

MDO Q4

COMMERCIAL / MULTIFAMILY MORTGAGE DEBT OUTSTANDING | Q4 2019

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COMMERCIAL/MULTIFAMILY
REAL ESTATE **MORTGAGE**
DEBT OUTSTANDING
Q4 2019

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4. Commercial/Multifamily Mortgage Debt Outstanding Fourth Quarter 2019

The level of commercial/multifamily mortgage debt outstanding at the end of 2019 was \$248 billion (7.3 percent) higher than at the end of 2018, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Mortgage Debt Outstanding quarterly report.

MBA's report found that total mortgage debt outstanding in the final three months of 2019 rose by 2.1 percent (\$75.0 billion) compared to last year's third quarter, with all four major investor groups increasing their holdings. Multifamily mortgage debt grew by \$30.4 billion (2.0 percent) to \$1.53 trillion during the fourth quarter, and by \$116.7 billion (8.2 percent) for the entire year.

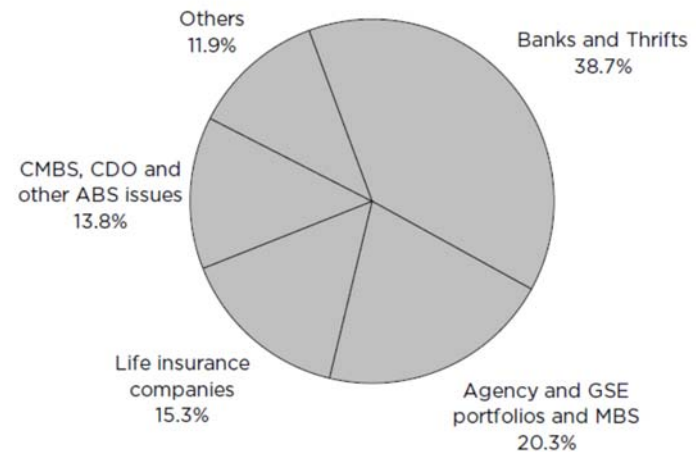
"In 2019, the amount of mortgage debt backed by commercial and multifamily properties grew by the largest annual amount since before the Global Financial Crisis," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "Every major capital source increased their holdings, and some by double digits. Continuing the recent trend, the growth in multifamily mortgage debt outpaced that of other property types."

Added Woodwell, "Looking ahead, a key question will be how the coronavirus and related economic shocks will affect the market's momentum in 2020. At this point it is still too early to tell."

The four major investor groups are: bank and thrift; commercial mortgage backed securities (CMBS), collateralized debt obligation (CDO) and other asset backed securities (ABS) issues; federal agency and government sponsored enterprise (GSE) portfolios and mortgage backed securities (MBS); and life insurance companies.

MBA's analysis summarizes the holdings of loans or, if the loans are securitized, the form of the security. For example, many life insurance

Commercial Multifamily Mortgage Debt Outstanding
By Investor Group, Fourth Quarter 2019



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).

Commercial banks continue to hold the largest share (39 percent) of commercial/multifamily mortgages at \$1.4 trillion. Agency and GSE portfolios and MBS are the second largest holders of commercial/multifamily mortgages, at \$744 billion (20 percent of the total). Life insurance companies hold \$561 billion (15 percent), and CMBS, CDO and other ABS issues hold \$504 billion (14 percent).

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Looking solely at multifamily mortgages, agency and GSE portfolios and MBS hold the largest share of total debt outstanding at \$744 billion (49 percent of the total), followed by commercial banks with \$459 billion (30 percent), life insurance companies with \$149 billion (10 percent), state and local governments with \$88 billion (6 percent), and CMBS, CDO and other ABS issues with \$48 billion (3 percent).

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the fourth quarter of 2019, CMBS, CDO and other ABS issues saw the largest rise in dollar terms in their holdings of commercial/multifamily mortgage debt, with an increase of \$23.1 billion (4.8 percent). Commercial banks increased their holdings by \$21.5 billion (1.5 percent), agency and GSE portfolios and MBS increased their holdings by \$16.1 billion (2.2 percent), and finance companies saw the largest decrease at \$117 million (0.4 percent).

In percentage terms, CMBS, CDO and other ABS issues saw the largest increase - 4.8 percent - in their holdings of commercial/multifamily mortgages, and state and local government retirement funds saw their holdings decrease the most, at 1.0 percent.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$30.5 billion rise in multifamily mortgage debt outstanding between the third and fourth quarters of 2019 represented a 2.0 percent increase. In dollar terms, agency and GSE portfolios and MBS saw the largest increase, at \$16.1 billion (2.2 percent), in their holdings of multifamily mortgage debt. Commercial banks increased their holdings of multifamily mortgage debt by \$6.7 billion (1.5 percent). CMBS, CDO and other ABS issues increased holdings by 9.5 percent to \$4.1 billion. Private pension funds saw the largest decline (7.2 percent) in their holdings, by \$65 million.

In percentage terms, REITs recorded the largest increase in holdings of multifamily mortgages (23.9 percent), and private pension funds saw the biggest decrease (7.2 percent).

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING DURING 2019

Between December 2018 and December 2019, commercial banks saw the largest gain (6.1 percent) in dollar terms in their holdings of commercial/multifamily mortgage debt - an increase of \$82 billion. State and local government decreased their holdings of commercial/multifamily mortgages by \$1.5 billion (1.4 percent).

In percentage terms, finance companies saw the largest increase (14.9 percent) in their holdings of commercial/multifamily mortgages, and state and local government retirement funds saw the largest decrease (3.3 percent).

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING DURING 2019

The \$116.7 billion rise in multifamily mortgage debt outstanding during 2019 represents an 8.2 percent increase. In dollar terms, agency and GSE portfolios and MBS saw the largest increase in their holdings of multifamily mortgage debt at 10 percent (\$69.2 billion). State and local government saw the largest decrease in their holdings down \$1.3 billion (1.4 percent).

In percentage terms, REITs recorded the largest increase in their holdings of multifamily mortgages, 52 percent, while private pension funds saw the largest decrease, 24 percent.

MBA's complete Commercial/Multifamily Mortgage Debt Outstanding report can be downloaded [here](#). The report'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. More information on this data series is contained in Appendix A.

YEAR END COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

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	Mortgage Debt Outstanding				Change		Sector Share of \$
	2019 Q4		2018 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,417,192	38.7%	1,335,662	39.1%	81,530	6.1%	32.9%
Agency and GSE portfolios and MBS	744,191	20.3%	674,957	19.8%	69,234	10.3%	27.9%
Life insurance companies	561,276	15.3%	520,679	15.3%	40,597	7.8%	16.4%
CMBS, CDO and other ABS issues	503,758	13.8%	466,139	13.7%	37,619	8.1%	15.2%
State and local government	105,982	2.9%	107,510	3.1%	-1,528	-1.4%	-0.6%
REITs	105,493	2.9%	94,531	2.8%	10,962	11.6%	4.4%
Federal government	85,700	2.3%	86,126	2.5%	-426	-0.5%	-0.2%
Finance companies	31,827	0.9%	27,691	0.8%	4,136	14.9%	1.7%
Private pension funds	31,113	0.8%	28,395	0.8%	2,718	9.6%	1.1%
Nonfarm noncorporate business	30,532	0.8%	28,526	0.8%	2,006	7.0%	0.8%
Other insurance companies	21,147	0.6%	20,494	0.6%	653	3.2%	0.3%
Nonfinancial corporate business	13,957	0.4%	13,412	0.4%	545	4.1%	0.2%
State and local government retirement	7,730	0.2%	7,996	0.2%	-266	-3.3%	-0.1%
Household sector	1,199	0.0%	1,135	0.0%	64	5.6%	0.0%
TOTAL	3,661,097		3,413,253		247,844	7.3%	

Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. 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.

YEAR END MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector



	Mortgage Debt Outstanding				Change		Sector Share of \$
	2019 Q4		2018 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	744,191	48.6%	674,957	47.7%	69,234	10.3%	59.4%
Bank and Thrift	458,716	30.0%	430,465	30.4%	28,251	6.6%	24.2%
Life insurance companies	149,078	9.7%	135,616	9.6%	13,462	9.9%	11.5%
State and local government	88,318	5.8%	89,592	6.3%	-1,274	-1.4%	-1.1%
CMBS, CDO and other ABS issues	47,613	3.1%	42,368	3.0%	5,245	12.4%	4.5%
Nonfarm noncorporate business	16,904	1.1%	15,793	1.1%	1,111	7.0%	1.0%
Federal government	11,593	0.8%	11,932	0.8%	-339	-2.8%	-0.3%
Finance companies	5,725	0.4%	5,881	0.4%	-156	-2.7%	-0.1%
REITs	4,361	0.3%	2,878	0.2%	1,483	51.5%	1.3%
State and local government retirement	3,623	0.2%	3,748	0.3%	-125	-3.3%	-0.1%
Private pension funds	843	0.1%	1,103	0.1%	-260	-23.6%	-0.2%
Nonfinancial corporate business	523	0.0%	503	0.0%	20	4.0%	0.0%
TOTAL	1,531,488		1,414,836		116,652	8.2%	

Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. 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.

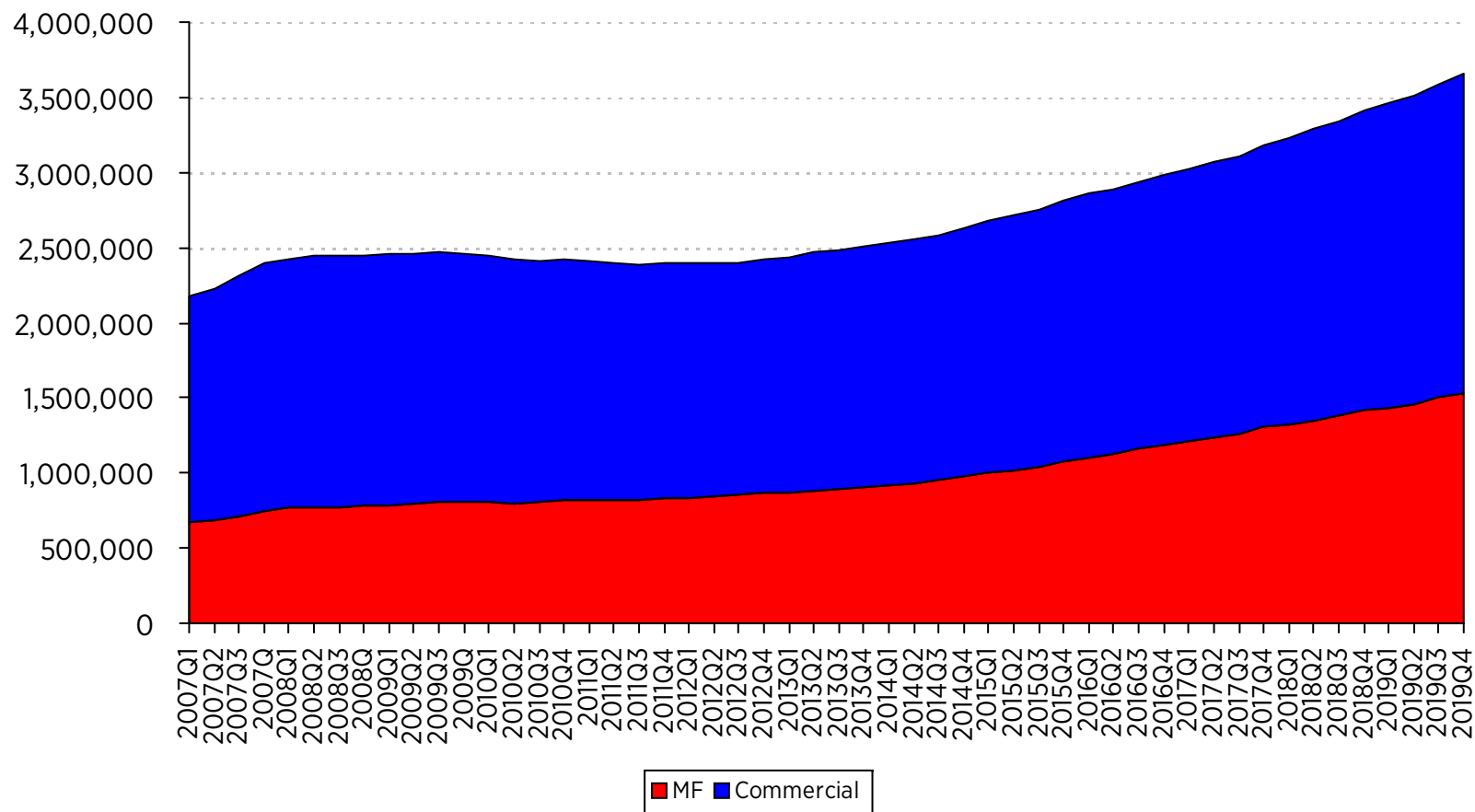
COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)

MBA

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Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector

MBA

MORTGAGE BANKERS ASSOCIATION

	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2019 Q4		2019 Q3		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,417,192	38.7%	1,395,656	38.9%	21,536	1.5%	28.7%
Agency and GSE portfolios and MBS	744,191	20.3%	728,090	20.3%	16,101	2.2%	21.5%
Life insurance companies	561,276	15.3%	552,256	15.4%	9,020	1.6%	12.0%
CMBS, CDO and other ABS issues	503,758	13.8%	480,707	13.4%	23,051	4.8%	30.7%
State and local government	105,982	2.9%	105,564	2.9%	418	0.4%	0.6%
REITs	105,493	2.9%	102,082	2.8%	3,411	3.3%	4.5%
Federal government	85,700	2.3%	85,708	2.4%	-8	0.0%	0.0%
Finance companies	31,827	0.9%	31,944	0.9%	-117	-0.4%	-0.2%
Private pension funds	31,113	0.8%	30,412	0.8%	701	2.3%	0.9%
Nonfarm noncorporate business	30,532	0.8%	29,994	0.8%	538	1.8%	0.7%
Other insurance companies	21,147	0.6%	20,854	0.6%	293	1.4%	0.4%
Nonfinancial corporate business	13,957	0.4%	13,819	0.4%	138	1.0%	0.2%
State and local government retirement funds	7,730	0.2%	7,805	0.2%	-75	-1.0%	-0.1%
Household sector	1,199	0.0%	1,179	0.0%	20	1.7%	0.0%
TOTAL	3,661,097		3,586,070		75,027	2.1%	

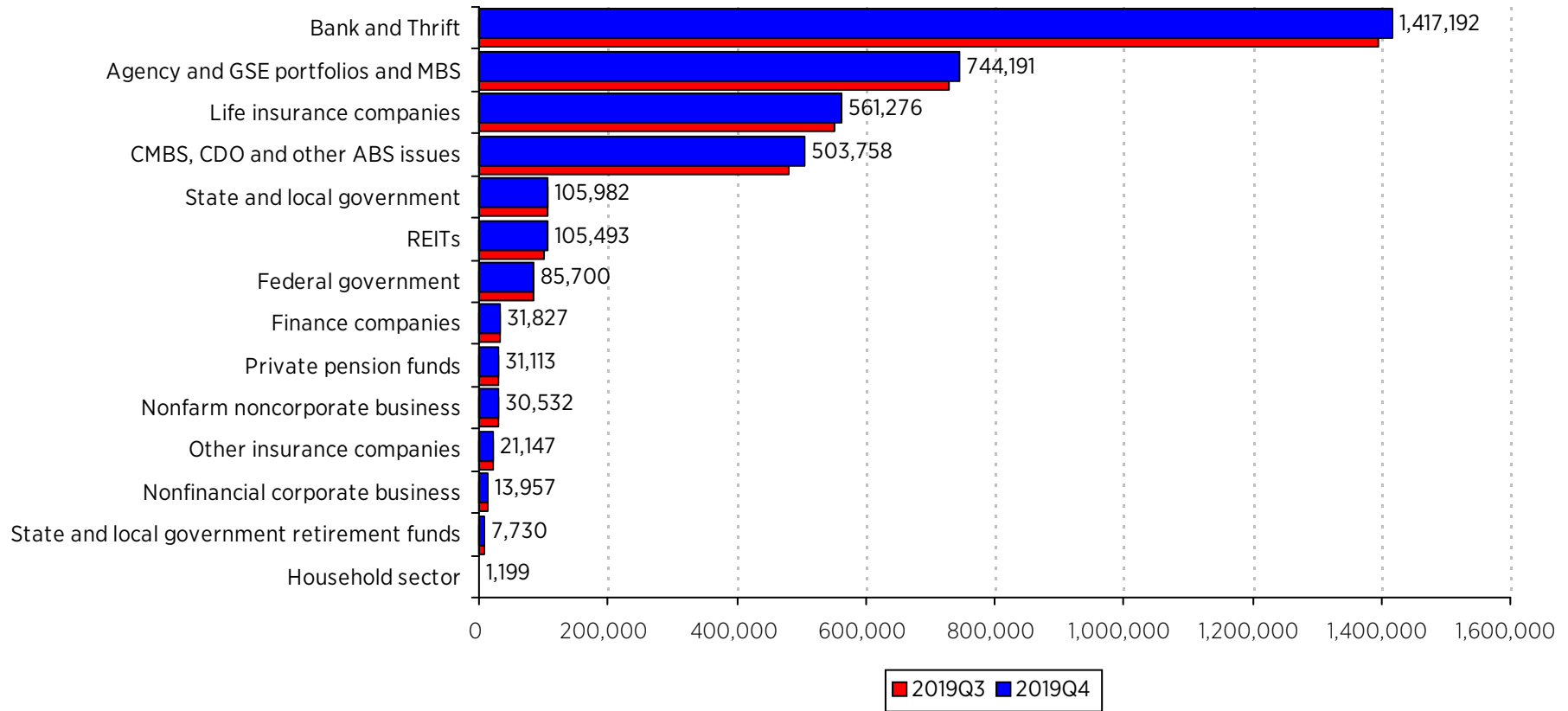
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

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, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

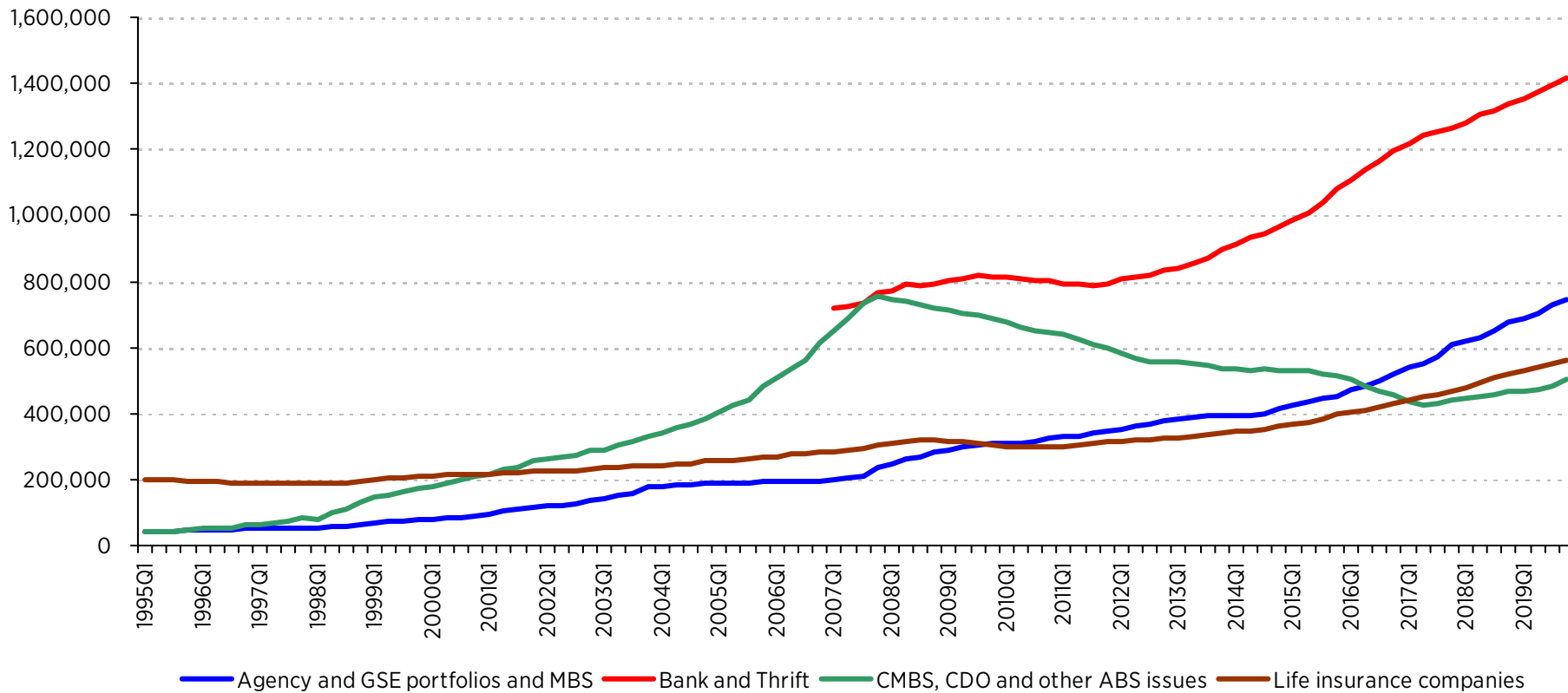
COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

(\$millions)

MBA

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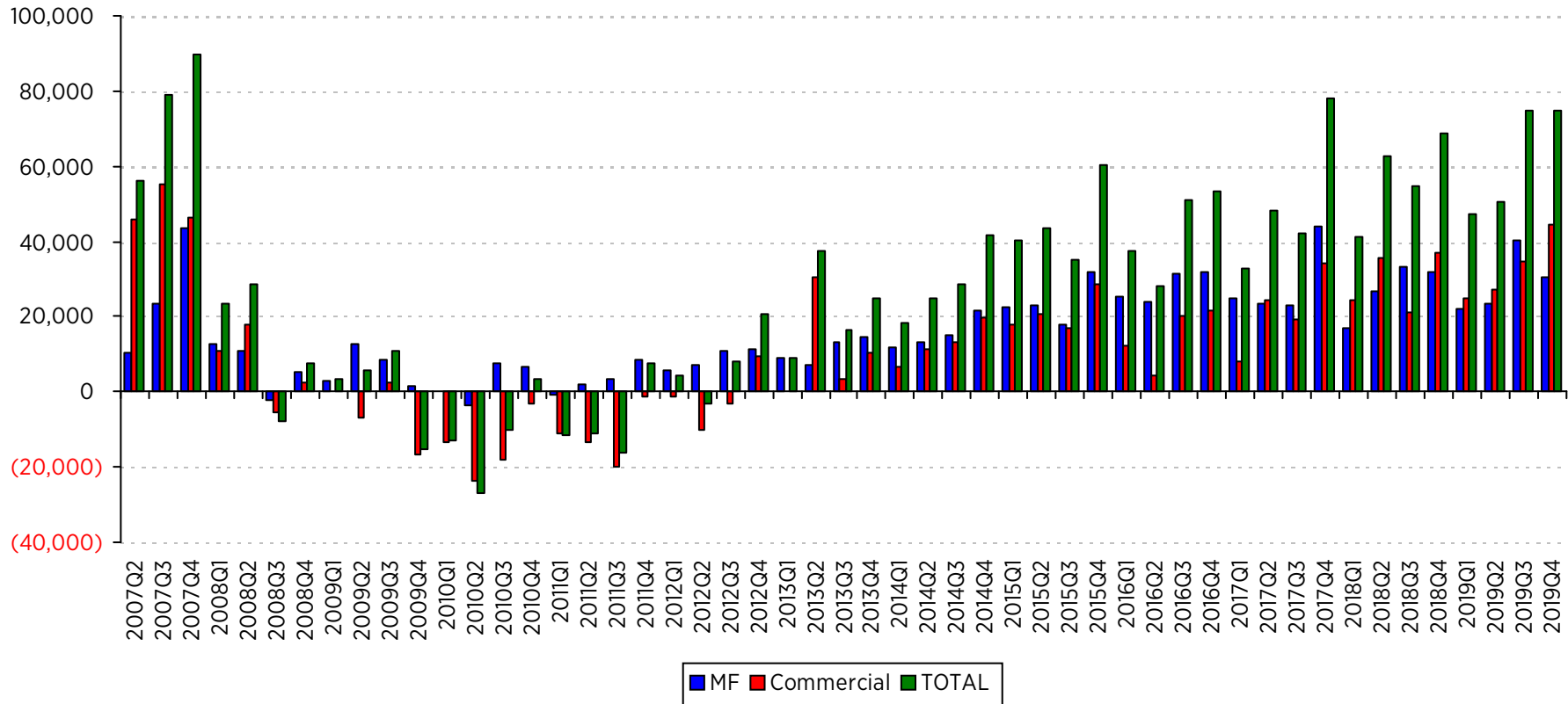


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

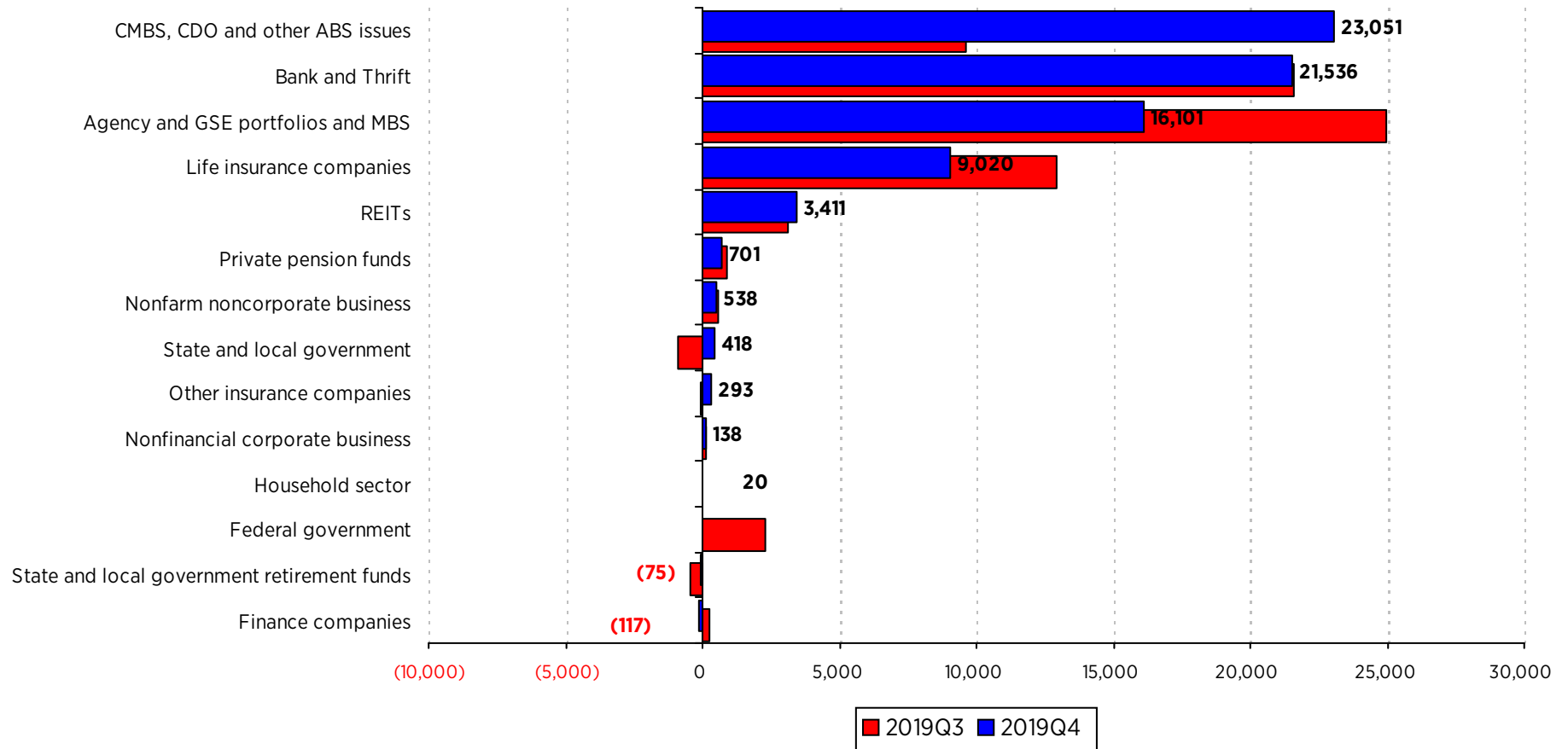
COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)



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Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

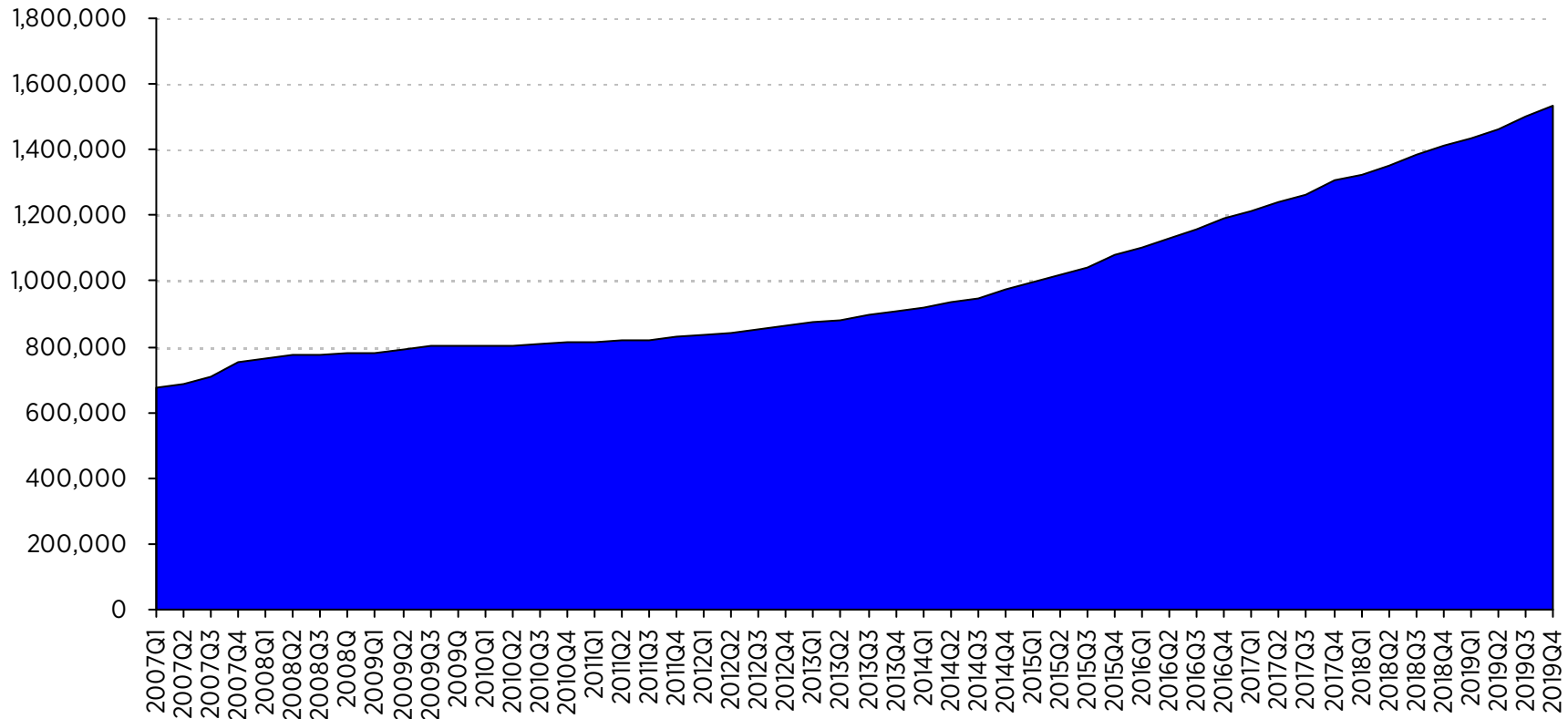
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MULTIFAMILY MORTGAGE DEBT OUTSTANDING

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc.

QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Multifamily Mortgage Debt Outstanding, by Sector



MORTGAGE BANKERS ASSOCIATION

	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2019 Q4		2019 Q3		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	744,191	48.6%	728,090	48.5%	16,101	2.2%	52.9%
Bank and Thrift	458,716	30.0%	452,029	30.1%	6,687	1.5%	22.0%
Life insurance companies	149,078	9.7%	146,905	9.8%	2,173	1.5%	7.1%
State and local government	88,318	5.8%	87,970	5.9%	348	0.4%	1.1%
CMBS, CDO and other ABS issues	47,613	3.1%	43,481	2.9%	4,132	9.5%	13.6%
Nonfarm noncorporate business	16,904	1.1%	16,606	1.1%	298	1.8%	1.0%
Federal government	11,593	0.8%	11,588	0.8%	5	0.0%	0.0%
Finance companies	5,725	0.4%	5,754	0.4%	-29	-0.5%	-0.1%
REITs	4,361	0.3%	3,521	0.2%	840	23.9%	2.8%
State and local government retirement funds	3,623	0.2%	3,659	0.2%	-36	-1.0%	-0.1%
Private pension funds	843	0.1%	908	0.1%	-65	-7.2%	-0.2%
Nonfinancial corporate business	523	0.0%	518	0.0%	5	1.0%	0.0%
TOTAL	1,531,488		1,501,029		30,459	2.0%	

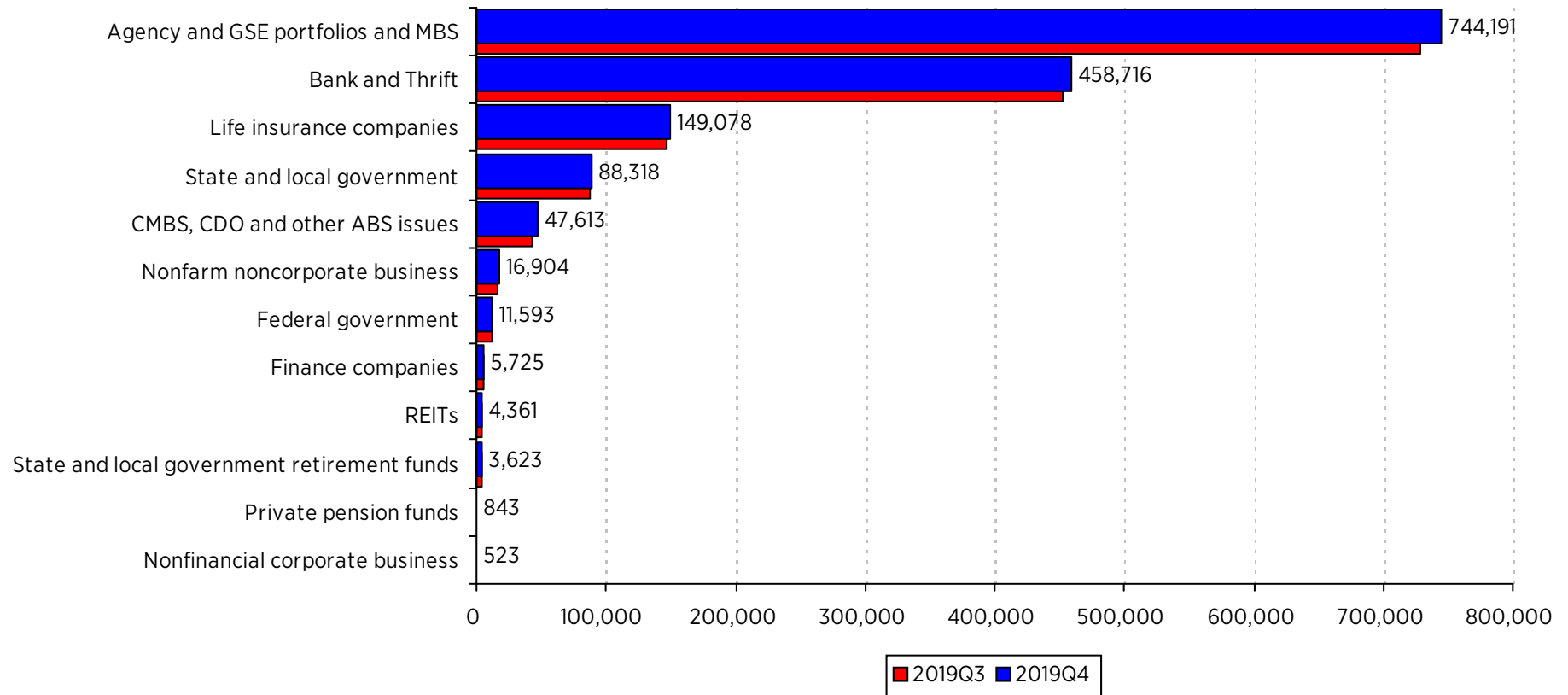
Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

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)

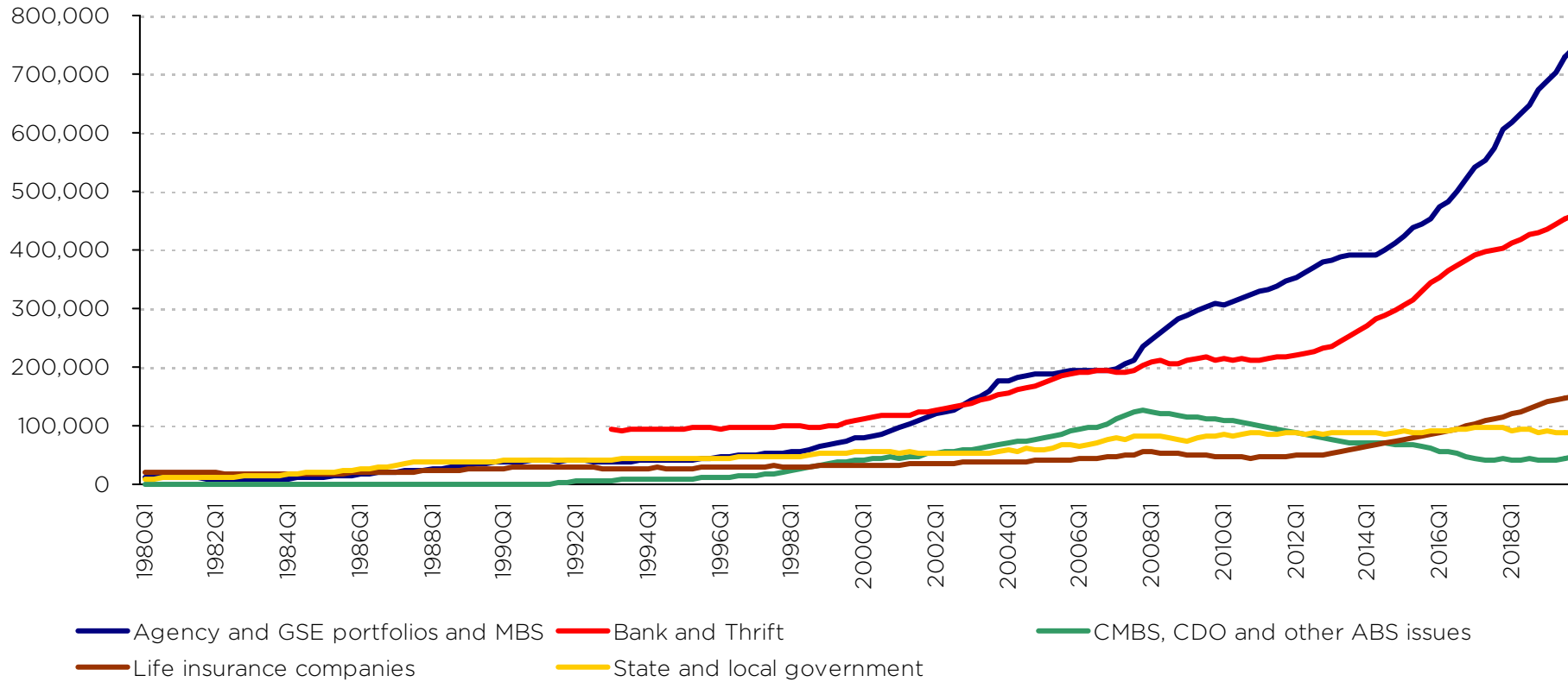


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

(\$millions)

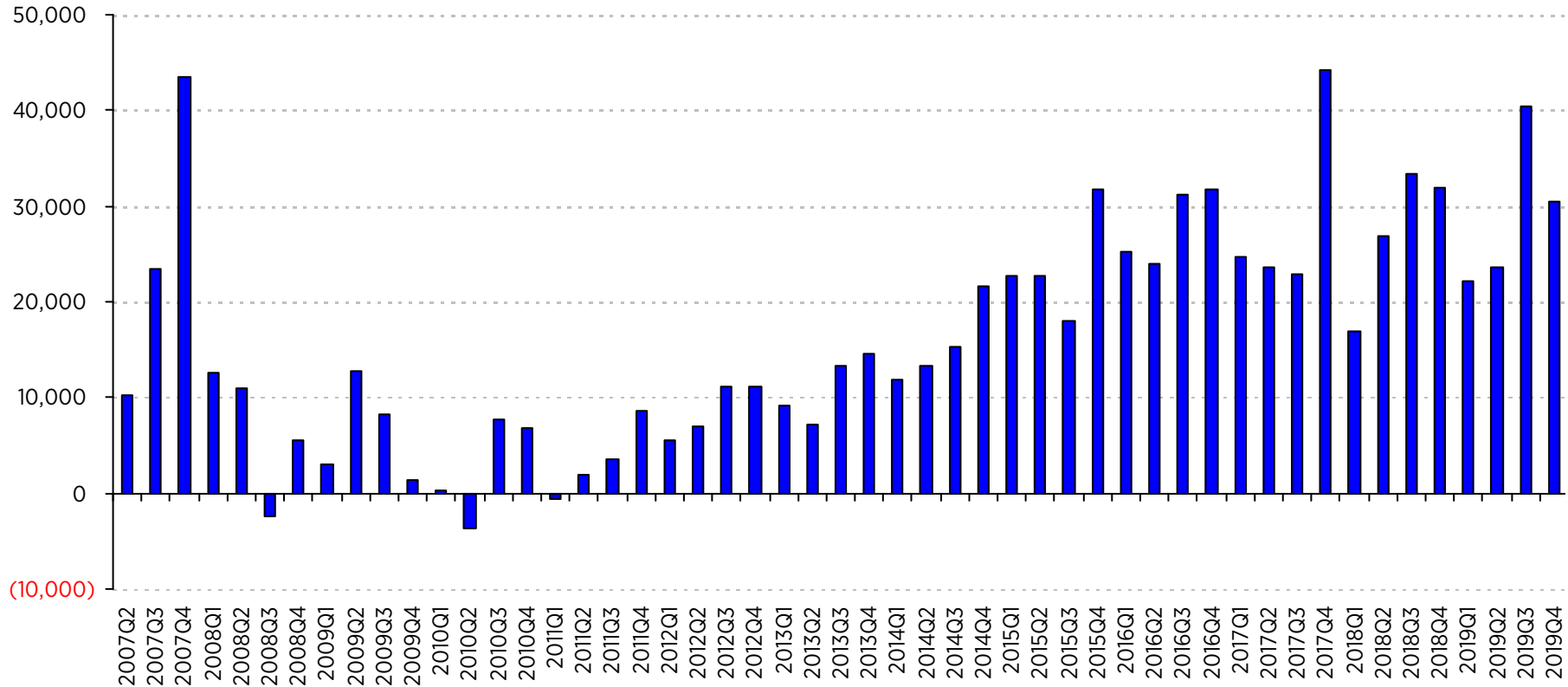


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

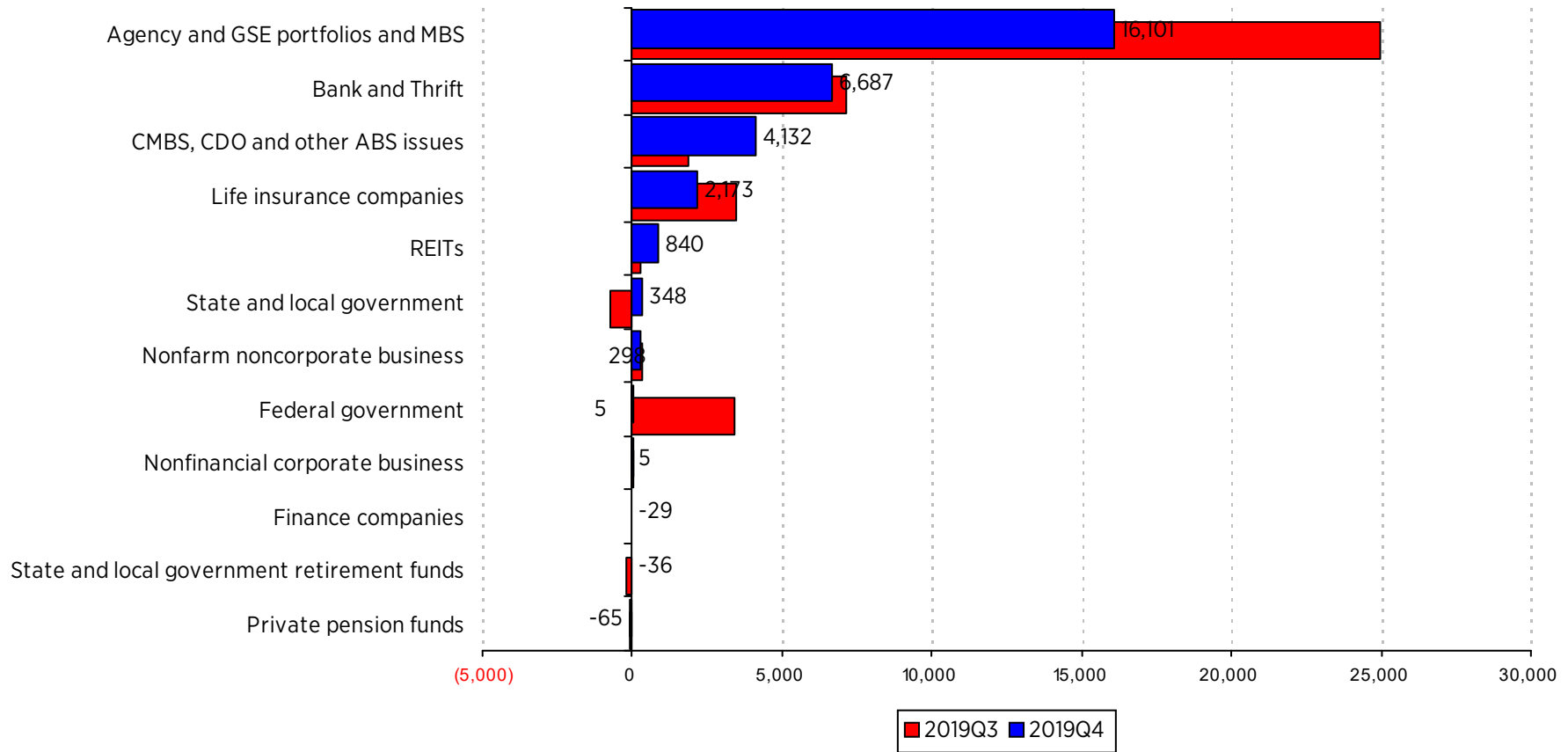
MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)



MORTGAGE BANKERS ASSOCIATION



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. 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;

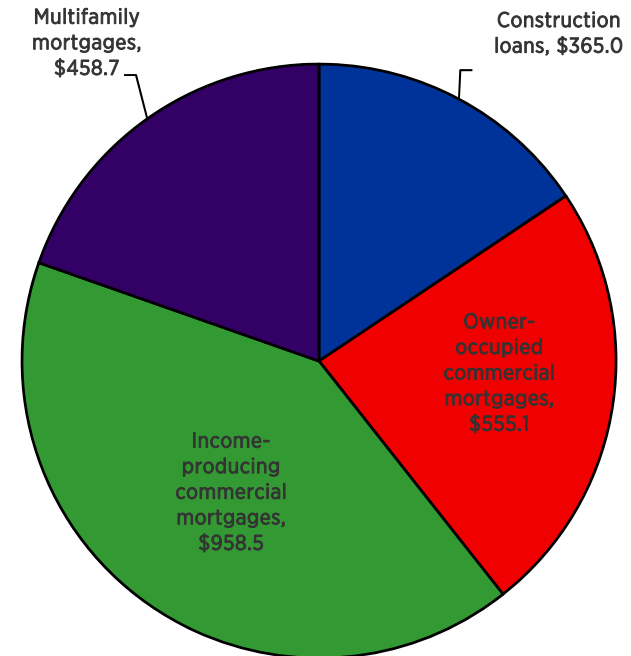
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

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 fourth quarter 2019, the Federal Reserve Board's Flow of Funds Accounts data attributed \$2.34 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 \$459 billion of multifamily mortgages and \$1.51 trillion of non-farm nonresidential mortgages, of which 63 percent or \$958 billion were income-producing. The combined \$1.42 trillion of mortgages backed by multifamily and other income-producing properties is included in this analysis. The \$2.34 trillion total reported by the Federal Reserve also includes \$555 billion of loans collateralized by owner-occupied commercial properties and another \$365 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

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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