

## MBA COMMERCIAL REAL ESTATE/MULTIFAMILY FINANCE

# MORTGAGE DEBT OUTSTANDING

## Q3 2011

Beginning with the Q4 2010 release, MBA's analysis of mortgage debt outstanding more accurately reflects the true level of mortgages backed by income-producing commercial and multifamily properties. Previous releases do not incorporate these improvements.



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**MBA COMMERCIAL REAL ESTATE/MULTIFAMILY FINANCE**

# MORTGAGE DEBT OUTSTANDING

**Q3** 2011





# Commercial/Multifamily Mortgage Debt Outstanding

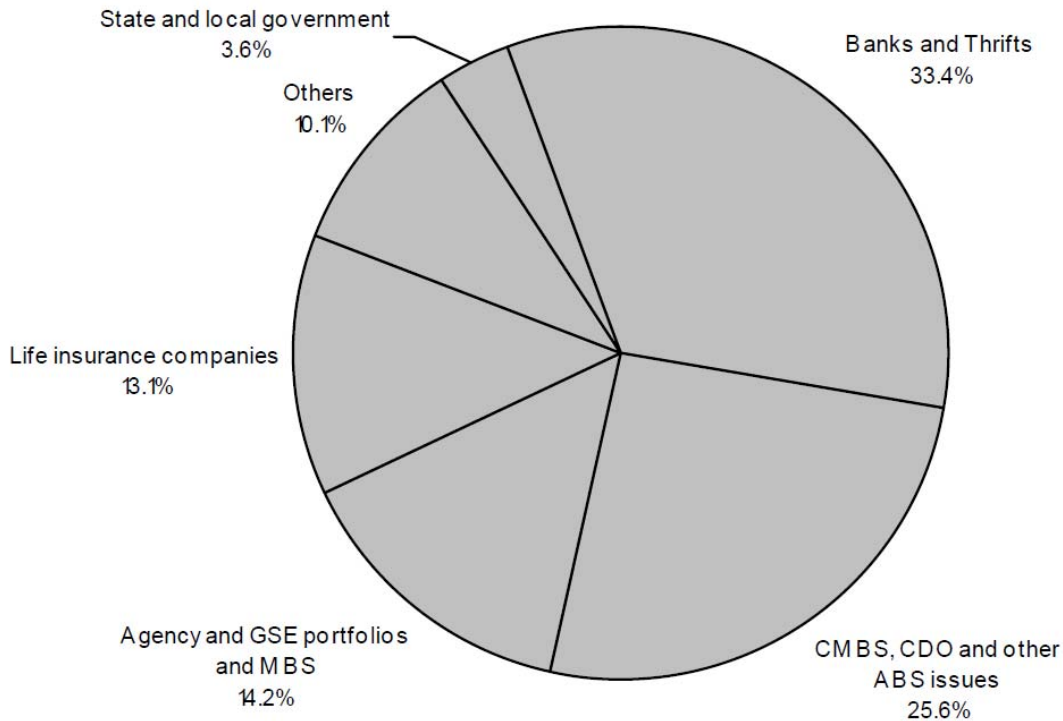
Third Quarter 2011

The level of commercial/multifamily mortgage debt outstanding was essentially unchanged in the third quarter of 2011, as three of the four major investor groups increased their holdings, according to the Mortgage Bankers Association (MBA).

The \$2.4 trillion in commercial/multifamily mortgage debt outstanding was just \$533 million lower than the second quarter 2011 figure. Multifamily mortgage debt outstanding rose to \$806 billion, an increase of \$4.1 billion or 0.5 percent from the second quarter.

“Three of the four leading investor groups increased their holdings of commercial and multifamily mortgages during the third quarter,” said Jamie Woodwell, MBA’s Vice President of Commercial Real Estate Research. “Life insurance companies, banks, and Fannie Mae/Freddie Mac/FHA each increased their investments in commercial/multifamily mortgages during the period. The CMBS market, which was sidelined during the quarter by US and European sovereign debt struggles and other capital markets disruptions, saw \$7.4 billion more in loans pay-off and pay-down

**Commercial Multifamily Mortgage Debt Outstanding**  
*By Investor Group, Third Quarter 2011*



than was added. The net effect was no appreciable change in the amount of commercial/multifamily mortgage debt outstanding.”

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 note (and which appear in this data under Life Insurance Companies) and in commercial mortgage-backed securities (CMBS), collateralized debt obligations (CDOs) and other asset backed securities (ABS) for which the security issuers and trustees hold the note (and which appear here under CMBS, CDO and other ABS issues).

MBA recently improved its reporting of commercial and multifamily mortgage debt outstanding. The new reporting excludes two categories of loans that had formerly been included – loans for acquisition, development and construction and loans collateralized by owner-occupied commercial properties. By excluding these loan types, the analysis here 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.

Commercial banks continue to hold the largest share of commercial/multifamily mortgages, \$793 billion, or 33 percent of the total.

CMBS, CDO and other ABS issues are the second largest holders of commercial/multifamily mortgages, holding \$607 billion, or 26 percent of the total. Agency and GSE portfolios and MBS hold \$338 billion, or 14 percent of the total, and life insurance companies hold \$310 billion, or 13 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 categories.

## MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Looking solely at multifamily mortgages, agency and GSE portfolios and MBS hold the largest share, with \$338 billion or 42 percent of the total multifamily debt outstanding. They are followed by banks and thrifts with \$217 billion, or 27 percent of the total. CMBS, CDO and other ABS issues hold \$94 billion, or 12 percent of the total; state and local governments hold \$71 billion, or 9 percent of the total; life insurance companies hold \$49 billion, or 6 percent of the total; and the federal government holds \$14 billion, or 2 percent of the total.

## CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the third quarter of 2011, agency and GSE portfolios and MBS saw the largest increase in dollar terms in their holdings of commercial/multifamily mortgage debt – an increase of \$5.8 billion or 1.7 percent. Life insurance companies increased their holdings of commercial/multifamily mortgages by \$5.7 billion or 1.9 percent. CMBS, CDO and other ABS issues saw the largest decrease of \$7.4 billion or 1.2 percent.

In percentage terms, other insurance companies saw the largest increase in their holdings of commercial/multifamily mortgages, an increase of 5.6 percent. The household sector saw their holdings decrease 7.7 percent.

## CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$4.1 billion increase in multifamily mortgage debt outstanding between the second quarter and third quarter of 2011 represents a 0.5 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 \$5.8 billion, or 1.7 percent. Commercial banks increased their holdings of multifamily mortgage debt by \$1.0 billion, or 0.5 percent. Life insurance companies increased by \$899 million, or 1.9 percent. CMBS, CDO, and other ABS issues saw the

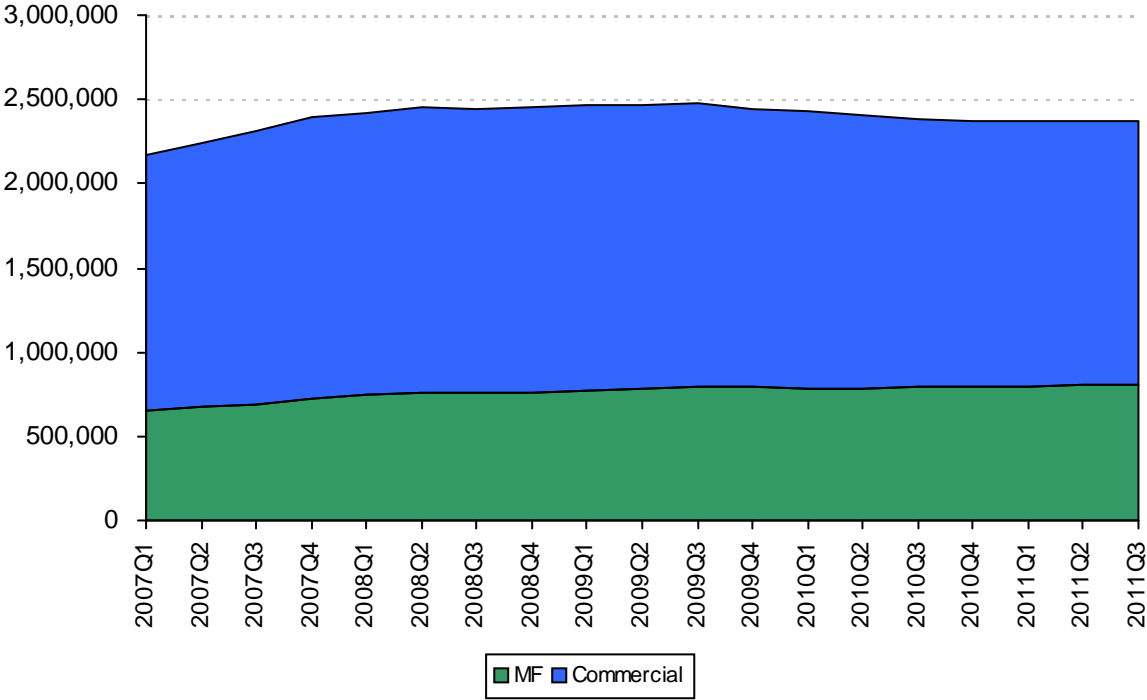
biggest decrease in their holdings of multifamily mortgage debt, by \$2.2 billion or 2.3 percent.

In percentage terms, life insurance companies recorded the largest increase in holdings of multifamily mortgages, at 1.9 percent. Finance companies saw the biggest decrease, at 5.2 percent.

MBA's analysis is based on data from the Federal Reserve Board's *Flow of Funds Account of the United States* and the Federal Deposit Insurance Corporation's *Quarterly Banking Profile*. More information on the construction of this data series is contained in Appendix A in the report.

**COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING**

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



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

## QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector



	Mortgage Debt Outstanding				Change	
	2011 Q3		2011 Q2		(\$millions)	Percent
	(\$millions)	% of total	(\$millions)	% of total		
Bank and Thrift	793,004	33.4%	791,614	33.4%	1,390	0.2%
CMBS, CDO and other ABS issues	606,501	25.6%	613,917	25.9%	-7,416	-1.2%
Agency and GSE portfolios and MBS	337,500	14.2%	331,746	14.0%	5,754	1.7%
Life insurance companies	309,553	13.1%	303,871	12.8%	5,682	1.9%
State and local government	85,837	3.6%	86,989	3.7%	-1,152	-1.3%
Federal government	80,343	3.4%	80,085	3.4%	258	0.3%
Finance companies	56,547	2.4%	58,085	2.4%	-1,538	-2.6%
REITs	34,067	1.4%	36,252	1.5%	-2,185	-6.0%
Nonfarm noncorporate business	22,388	0.9%	22,323	0.9%	65	0.3%
Household sector	13,650	0.6%	14,787	0.6%	-1,137	-7.7%
Private pension funds	12,307	0.5%	12,460	0.5%	-153	-1.2%
Nonfinancial corporate business	8,956	0.4%	9,366	0.4%	-410	-4.4%
State and local government retirement funds	5,964	0.3%	5,900	0.2%	64	1.1%
Other insurance companies	4,591	0.2%	4,346	0.2%	245	5.6%
<b>TOTAL</b>	<b>2,371,208</b>		<b>2,371,741</b>		<b>-533</b>	<b>0.0%</b>

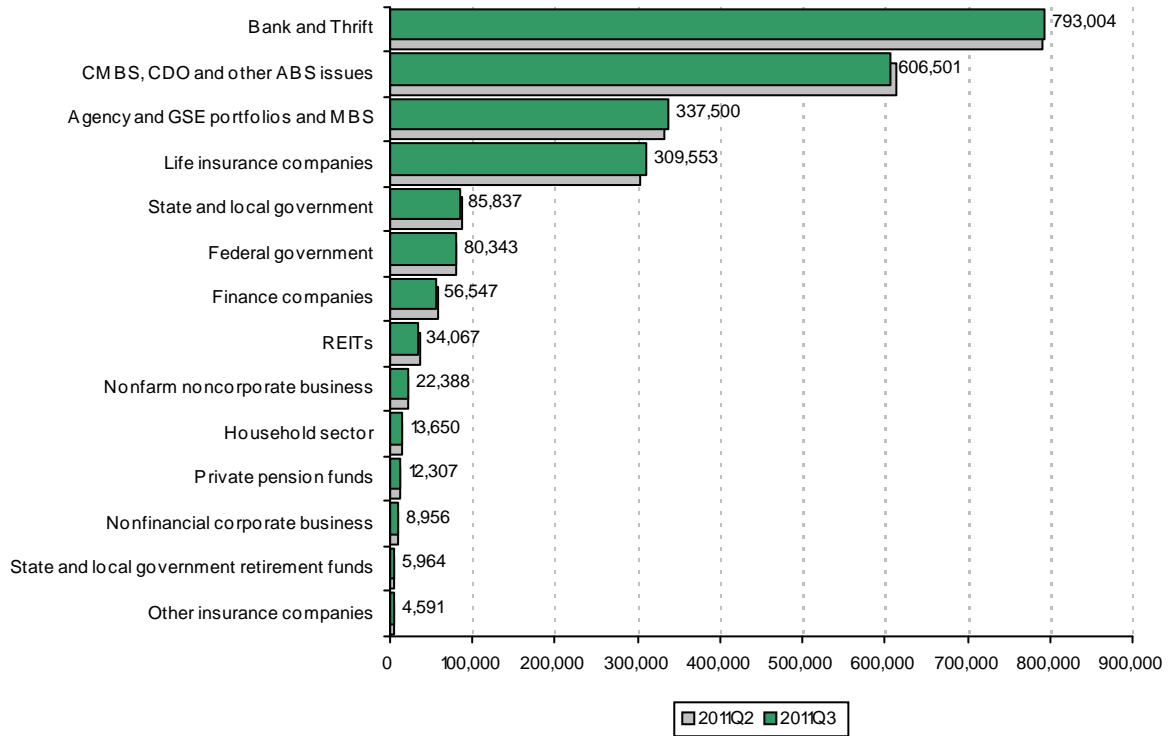
Source: Flow of Funds Accounts, Federal Reserve Board of Governors

Note: Beginning with the Q4 2010 release, MBA's analysis of mortgage debt outstanding more accurately reflects the true level of mortgages backed by income-producing commercial and multifamily properties. Previous releases do not incorporate these improvements.

## COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)

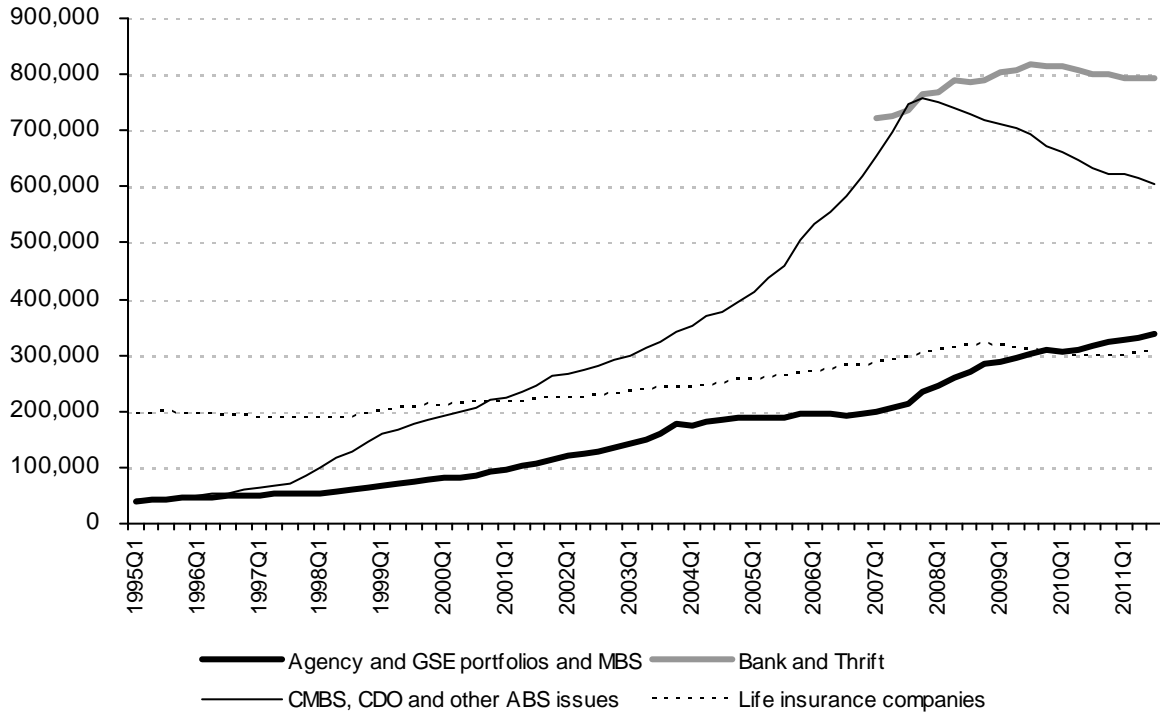


Source: MBA, Federal Reserve Board of Governors, and FDIC

## COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

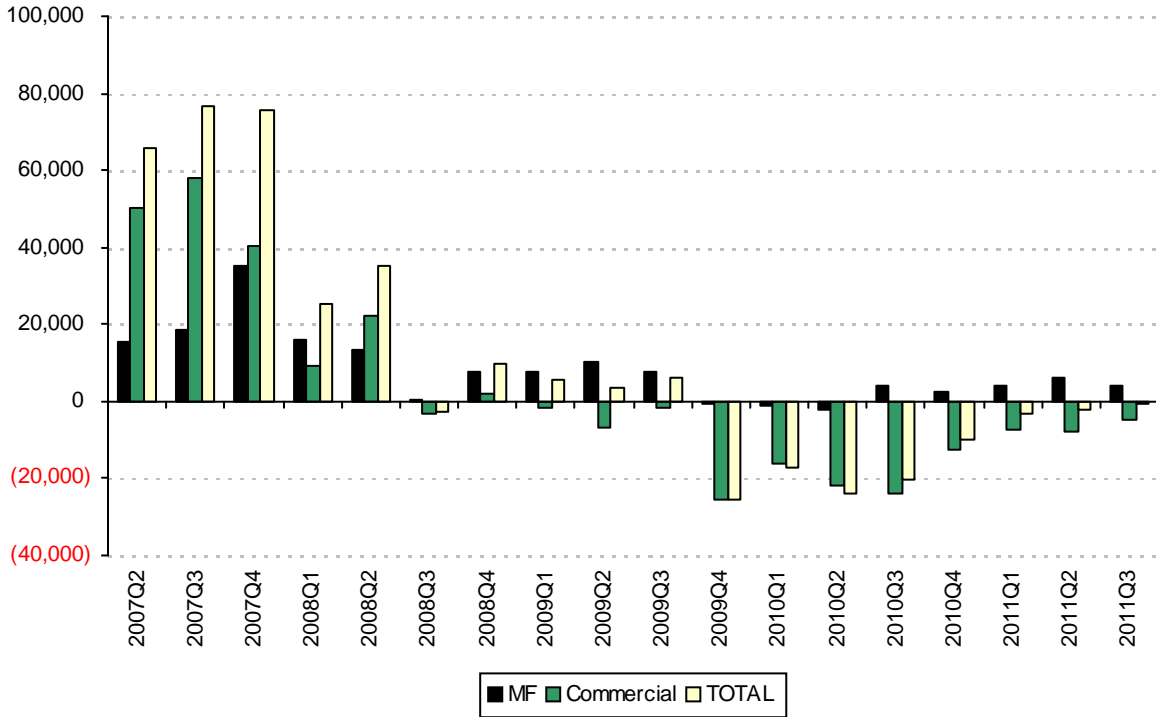
(\$millions)



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

## COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

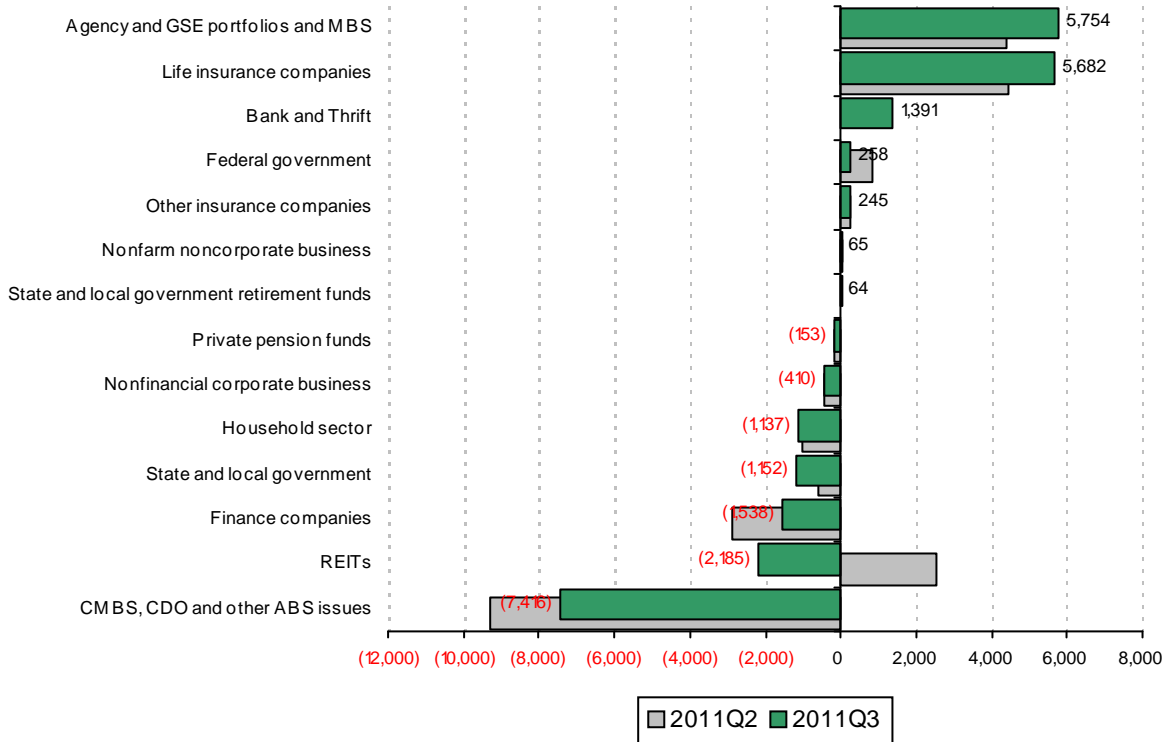


Source: MBA, Federal Reserve Board of Governors, and FDIC

## COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)



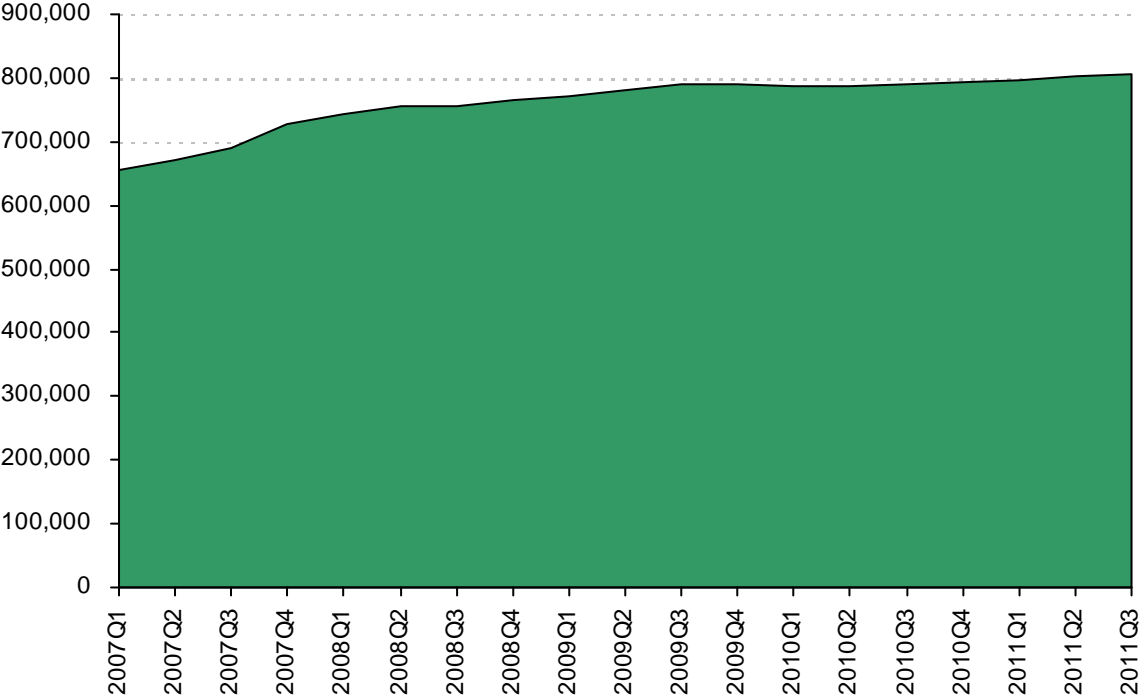
Source: MBA, Federal Reserve Board of Governors, and FDIC



## MULTIFAMILY MORTGAGE DEBT OUTSTANDING

**MULTIFAMILY MORTGAGE DEBT OUTSTANDING**

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



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

## QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector



	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2011 Q3		2011 Q2		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	337,500	41.9%	331,746	41.4%	5,754	1.7%	138.7%
Bank and Thrift	216,802	26.9%	215,802	26.9%	1,000	0.5%	24.1%
CMBS, CDO and other ABS issues	94,110	11.7%	96,286	12.0%	-2,176	-2.3%	-52.5%
State and local government	71,181	8.8%	72,141	9.0%	-960	-1.3%	-23.1%
Life insurance companies	48,986	6.1%	48,087	6.0%	899	1.9%	21.7%
Federal government	14,089	1.7%	14,116	1.8%	-27	-0.2%	-0.7%
Nonfarm noncorporate business	12,384	1.5%	12,348	1.5%	36	0.3%	0.9%
Finance companies	3,440	0.4%	3,630	0.5%	-190	-5.2%	-4.6%
Private pension funds	2,801	0.3%	2,930	0.4%	-129	-4.4%	-3.1%
State and local government retirement funds	2,795	0.3%	2,765	0.3%	30	1.1%	0.7%
REITs	1,716	0.2%	1,790	0.2%	-74	-4.1%	-1.8%
Nonfinancial corporate business	345	0.0%	360	0.0%	-15	-4.2%	-0.4%
<b>TOTAL</b>	<b>806,149</b>		<b>802,001</b>		<b>4,148</b>	<b>0.5%</b>	

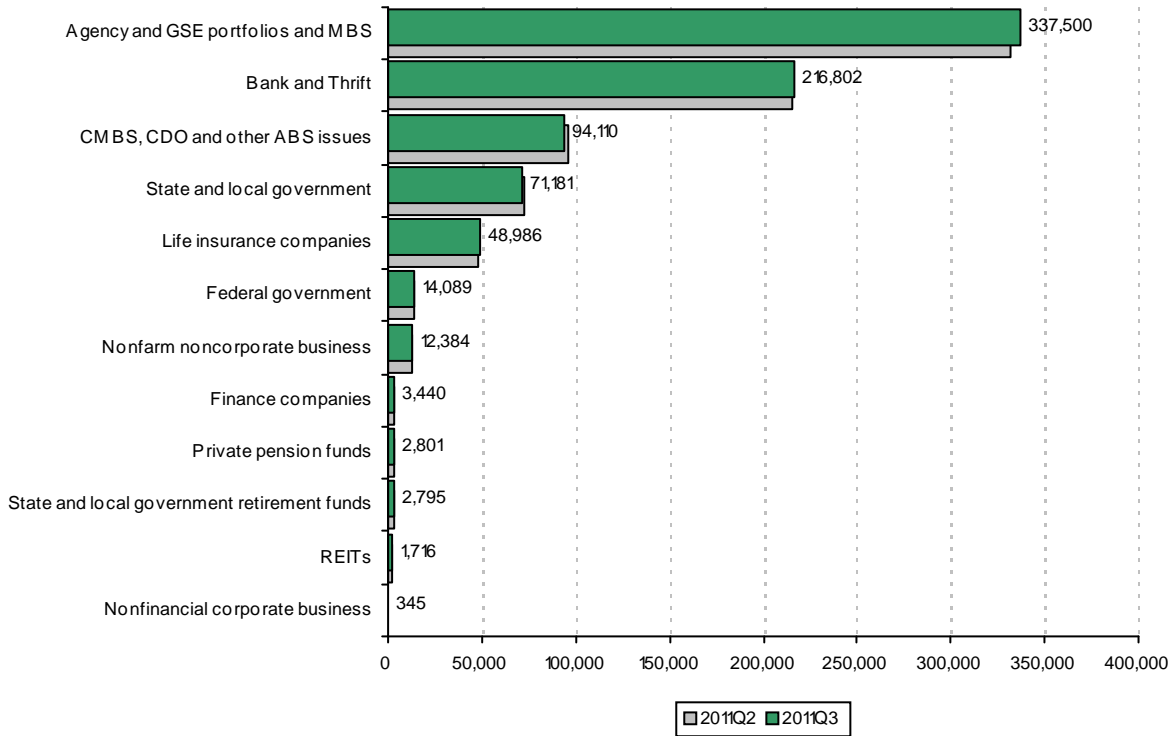
Source: MBA, Federal Reserve Board of Governors, and FDIC

Note: Beginning with the Q4 2010 release, MBA's analysis of mortgage debt outstanding more accurately reflects the true level of mortgages backed by income-producing commercial and multifamily properties. Previous releases do not incorporate these improvements.

## MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Sector

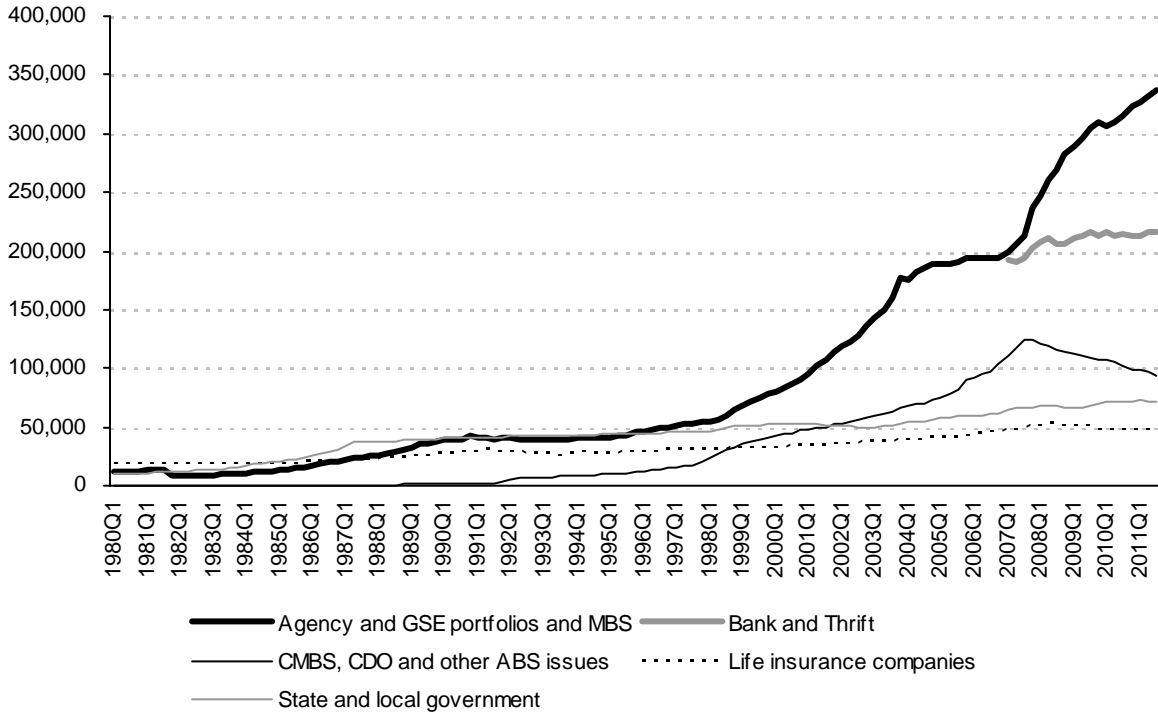
(\$millions)



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

## MULTIFAMILY MORTGAGE DEBT OUTSTANDING

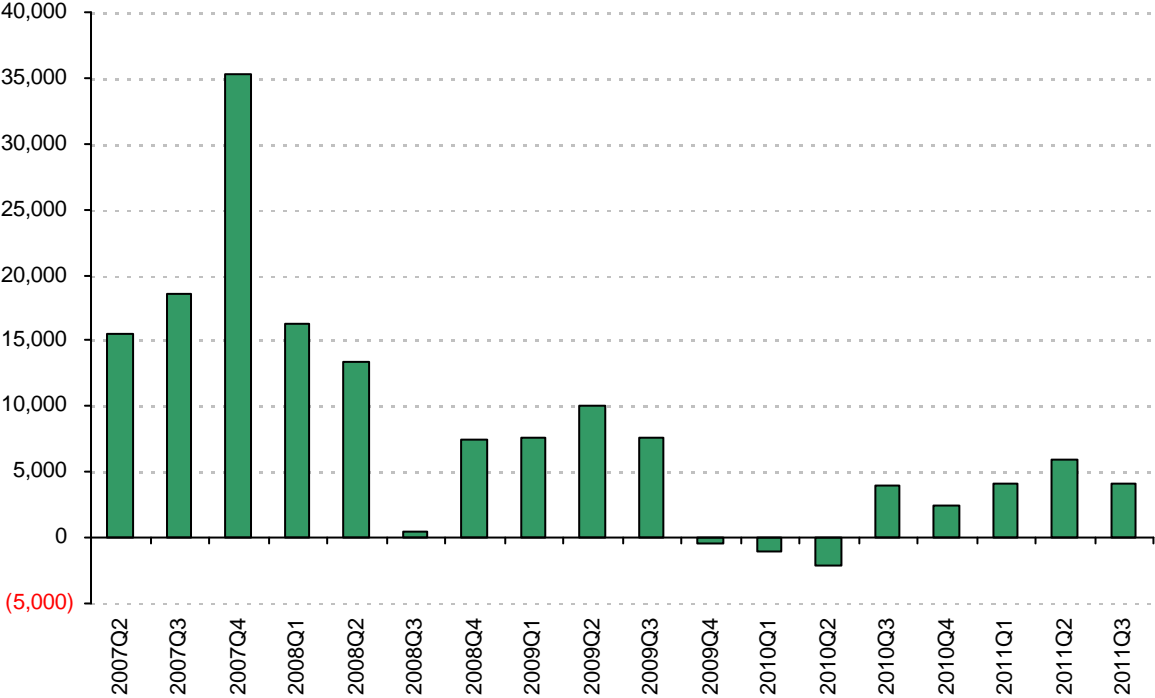
Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter  
 (\$millions)



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

**MULTIFAMILY MORTGAGE FLOWS**

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

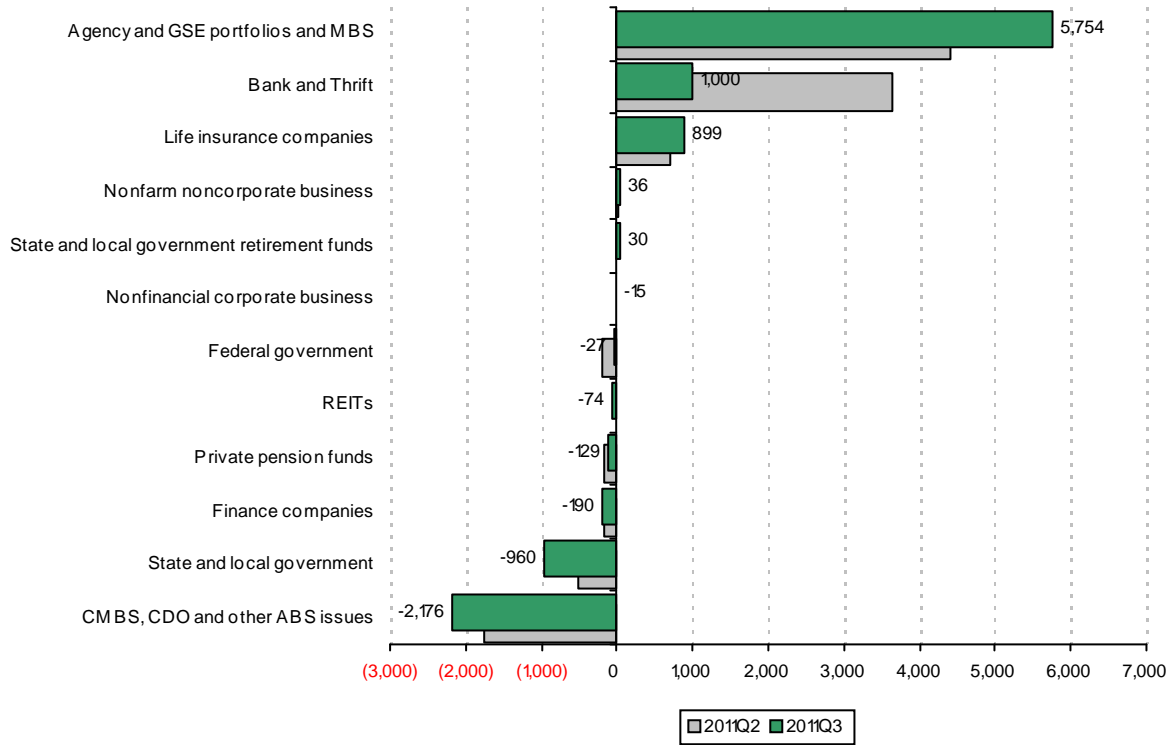


Source: MBA, Federal Reserve Board of Governors, and FDIC

## MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)



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

## APPENDIX A

MBA's analysis is based on data from the Federal Reserve Board's *Flow of Funds Account of the United States* and the Federal Deposit Insurance Corporation's *Quarterly Banking Profile*

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;

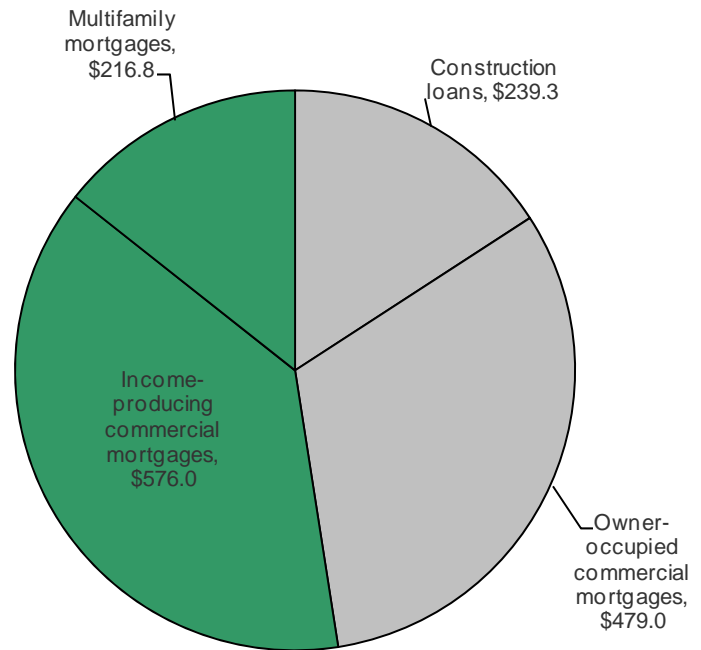
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

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 2011, the Federal Reserve Board's Flow of Funds Accounts data attributed \$1.5 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 \$216.8 billion of multifamily mortgages and \$1,055.5 billion of non-farm nonresidential mortgages, of which 51 percent or \$576 billion were income-producing. The combined \$793 billion of mortgages backed by multifamily and other income-producing properties is included in this analysis. The \$1.5 trillion total reported by the Federal Reserve also includes \$479 billion of loans collateralized by owner-occupied commercial properties and another \$239 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



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