

CMBS Issuance Surges to Post-GFC Highs in the First Quarter

Elevated first quarter supply adds to technical risks in the sector.

CMBS new issuance volumes reached a post-global financial crisis (GFC) high in the first quarter. This supply was well-absorbed through March. Spreads widened slightly alongside other investment-grade credit sectors, but this modest correction did not slow issuance given the broadly supportive macroeconomic backdrop. Demand for commercial real estate lending capital from data center operators is expected to rise significantly, further increasing the likelihood of heavier CMBS supply. Maintaining credit discipline is essential as market technicals continue to pressure credit standards in the sector.

Sector Commentary

- CMBS issuance more than doubled to \$42 billion in Q1, up from \$19 billion last year.
- Over \$26 billion in year-to-date issuance came from single asset/single borrower (SASB) transactions. Investors favor SASB deals for their unique risk exposure over traditional conduit CMBS.
- Office-backed SASB deal issuance exceeded all diversified conduit deals this quarter, showing strong investor preference for the SASB format.
- Substantial growth in data center SASB issuance is possible in upcoming quarters. First quarter data center issuance was limited due to headline risks like DeepSeek, causing a temporary pause. Consequently, office SASB issuance more than doubled data center CMBS issuance during this period.
- As AI infrastructure construction progresses, CMBS investors may have opportunities to invest in data center bonds.

Investment Themes

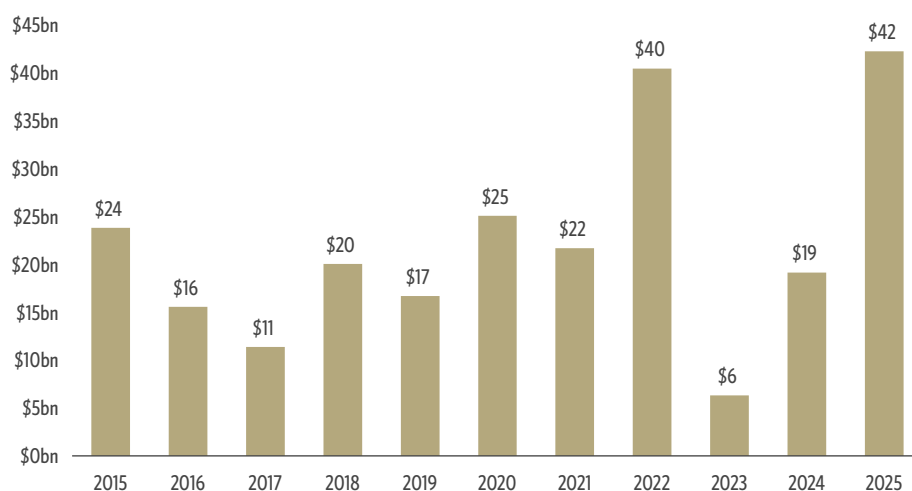
- We maintain our preference for senior securities with higher credit enhancement, capable sponsorship, and limited exposure to legacy real estate issues, particularly in the office sector.
- Select SASB and CRE CLO transactions present opportunities for attractive risk-adjusted returns, as spreads remain relatively wide compared to more liquid corporate bonds.
- Conversely, we find that most mezzanine and junior bonds across CMBS subsectors do not adequately compensate investors at current levels.

By Tom Nash and Hongli Yang

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CMBS Issuance Has Hit Post-GFC High

Q1 CMBS Issuance (\$bn)



Source: Guggenheim Investments, Bloomberg. Data as of 3.31.2025.

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