



Bridging the Gap: Navigating Transitional Opportunities in Commercial Real Estate

According to S&P Global, commercial real estate loans totaling approximately \$3 trillion are scheduled to mature between 2026 and 2028.¹ Capital is needed not just for acquisitions but also for refinancing and restructuring existing debt. Against this backdrop, ABR Capital Partners' Director of Research and Data Analytics, Debo Ayeni ("ABR"), recently spoke with Philip Benvenuto ("PB"), a director in ABR's Acquisitions group, about the market for bridge capital and ABR's experience in the sector.

This interview has been edited for length and clarity.

ABR: What prompted ABR to enter the bridge capital space? What benefits does it offer the firm and the sponsors it works with?

PB: Bridge capital—including preferred equity, mezzanine debt, and senior stretch mortgages—can be an attractive complement to common equity, offering equity-like returns without assuming the last-dollar risk associated with a common equity position. Typically, a greater portion of bridge capital returns also comes from current income. By maximizing current income and minimizing reliance on property appreciation to fund a required redemption amount, bridge capital investments can offer attractive returns with a risk profile that differs from that of common equity, although bridge capital investments carry meaningful risks of their own.

For sponsors facing challenges raising common equity, bridge capital can provide additional liquidity to close a transaction. Bridge capital can also be attractive because it is typically priced below the sponsor's targeted common equity return, making it accretive to the sponsor's equity position.

ABR: ABR is focused on investing in attainable housing and aggregating essential logistics facilities. Why are these compelling sectors in which to deploy bridge capital?

PB: Both sectors have distinct supply and demand characteristics that make them attractive. The shortage of attainable housing for middle-income households is driving renter demand for this housing type. In logistics, although fluctuations in trade policy have created uncertainty, the sector also has several tailwinds that are contributing to demand for industrial properties. These include e-commerce growth, onshoring, and ongoing government spending on infrastructure projects. Compelling market fundamentals are essential to successful investing regardless of one's position within the capital stack.

ABR: What characteristics make a property a strong candidate for preferred equity?

PB: An experienced sponsor, a compelling basis, and an attractive return on cost relative to prevailing cap rates are important characteristics of properties that are candidates for preferred equity. The strongest candidates are also well-located in markets with favorable supply-and-demand fundamentals and clear, demonstrated demand for the property.

ABR: How are preferred equity providers stress testing today's deals?

PB: Preferred equity providers are stress testing deals by sizing the future redemption amount against expected refinancing proceeds. This approach provides additional comfort in today's environment of lower sales volume but available first-mortgage capital.

ABR: What are some red flags you look for when underwriting bridge capital opportunities?

PB: It is a significant red flag if the bridge capital is not accretive to the common equity. Recapitalizations also warrant additional scrutiny because of the potential for misaligned incentives among the parties involved in the transaction. As I mentioned earlier, the sponsor is also essential, particularly in heavy value-add or development transactions, where the sponsor's experience and ability to execute are critical to a successful outcome.

ABR: What characteristics separate exceptional sponsors?

PB: Exceptional sponsors do several important things well. First, they spend as much time and effort mitigating downside risk as they do maximizing upside potential. Second, they are intensely focused on their niche, whether it's a sector, a market, or an operational strategy. Third, they manage people and relationships as well as they manage real estate.



Real estate markets experience ebbs and flows, and ensuring that your capital stack can withstand them is critical.

ABR: What advice would you give to a sponsor who is seeking bridge capital?

PB: Be mindful of downside risk. This could mean giving up profit participation to a preferred equity investor in exchange for a lower current return obligation, as well as forgoing some of the leverage that may be available. Real estate markets experience ebbs and flows, and ensuring that your capital stack can withstand them is critical.

ABR: What happens if a sponsor underperforms and the bridge capital provider has to step in?

PB: Taking over day-to-day management of a JV is more common with bridge capital structures because of the performance covenants that are typical in these arrangements. With decades of experience as a common equity investor and broad in-house capabilities across asset management, legal, and accounting functions, ABR is well positioned to step in and assume responsibility for executing the remainder of a business plan, if necessary.

ABR NOTE: RISK CONSIDERATIONS IN BRIDGE CAPITAL

The following is provided by ABR and does not reflect statements made by Mr. Benvenuto during this interview.

Bridge capital carries meaningful risks. Preferred equity, mezzanine debt, and similar positions are subordinate to senior mortgage debt and can be extinguished in a foreclosure. Because repayment typically depends on a refinancing or a sale, a prolonged dislocation in the debt or transaction markets can delay or prevent redemption. Bridge capital providers generally hold limited control rights unless a performance covenant is triggered, and outcomes depend heavily on sponsor execution and on the performance of the underlying property. These investments are illiquid, and a total loss of invested capital is possible.

ABR: Certain deal terms can become sticking points with bridge capital financing. What are some deal terms that are negotiated extensively?

PB: The minimum money multiple, minimum current return payable, and guarantees for the bridge capital provider tend to be some of the more heavily negotiated terms.

ABR: Are there any investor protections that have become more common recently?

PB: Although sales activity may increase year-over-year in 2026, it remains well below 2021 and 2022 levels. Lower transaction volume has made asset valuations more challenging, prompting investors to place greater emphasis on reducing their basis through current distributions. As a result, bridge capital providers are increasingly requiring a minimum level of current return rather than allowing the entire return to accrue. Guarantees can also become a sticking point, particularly for assets with more complex business plans.

ABR: Are there any trends sponsors are talking about today that aren't in the headlines?

PB: Competitiveness in the multi-tenant industrial space is making it difficult to underwrite value-add returns without stretching on asset quality or size. Traditional value-add multifamily is also highly competitive, and fundamentals in many markets have softened, which presents the same underwriting challenge. We believe that value-add returns within the core real estate sectors may be achieved through targeted niche strategies. These strategies aren't pioneering but are currently overlooked and can allow for a yield premium over more conventional strategies.

ABR: Five years from now, looking back on this cycle, what do you think will define the stronger performers in bridge capital financing?

PB: Stronger performers in this space will always remember the investment thesis of bridge capital: the potential to achieve equity-like returns with a lower basis than common equity in exchange for limited or no upside. Since upside is limited, strong performers will have stress-tested fundamentals as part of their underwriting. This includes sponsorship, market dynamics, a property's location and basis, and the deal's stabilized return on cost. Successful providers of bridge capital will be uncompromising on all of these criteria.



Source

¹ Mason, T. "Extensions Shift the CRE Maturity Wall, but 2026 Could Now Be a Tougher Year." S&P Global Market Intelligence Research, October 29, 2025.

Disclosures

ABR Capital Partners ("ABR") is an independent real estate investment manager specializing in core-plus, value-add, and opportunistic investments in the middle market. ABR is an SEC-registered investment adviser; SEC registration does not constitute an endorsement of ABR by the SEC, nor does it indicate that the adviser has attained a particular level of skill or ability. ABR takes a focused yet flexible approach regarding market, property type, and capital structure, with the goal of achieving attractive risk-adjusted returns at both the asset and portfolio levels. Visit www.abrcapital.com for more information.

This transcript is provided for informational purposes only and does not constitute investment advice, an offer to sell, or a solicitation of an offer to buy any securities or investment products. The views expressed are those of the speakers as of October 2026 and may change without notice. Investing involves risk, including the possible loss of principal, and there can be no assurance that any investment strategy or objective discussed will be achieved. Past performance is not indicative of future results. Any references to investment strategies or market opportunities are for illustrative purposes only and should not be construed as specific investment advice. Readers should consult with their own financial, legal, and tax advisors before making any investment decisions.

Bridge capital investing is one component of ABR's broader investment activity. The strategies discussed herein may not be pursued by, and may represent only a limited portion of the portfolio of, any particular ABR-sponsored investment vehicle.

Statistics and market data cited herein are derived from third-party sources believed to be reliable. ABR has not independently verified such information and makes no representation as to its accuracy or completeness.

For Additional Information

Debo Ayeni

Director of Research and Data Analytics

debo.ayeni@abrcapital.com | 410.274.4581

ABR Capital Partners

100 Light Street, Suite 2400

Baltimore, MD 21202

abrcapital.com | 410.727.4083

© 2026 ABR Capital Partners. All rights reserved.