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October 2025 NH CIBOR president’s message: CRE funding - by Kathy DeMello

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Kathy DeMello

Summer is over, the stock market appears stable, and mortgage interest rates are coming down. That led me to explore various innovative CRE funding vehicles available to help investors purchase wisely. Here is what I found:

• Green Bonds and Sustainability-Linked Instruments

Green bonds and sustainability-linked loans are debt instruments that fund environmentally beneficial projects. These vehicles can carry lower interest rates or improved terms when issuers meet predefined ESG benchmarks. Corporations and REITs issue green bonds to finance energy-efficient retrofits, solar installations, or net-zero building certifications. This approach appeals to institutional investors committed to decarbonization and can unlock cost-effective capital for developers pursuing green projects.

• Opportunity Zone Funds

Opportunity Zone (OZ) funds enable investors to defer or reduce capital gains taxes by reinvesting proceeds into designated low-income communities. Real estate projects — from mixed-use developments to affordable housing — can qualify if held for five to ten years. This tax incentive spurs investment in underserved areas, allowing sponsors to secure equity at competitive pricing while delivering community revitalization outcomes. OZ financing often pairs with conventional debt and equity, creating a layered capital stack.

• Crowdfunding and Online Platforms

Crowdfunding platforms democratize access to CRE deals by pooling small investments from accredited and non-accredited participants. Sponsors list projects on specialized marketplaces, offering equity or debt stakes with minimum tickets as low as $5,000. Investors gain portfolio diversification and transparency through online dashboards, while sponsors benefit from faster capital raises and a broader investor base. Some platforms also integrate secondary trading, improving liquidity for individual stakeholders

• Private Debt and Non-Bank Lending

Non-bank lenders — including private debt funds, insurance companies, and mortgage REITs — have captured significant market share as banks retrench. In Q4 2024, life insurance companies accounted for 33% of non-agency loan closings, followed by debt funds and mortgage REITs at 23%, and CMBS conduits at 1.5%. These alternative lenders offer greater flexibility in structuring loans, underwriting based on asset-level cash flow or tailored loan-to-value ratios, rather than solely on borrower credit profiles

• Mezzanine Financing and Preferred Equity

Mezzanine debt sits between senior loans and common equity, providing sponsors with additional leverage without diluting ownership as heavily as issuing new shares.

Mezzanine providers — often private equity or specialized debt funds — charge interest plus equity participation or warrants. Preferred equity operates similarly, offering fixed dividends and priority over common equity in waterfalls. Both instruments can fill funding gaps, facilitating acquisitions, recapitalizations, or value-add renovations.

• Joint Ventures, Syndications, and Funds

Joint ventures (JVs) and syndications pool resources and expertise. Institutional or family-office investors partner with developers in JVs, sharing equity contributions and cash-flow splits. Syndicated funds aggregate capital into blind-pool vehicles managed by experienced sponsors, diversifying risk across multiple projects or geographies. Opportunity Zone funds, core-plus funds, and value-add vehicles each cater to distinct risk-return profiles, allowing investors to align their commitments with desired holding periods and targeted returns.

• Fintech Innovations and Blockchain

Technological platforms are reshaping CRE finance. AI-driven underwriting tools accelerate loan approval by analyzing market data, tenant credit, and property performance. Blockchain and tokenization enable fractional ownership, where digital tokens represent real-asset shares, potentially boosting liquidity and transparency. Smart contracts automate distributions and covenant enforcement, reducing administrative overhead and error

• Strategic Considerations

When evaluating innovative funding vehicles, stakeholders should:

• Assess the cost of capital versus traditional sources

• Understand regulatory compliance and reporting obligations

• Map out the capital stack waterfall and priorities

• Gauge investor appetite for emerging instruments

• Factor in deal timelines, tax implications, and exit strategies.

Innovative financing continues to expand the frontier of what’s possible in CRE. Whether you’re a sponsor seeking growth capital or an investor pursuing alternative yield streams, these vehicles offer tailored solutions to navigate today’s dynamic market.

Happy investing!!! Stay safe, be kind, and enjoy the beautiful autumn!

Kathy DeMello is the 2025 president of the N.H. Commercial Investment Board of Realtors, Bedford and is a Realtor - commercial specialist with Coldwell Banker Commercial Realty, Nashua, NH.