenders most concerned about higher rates also have high allocation expectations, so expect spreads to tighten.

Volume Leadership Swings Back to Private Capital

Debt funds and private lenders (44%) regained the top spot for expected volume growth, overtaking banks and credit unions (39%), who led in February. 52% of banks now expect debt funds to gain the most volume; in February, half of banks picked their own sector.

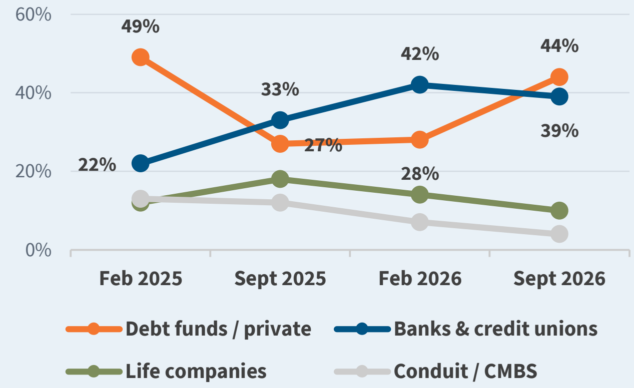
For Borrowers: Banks, private lenders and debt funds all agree that transitional and higher-leverage requests will increasingly find their home with debt funds and private credit.

Your lending allocations versus the prior period will be:



Source: Slatt Capital Lender Sentiment Survey

Which financing sector will see the largest volume increase?



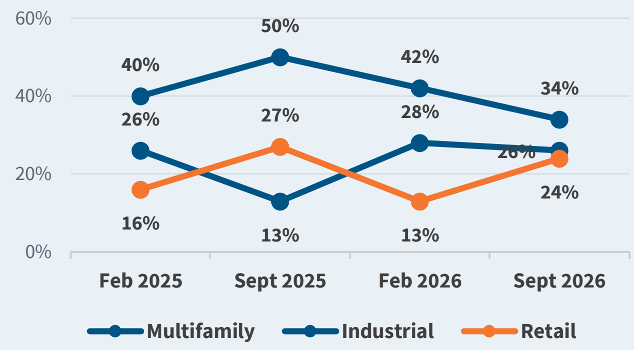
Source: Slatt Capital Lender Sentiment Survey. Agency not shown.

Sector Rotation: Multifamily Narrows, Office Fades, Hospitality Rises

Multifamily remains the most competitive product type but it's desirability may be waning at 34%, its lowest reading in four surveys (40%, 50%, 42%, 34%). Industrial (26%) and retail (**24%**) have closed the gap, and retail's gain spans banks, life companies and debt funds. Office as the least competitive sector has declined every wave, from 61% to 46%, while hospitality's desirability has climbed from 17% to 32%.

Why it matters: Borrowers in retail and industrial should see more bidders while office sponsors should expect fewer.

Product type where lenders expect to be MOST competitive



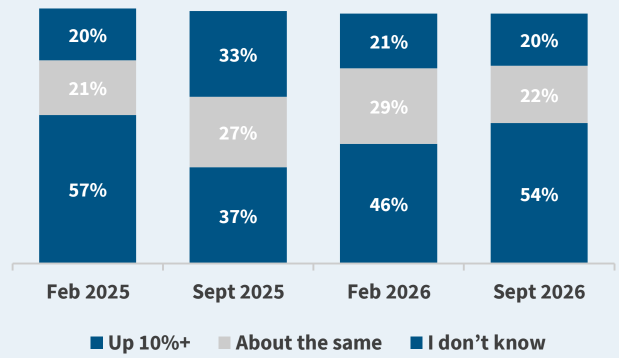
Source: Slatt Capital Lender Sentiment Survey

Bridge Lending: Banks Are the Swing Factor

A combined **54%** expect bridge volume to rise at least 10%, up from 46% in February and 37% last September. Banks drove the move: in February, 42% of banks were unsure and 17% expected bridge volume growth; now 48% expect growth and just 19% are unsure. Two new questions point the same way: 71% will hold target loan size and two-thirds plan no new products, yet bridge is the most common planned addition (15%), led by banks and credit unions.

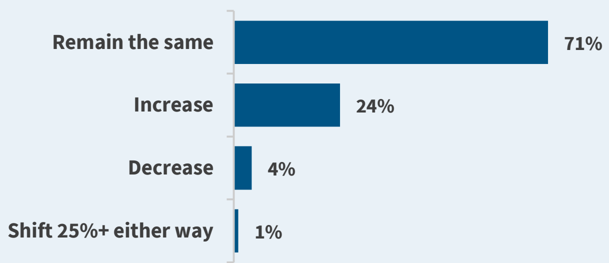
Why it matters: Lenders across the marketplace are defending existing footprints while reaching selectively into transitional lending.

Where do you see bridge loan volume by year-end?



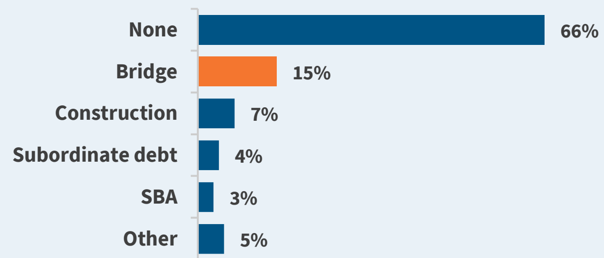
Source: Slatt Capital Lender Sentiment Survey. Decrease/other not shown.

New question: Will your target loan size…



Source: Slatt Capital Lender Sentiment Survey

New question: Product lines planned for 2027



Source: Slatt Capital Lender Sentiment Survey

Summary and Actionable Takeaways

This is not a market in retreat but rather a market sorting itself. Rate pressure has returned in force, but that pressure landed unevenly. The capital source now matters as much as the deal.

For lenders

Compete on certainty of close, superior structure, and speed, not solely on price.

For borrowers

Match the request to the capital source. Bank and life company appetite is intact but rate-sensitive; private capital is where volume growth is expected.

For investors

Watch the for a three-sector field in multifamily, industrial and retail, and office's slow return from exile.

For more information about Slatt Capital's Lender Sentiment Survey or to be included in the next survey group, please click **here**.

Click to download the full presentation **here**.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