The Mortgage Bankers Association (MBA) forecasts that commercial and multifamily mortgage bankers will close a record $652 billion of loans backed by income-producing properties this year, which is 14 percent higher than last year’s record volume ($574 billion).

Total multifamily lending, which includes some loans made by small and midsize banks not captured in the overall total, is forecast to rise to $359 billion, which is also a record and is 6 percent higher than last year’s record total ($339 billion). MBA anticipates volumes will rise again in 2020, reaching $700 billion of commercial/multifamily mortgage bankers originations, and $390 billion of total multifamily lending.

The low interest rate environment, coupled with still strong demand for commercial and multifamily assets, has pushed property values higher and increased demand for mortgages. At the beginning of the year, many economists, investors and others anticipated long-term rates would currently be in the 3 percent range and rising - potentially putting pressure on property values and decreasing demand for debt. Instead, the 10-year Treasury yield is at approximately 1.7 percent, and many market participants are planning for rates to remain ‘lower for longer’. The result is heightened demand and higher volumes.

MBA’s forecast is higher than its previous projections, driven by the lower interest rates and favorable market conditions, as well as by a re-benchmarking of the size of the multifamily lending market. Based on recently released data, banks lent considerably more in multifamily mortgages in 2018 than previous estimated - making more than $100 billion in multifamily loans.

MBA’s commercial/multifamily members can download a copy of MBA’s Commercial/Multifamily Real Estate Finance Forecast at www.mba.org/crefresearch.

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