Investment Insights | August 2026

Investment Grade Private Credit: Real Estate Finance

Lending to real estate investment trusts and similar vehicles allows credit portfolios to achieve diversified commercial real estate exposure at an attractive premium to public debt, and with significant structural risk mitigation.

Scott Brown
SVP, Private Credit

Voya Investment Management

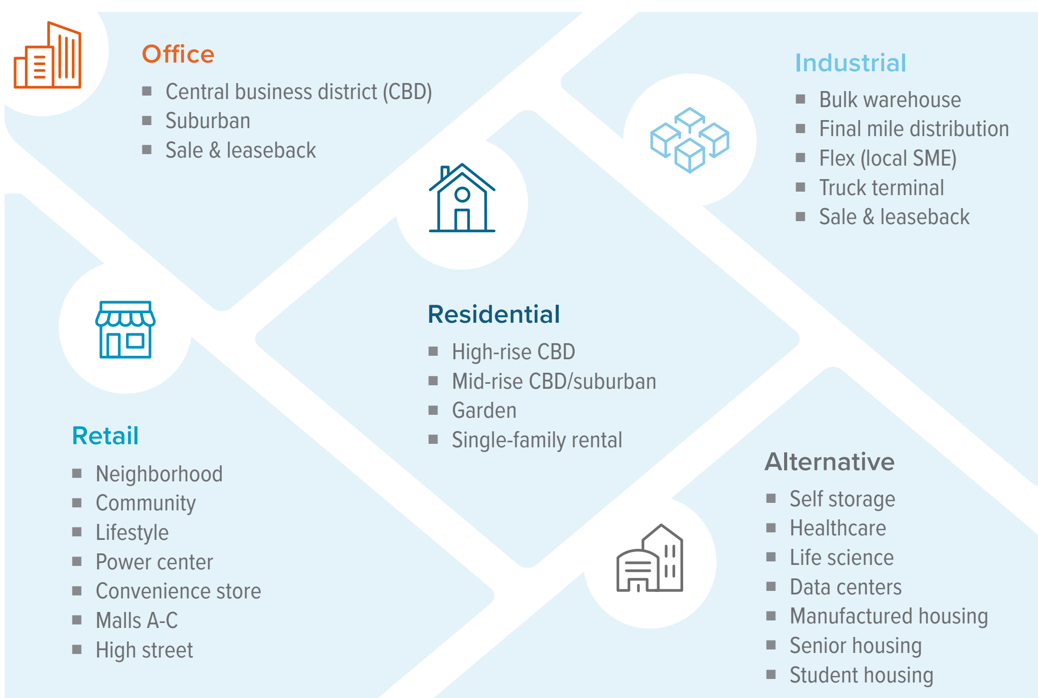
Key takeaways:

- Investment grade (IG) private credit offers investors an excellent way to add portfolio exposure to the vast universe of commercial real estate.
- Real estate investment trusts (REITs) finance asset purchases largely through balance sheet finance (borrowing at the portfolio level) rather than mortgages (borrowing at the individual property level), and are reliable repeat borrowers.
- Via REIT balance sheet finance, investment grade credit investors can gain access to diversified (and often massive) portfolios of income-producing properties at conservative loan-to-value ratios and attractive spreads.
- Because of their covenant guardrails and high level of asset diversification, these placements have historically performed well during periods in which other forms of commercial real estate credit have struggled.
- Three case studies demonstrate Voya's capabilities as one of the largest and most experienced investors in investment grade REIT private placements.

Commercial real estate runs on debt

Commercial real estate is a massive asset class—estimated to be $30 trillion in the U.S. alone, representing a broad and deep pool of investment opportunity for both credit and equity investors (Exhibit 1). REITs, both public and private, hold a substantial position in the CRE space, maintaining large portfolios of investment property.[1]

Exhibit 1: Commercial real estate is a highly diverse, $30 trillion asset class



As of 07/05/26. Source: Voya IM.

[1] For the purposes of this paper, we will refer to issuers as REITs, whether they are technically REITs for tax purposes or simply REIT-like entities that own portfolios of commercial real estate.

The long-term, income-producing nature of REITs' hard asset portfolios is an excellent match for the long-term, fixed-rate, scalable capital that is available to them in both public and private bond markets. Appropriate debt capital allows REITs to invest in new properties via acquisition or development and to leverage their equity returns. Debt capital forms a large and enduring component of capital structures within the space.

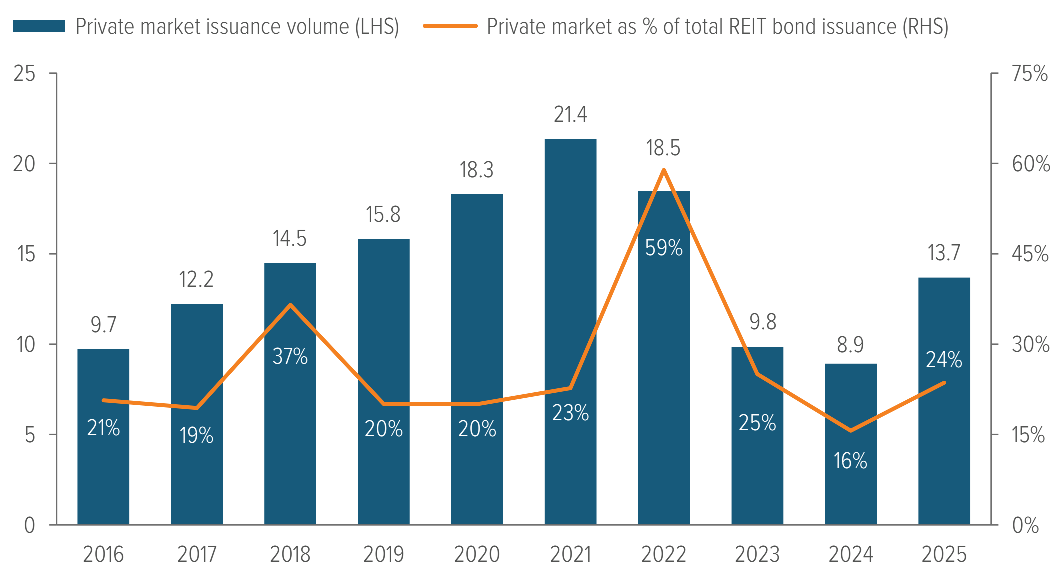
As an example, the U.S. public investment grade bond market includes around 100 REIT issuers, with outstanding bonds of approximately $300 billion in aggregate. In 2025, the sector accounted for $48 billion of public debt issuance, and ratings generally ranged from A to BBB-.[2]

The REIT sector has the distinction in the public corporate bond market of being the only sector where bond deals routinely contain a suite of standard financial covenants in favor of bondholders: limits on total leverage, secured leverage, interest coverage, and unsecured asset cover. Many analysts credit the sector's near-zero default history, at least in part, to these protections.

Why private markets?

While the public market for REIT bonds is well established, many REITs prefer to borrow in the private market instead, for various reasons discussed below. Over the past 10 years, about 25% of REIT debt issuance by volume has gone to the private market (Exhibit 2).

Exhibit 2: REIT issuance in the IG private placement market has averaged over $14bn per year
($ billions)



As of 06/01/26. Source: Voya IM, Nareit, BofA Global Research.

[2] As of 12/31/25. Source: Nareit.

REITs became sizeable issuers in the investment grade private credit market in the early 2010s, due to the market's excellent fit with their business model. Like the public market, the private market is a reliable source of long-term, fixed-rate, scalable capital—but it also offers additional benefits to issuers:

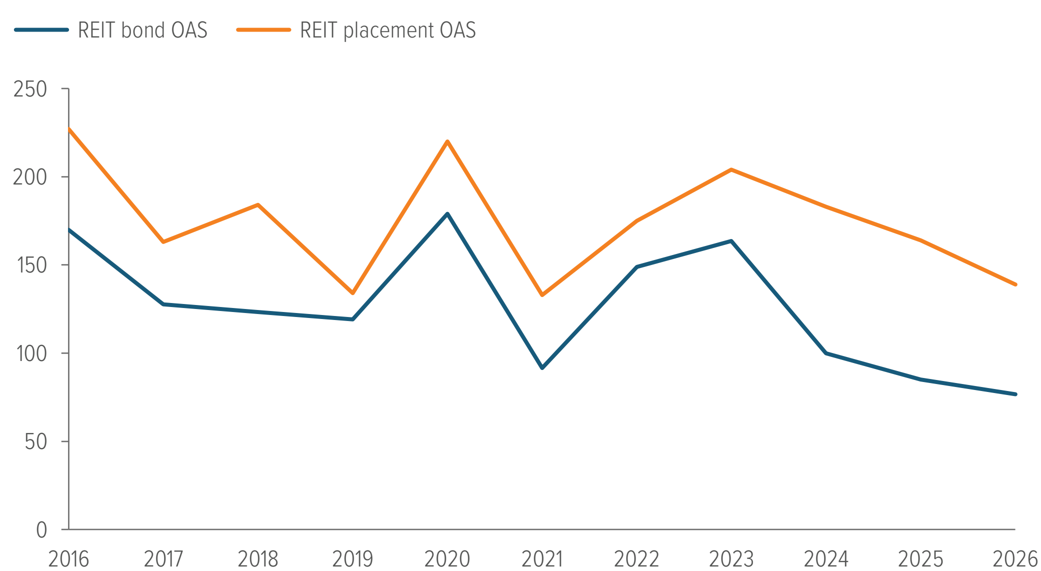
- Extensive customization of sizes and tenors
- Deep underwriting engagement and ongoing creditor relationships
- The ability to issue notes that are rated by fewer agencies than the public market requires
- Openness to privately held issuers that want to keep their financial disclosures within a smaller group and avoid registering with the SEC

While the public bond market requires bond issues of at least $500 million to be well received and eligible for inclusion in indexes, the private market is open to smaller tranches and smaller transactions. Private deals range from $100 million to over $1 billion, with sizing completely at the issuer's pleasure. Some issuers have a few hundred million outstanding in the market, while many repeat issuers have much more, including one REIT with over $7 billion of private notes outstanding.

Non-U.S. issuers also value the ability to tap deep institutional pockets in the U.S. without the formality of a registered bond deal. Private issuance from IG REITs comes primarily from the U.S., but there is also significant U.S. dollar issuance from the U.K., Western Europe, and Australia, where issuer profiles are highly similar but bond markets are not as deep. Here, U.S. investors are able to gain valuable diversification in high-quality portfolios not otherwise accessible in our domestic public markets.

For private credit investors, the benefits of private market REIT debt include important additional covenant protections, the opportunity for deep diligence and an ongoing dialogue with the borrower, and attractive spread premiums over equivalently rated public REIT debt (Exhibit 3).

Exhibit 3: REIT private placements have consistently offered a premium to equivalent REIT bonds
(bp)



As of 06/15/26. Source: Bloomberg, Voya IM.

What is a REIT?

Real estate investment trusts (REITs) are companies that own income-producing real estate and enjoy tax-exempt status on their taxable real estate income, so long as they pay at least 90% of it through to their equity owners. U.S. public REITs alone have a combined equity market capitalization of more than $1 trillion and own more than 575,000 properties. Public and private REITs together are estimated to own more than $4 trillion in gross property assets across the U.S.

REITs are not just a U.S. phenomenon. Over 40 countries worldwide have REIT legislation, including all G7 countries plus most of Europe, and other large markets like Australia.

Virtually any property that can be leased profitably can be structured within a REIT vehicle (and probably already has been). Most listed REITs focus on one property type, with industrial, residential/multi-family, retail, and office as the most common categories. Other REITs specialize in alternative property types such as health care, self storage, data centers, cell towers, or timberland.

Focusing on a specific property type makes it easier for public REITs to appeal to equity investors who want exposure to one particular sector or another. It also helps provide economies of scale and management focus within their particular portfolios.

REITs that apply a diversified approach are much more common among privately held portfolios. Many of these diversified REITs are known as “core funds” or “ODCE funds.” (ODCE refers to their benchmark index, the NCREIF Fund Index - Open End Diversified Core Equity).

REITs tend to own the majority of their properties free and clear, without mortgages. This allows them to raise unsecured debt at the portfolio level, rather than relying on mortgages at the individual property level—a considerable simplification for management teams, allowing them to actively manage their asset portfolios without the added expense and entanglements of property-level financing contracts.

Portfolio-level debt versus property-level debt

Commercial real estate offers four main ways for institutional credit investors to gain exposure at scale: commercial mortgage loans (CMLs), commercial mortgage-backed securities (CMBS), public REIT bonds, and investment grade REIT private placements.

These strategies all have their own distinct benefits and are complementary rather than competitive—especially for managers such as Voya, where the CML, securitized, investment grade bond, and private credit teams all work closely together. Our CML team’s extensive network of local and regional relationships and granular knowledge of demand in property submarkets across real estate types, sizes, vintages, and quality provide other teams with valuable insights that help to accurately assess real estate securities and portfolios, all while maintaining appropriate information walls regarding individual investment opportunities.

Compared with a CML strategy, which focuses on deep diligence and structuring on a single asset or a focused pool, a REIT approach “zooms out,” lending on an unsecured basis against a large pool of CRE assets. REIT investors gain access to the diversification benefits of these broad underlying portfolios, under the stewardship and professional oversight of vetted and seasoned REIT management teams.

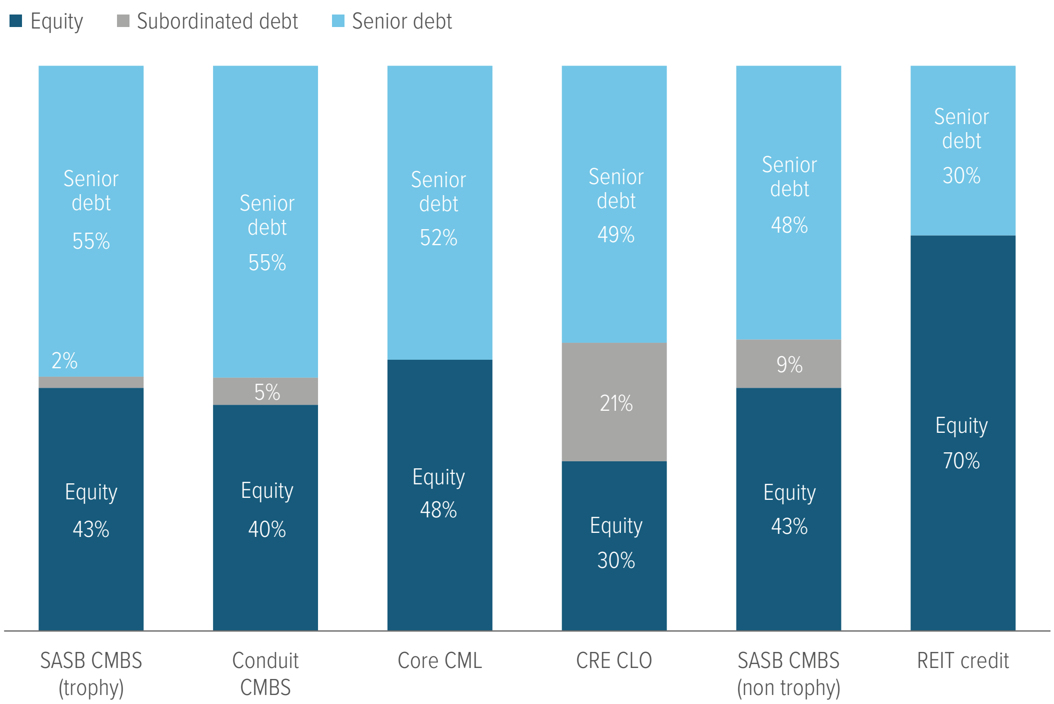
Private debt transactions in the space thus provide a simple way for institutional investors to gain diversified IG exposure to the vast landscape of CRE, at scale. In this manner, REIT placements can be complementary to the sharpshooter, secured approach of a CML strategy.

Covenants provide strong protections and limit credit migration

Unlike CMLs or CMBS, investment grade REIT issuance is typically unsecured. At first blush, this may seem like a strange way to lend against real estate. However, unsecured portfolio-level financing, when properly underwritten, exhibits conservative metrics and mitigates the absence of collateral. Attributes include conservative loan-to-value (LTV) ratios and strong interest coverage, and transactions also benefit from meaningful covenant protections that ensure deep equity cushions and healthy credit metrics over time (Exhibit 4).

Exhibit 4: REIT credit tends to benefit from more equity cushion than other forms of CRE credit

Illustrative commercial real estate capital structures



As of 06/01/26. Source: Voya IM estimates. Loan-to-value (and, for CMBS, the amount of subordinated debt in a structure) can vary considerably depending on the property, pool, or portfolio; for illustrative purposes, we have picked the midpoints of common ranges.

For the REIT, the benefit of balance sheet finance is that it allows for greater ease of managing its debt stack and greater flexibility in managing its portfolio of assets. Keeping debt at the portfolio level (rather than the asset level) allows assets to be freely bought, sold, developed, and redeveloped without the administrative and economic burden of dealing with individual mortgage restrictions at the asset level, or prepaying and refinancing asset-level facilities in a fluctuating rate environment.

For the credit investor, properly underwritten and covenanted unsecured REIT balance sheet financing offers easy, scalable access to large pools of professionally managed, income-producing hard assets in a structure that has historically experienced extremely low credit losses in both public and private market investment grade debt.[3]

[3] In the past 20 years, there have only been four defaults of covenanted investment grade REIT bonds: mall operator General Growth Properties on $2.25bn of bonds in 2009, mall operator CBL Properties on $1.37 billion of bonds in 2020, mall operator Washington Prime Group on $0.75 billion of bonds in 2021, and Office Properties Income Trust on $0.48 billion of bonds in 2025. Each example relates to an aggressively levered, poorly positioned asset portfolio facing severe market stress; in each case, covenant protections were of material value to bondholders in limiting downside, including a full recovery in the case of GGP.

Even in times of significant commercial real estate downturns, idiosyncratic property risk is heavily mitigated in balance sheet financing by the fact that the portfolio lender stands between the equity owner(s) and all of the assets, not just one. Like any other corporate issuer, the REIT and its owners would face negotiations with lenders over their entire portfolio, with equity holders standing to lose everything before lenders face impairment.

While REIT financing has a strong history of performance even in times of downturn, it is critical that placements are structured correctly, with the proper guardrails in place to ensure that the leverage on the portfolio is kept within conservative limits and a minimum quantity of assets remains unencumbered by property-level debt. This is usually handled much more comprehensively in the private market, with a far wider range of covenants as standard (Exhibit 5).

Exhibit 5: Private placements typically come with more covenants than public REIT bonds

Covenant type	Covenant	Ensures	Likely in a public bond?	Likely in a private placement?
Financial covenants	Total debt to assets	Prudent portfolio leverage	Yes	Yes
	Secured debt to assets	Limited secured leverage	Yes	Yes
	Unsecured debt to unencumbered assets	Prudent asset cover for unsecureds	Yes	Yes
	Interest coverage or fixed charge coverage	Ample portfolio CF for debt service	Yes	Yes
	Unencumbered CF to unsecured interest	Ample CF for unsecured debt service	No	Often
	Minimum unencumbered assets	Diversification in unencumbred pool	No	Often
	Most favored lender	Picks up covenants from other debt	No	Often
	Net assets	Minimum equity cushion and scale	No	Sometimes
Other protections	Cross-default	Trigger default if other debt does	Yes	Yes
	Matching guarantees	Prohibit priming by other lenders	Limited	Yes
	Change of control put	Optional exit if change in ownership	Limited	Yes
	Matching collateral with primary banks	Stay pari with primary credit facilities	Limited	Yes
	Sale of assets	Prohibit excessive portfolio shrink	No	Sometimes

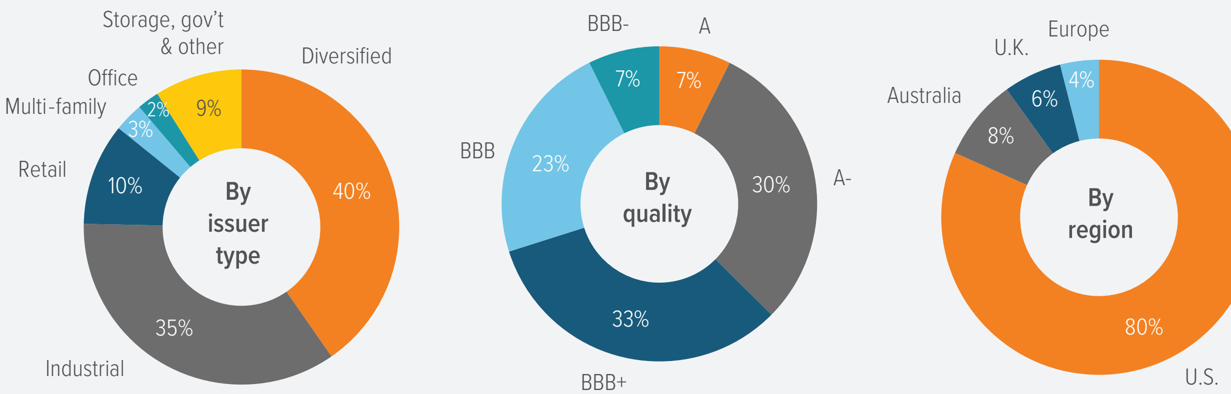
The Voya approach

Voya's investment grade private credit team has been involved in the REIT lending space for decades, and careful deal selection and underwriting are core elements of the team's approach. With a REIT debt portfolio of nearly $5 billion in place today, the team has executed more than 50 transactions across both first-time and repeat borrowers in the past five years alone.

Our largest exposure (40%) is to issuers who manage portfolios that are diversified by property type, such as ODCE funds and similar vehicles (Exhibit 6). Many of these portfolios are massive, with gross asset value levels as high as $40 billion.

They also tend to be actively managed, with broadly diversified, strategic exposure to high-grade, attractive assets. Notably, this includes considerable allocations to multi-family, which is harder to access directly in bond markets due to subsidized competition from GNMA.

Exhibit 6: Voya investment grade private credit REIT AUM



As of 06/01/26. Source: Voya IM.

Our highly selective approach to REIT issuers and covenant structures has served our clients well, with zero credit losses over the entirety of our tenure investing in the sector. Our aim is to keep it that way.

The following three case studies illustrate Voya's approach in action.

Case study #1: Diversified property fund

Why we like the sector: There are a number of large, diversified property funds operating in the U.S. that are known as core or ODCE funds. These funds cater primarily to institutional equity investors—such as pension funds—looking for exposure to a diversified pool of high-quality U.S. real estate with only modest leverage.

These issuers typically have very large portfolios that are actively managed and spread across the four main property types, plus a growing allocation to near-core and alternative types at the frontier. Leverage tends to be in the 20-30% range on a fair market value basis, and core funds have their assets appraised at least once per year. Placements also come with a full suite of covenants that constrain total leverage and the share of debt that can be secured by assets, among other things.

While the funds tend to be open-ended (i.e., equity holders can request withdrawals of their capital), they also tend to have very broad gating rights so that they can constrain outflows (or stop them altogether) for the benefit of lenders and remaining equity holders.

Source	Investment bank
Instrument	$500 million senior unsecured notes
Voya investment	$130 million
Rating	Voya BBB+
Spread to Treasuries	170, 180, 190 bp
Maturity / WAL	5yr, 7yr, 10yr
Underlying assets	$13 billion portfolio of U.S. property assets, diversified across sectors and regions, managed by the asset management arm of a major U.S. investment bank.
Covenants	▪ Debt to assets max 35% ▪ Fixed charge cover min 2.0x ▪ Secured debt to assets max 30% ▪ Unsecured LTV max 40% ▪ Minimum unencumbered asset pool ▪ Most favored lender clause ▪ Cross-default to other debt ▪ Other protections

Note: The issuer is not rated by an NRSRO. The National Association of Insurance Commissioners independently designates the credit as a 2.A, which is commensurate with Voya's internal BBB+.

The transaction: The issuer had recently completed a portfolio repositioning to address historical underperformance, bringing in new management and undergoing a multi-year disposal and reallocation process. While Voya had not participated in the issuer's previous private market deals, we stepped in to lead its first post-repositioning debt transaction. We were able to achieve attractive spreads in what we viewed as a relaunch of the credit on strong footing.

We expect repeat issuance in the future, as this is an evergreen portfolio that will grow over time and have natural refinancing needs.

Case study #2: Convenience store portfolio

Why we like the sector: Convenience store retail, with and without a fuel station component, is an attractive subtype within the broader retail landscape when properly curated and managed. A well-assembled portfolio will contain highly productive assets on "great corners," resulting in sticky, long-term leases and providing attractive second-use possibilities for optionality over time. The entire driving population touches these assets, often for multiple reasons on any given visit.

Convenience retail portfolios tend to be highly granular due to the relatively smaller scale of each asset, often ranging from $2-5 million in size. As such, these pools are exceptionally well diversified and offer owners the ability to manage exposures and raise/deploy cash in numerous ways as their needs demand.

Many operators also invest in complementary assets such as high-turn auto service stores, car washes, and even quick-serve restaurants within their portfolios, consistent with the themes of granular diversification, long leases, and multiple alternative uses.

Source	Investment bank
Instrument	$250 million senior unsecured notes
Voya investment	$54 million
Rating	BBB- (Fitch)
Spread to Treasuries	175 bp
Maturity / WAL	10yr / 10yr
Underlying assets	Portfolio of over 1,100 convenience store, quick-serve restaurant, auto service, and other standalone retail properties across the US.
Covenants	▪ Debt to assets max 60% ▪ Fixed charge cover min 1.5x ▪ Secured debt max 40% ▪ Unsecured LTV max 60% ▪ Unsecured interest cover min 1.75x ▪ Most favored lender clause ▪ Change of control put ▪ Cross-default to other debt ▪ Other protections

The transaction: The issuer returned to the IG private debt market to refinance borrowings on its revolving credit line, and to complement recent equity raises to fund growth through property acquisitions.

Voya led the transaction, viewing favorably the strongly performing, diverse portfolio, the experienced management team, and the prudent approach to capital management, augmented by a solid covenant package.

Case study #3: Grocery-anchored shopping center portfolio

Why we like the sector: Grocery-anchored retail centers have proven over many decades to be a haven within the broader retail property type, thanks to steady and resilient consumer traffic—both through economic cycles and through shocks such as the Covid pandemic and the rise of e-commerce.

Everyday needs and basic community life center around these assets, with customers often visiting them multiple times per week. When they are well located and professionally managed, with strong anchors and an appropriately curated mix of in-line shops, they attract national, regional, and local tenants who compete to position themselves in highly trafficked locations.

These assets tend to be steady-as-she-goes generators of free cash flow, and both equity and debt investors favor them within the retail space.

Source	Investment bank
Instrument	$250 million senior unsecured notes
Voya investment	$11 million (add-on to $50mm existing hold)
Rating	BBB- (Fitch)
Spread to Treasuries	140 bp
Maturity / WAL	5yr / 5yr
Underlying assets	12 million square foot portfolio of grocery-anchored shopping centers across the sunbelt, with $3.4 billion covenant valuation.
Covenants	■ Debt to assets max 60% ■ Fixed charge cover min 1.5x ■ Secured recourse debt to assets max 10% ■ Unsecured LTV max 60% ■ Unsecured interest cover min 1.75x ■ Most favored lender clause ■ Change of control put ■ Cross-default to other debt ■ Other protections

The transaction: Voya invested in the senior unsecured notes of the issuer, a listed REIT that has tapped our market twice now. This was an add-on investment, and it has left us with more appetite for the name.

Voya views the credit as stronger than the BBB- rating implies, as leverage and coverage ratios are considerably better than average for both its sector and rating tier. We expect that, over time, there will be upward rating migration as the portfolio continues to gain scale via acquisition.

A note about risk

All investing involves risks of fluctuating prices and uncertainties of rates of return and yield. All security transactions involve substantial risk of loss.

Private credit: Foreign investing does pose special risks, including currency fluctuation, economic, and political risks not found in investments that are solely domestic. As interest rates rise, bond prices may fall, reducing the value of the share price. Debt securities with longer durations tend to be more sensitive to interest rate changes. High yield securities, or "junk bonds," are rated lower than investment grade bonds because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. Other risks of private credit include, but are not limited to: credit risks, other investment companies risks, price volatility risks, inability to sell securities risks, and securities lending risks.

Past performance does not guarantee future results. This market insight has been prepared by Voya Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing, or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain statements contained herein may represent future expectations or other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in such statements. Actual results, performance, or events may differ materially from those in such statements due to, without limitation, (1) general economic conditions, (2) performance of financial markets, (3) interest rate levels, (4) increasing levels of loan defaults, (5) changes in laws and regulations, and (6) changes in the policies of governments and/or regulatory authorities. The opinions, views, and information expressed in this commentary regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Fund holdings are fluid and are subject to daily change based on market conditions and other factors.

Notice to qualified Canadian recipients: Voya Investment Management Co. LLC ("Voya IM") is relying on an exemption from the adviser registration requirement contained in section 8.26 of NI 31-103 in the provinces of Ontario, Québec, and Nova Scotia. Please note that: (i) Voya IM is not registered in Ontario, Québec, or Nova Scotia to act as an adviser, (ii) Voya IM's principal place of business is located in the City of New York, NY, USA, (iii) all or substantially all of Voya IM's assets may be situated outside of Canada, (iv) there may be difficulty enforcing legal rights against Voya IM because of the above, and (v) Voya IM has appointed McMillan LLP as agent for service of process in Ontario (c/o Leila Rafi, Brookfield Place, 181 Bay Street, Suite 4400, Toronto, Ontario M5J 2T3) and Québec (c/o Enda Wong, 1000 Sherbrooke Street West, Suite 2700, Montreal, Québec H3A 3G4), and Stewart McKelvey as agent for service of process in Nova Scotia (c/o Marc Reardon, Queen's Marque, 600-1741 Lower Water Street, Halifax, Nova Scotia B3J 0J2).

For use by qualified institutional investors and financial professionals only.
Not for inspection by, distribution to or quotation to the general public.

IM5817402 • 081026 • 2026-07-6392065

VOYA® Investment Management