

MDO Q4

COMMERCIAL / MULTIFAMILY MORTGAGE DEBT OUTSTANDING | Q4 2023

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COMMERCIAL/MULTIFAMILY
REAL ESTATE **MORTGAGE**
DEBT OUTSTANDING
Q4 2023

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4. Commercial & Multifamily Mortgage Debt Outstanding

March 14, 2024

The level of commercial and multifamily mortgage debt outstanding at the end of 2023 was \$130 billion (2.8 percent) higher than at the end of 2022, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Mortgage Debt Outstanding quarterly report.

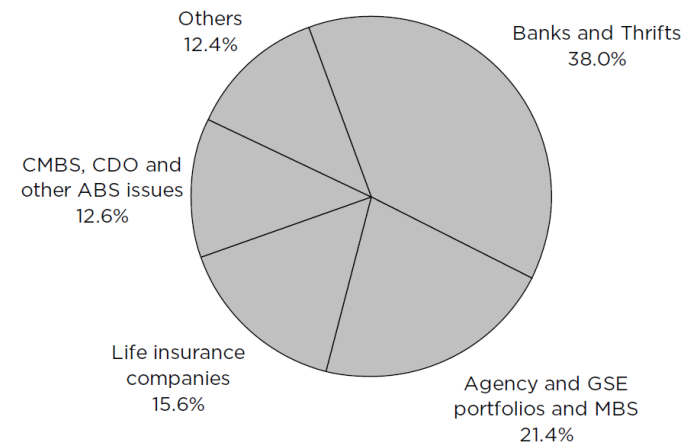
MBA's report found that total mortgage debt outstanding rose by 0.9 percent (\$41.8 billion) to \$4.69 trillion in fourth-quarter 2023. Multifamily mortgage debt grew by \$25.0 billion (1.2 percent) to \$2.09 trillion during the fourth quarter, and by \$88.5 billion (4.4 percent) for the entire year.

"The amount of commercial mortgage debt outstanding grew in the final quarter of 2023 and for the year as a whole," said Jamie Woodwell, MBA's Head of Commercial Real Estate Research, "However, the increase was among the slowest paces since the mid-2010s. Every major capital source increased its mortgage holdings during the year. Mortgage originations were down by roughly 50 percent in 2023 compared to 2022, but that meant that few loans were paying off, helping maintain portfolio sizes even in the face of lower inflows."

The four major investor groups are: bank and thrift; commercial mortgage-backed securities (CMBS), collateralized debt obligation (CDO) and other asset backed securities (ABS) issues; federal agency and government sponsored enterprise (GSE) portfolios and mortgage-backed securities (MBS); and life insurance companies.

MBA's analysis summarizes the holdings of loans or, if the loans are securitized, the form of the security. For example, many life insurance companies invest both in whole loans for which they hold the mortgage note (and which appear in this data under "Life Insurance Companies"), and in CMBS, CDOs and other ABS for which the security issuers and trustees hold the note (and which appear here under CMBS, CDO and other ABS issues).

Commercial & Multifamily Mortgage Debt Outstanding
By Investor Group, Fourth Quarter 2023



Commercial banks continue to hold the largest share (38 percent) of commercial/multifamily mortgages at \$1.8 trillion. Agency and GSE portfolios and MBS are the second largest holders of commercial/multifamily mortgages, at \$1.0 trillion (21 percent of the total). Life insurance companies hold \$733 billion (16 percent), and CMBS, CDO and other ABS issues hold \$593 billion (13 percent).

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Looking solely at multifamily mortgages, agency and GSE portfolios and MBS hold the largest share of total debt outstanding at \$1.0 trillion (48 percent of the total), followed by commercial banks with \$612 billion (29 percent), life insurance companies with \$235 billion (11 percent), state

and local governments with \$116 billion (6 percent), and CMBS, CDO and other ABS issues with \$67 billion (3 percent).

CHANGES IN COMMERCIAL & MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the fourth quarter of 2023, Agency and GSE portfolios and MBS saw the largest rise in dollar terms in their holdings of commercial/multifamily mortgage debt, with an increase of \$15.5 billion (1.6 percent). Commercial banks increased their holdings by \$14.8 billion (0.8 percent), Life insurance companies increased their holdings by \$9.9 billion (1.4 percent), and nonfinancial corporate business increased their holdings by \$1.3 billion (1.1 percent). Finance companies saw the largest decline (5.0 percent) in their holdings, by \$1.9 billion.

In percentage terms, agency and GSE portfolios and MBS saw the largest increase - 1.6 percent - in their holdings of commercial/multifamily mortgages.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$25.0 billion rise in multifamily mortgage debt outstanding between the third and fourth quarters of 2023 represented a 1.2 percent increase. In dollar terms, agency and GSE portfolios and MBS saw the largest increase, at \$15.5 billion (1.6 percent), in their holdings of multifamily mortgage debt. Commercial banks increased their holdings of multifamily mortgage debt by \$5.3 billion (0.9 percent), and life insurance companies increased holdings by \$5.2 billion (2.2 percent). Finance companies saw the largest decline (8.9 percent) in their holdings, by \$1.2 billion.

In percentage terms, life insurance companies recorded the largest increase in holdings of multifamily mortgages (2.2 percent), and finance companies saw the biggest decrease (8.9 percent).

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING DURING 2023

Between December 2022 and December 2023, agency and GSE portfolios and MBS saw the largest gain in dollar terms in their holdings of commercial/multifamily mortgage debt - an increase of \$49 billion (5.1

percent). Life insurance companies increased their holdings of commercial/multifamily mortgages by \$43.5 billion (6.3 percent).

In percentage terms, nonfinancial corporate business saw the largest increase (12.7 percent) in their holdings of commercial/multifamily mortgages.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING DURING 2023

The \$88.5 billion rise in multifamily mortgage debt outstanding during 2023 represents a 4.4 percent increase. In dollar terms, agency and GSE portfolios and MBS saw the largest increase in their holdings of multifamily mortgage debt at 5.1 percent (\$49.0 billion). Finance companies saw the largest decrease in their holdings, down \$2.7 billion (17.7 percent).

The report's analysis is based on data from the Federal Reserve Board's Financial Accounts of the United States, the Federal Deposit Insurance Corporation's Quarterly Banking Profile, and Trepp LLC. More information on this data series is contained in Appendix A.

YEAR END COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

	Mortgage Debt Outstanding				Change		Sector Share of \$
	2023 Q4		2022 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,782,244	38.0%	1,749,259	38.3%	32,985	1.9%	25.4%
Agency and GSE portfolios and MBS	1,002,469	21.4%	953,465	20.9%	49,004	5.1%	37.8%
Life insurance companies	732,890	15.6%	689,388	15.1%	43,502	6.3%	33.5%
CMBS, CDO and other ABS issues	593,061	12.6%	602,659	13.2%	-9,598	-1.6%	-7.4%
State and local government	138,166	2.9%	134,162	2.9%	4,004	3.0%	3.1%
Nonfinancial corporate business	122,888	2.6%	109,015	2.4%	13,873	12.7%	10.7%
Federal government	96,607	2.1%	92,373	2.0%	4,234	4.6%	3.3%
REITs	93,968	2.0%	99,736	2.2%	-5,768	-5.8%	-4.4%
Finance companies	35,417	0.8%	40,407	0.9%	-4,990	-12.3%	-3.8%
Nonfarm noncorporate business	34,703	0.7%	34,112	0.7%	591	1.7%	0.5%
Other insurance companies	32,252	0.7%	30,404	0.7%	1,848	6.1%	1.4%
Private pension funds	25,383	0.5%	24,589	0.5%	794	3.2%	0.6%
State and local government retirement	3,384	0.1%	4,215	0.1%	-831	-19.7%	-0.6%
Household sector	1,477	0.0%	1,430	0.0%	47	3.3%	0.0%
TOTAL	4,694,909		4,565,214		129,695	2.8%	

Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

Note: Beginning with the Q2 2014 release, MBA's analysis of mortgage debt outstanding modifies the data from the Federal Reserve's Financial Accounts of the United States with respect to loans held in commercial mortgage-backed securities (CMBS) and by real estate investment trusts (REITs). The corrections create differences with previous releases and with the Federal Reserve data. For more information, please see the Appendix to this report.

YEAR END MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector

	Mortgage Debt Outstanding				Change		Sector Share of \$
	2023 Q4		2022 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	1,002,469	48.1%	953,465	47.7%	49,004	5.1%	55.4%
Bank and Thrift	611,546	29.3%	598,488	30.0%	13,058	2.2%	14.8%
Life insurance companies	234,989	11.3%	217,482	10.9%	17,507	8.0%	19.8%
State and local government	115,920	5.6%	112,318	5.6%	3,602	3.2%	4.1%
CMBS, CDO and other ABS issues	66,681	3.2%	58,871	2.9%	7,810	13.3%	8.8%
Nonfarm noncorporate business	19,299	0.9%	18,971	0.9%	328	1.7%	0.4%
Finance companies	12,329	0.6%	14,982	0.8%	-2,653	-17.7%	-3.0%
Federal government	10,318	0.5%	10,532	0.5%	-214	-2.0%	-0.2%
REITs	5,617	0.3%	5,793	0.3%	-176	-3.0%	-0.2%
Private pension funds	2,749	0.1%	2,648	0.1%	101	3.8%	0.1%
Nonfinancial corporate business	2,069	0.1%	1,557	0.1%	512	32.9%	0.6%
State and local government retirement	1,586	0.1%	1,976	0.1%	-390	-19.7%	-0.4%
TOTAL	2,085,572		1,997,083		88,489	4.4%	

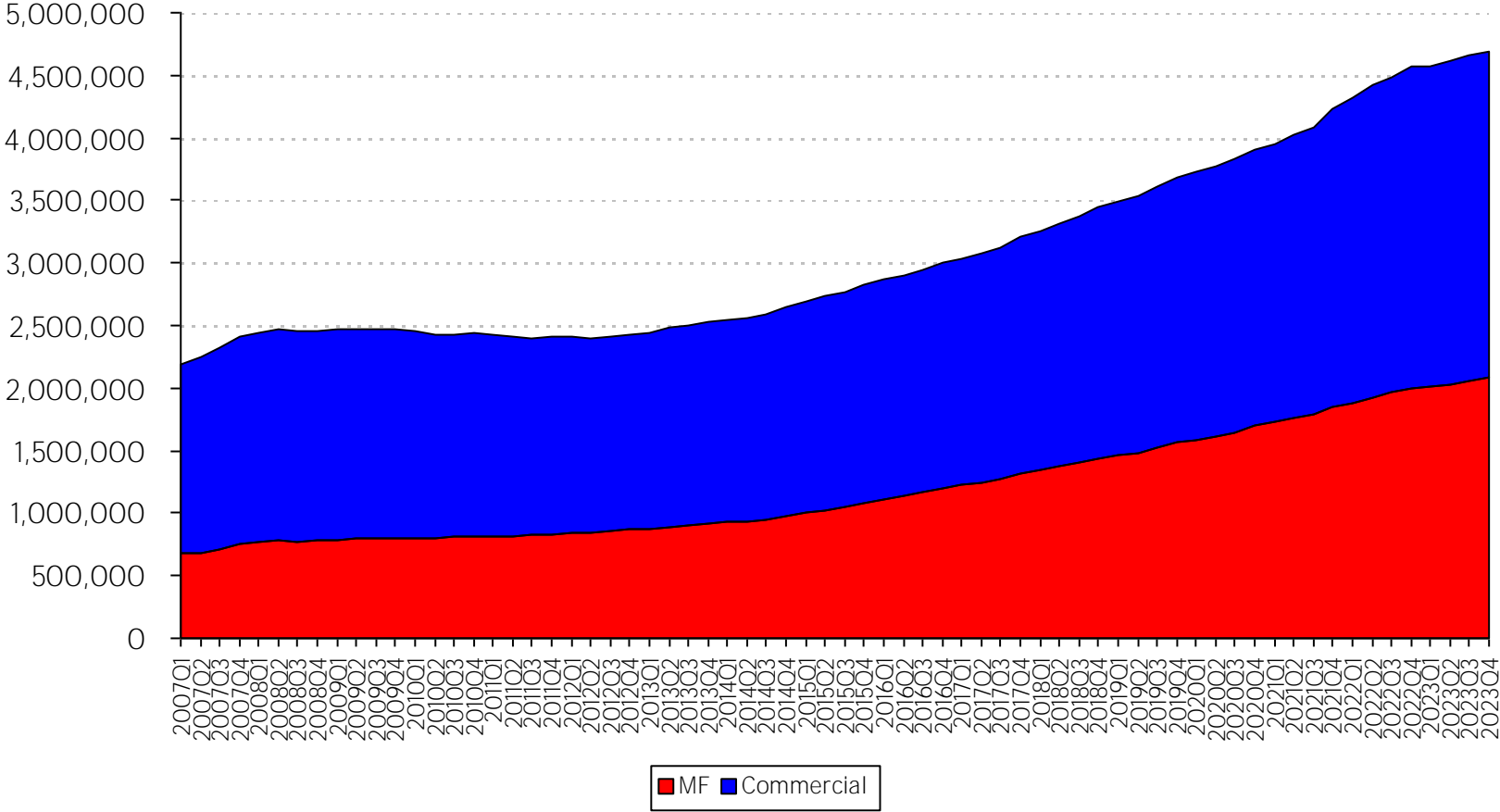
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2023 Q4		2023 Q3		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,782,244	38.0%	1,767,494	38.0%	14,750	0.8%	35.3%
Agency and GSE portfolios and MBS	1,002,469	21.4%	986,962	21.2%	15,507	1.6%	37.1%
Life insurance companies	732,890	15.6%	723,020	15.5%	9,870	1.4%	23.6%
CMBS, CDO and other ABS issues	593,061	12.6%	593,016	12.7%	45	0.0%	0.1%
State and local government	138,166	2.9%	137,164	2.9%	1,002	0.7%	2.4%
Nonfinancial corporate business	122,888	2.6%	121,592	2.6%	1,296	1.1%	3.1%
Federal government	96,607	2.1%	95,498	2.1%	1,109	1.2%	2.7%
REITs	93,968	2.0%	94,144	2.0%	-176	-0.2%	-0.4%
Finance companies	35,417	0.8%	37,268	0.8%	-1,851	-5.0%	-4.4%
Nonfarm noncorporate business	34,703	0.7%	34,674	0.7%	29	0.1%	0.1%
Other insurance companies	32,252	0.7%	31,938	0.7%	314	1.0%	0.8%
Private pension funds	25,383	0.5%	25,190	0.5%	193	0.8%	0.5%
State and local government retirement funds	3,384	0.1%	3,715	0.1%	-331	-8.9%	-0.8%
Household sector	1,477	0.0%	1,469	0.0%	8	0.5%	0.0%
TOTAL	4,694,909		4,653,144		41,765	0.9%	

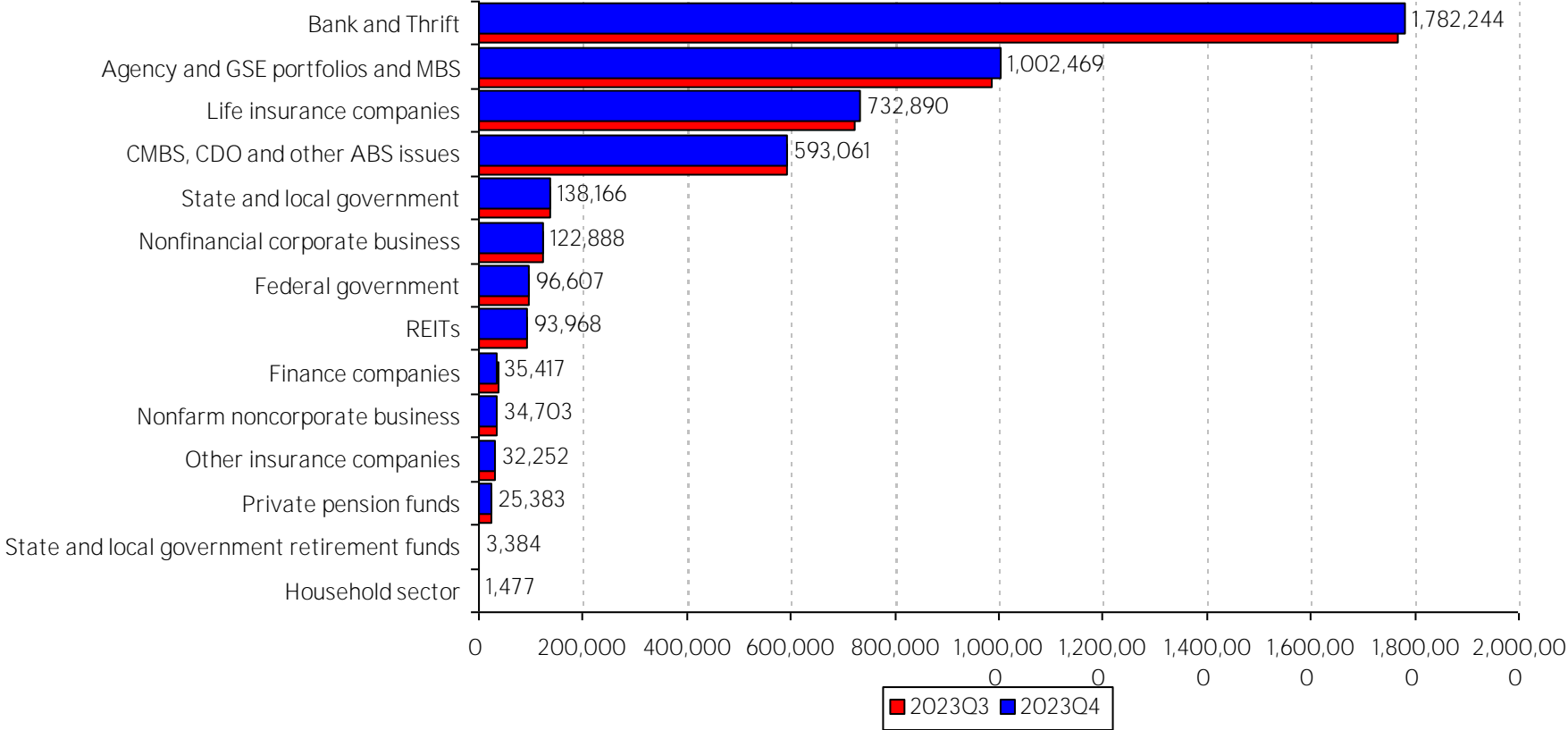
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)

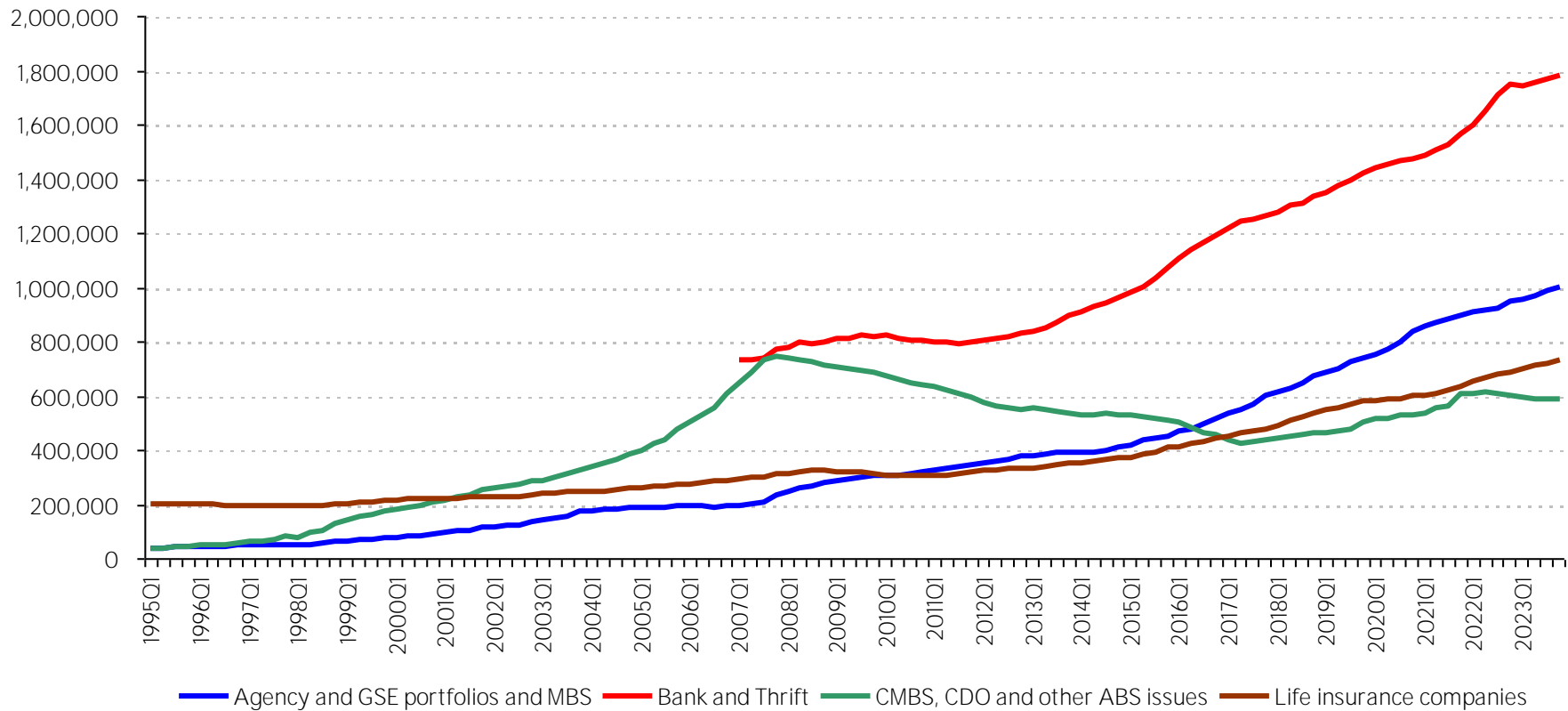


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Selected Sector
by Quarter

(\$millions)

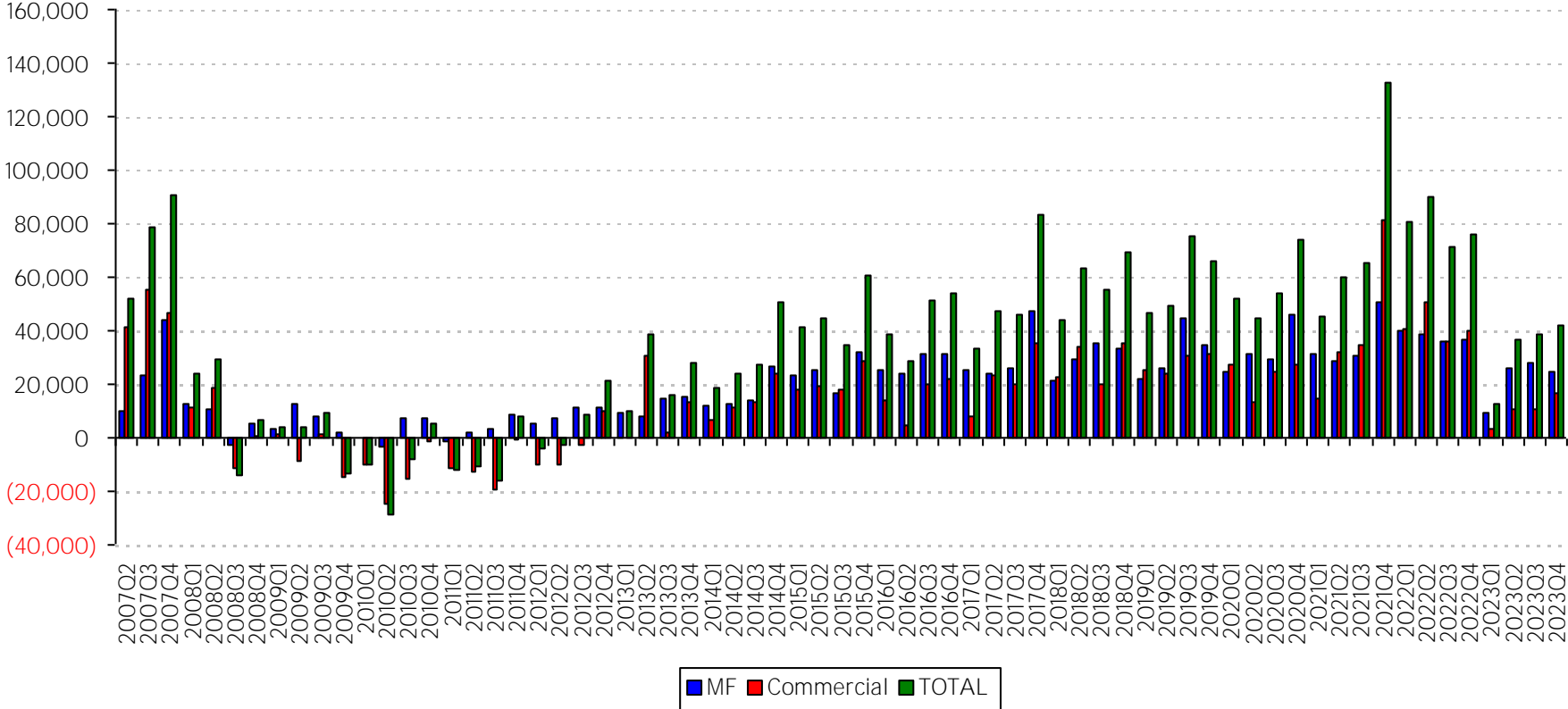


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

Net Change in Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

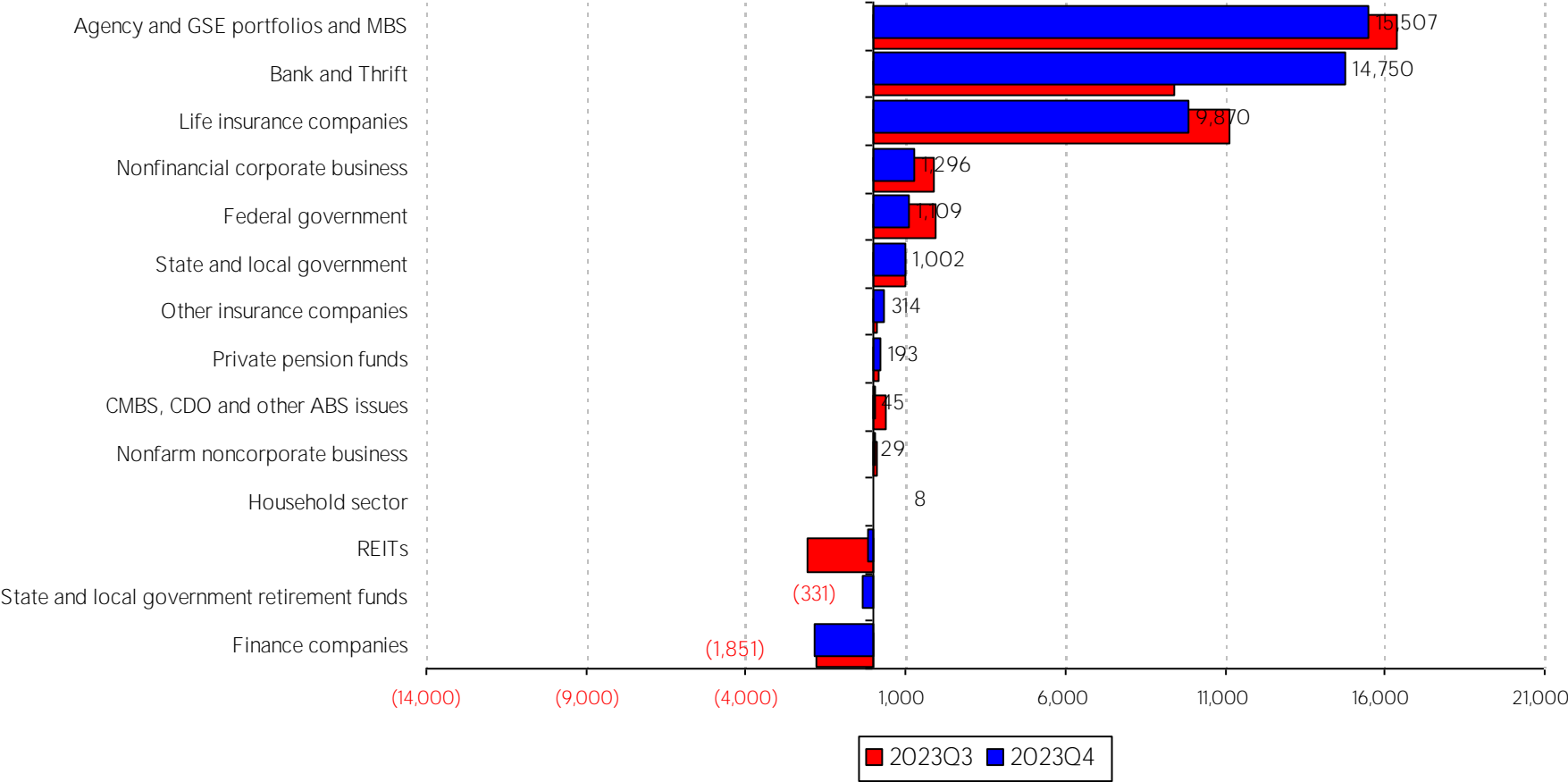
(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

Net Change in Commercial and Multifamily Mortgage Debt Outstanding, by Sector
 (\$millions)



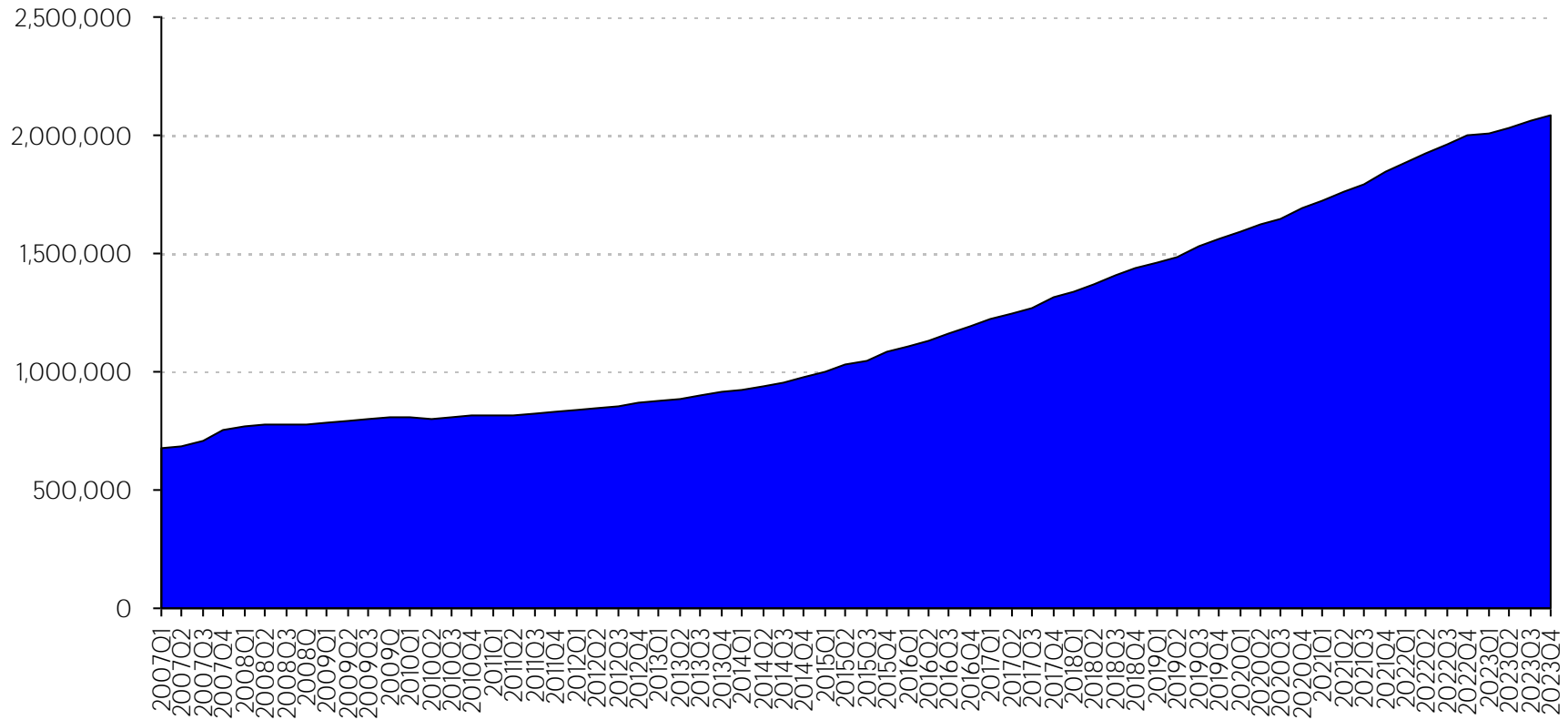
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Quarter

(*\$millions*)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector

	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2023 Q4		2023 Q3		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	1,002,469	48.1%	986,962	47.9%	15,507	1.6%	62.1%
Bank and Thrift	611,546	29.3%	606,240	29.4%	5,306	0.9%	21.2%
Life insurance companies	234,989	11.3%	229,820	11.2%	5,169	2.2%	20.7%
State and local government	115,920	5.6%	115,019	5.6%	901	0.8%	3.6%
CMBS, CDO and other ABS issues	66,681	3.2%	67,123	3.3%	-442	-0.7%	-1.8%
Nonfarm noncorporate business	19,299	0.9%	19,283	0.9%	16	0.1%	0.1%
Finance companies	12,329	0.6%	13,539	0.7%	-1,210	-8.9%	-4.8%
Federal government	10,318	0.5%	10,345	0.5%	-27	-0.3%	-0.1%
REITs	5,617	0.3%	5,710	0.3%	-93	-1.6%	-0.4%
Private pension funds	2,749	0.1%	2,712	0.1%	37	1.4%	0.1%
Nonfinancial corporate business	2,069	0.1%	2,106	0.1%	-37	-1.8%	-0.1%
State and local government retirement funds	1,586	0.1%	1,741	0.1%	-155	-8.9%	-0.6%
TOTAL	2,085,572		2,060,600		24,972	1.2%	

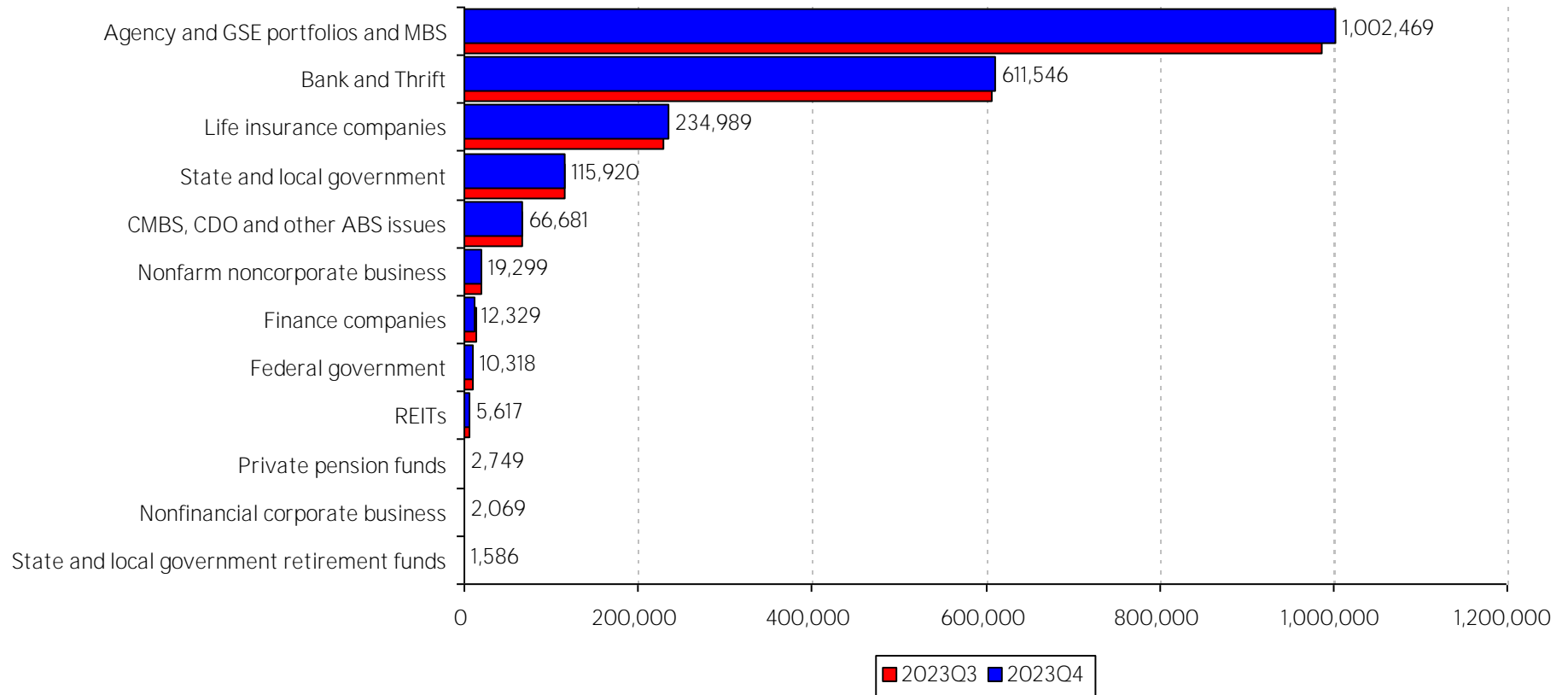
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

Note: Beginning with the Q2 2014 release, MBA's analysis of mortgage debt outstanding modifies the data from the Federal Reserve's Financial Accounts of the United States with respect to loans held in commercial mortgage-backed securities (CMBS) and by real estate investment trusts (REITs). The corrections create differences with previous releases and with the Federal Reserve data. For more information, please see the Appendix to this report.

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Sector

(*\$millions*)

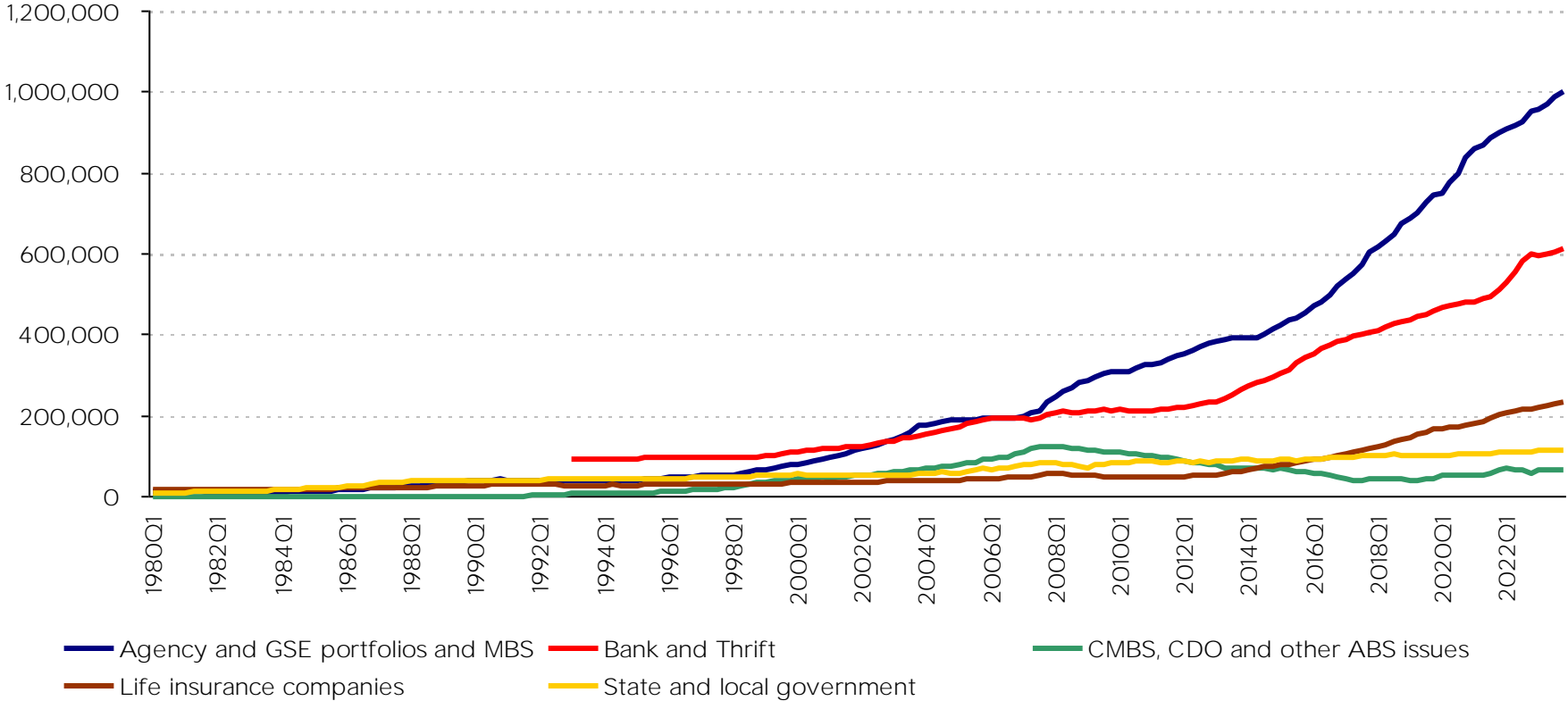


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

(\$millions)

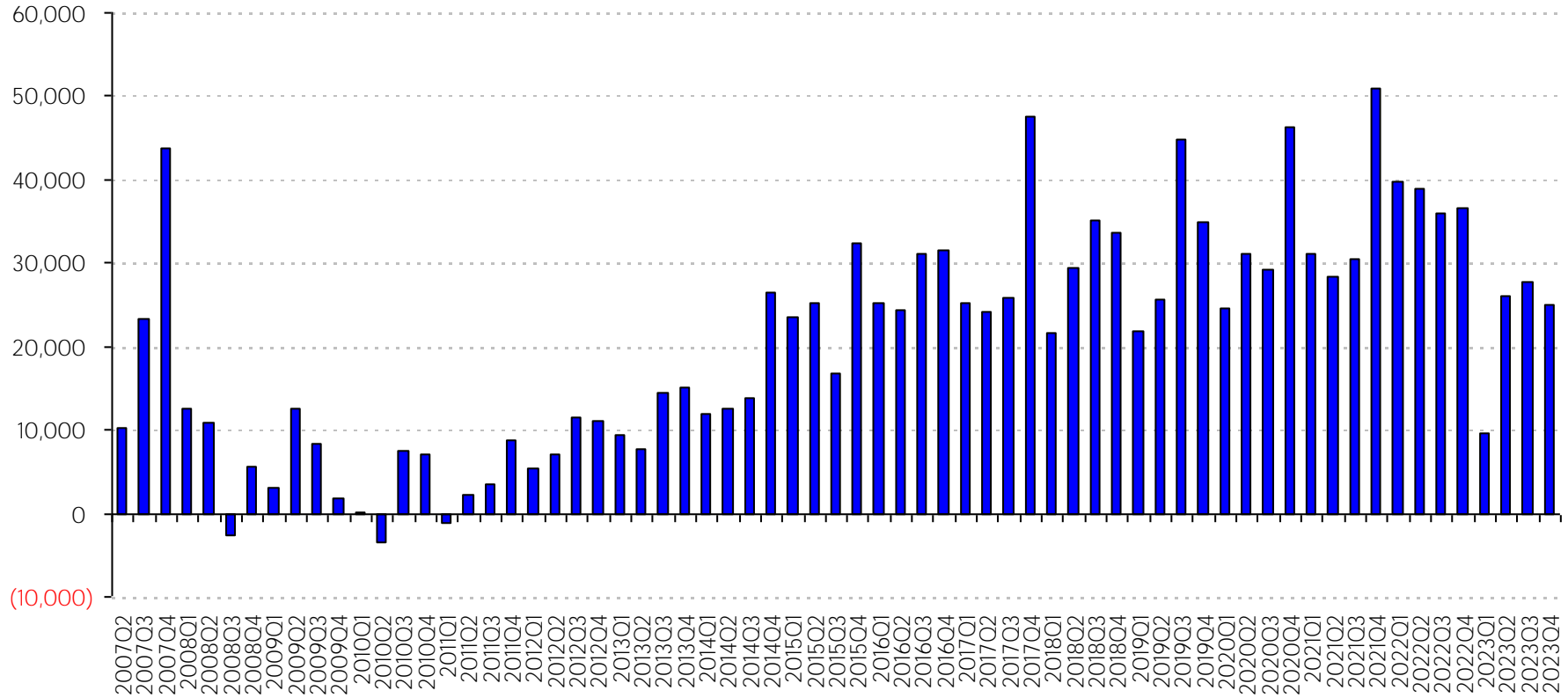


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)

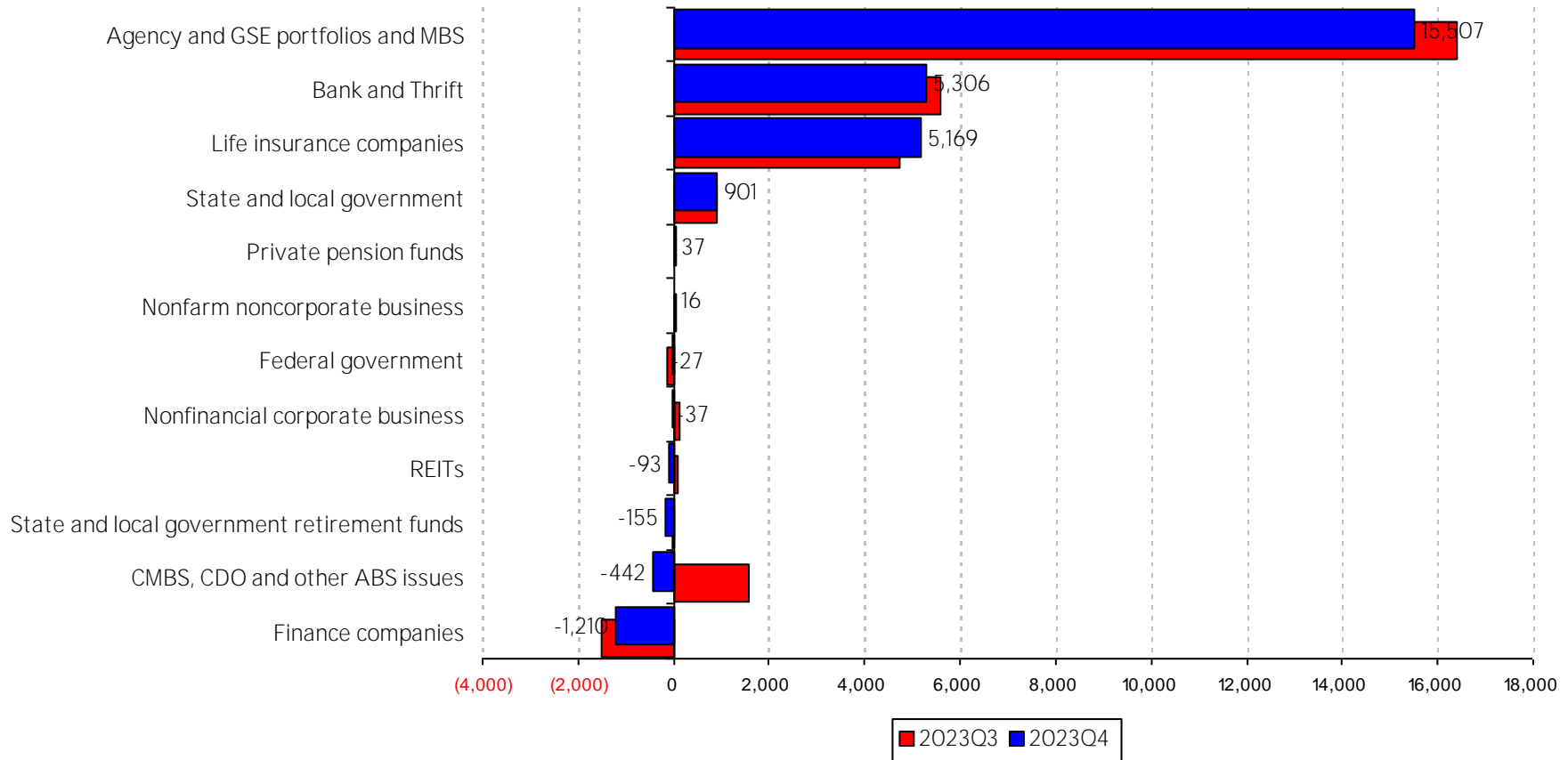


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

APPENDIX A

MBA's analysis is based on data from the Federal Reserve Board's *Financial Accounts of the United States*, the Federal Deposit Insurance Corporation's *Quarterly Banking Profile* and data from Wells Fargo Securities.

Bank Holdings

MBA's analysis of commercial and multifamily mortgage debt outstanding was changed in the fourth quarter of 2010 to exclude two categories of loans that had previously been included;

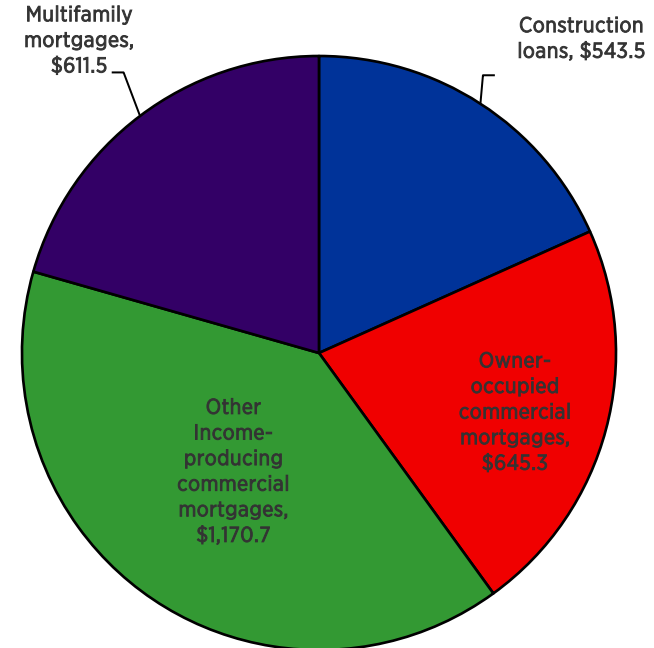
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

By excluding these loan types, MBA's analysis more accurately reflects the balance of loans supported by office buildings, retail centers, apartment buildings and other income-producing properties that rely on rents and leases to make their payments.

For the third quarter 2024, the Federal Reserve Board's Flow of Funds Accounts data attributed \$3.0 trillion of outstanding commercial and multifamily mortgages to banks and thrifts. Comparing this number to the FDIC's Quarterly Banking Profile for the same period, one sees that banks and thrifts held \$612 billion of multifamily mortgages and \$1.8 trillion of non-farm nonresidential mortgages, of which 64 percent or \$1.2 trillion were income-producing. The combined \$1.8 trillion of mortgages backed by multifamily and other income-producing properties is included in this analysis. The \$3.0 trillion total reported by the Federal Reserve also includes \$645 billion of loans collateralized by owner-occupied commercial properties and another \$543 billion of loans backed by acquisition, development and construction projects (including those for single-family development), which are excluded in from this analysis.

Estimated Components of Federal Reserve's Flow of Funds "Commercial and Multifamily Mortgages" Held by Banks and Thrifts

(\$Billions)



Source: MBA, Federal Reserve Board of Governors, and FDIC

Mortgages in CMBS and held by REITs

Beginning with its Q2 2014 release, the Federal Reserve's *Financial Accounts of the United States* adjusted its balance of commercial mortgages held in CMBS and by REITs to reflect the impact of FAS 167 and its implications for how entities report certain securitized mortgages on their balance sheets. The effect of this change was to inflate the balance of mortgages appearing under REITs by approximately \$130 billion and to reduce the balance appearing under CMBS by the same amount. From an accounting perspective, such changes are required, but the changes lead to a significant distortion of the size of the CMBS and REIT markets.

For CMBS, MBA corrects for this by relying on data from Trepp LLC to size the balance of commercial and multifamily mortgages in CMBS. (The analysis continues to rely on the Financial Accounts of the United States to size multifamily balances held in CMBS, as the FAS 167 adjustments did not affect them.)

For REIT balances, MBA uses Fed data to reverse the FAS 167 inclusions and thus to report the mortgages, and not securitized assets, that REITs hold. The full corrected series are available as a part of MBA's CREF Database. Contact CREFResearch@mba.org for more information.



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