

The retrade is the debt talking.

Rates rose between contract and closing. Buyers asked for lower prices, and sellers gave ground. In one reported apartment sale, the price cut landed within about \$92,000 of the loan proceeds the rate move erased. Price is following what the debt will carry.

THE SHORT VERSION

- 01 Buyers who signed earlier this year want price cuts. Rates rose in late summer and the Fed raised a quarter point in September.
 - 02 One reported Midwest apartment sale: borrowing costs up 60 bp, price cut \$600,000 on about \$20 million.
 - 03 Our estimate of the loan proceeds that move erased: about \$690,000.
 - 04 An ongoing ARC study of 330 reviewed appraisals: more than half concluded above what the debt would carry.
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01 What happened

Commercial sales often take six to 12 months to close. This year that window caught a rate move. Bond yields climbed in late summer. The Federal Reserve raised its policy rate a quarter point in September and signaled more may follow.

Buyers who priced deals on cheaper financing are asking sellers for lower prices or better terms. One Cushman & Wakefield broker reported retrade calls within days of the Fed move.

Two reported cases sit in the Southeast. A Greenville, South Carolina retail property closed in September after a \$100,000 cut from a \$10.2 million price. A bank walked away from a \$45 million construction loan on a well-leased North Carolina retail center. A replacement lender was found.

BY THE NUMBERS

11.42%

CMBS loans in special servicing in August. Highest since February 2013.

\$5T+

Commercial and multifamily mortgage debt outstanding.

8%+

Drop in the FTSE Nareit All Equity REITs index since late August.

02 The math behind the retrade

The Midwest sale was reported with a price, a unit count and a rate move. Nothing more. We filled in typical bank terms to test one question: does the price cut track the debt?

\$20 MILLION APARTMENT SALE	AT CONTRACT	AT CLOSING
Interest rate	6.50%	7.10%
Mortgage constant	8.10%	8.56%
Maximum loan at 1.25× coverage	\$13,000,000	\$12,307,974
Loan proceeds lost		(\$692,026)

ARC assumptions: 65% loan to value at contract, 25 year amortization, 1.25× debt service coverage. Implied net operating income \$1,316,654; implied going-in cap rate 6.58%.

LOAN PROCEEDS LOST • 60 BP RATE MOVE • ARC ESTIMATE

\$692,026

PRICE CUT THE SELLER CONCEDED • AS REPORTED

\$600,000

—————| \$92,026 COVERED BY EQUITY

The seller covered most of the gap with price. The buyer covered the rest with equity.

03 What our ongoing study shows

330

Reviewed appraisals in the core sample.

59%

Concluded above the debt-supported value.

15%

Median excess where the appraisal ran above.

Debt-supported value is what a property's income will carry at prevailing loan terms and a typical coverage test. Debt analysis is not part of U.S. appraisal practice, and it falls outside the scope of our reviews. We track it as an internal study because we think it deserves attention.

Sample. 330 commercial appraisals from ARC's review files, tested at current loan terms (6.85%, 25 years, 1.25× coverage, 75% loan to value), after setting aside bad reads, non-as-is premises and wild outliers. Figures are machine-read and spot-checked; read errors lean high, so the share is stated conservatively. Observations only; not a second appraisal or a lending value.

04 Questions worth asking now

THE PENDING CONTRACT

When was it signed, and on what rates? Is it still firm? USPAP Standards Rule 1-5 requires analysis of a current agreement of sale. A contract signed earlier this year may not close at its price.

THE CLOSED COMPARABLES

Sales closing this quarter were often priced six to 12 months ago. Their cap rates reflect cheaper debt.

CAP RATE AGAINST CONSTANT

At 7.10% the mortgage constant runs near 8.6%. On a 6.6% cap rate, every borrowed dollar costs more than the property earns on it. Leverage is negative.

WHAT THE DEBT CAN CARRY

Loan terms sit outside the appraisal. They still decide what a buyer can pay at closing.

CONSTRUCTION AND REFINANCE EXITS

Some lenders are pulling back. Takeout and exit cap assumptions deserve a second look.

Price follows the debt. The appraisal does not measure it. The bank should still watch it.

ABOUT ARC

ARC Appraisers is an independent commercial valuation review and compliance firm. We support bank appraisal and credit teams with review overflow, difficult and unusual collateral, and compliance work on a USPAP and FIRREA workflow. 20,000+ reviews completed.

Debt-supported value is an ongoing ARC study, not a service. We share the findings as observations for our clients to consider.

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Sources. CRE Daily, "Rate Surge Fuels Retrades as CRE Buyers Demand Price Cuts," 6 October 2026, reporting on The Wall Street Journal; Trepp and Green Street data as cited there. **Assumptions.** Loan terms in section 02 are ARC assumptions; the reported sale disclosed price, unit count and rate change only. **Limits.** Market observations. Not appraisals, value opinions, credit analysis or investment advice; no specific borrower or lender is described.

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