
PERE
Credit
Solving the housing puzzle
Why private real estate credit is stepping up
PEI

Cover story

Real estate private credit managers are capitalizing on the opportunity set around the US housing shortage, writes Samantha Rowan

The housing puzzle

In early January, President Donald Trump sent the commercial real estate market into a tailspin with a post on his Truth Social platform declaring he would take steps to ban large institutional managers from buying single-family homes to increase affordability.

There was substantial pushback against Trump's thesis. A key point was how institutional managers are largely focusing on developing purpose-built single-family home communities, not buying up existing homes for rental. But the post also brought into focus the urgency – and opportunity – around solving what the US Chamber of Commerce estimates to be a roughly 4-million-unit US housing shortage.

"Housing has gotten more expensive since the last cycle, both from a rent and ownership perspective, and the need for housing is likely to be a trend that will last for several years, if not longer," says Paul Rahimian, founder of Los Angeles-based construction specialist Parkview Financial. "The question we need to answer is, 'How do we make it more affordable?' The answer is just by creating more housing."

Housing, a term used by the institutional real estate managers that spoke to *PERE Credit*, is one that includes single-family and multifamily residential properties. It also includes homes relevant to individuals across the income spectrum.

While each of these sub-asset classes appears siloed, adding new units to any one property type helps to chip away at the broader shortage, notes Josh Scoville, global head of research at Houston-based Hines.

This means each firm active in the residential market is finding a way to bring online more units. Over the past six months, P*ERE Credit* has observed the formation of more than a dozen joint ventures, institutional investor

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>
> **PAUL RAHIMIAN**
> **Parkview Financial**

commitments, new funds and significant projects, all seeking to tackle the shortage in a specific way.

One recent example was a $150 million commitment in January from Singapore-based Temasek to Roc360 REIT, a New York-based investment manager that funds residential transition loans for individual borrowers seeking to renovate single-family homes.

"Why is every [manager] doing this now? Why are institutional investors clamoring for this allocation?" says Maksim Stavinsky, the manager's chief executive. "It is a confluence of factors that includes under-building in US residential, pent-up demand for new inventory and demand for credit assets from an institutional allocator perspective."

The credit angle

Commercial real estate private credit lenders trace today's housing crisis to an extreme slowdown in construction following the global financial crisis. Providing credit is a key part of solving that problem, according to an October 2025 Goldman Sachs report, *The Outlook for US Housing Supply and Affordability*.

Housing starts in the US peaked in 2006, with an annual rate of about 2.2 million units coming online, before falling by about 40 percent by 2008 because of the impact of the GFC, according to data from the Federal Reserve. While this number started to increase slowly over the following decade, the impact of the covid-19 pandemic led to a steep reduction in new units.

Providing credit to homebuilders and multifamily developers is just as important as providing equity in bringing new units online, says Drew Flahive, president of The Amherst Group. The Austin-based manager in November lined up an undisclosed commitment from Koch Real Estate Investments to expand its single-family debt and equity platform.

"This investment allows us more flexibility on our merchant development balance sheet, which can be anything from buying an existing home and putting renovation dollars into it, doing full, new-build communities and providing credit," Flahive adds. "There is a definite ability for us to provide credit where credit is missing."

Providing back leverage is a route into today's residential opportunity. In mid-November, OakNorth Bank originated a $30 million note-on-note financing for New York-based Module Five Capital to back its origination of loans of $500,000 to $10 million in metro areas in states including New York, New Jersey and Pennsylvania.

"In the US, we continue to back other lenders in that back leverage space,

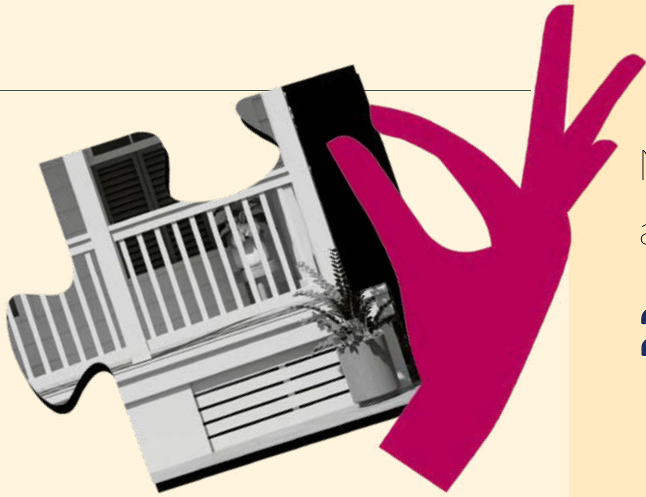
Tapping HUD

Federal programs remain extremely important in helping to solve the housing crisis

New York-based Bravo Capital in December closed a $50 million loan for a non-profit that focuses on 62-plus housing in a Housing and Urban Development deal that allowed the sponsor to execute a very significant cash out.

"HUD financing always wins in terms of highest proceeds because it has a 1.15 debt service coverage ratio where other financing options have a 1.25 DSCR," founder Aaron Krawitz explains. "Also, HUD tests over a 35-year horizon, whereas others use a DSCR test over 30."

The loan will improve housing stock for those who are elderly and in need of affordable product. "Our underwriting team on this one was in contact with sponsorship for years before we started this project, consulting on their options. The sponsor asked if we could advise on accessibility in advance as it is a federal requirement. That early engagement around accessibility requirements helped streamline execution and led to a smooth closing," Krawitz notes.



and we're also hiring and building out our name in direct lending as well. We're taking the aspects of private credit and combining them with traditional bank underwriting," says Ben Barbanel, OakNorth's chief lending officer.

Vik Uppal, founder and chief executive officer of New York-based Mavik Capital Management, notes the firm has seen a particular pocket of opportunity around financing masterplan developers.

"Post-GFC, most national and regional homebuilders went asset-light, and there have been some very interesting opportunities of financing more masterplan developers for some of the horizontal improvements they need to make in order to sell off lots to the homebuilders," Uppal adds. "It is very market- and situation-specific."

"It is interesting to see why these are becoming increasingly popular with the larger managers," says Bill Sexton, chief executive of Atlanta-based advisory Trimont. "They are often unable to access the sector with their existing infrastructure and buying [or investing in] those smaller managers is a way to access the market."

Nonetheless, the managers that spoke with *PERE Credit* underscored the need to proceed cautiously into financing or executing new residential development because of the impact of rising costs and because, despite today's general lack of supply, there are still pockets of over-development.

Norfolk-based Harbor Group International is one firm to find both

New ventures, platforms help to chip away at the housing shortage

2025

MARCH

Faes & Co lines up an undisclosed commitment from OakNorth to help expand its bridge lending business

JULY

Natixis and D2 Residential form a joint venture to originate fixed-rate, stabilized loans on multifamily and residential assets. The JV is targeting $2 billion-$3 billion of new loans

OCTOBER

- **Ascent Developer Solutions funds a $400 million construction facility for Thomas James Homes, the largest single-lot homebuilder in the US**
- **Greystar lines up a $250 million allocation from the California State Teachers Retirement System for its largest fund, which focuses on the development of housing**
- **Greystone raises $104 million for its first LIHTC fund**

NOVEMBER

- **Digital bank OakNorth Bank provides a $30 million note-on-note financing for a New York-based lender**
- **Saluda Grade finances its first rated residential transition loan securitization**

DECEMBER

Avila Real Estate Capital launches a $1 billion fund to originate project-level loans for land development and homebuilder revolver lines

2026

JANUARY

- **Roc360 secures a $150 million commitment from Temasek to fund its residential transition loan origination program**
- **Pretium, Walker & Dunlop launch Walker & Dunlop Affordable Bridge Capital to fund short-term, first mortgage bridge loans on multifamily properties**

elements a challenge, says Yisorel Berg, the chief investment officer of its multifamily business. The firm has been able to participate in a handful of multifamily development deals, but often finds deals do not pencil because of the cost of debt and impact of overbuilding.

"When we're looking at rents and forward rents, there is softness, and development costs continue to rise while valuations have come in. This has created a harder math equation to solve when you're looking at costs versus where the newer deals are trading," Berg says.

Portfolio construction

There is also a further challenge of matching capital with opportunities within the residential sector, says Josh Morris, a partner and head of the global real estate group at Davidson Kempner Capital Management. "From our perspective, the residential sector tends to be a relatively low cost of capital sector, and we tend to have a higher cost of capital," he notes.

Morris observes that when firms are allocating capital within the residential sectors, they often look to do so on the credit side. This is because the expected rates of return on equity are not high enough to justify new investments. "When that happens, people look at credit and say, 'Instead of investing in equity, because I can't get my return, I'll just do credit instead. At least I have a floor and a known expected rate of return, and I'll take that over owning equity,'" he adds.

OakNorth's Barbanel believes the current interest in the residential housing credit markets is driven less by a housing shortage and more by the potential returns.

"I think there is a lot of liquidity in the market chasing yield, and a lot of that liquidity is looking for equity-type returns. [These firms] have realized they can deploy into debt rather than equity and then leveraging that with back leverage from banks having cheaper cost of capital enhances returns further," Barbanel adds.

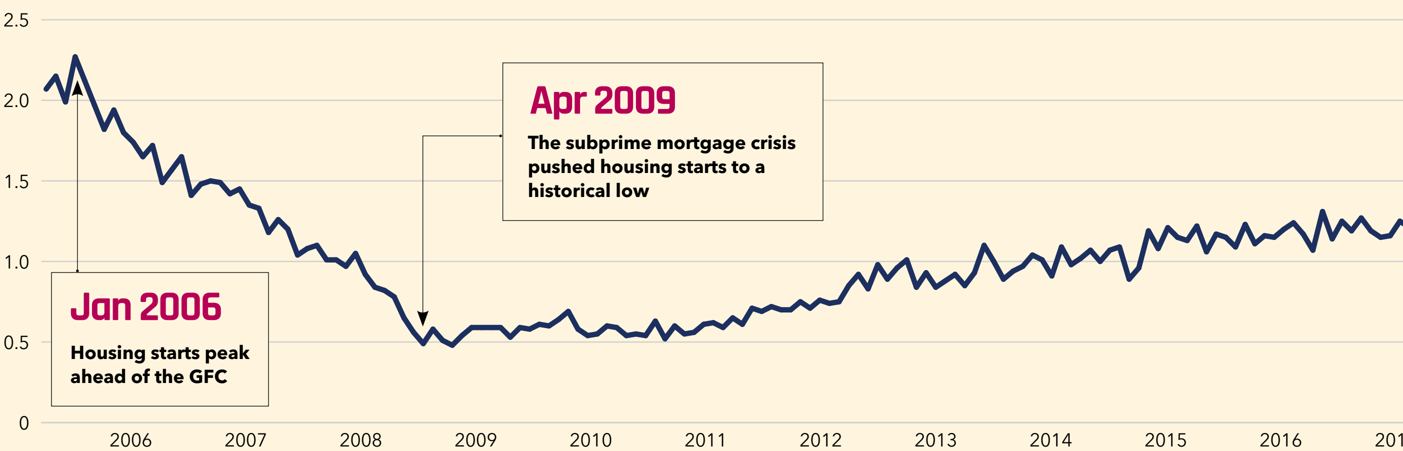
Generally speaking, the residential sectors have always been part of the investment thesis that helps pension funds and other institutional investors build stable, consistent cashflows, says Jennifer Mink, president and senior consultant at Philadelphia-based Investment Performance Services.

The firm, which oversees approximately $70 billion in assets for more than 190 Taft-Hartley funds, believes real estate fits the profile its clients are seeking. Investment Performance Services recommends real estate allocations of 15-20 percent for its retirement fund clients and oversees about $300 million of equity real estate investments.

"My job is to build an investment portfolio based on the goals, objectives, risk tolerances and need for cashflows," Mink says. "We believe residential is the new forefront for where real estate will go, as office and retail are downplayed in terms of sector allocations."

Investment Performance Services has also found its clients are interested in affordable housing for their

US housing starts have declined steeply since the global financial crisis (October 2005-October 2025; millions of starts)



Source: Federal Reserve

investment profile, as well as the ancillary benefits of being able to provide union hours for workers on these projects, Mink adds.

Pockets of opportunity

A common theme among alternative lenders targeting residential opportunities is filling gaps in capital stacks, says Brian Sedrish, chief executive officer of Palm Beach-based mortgage real estate investment trusts Sunrise Realty Trust and Southern Realty Trust.

About 65 percent of the firm's portfolio is comprised of for-sale and rental residential properties, primarily focused on the Southern US. Sedrish continues to see borrowers seeking flexibility to allow them to complete a business plan or bridge until the investment sales market reboots.

Many of the firms active in residential lending are operating via a more traditional private equity fund structure. But a mortgage REIT provides a permanent capital vehicle, Sedrish notes.

"My whole career had been based on delayed draw, finite-life institutionally-backed funds, and that limited my ability to do shorter-duration deals," he says. "We're not hung up on shorter-duration deals because we have the ability to recycle that capital back again in perpetuity."

Sedrish, like his peers, is conscious of potential downsides but notes the market is a more advantageous place for lenders today.

"We can have more covenants, more restrictions and more requirements," he adds. "There is a lot more equity going into deals right now, thereby lowering leverage, which has been very helpful."

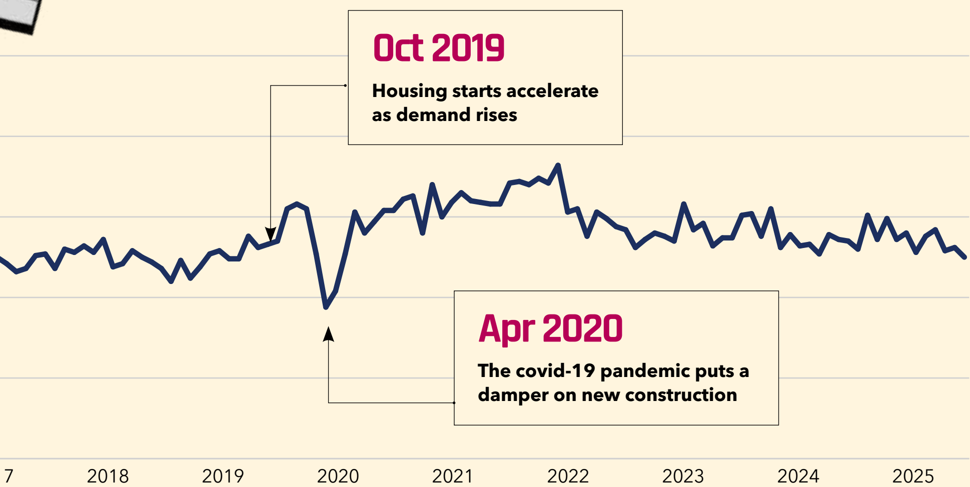
Calculating the cost

In December, the Federal Reserve made its third interest rate cut of 2025, and while market participants generally applauded the move, they also cited continued concern over longer-term rates.

"The 10-year and 30-year Treasuries are important because they control the cost of permanent financing for developers," Rahimian says. "They also define whether people can buy a new house or move to a larger one. People were able to get very low financing in the last cycle and now they're almost forced to stay where they are because they can't afford to move."

In addition to rates, insurance costs are higher and the costs associated with maintaining a home have also risen. "That is really creating a dynamic where now people are paying a significant amount of their income to be able to own a house. We may be in a part of the cycle where there's not as much value as was placed in previous generations with that home ownership," Rahimian adds.

The Federal Reserve has also demonstrated a less hawkish path in terms of interest rate policy. Additionally, it seems to be trending more toward quantitative easing and opening what banks can do in terms of



Brooklyn microcosm

The housing shortage in New York is representative of what some US metros are facing

Northwind Group, a New York-based commercial real estate private equity and debt manager, in December funded a $113 million loan for the development of a 52-story residential and condominium property on the site of a vacant office building in Brooklyn Heights.

While the mixed-use project at 205 Montague Street will bring online 40 condominium and 90 rental units, Ran Eliasaf, Northwind's founder and managing partner, tells *PERE Credit* this is a far cry from what the city needs, both in terms of the number of units and their affordability.

"I wish this project could alleviate the pain point in New York because the city is seeing a real affordability problem stemming from a supply issue," Eliasaf says. "New York needs to add about 500,000 units of housing over the next five to seven years. But from what we know, there are only about 90,000 units in the pipeline. That means we are about 400,000 units short."

"We're taking the aspects of private credit and combining them with traditional bank underwriting"

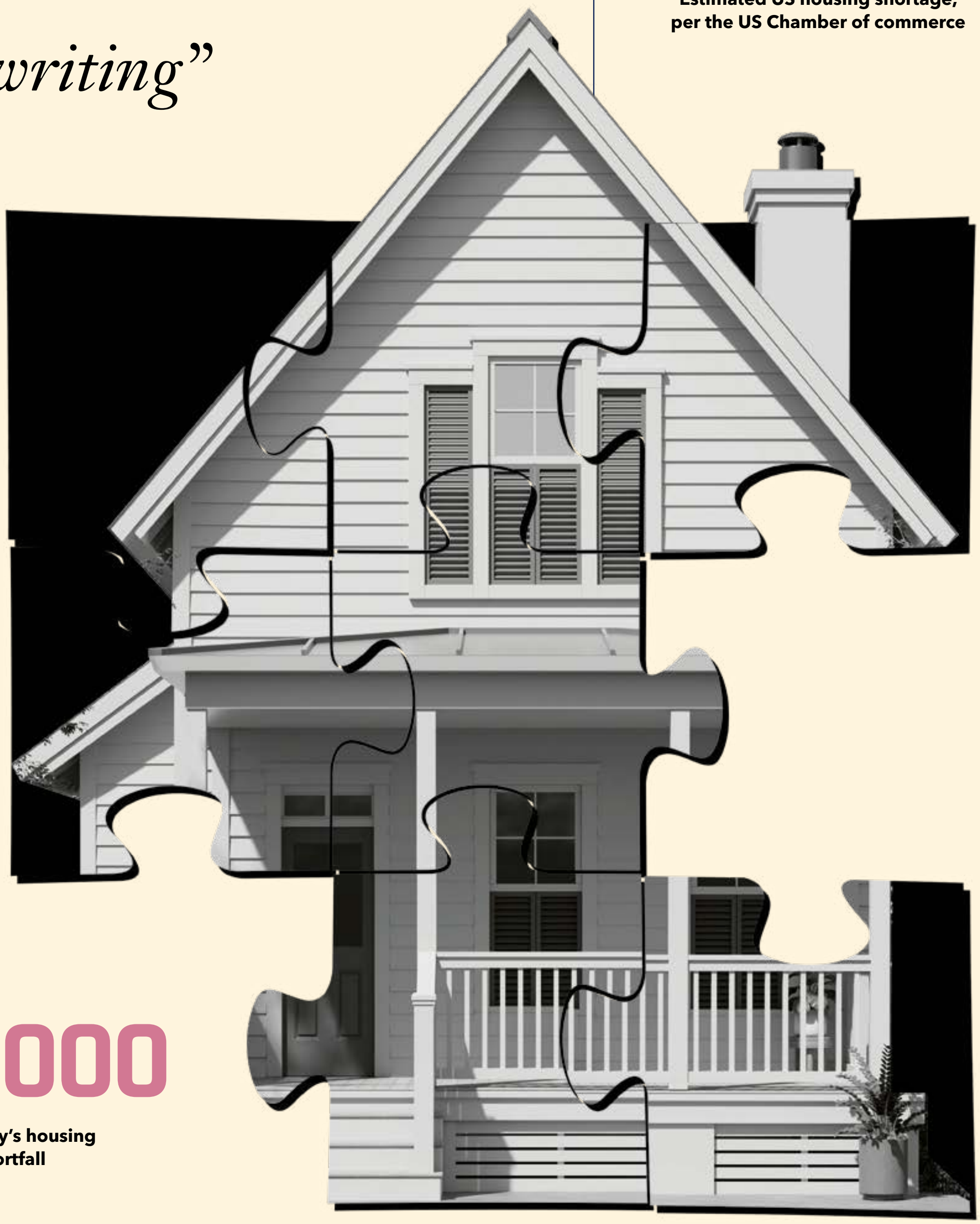
BEN BARBANEL
OakNorth

1.25m

New housing starts in October 2025, per the latest Fed data, still below the pre-GFC peak

4m

Estimated US housing shortage, per the US Chamber of commerce



400,000

New York City's housing unit shortfall

The self-storage effect

Self-storage, a sector affected by the supply issues in the housing market, has become an increasingly important adjacent sector

Institutional managers active in the residential market are also looking at related sectors. Lending on and investing in self-storage properties is a key part of that.

"Self-storage is a segment of the housing market," Hines' Scoville adds. "It is still a very fragmented sector, which means there is still an institutional play."

Heitman has seen the sector stabilize and is now seeing growth related to the lack of affordable housing, says Annie Trucco, senior associate, investment research.

"We are seeing more people turn to storage for what we call lifestyle uses. When you think about a resident who is cost-constrained or priced out of moving into that next housing unit, self-storage can be a relatively affordable solution for their existing space," she says. "The stays in that situation tend to be longer in duration, which makes the rent rolls more durable."

regulations and their reserve requirements, Rahimian says.

"A year from now we could see a world where there is a lot more money in the system and then, maybe the long end of the curve will come down to some degree that makes it accretive to real estate players," he says.

Joe Lubeck, the founder and chief executive of Sun Belt multifamily specialist American Landmark, notes the decline in homeownership has increased the stress on this segment of the residential market.

"Homeownership has become unaffordable because of mortgage rates and required deposits," Lubeck adds. "People say corporate buyers are buying up the single-family homes, which is simply not true. The issue is one of mortgage affordability."

Lubeck noted the firm's monthly collection rates are about 98.5 percent, the highest level he's seen in his career. Additionally, he has observed an increase in affordability of rental units.

"The normal industry metric around affordability is that no more than 30 percent of income is allocated toward housing. In our properties, we are at 22 percent," Lubeck adds. "The fact is that we want to see everyone have a home they can afford to live and be comfortable in."

Over the past five years, there has been rising institutional appetite for 'fix-and-flip' loans to investors buying one- to four-family properties, notes Justin Land, chief executive of Merchants, a KKR-owned real estate lender.

"The timeframe for these transactions is often very short," Land says. "In the past, borrowers have had various options, including borrowing money from family and friends or borrowing through a local bank."

But as these banks have pulled back, lenders like Merchants have been able to provide more affordable finance and offer a speedier timeframe to borrowers. "The securitization of these loans has also helped with the cost to borrowers," Land adds. "That is the opportunity for lenders like us – there needs to be an active source providing flexibility and speed and providing the draw for construction as they're fixing up the property."

Improving outlook

Despite efforts from a broad swath of lenders and managers, it will take a substantial amount of time and a variety of different approaches to solve the housing crisis.

Scott Alter, co-founder and principal at affordable housing specialist Standard Communities, says the firm is ready to move forward on the development of a pipeline of about $3 billion of new, affordable projects.

"Long-term rates have been in the range of 4-4.5 percent for almost two years now and that stability allows us to take risk," Alter says. "When the markets are stable and the rules are clear, it is possible to move ahead, and we are seeing this at the federal, local and state levels."

The Trump administration's One Big Beautiful Bill is part of this, doubling the availability of tax credits around the US. There is also greater comfort with the asset class. In this improving environment, Hines remains long on all forms of housing, with Scoville underscoring that despite pockets of overbuilding, demand remains strong.

"Over the past five years, it has become apparent that what we are seeing is really a supply issue," says Scoville. "When you build housing, it becomes more affordable. It's not a demand issue, it's not a rent issue, it's just a lack of housing." ■