

Key Words

Fed's Barr warns of rising risk around commercial real estate at regional banks

Published: May 16, 2023 at 12:12 p.m. ET

By [Chris Matthews](#)

The trend toward working from home has led some companies to cut back on their office space



Michael Barr, vice chair for supervision of the board of governors of the Federal Reserve, testified during a congressional committee hearing on recent bank failures Wednesday.

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[KRE -0.06%](#) ▼ [PACW -4.47%](#) ▼ [WAL +3.97%](#) ▲

Federal Reserve Bank examiners have stepped up their oversight of banks with significant exposure to commercial real estate, according to Michael Barr, the Fed's vice chair for supervision.

“I think it’s important for commercial real-estate risks to be well understood and mitigated by community banks and smaller regional banks,” Barr said at a hearing before the House Financial Services Committee on Wednesday. He noted that those institutions’ assets tend to be “more concentrated” in commercial real-estate loans.

“We’re looking quite carefully at commercial real-estate risks,” he said.

The value of debt backed by commercial real estate has taken a hit in recent months due to rising interest rates and vacancy rates, as the trend toward working from home has led some companies to cut back on their office space.

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Downtown districts of major cities are also seeing less foot traffic because of the work-from-home trend, which has led retailers to reconsider how much real estate they need to lease, Barr said.

This combination of factors means bank executives and supervisors at the Fed need to “understand their risks and to appropriately mitigate those risks,” Barr said.

Regional-bank equities **KRE, -0.06%** have been under pressure following the failure of several institutions, including Silicon Valley Bank and First Republic Bank.

Bank stock prices have stabilized in recent days, led by double-digit gains in shares of PacWest Bancorp **PACW, -4.47%** and Western Alliance Bancorp. **WAL, +3.97%**, although they remain down more than 50% over the past year, according to FactSet.



Ex-German chancellor’s wife losing role after attending Russian embassy event

The wife of former German Chancellor Gerhard Schroeder has lost her role with a state-owned company after appearing with

