



THE NEED TO REFINANCE MATURING LOANS AND A RETURN TO TRANSACTION ACTIVITY WILL HELP FUEL MID-MARKET LENDING GROWTH.

This week, structured credit specialist Axonic Capital expanded an existing partnership with manager Affinius Capital to originate mid-market construction loans.

Despite well-publicized headwinds, Axonic sees long-term, durable demand from sponsors for mid-market construction facilities. The firm will originate construction loans from its insurance arm, which will allow Axonic to access yields that have the potential to match its insurance liabilities.

The agreement reflects an increasing appetite from some institutional investors for real estate private credit investments in the mid-market size bracket, as evidenced by a move this week by the New Mexico State Investment Council to allocate \$150 million to ArrowMark Partners to target loans fitting this profile.

Mid-market loans are typically in the range of about \$10 million–\$100 million, depending on market and sector, and comprise roughly 70 percent of the wider US commercial real estate finance universe, according to data from the Mortgage Bankers Association.

Regional banks, a key supplier of mid-market loans, continue to scale back lending, and many real estate private credit funds are focused on larger-ticket loans. The resulting limits to liquidity in the size bracket means mid-market loans have the potential to offer higher returns than their larger counterparts, lenders tell PERE Credit.

Axonic and Affinius are far from the only companies that see the opportunity in mid-market lending.

Last week, Urban Standard Capital announced it had closed a \$53 million construction loan for a luxury condominium project in Los Altos, California. The loan highlights the New York-based firm's continued efforts to expand its mid-market lending platform in geographies with strong residential demand and significant barriers to entry.

Investors are increasingly understanding this value proposition, evidenced by the growth of platforms such as Urban Standard's. Following an initial \$50 million capital commitment from GCM Grosvenor in 2023, the firm lined up a \$135 million commitment from the Chicago-based asset manager in May.

The partnership with GCM Grosvenor is expected to allow Urban Standard to originate roughly \$1 billion of loans over the next two to three years. The firm completed more than \$530 million of originations in the first half of 2025 and is on pace for a strong finish to the year.



The mid-market is becoming a sweet spot for lenders

By Shihao Feng Sep 26, 2025

While there are fewer lenders focused on mid-market opportunities, that does not mean the playing field is wide open. Seth Weissman, Urban Standard's chief executive, underscored the importance of relationships and doing repeat business with trusted borrowers.

The firm sources most of its deals from direct business relationships and referrals rather than intermediaries. This, Weissman believes, is a crucial factor in driving deal flow in the sector.

The firm closed its 27th loan for a long-term, relationship borrower earlier this year. Relationships, if built properly, can be very sticky once two parties build trust and credibility, and the mid-market offers significant scope for repeat business.

While most borrowers are still sensitive to loan rates and proceeds, it is crucial for mid-market lenders to differentiate themselves by providing something more to borrowers – it is not just about speed and certainty of execution, but creative deal structuring and problem solving.

Bigger picture, borrowers need to refinance some of what the Mortgage Bankers Association estimates to be a \$1.5 trillion maturity wall through 2027. And they also need lenders to finance new acquisitions and developments as transaction activity returns. The mid-market will account for a significant share of that.

There is a larger story afoot that managers want to be a part of: the impact of the growth in the broader private credit market trickling down to real estate. This transition from banks to private lenders has been happening for more than a decade and is poised to accelerate in real estate private credit. Mid-market specialists are gearing up to handle that flow.