Loan Origination Trends for Small CRE Loans (2018–2022)

Overview: Surge in Small-Balance CRE Lending

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Loans under $10 million have constituted a significant share of U.S. commercial real estate (CRE) financing in recent years. In 2018, for example, an estimated **$225 billion** in small-balance commercial mortgages (defined then as <$5M) were originated – roughly 39% of that year's total $574 billion CRE lending market [1]. Small loans remain a major segment today, with **hundreds of thousands of such loans** originated annually (the majority under $1M each) [2]. Overall CRE debt origination *peaked in 2021*, and small-balance lending rode that wave:

- **2020:** CRE lending slowed during the pandemic, totaling ~$614B (all sizes) [3]. Still, **small loans stayed active** – e.g. multifamily loans <$10M made up ~$80 billion (22% of all 2020 CRE originations) [4].
- **2021:** A record year – mortgage bankers closed **$683B** (large loans only) or an estimated **$890.6B** including smaller banks [3]. This was **55% higher** volume than 2020. Lending surged across asset classes: industrial loan originations were **48% above** any prior record, and multifamily **31% above** prior highs [5]. Multifamily led with $376B of total (all-size) originations [6], fueled in part by enormous growth in small-balance loans (see below).
- **2022:** As interest rates began rising, volumes cooled about ~10% from 2021's peak [7]. Even so, 2022 remained one of the *busiest* years on record for small loans. For instance, small multifamily lending was on pace for ~$64.4B – the second-highest ever (after 2021) [8].
- **2023:** Market activity pulled back sharply with higher rates. Small-cap CRE sales volume in 2023 dropped ~33% from the 2021 peak (to ~$119.5B in property trades) [9], implying a decline in new loan originations as well.

Who is making these loans? Local and regional **banks are the primary lenders** for sub-$10M CRE debt. In fact, smaller banks provided nearly *half* of all loans under $10M in 2022 [10]. This is unsurprising since loans of this size are often kept on bank balance sheets or financed by debt funds and specialty finance firms; (by contrast, large life insurers and CMBS pools focus on bigger-ticket loans). Even in 2022's tighter credit environment, community and regional banks stepped in aggressively on smaller loans (especially for retail and smaller multi-tenant deals) [11] [10]. The small-loan market is *highly fragmented* — one analysis noted 3,000+ active lenders, with even the top 15 players holding under 20% market share [12] [13].

Multifamily Loans <$10M

Multifamily (apartment) properties are a major component of the small loan market. Small-balance multifamily originations soared during the 2020–2021 boom. According to Arbor/Chandan Economics data, new multifamily loans with original balances between $1M and $7.5M **jumped to $94.1 billion in 2021**, a **63% increase** (+$35.6B) from 2020's volume [14]. This was an all-time high for the "small multifamily" segment. (For context, 2020's small multifamily lending was around ~$58 billion by this measure, so 2021 was a massive leap.) The surge was driven by **low interest rates, rising rents/property values, and investor demand**. Many new investors were drawn into smaller apartment properties for their stability and strong post-COVID rent growth [15]. At the same time, **refinances** played a big role – with interest rates at historic lows in 2020–21, owners rushed to refinance apartment buildings, boosting origination counts (refis comprised upwards of 60–70% of small multifamily loan volume in 2020) [16] [17].

After 2021's peak, **small multifamily lending eased in 2022** as rates rose, but remained very robust. Industry estimates projected about **$64.4B for 2022** in new small multifamily loans – *still the second-highest year on record* for this segment [8]. By number of loans, multifamily also sees an enormous count of small deals: banks, agencies, and specialty lenders collectively originated thousands of sub-$10M apartment loans per year. (In total, **2,215 multifamily lenders** were active in 2021 across all loan sizes [18] – illustrating the depth of the market, from big institutions down to community banks and credit unions that finance small local properties.)

Agencies and programs: A notable share of small multifamily debt has been facilitated by Fannie Mae and Freddie Mac's **Small Balance Loan** programs (typically covering loans up to ~$6–7.5M). These programs, along with FHA and other outlets, provided liquidity that helped small multifamily originations hit record levels. For example, Walker & Dunlop noted that **multifamily loans under $10M comprised $80 billion of volume in 2020**, about 22% of all commercial mortgage originations that year [4]. This underscores how pivotal the small apartment loan segment is within CRE finance.

Loan terms: Small multifamily loans often carry **5, 7 or 10-year fixed rates** (with 25-30 year amortizations), or hybrid structures (fixed then floating). Many banks also offer floating-rate mini-perm loans for apartments. One industry analysis found that overall, about **74% of commercial mortgages are floating-rate**, while the majority of fixed-rate loans (81%) have **maturities within 5 years** [19]. This implies many small multifamily loans from the 2018–2021 period were either short-term or are due for payoff/refi by the mid-2020s.

Industrial Loans <$10M

Industrial properties (warehouses, flex spaces, small manufacturing facilities) saw *tremendous growth* in both investment and financing activity through 2020–2022. The e-commerce boom and supply-chain shifts drove demand for smaller warehouses and "last-mile" distribution centers, many of which fall under the $10M loan threshold in secondary and tertiary markets. CRE lending on industrial assets hit records in 2021 – origination volume for industrial loans (all sizes) was **48% higher than any previous year** [5]. A considerable portion of this was composed of **small-balance loans** financing smaller industrial buildings (often <50,000 sq. ft.).

To gauge scale: in 2021, **small-cap industrial property sales** (deals under ~$5M) were extremely active – absorption of small industrial space hit a 7-year high and investors "hit the gas" on acquisitions [20] [21]. Boxwood Means reported that **small-cap industrial sales** totaled about *$32.3B in 2024*, up 11% from 2023 [22]. At the 2021 peak, this figure would have been even higher (likely $40B+ for small industrial transactions given the hotter market). Many **last-mile warehouses** and multi-tenant industrial parks changed hands in 2021–22, often financed by regional banks and debt funds familiar with local industrial markets.

Small industrial loans tend to be **shorter-term** and often **floating-rate** (to allow flexibility for owners to refinance or reposition properties). Banks have favored these assets due to their strong performance – industrial had extremely low vacancy (<4%) and rising rents during 2021 [23][24]. Thus, lenders viewed even small warehouses as solid collateral. By 2022, as interest costs rose, industrial lending slowed somewhat but remained above pre-pandemic norms (industrial was among the **best-performing sectors** in loan portfolios). Overall, **thousands of sub-$10M industrial loans** were originated in the past five years, reflecting the proliferation of small logistics facilities nationwide.

Retail Loans <$10M

Retail real estate (neighborhood shopping centers, free-standing stores, strip malls) historically **accounts for the largest share** of small CRE loans by property type. There is a vast inventory of smaller retail properties across the country, and many transact at prices under $10M, requiring modest loan sizes. In 2024, for instance, **retail properties comprised ~40% of small-cap CRE sales volume**, leading all sectors (about $51.2B of the $128B in sub-$5M property sales) [25][26]. In the 2021 boom, small retail deal volume was even higher – likely on the order of $75–80+ billion in sales of small retail assets (since 2021's overall small-cap sales were ~$195B, 52% higher than 2024) [9][26]. This implies **tens of billions in new retail loan originations** annually for sub-$10M deals during the 2018–2022 span.

Origination trends: After a brief pandemic dip in 2020, investment in small retail properties rebounded strongly. As consumers returned to stores in 2021, vacancy at local retail centers fell to historic lows (~4%) and net absorption turned positive for four consecutive quarters [27]. Lenders responded by financing acquisitions and refinances for grocery-anchored centers, drive-thru pads, and neighborhood strips. Local banks were particularly active – in fact, **investors seeking loans < $10M for retail assets rely heavily on local/regional banks, which made nearly half of such loans in 2022** [28][10]. These banks often offered **55–70% LTV** financing on stable retail deals [29].

Even as e-commerce trends sparked debate about retail's future, smaller retail centers (serving daily-needs and services) proved resilient. **Loan performance** on small retail has held up relatively well, and **life insurers** and CMBS lenders have shown some appetite for higher-quality small retail (e.g. $5–$10M loans on grocery-anchored centers), though banks remain the dominant source [10][30]. By 2022, rising interest rates started to cool refinancing volume, but many owners still refinanced maturing loans from the mid-2010s, keeping origination activity solid. All told, **retail loans under $10M** have been a core business line for community lenders, representing one of the largest slices of small CRE loan portfolios each year.

Regional Trends and Intermountain West Focus

Regional patterns in small loan origination generally mirror broader CRE investment trends. The **Sun Belt and Mountain West** regions saw *outsized growth* in 2020–2022, so they also generated heavy small-loan volume. Markets in the **Intermountain West (Utah, Colorado, Idaho, Wyoming)** enjoyed rapid population and job growth, fueling demand for apartments, warehouses, and retail – much of it in projects suitable for sub-$10M financing. For example, Utah's Wasatch Front (Salt Lake City metro) experienced a boom in multifamily development and mid-sized industrial facilities during 2020–21, which likely led to a high concentration of small loan originations.

While hard data **by region** for loans <$10M is limited, we do know that **local banks in these regions were very active**. Many Intermountain community banks significantly expanded their CRE loan books in 2021–22 (double-digit growth rates), primarily through small and mid-sized loans. Anecdotally, Salt Lake City saw record commercial construction loans and permanent take-out loans for new apartment complexes in the ~$5–$15M range. Similarly, secondary markets in Idaho and Colorado had numerous bank-financed retail center trades under $10M.

In contrast, some coastal gateway cities (e.g. San Francisco, NYC) have fewer CRE assets under $10M, so small-loan activity is proportionally less there (deals tend to be larger). **Midwestern and Southern** regions with more small standalone properties and local investors generate a higher count of small loans. Notably, **the Northeast in early 2023 bucked a slowing trend** with a pickup in small retail deal flow in affluent suburban markets [31] [32] – again indicating how regional economic conditions drive loan origination volumes. Overall, the Intermountain West has been a hotbed for small CRE lending recently, but **every U.S. region has a substantial pipeline of sub-$10M loans** given the ubiquitous need to finance smaller properties.

Maturity Outlook: Many 2020–2022 Loans Coming Due

A key motivation for this analysis is understanding how many of these small CRE loans will **come due in the next few years**, given typical 5–7 year terms. The answer: *a lot*. Most bank and non-bank portfolio loans made around 2020–2021 will reach maturity by **2025–2028**. In fact, the industry faces a broader "maturity wall" in 2025: roughly **20% of all outstanding U.S. commercial mortgages (about $957 billion out of $4.8 trillion)** will mature in 2025 alone [33]. This is nearly triple the historical average annual maturities, reflecting the refinancing bulge from loans originated during the 2018–2020 low-rate era [34].

Crucially, **small-balance loans make up a significant portion** of this wall. Banks – which hold the bulk of sub-$10M loans – often wrote 5-year notes in 2020 that hit maturity in 2025. Many 7-year loans from the 2018 peak will also mature by 2025. As noted, about **81% of fixed-rate CRE loans have terms of 5 years or less** [10], meaning the great majority of small fixed loans written in the 2018–2021 period will require refinancing by 2025–2026. This includes countless small apartment building mortgages and commercial credit lines on strip centers.

Market observers are indeed warning of a **wave of small loan maturities**. Higher interest rates and tighter credit conditions today pose challenges for refinancing these loans. Some **distress potential** exists: as one report highlighted, higher-leverage loans made "over the past five years" (often at low rates and high valuations) could face difficulty refinancing at today's rates and lower loan-to-value thresholds [35]. Borrowers with maturing loans may need to inject cash or seek mezzanine capital to secure new financing [36].

In summary, the **2018–2022 origination boom for sub-$10M loans** means a corresponding boom in **2023–2027 maturities**. Thousands of small CRE loans in multifamily, industrial, and retail are hitting their 5- or 7-year term endpoints. This looming maturity pipeline is heaviest in 2025–26 (for 2020–21 vintage loans) and will test the market's capacity to refinance. Banks and other lenders are already tightening standards and increasing rates/reserves for these loans [11]. Owners and investors in the **small loan space** should be prepared for refinancing hurdles ahead, even as the underlying properties (especially multifamily and essential retail) generally continue to perform solidly.

Sources: Recent industry research and data from the Mortgage Bankers Association, Arbor Realty Trust/ Chandan Economics, Boxwood Means, and others have been used to compile the above findings. Key figures and quotes are cited from those sources for accuracy and reference [4] [10] [5] [14] [8] [1] [26] [33] [19]. Each provides insight into the volume and characteristics of small-balance commercial real estate lending in the U.S. over the past five years.

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