



# The Economy and Commercial/Multifamily Real Estate Finance Markets

November 3, 2011

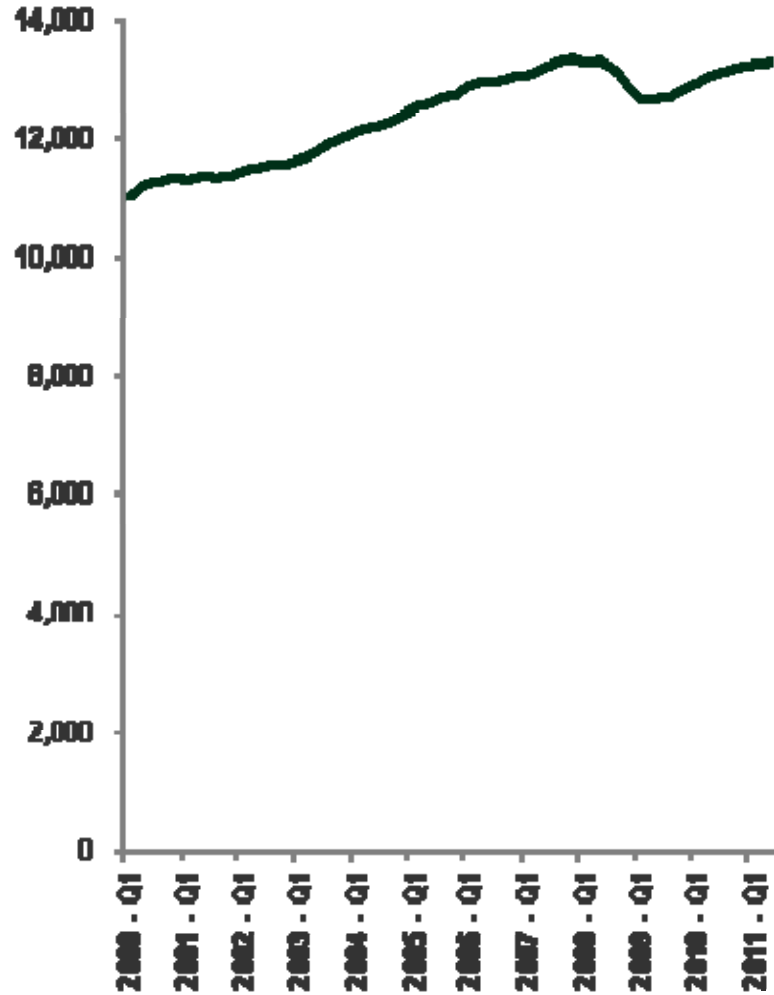
Jamie Woodwell  
Vice President  
Commercial Real Estate Research  
Mortgage Bankers Association

# The Economy

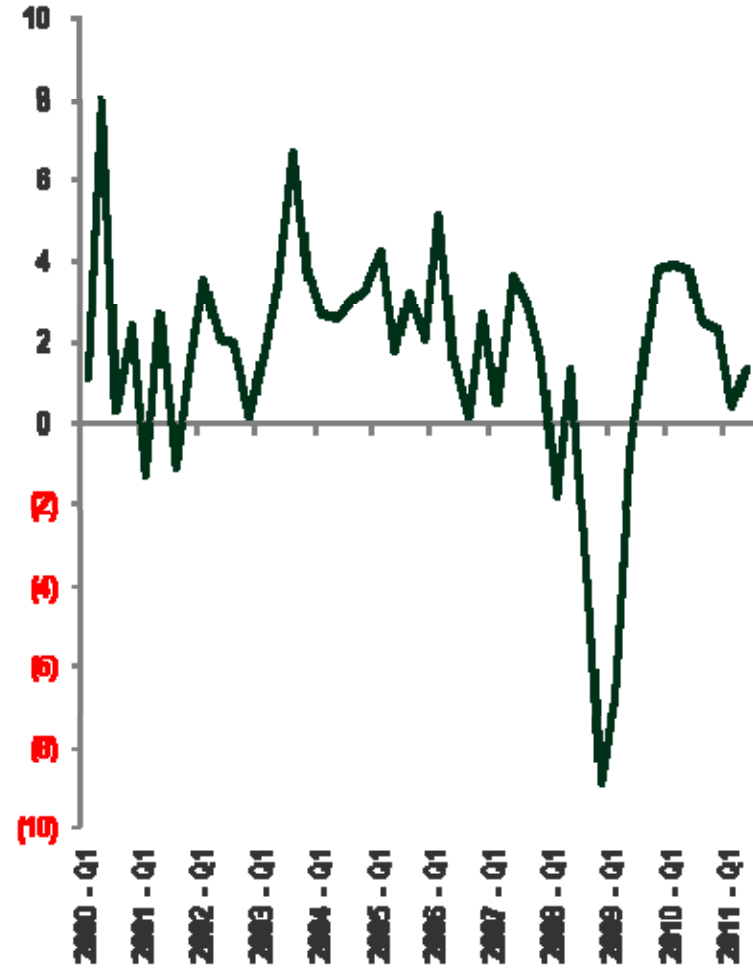
# GDP



Real GDP (seasonally adjusted annual rate in billions of chained 2005 \$)



Quarterly Percent Change in Real GDP, at an Annual Rate (% , seasonally adjusted annual rate)

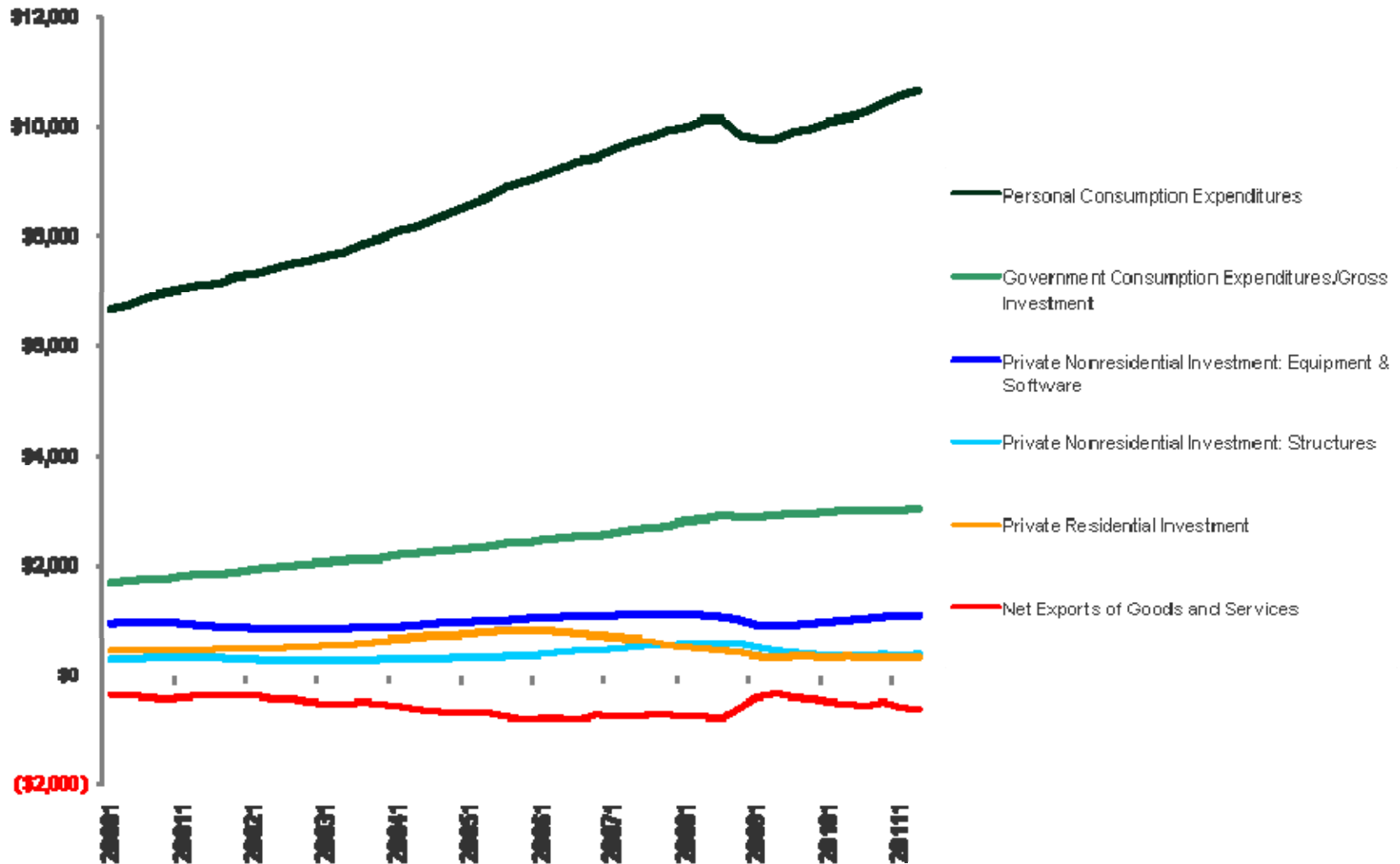


Source: Bureau of Economic Analysis

# GDP Components



Nominal GDP by Selected Components (\$billions at seasonally adjusted annual rate)

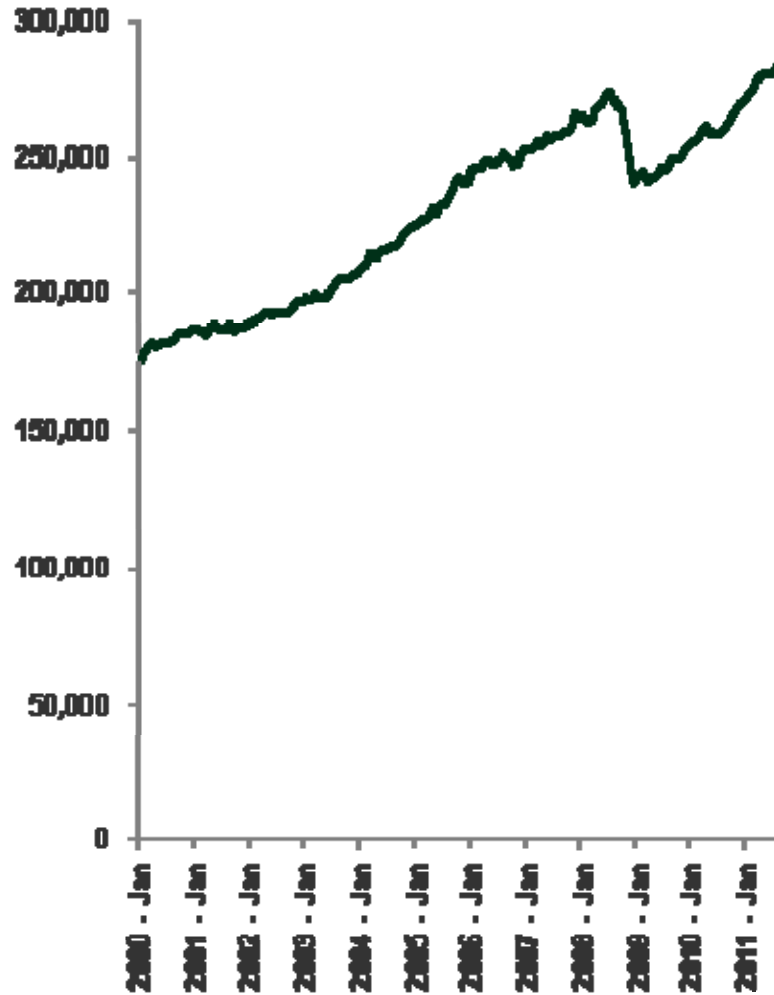


Sources: Bureau of Economic Analysis

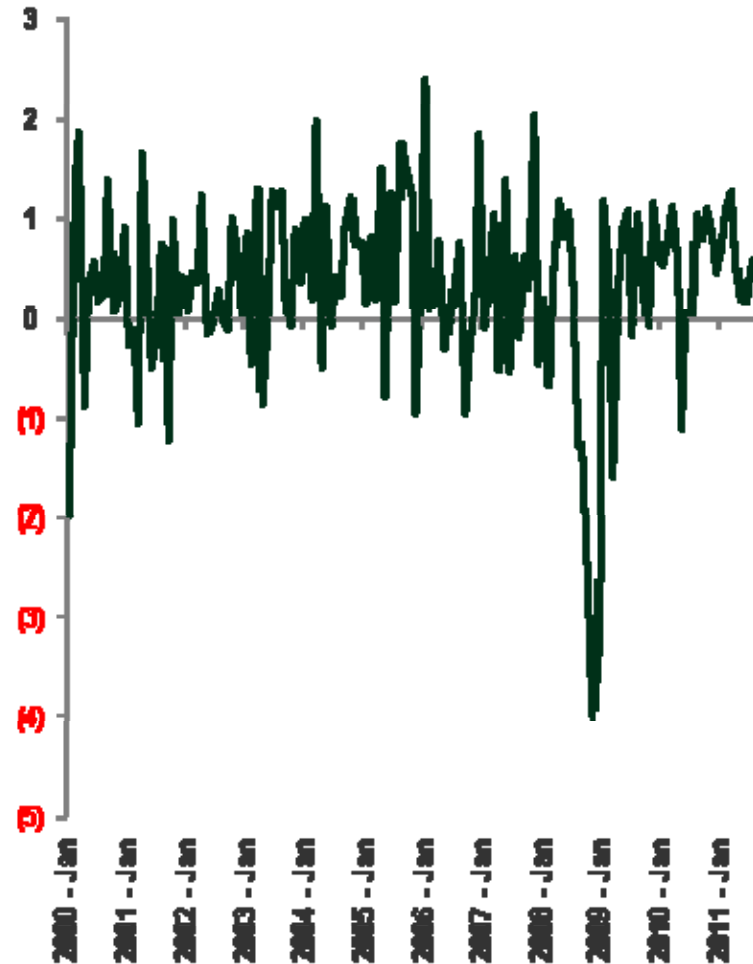
# Retail Sales



Retail Sales, excluding motor vehicle and parts dealers (seasonally adjusted, \$millions)



Monthly Change in Retail Sales, excluding motor vehicle and parts dealers (seasonally adjusted, percent)

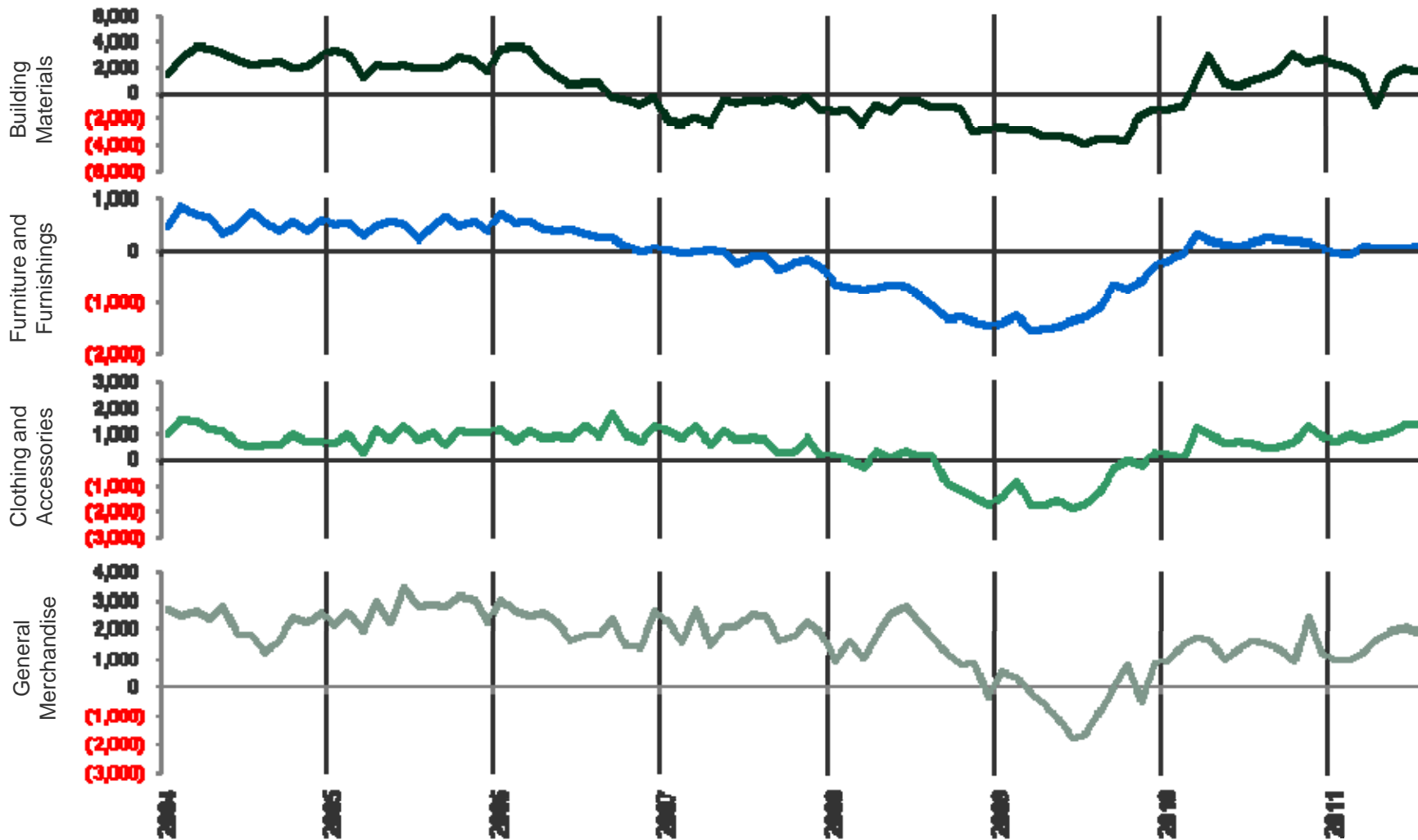


Source: Census

# Retail Sales Components



Year-over-year Changes in Selected Categories of Monthly Retail Sales (Seasonally adjusted, \$millions)

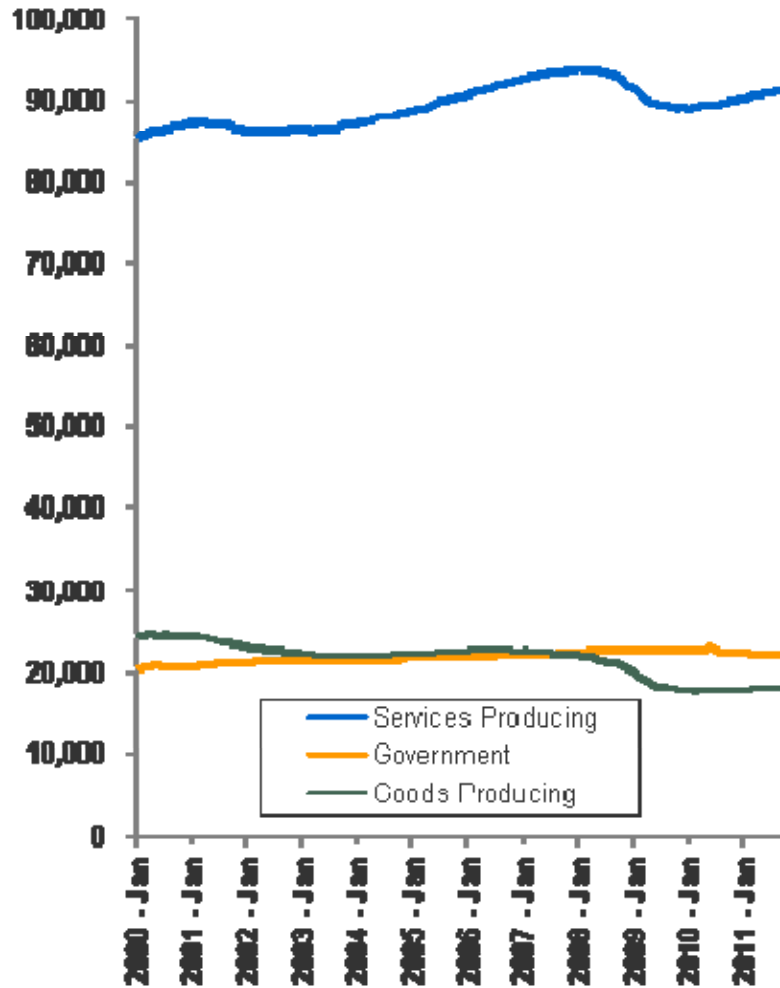


Sources: Census

# At-place Employment



At-place employment (thousands, seasonally adjusted)

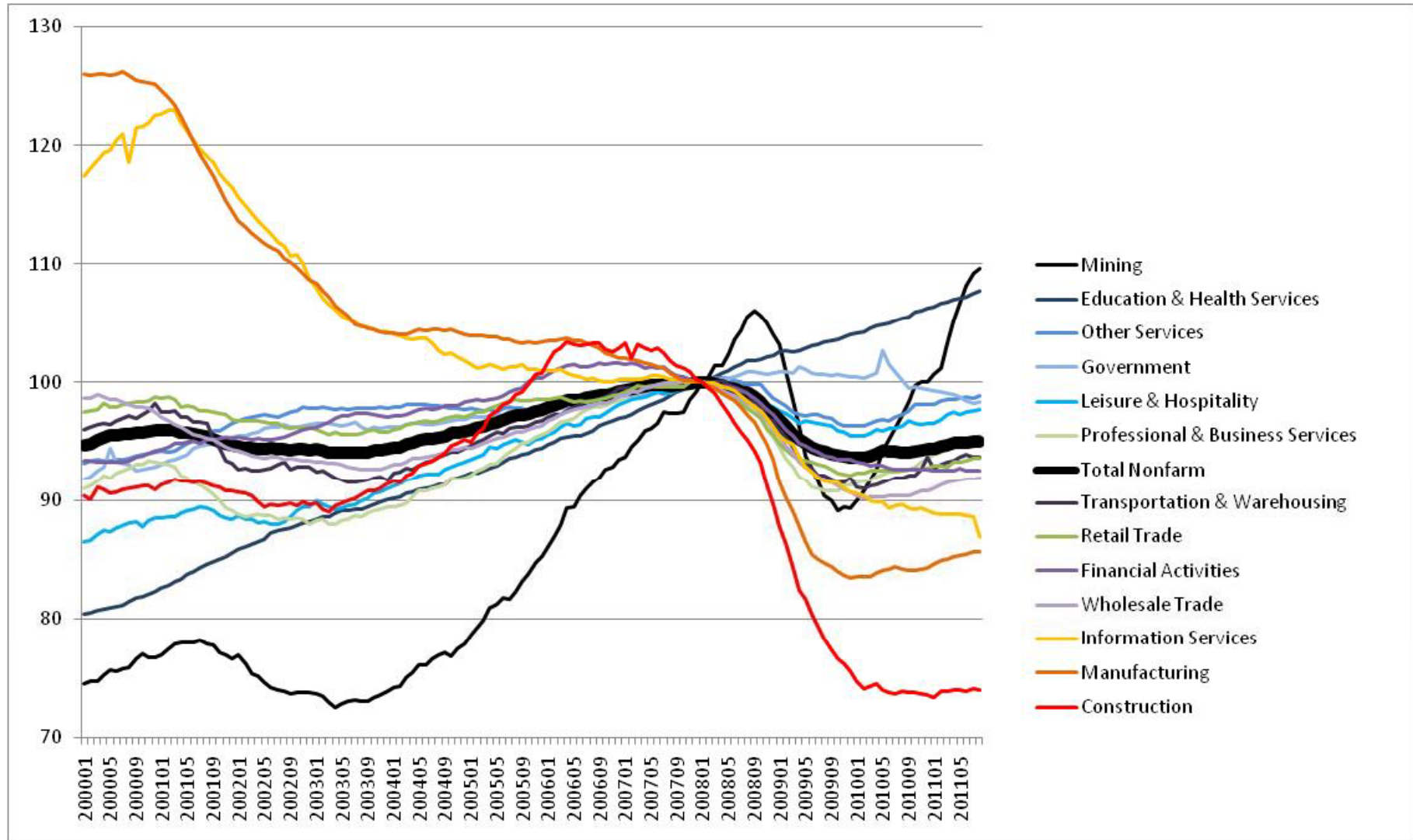


Monthly change in non-farm at-place employment (thousands, seasonally adjusted)



Source: Bureau of Labor Statistics

# Employment by Selected Industry Indexed to January 2008 = 100



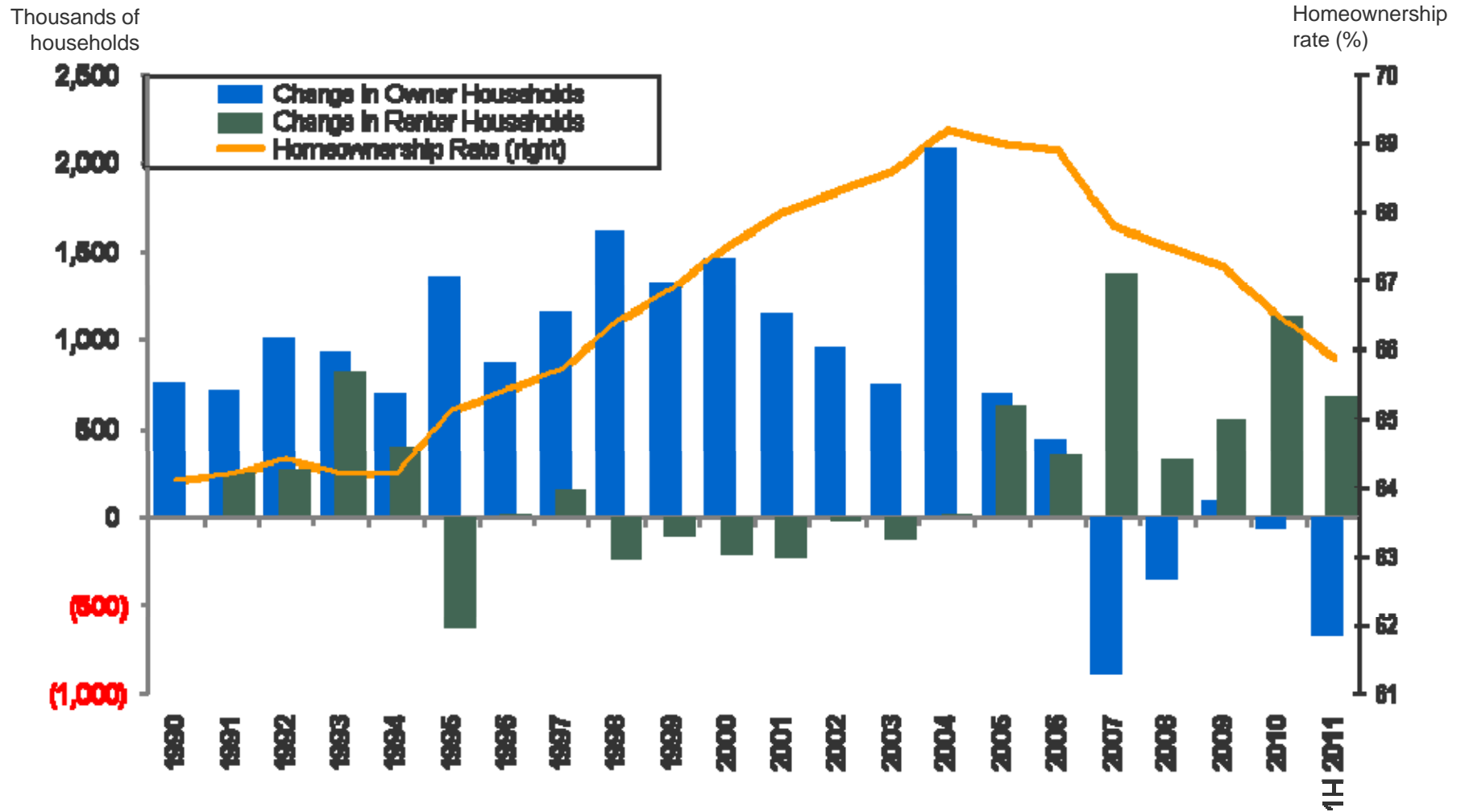
Source: Bureau of Labor Statistics

Mortgage Bankers Association

# Household Change by Owner- and Renter-occupied



Changes in the Number of Owner- and Renter-occupied Households, and Homeownership Rate

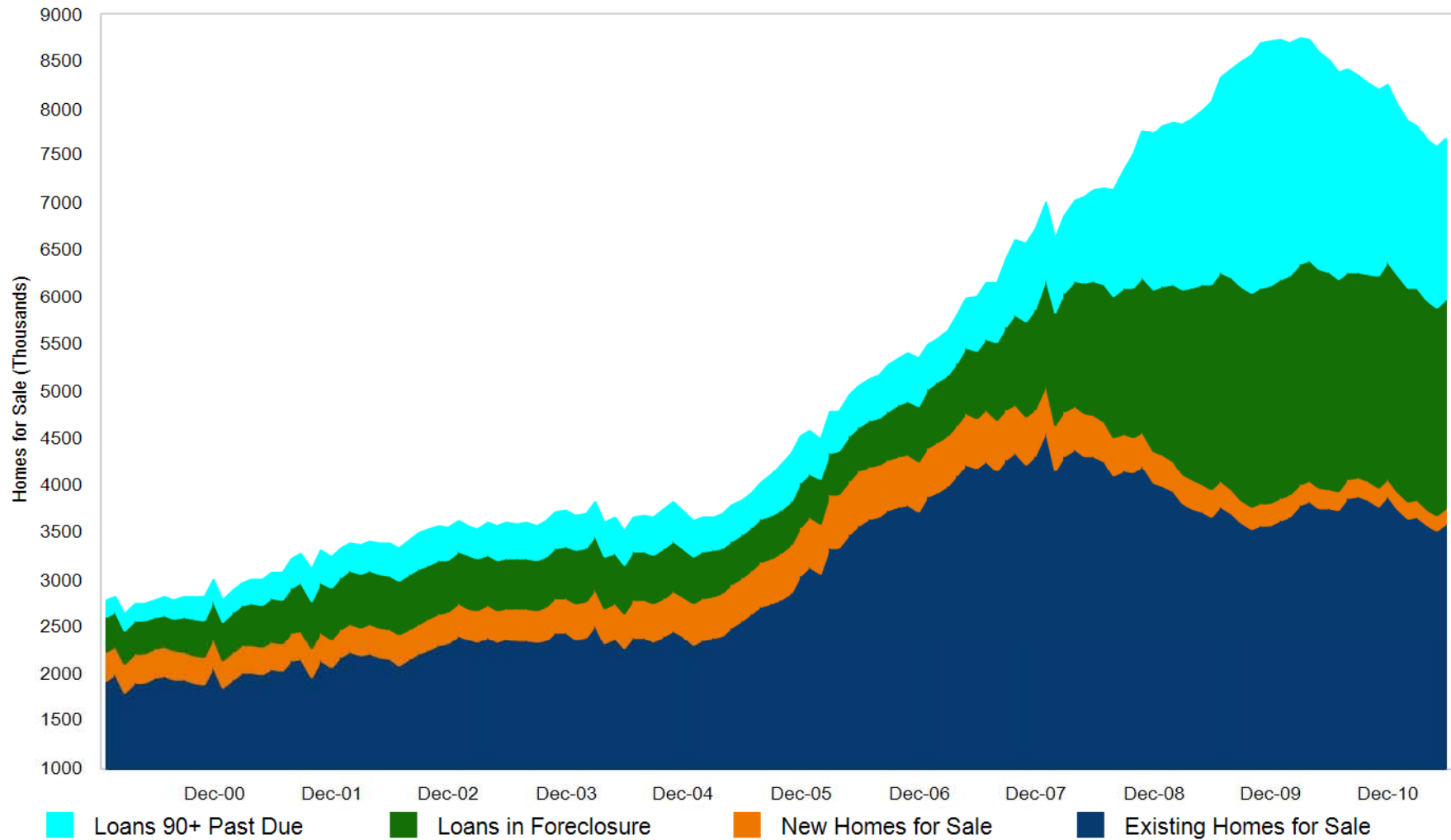


Source: Census Bureau and MBA

# Inventory of Homes For Sale & Shadow Inventory



Existing and New Homes for Sale and Loans 90+Days Delinquent and in Foreclosure (NSA)



Source: MBA, NAR, Census

Mortgage Bankers Association

- U.S. debt limit/deficit discussions
- S&P downgrade of US debt
- European sovereign debt
- Fed commitment to keep rates low through 2013
- Volatility in financial markets

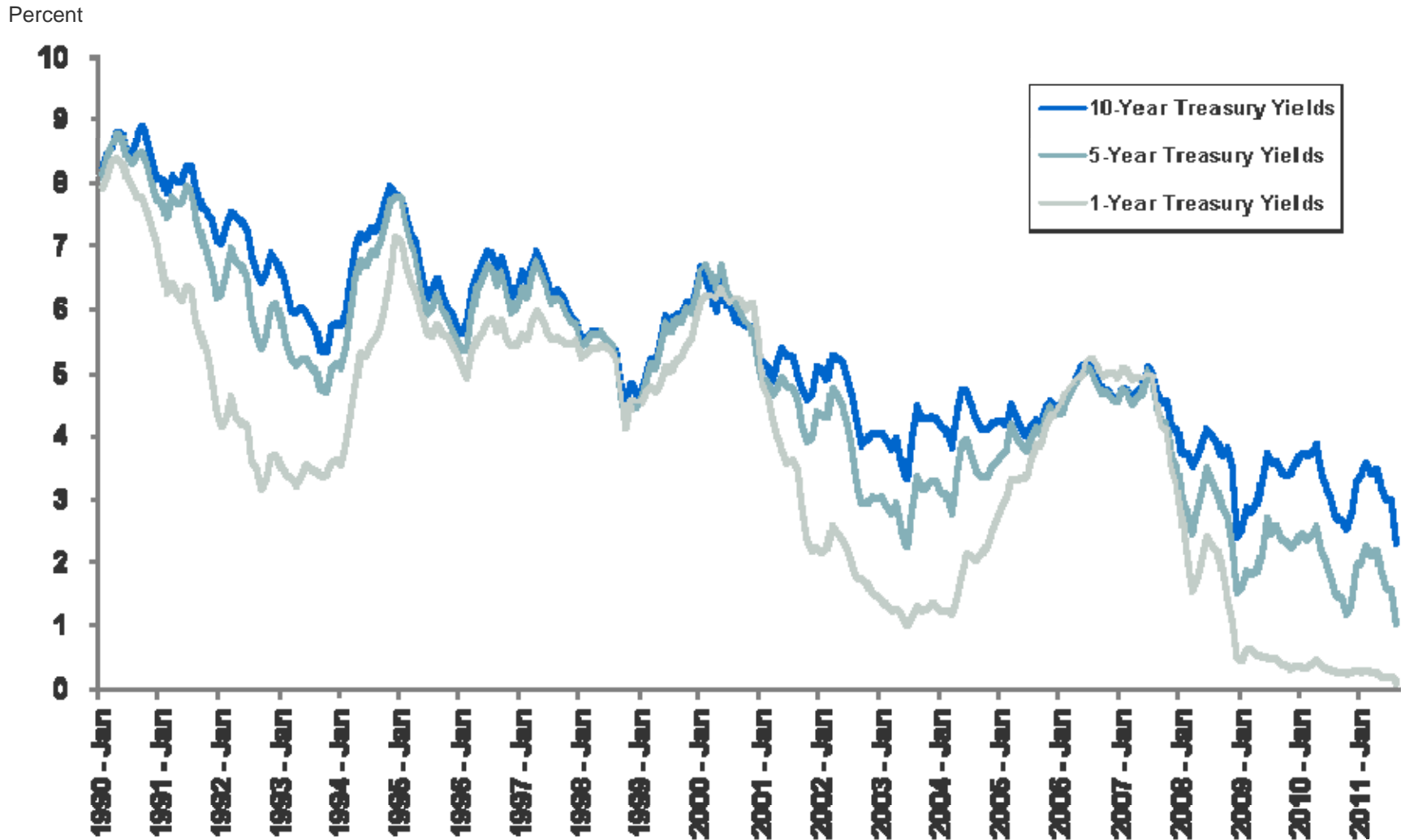
*“There is substantial uncertainty about how these events will impact consumer and business behavior. We do not believe that the economy is facing the same types of risks as in 2008. Were the US economy to enter a recession, it would likely be the result of an external shock, be shallow, and be relatively brief. On the other hand, given that both fiscal and monetary policymaker’s hands are essentially tied at this point, there is little in the way of policy changes that could be implemented to soften the blow.”*

- MBA Monthly Economic Commentary, August 2011

# Selected Interest Rates



Yields on Treasury nominal securities at constant maturity, monthly averages of daily data



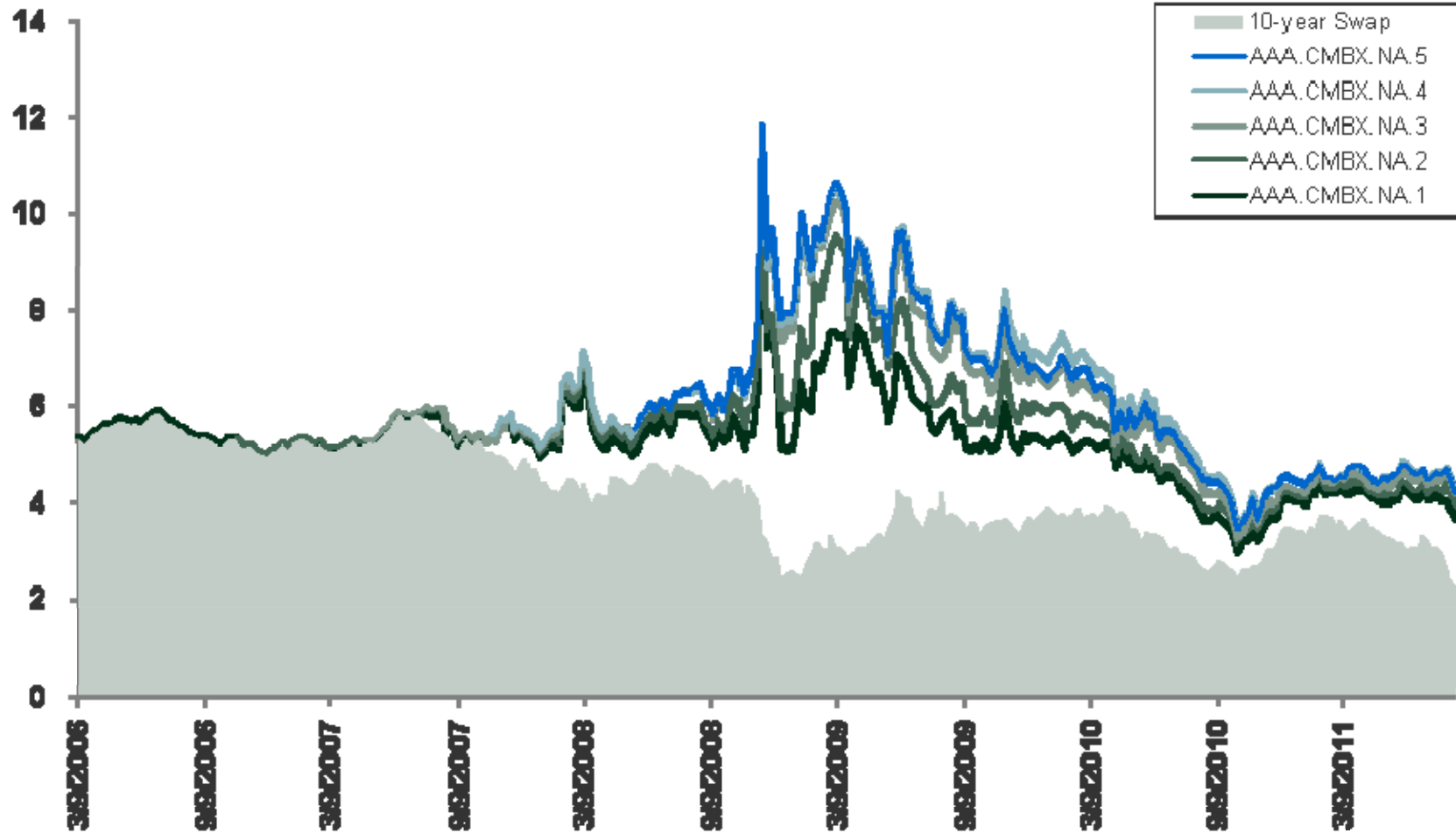
Source: Federal Reserve Board

# AAA CMBS Spreads to Swaps



## AAA CMBS Spreads to 10-year Swaps

Percent



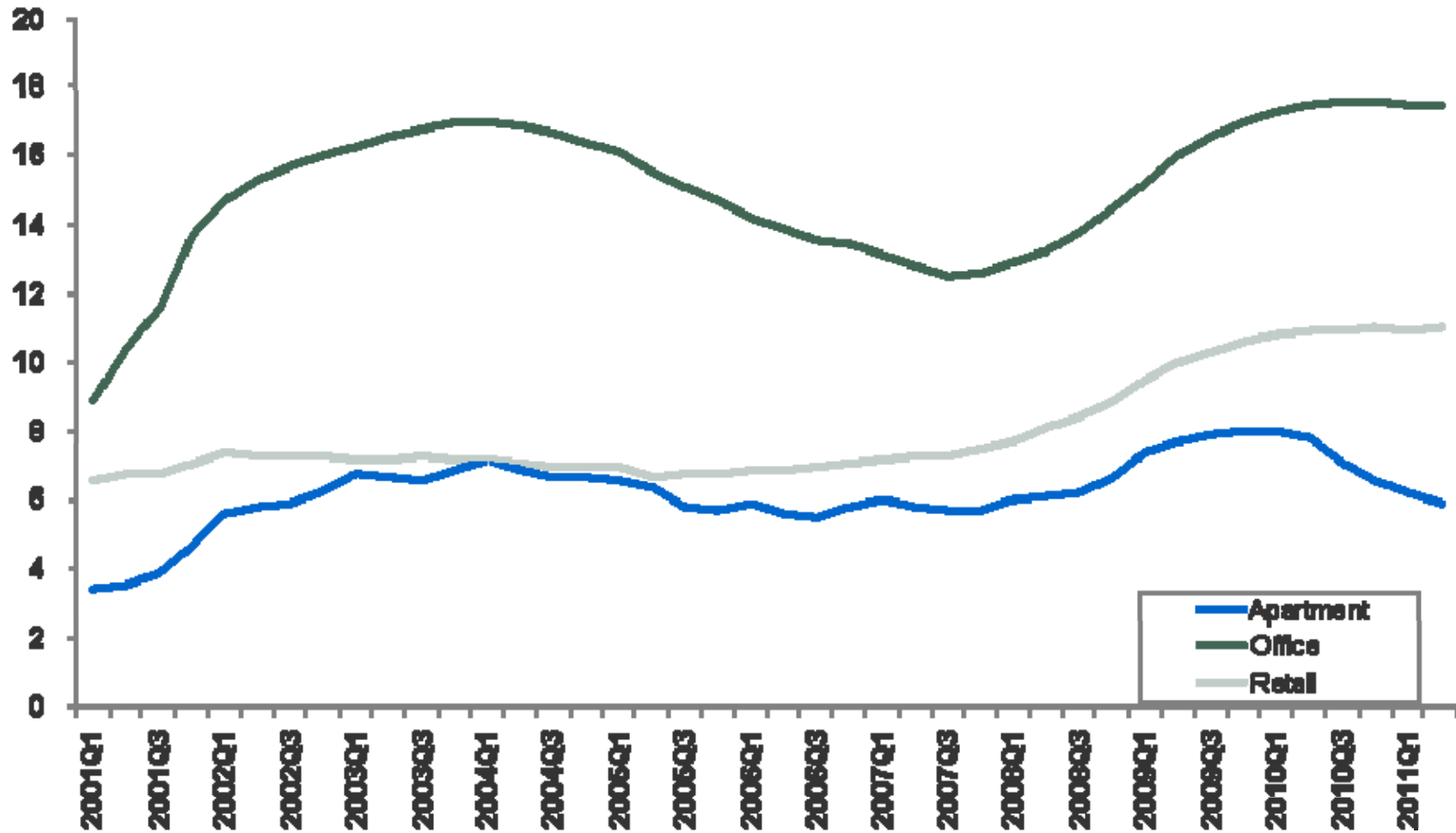
# Property Markets

# Commercial/Multifamily Vacancy Rates



Commercial/Multifamily Vacancy Rates, by Property Type by Quarter

Percent

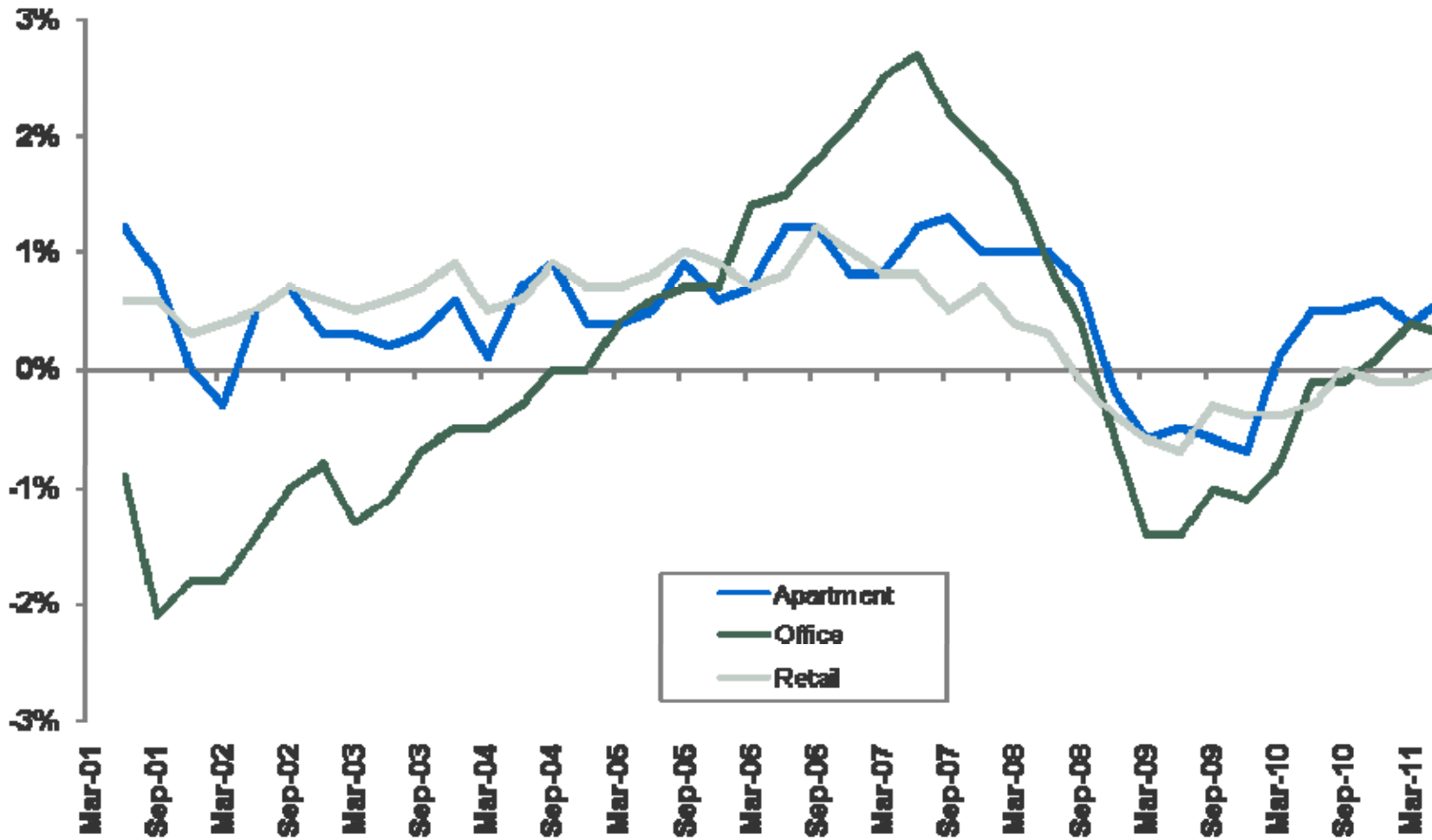


Source: REIS

# Percent Changes in Commercial/Multifamily Asking Rents



Quarter-over-quarter Asking Rent Growth, by Property Type by Quarter

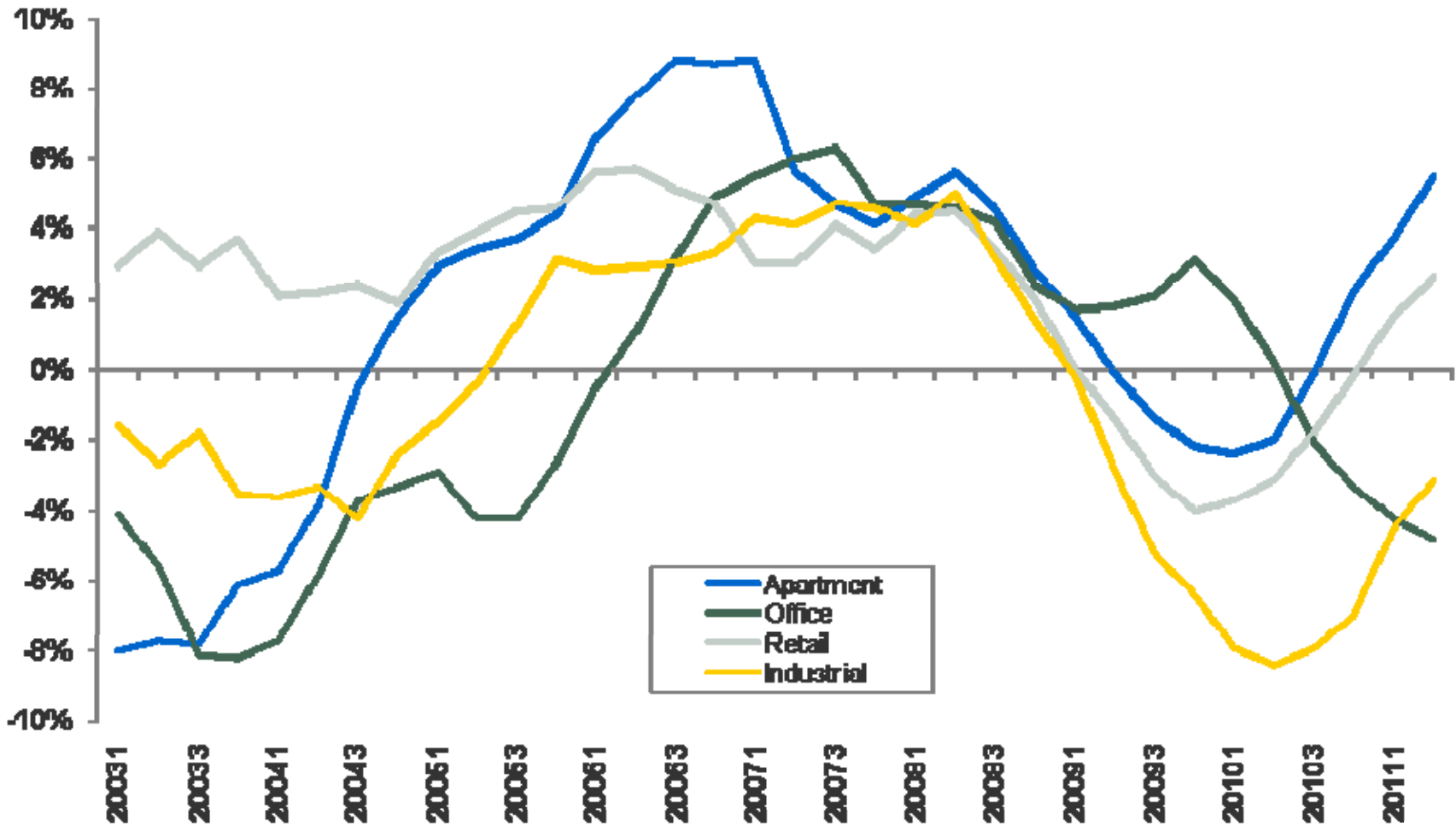


Source: REIS

# NCREIF NOI Changes



Year-over-year percent change in net operating income among NCREIF properties



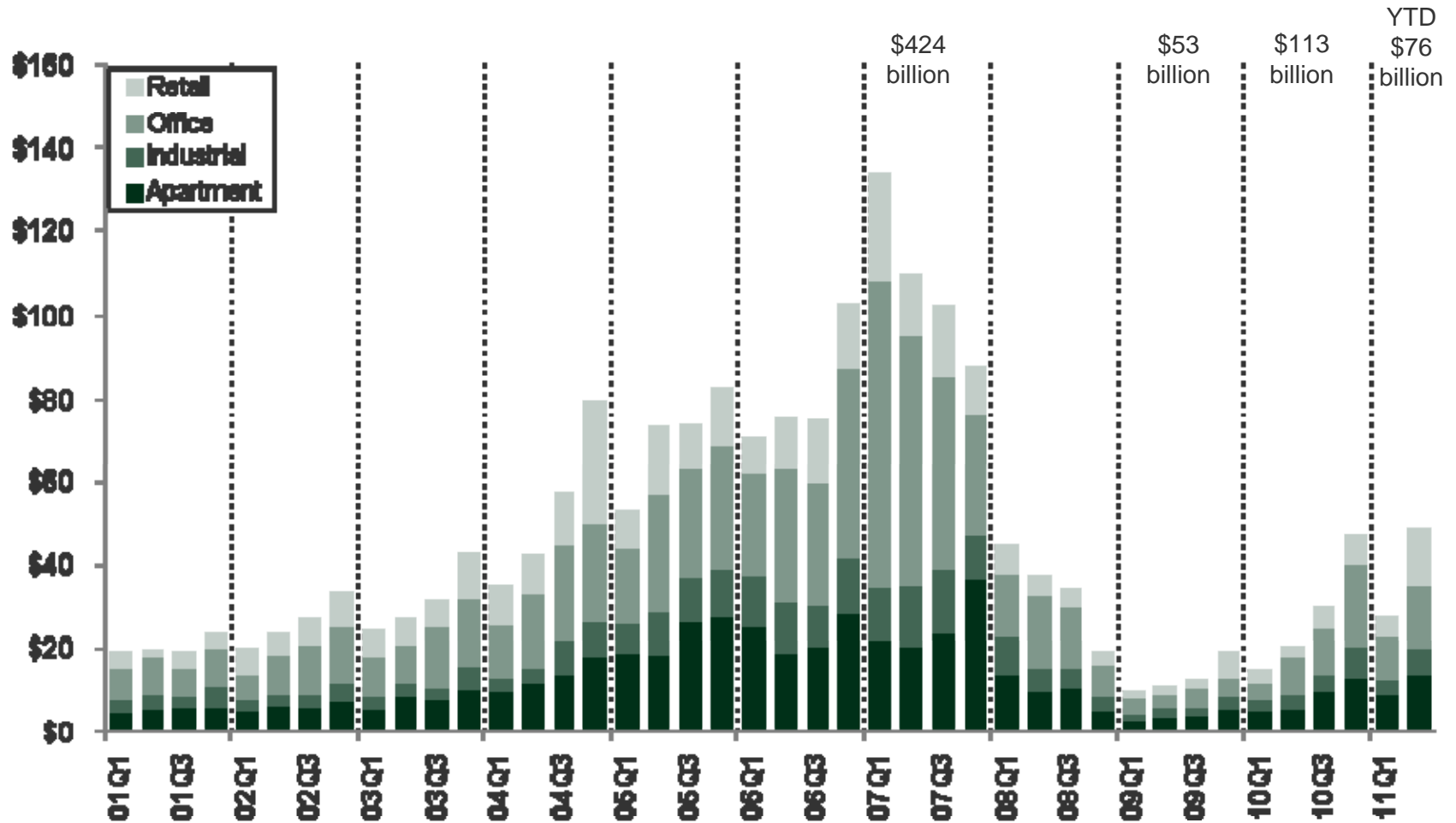
Source: NCREIF

# Commercial/Multifamily Property Sales Volume



Commercial/Multifamily Property Sales Volume, Properties and Portfolios \$5 million and greater

\$Billions

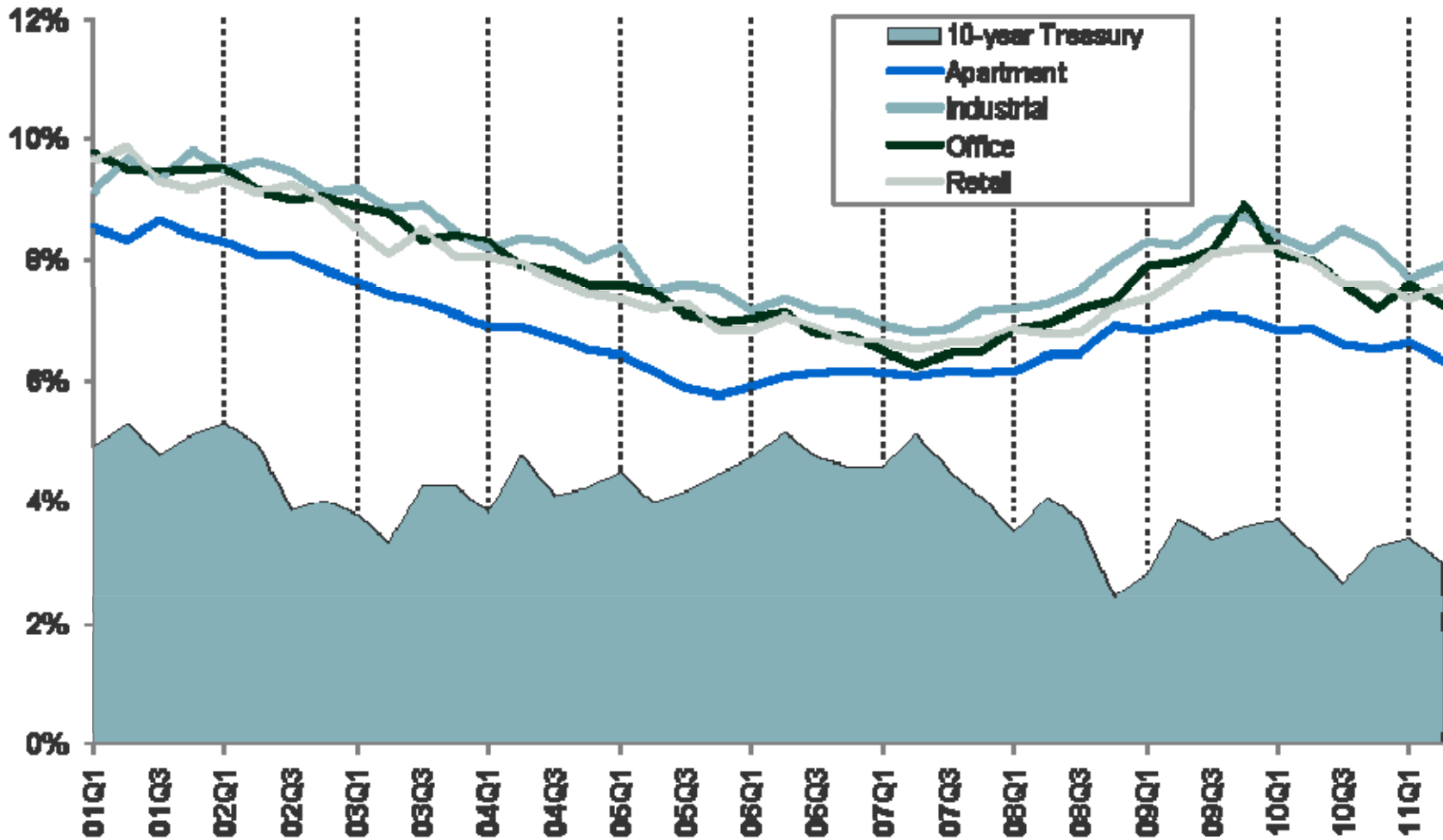


Source: Real Capital Analytics

# Commercial/Multifamily Cap Rates



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

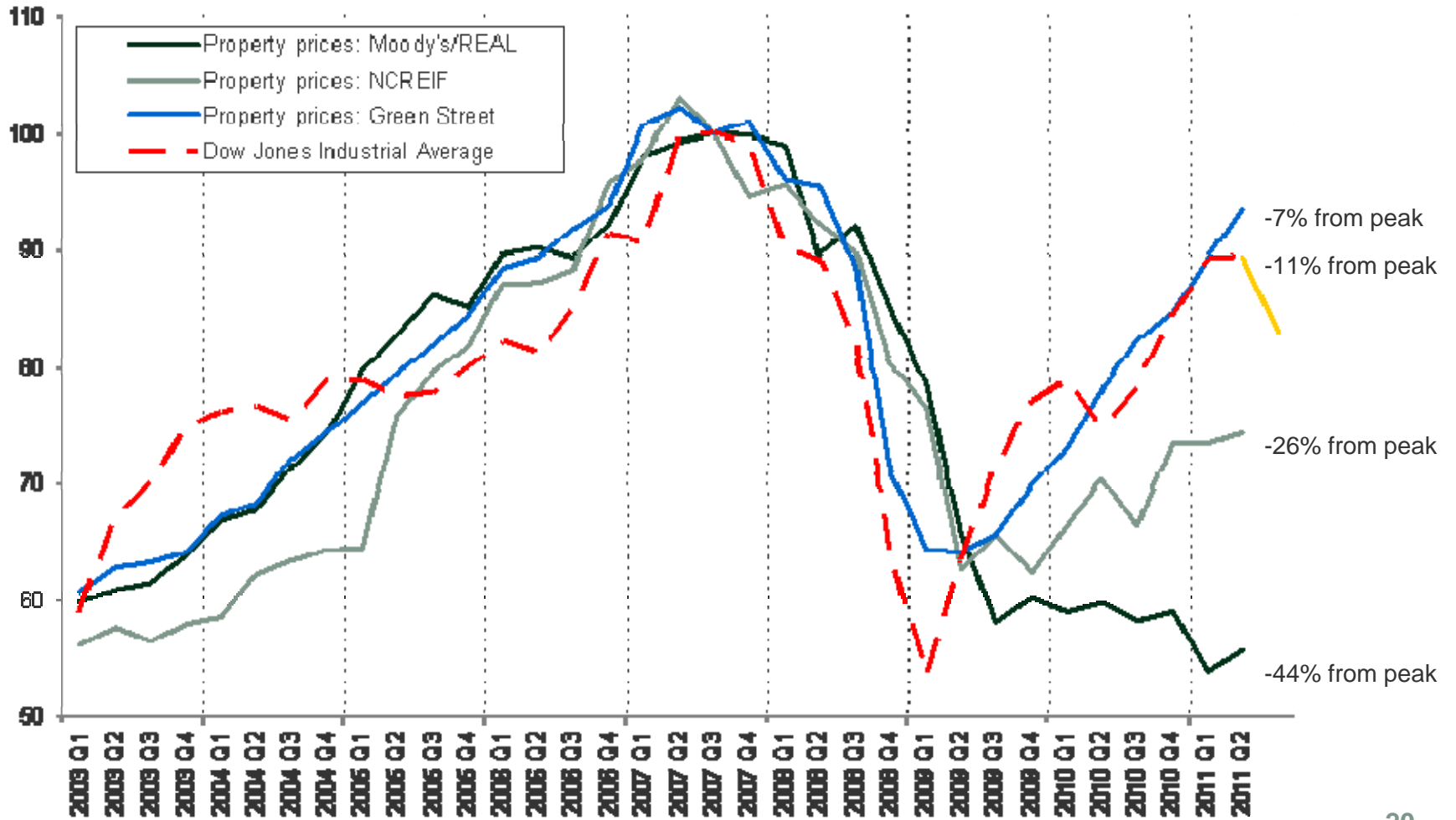


Source: Real Capital Analytics and Federal Reserve Board

# Commercial/Multifamily Property Prices



Indexes of Commercial/Multifamily Property Prices and the Dow Jones Industrial Average (2007Q3 = 100)



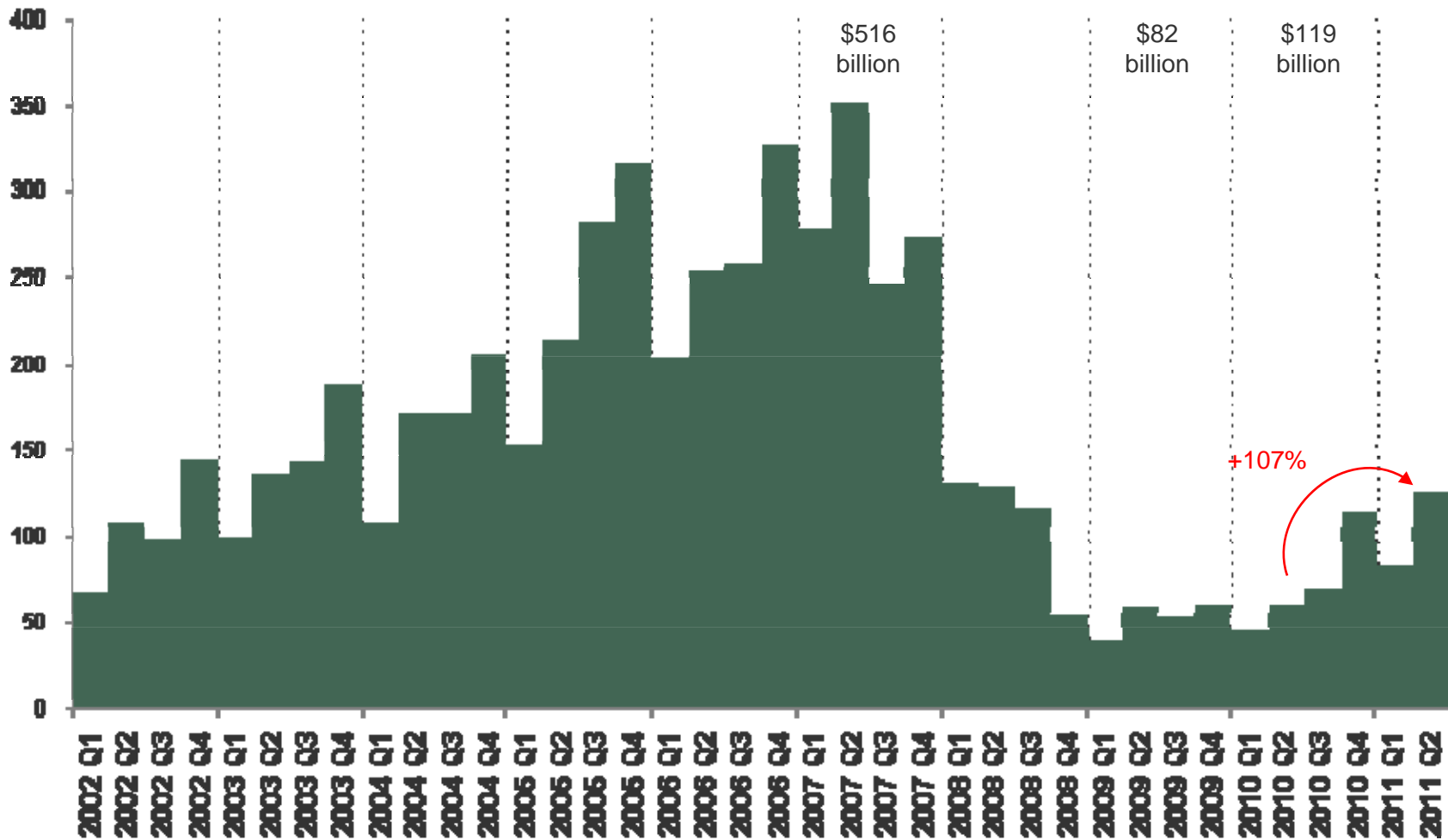
Source: MBA and Moody's/REAL, MIT, Green Street Advisors and Wall Street Journal

# Commercial Real Estate Finance Markets

# Commercial/Multifamily Mortgage Bankers Originations



Mortgage Bankers Origination Index (index value, 2001 avg quarter = 100)



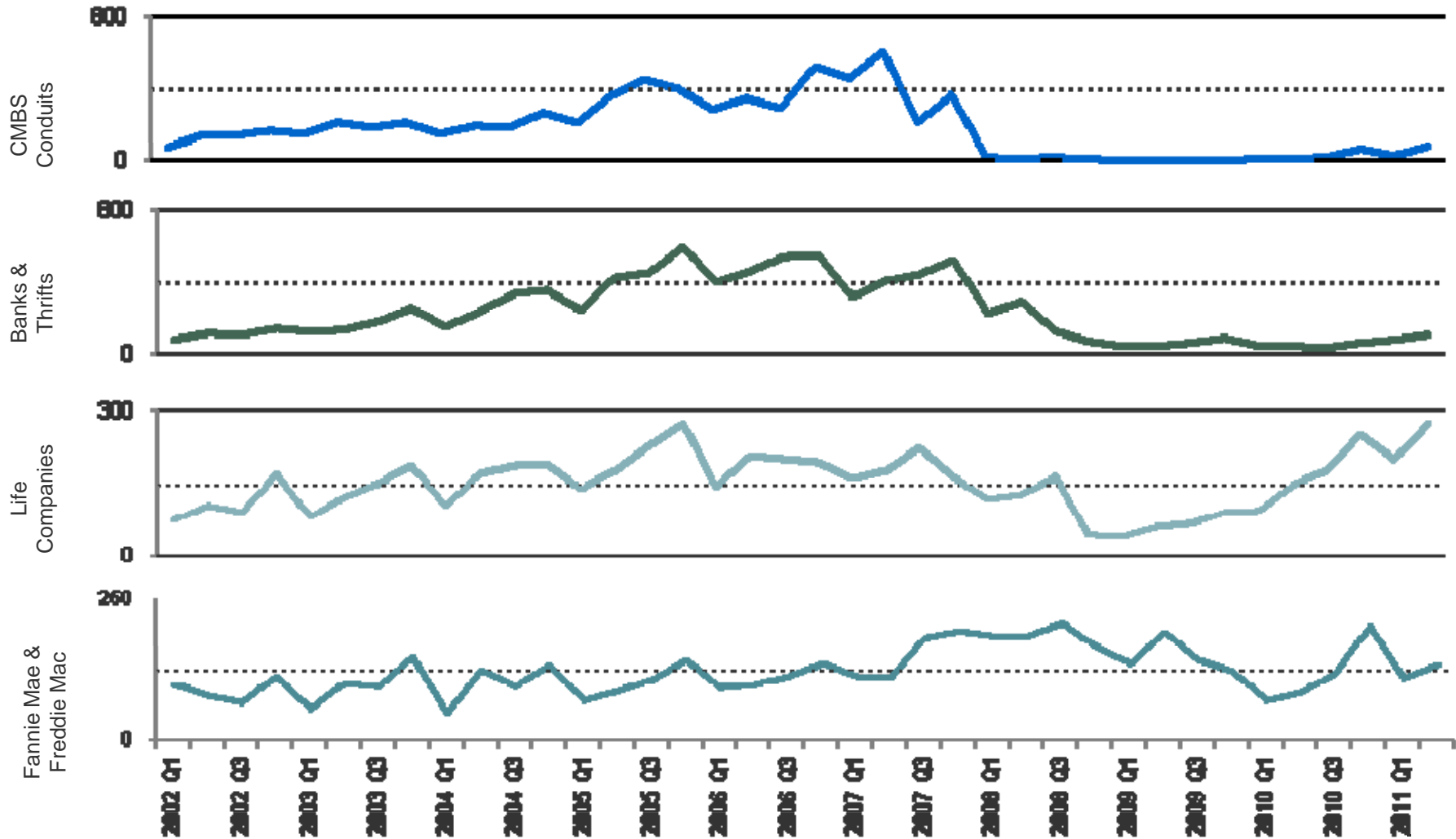
Source: Mortgage Bankers Association

Mortgage Bankers Association

# Index of Commercial/Multifamily Mortgage Originations by Investor Group



Index of Quarterly Commercial/Multifamily Mortgage Bankers' Originations, by Investor Group  
(2001 Average quarter = 100)

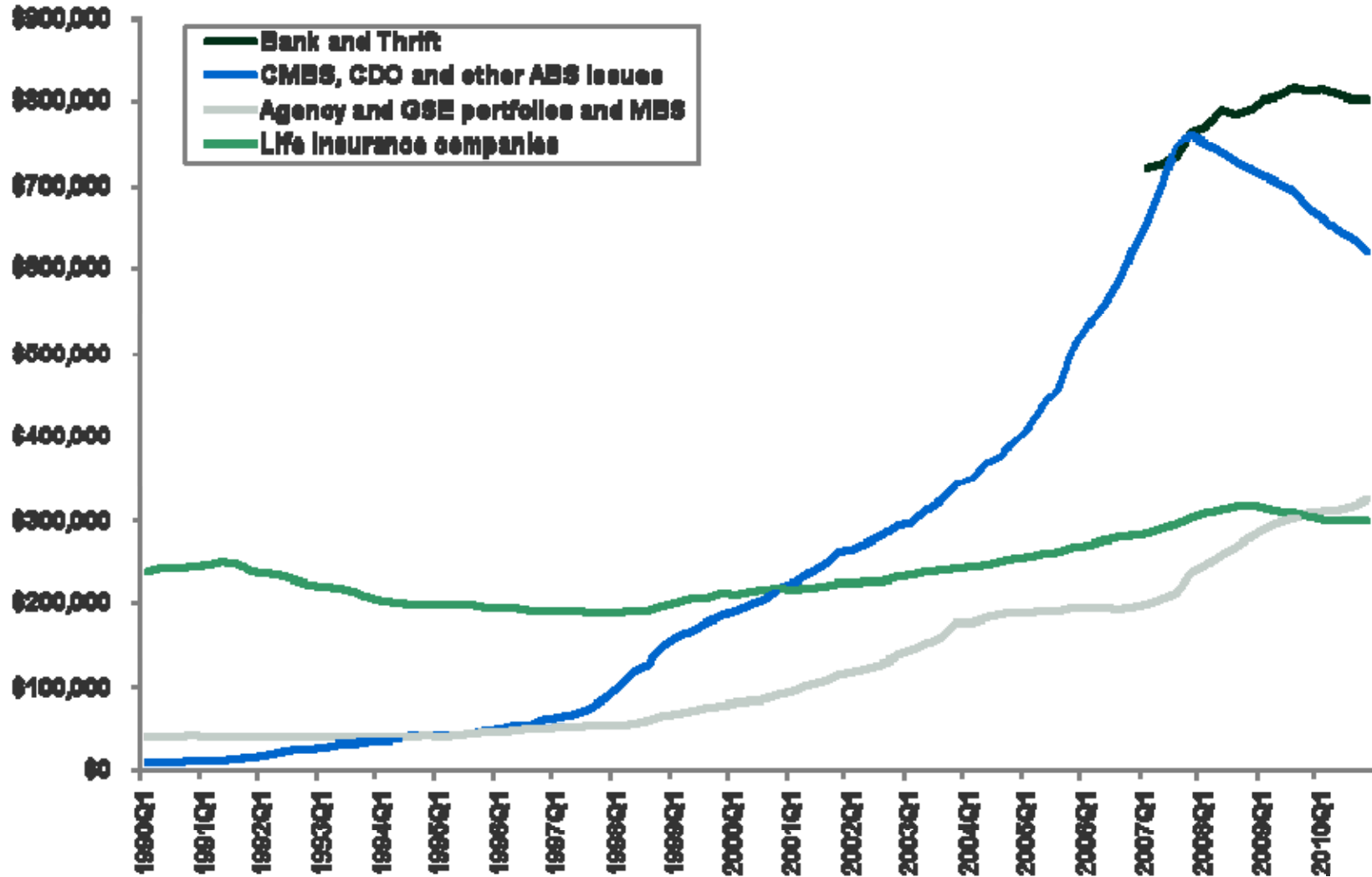


Source: Mortgage Bankers Association

# Commercial/multifamily Mortgage Debt Outstanding



Commercial and Multifamily Mortgage Debt Outstanding (\$millions)



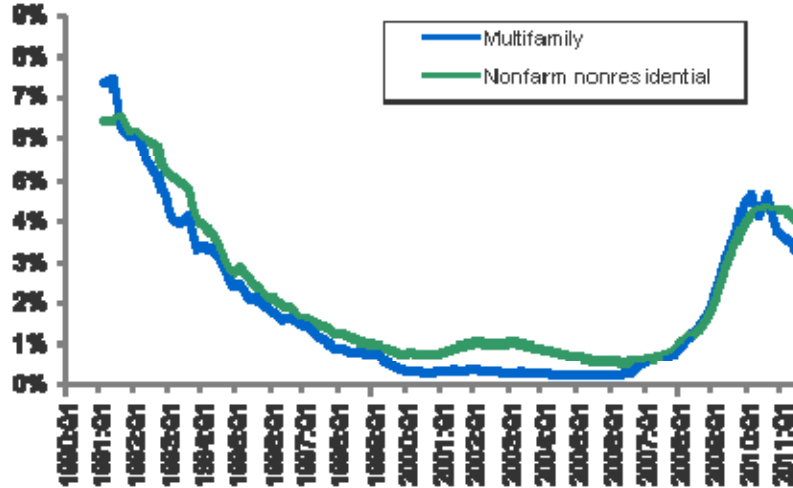
Sources: MBA, Federal Reserve Board and FDIC

# Commercial/Multifamily Mortgage Delinquency Rates

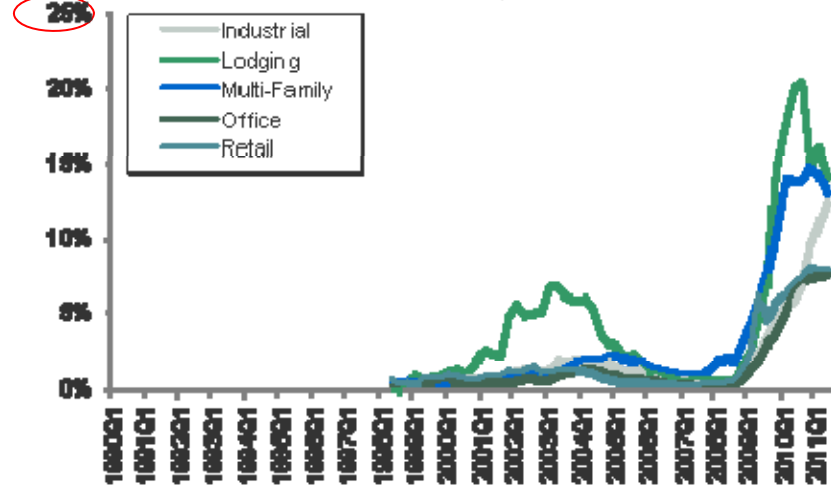


## Multifamily and Other Commercial Mortgage Delinquency Rates Among Major Investor

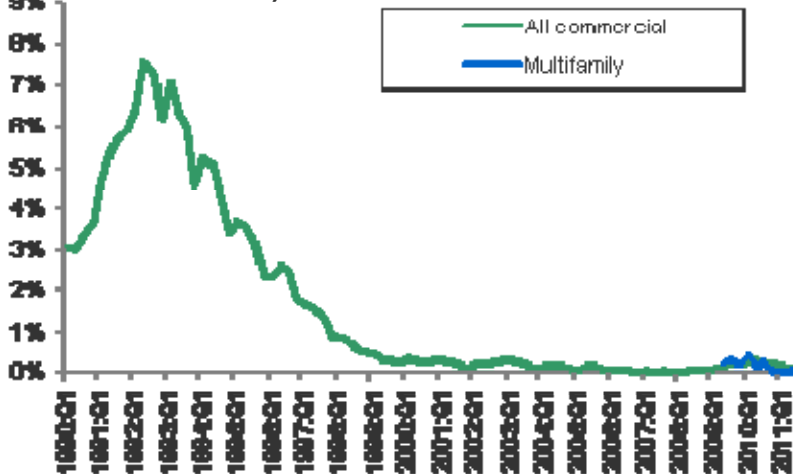
Bank & Thrift (90+ day delinquency or nonaccrual)



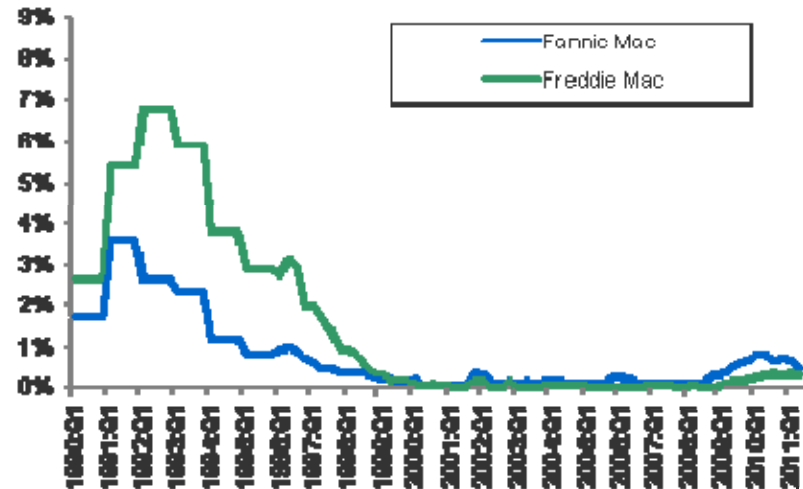
CMBS (30+ day delinquency including REO)



Life Companies (60+ day delinquency including in process of foreclosure)



Fannie Mae and Freddie Mac (60+ day delinquency)



Sources: MBA, FDIC, Trepp, ACLI, Fannie Mae and Freddie Mac

# Non-bank Commercial/Multifamily Mortgage Maturities



UPB of Non-Bank Outstanding Commercial/ Multifamily Mortgages, by Year of Maturity, as of Dec. 31, 2010



Source: MBA

# Outlook

# What's Next for Commercial Real Estate?



2006/2007: The Perfect Calm

2007/2008: Detour to Disequilibrium

2008/2009: Welcome to the Stress Test

2009/2010: Drivers Wanted!

2010/2011: Viva el Cycle

2011/2012: \_\_\_\_\_

# MBA Economic Forecast

## October 11, 2011



	2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Percent Change, SAAR</b>												
Real Gross Domestic Product	3.9	3.8	2.5	2.3	0.4	1.3	1.9	1.7	1.6	1.7	1.7	2.0
Personal Consumption Expenditures	2.7	2.9	2.6	3.6	2.1	0.7	1.1	1.4	1.2	1.6	2.0	2.0
Business Fixed Investment	6.0	18.6	11.3	8.7	2.1	10.3	12.4	7.2	3.9	4.0	3.2	4.5
Residential Investment	-15.3	22.8	-27.7	2.5	-2.4	4.2	0.6	3.6	6.8	7.4	11.0	12.1
Govt. Consumption & Investment	-1.2	3.7	1.0	-2.8	-5.9	-0.9	-0.8	-0.2	-0.7	-1.8	-1.6	-1.5
Net Exports (Bil. Chain 2005\$)	-376.8	-437.4	-458.7	-414.2	-424.4	-416.4	-389.4	-382.4	-375.8	-373.5	-366.0	-358.4
Inventory Investment (Bil. Chain 2005\$)	39.9	64.6	92.3	38.3	49.1	39.1	18.0	12.0	15.1	25.1	18.0	13.8
Consumer Prices	1.3	-0.5	1.4	2.6	5.2	4.1	3.1	1.7	1.5	1.4	1.9	2.0
<b>Percent</b>												
Unemployment Rate	9.7	9.6	9.6	9.6	8.9	9.1	9.1	9.2	9.3	9.3	9.2	9.2
Federal Funds Rate	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2
10-Year Treasury Yield	3.7	3.5	2.8	2.9	3.5	3.2	2.4	2.1	2.2	2.3	2.5	2.7

**Notes:**

All data except interest rates are seasonally adjusted.

Forecast produced with the assistance of the Macroeconomic Advisers' model.

Copyright 2011 Mortgage Bankers Association. All rights reserved.

THE HISTORICAL DATA AND PROJECTIONS ARE PROVIDED "AS IS" WITH NO WARRANTIES OF ANY KIND.

**Jamie Woodwell**

Vice President

Commercial Real Estate Research

Mortgage Bankers Association

1717 Rhode Island Ave NW, Washington, DC 20036

[jwoodwell@mortgagebankers.org](mailto:jwoodwell@mortgagebankers.org)

202-557-2936

**MBA homepage:**

[www.mortgagebankers.org](http://www.mortgagebankers.org)

**MBA research page:**

[www.mortgagebankers.org/research](http://www.mortgagebankers.org/research)

**Research Institute for Housing America:**

<http://www.housingamerica.org>

**MBA Newslink:**

<http://www.mortgagebankers.org/NewsandMedia/MBANewsLink>

# MBA's Commercial/Multifamily Real Estate Research Reports



Commercial/Multifamily Quarterly DataBook



Annual Origination Volume Summation



Annual Originations Rankings



Annual Report on Multifamily Lending



Quarterly Commercial/Multifamily Mortgage Banking Originations Survey



Commercial/Multifamily Mortgage Servicer Rankings



Commercial/Multifamily Mortgage Debt Outstanding



Commercial/Multifamily Mortgage Delinquency Rates



Commercial/Multifamily Loan Maturity Volumes

