

MBA COMMERCIAL / MULTIFAMILY

MORTGAGE DEBT OUTSTANDING

Q1 2010



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MORTGAGE DEBT OUTSTANDING

Q1 2010

Commercial/Multifamily Mortgage Debt Outstanding

First Quarter 2010

The level of commercial/multifamily mortgage debt outstanding decreased in the first quarter, to \$3.31 trillion, according to the Mortgage Bankers Association's (MBA) analysis of the Federal Reserve Board Flow of Funds data.

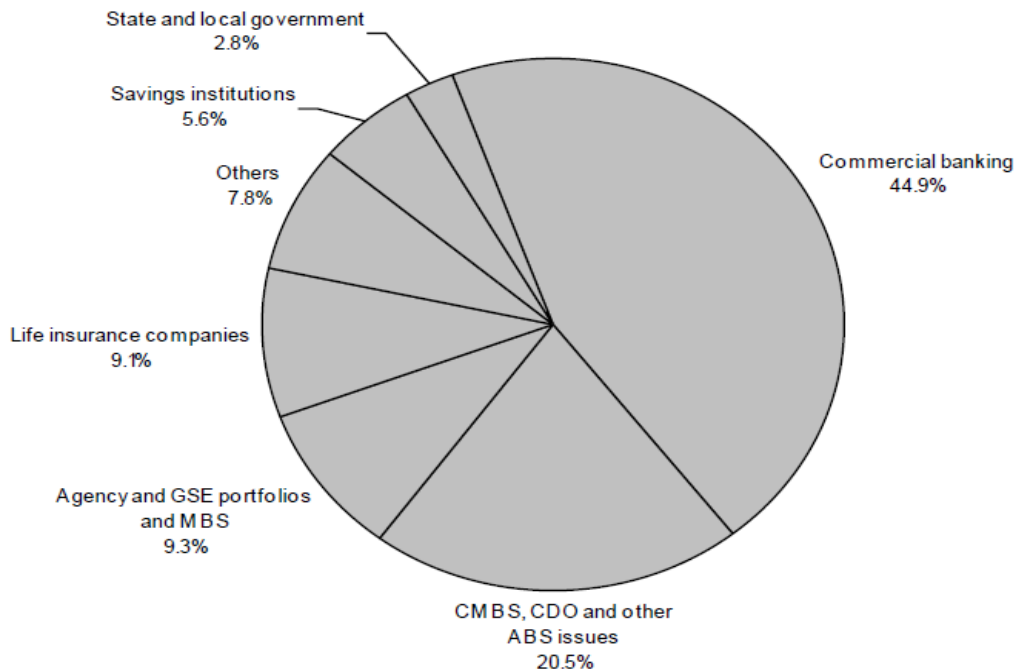
Declines were driven by drops in commercial and multifamily mortgages held in CMBS and construction loans held by banks and thrifts.

The \$3.31 trillion in commercial/multifamily mortgage debt outstanding recorded by the Federal Reserve was a decrease of \$31 billion or 0.9 percent from the fourth quarter of 2009. Multifamily mortgage debt outstanding rose to \$852 billion, an increase of \$3 billion or 0.4 percent from the fourth quarter of 2009.

"Low levels of commercial mortgage borrowing mean that property investors are paying off and paying down more in mortgages than they are taking out," said Jamie Woodwell MBA's Vice President of Commercial Real Estate Research. "The balance of construction loans at banks, and commercial and multifamily mortgages held in CMBS and by life insurance companies, saw the largest declines. The balance of multifamily mortgages backed by Fannie Mae, Freddie Mac and FHA saw the largest increase."

The Federal Reserve Flow of Funds data summarizes the holding 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

Commercial Multifamily Mortgage Debt Outstanding
By Investor Group, First Quarter 2010



(included under Life Insurance Companies in this data) and in CMBS, collateralized debt obligations (CDOs) and other asset backed securities (ABS) for which the security issuers and trustees hold the note.

Commercial banks continue to hold the largest share of commercial/multifamily mortgages, \$1.49 trillion, or 45 percent of the total. Many of the commercial mortgage loans reported by commercial banks however, are actually "commercial and industrial" loans to which a piece of commercial property has been pledged as collateral. An MBA Research PolicyNote found that among the top 10 commercial real estate bank lenders, 48 percent of their aggregate balance of commercial (non-multifamily) real estate loans were related to owner-occupied properties. (Note: It is the borrower's business income, not the income derived from the property's rents and leases, which drives the underwriting, pricing and performance of these loans.)

Since the other loans reported here are generally income property loans, meaning that the income primarily comes from rents, the commercial bank numbers are not comparable.

Additionally, the Federal Reserve estimate of commercial and multifamily mortgage debt outstanding includes an estimate of construction loans held by banks and thrifts. Based on data from the FDIC, between Q4 2008 and Q4 2009, the level of commercial and multifamily mortgage debt (excluding construction loans) held by banks and thrifts increased by \$30 billion, meaning the \$54 billion decline in the Fed's estimate of bank/thrift-held debt, was driven by a decline of \$80 billion in construction loan holdings.

CMBS, CDO and other ABS issuers are the second largest holders of commercial/multifamily mortgages, holding \$679 billion, or 21 percent of the total. Agency and GSE portfolios and MBS hold \$309 billion, or 9% of the total. Life insurance companies hold \$302 billion, or 9 percent of the total, and savings institutions

hold \$184 billion, or 6 percent of the total. As noted above, many life insurance companies, banks and the GSEs purchase and hold a large number of CMBS, CDO and other ABS issues. These loans appear in the CMBS, CDO and other ABS category previously referenced.

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Looking just at multifamily mortgages, the GSEs and Ginnie Mae hold or guarantee the largest share of multifamily mortgages, with \$309 billion or 36 percent of the total multifamily debt outstanding. They are followed by commercial banks with \$210 billion, or 25 percent of the total. CMBS, CDO and other ABS issuers hold \$107 billion, or 13 percent of the total; state and local governments with \$77 billion, or 9 percent of the total; savings institutions with \$60 billion, or 7 percent of the total; and life insurance companies with \$48 billion, or 6 percent of the total.

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the first quarter of 2010, commercial banks saw the largest decrease in dollar terms in their holdings of commercial/multifamily mortgage debt – a decrease of \$19 billion or 1.3 percent. CMBS, CDO, and other ABS issues decreased their holdings of commercial/multifamily mortgages by \$11 billion or 1.6 percent. Life insurance companies decreased their holdings of commercial/multifamily mortgages by \$4 billion or 1.4 percent. The Federal government decreased their holdings of commercial/multifamily mortgages by \$3 billion or 3 percent. As mentioned earlier, the decline in bank and thrift holdings was driven by a drop in construction loans, many of them for the development of single-family homes.

In percentage terms, nonfinancial corporate business saw the largest decrease in their holdings of commercial/multifamily mortgages, a drop of 7 percent. Private

pension funds saw their holdings increase by 8 percent.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

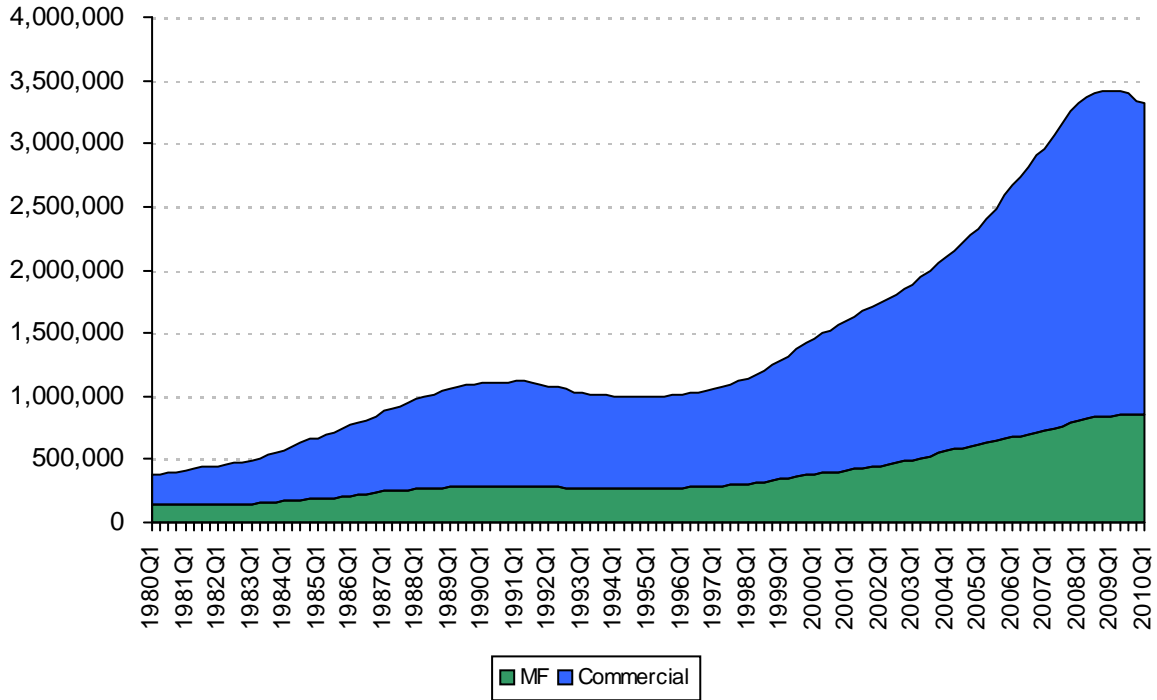
The \$3 billion increase in multifamily mortgage debt outstanding between the fourth quarter 2009 and first quarter 2010 represents a 0.4 percent increase. In dollar terms, agency and GSE portfolios and MBS saw the largest increase in their holdings of multifamily mortgage debt, an increase of \$6 billion, or 2 percent. State and local government increased their holdings of multifamily mortgage debt by \$898 million, or 1 percent. Private pension funds increased by \$272 million, or 10 percent. Commercial banks saw the biggest decrease in their holdings of multifamily mortgage debt by \$1.4 billion or 0.7 percent.

In percentage terms, private pension funds recorded the biggest increase in their holdings of multifamily mortgages at 10 percent. Finance companies saw the biggest decrease of 8 percent.

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



Source: Flow of Funds Accounts, Federal Reserve Board of Governors

QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

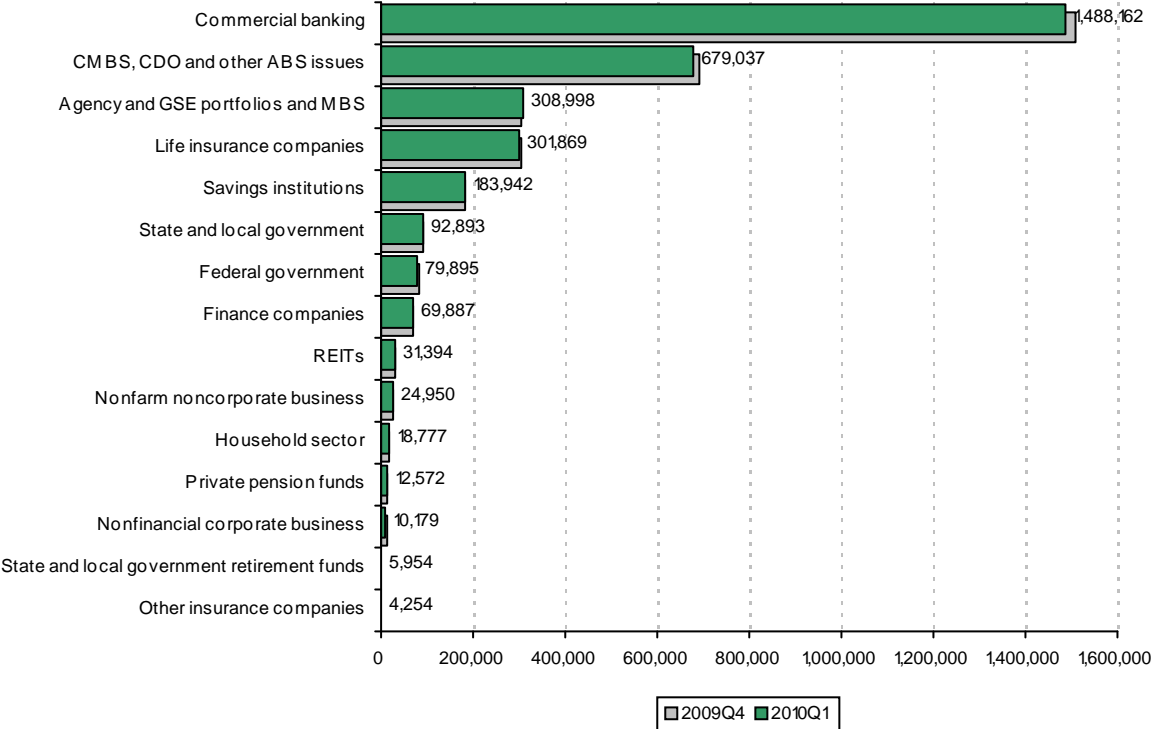


	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2010 Q1		2009 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Commercial banking	1,488,162	44.9%	1,507,042	45.1%	-18,880	-1.3%	61.8%
CMBS, CDO and other ABS issues	679,037	20.5%	689,891	20.6%	-10,854	-1.6%	35.5%
Agency and GSE portfolios and MBS	308,998	9.3%	303,168	9.1%	5,830	1.9%	-19.1%
Life insurance companies	301,869	9.1%	306,285	9.2%	-4,416	-1.4%	14.5%
Savings institutions	183,942	5.6%	183,810	5.5%	132	0.1%	-0.4%
State and local government	92,893	2.8%	91,816	2.7%	1,077	1.2%	-3.5%
Federal government	79,895	2.4%	82,448	2.5%	-2,553	-3.1%	8.4%
Finance companies	69,887	2.1%	69,696	2.1%	191	0.3%	-0.6%
REITs	31,394	0.9%	31,574	0.9%	-180	-0.6%	0.6%
Nonfarm noncorporate business	24,950	0.8%	25,464	0.8%	-514	-2.0%	1.7%
Household sector	18,777	0.6%	19,220	0.6%	-443	-2.3%	1.5%
Private pension funds	12,572	0.4%	11,598	0.3%	974	8.4%	-3.2%
Nonfinancial corporate business	10,179	0.3%	10,889	0.3%	-710	-6.5%	2.3%
State and local government retirement funds	5,954	0.2%	5,958	0.2%	-4	-0.1%	0.0%
Other insurance companies	4,254	0.1%	4,446	0.1%	-192	-4.3%	0.6%
TOTAL	3,312,763		3,343,305		-30,542	-0.9%	

Source: Flow of Funds Accounts, Federal Reserve Board of Governors

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector
 (\$millions)

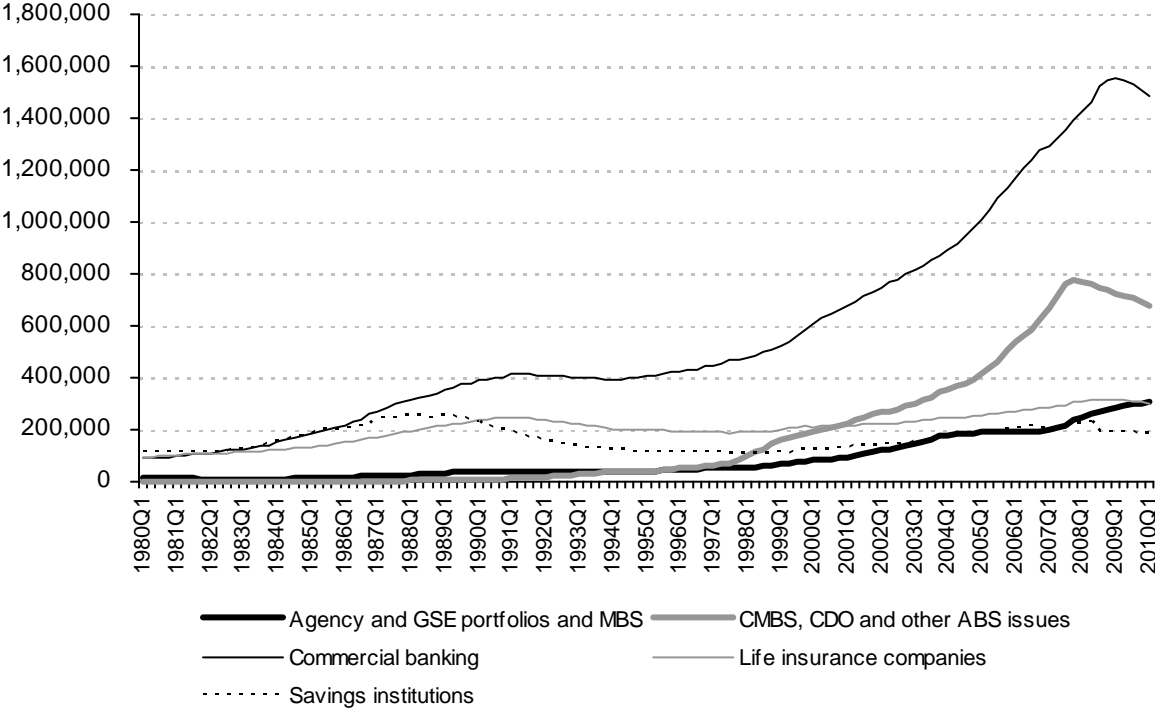


Source: Flow of Funds Accounts, Federal Reserve Board of Governors

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

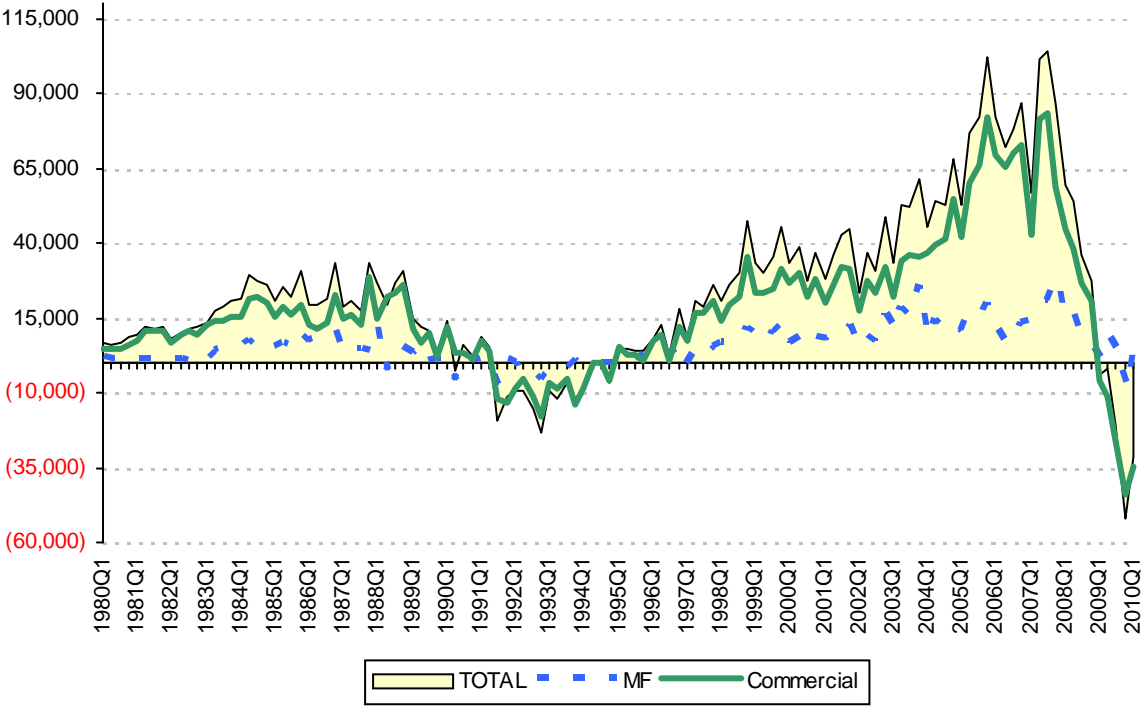
(\$millions)



Source: Flow of Funds Accounts, Federal Reserve Board of Governors

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

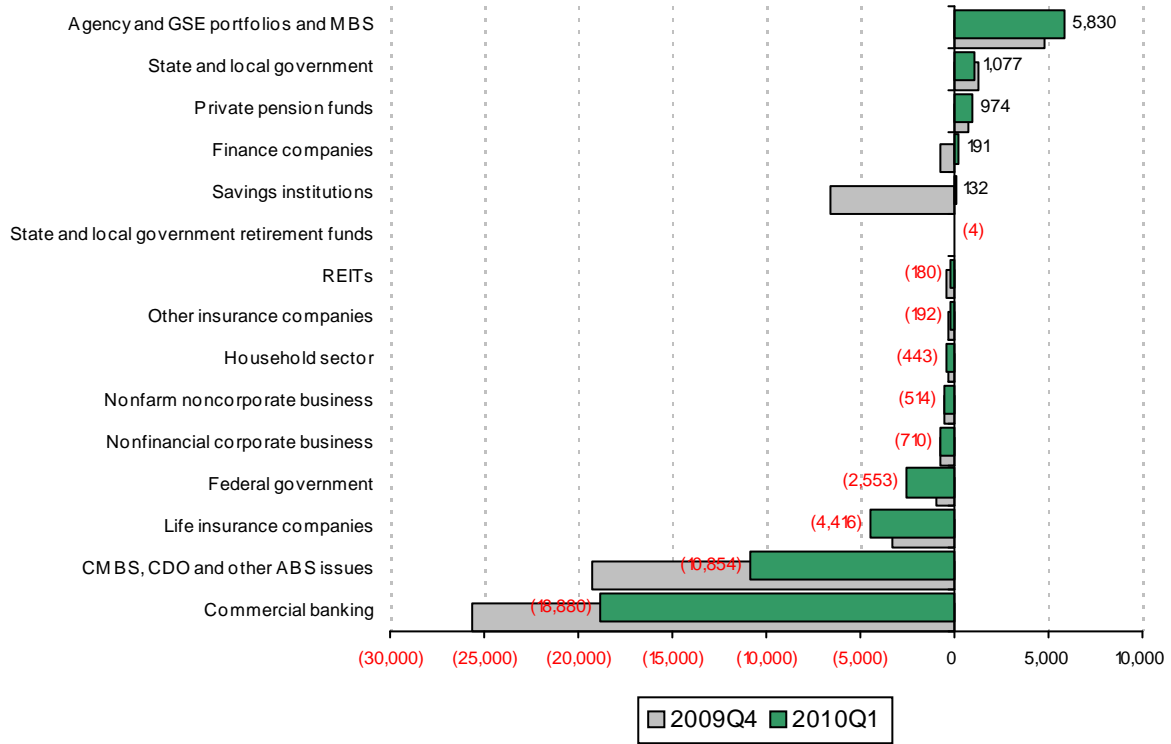


Source: Flow of Funds Accounts, Federal Reserve Board of Governors

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)



Source: Flow of Funds Accounts, Federal Reserve Board of Governors

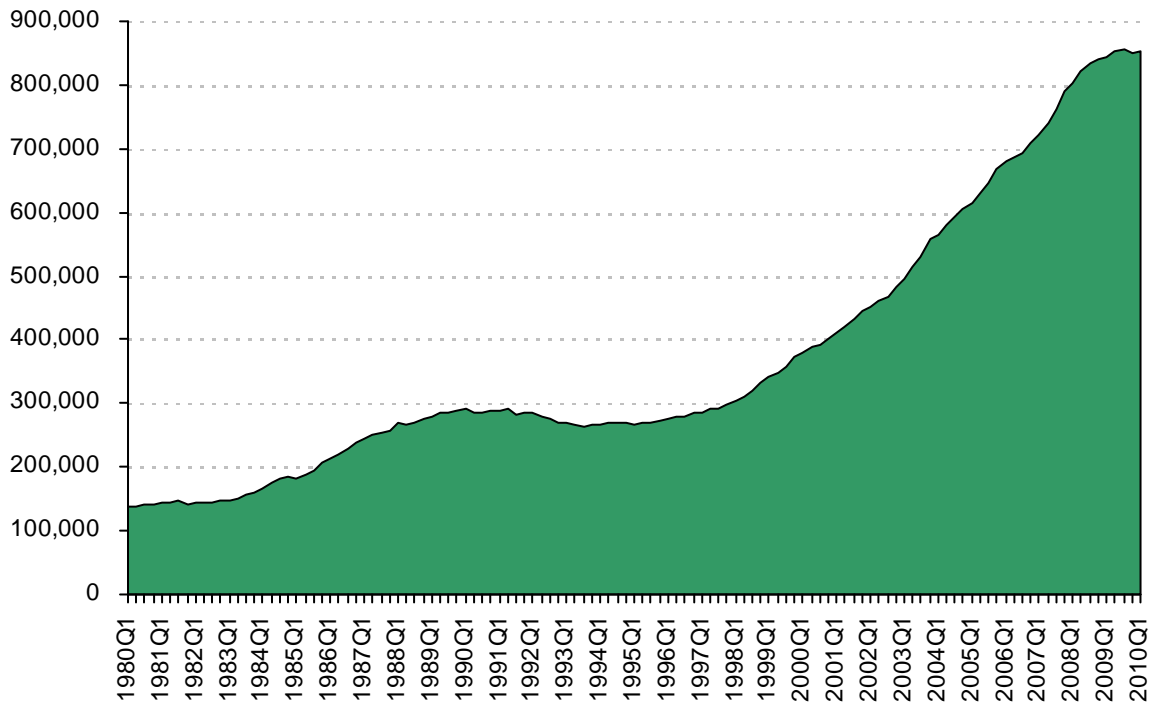


MULTIFAMILY MORTGAGE DEBT OUTSTANDING

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



Source: Flow of Funds Accounts, Federal Reserve Board of Governors

QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector



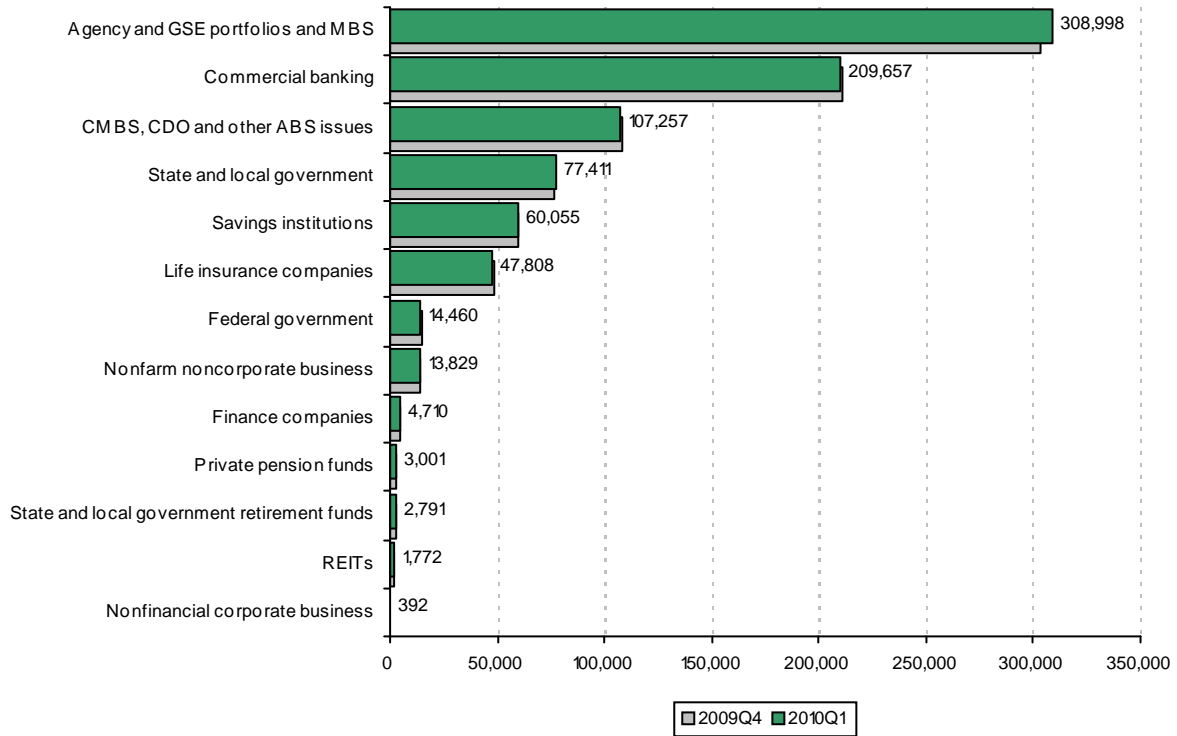
	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2010 Q1		2009 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	308,998	36.3%	303,168	35.7%	5,830	1.9%	185.1%
Commercial banking	209,657	24.6%	211,035	24.9%	-1,378	-0.7%	-43.8%
CMBS, CDO and other ABS issues	107,257	12.6%	108,183	12.7%	-926	-0.9%	-29.4%
State and local government	77,411	9.1%	76,513	9.0%	898	1.2%	28.5%
Savings institutions	60,055	7.0%	59,897	7.1%	158	0.3%	5.0%
Life insurance companies	47,808	5.6%	48,507	5.7%	-699	-1.4%	-22.2%
Federal government	14,460	1.7%	14,667	1.7%	-207	-1.4%	-6.6%
Nonfarm noncorporate business	13,829	1.6%	14,114	1.7%	-285	-2.0%	-9.1%
Finance companies	4,710	0.6%	5,105	0.6%	-395	-7.7%	-12.5%
Private pension funds	3,001	0.4%	2,729	0.3%	272	10.0%	8.6%
State and local government retirement funds	2,791	0.3%	2,793	0.3%	-2	-0.1%	-0.1%
REITs	1,772	0.2%	1,862	0.2%	-90	-4.8%	-2.9%
Nonfinancial corporate business	392	0.0%	419	0.0%	-27	-6.4%	-0.9%
TOTAL	852,141		848,992		3,149	0.4%	

Source: Flow of Funds Accounts, Federal Reserve Board of Governors

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Sector

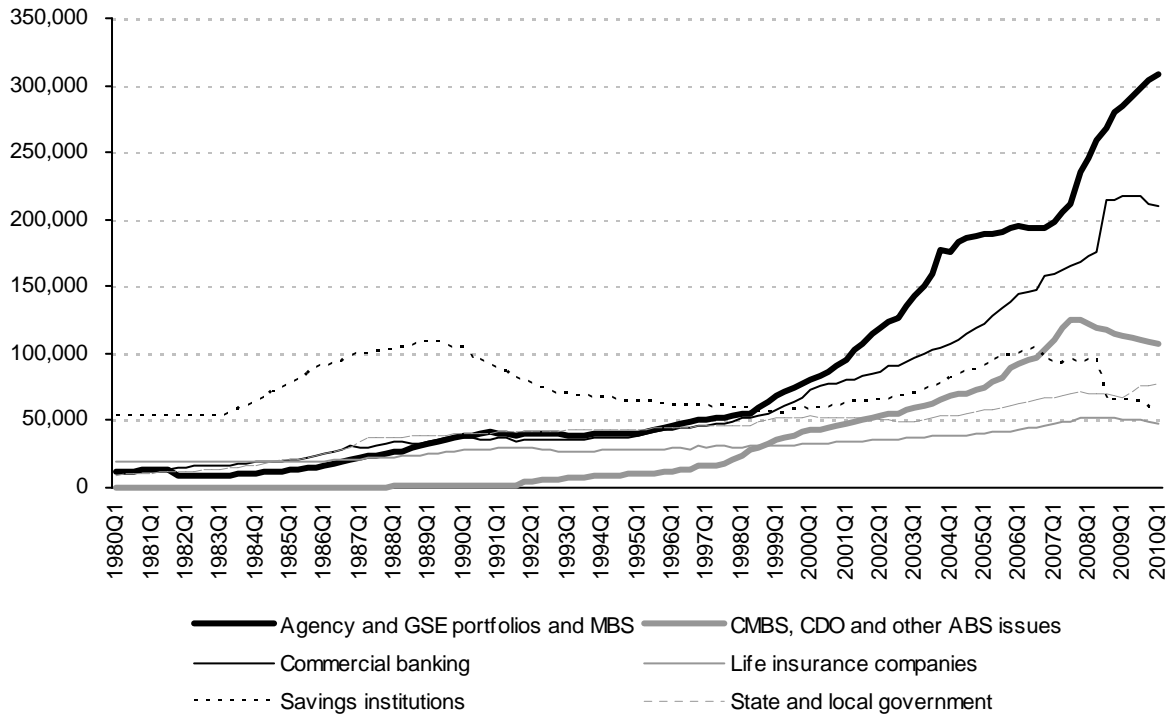
(\$millions)



Source: Flow of Funds Accounts, Federal Reserve Board of Governors

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

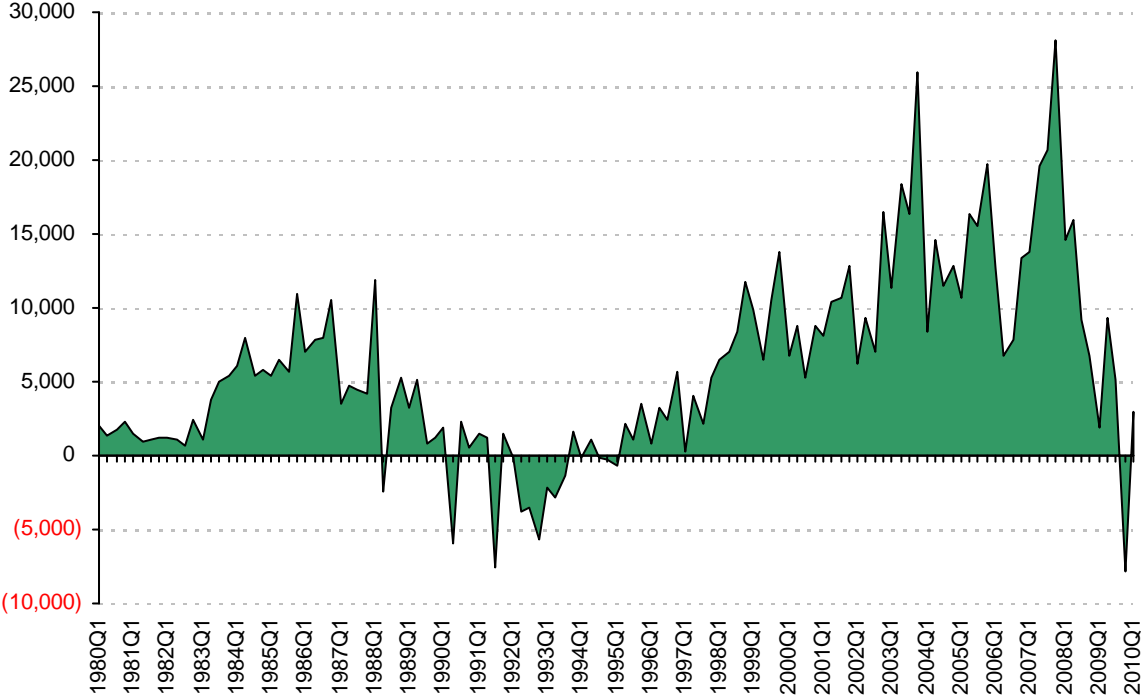
Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter
 (\$millions)



Source: Flow of Funds Accounts, Federal Reserve Board of Governors

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Quarter
 (\$millions)

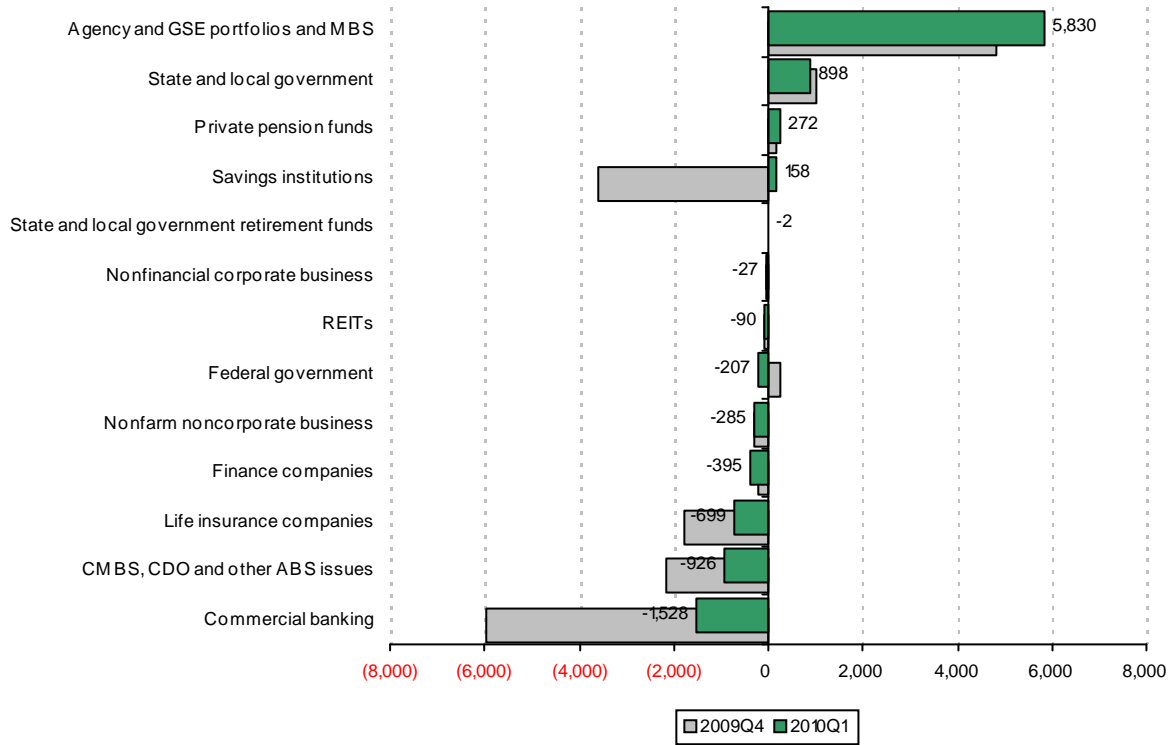


Source: Flow of Funds Accounts, Federal Reserve Board of Governors

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)



Source: Flow of Funds Accounts, Federal Reserve Board of Governors



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