


Out of distress comes opportunity: The return to office credit

We believe significant dislocation in office lending has created compelling opportunities for investors. Today's market presents the potential to achieve income-driven, equity-like returns by primarily investing in senior first mortgage loans secured by quality U.S. office properties and supported by robust credit metrics.


This opportunity is underpinned by three factors:



Improving U.S. office leasing fundamentals



Historically attractive yield potential and conservative loan structures



Enhanced downside credit protection from lower, reset lender bases

Return to Office and Improving Fundamentals

Companies across industries have intensified a push for greater workplace presence to foster engagement and collaboration. The graphic to the right illustrates a small, cross-sector sample of the 61% of U.S. firms¹ that have implemented formal return-to-office (RTO) policies to align with these evolving expectations. Further, according to CBRE's 2025 Americas Office Occupier Sentiment Survey, employers have recognized the importance of enticing employees back to the office and are investing heavily in amenity-rich workspaces to support RTO strategies and meet attendance goals.

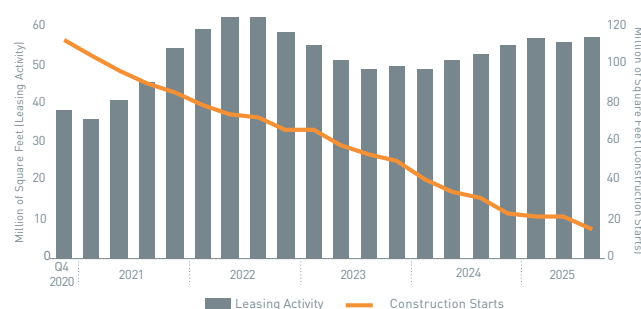
These trends have resulted in significant office leasing momentum as activity has nearly doubled relative to COVID lows – and not just within well-noted markets like New York and Miami. JLL's U.S. Office Market Dynamics Q3 2025 report identified that 18 U.S. markets have exceeded pre-pandemic leasing activity levels, and seven more have returned to over 90% of those thresholds, signaling that recovery is playing out across a wide range of cities.²

CIM has observed these trends first-hand, as our in-house 16-person property leasing team is experiencing its best office production in recent years. Current leasing run rates indicate the team is on pace to achieve three-year growth rates of 170% and 70%+³ in terms of square footage and number of leasing transactions, respectively.

Further supporting the increased demand is the precipitous decline in office supply. As illustrated in the chart below, construction starts are down 85%+ from their most recent peak in Q4 2020.⁴ Meanwhile, office deliveries in 2026 are expected to be at their lowest level in 30 years.⁵

We believe this growing demand-supply imbalance is supportive for office valuations, as is the stabilizing interest rate environment. The Federal Reserve's recent interest rate cuts and forward guidance for modest additional easing have been well-received to date, with the 10-year Treasury rate settling just north of 4% as of December 18, 2025.⁶

Rolling One-Year Office Leasing Activity and Construction Starts⁴



Source: CBRE Research, as of Q3 2025

All things being equal, lower and steadier rates may be a stabilizing force for office valuations while also promoting a potential increase in transaction volume.

Dislocation and Risk-Adjusted Opportunity

Prior to these recent positive trends, the office sector suffered through arguably its most challenging period in history. The onset of COVID, compounded by the Federal Reserve's historic (in magnitude and pace) tightening cycle,⁷ supercharged market volatility and uncertainty, ultimately leading to a pullback from acquiring sponsors and traditional lenders like banks, mortgage REITs, and the commercial mortgage-backed securities market. Meanwhile, office property valuations declined 30-40%.⁸

However, against today's fundamental backdrop, we believe investors now have a historic opportunity to generate income-driven, equity-like returns by investing in senior first mortgage loans secured by quality office properties, as these loans offer: 1) historically attractive yields and conservative structures, and 2) enhanced downside mitigation. Notably, at CIM, we emphasize senior first mortgage loans for their inherent capital preservation attributes, stemming from their priority in the capital structure and security via tangible property collateral.

Attractive Yield Potential and Conservative Loan Structures

As noted, traditional and private lenders have sharply reduced office loan appetite, creating a significant shortage of capital providers. As a result, willing senior first mortgage lenders can command historically attractive spreads of Secured Overnight Financing Rate (SOFR) + 350-450 basis points, equating to all-in, unlevered yields of ~8%. Meanwhile, these loans are bolstered by more conservative structures: lower loan-to-values (LTVs), higher equity cushions absorbing first loss, and tighter covenants.⁹

Illustrative Office Loan Terms in 2021 vs. 2025

	2021	2025	Change
Spread (bps)	\$ + 300	\$ + 425	+125
Coupon (Unlevered)	3.3%	8.1%	+4.8%
Prevailing LTV	75%	65%	-10%
Equity Cushion	25%	35%	+10%

Hypothetical illustration is not indicative of any product. Analysis of representative office property value change, loan credit metrics, and yield components is based on Green Street's nominal cap rate data from the period of 2021 to 2025. As of 12/18/25. There can be no guarantee these objectives can be executed.

Further, we believe office spreads/yields and structures are particularly attractive relative to more oversubscribed multifamily and industrial sectors. We observe that office loans currently offer spreads that are 150-200 basis points higher, LTVs that are 10% lower, and equity cushions that are 10% higher.

Enhanced Downside Mitigation

Importantly, we believe senior first mortgage office lenders are also afforded enhanced credit downside protection given their ability to lend on lower, reset bases due to the aforementioned declines in property values. Put more simply, private lenders now have the potential to make materially smaller (30-40% relative to a few years ago) loans secured by the same high-quality office properties.

As a hypothetical example, a high-quality office property valued at \$100 million in 2021 is now significantly discounted at ~\$67 million. Assuming today's lower prevailing 65% LTV, a loan of only ~\$43 million (65% LTV on a

Illustrative Office Office, Multifamily, and Industrial Loan Terms in 2025

	Office	Multifamily	Industrial
Spread (bps)	S + 425	S + 250	S + 250
Coupon (Unlevered)	8.1%	6.3%	6.3%
Prevailing LTV	65%	75%	75%
Equity Cushion	35%	25%	25%

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~\$67 million property) would be required today. This figure is 42% lower relative to the \$75 million (75% LTV on a \$100 million property) loan required in 2021. Further, assuming a constant net operating income (NOI) over time (\$6 million in this example), today's loan would be supported by a 13.9% debt yield (defined as NOI divided by loan amount, measuring the return a lender may expect if the borrower defaults and foreclosure is required), ~600 basis points higher relative to 2021.¹⁰

Illustrative Office Loan Terms in 2021 vs. 2025

	2021	2025	Change
Property Value	\$100.0M	\$66.7M	-33%
Prevailing LTV	75%	65%	-10%
Loan Amount	\$75.0M	\$43.3M	-42
Net Operating Income	\$6.0M	\$6.0M	
Debt Yield	8.0%	13.9%	+5.9%

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Value Considerations Among Office Assets and Locations

It is important to note that, like any investment asset class or sector, office credit should not be painted with one brush. We strongly believe exceptional attractive risk-return opportunities from a senior lending perspective can be uncovered through deep understanding of individual sub-markets and properties within sub-markets. Even assets across the street from one another may offer drastically different risk-return dynamics.

At CIM, we continue to examine potential credit investments on office

properties (Class A and B+) in top-tier markets like New York and Miami. However, and importantly, we are also able to leverage our in-house property leasing team to identify less obvious lending opportunities secured by top office assets within other sub-markets. Indeed, we believe finding these assets in sub-markets like Dallas, Boston, and San Francisco, among others, can further enhance potential for attractive spreads/yields as well as conservative structures and strong covenants protecting our loans.

Advantages of an Experienced Investment Manager

In seeking to exploit the dislocation opportunity in office credit, we believe it is of the utmost importance to partner with an investment manager with significant, cycle-tested senior lending experience as well as a deep and long-standing rolodex of borrower relationships to source and invest in unique and attractive opportunities.

Further, and key to distinguishing investment management partners, is their ability to leverage in-house, vertically integrated platforms, including development, property management, leasing, and capital markets capabilities. Having "boots on the ground" and senior team members involved throughout the investment cycle (screening, diligence, monitoring, and even workouts), can provide holistic perspective and real-time information to navigate, identify, and generate risk-adjusted returns in untapped office lending opportunities.

COMPANY OVERVIEW

CIM is a community-focused real estate and infrastructure owner, operator, lender and developer. Since 1994, CIM has sought to create value in projects and positively impact the lives of people in communities across the Americas by delivering more than \$60 billion of essential real estate and infrastructure projects. CIM's diverse team of experts applies its broad knowledge and disciplined approach through hands-on management of real assets from due diligence to operations through disposition. CIM strives to make a meaningful difference in the world by executing key environmental, social and governance (ESG) initiatives and enhancing each community in which it invests.

For more information, visit www.cimgroup.com.

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Endnotes

1. "Company's Back-to-Office Strategy" by The Hubble Team, as of 2/6/2025. "U.S. companies push for greater in-office presence to drive engagement, opposing a leading benefit of remote work" by WTW, as of 12/5/2024.
2. JLL U.S. Office Market Dynamics, Q3 2025.
3. CIM Group: Based on YTD activity through August 2025 annualized. No guarantee objectives will be met.
4. CBRE Research, as of Q3 2025. Office leasing activity reflected by rolling 1-year activity.

5. JLL Chronicle, Office Capital Markets, Mid-Year 2025, September 2025.

6. Bloomberg, as of 12/18/2025.
7. Bloomberg, as of 12/18/2025.
8. Green Street Research, as of Q3 2025.
9. CIM Group. No guarantee objectives will be met.

10. Hypothetical illustration is not indicative of any product. Analysis of representative office property value change, loan credit metrics, and yield components is based on Green Street's nominal cap rate data from the period of 2021 to 2025. As of 12/18/2025. There can be no guarantee these objectives can be executed.

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