MBA Survey of
Life Company Capacity for Multifamily Lending

September 2019
Background

- In 2018, life insurance companies closed $28 billion in multifamily mortgages, approximately 10 percent of the total multifamily lending market and 34 percent of total life company commercial real estate lending.

- Life insurance companies hold more than $530 billion in commercial and multifamily mortgages on their books, of which approximately 28 percent, or $150 billion, is multifamily.

- At the request of members, during summer 2019 MBA conducted a survey of life insurance companies about their capacity to make portfolio loans backed by multifamily properties and to hold them in their portfolios.

- The survey asked for life companies’ appetites “if more multifamily borrowers begin seeking financing at your targeted terms and spreads.” The result should be viewed in that light.
Distribution of Life Insurer Assets, 2017

- Long-term Bonds (48%)
- Stocks (31%)
- Multifamily Mortgages (2%)
- Other Mortgages (5%)
- Other (13%)

Source: ACLI
Key Takeaways

- **Life companies have capacity for ~$10 billion of additional multifamily lending in 2020.**

- **Life companies’ CRE debt portfolios could grow by ~$60-100 billion in the next five years if they hit their portfolio allocation targets.**

- **Multifamily as a share of total life company CRE debt portfolios could grow by 5 percentage points if companies hit their portfolio allocation targets.**

- **Life companies have capacity for ~$50-120 billion of additional multifamily loans in their portfolios.**
Life companies have capacity for ~$10 billion of additional multifamily lending in 2020

If more multifamily borrowers begin seeking financing at your targeted terms and spreads, how many dollars of multifamily mortgages would you seek to close for that portfolio next year (2020)?

Respondents reported they would seek to close 36% more in multifamily loans in 2020 than they did in 2018 – implying total lending of ~$39 billion, or ~$10 billion more than in 2018.
Life companies’ CRE debt portfolios could grow by ~$60-100 billion in the next five years if they hit their portfolio allocation targets

- Among responding companies, the median company holds 12 percent of investable assets in commercial and multifamily mortgages.

- The median respondent reports a target allocation of 15 percent of investable assets in commercial/multifamily

- Moving to the target allocation would imply expanding the amount of total commercial/multifamily mortgage debt held by 12-19%, or $60-100 billion.
Multifamily as a share of total life company CRE debt portfolios could grow by 5 percentage points if companies hit their portfolio allocation targets.

- The median respondent reported a target for the share of their commercial/multifamily portfolio that is multifamily mortgages as 5 percentage points higher than their current levels.

- With multifamily mortgages currently making up approximately 28 percent of life companies’ CRE debt books, almost one-third of CRE debt portfolios could be multifamily if companies hit their portfolio allocation targets.
Life companies have capacity for ~$50-120 billion of additional multifamily loans in their portfolios

- Combining the potential increase in total CRE debt portfolios (~$60-100 billion) and the potential increase in the share that is multifamily (~5 percentage points) implies potential growth in multifamily UPB of ~$50-100 billion.

- **If more multifamily borrowers begin seeking financing at your targeted terms and spreads, what would you like your portfolio of multifamily mortgages to be (in UPB, dollar terms) in five years?**
  - Respondents reported they would like their multifamily mortgage portfolios to be 82 percent larger than at present – accounting for both increased overall portfolio size and a greater share in multifamily.
  - The increase would imply ~$120 billion of additional multifamily UPB on the books of life insurance companies.
About the Survey

- At the request of members, MBA conducted a survey of life insurance companies about their capacity to make portfolio loans backed by multifamily properties.

- The survey was conducted during the end-of-August and in early-September 2019.

- The survey collected information from 28 life insurance companies that held $289 billion of commercial and multifamily mortgages at the end of 2018, approximately 54 percent of all life company-held commercial/multifamily mortgage debt.

- Respondents reported closing $15 billion of multifamily mortgages in 2018, approximately 52 percent of the total multifamily lending done by life companies that year.

- Not every respondent answered every question.

- Responses rely on respondents’ estimates and opinions and should not be considered formal plans or capabilities.
MBA Commercial/Multifamily Research Information & MBA Resources

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