DATA DISPATCH

CRE delinquencies drop in Q2 2025 as banks clean up problem loans

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Market Intelligence

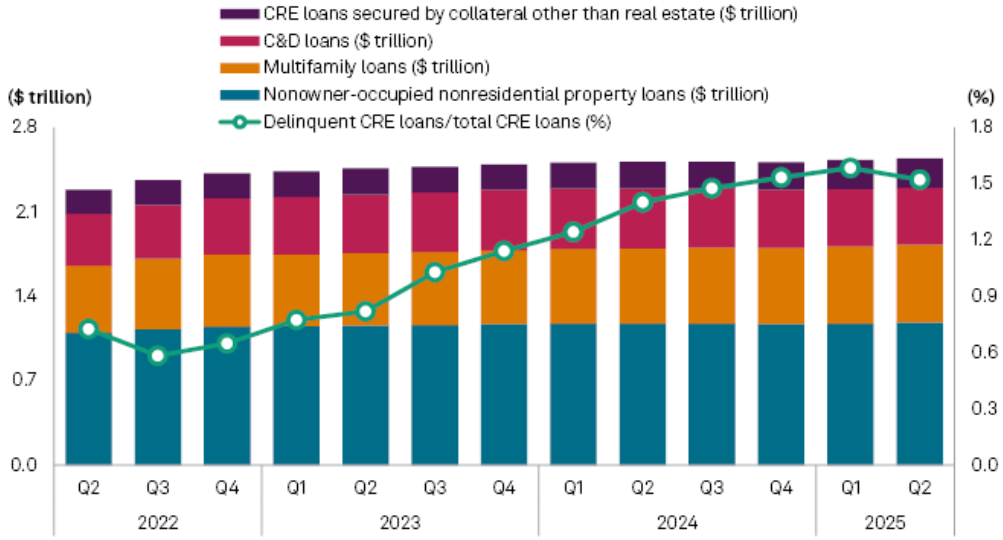
Commercial real estate delinquencies notched their first sequential decline since 2022 in the second quarter as banks continued to clean up problem loans in the office and multifamily sectors.

The delinquency rate for commercial real estate loans declined 6 basis points from the first quarter to 1.52%, according to data from S&P Global Market Intelligence. The pace of year-over-year increases for the sector has consistently slowed since peaking at 58 basis points in the second quarter of 2024 and falling to 12 basis points in the second quarter this year.

Strains from overbuilding and an office market adapting to work-from-home patterns have been easing, according to analysts.

"US office market performance steadily improved from 'peak nervousness' 1-2 years ago," BofA Global Research said in a note on Aug. 22, with rents stabilizing in many markets even as vacancy rates inch higher. "In the multifamily market, new completions have fallen sharply over the past year, especially for sunbelt markets that saw new supply surge in the immediate post-COVID years."

CRE composition and delinquency at US banks



Data compiled Aug. 22, 2025.
CRE = commercial real estate; C&D = construction and development.
Delinquent loans consist of loans 30 or more days past due and loans in nonaccrual status.
Analysis based on aggregates for operating and historical US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.
Regulators define commercial real estate loans as construction and land development loans + multifamily loans + nonowner-occupied nonresidential property loans + commercial real estate loans secured by collateral other than real estate.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.
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Signs of inflection

Citizens Financial Group Inc. said in its earnings report that its nonaccrual loans have probably peaked, with executives underscoring that its allowance coverage

ratio for its office portfolio declined for the first time since intense stress in the sector emerged. The bank still expects a cumulative loss rate for the office loans of about 20%.

"I don't think we've moved an office property into our workout group in the last year," said Donald McCree III, senior vice chair and head of commercial banking. "So the problem children who are going through the workout process and where we've got the reserves put up are well-identified and well through their restructuring process."

Criticized loans, which include loans flagged for signs of weakness in addition to those that have already missed payments, have declined across banks in each of the first two quarters this year.

That included continued improvement at M&T Bank Corp., where criticized CRE loans fell $813 million, or 15.1% sequentially to $4.55 billion. The bank expects continued declines in criticized loans over 2025, though at a more moderate pace.

US banks with the most CRE loans, Q2 2025

		Total CRE loans*				
Company (top-level ticker)	Total assets ($B)	($B)	YOY change (%)	Proportion of total loans (%)	Proportion of total assets (%)	Leverage ratio (%)
JPMorgan Chase Bank NA (JPM)	3,788.55	188.40	8.4	13.2	5.0	7.74
Wells Fargo Bank NA (WFC)	1,746.39	127.06	-7.3	14.2	7.3	8.93
Bank of America NA (BAC)	2,665.56	85.08	-1.7	7.4	3.2	7.59
U.S. Bank NA (USB)	671.44	49.36	-8.9	12.9	7.4	9.35
Capital One NA (COF)	648.91	46.13	0.2	10.3	7.1	12.61
Flagstar Bank NA (FLG)	92.18	40.53	-13.3	62.9	44.0	9.11
PNC Bank NA (PNC)	554.57	40.07	-16.8	12.2	7.2	9.21
Truist Bank (TFC)	535.59	39.02	-4.2	12.2	7.3	9.81
Citibank NA (C)	1,833.93	36.79	-1.9	5.3	2.0	8.95
Manufacturers and Traders Trust Co. (MTB)	211.04	28.35	-16.9	20.8	13.4	9.76
Citizens Bank NA (CFG)	217.97	27.40	-6.3	19.4	12.6	9.79
TD Bank NA (TD)	356.45	24.97	0.7	14.6	7.0	10.84
BMO Bank NA (BMO)	253.74	23.63	-2.8	16.6	9.3	10.52
Valley National Bank (VLY)	62.65	23.58	-10.4	47.7	37.6	10.26
First-Citizens Bank & Trust Co. (FCNC.A)	229.41	23.39	7.6	16.5	10.2	9.81
Bank OZK (OZK)	41.45	22.02	5.5	66.7	53.1	13.59
Webster Bank NA (WBS)	81.84	19.97	-4.0	37.0	24.4	9.08
East West Bank (EWBC)	77.62	19.49	6.7	35.5	25.1	9.96
SouthState Bank NA (SSB)	65.87	19.01	62.9	39.9	28.9	10.16
KeyBank NA (KEY)	182.59	18.22	0.3	17.0	10.0	9.81
Group median			**-2.3**	**16.6**	**9.6**	**9.80**

Data compiled Aug. 22, 2025.
CRE = commercial real estate.
Analysis limited to operating US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with foreign banking organization are excluded.
* Regulators define commercial real estate loans as construction and land development loans + multifamily loans + nonowner-occupied nonresidential property loans + commercial real estate loans secured by collateral other than real estate.
Data based on regulatory filings.
Tickers based on top-level entities' home country stock exchanges.
Source: S&P Global Market Intelligence.
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Flattish lending

With recent declines in construction across the US and CRE prices well off recent peaks, CRE loan growth has been weak for several quarters.

CRE loans across banks were up 0.5% sequentially and 1.1% from the year prior during the second quarter, according to data from Market Intelligence. Year-over-year growth rates neared or exceeded 10% across 2022 and into early 2023.

Across the 20 banks with the biggest CRE portfolios, such loans fell by a median 2.3% from the prior year. That includes declines of greater than 16% at the principal operating subsidiaries of M&T and Flagstar Financial Inc., both of which have made deliberate, aggressive efforts to reduce their exposure.

M&T said it could still return to growth in CRE late this year after having roughly hit its target allocation to the sector.

Citizens Financial said it plans to keep reducing its CRE portfolio by about $500 million a quarter, though still expects to hit its initial guidance for loan growth for the year.

Number of US banks exceeding 2006 CRE loan concentration guidance



Data compiled Aug. 22, 2025.

CRE = commercial real estate; C&D = construction and development; ALLL = allowance for loan and lease losses.

Analysis includes operating and historical US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

Regulators define commercial real estate loans as construction and land development loans + multifamily loans + nonowner-occupied nonresidential property loans + commercial real estate loans secured by collateral other than real estate.

Since the first quarter of 2020, regulators have recommended using Tier 1 capital plus the entire ALLL as the denominator in credit concentration calculations because of many banks qualifying for and opting into the community bank leverage ratio framework. Banks adopting the current expected credit loss model should use the portion of the credit losses attributed to loans and leases plus Tier 1 capital.

Companies that met both criteria are included in the totals for each criterion, causing overlap between the totals of each criterion.

Data based on regulatory filings.

Source: S&P Global Market Intelligence.

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Concentration

The number of banks exceeding regulatory guidance for CRE concentration fell for the ninth consecutive quarter in the second quarter, with a sequential drop of 26 banks to 375.

For banks that remain above the guidance, exposure to real estate is an area of ongoing investor focus.

Shares at Eagle Bancorp Inc. dropped sharply on the day of its second-quarter earnings report, as it posted a spike in net charge-offs and credit expenses driven by its office loan portfolio, which is largely in the Washington, DC, metropolitan statistical area. Eagle Bancorp subsidiary EagleBank is the third-largest bank by assets in the list of banks, exceeding the regulatory guidance for CRE concentration as of June 30, according to data from Market Intelligence.

Largest US banks exceeding 2006 CRE guidance as of June 30, 2025

		CRE guidance criteria					
Company (top-level ticker)	Total assets ($B)	CRE[1]/(Tier 1 capital + ALLL)[2] (%) At least 300%	AND	Growth in CRE last 36 months (%)[3] At least 50%	OR	C&D/(Tier 1 capital + ALLL)[2] (%) At least 100%	Leverage ratio (%)
Bank OZK (OZK)	41.45	376.7		61.5		148.6	13.59
Provident Bank (PFS)[4]	24.55	445.0		82.3		31.4	10.12
EagleBank (EGBN)	10.55	352.3		18.6		114.8	10.78
Centier Bank	9.83	330.1		51.2		71.0	10.03
International Bank of Commerce (IBOC)	9.73	233.1		45.8		116.5	17.95
Burke & Herbert Bank & Trust Co. (BHRB)[4]	8.04	323.7		176.1		36.1	11.51
Poppy Bank	7.03	361.4		114.9		62.6	9.45
Stockman Bank of Montana	6.86	332.2		97.9		136.8	9.78
United Fidelity Bank FSB[4]	6.37	476.9		67.4		0.7	9.48
First Internet Bank of Indiana (INBK)	6.05	355.7		64.0		69.5	7.93
Shore United Bank NA (SHBI)[4]	6.04	354.2		121.6		57.8	9.20
Wilson Bank and Trust (WBHC)	5.63	296.9		48.9		145.7	10.36
Orrstown Bank (ORRF)[4]	5.39	305.1		108.1		42.1	9.85
River City Bank (RCBC)	5.32	617.1		61.6		2.0	9.42
Alerus Financial NA (ALRS)[4]	5.31	309.0		272.1		72.3	9.34
Needham Bank (NBBK)[5]	5.13	275.7		76.3		106.1	12.61
InterBank	5.01	493.8		62.6		171.0	10.87
Enterprise Bank and Trust Co. (INDB)[4]	4.95	378.4		46.7		111.1	9.84
Third Coast Bank (TCBX)	4.94	310.7		57.8		127.6	11.89
Vantage Bank Texas	4.72	358.8		16.2		105.8	8.89
Industry median[6]		**129.7**		**28.1**		**29.3**	**10.81**

Data compiled Aug. 22, 2025.

CRE = commercial real estate; C&D = construction and development; ALLL = allowance for loan and lease losses.

Analysis represents the 20 largest US banks and thrifts by total assets as of June 30, 2025, that met at least one of the two CRE guidance criteria: CRE loans greater than or equal to 300% of Tier 1 capital + ALLL and growth in CRE loans greater than or equal to 50% over the last 36 months; or C&D loans greater than or equal to 100% of Tier 1 capital + ALLL.

[1] Regulators define commercial real estate loans as construction and land development loans + multifamily loans + nonowner-occupied nonresidential property loans + commercial real estate loans secured by collateral other than real estate.

[2] Under the new community bank leverage ratio framework, qualified community banks that elect to use the framework are not required to report Tier 2 capital; hence, to calculate credit concentration ratios such as CRE, regulators recommend using Tier 1 capital plus the entire ALLL. For banks that have adopted the current expected credit loss model, Tier 1 capital plus the portion of the allowance for credit losses attributed to loans and leases is used.

[3] 36-month CRE loan growth is calculated based on the call report filing as of June 30, 2025, relative to the call report filing as of June 30, 2022.

[4] Completed a merger or acquisition since July 1, 2022.

[5] NB Bancorp completed a standard mutual-to-stock conversion on Dec. 27, 2023.

[6] Includes operating and historical US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

Data based on regulatory filings.

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