



MBA's **COMMERCIAL REAL ESTATE FINANCE/
MULTIFAMILY HOUSING** Convention & Expo
FEBRUARY 1-4, 2010, LAS VEGAS

**Multifamily Real Estate Finance
Market Update**

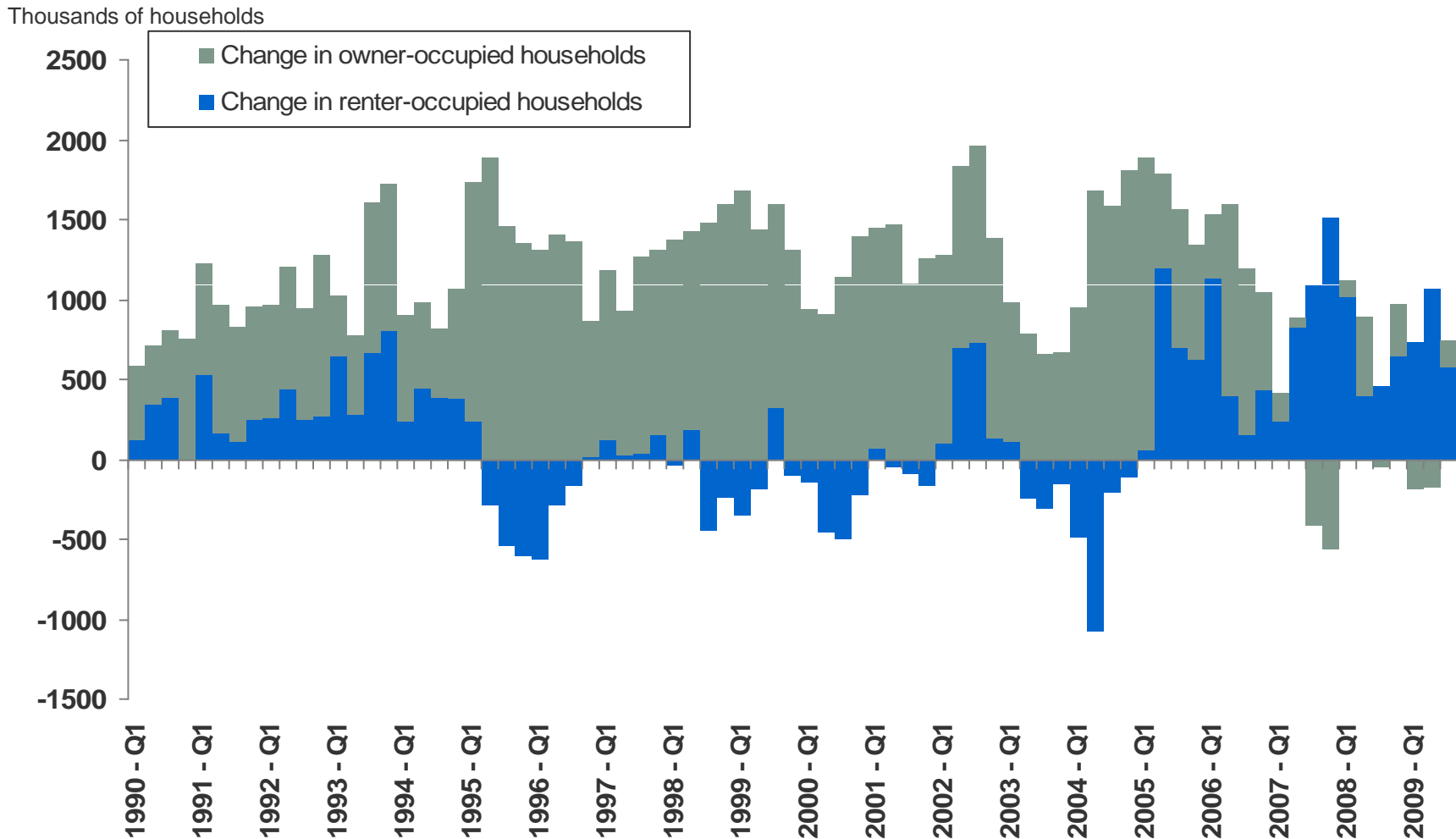
February 2010

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Commercial Real Estate Research
Mortgage Bankers Association

Household growth is slow, with most if not all the growth found in renter-occupied households



Change in Number of Owner- and Renter-occupied Households, Year-over-year (additive)

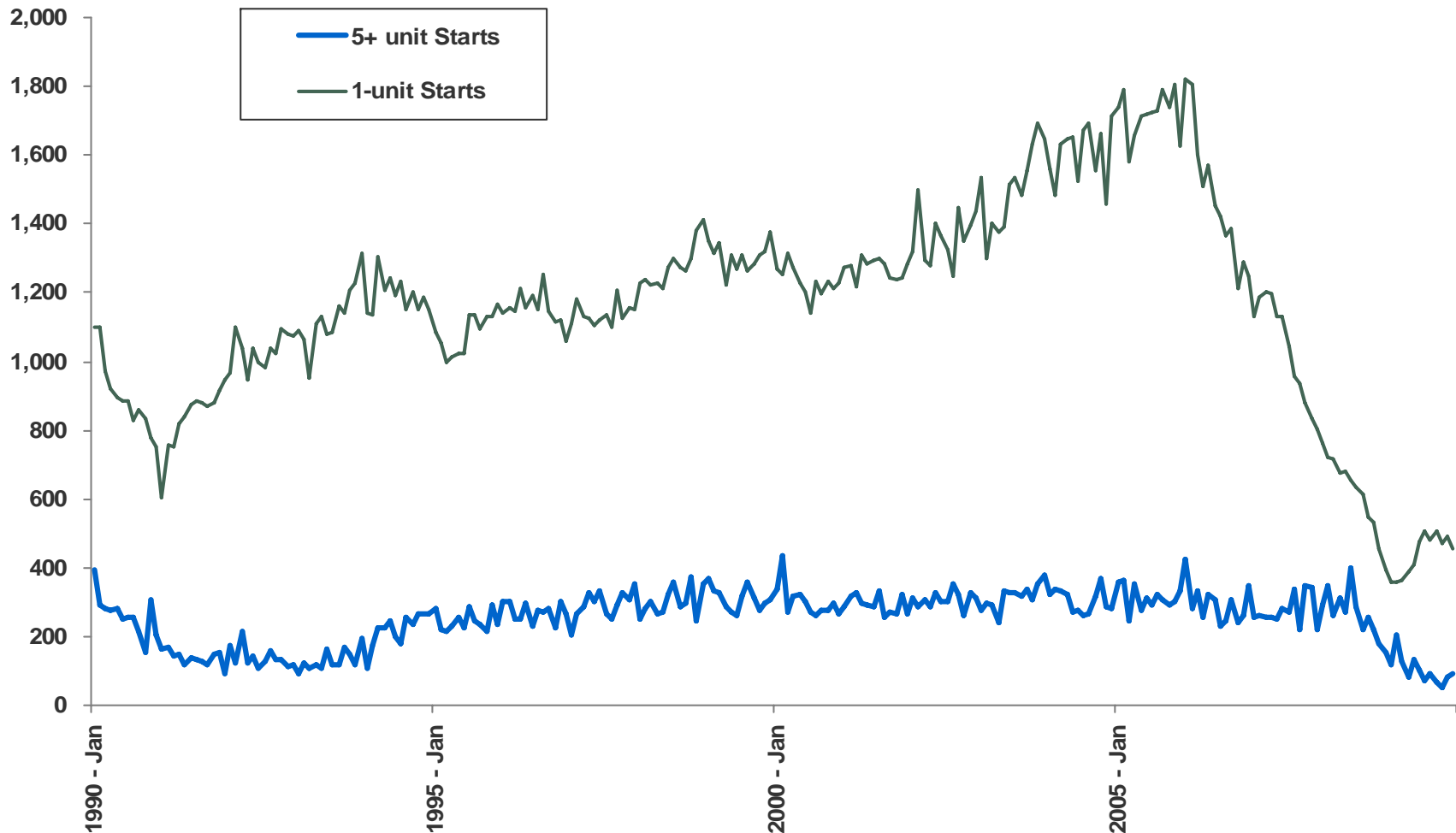


Source: Census Bureau and MBA

Single-family and Multifamily Construction Starts Are At Historic Lows



Thousands of Units Started (Seasonally-adjusted Annual Rate)

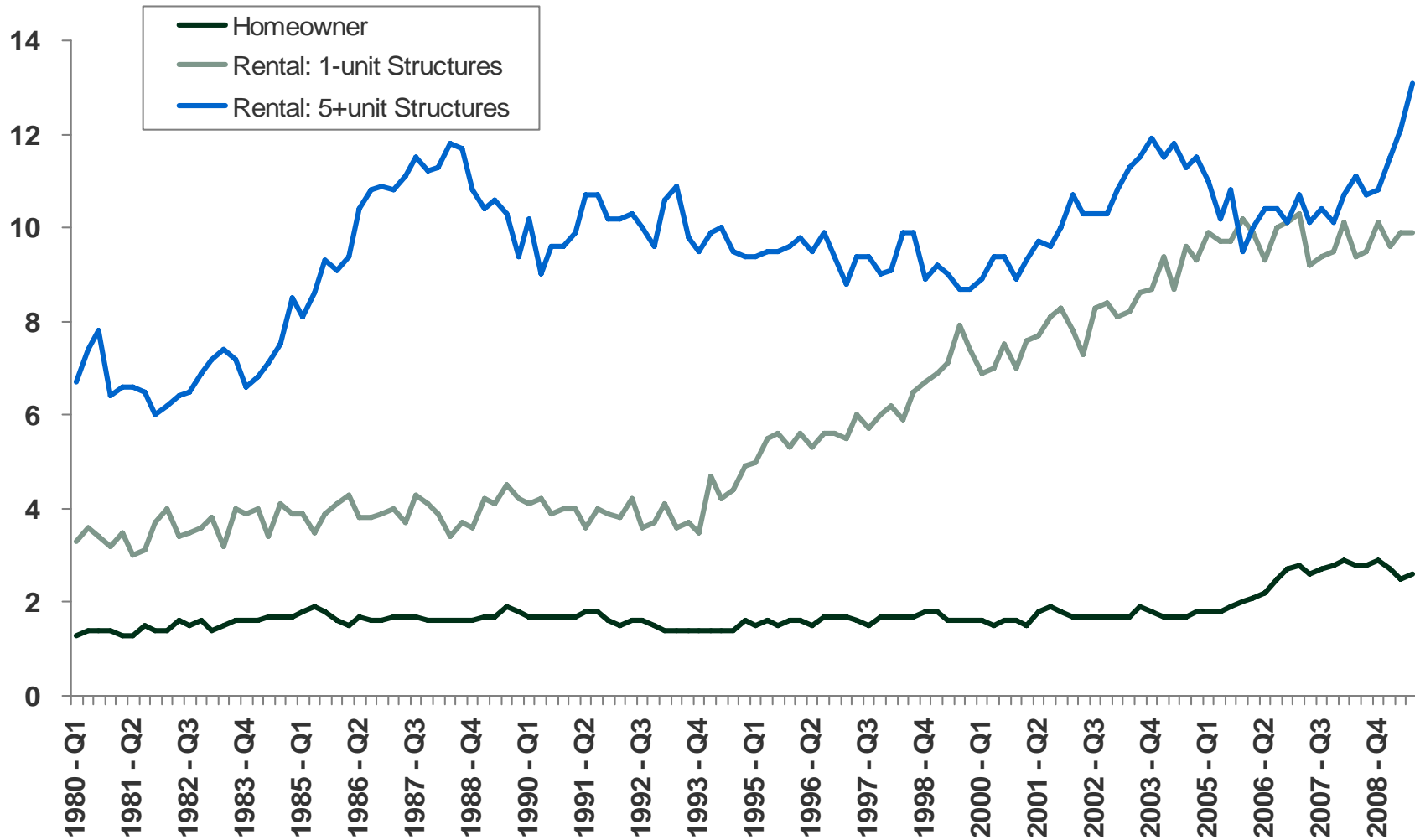


Source: Census Bureau

Excess supply has driven residential vacancies and inventories



Homeowner and rental vacancy rates (percent)

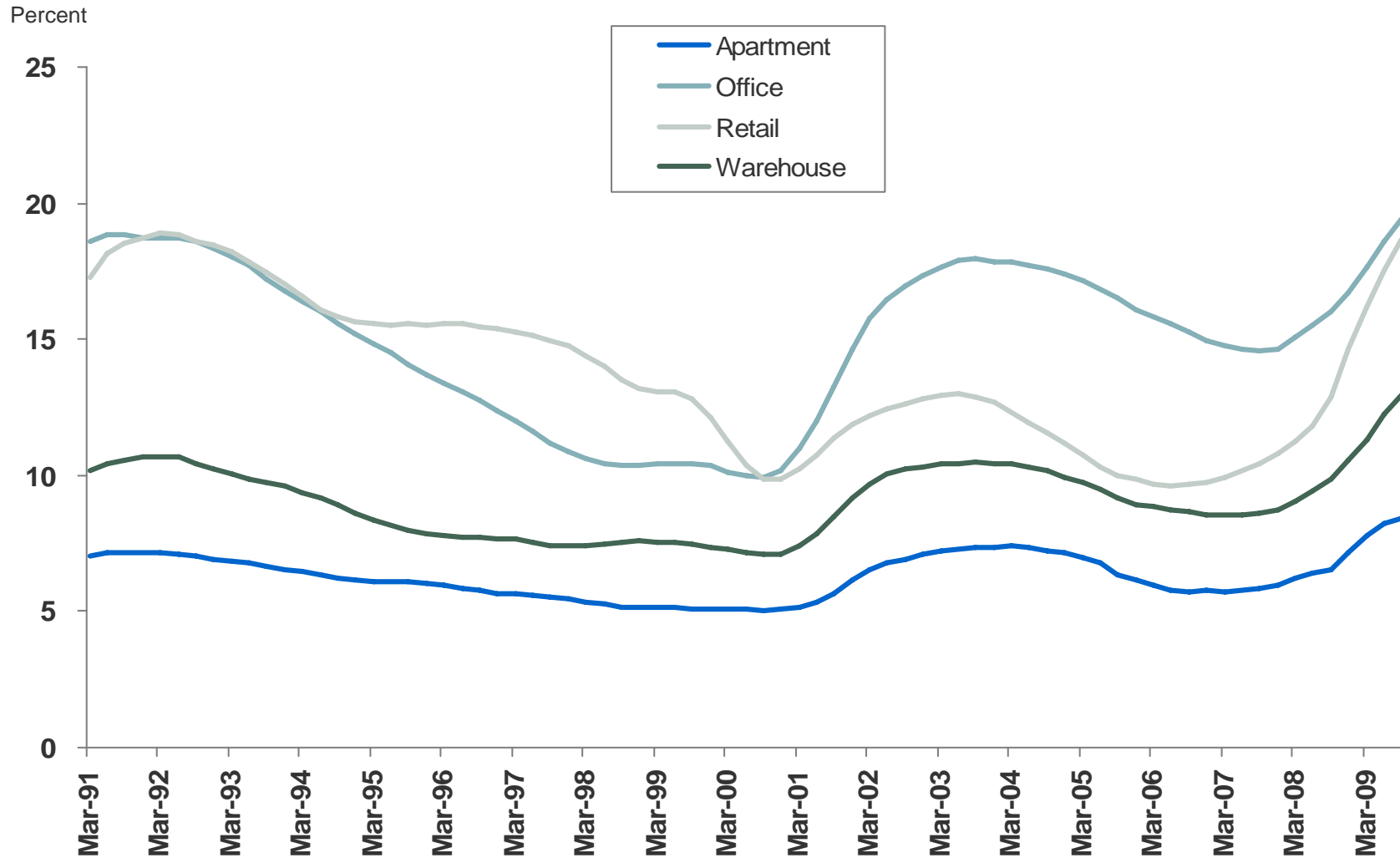


Source: Census Bureau

Vacancy rates are rising across all property types, hitting or exceeding the highs of the early 1990s



Commercial/Multifamily Vacancy Rates, by Property Type by Quarter

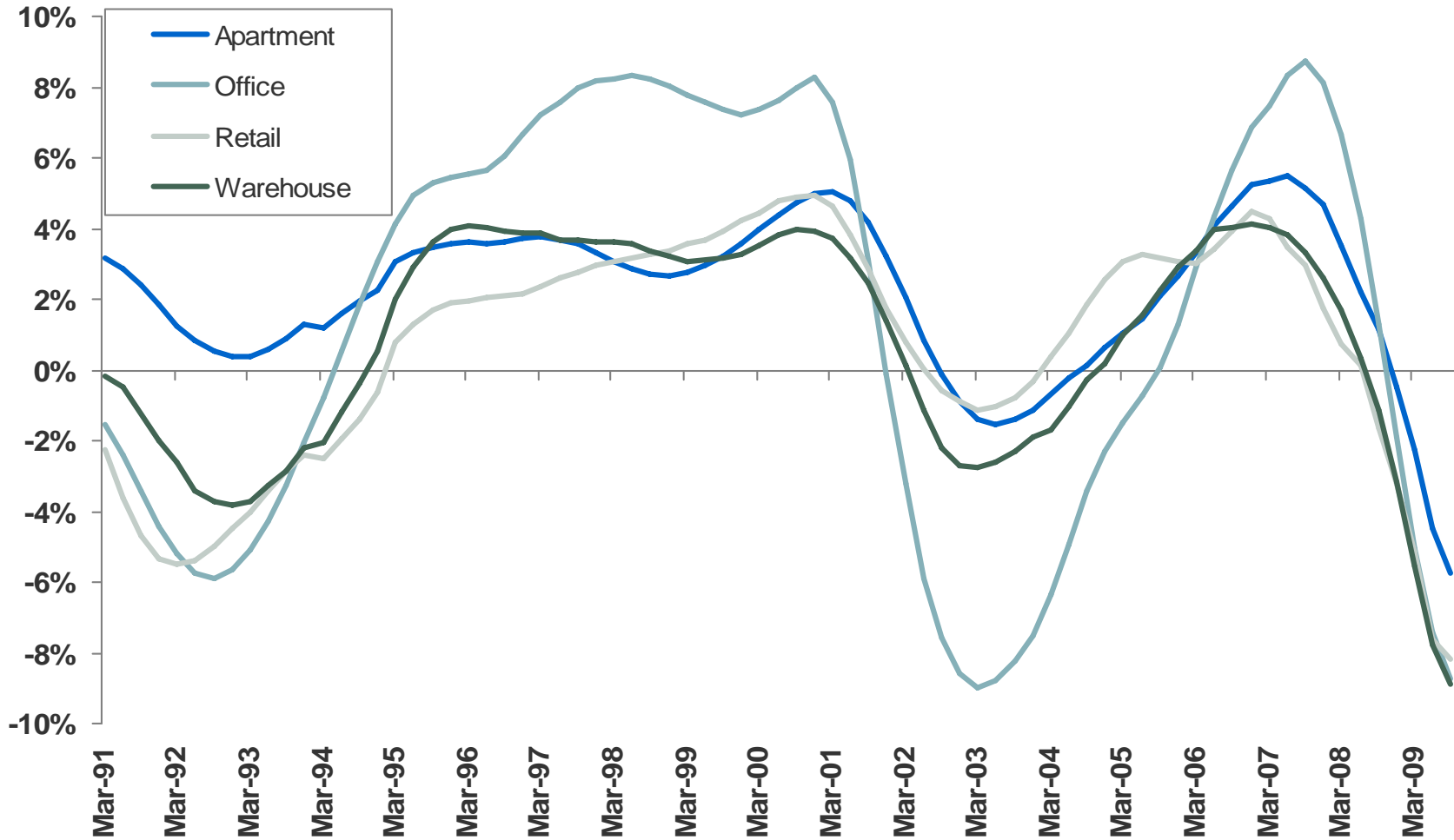


Source: Property and Portfolio Research

Properties are faced with rent pressures



Year-over-year Asking Rent Growth, by Property Type by Quarter

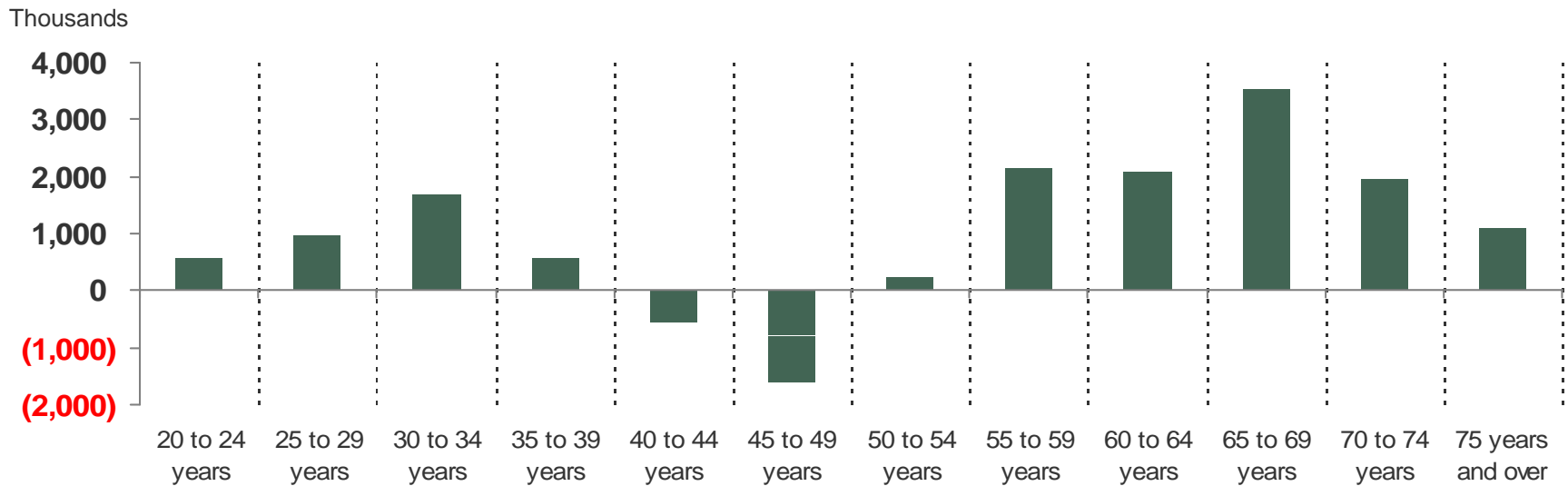


Source: Property and Portfolio Research

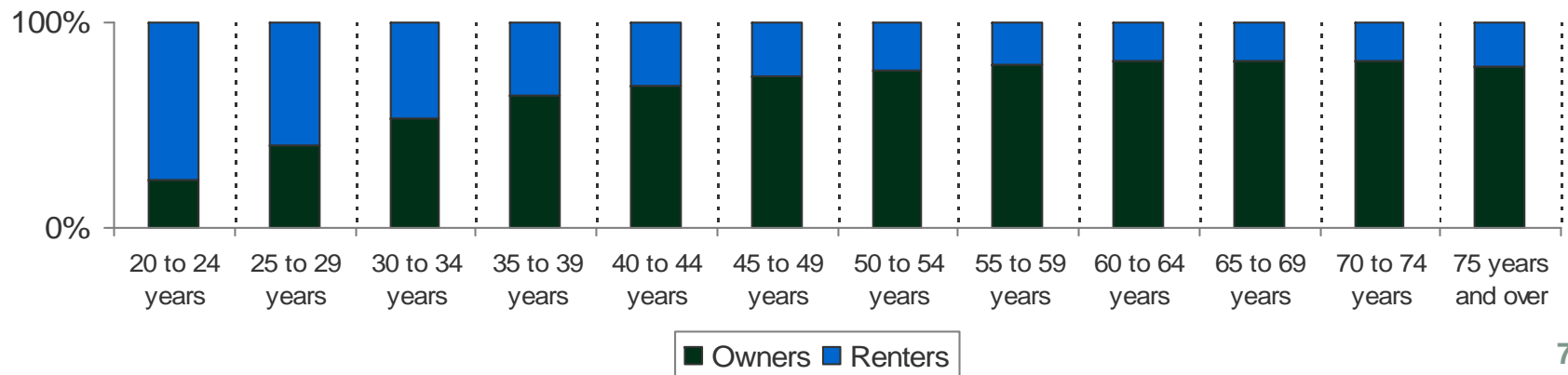
Largest population growth in coming decades comes among the age groups that have traditionally rented the least; given today's market, own/rent decisions may not track past experience



2010-15 projected population change, by age



Ownership/rentership rates by age of householder



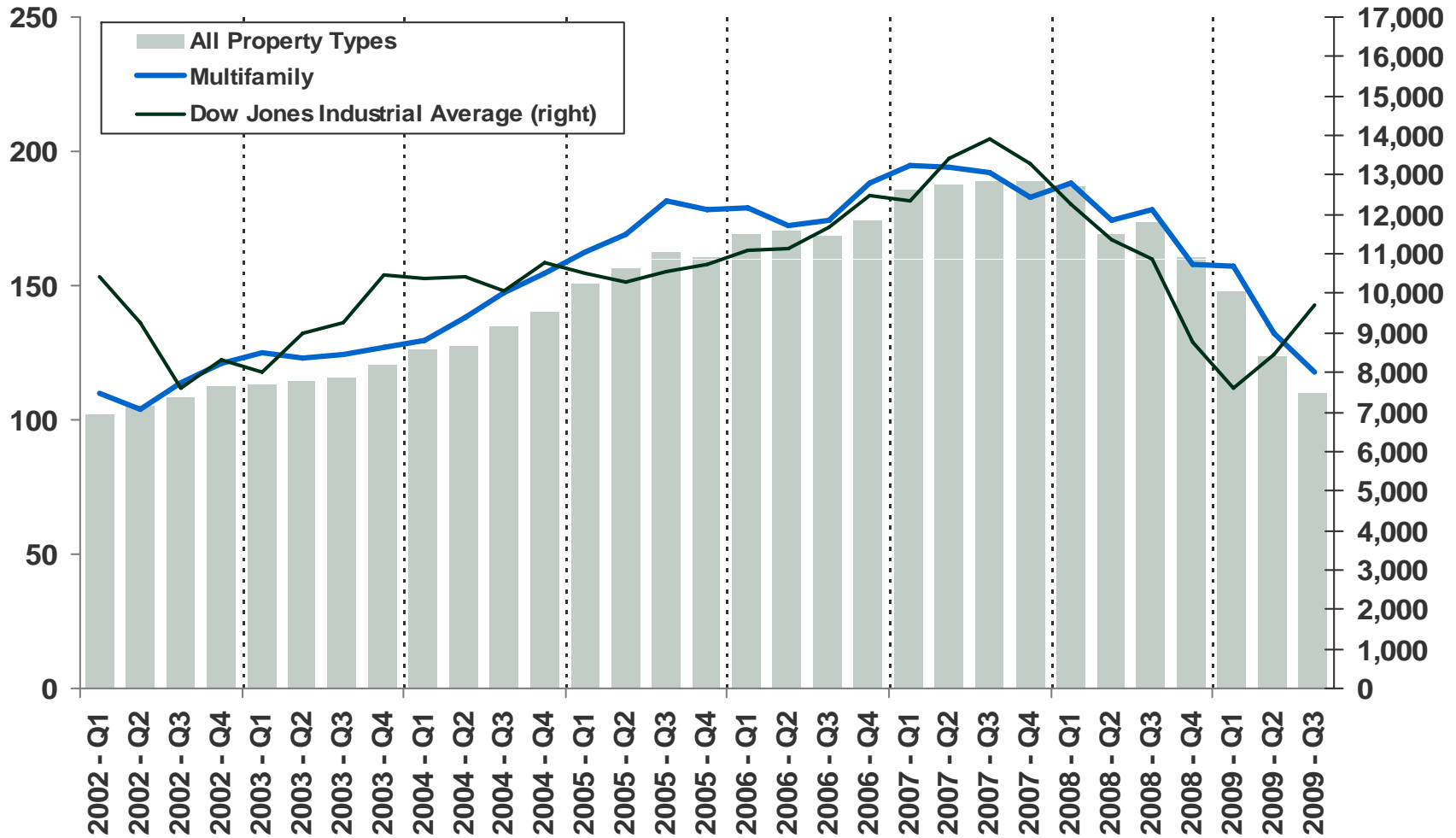
Source: MBA and Census Bureau

Multifamily property prices peaked earlier and higher, but have seen a similar peak-to-trough decline in values as other property types; Property prices follow a pattern similar to other equities



Index of Commercial/Multifamily Property Prices (2001 Q4 = 100) and Dow Jones Industrial Average

Index Value

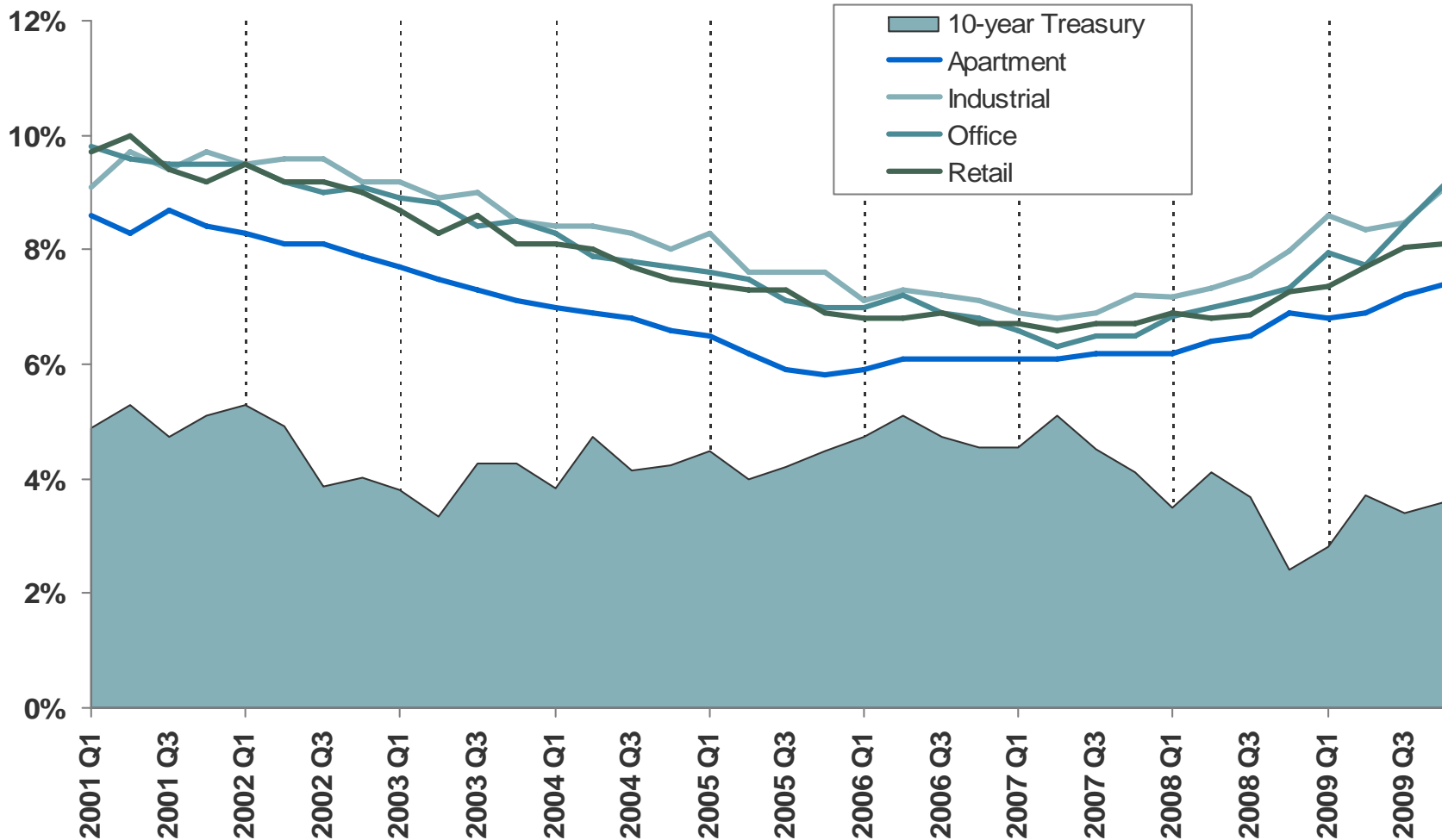


Source: MBA and Moody's/REAL, Wall Street Journal

Cap rates have trended upward as investors increase their required yields on commercial property investments and as expectations about revenue growth are reduced



Commercial/Multifamily Capitalization Rates, Properties and Portfolios \$5 Million and Greater

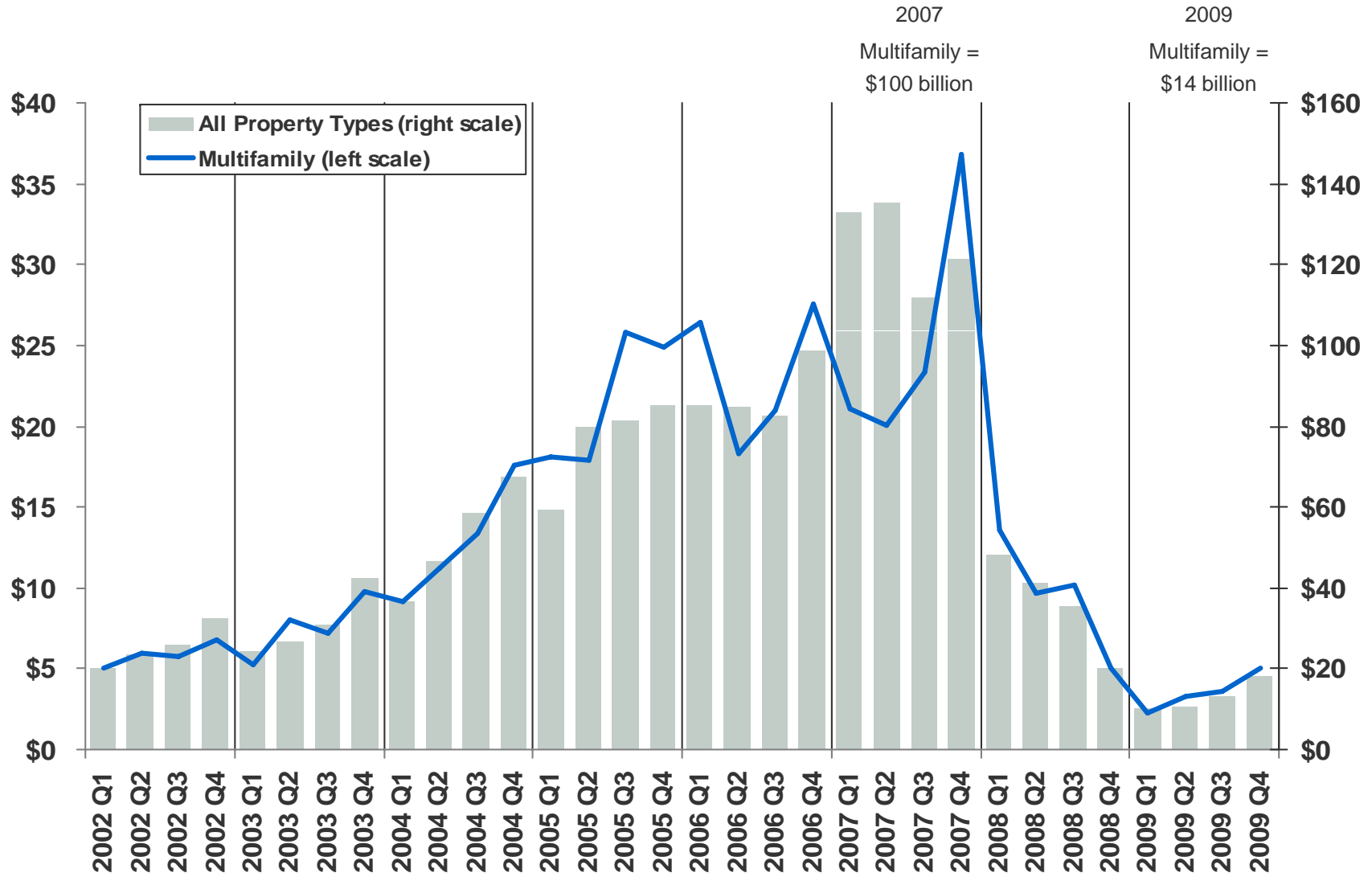


Source: Real Capital Analytics and Federal Reserve Board

Sales transactions have been pushed downward by lackluster demand as well as by the overall credit crunch



Commercial/Multifamily Property Sales (\$billions)

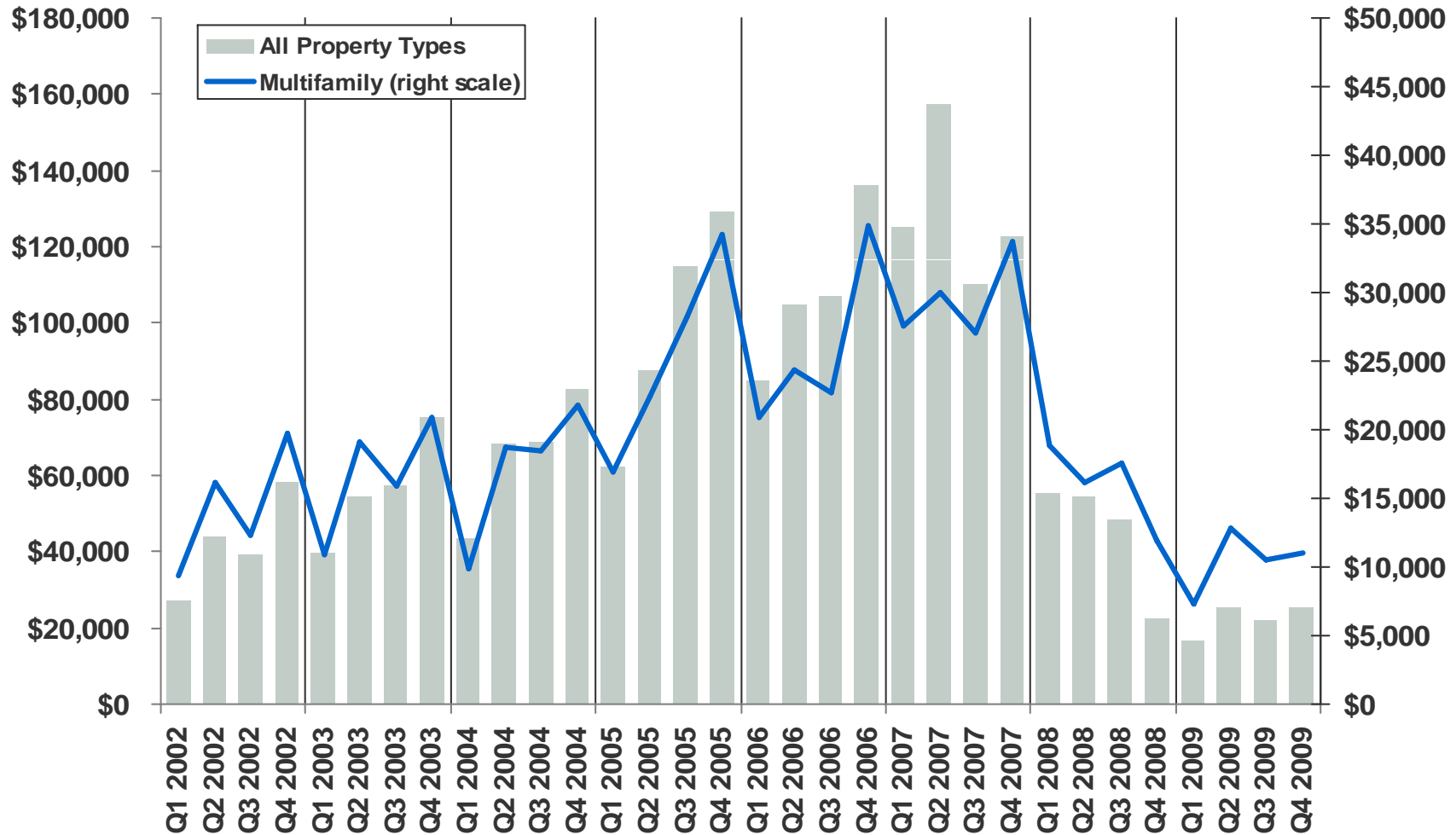


Source: MBA and Real Capital

Originations have been pushed downward by lackluster demand as well as by the overall credit crunch



Estimate of Commercial/Multifamily Mortgage Bankers Origination Volumes (\$millions)

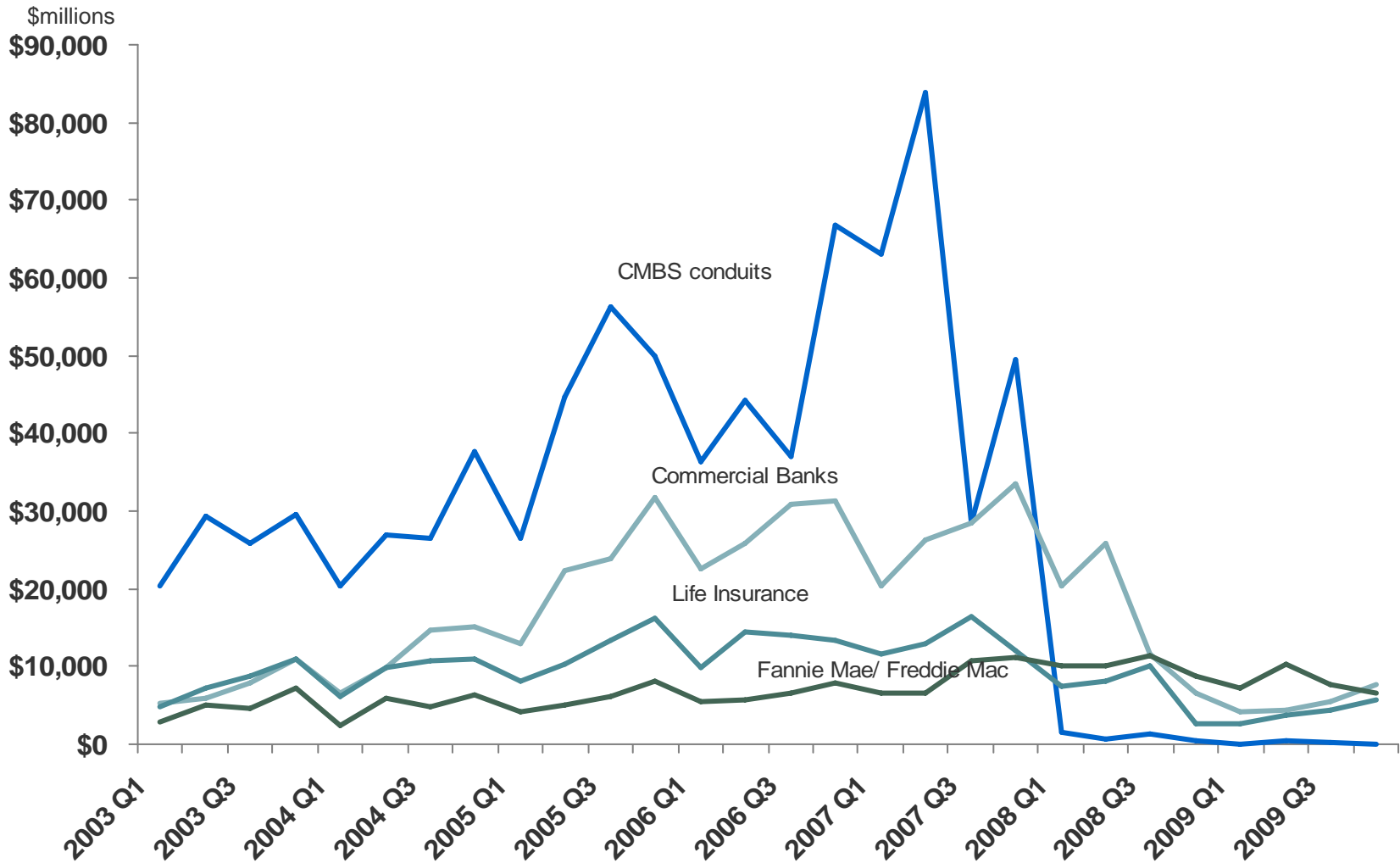


Source: Mortgage Bankers Association

CMBS originations have essentially disappeared; life company and bank originations have stabilized; and Fannie Mae and Freddie Mac have remained strong

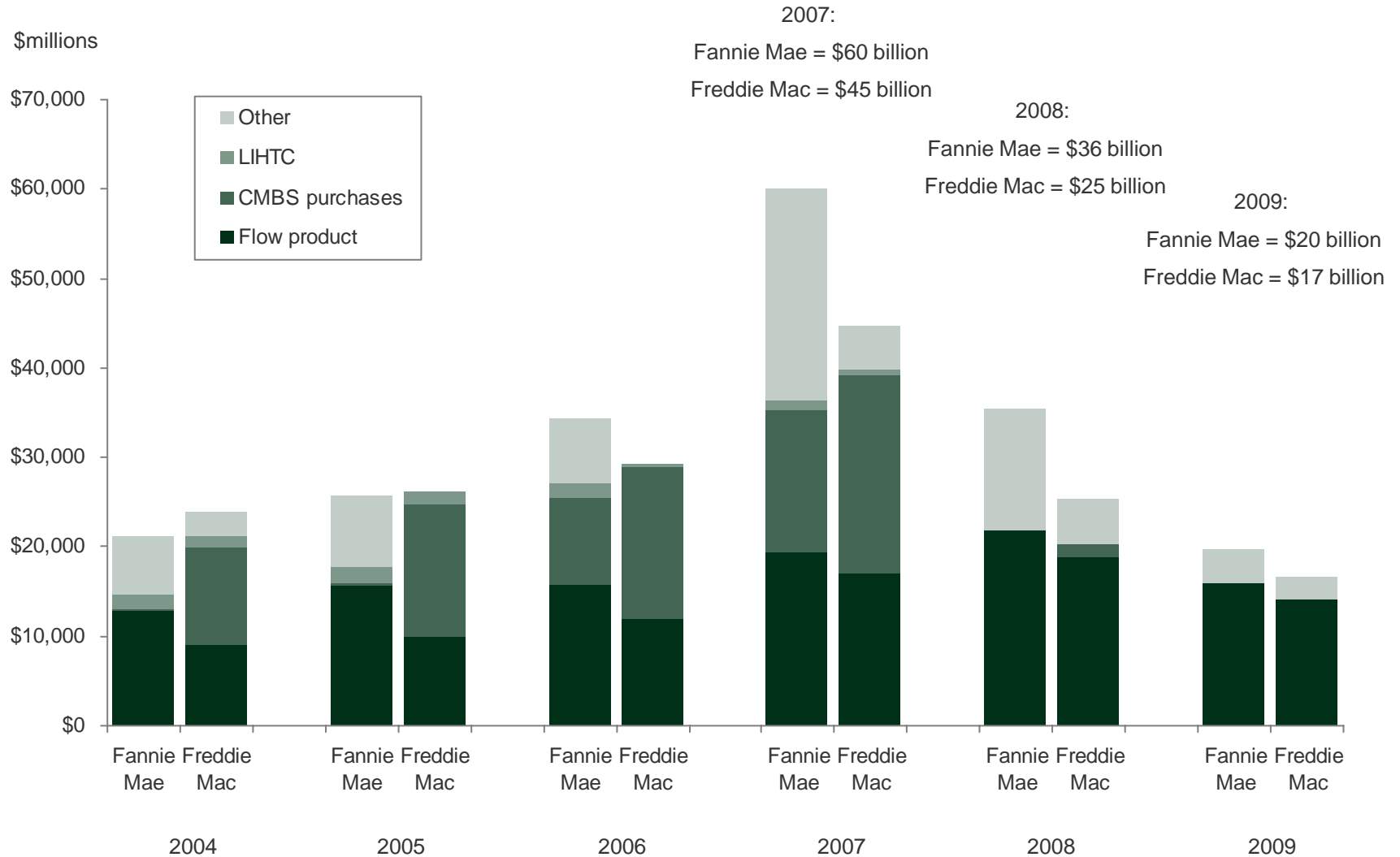


Estimated Quarterly Commercial/Multifamily Mortgage Bankers' Originations, by Investor Group



Source: Mortgage Bankers Association

Fannie Mae and Freddie Mac Multifamily Acquisitions



Source: MBA estimates based on Fannie Mae and Freddie Mac press releases and OFHEO 2008 "Other" category may include LIHTC or CMBS purchase volumes.



FHA Initial Endorsements

Programs by Main Group	Endorsed FYTD		Endorsed Prior FYTD		FYTD AS % of Prior FYTD
	Oct. 2009	Jan 2010	Oct. 2008	Jan 2009	
	Dollar Amounts (millions)		Dollar Amounts (millions)		
Basic FHA	\$3,182.3		\$940.9		338.2%
FHA/NC Sr. Apts or Coops	\$803.9		\$175.7		457.5%
223(f) Purchase/Refi Apt	\$1,092.4		\$332.6		328.4%
223a7 Apts	\$402.3		\$ 12.0		3,352.5%

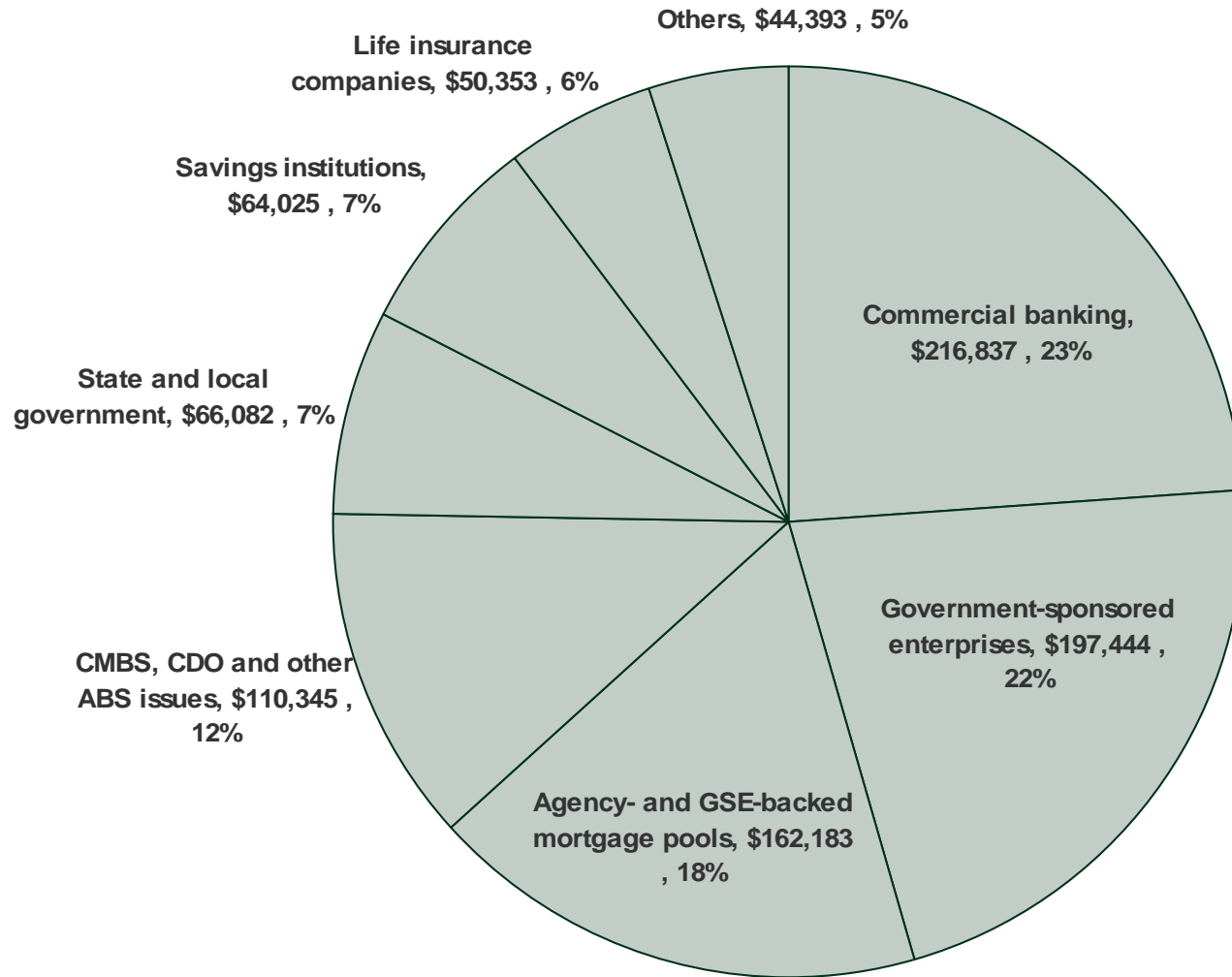
FHA Firm Commitments

Programs by Main Group	Iss/Reiss FYTD 2010		Iss/Reiss Prior FYTD		FYTD AS % of Prior FYTD
	Oct. 2009	Jan 2010	Oct. 2008	Jan 2009	
	Dollar Amounts (millions)		Dollar Amounts (millions)		
Basic FHA	\$3,396.2		\$1,555.1		218.4%
FHA/NC Sr. Apts or Coops	\$1,077.8		\$366.4		294.2%
223(f) Purchase/Refi Apt	\$1,345.4		\$406.1		331.3%
223a7 Apts	\$332.9		\$ 47.7		697.9%

At the end of Q3 2009, the GSEs and Ginnie Mae, through portfolio and their MBS issues, represented 38 percent of multifamily mortgage debt outstanding



Multifamily Mortgage Debt Outstanding (\$millions), Q3 2009



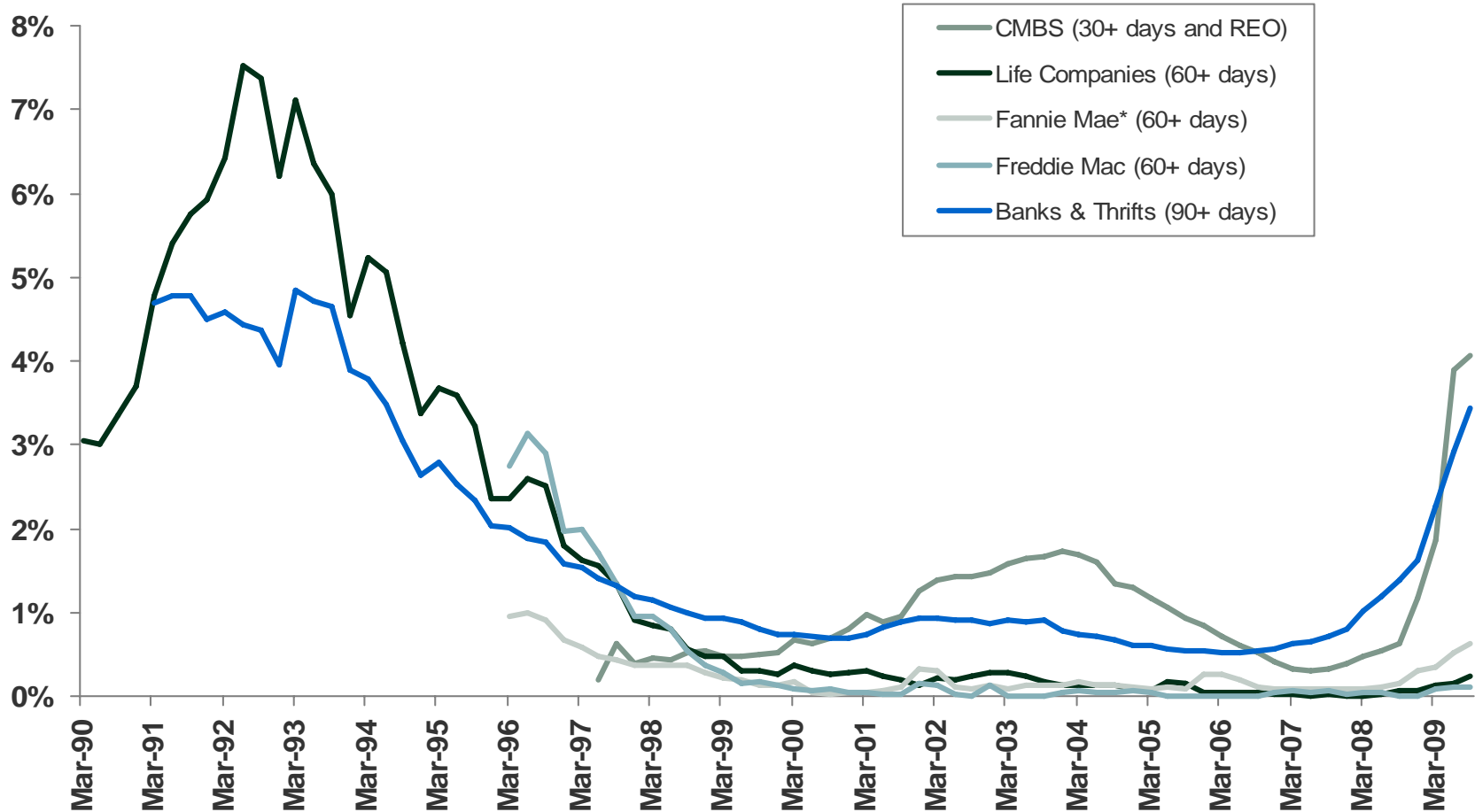
Source: Federal Reserve Board

Delinquency rates have been rising for commercial mortgage, particularly among CMBS and bank loans; still well below those of late-1980s/early-1990s



Commercial/Multifamily Mortgage Delinquency Rates Among Major Investor Groups and Single-family Delinquency Rate

NOTE: Delinquency rates shown are NOT comparable between investor groups. These rates show how performance of loans for each investor groups has varied over time, but cannot be used to compare one investor group to another.

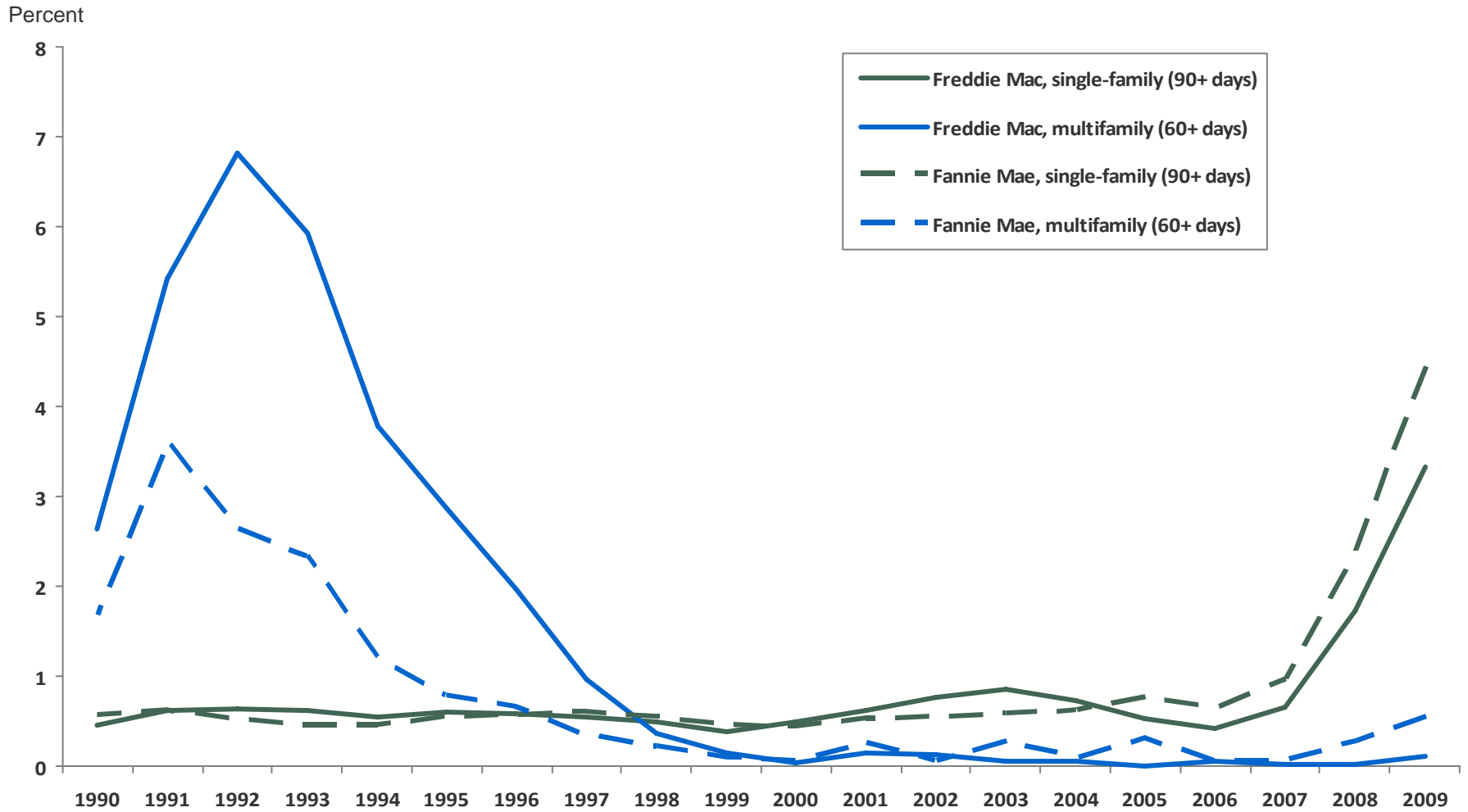


Sources: Mortgage Bankers Association Wachovia Capital Markets, LLC and Intex Solutions, Inc., American Council of Life Insurers, Fannie Mae, Freddie Mac, OFHEO and Federal Deposit Insurance Corporation. Data are available for life companies and FDIC-insured banks and thrifts since 1990 and 1991, Fannie Mae and Freddie Mac since 1996 and CMBS since 1997. December figures are not available from Fannie Mae for the years 2000 to 2004. Figures for November are used instead.

GSEs current experience with single-family performance is unprecedented; experience with multifamily is multifamily performance is far better than last major downturn



GSEs: Delinquency Rates of Single-family and Multifamily Loans and Leases

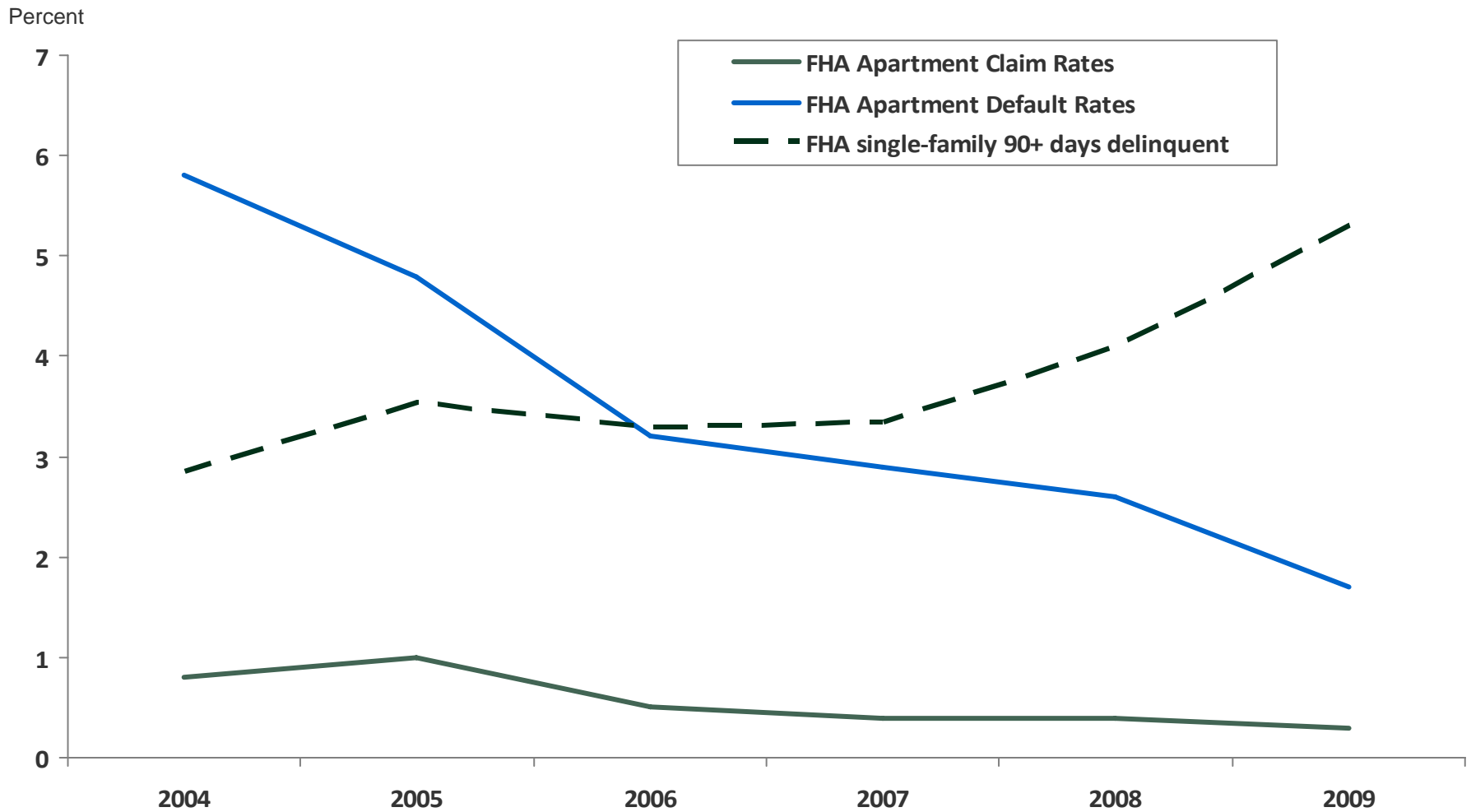


Sources: MBA, Fannie Mae and Freddie Mac

FHA's multifamily mortgage performance has been improving in the face of the current recession, unlike single-family mortgage performance



FHA: Claim and Default Rates for Apartment Loans

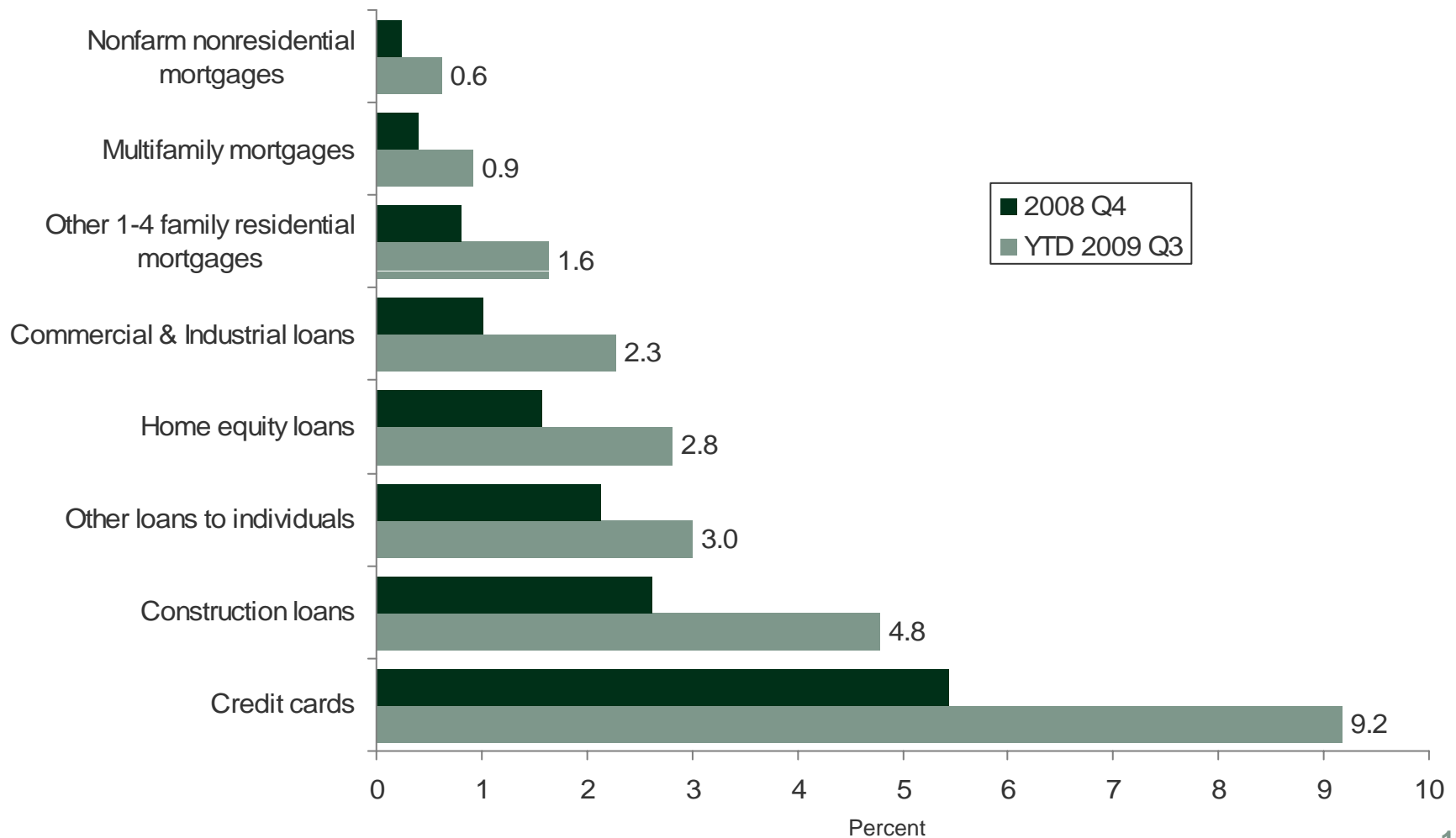


Sources: FHA & MBA

With collateral backing the loans, and income generated by rents and leases, commercial/multifamily mortgages see relatively low charge-off rates



BANKS & THRIFTS: Charge-off Rates of Loans and Leases

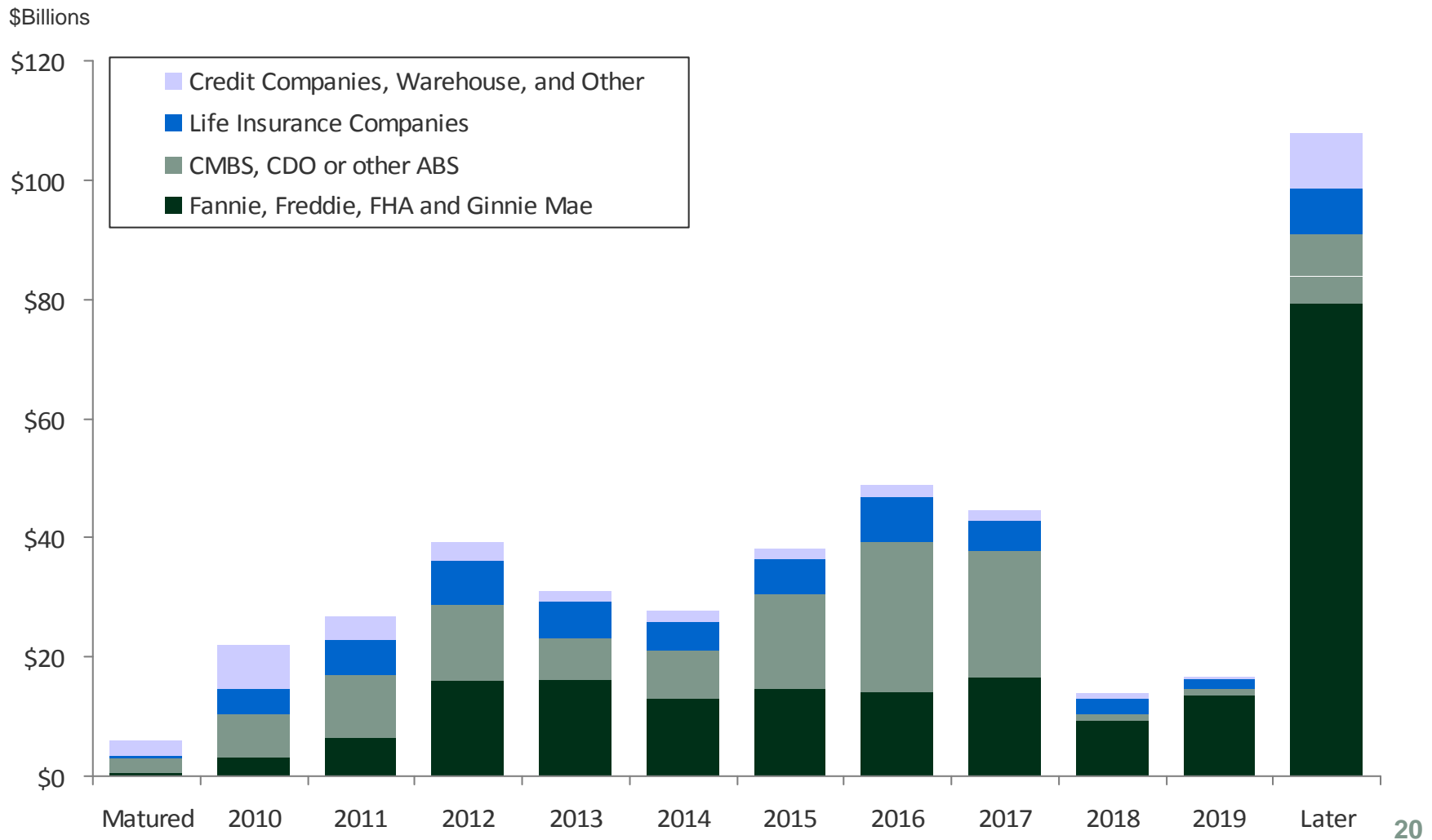


Sources: MBA and FDIC

Multifamily mortgage maturities are spread out over the coming years, with 2017 seeing the largest volume



Non-Bank UPB of Outstanding Commercial/ Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2009



Source: MBA

Contact Information & MBA Resources



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