Caitlin Burrows: Higher interest rates are squeezing office loans, and this is happening at the same time as occupancy is lower. So, the question here is, are these loans and the banks that hold them at risk?

We find that three categories bear most of the risk - categories that may seem counterintuitive. In major markets like New York, office occupancy has dropped more than 4.5 percent since 2019. Notably worse than secondary and especially tertiary markets. And it's the buildings with the biggest loans that are seeing the most pressure. The drop in occupancy there is almost twice that of buildings with loans under $10 million.

But maybe the biggest divergence is between central business districts on one side, and suburban and medical offices on the other side. It's these offices, backed by smaller loans in smaller markets that we see as most insulated from current pressures. And that's where US banks actually have most of their exposure.

So, while we see signals of trouble ahead for certain types of loans, we think the pain may be limited.