

# MDO Q1

## COMMERCIAL / MULTIFAMILY MORTGAGE DEBT OUTSTANDING | Q1 2020

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COMMERCIAL/MULTIFAMILY  
REAL ESTATE **MORTGAGE**  
**DEBT OUTSTANDING**  
Q1 2020

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## 4. Commercial/Multifamily Mortgage Debt Outstanding First Quarter 2020

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The level of commercial/multifamily mortgage debt outstanding rose by \$61.0 billion (1.7 percent) in the first quarter of 2020, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Mortgage Debt Outstanding quarterly report.

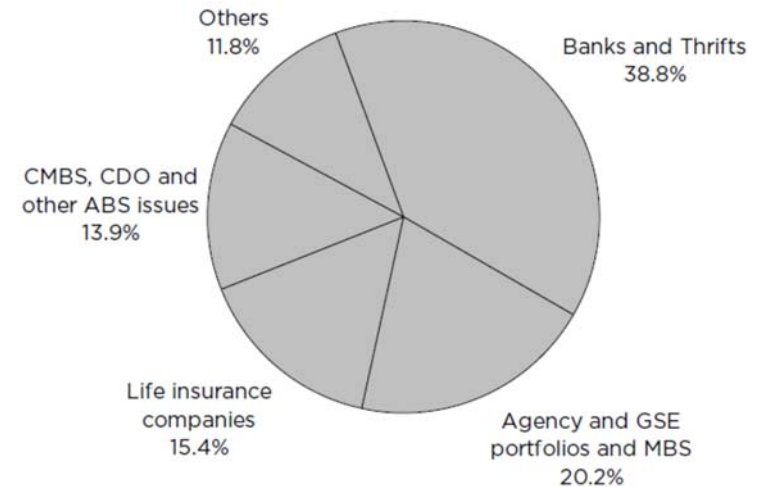
Total commercial/multifamily debt outstanding rose to \$3.72 trillion at the end of the first quarter. Multifamily mortgage debt alone increased \$28.0 billion (1.8 percent) to \$1.6 trillion from the fourth quarter of 2019.

"The rise in commercial and multifamily mortgage debt during the first three months of 2020 carried forward the strong level of activity in 2019. Rising property values, strong incomes and low interest rates supported increased borrowing and lending," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "With the onset of the COVID-19 pandemic, borrowing and lending has slowed, and some of the tailwinds from earlier this year have reversed."

Added Woodwell, "The coming months are likely to see greater differentiation in debt levels, both by capital source and property type, as investors and lenders assess market conditions."

The four major investor groups are: banks and thrifts; 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.

**Commercial Multifamily Mortgage Debt Outstanding**  
By Investor Group, First Quarter 2020



Commercial banks continue to hold the largest share (39 percent) of commercial/multifamily mortgages at \$1.4 trillion. Agency and GSE portfolios and MBS are the second largest holders of commercial/multifamily mortgages (20 percent) at \$752 billion. Life insurance companies hold \$572 billion (15 percent), and CMBS, CDO and other ABS issues hold \$516 billion (14 percent). Many life insurance companies, banks and the GSEs purchase and hold CMBS, CDO and other ABS issues. These loans appear in the report in the "CMBS, CDO and other ABS" category.

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).

#### MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Looking solely at multifamily mortgages in the first quarter of 2020, agency and GSE portfolios and MBS hold the largest share of total multifamily debt outstanding at \$752 billion (48 percent), followed by banks and thrifts with \$469 billion (30 percent), life insurance companies with \$165 billion (10 percent), state and local government with \$93 billion (6 percent), and CMBS, CDO and other ABS issues holding \$52 billion (3 percent). Nonfarm non-corporate businesses hold \$19 billion (1 percent).

#### CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the first quarter, commercial banks saw the largest gains in dollar terms in their holdings of commercial/multifamily mortgage debt – an increase of \$24.1 billion, (1.7 percent). CMBS, CDO and other ABS issues increased their holdings by \$12.2 billion (2.4 percent), life insurance companies increased their holdings by \$8.3 billion (1.5 percent), and agency and GSE portfolios and MBS increased their holdings by \$7.4 billion (1.0 percent). In percentage terms, nonfinancial corporate business saw the largest increase – 13.3 percent – in their holdings of commercial/multifamily mortgages. Conversely, finance companies saw their holdings decrease 0.5 percent.

#### CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$28.0 billion increase in multifamily mortgage debt outstanding from the fourth quarter of 2019 represents a 1.8 percent increase. In dollar terms, commercial banks saw the largest gain – \$10.1 billion (2.2 percent) – in their holdings of multifamily mortgage debt. Agency and GSE portfolios and MBS increased their holdings by \$7.4 billion (1.0 percent), and CMBS, CDO and other ABS issues increased by \$6.9 billion (15.2 percent). Federal government saw the largest decline in their holdings of multifamily mortgage debt, down \$228 million (2.0 percent).

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.

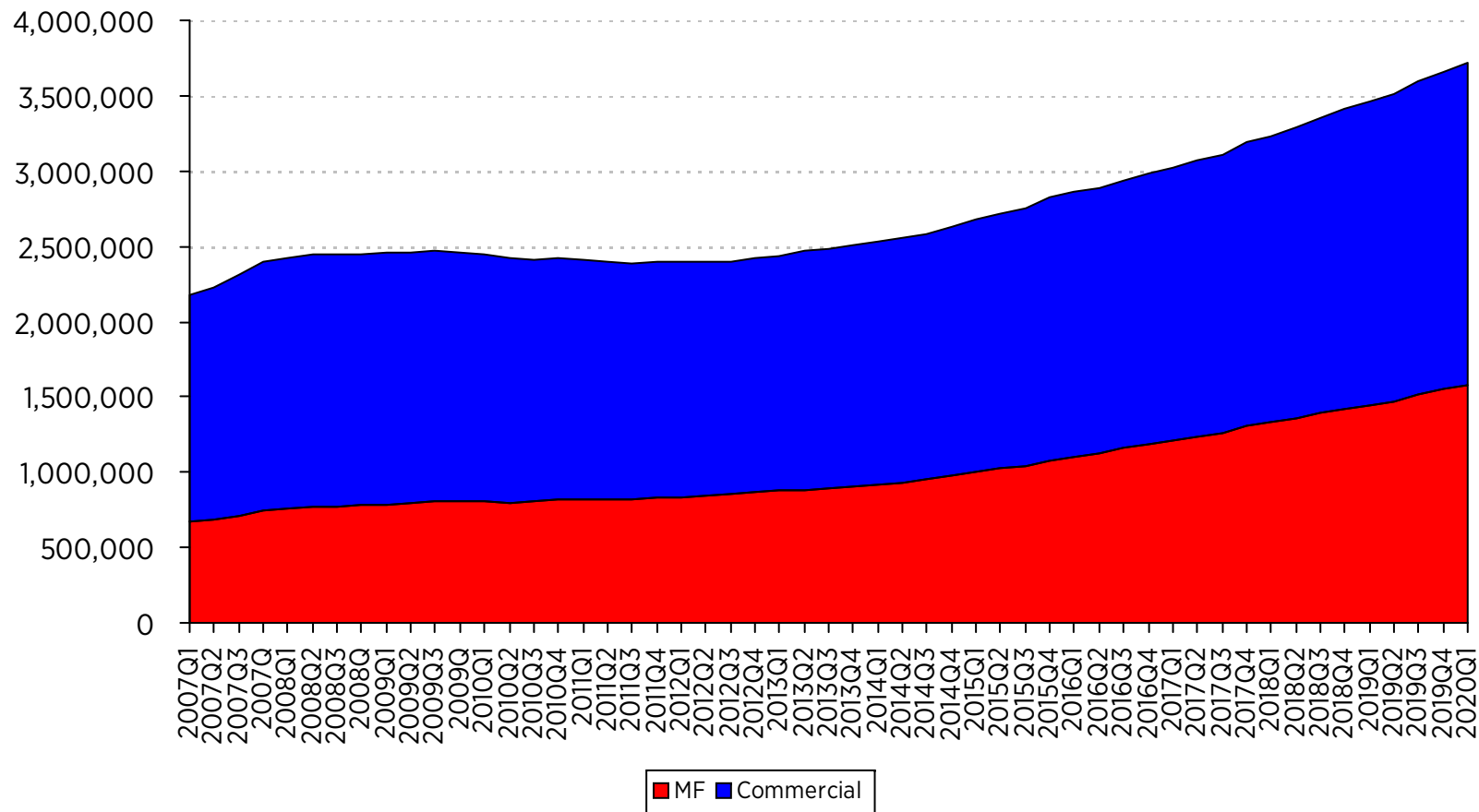
# COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



MORTGAGE BANKERS ASSOCIATION



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



MORTGAGE BANKERS ASSOCIATION

	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2020 Q1		2019 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,444,216	38.8%	1,420,101	38.8%	24,115	1.7%	39.6%
Agency and GSE portfolios and MBS	751,628	20.2%	744,191	20.3%	7,437	1.0%	12.2%
Life insurance companies	571,818	15.4%	563,517	15.4%	8,301	1.5%	13.6%
CMBS, CDO and other ABS issues	515,947	13.9%	503,758	13.8%	12,189	2.4%	20.0%
State and local government	111,728	3.0%	110,548	3.0%	1,180	1.1%	1.9%
REITs	91,873	2.5%	90,439	2.5%	1,434	1.6%	2.4%
Federal government	86,677	2.3%	85,700	2.3%	977	1.1%	1.6%
Nonfarm noncorporate business	34,444	0.9%	33,922	0.9%	522	1.5%	0.9%
Private pension funds	32,812	0.9%	30,747	0.8%	2,065	6.7%	3.4%
Finance companies	31,662	0.9%	31,827	0.9%	-165	-0.5%	-0.3%
Other insurance companies	23,645	0.6%	22,855	0.6%	790	3.5%	1.3%
Nonfinancial corporate business	15,490	0.4%	13,671	0.4%	1,819	13.3%	3.0%
State and local government retirement funds	8,656	0.2%	8,373	0.2%	283	3.4%	0.5%
Household sector	1,208	0.0%	1,190	0.0%	18	1.5%	0.0%
<b>TOTAL</b>	<b>3,721,804</b>		<b>3,660,839</b>		<b>60,965</b>	<b>1.7%</b>	

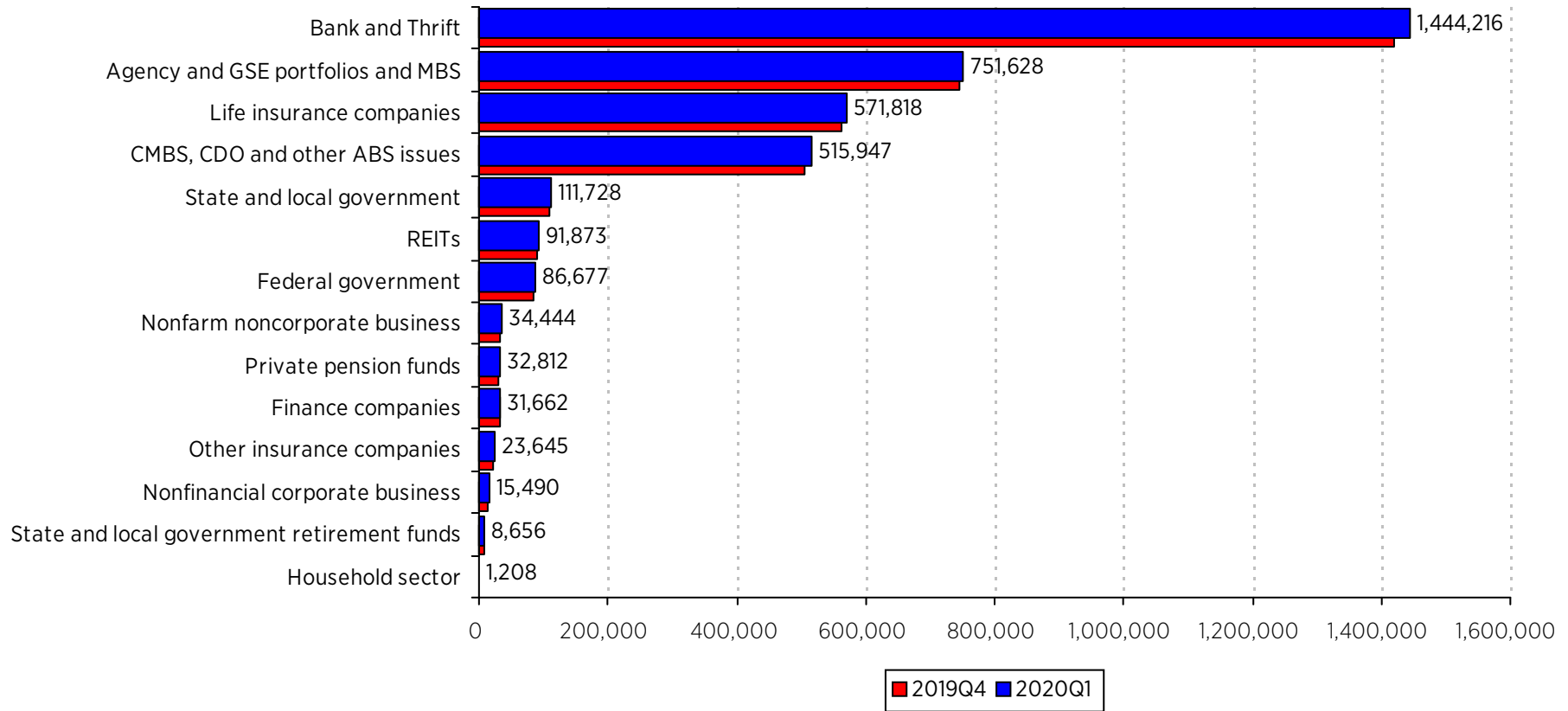
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

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)



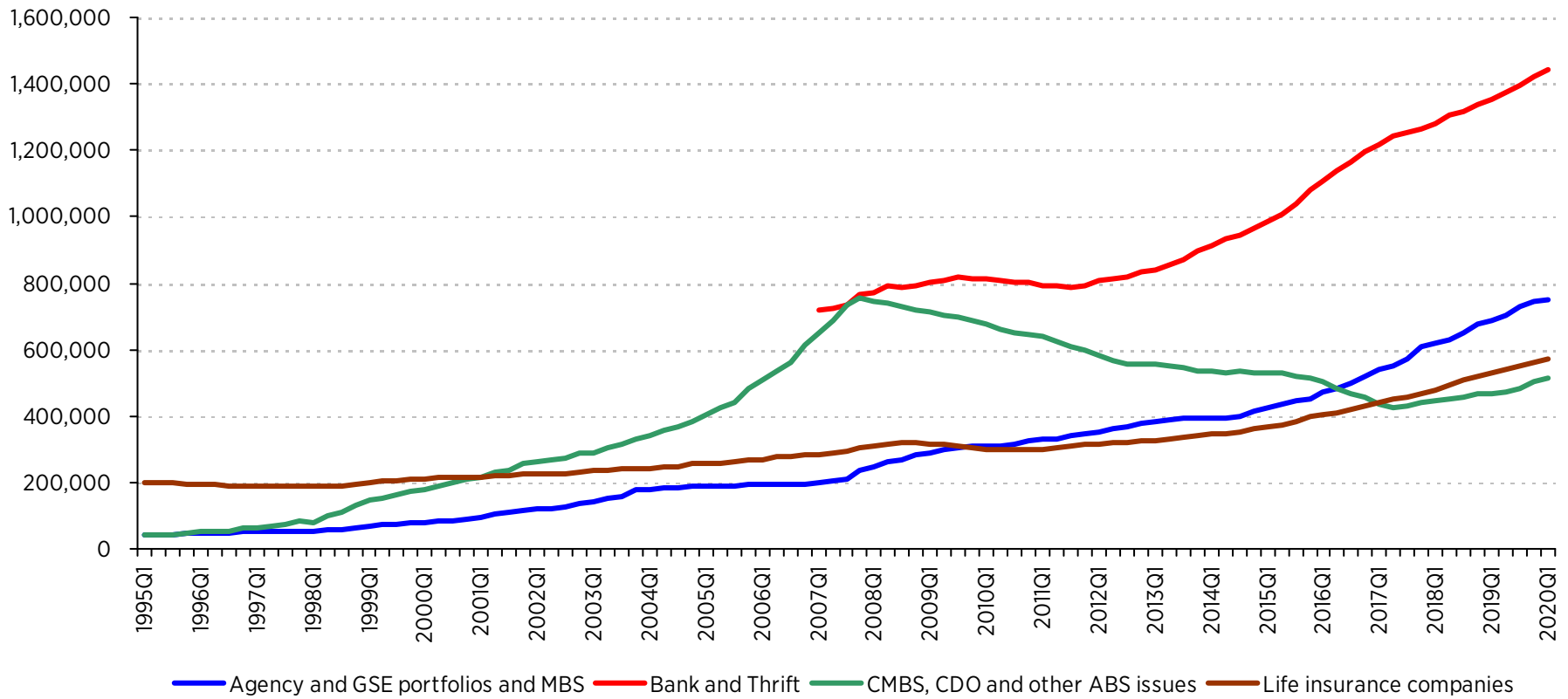
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC



# COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

(\$millions)

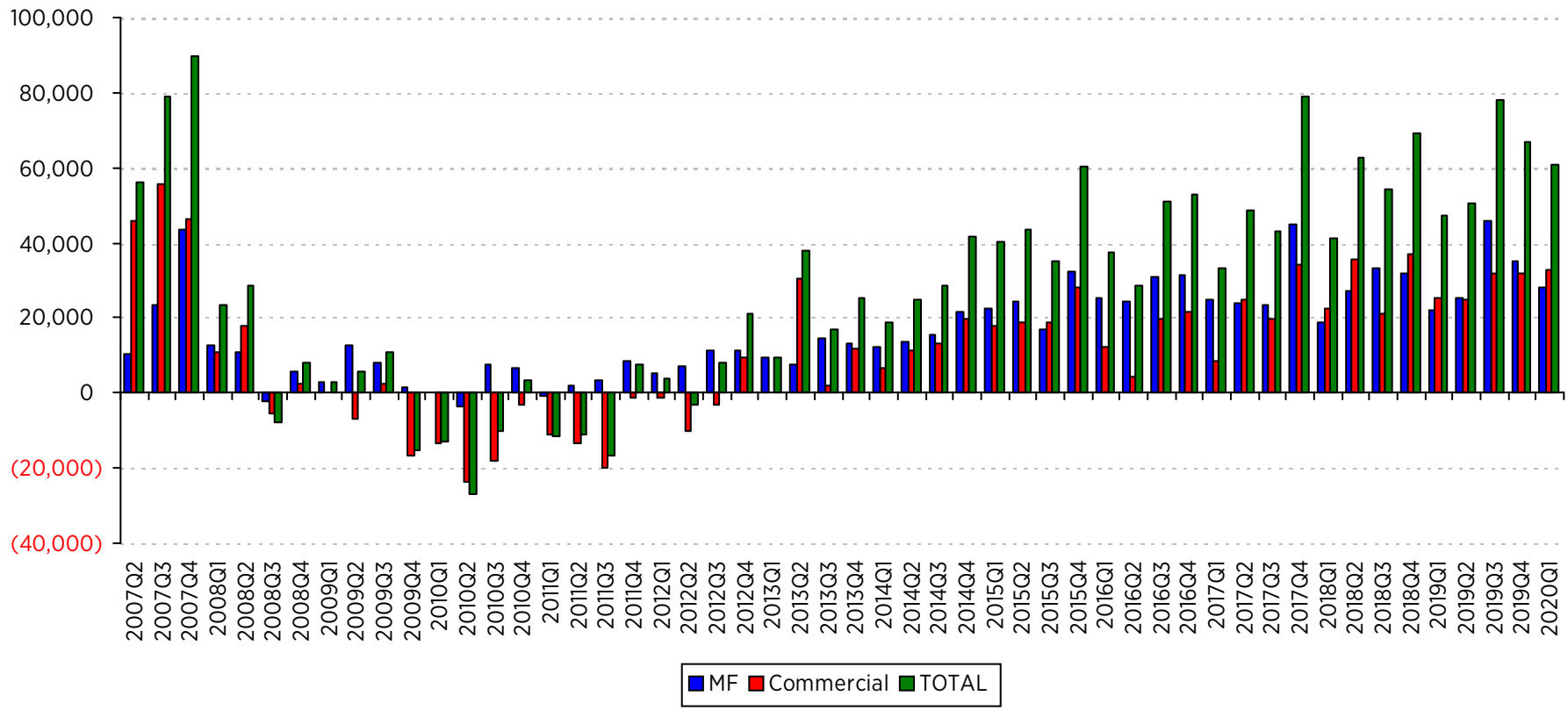


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

# 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

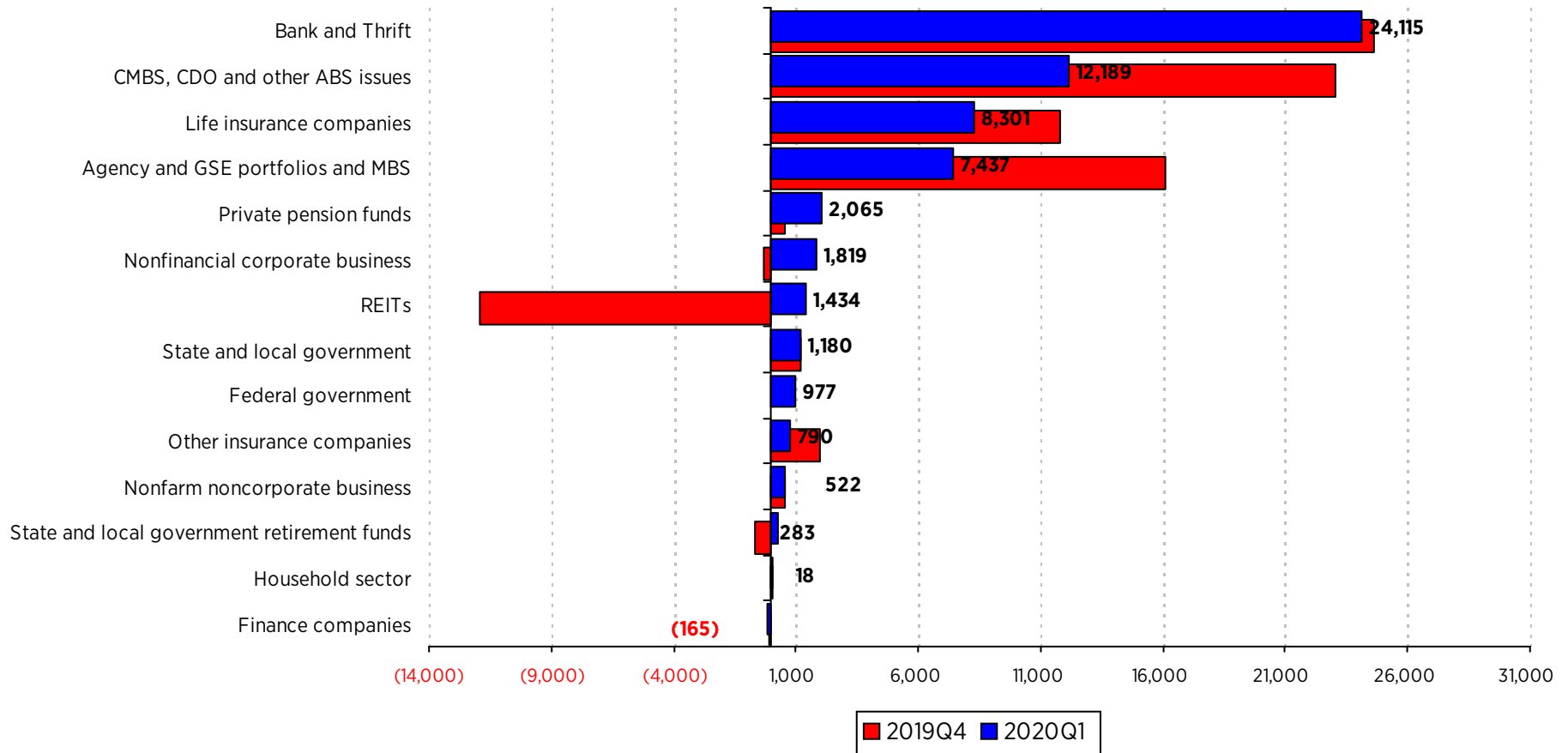
# COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)



MORTGAGE BANKERS ASSOCIATION



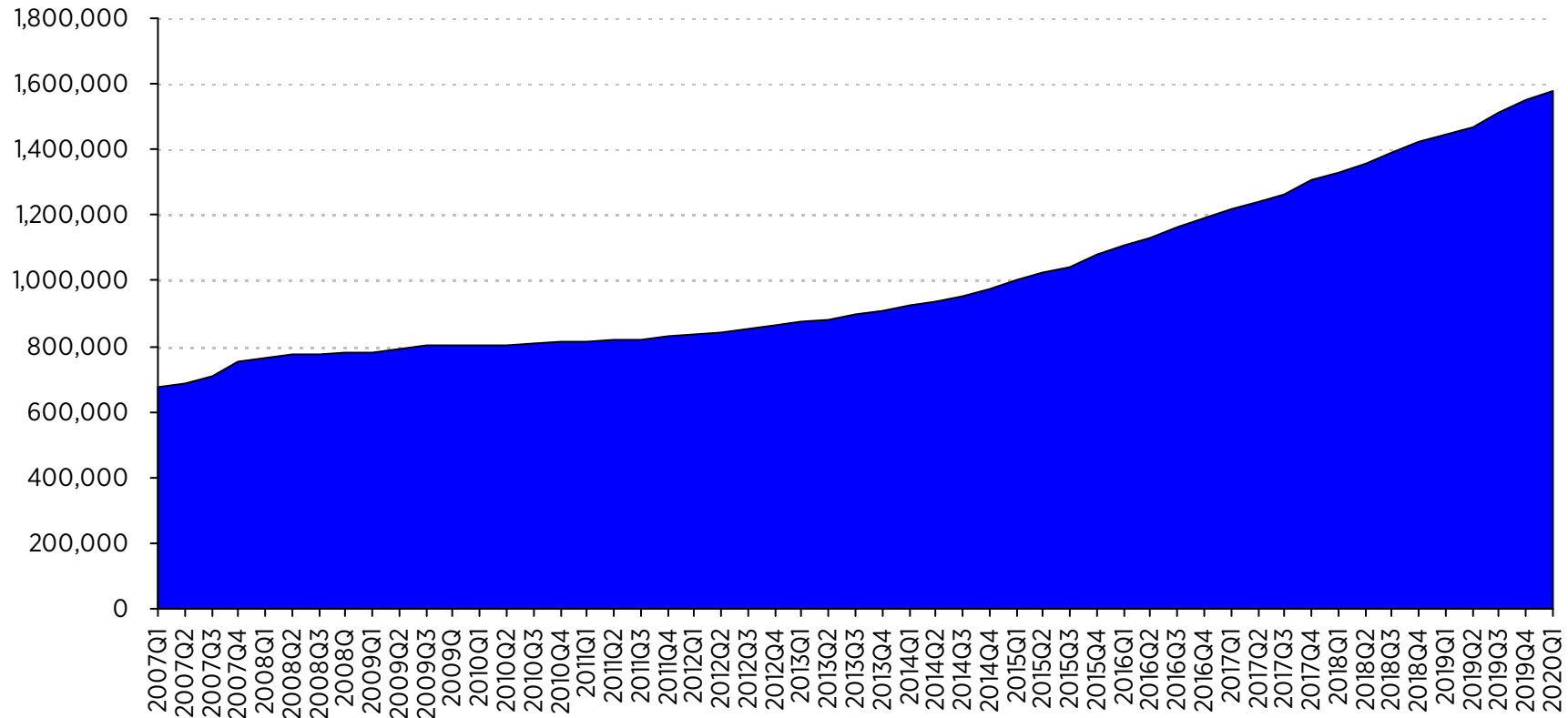
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC



## MULTIFAMILY MORTGAGE DEBT OUTSTANDING

# MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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



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

## QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

### Multifamily Mortgage Debt Outstanding, by Sector



MORTGAGE BANKERS ASSOCIATION

	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2020 Q1		2019 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	751,628	47.7%	744,191	48.0%	7,437	1.0%	26.6%
Bank and Thrift	468,689	29.7%	458,624	29.6%	10,065	2.2%	36.0%
Life insurance companies	164,673	10.4%	162,149	10.5%	2,524	1.6%	9.0%
State and local government	93,107	5.9%	92,123	5.9%	984	1.1%	3.5%
CMBS, CDO and other ABS issues	52,462	3.3%	45,528	2.9%	6,934	15.2%	24.8%
Nonfarm noncorporate business	19,135	1.2%	18,845	1.2%	290	1.5%	1.0%
Federal government	11,365	0.7%	11,593	0.7%	-228	-2.0%	-0.8%
Finance companies	5,666	0.4%	5,725	0.4%	-59	-1.0%	-0.2%
REITs	5,185	0.3%	5,277	0.3%	-92	-1.7%	-0.3%
State and local government retirement funds	4,058	0.3%	3,925	0.3%	133	3.4%	0.5%
Private pension funds	778	0.0%	843	0.1%	-65	-7.7%	-0.2%
Nonfinancial corporate business	581	0.0%	513	0.0%	68	13.3%	0.2%
<b>TOTAL</b>	<b>1,577,327</b>		<b>1,549,336</b>		<b>27,991</b>	<b>1.8%</b>	

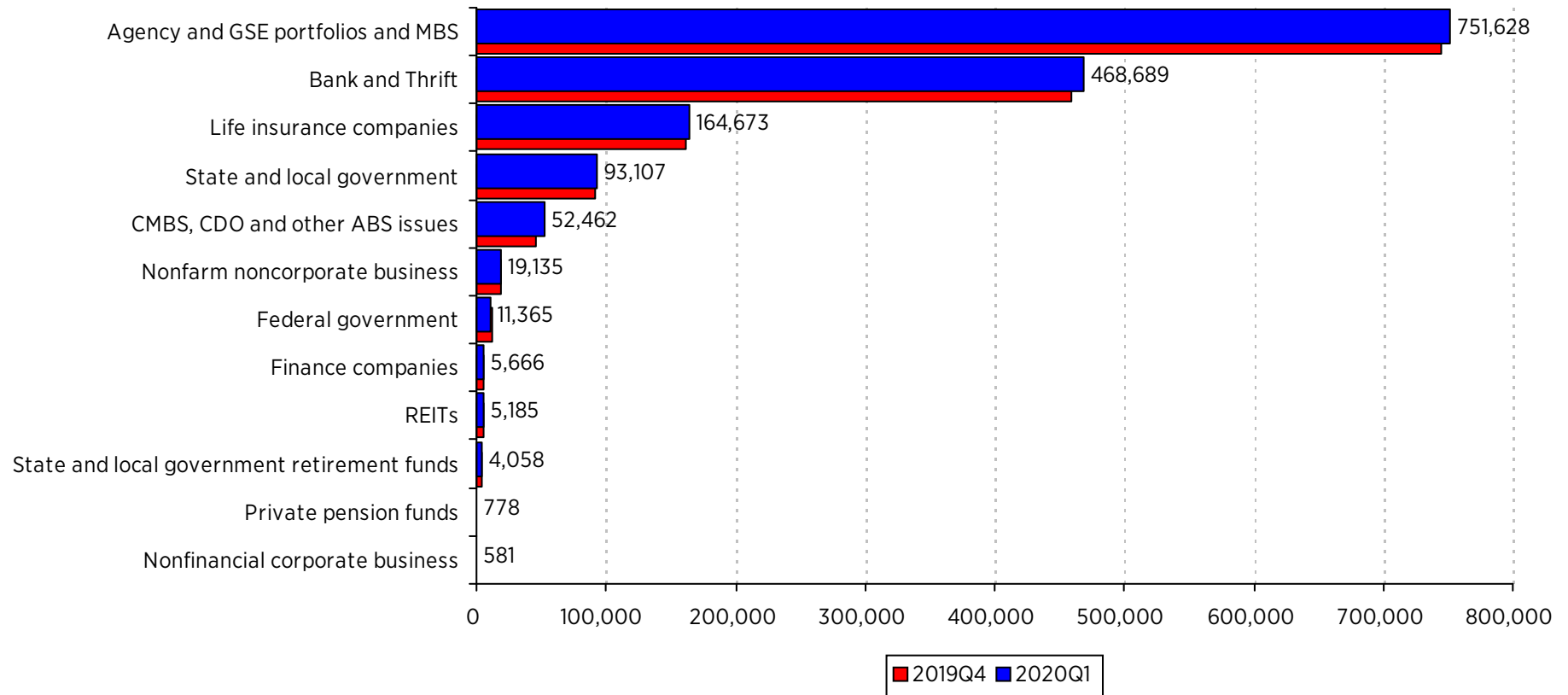
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

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)

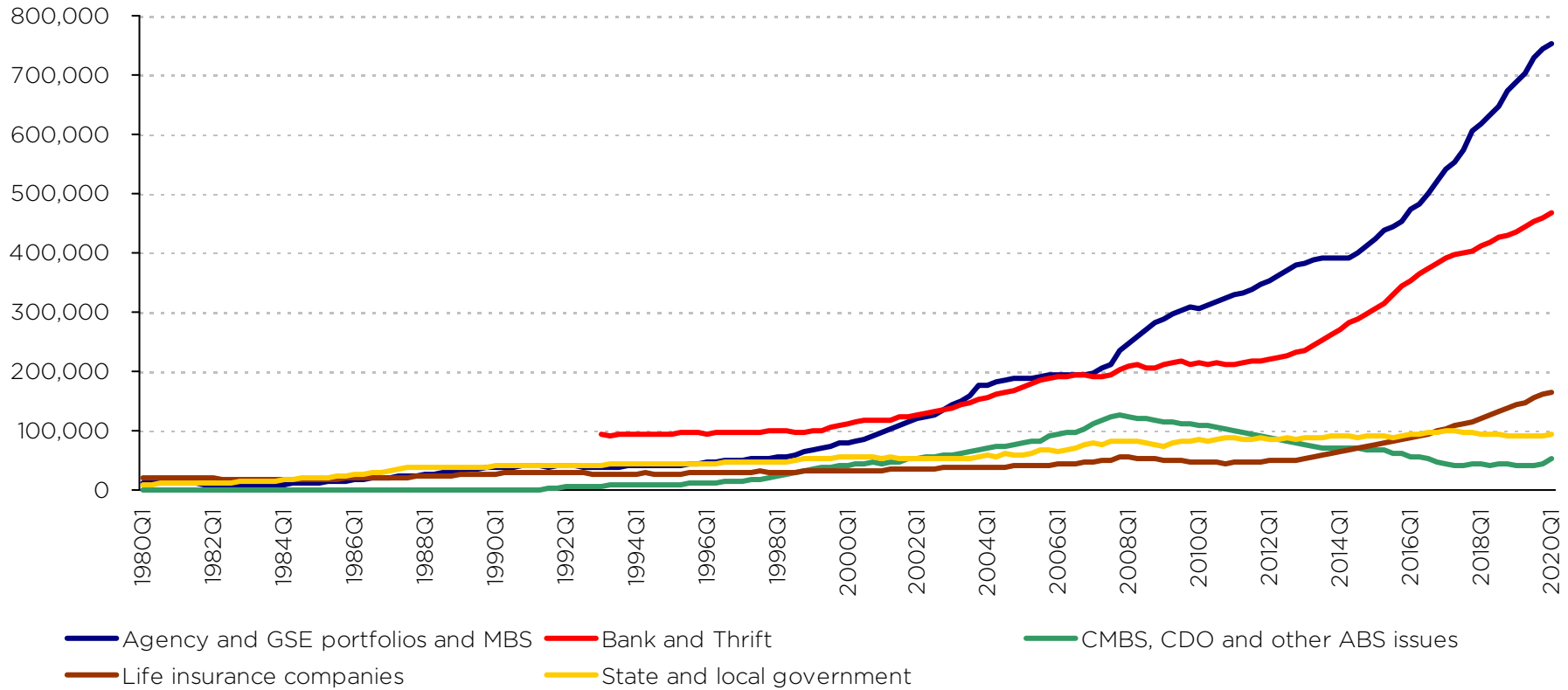


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

# MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

(\$millions)



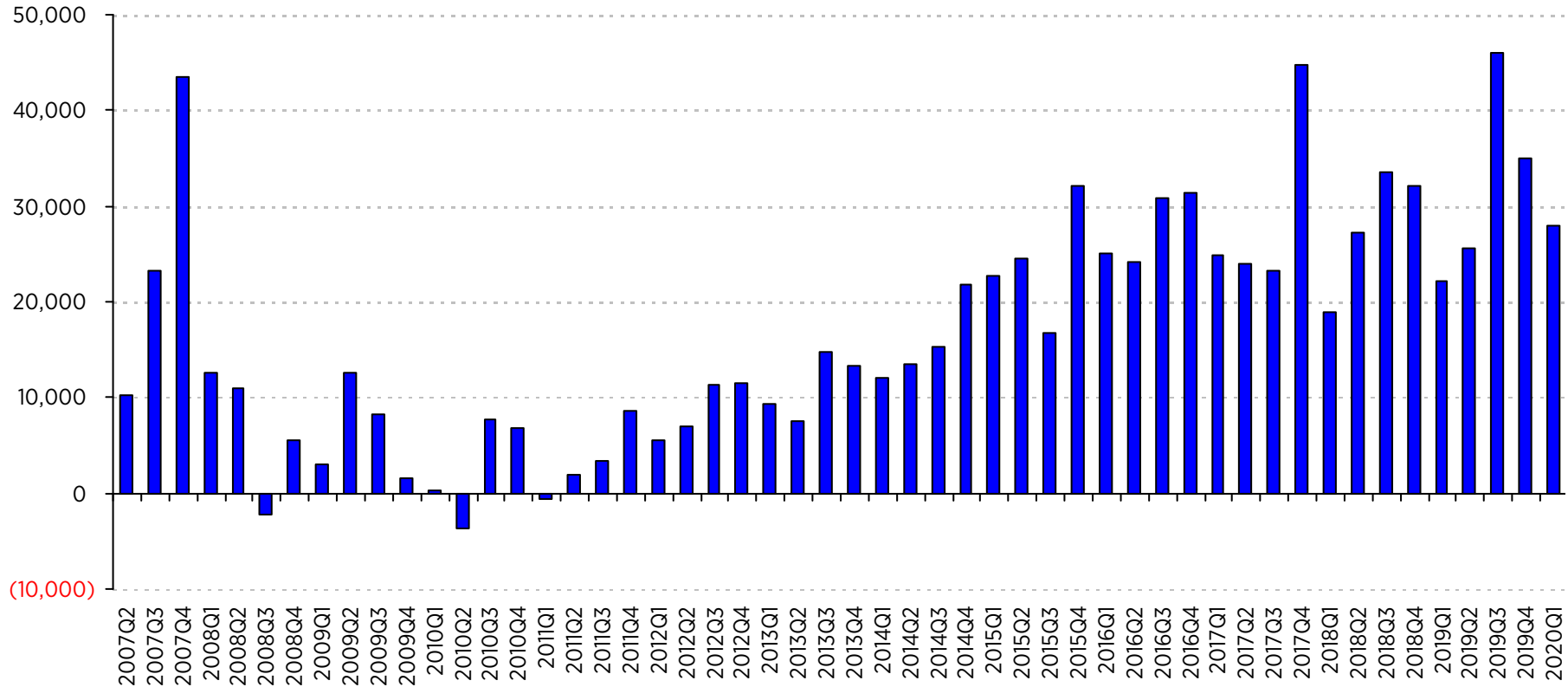
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC



# 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

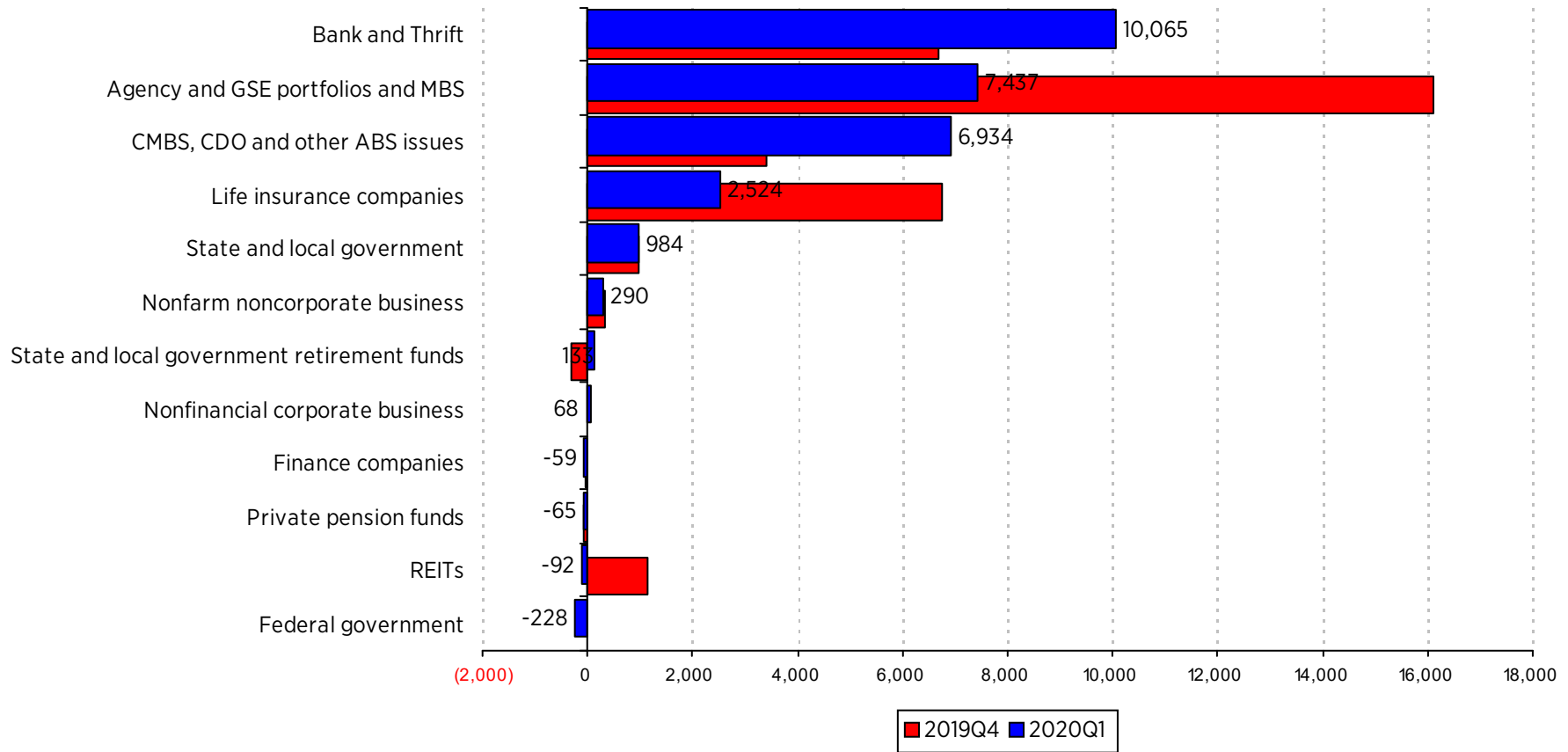
# MULTIFAMILY MORTGAGE FLOWS

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;

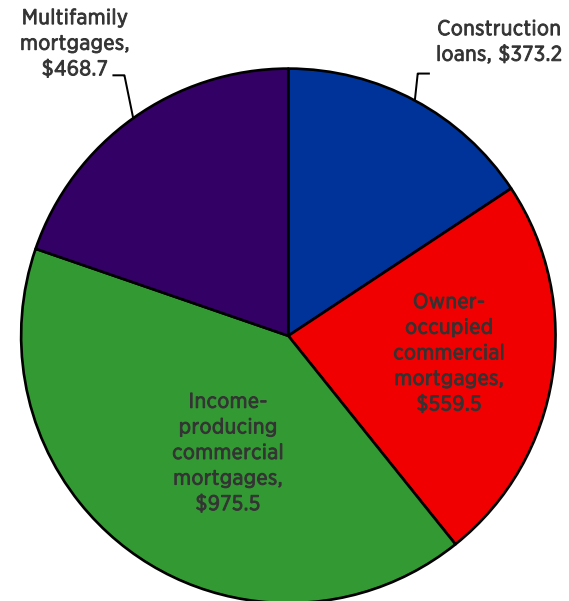
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

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 2020, the Federal Reserve Board's Flow of Funds Accounts data attributed \$2.4 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 \$469 billion of multifamily mortgages and \$1.54 trillion of non-farm nonresidential mortgages, of which 64 percent or \$976 billion were income-producing. The combined \$1.44 trillion of mortgages backed by multifamily and other income-producing properties is included in this analysis. The \$2.4 trillion total reported by the Federal Reserve also includes \$559 billion of loans collateralized by owner-occupied commercial properties and another \$373 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](mailto:CREFResearch@mba.org) for more information.





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