

MDO Q3

COMMERCIAL / MULTIFAMILY MORTGAGE DEBT OUTSTANDING | Q3 2023

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COMMERCIAL/MULTIFAMILY
REAL ESTATE **MORTGAGE**
DEBT OUTSTANDING
Q3 2023

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4. Commercial/Multifamily Mortgage Debt Outstanding

December 14, 2023

The level of commercial/multifamily mortgage debt outstanding increased by \$37.1 billion (0.8 percent) in the third quarter of 2023, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Mortgage Debt Outstanding quarterly report.

Total commercial/multifamily mortgage debt outstanding rose to \$4.63 trillion at the end of the third quarter. Multifamily mortgage debt alone increased \$26.8 billion (1.3 percent) to \$2.05 trillion from the second quarter of 2023.

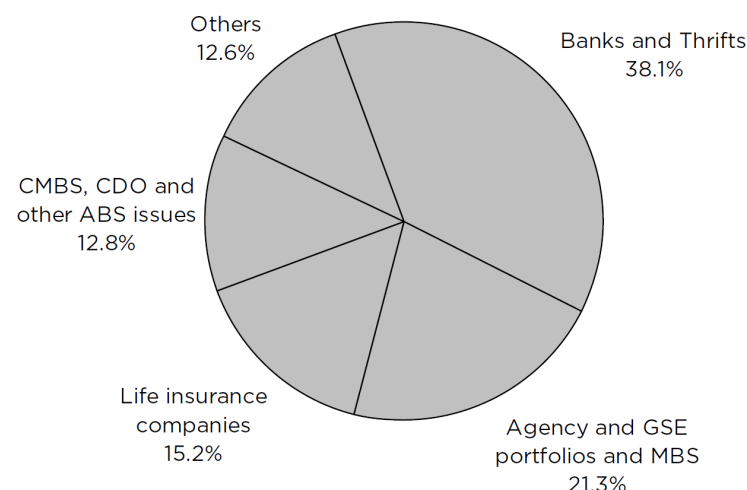
"The level of commercial mortgage debt outstanding has continued to increase despite a continued pullback in borrowing," said Jamie Woodwell, MBA's Head of Commercial Real Estate Research. "A decline in sales transaction and refinance volumes has meant less new debt being extended, but it also means that fewer loans are paying off than in many earlier periods. The result is that debt levels continue to rise, but at a pace that is roughly half of what was seen last year."

The four largest 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 banks continue to hold the largest share (38 percent) of commercial/multifamily mortgages at \$1.8 trillion. Agency and GSE portfolios and MBS are the second-largest holders of commercial/multifamily mortgages (21 percent) at \$986 billion. Life insurance companies hold \$702 billion (15 percent), and CMBS, CDO and other ABS issues hold \$593 billion (13 percent). Many life insurance companies, banks and the GSEs purchase and hold CMBS, CDO and other

Commercial Multifamily Mortgage Debt Outstanding

By Investor Group, Third Quarter 2023



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 third quarter of 2023, agency and GSE portfolios and MBS hold the largest share of total multifamily debt outstanding at \$986 billion (48 percent), followed by banks and thrifts with \$606 billion (30 percent), life insurance companies with \$223 billion (11 percent), state and local government with \$115 billion (6 percent), and CMBS, CDO and other ABS issues holding \$67 billion (3 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 Trepp LLC. More information on this data series is contained in Appendix A.

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the third quarter, agency and GSE portfolios and MBS saw the largest gains in dollar terms in their holdings of commercial/multifamily mortgage debt – an increase of \$15.6 billion (1.6 percent). Life insurance companies increased their holdings by \$10.4 billion (1.5 percent), bank and thrifts increased their holdings by \$9.5 billion (0.5 percent), and federal government increased their holdings by \$1.9 billion (2.1 percent).

In percentage terms, state and local government retirement funds saw the largest increase – 3.0 percent – in their holdings of commercial/multifamily mortgages. Conversely, finance companies saw their holdings decrease 5.2 percent.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

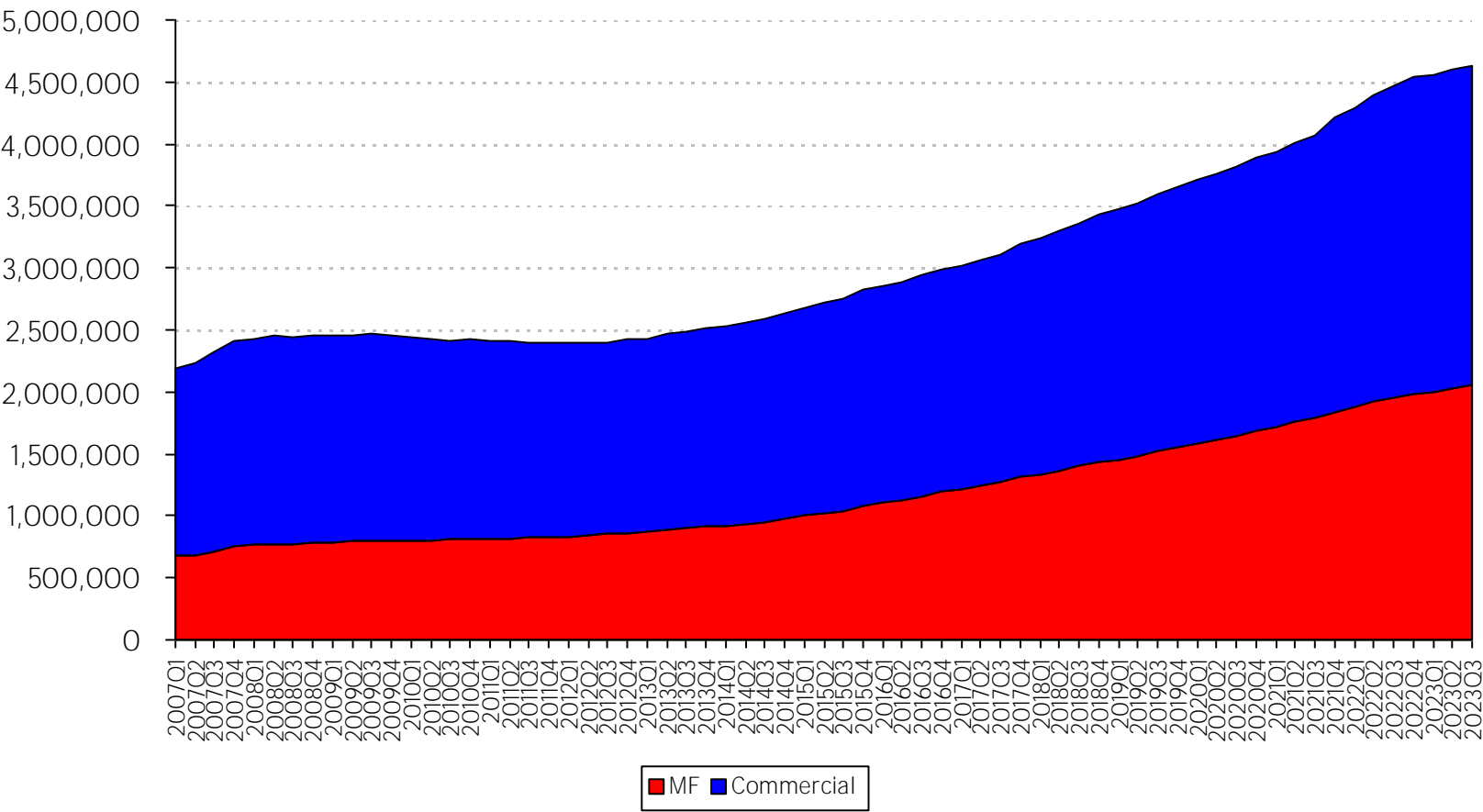
The \$26.8 billion increase in multifamily mortgage debt outstanding from the second quarter of 2023 represents a quarterly gain of 1.3 percent. In dollar terms, agency and GSE portfolios and MBS issues saw the largest gain – \$15.6 billion (1.6 percent) – in their holdings of multifamily mortgage debt. Bank and thrifts increased their holdings by \$5.6 billion (0.9 percent), and life insurance companies increased by \$4.5 billion (2.0 percent).

Nonfinancial corporate business saw the largest percentage increase in their holdings of multifamily mortgage debt, up 7.1 percent. Finance companies saw the largest decline in their holdings of multifamily mortgage debt at 10.0 percent.

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

| | Mortgage Debt Outstanding | | | | | | Sector Share of \$ Change |
|---|---------------------------|---------------|--------------|---------------|--------------|---------|------------------------------|
| | 2023 Q3 | | 2023 Q2 | | Change | | |
| | (\$millions) | % of total | (\$millions) | % of total | (\$millions) | Percent | |
| Bank and Thrift | 1,767,839 | 38.1% | 1,758,388 | 38.3% | 9,451 | 0.5% | 25.5% |
| Agency and GSE portfolios and MBS | 986,155 | 21.3% | 970,569 | 21.1% | 15,586 | 1.6% | 42.0% |
| Life insurance companies | 702,467 | 15.2% | 692,091 | 15.1% | 10,376 | 1.5% | 28.0% |
| CMBS, CDO and other ABS issues | 593,016 | 12.8% | 592,646 | 12.9% | 370 | 0.1% | 1.0% |
| State and local government | 137,164 | 3.0% | 136,162 | 3.0% | 1,002 | 0.7% | 2.7% |
| Nonfinancial corporate business | 121,399 | 2.6% | 119,555 | 2.6% | 1,844 | 1.5% | 5.0% |
| Federal government | 95,498 | 2.1% | 93,562 | 2.0% | 1,936 | 2.1% | 5.2% |
| REITs | 93,723 | 2.0% | 95,781 | 2.1% | -2,058 | -2.1% | -5.6% |
| Finance companies | 37,040 | 0.8% | 39,069 | 0.8% | -2,029 | -5.2% | -5.5% |
| Nonfarm noncorporate business | 34,674 | 0.7% | 34,587 | 0.8% | 87 | 0.3% | 0.2% |
| Other insurance companies | 31,938 | 0.7% | 31,810 | 0.7% | 128 | 0.4% | 0.3% |
| Private pension funds | 26,775 | 0.6% | 26,551 | 0.6% | 224 | 0.8% | 0.6% |
| State and local government retirement funds | 4,872 | 0.1% | 4,730 | 0.1% | 142 | 3.0% | 0.4% |
| Household sector | 1,463 | 0.0% | 1,453 | 0.0% | 10 | 0.7% | 0.0% |
| TOTAL | 4,634,023 | | 4,596,954 | | 37,069 | 0.8% | |

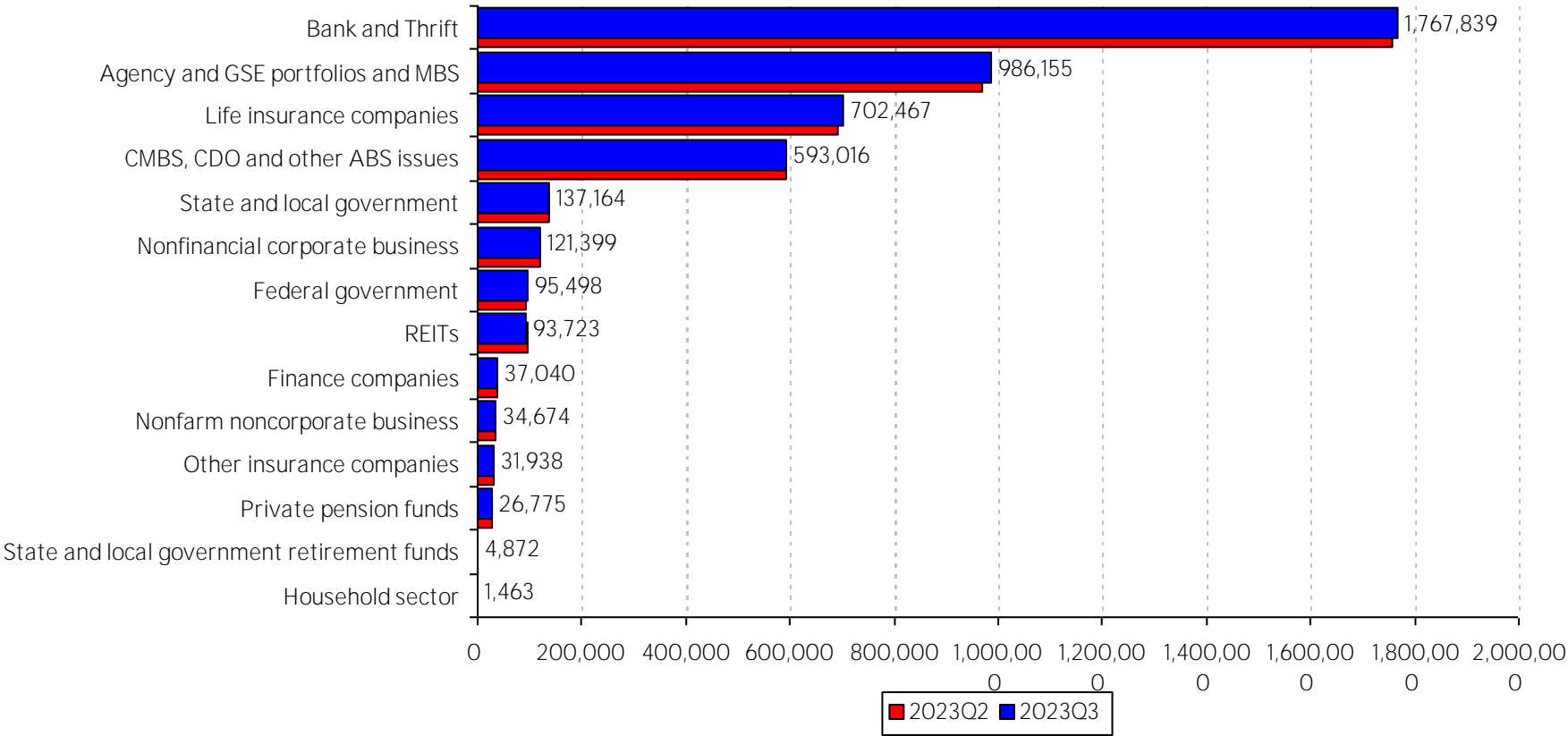
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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)

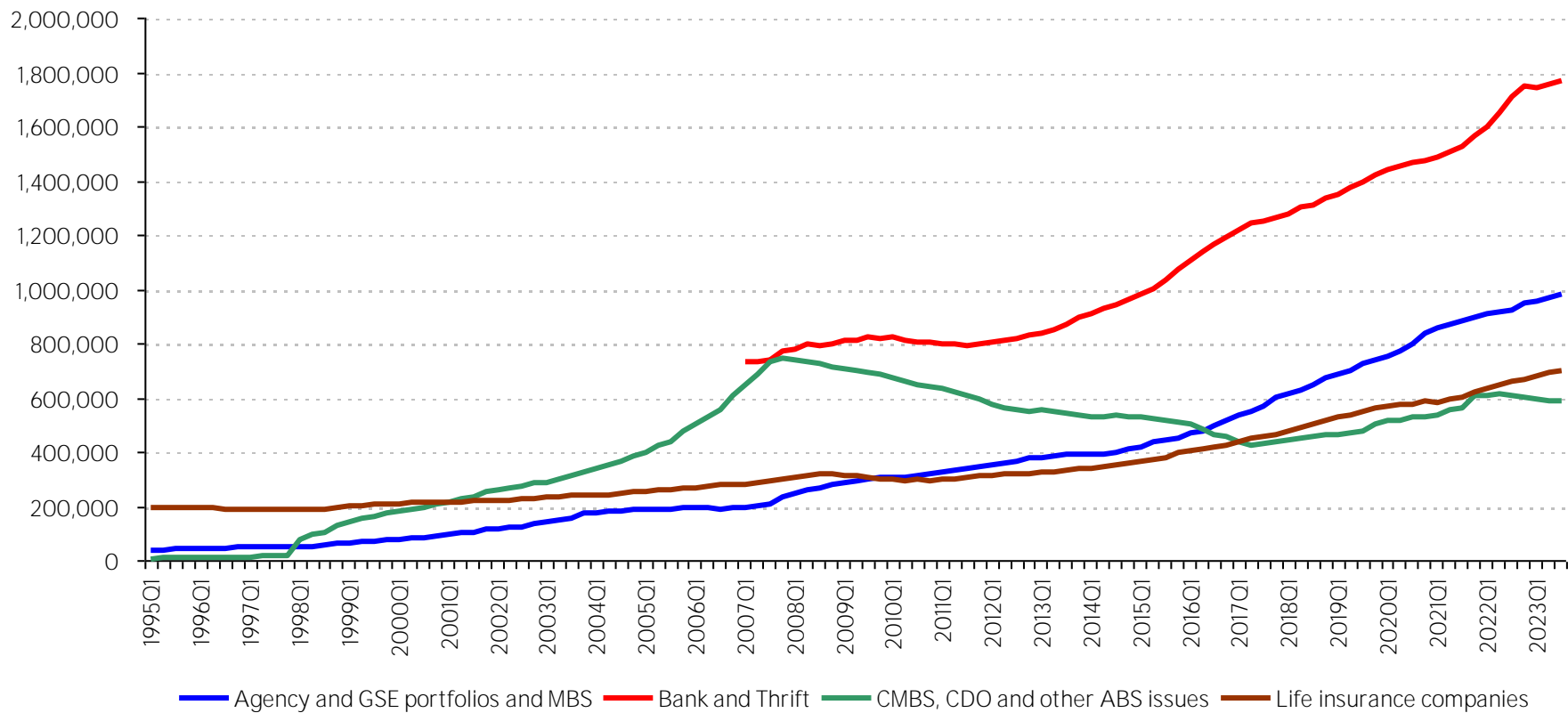


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

(\$millions)

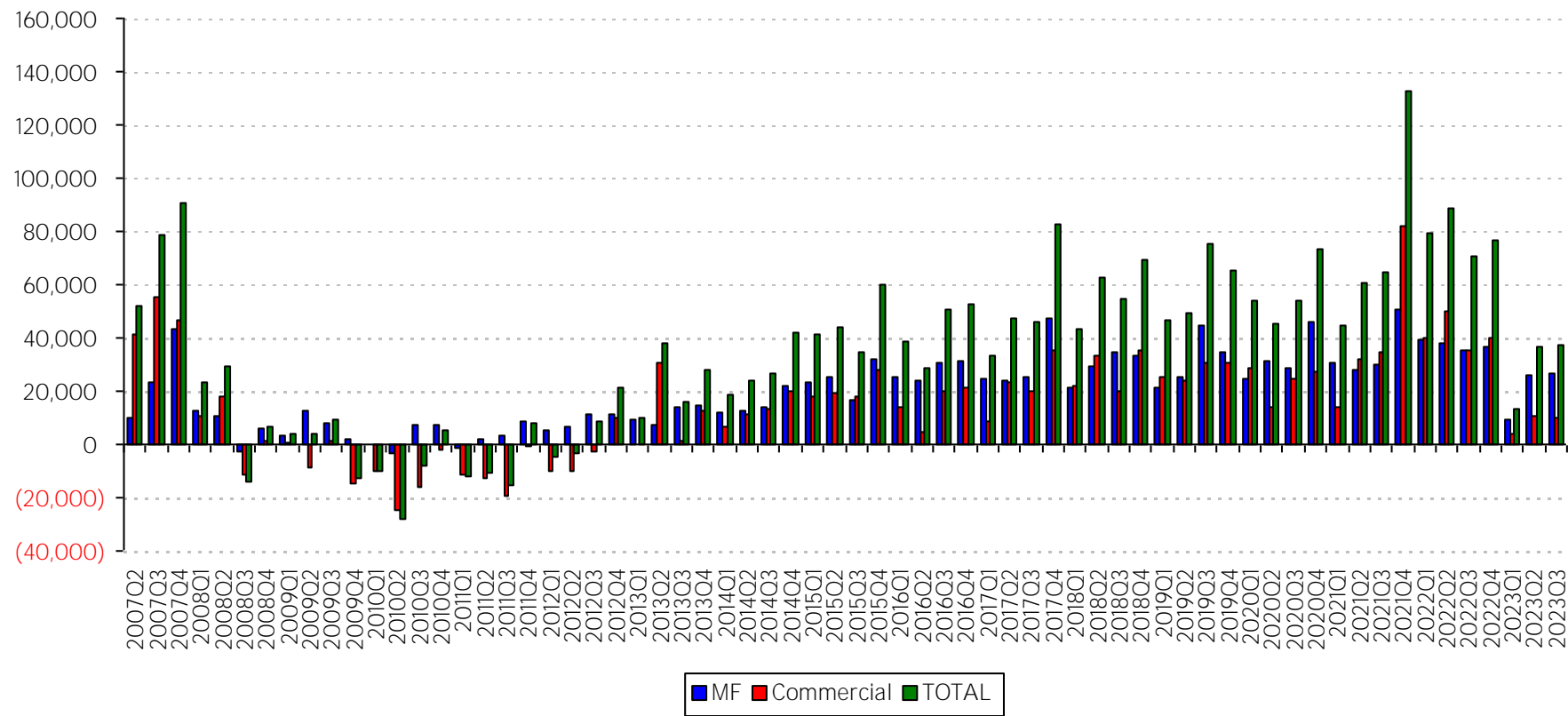


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

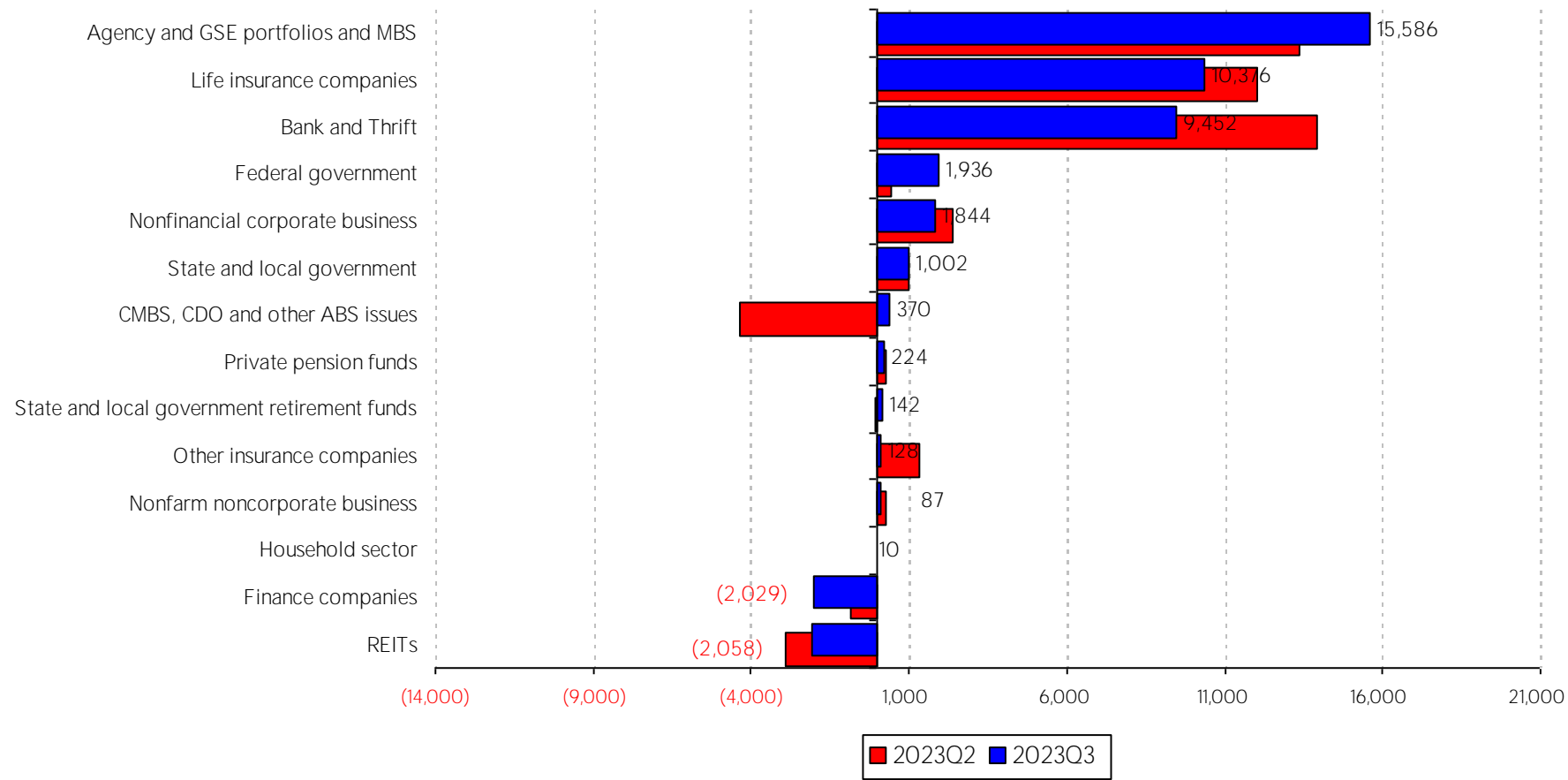
(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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



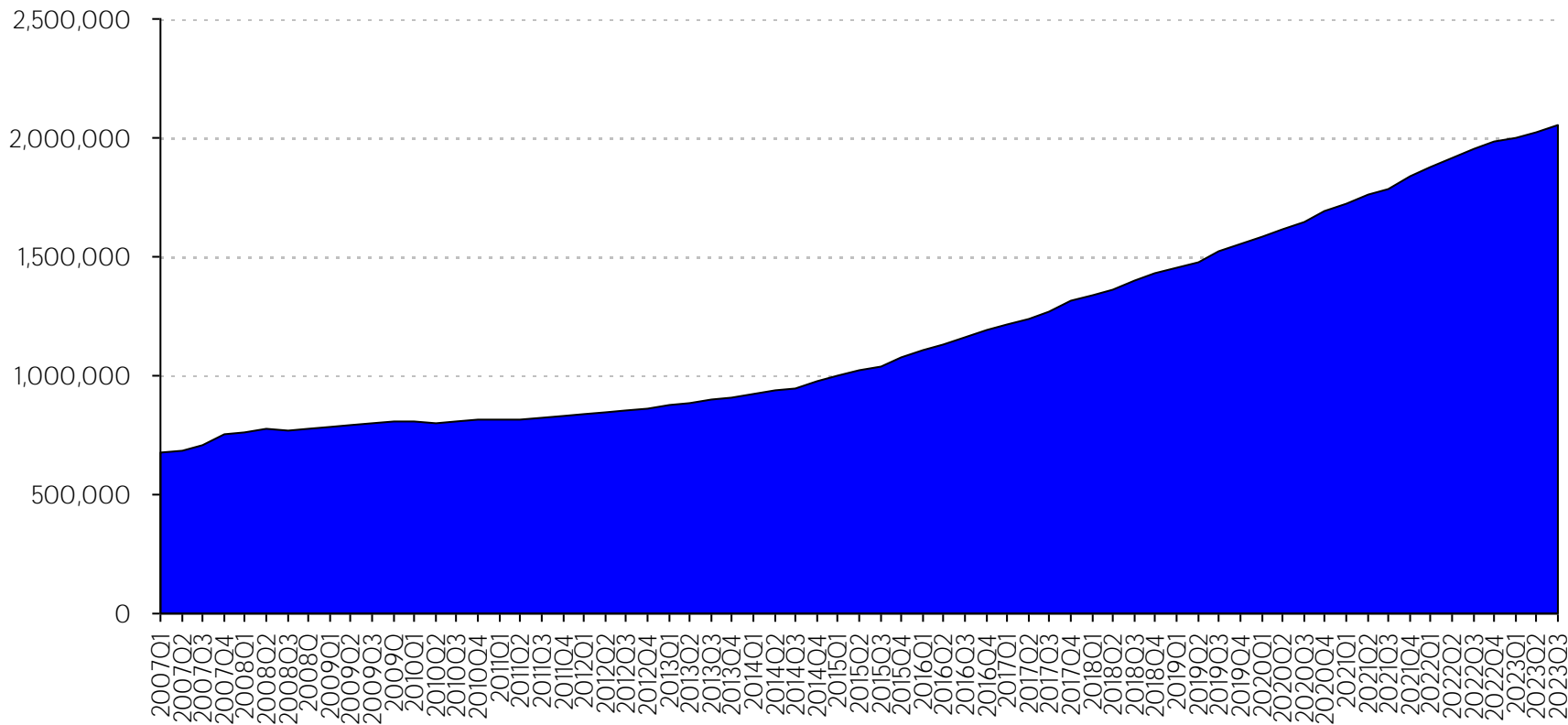
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector

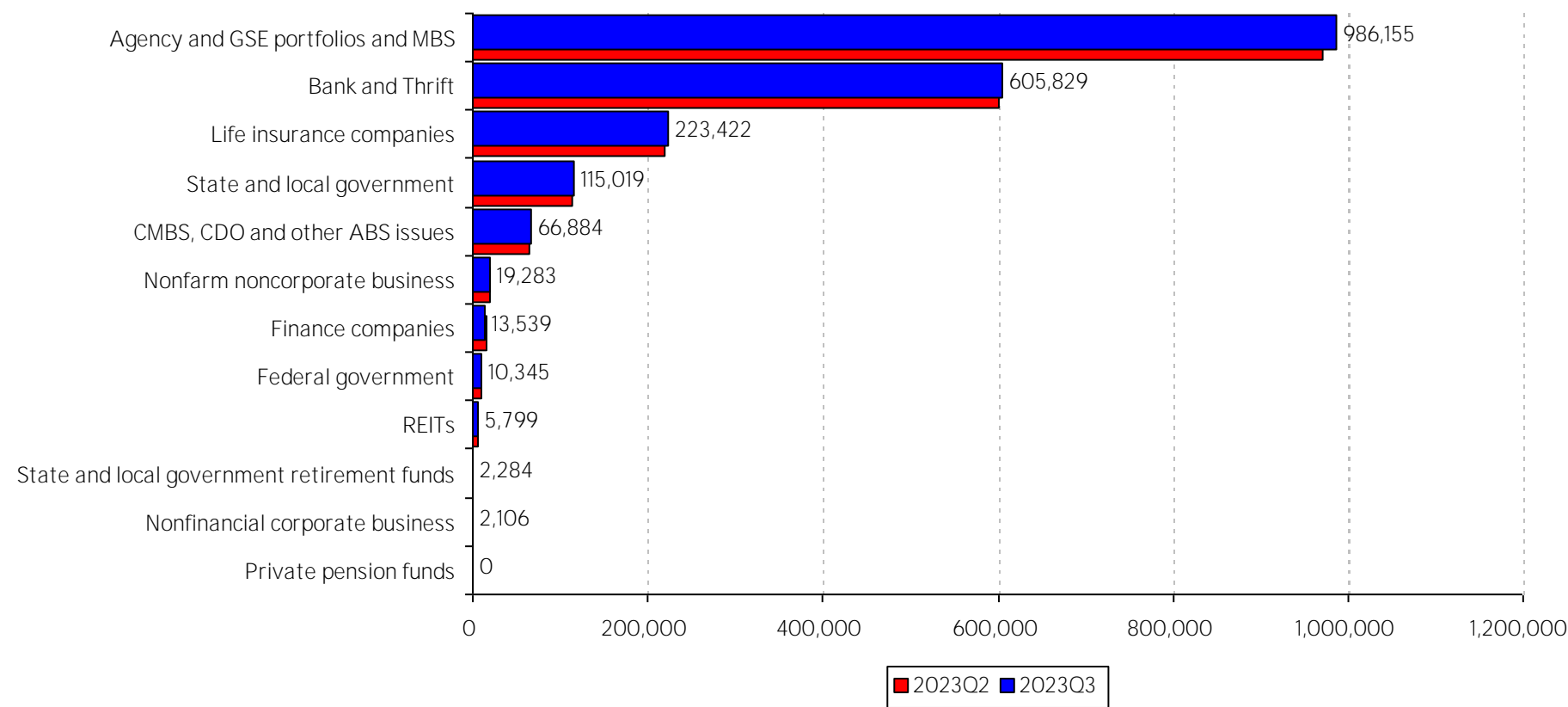
| | Mortgage Debt Outstanding | | | | Change | | Sector Share of \$ Change |
|---|---------------------------|---------------|--------------|---------------|--------------|---------|------------------------------|
| | 2023 Q3 | | 2023 Q2 | | | | |
| | (\$millions) | % of total | (\$millions) | % of total | (\$millions) | Percent | |
| Agency and GSE portfolios and MBS | 986,155 | 48.1% | 970,569 | 48.0% | 15,586 | 1.6% | 58.1% |
| Bank and Thrift | 605,829 | 29.5% | 600,231 | 29.7% | 5,598 | 0.9% | 20.9% |
| Life insurance companies | 223,422 | 10.9% | 218,964 | 10.8% | 4,458 | 2.0% | 16.6% |
| State and local government | 115,019 | 5.6% | 114,118 | 5.6% | 901 | 0.8% | 3.4% |
| CMBS, CDO and other ABS issues | 66,884 | 3.3% | 65,307 | 3.2% | 1,577 | 2.4% | 5.9% |
| Nonfarm noncorporate business | 19,283 | 0.9% | 19,235 | 1.0% | 48 | 0.2% | 0.2% |
| Finance companies | 13,539 | 0.7% | 15,050 | 0.7% | -1,511 | -10.0% | -5.6% |
| Federal government | 10,345 | 0.5% | 10,480 | 0.5% | -135 | -1.3% | -0.5% |
| REITs | 5,799 | 0.3% | 5,689 | 0.3% | 110 | 1.9% | 0.4% |
| State and local government retirement funds | 2,284 | 0.1% | 2,217 | 0.1% | 67 | 3.0% | 0.2% |
| Nonfinancial corporate business | 2,106 | 0.1% | 1,966 | 0.1% | 140 | 7.1% | 0.5 |
| TOTAL | 2,050,665 | | 2,023,826 | | 26,839 | 1.3% | |

Source: MBA, Federal Reserve Board of Governors, Trepp LLC, 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*)

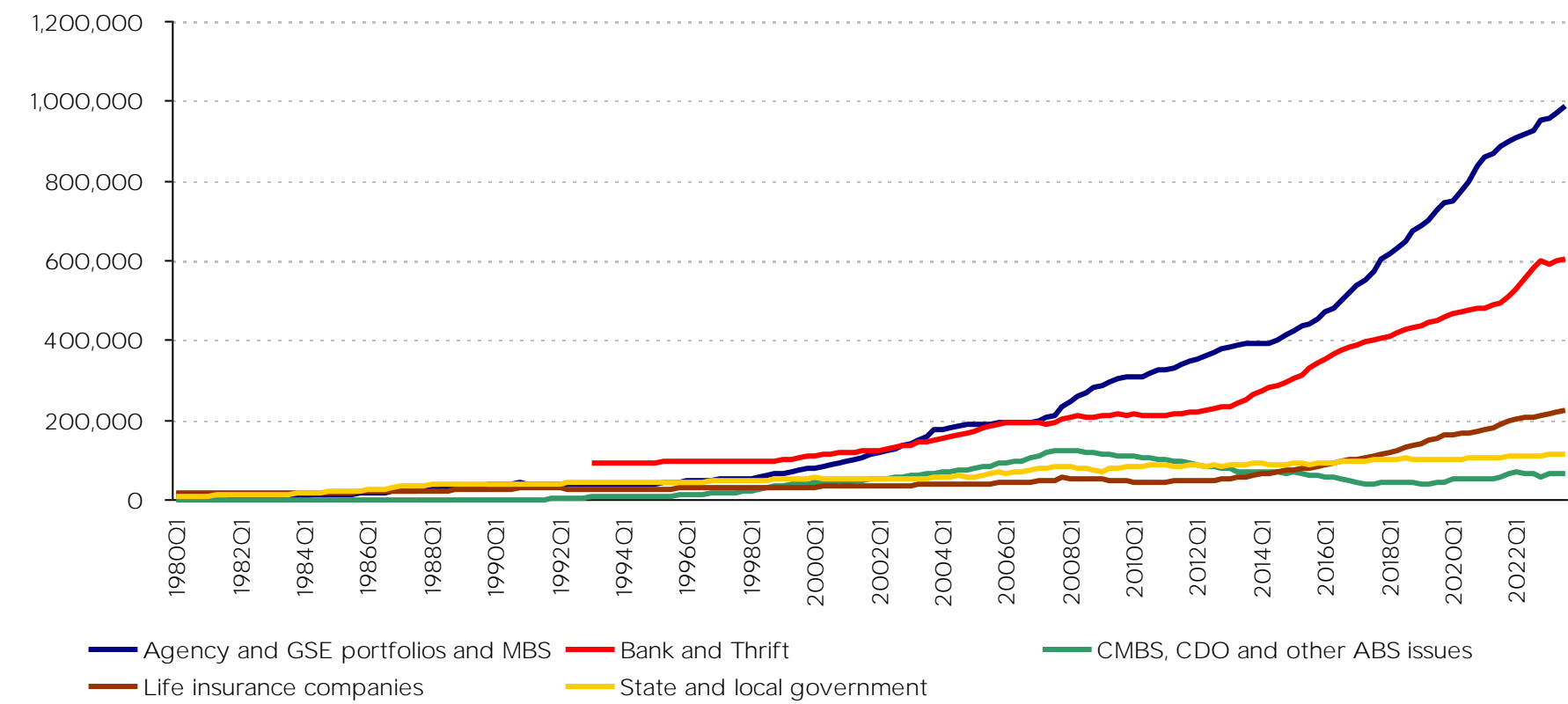


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

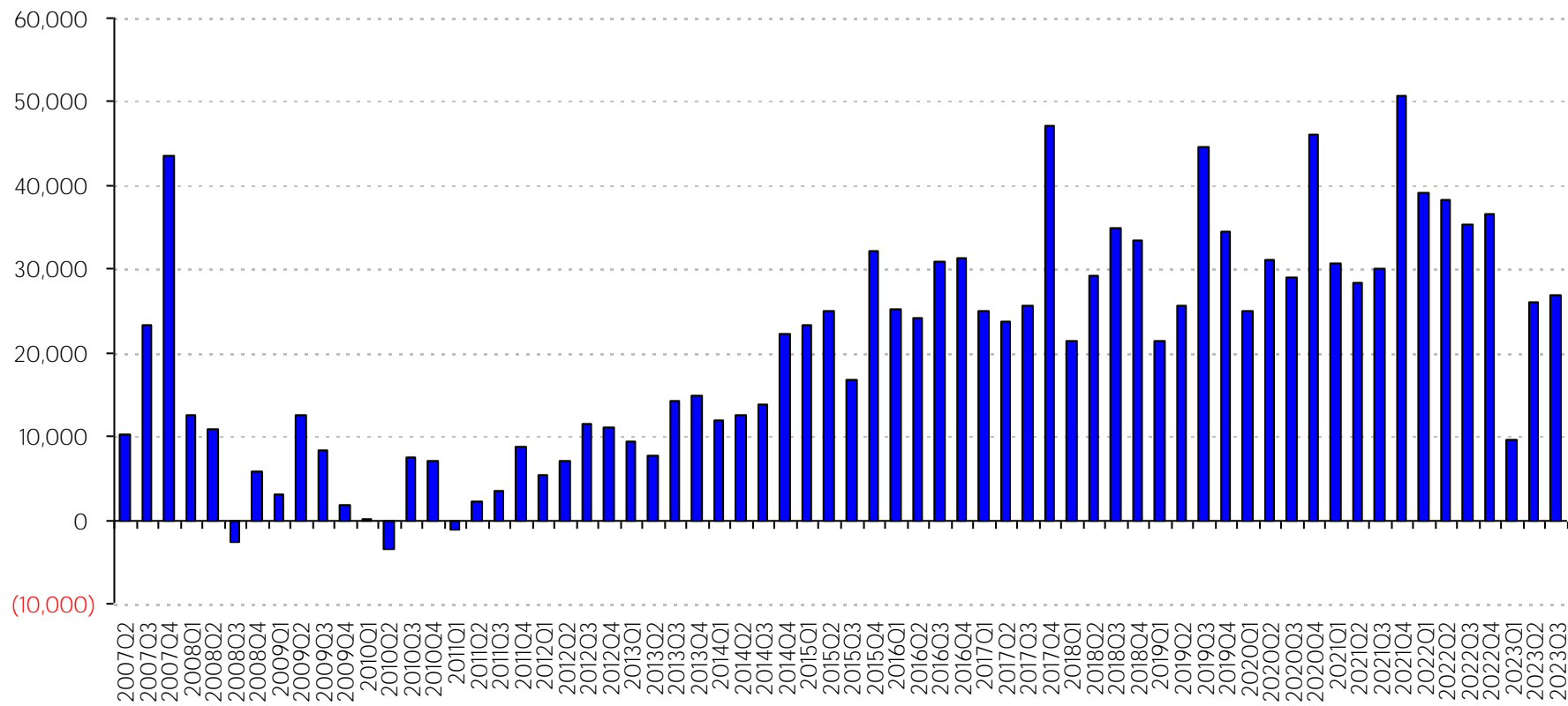
(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE FLOWS

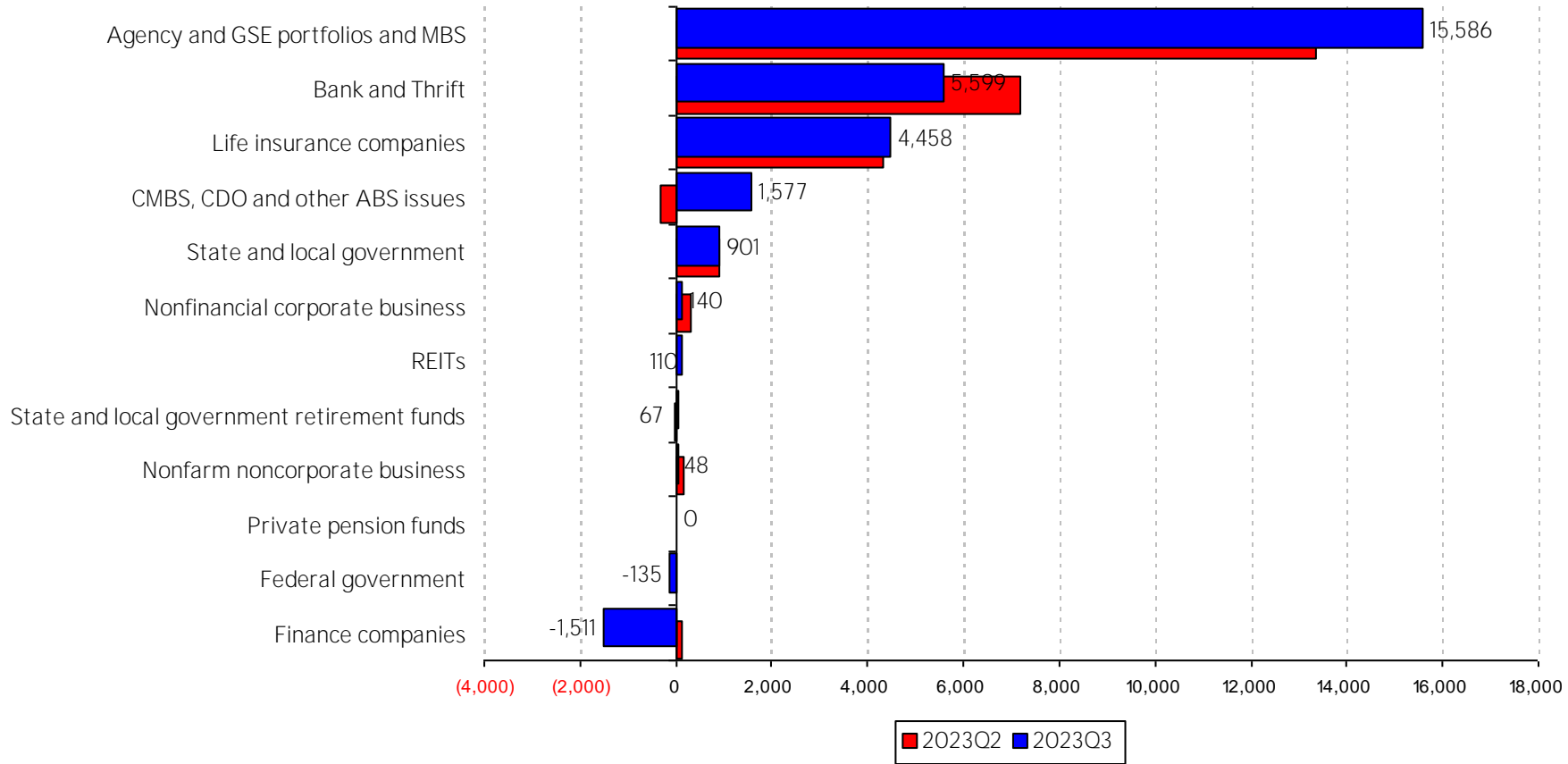
Net Change in Multifamily Mortgage Debt Outstanding, by Quarter
(\$millions)



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE FLOWS

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



Source: MBA, Federal Reserve Board of Governors, Trepp LLC, 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;

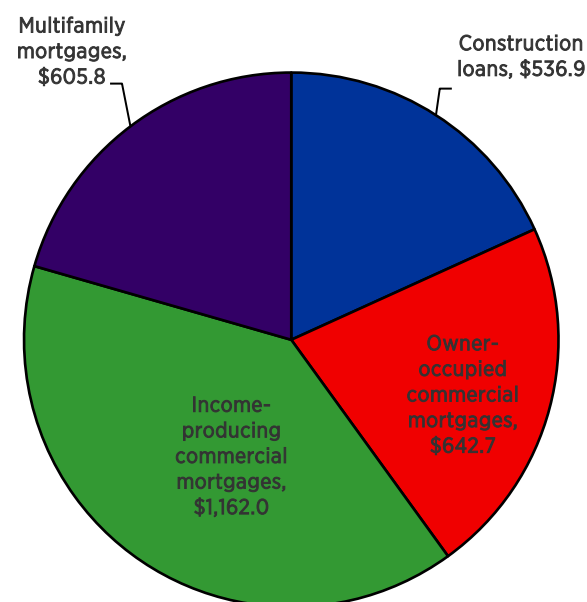
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

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 third quarter 2023, the Federal Reserve Board's Flow of Funds Accounts data attributed \$2.9 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 \$606 billion of multifamily mortgages and \$1.8 trillion of non-farm nonresidential mortgages, of which 64 percent or \$1.2 trillion were income-producing. The combined \$1.8 trillion of mortgages backed by multifamily and other income-producing properties is included in this analysis. The \$2.9 trillion total reported by the Federal Reserve also includes \$643 billion of loans collateralized by owner-occupied commercial properties and another \$537 billion of loans backed by acquisition, development and construction projects (including those for single-family development), which are excluded 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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