

MDO Q1

COMMERCIAL / MULTIFAMILY MORTGAGE DEBT OUTSTANDING | Q1 2018

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COMMERCIAL/MULTIFAMILY
REAL ESTATE **MORTGAGE**
DEBT OUTSTANDING
Q1 2018

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4. Commercial/Multifamily Mortgage Debt Outstanding First Quarter 2018

The level of commercial/multifamily mortgage debt outstanding increased by \$44.3 billion in the first quarter of 2018 as all four major investor groups increased their holdings. That is a 1.4 percent increase over the fourth quarter of 2017.

Total commercial/multifamily debt outstanding rose to \$3.21 trillion at the end of the first quarter. Multifamily mortgage debt outstanding rose to \$1.3 trillion, an increase of 19.3 billion, or 1.5 percent, from the fourth quarter of 2017.

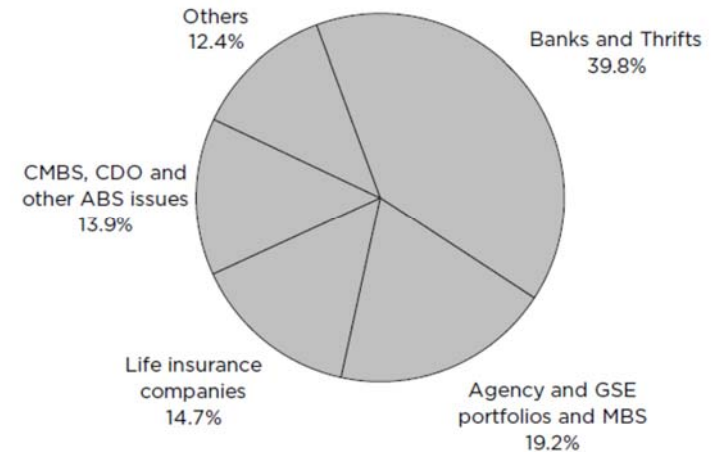
“During the first three months of 2018, commercial and multifamily mortgage debt outstanding increased more than during any other Q1 since before the Great Recession,” said Jamie Woodwell, MBA Vice President of Commercial Real Estate Research. “Interestingly, Q1 holdings grew more slowly this year than last among the three largest investor groups: banks, life insurance companies, and the GSEs. This year’s increase was driven by the CMBS market, which added \$6 billion of mortgages to its balances. This is a sharp contrast to the \$21 billion decline over the same period in 2017.

“For the first time since 2007, CMBS has seen three straight quarters of increase,” Woodwell continued.

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

The 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

Commercial Multifamily Mortgage Debt Outstanding
By Investor Group, First Quarter 2018



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 banks continue to hold the largest share of commercial/multifamily mortgages, \$1.3 trillion, or 40 percent of the total.

Agency and GSE portfolios and MBS are the second largest holders of commercial/multifamily mortgages, holding \$617 billion, or 19 percent of the total. Life insurance companies hold \$471 billion, or 15 percent of the total, and CMBS, CDO and other ABS issues hold \$446 billion, or 14 percent of the total. Many life insurance companies, banks and the GSEs purchase and hold CMBS, CDO and other ABS issues. These loans appear in the “CMBS, CDO and other ABS” category.

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Looking solely at multifamily mortgages, agency and GSE portfolios and MBS hold the largest share, with \$617 billion, or 48 percent of the total multifamily debt outstanding. They are followed by banks and thrifts with \$411 billion, or 32 percent of the total. State and local government hold \$96 billion, or 8 percent of the total; life insurance companies hold \$74 billion, or 6 percent of the total; CMBS, CDO and other ABS issues hold \$41 billion, or 3 percent of the total, and nonfarm noncorporate business holds \$14 billion, or one percent of the total.

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the first quarter of 2018, banks and thrifts saw the largest increase in dollar terms in their holdings of commercial/multifamily mortgage debt – an increase of \$14.7 billion, or 1.2 percent. Agency and GSE portfolios and MBS increased their holdings by \$10.8 billion, or 1.8 percent, life insurance companies increased their holdings by \$9.2 billion, or 2.0 percent, and CMBS, CDO and other ABS issues increased their holdings by \$5.6 billion, or 1.3 percent.

In percentage terms, other insurance companies saw the largest increase in their holdings of commercial/multifamily mortgages, an increase of 4.9 percent. State and local government retirement funds saw their holdings decrease 1.7 percent.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$19.3 billion increase in multifamily mortgage debt outstanding between the fourth quarter of 2017 and first quarter of 2018 represents a 1.5 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 \$10.8 billion, or 1.8 percent. Commercial banks increased

their holdings of multifamily mortgage debt by \$7.1 billion, or 1.8 percent. Life insurance companies increased by \$1.4 billion, or 2.0 percent. CMBS saw the largest decline in their holdings of multifamily mortgage debt, by \$1.7 billion, or down 4.0 percent.

In percentage terms, finance companies recorded the largest increase in holdings of multifamily mortgages, at 5.0 percent. Private pension funds saw the biggest decrease at 4.8 percent.

MBA’s complete Commercial/Multifamily Mortgage Debt Outstanding report can be downloaded [here](#). 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. More information on this data series is contained in Appendix A.

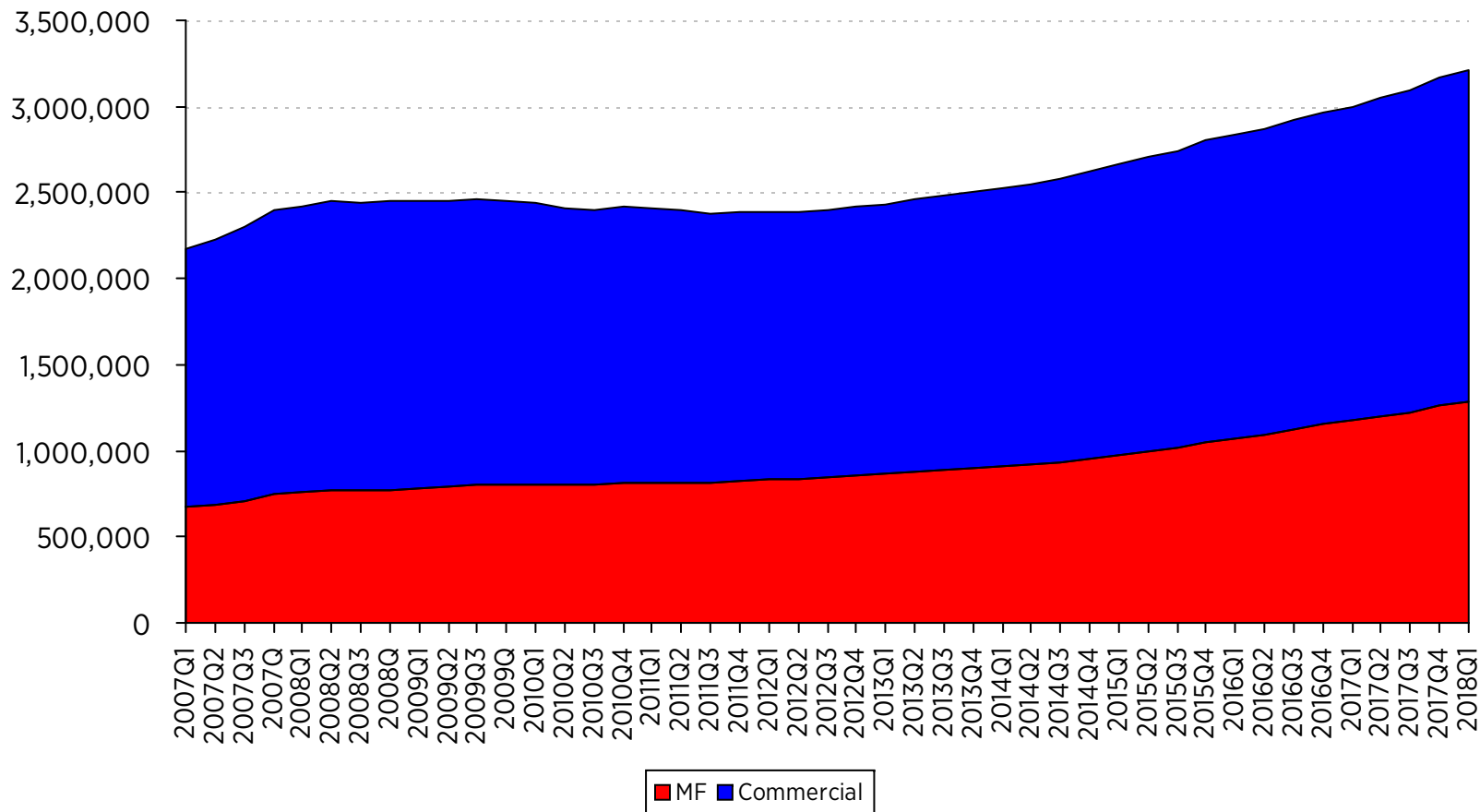
COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)

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Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

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	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2018 Q1		2017 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,279,501	39.8%	1,264,789	39.9%	14,712	1.2%	33.2%
Agency and GSE portfolios and MBS	616,927	19.2%	606,124	19.1%	10,803	1.8%	24.4%
Life insurance companies	471,308	14.7%	462,155	14.6%	9,153	2.0%	20.7%
CMBS, CDO and other ABS issues	446,490	13.9%	440,849	13.9%	5,641	1.3%	12.7%
State and local government	114,676	3.6%	114,031	3.6%	645	0.6%	1.5%
REITs	88,187	2.7%	87,131	2.7%	1,056	1.2%	2.4%
Federal government	86,310	2.7%	84,978	2.7%	1,332	1.6%	3.0%
Finance companies	28,640	0.9%	28,573	0.9%	67	0.2%	0.2%
Nonfarm noncorporate business	25,720	0.8%	25,403	0.8%	317	1.2%	0.7%
Private pension funds	20,643	0.6%	20,637	0.7%	6	0.0%	0.0%
Other insurance companies	18,044	0.6%	17,199	0.5%	845	4.9%	1.9%
Nonfinancial corporate business	11,197	0.3%	11,381	0.4%	-184	-1.6%	-0.4%
State and local government retirement funds	4,892	0.2%	4,975	0.2%	-83	-1.7%	-0.2%
Household sector	1,110	0.0%	1,098	0.0%	12	1.1%	0.0%
TOTAL	3,213,645		3,169,323		44,322	1.4%	

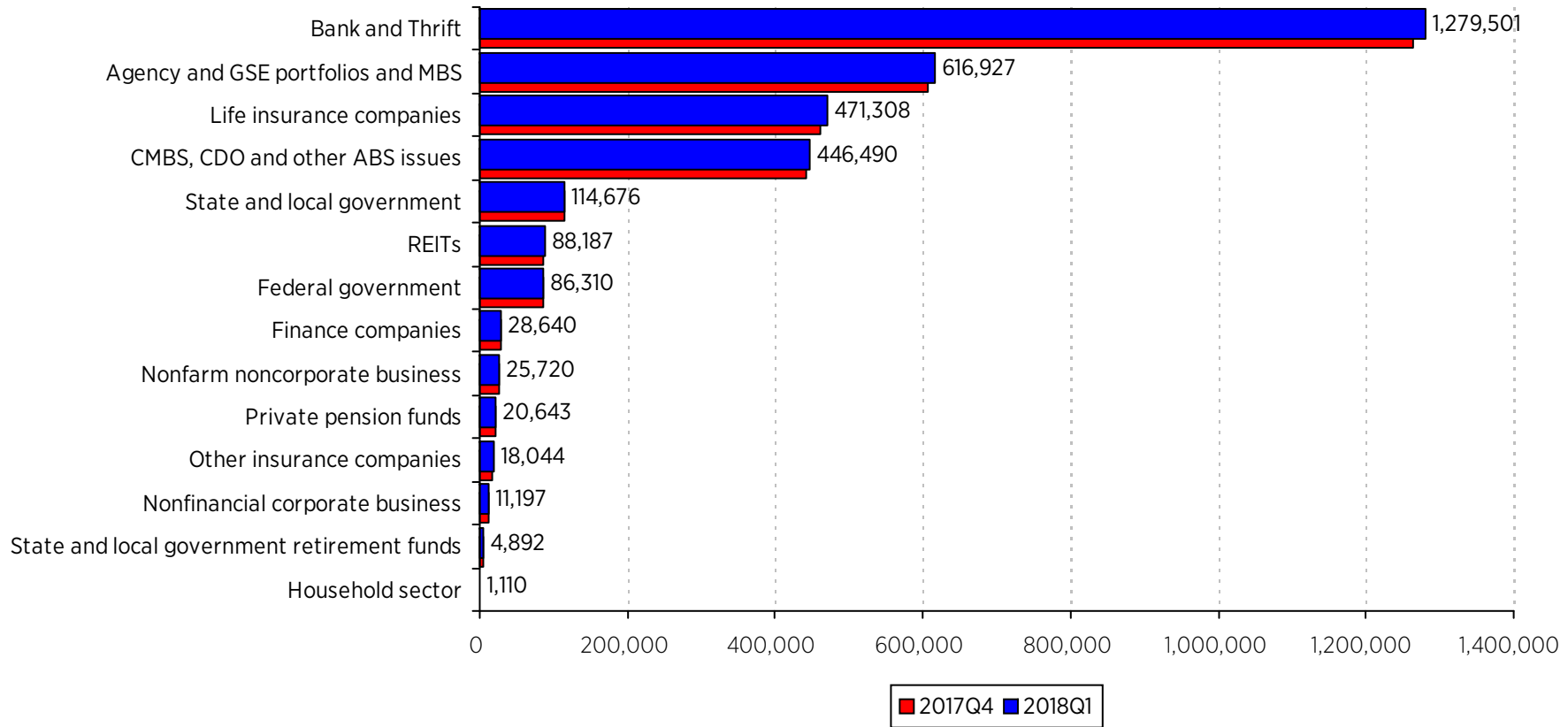
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

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.

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)

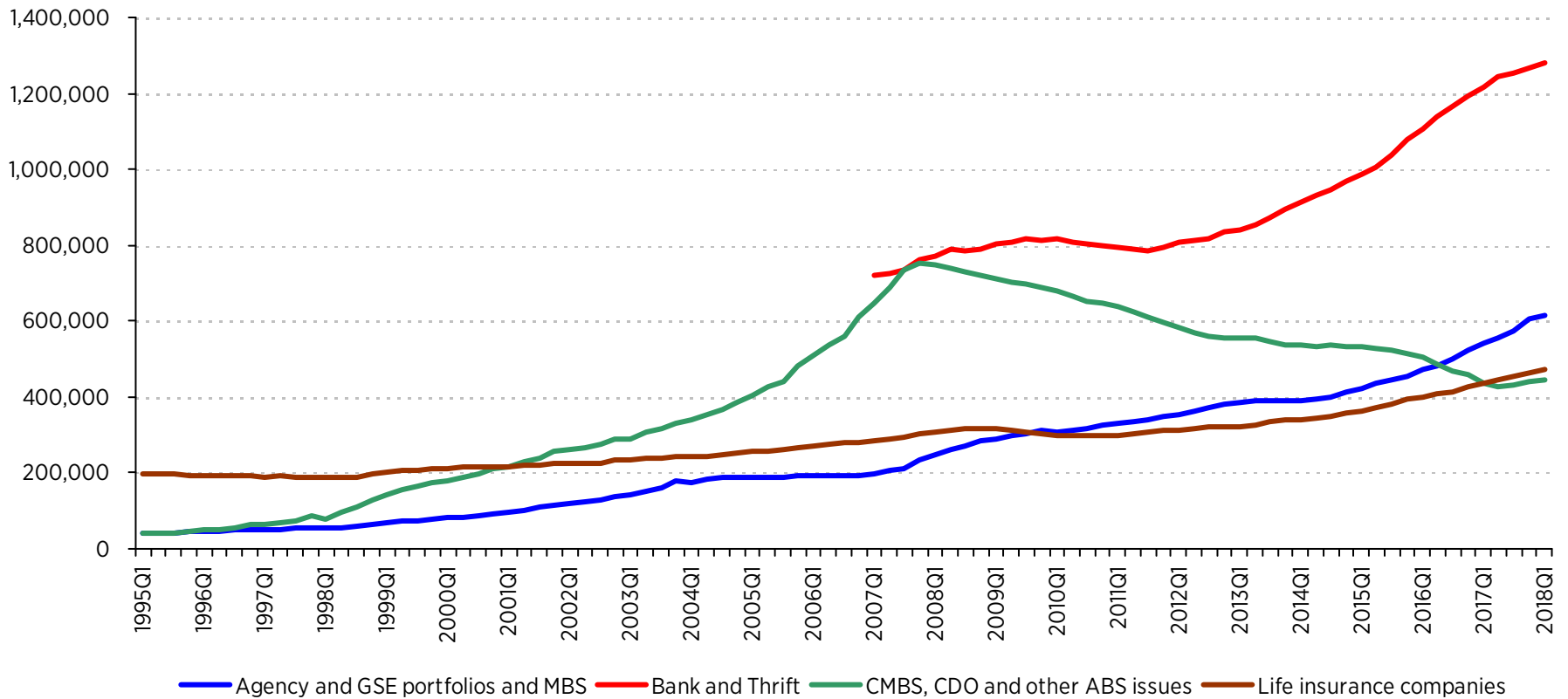


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

(\$millions)

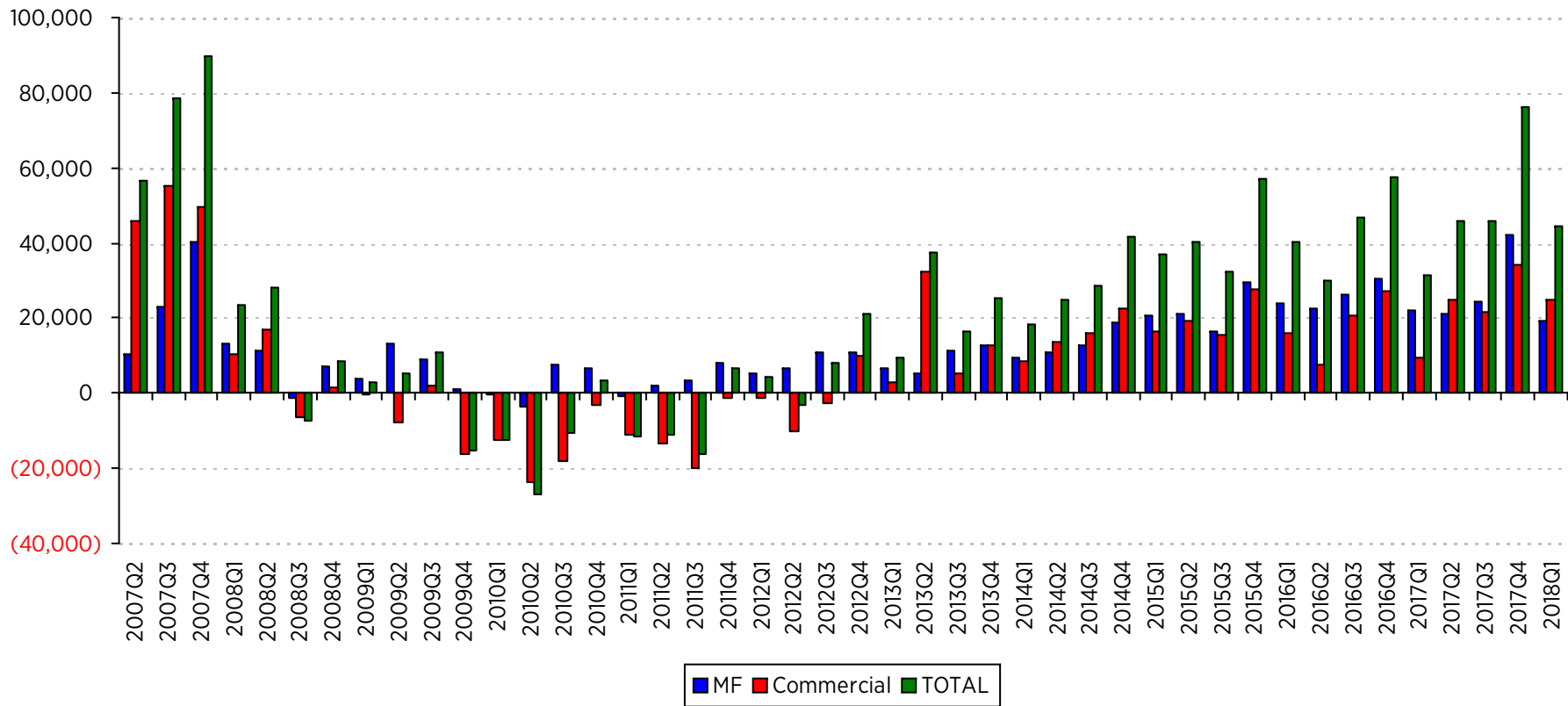


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)

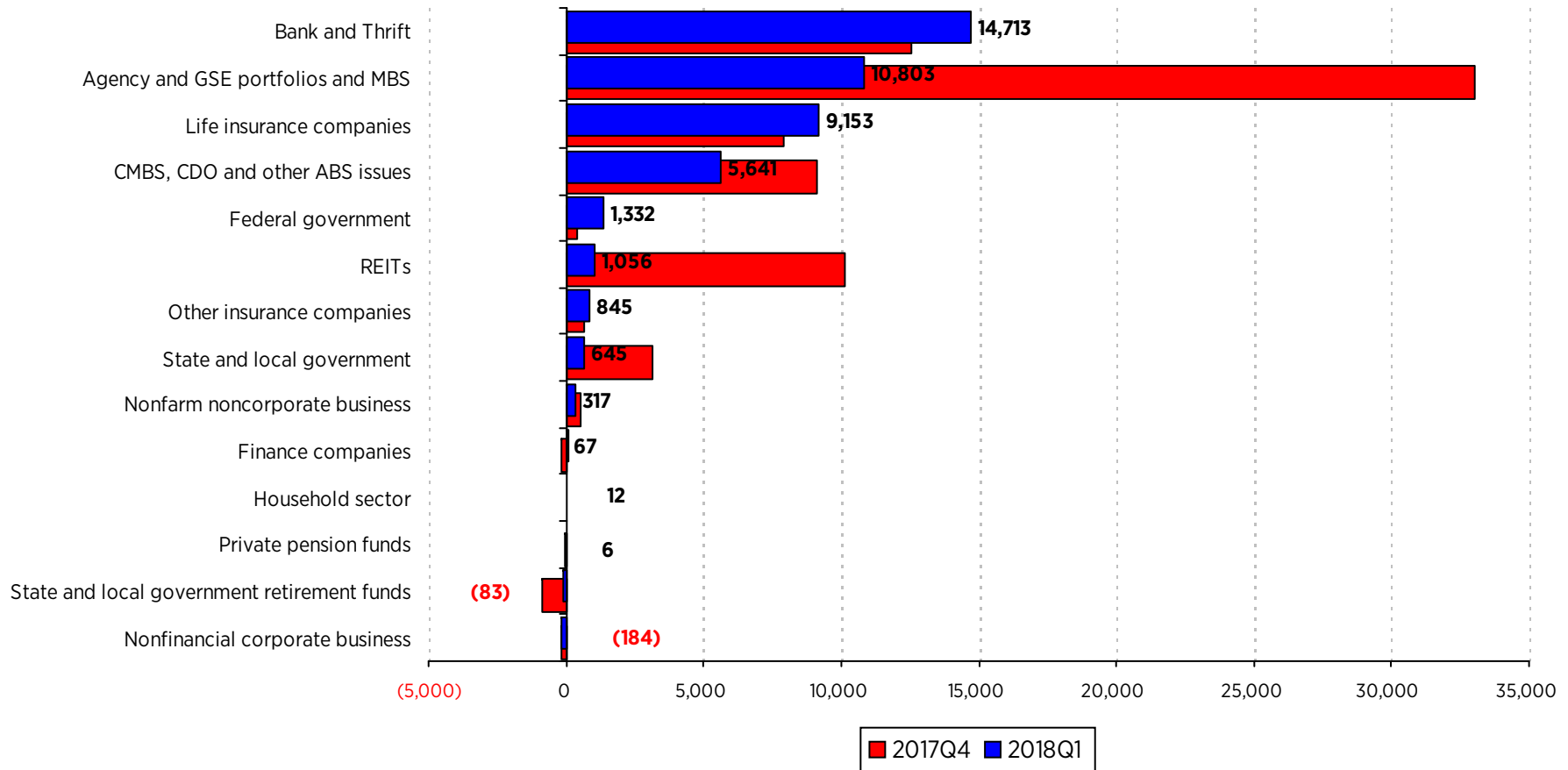


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

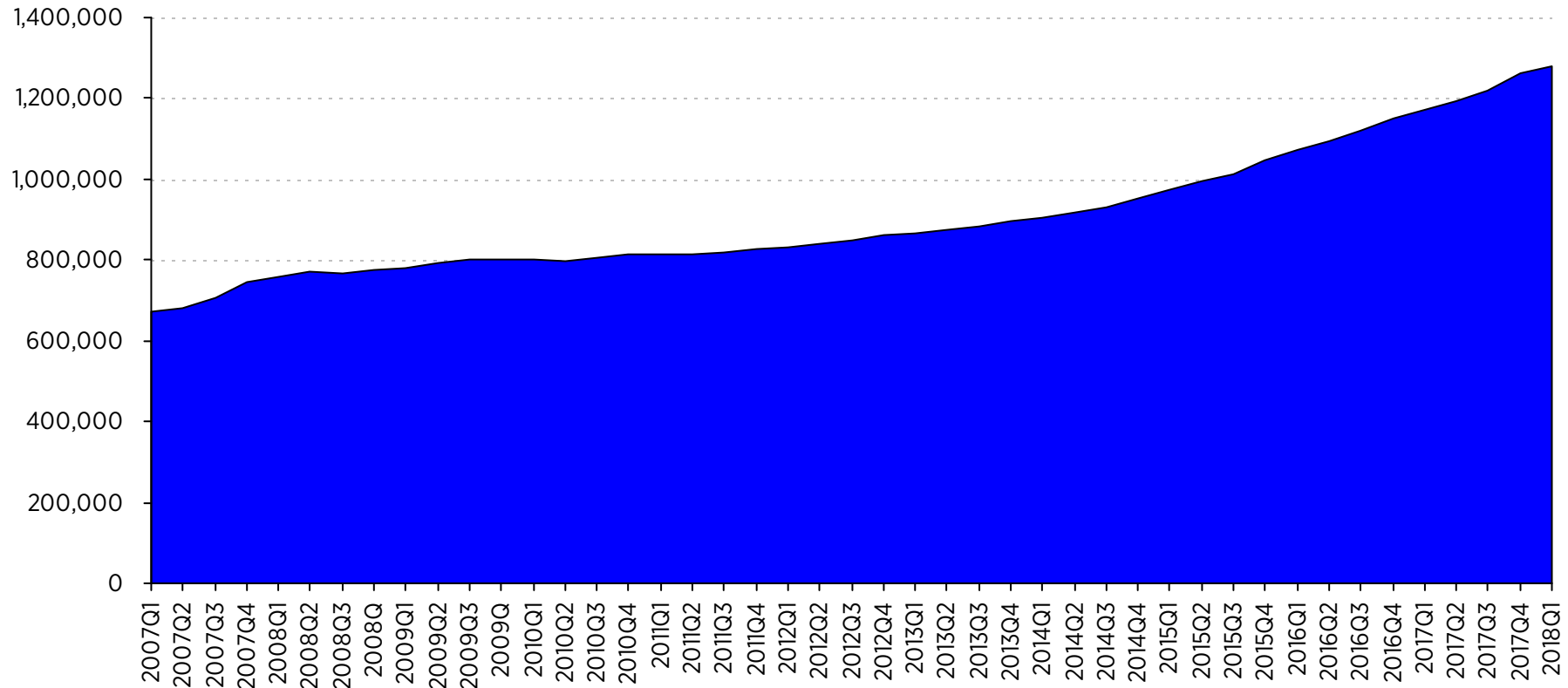
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MULTIFAMILY MORTGAGE DEBT OUTSTANDING

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector

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	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2018 Q1		2017 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	616,927	48.2%	606,124	48.1%	10,803	1.8%	56.1%
Bank and Thrift	411,013	32.1%	403,887	32.0%	7,126	1.8%	37.0%
State and local government	95,563	7.5%	95,026	7.5%	537	0.6%	2.8%
Life insurance companies	74,134	5.8%	72,692	5.8%	1,442	2.0%	7.5%
CMBS, CDO and other ABS issues	41,402	3.2%	43,137	3.4%	-1,735	-4.0%	-9.0%
Nonfarm noncorporate business	14,197	1.1%	14,022	1.1%	175	1.2%	0.9%
Federal government	13,289	1.0%	12,711	1.0%	578	4.5%	3.0%
Finance companies	6,938	0.5%	6,609	0.5%	329	5.0%	1.7%
REITs	2,404	0.2%	2,298	0.2%	106	4.6%	0.6%
State and local government retirement funds	2,293	0.2%	2,332	0.2%	-39	-1.7%	-0.2%
Private pension funds	1,298	0.1%	1,363	0.1%	-65	-4.8%	-0.3%
Nonfinancial corporate business	431	0.0%	438	0.0%	-7	-1.6%	0.0%
TOTAL	1,279,889		1,260,639		19,250	1.5%	

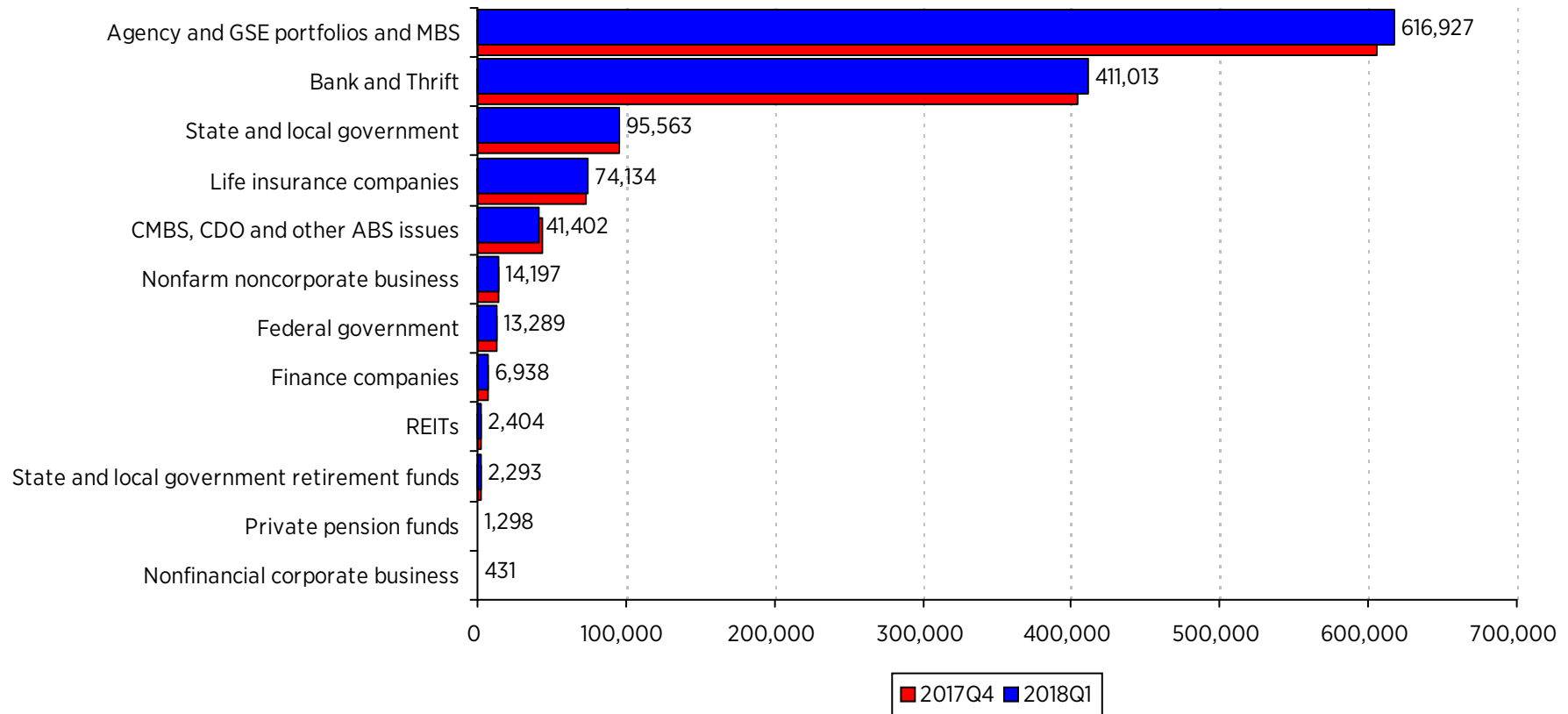
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

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)

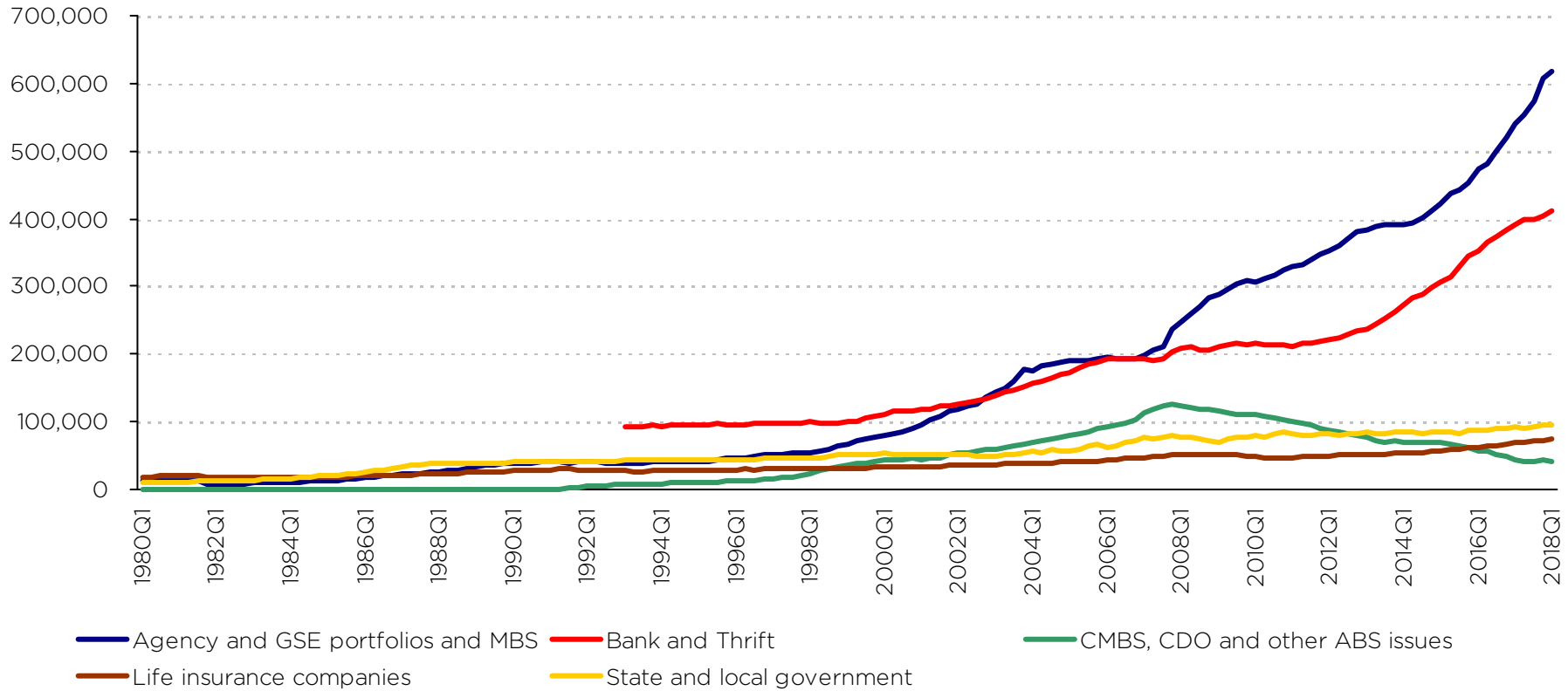


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

(\$millions)

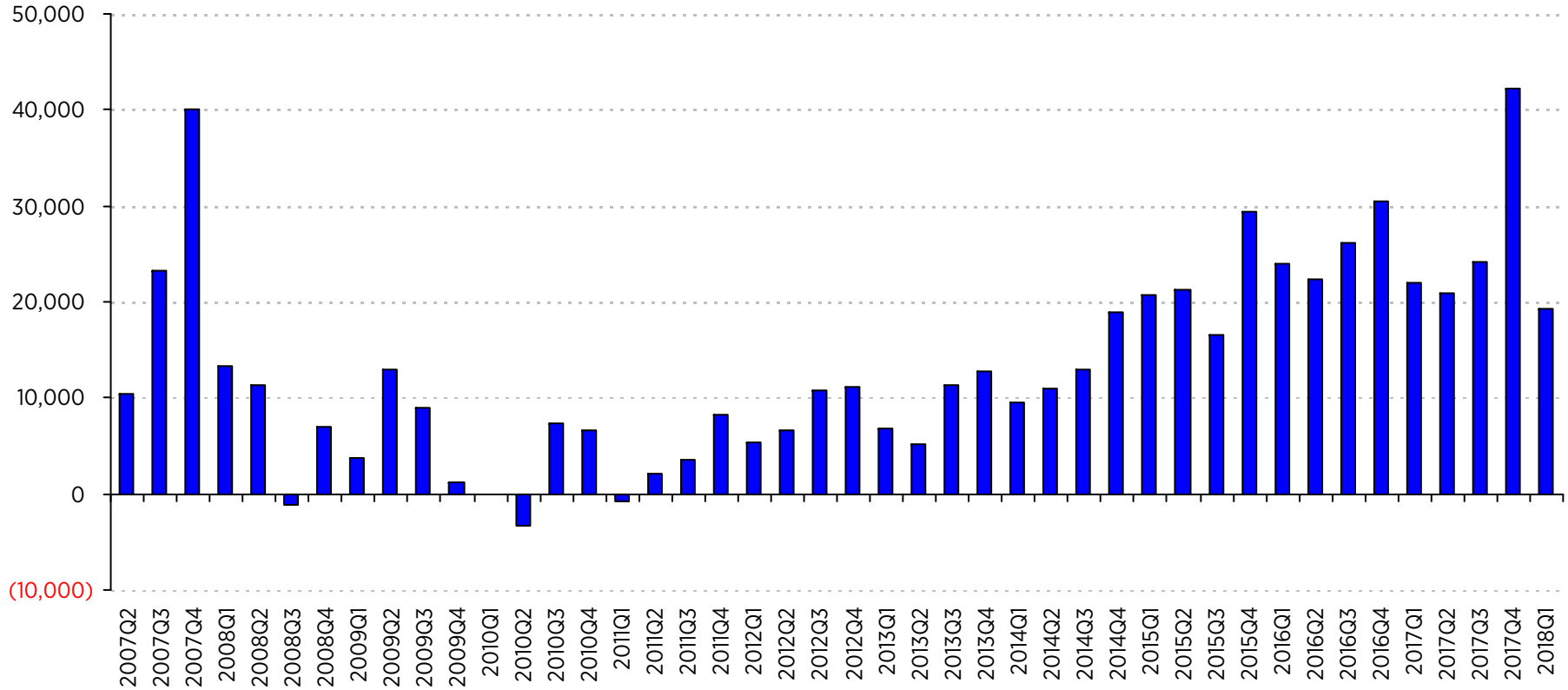


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

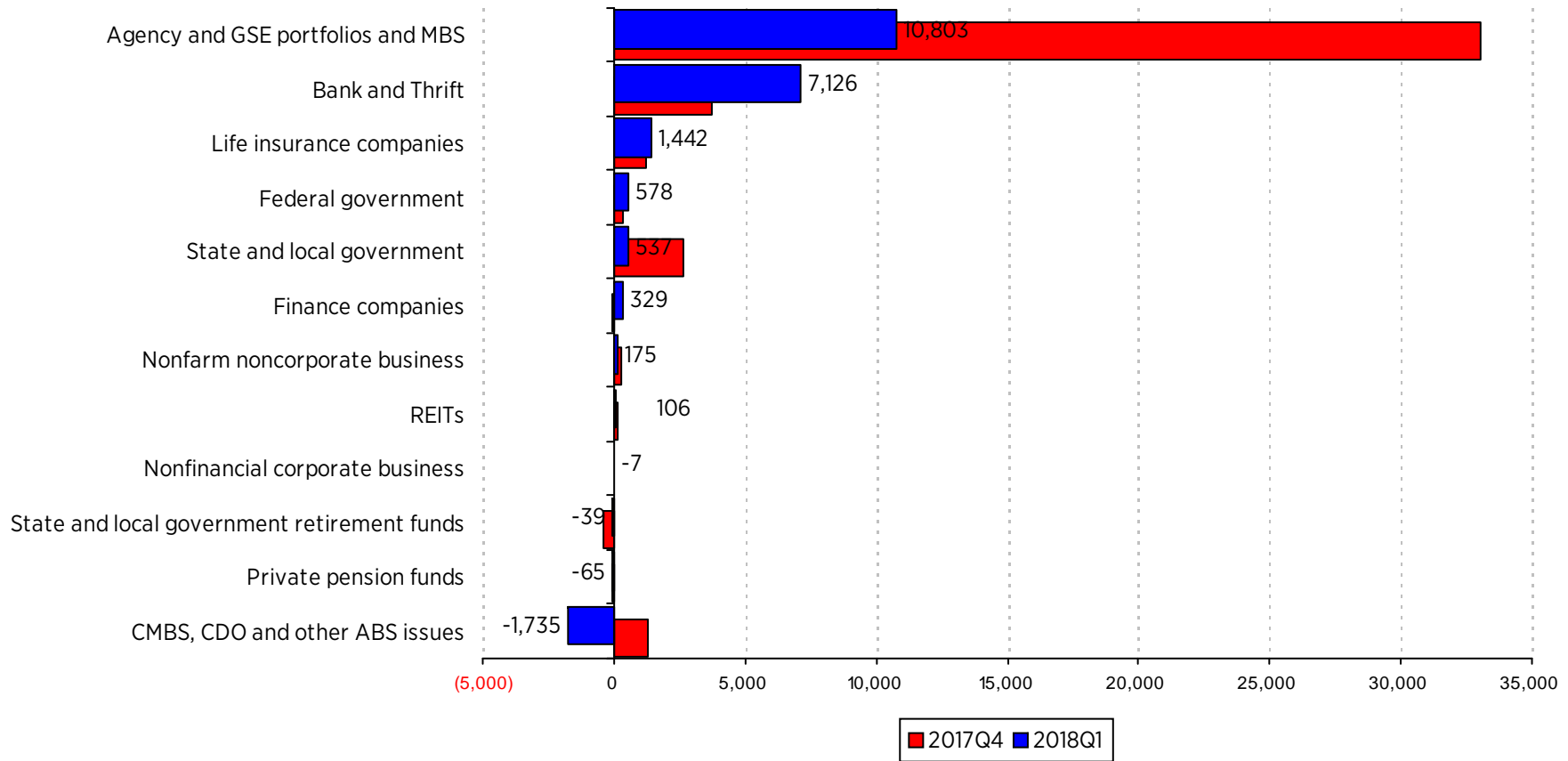
MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)



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Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. 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;

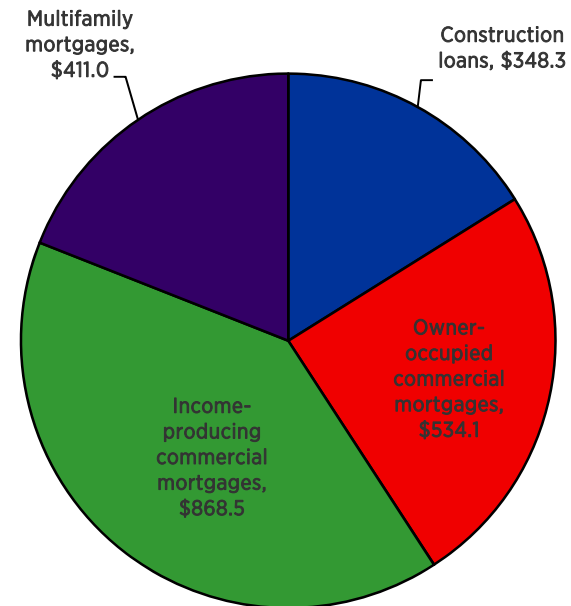
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

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 first quarter 2018, the Federal Reserve Board's Flow of Funds Accounts data attributed \$2.2 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 \$411 billion of multifamily mortgages and \$1,402.6 billion of non-farm nonresidential mortgages, of which 62 percent or \$868 billion were income-producing. The combined \$1.28 trillion of mortgages backed by multifamily and other income-producing properties is included in this analysis. The \$2.2 trillion total reported by the Federal Reserve also includes \$534 billion of loans collateralized by owner-occupied commercial properties and another \$348 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 Wells Fargo Securities 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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