

MDO Q2

COMMERCIAL / MULTIFAMILY MORTGAGE DEBT OUTSTANDING | Q2 2024

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COMMERCIAL/MULTIFAMILY
REAL ESTATE **MORTGAGE**
DEBT OUTSTANDING
Q2 2024

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MORTGAGE BANKERS ASSOCIATION

4. Commercial/Multifamily Mortgage Debt Outstanding

September 19, 2024

The level of commercial/multifamily mortgage debt outstanding increased by \$31.4 billion (0.7 percent) in the second quarter of 2024, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Mortgage Debt Outstanding quarterly report.

Total commercial/multifamily mortgage debt outstanding rose to \$4.69 trillion at the end of the second quarter. Multifamily mortgage debt alone increased \$19.4 billion (0.9 percent) to \$2.09 trillion from the first quarter of 2024.

"Commercial mortgage debt outstanding grew at a modest pace in the second quarter," said Jamie Woodwell, MBA's Head of Commercial Real Estate Research. "Every major capital source increased its holdings of mortgages backed by income-producing properties, but the growth was mixed, with life insurance companies increasing their holdings by 1.8 percent and banks increasing their holdings by 0.2 percent."

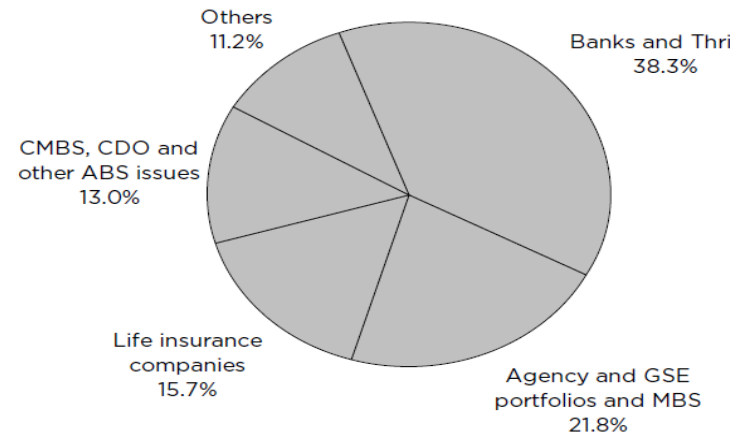
Added Woodwell, "With fewer loans paying off, CRE mortgage balances have continued to grow in recent quarters despite a marked fall-off in the volume of loans being made. We anticipate that long-term interest rates, which are significantly lower than a year ago, will help increase origination activity in coming quarters - boosting both new loans coming onto the books and the payoff of existing ones."

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 Mortgage Debt Outstanding

By Investor Group, Second Quarter 2024



commercial/multifamily mortgages (22 percent) at \$1.02 trillion. Life insurance companies hold \$735 billion (16 percent), and CMBS, CDO and other ABS issues hold \$609 billion (13 percent). Many life insurance companies, banks and the GSEs purchase and hold CMBS, CDO and other 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 second quarter of 2024, agency and GSE portfolios and MBS hold the largest share of total multifamily debt outstanding at \$1.02 billion (49 percent), followed by banks and thrifts with \$625 billion (30 percent), life insurance companies with \$234 billion (11 percent), state and local government with \$91 billion (4 percent), and CMBS, CDO and other ABS issues holding \$67 billion (3 percent).

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the second quarter, life insurance companies saw the largest gains in dollar terms in their holdings of commercial/multifamily mortgage debt – an increase of \$12.8 billion (1.8 percent). Agency and GSE portfolios and MBS increased their holdings by \$8.1 billion (0.8 percent), CMBS, CDO and other ABS issues increased their holdings by \$5.4 billion (0.9 percent), and bank and thrifts increased their holdings by \$2.9 billion (0.2 percent).

In percentage terms, nonfinancial corporate business saw the largest increase – 2.0 percent – in their holdings of commercial/multifamily mortgages. Conversely, state and local government retirement funds saw their holdings decrease 12.8 percent.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$19.4 billion increase in multifamily mortgage debt outstanding from the first quarter of 2024 represents a quarterly gain of 0.9 percent. In dollar terms, agency and GSE portfolios and MBS issues saw the largest gain – \$8.1 billion (0.8 percent) – in their holdings of multifamily mortgage debt. Bank and thrifts increased their holdings by \$4.7 billion (0.8 percent), and life insurance companies increased by \$4.4 billion (1.9 percent).

REITs saw the largest percentage increase in their holdings of multifamily mortgage debt, up 7.8 percent. State and local government retirement

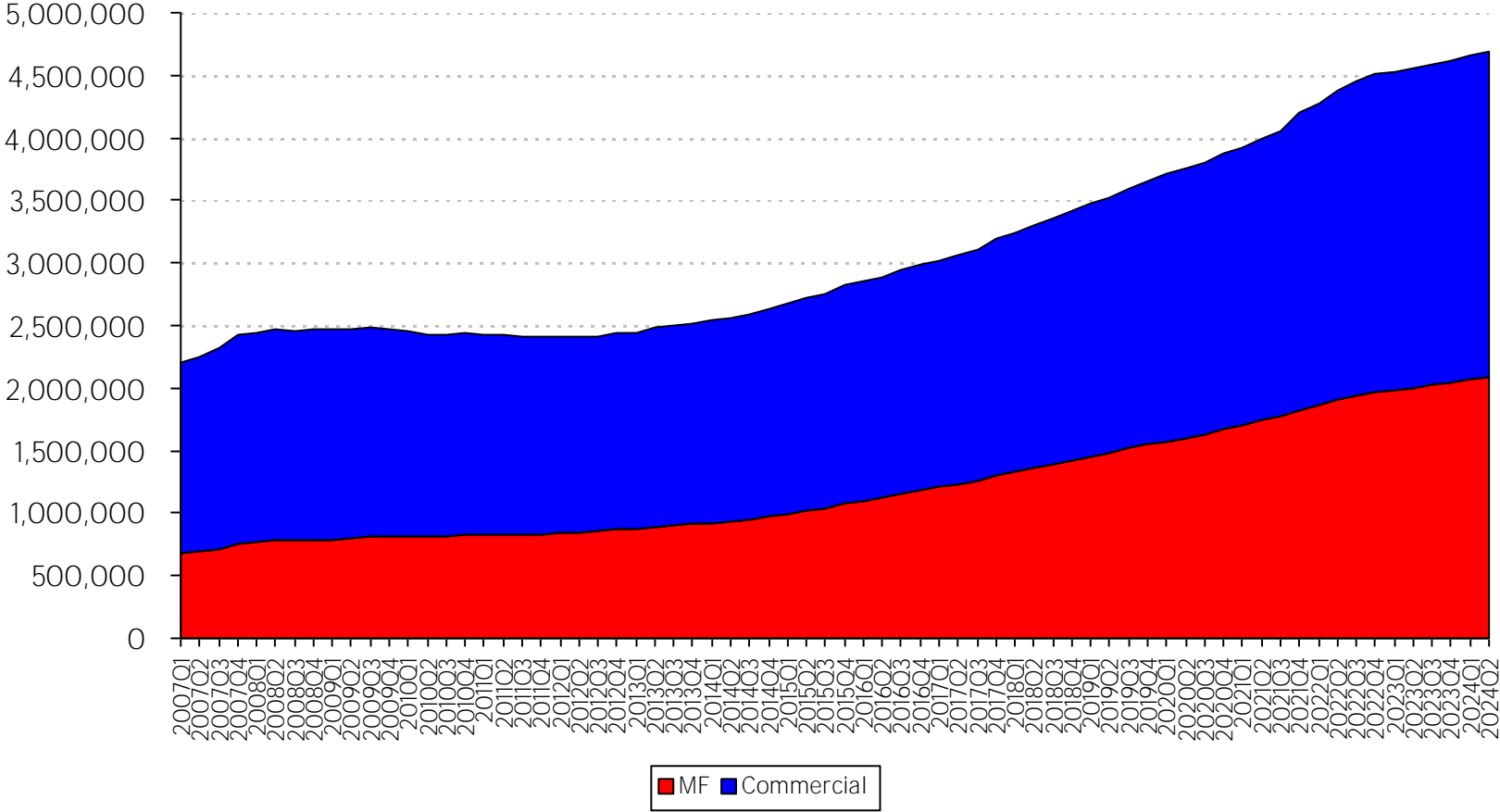
funds saw the largest decline in their holdings of multifamily mortgage debt at 12.8 percent.

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.

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				Change		Sector Share of \$ Change
	2024 Q2		2024 Q1		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,798,833	38.3%	1,795,960	38.5%	2,873	0.2%	9.1%
Agency and GSE portfolios and MBS	1,020,782	21.8%	1,012,672	21.7%	8,110	0.8%	25.8%
Life insurance companies	735,351	15.7%	722,555	15.5%	12,796	1.8%	40.7%
CMBS, CDO and other ABS issues	609,436	13.0%	604,046	13.0%	5,390	0.9%	17.2%
State and local government	109,189	2.3%	107,417	2.3%	1,772	1.6%	5.6%
Nonfinancial corporate business	108,170	2.3%	106,056	2.3%	2,114	2.0%	6.7%
Federal government	98,712	2.1%	97,631	2.1%	1,081	1.1%	3.4%
REITs	91,554	2.0%	92,722	2.0%	-1,168	-1.3%	-3.7%
Nonfarm noncorporate business	34,989	0.7%	34,836	0.7%	153	0.4%	0.5%
Finance companies	34,368	0.7%	34,839	0.7%	-471	-1.4%	-1.5%
Other insurance companies	33,051	0.7%	33,196	0.7%	-145	-0.4%	-0.5%
Private pension funds	13,366	0.3%	14,110	0.3%	-744	-5.3%	-2.4%
State and local government retirement funds	2,344	0.0%	2,687	0.1%	-343	-12.8%	-1.1%
Household sector	1,473	0.0%	1,470	0.0%	3	0.2%	0.0%
TOTAL	4,691,618		4,660,197		31,421	0.7%	

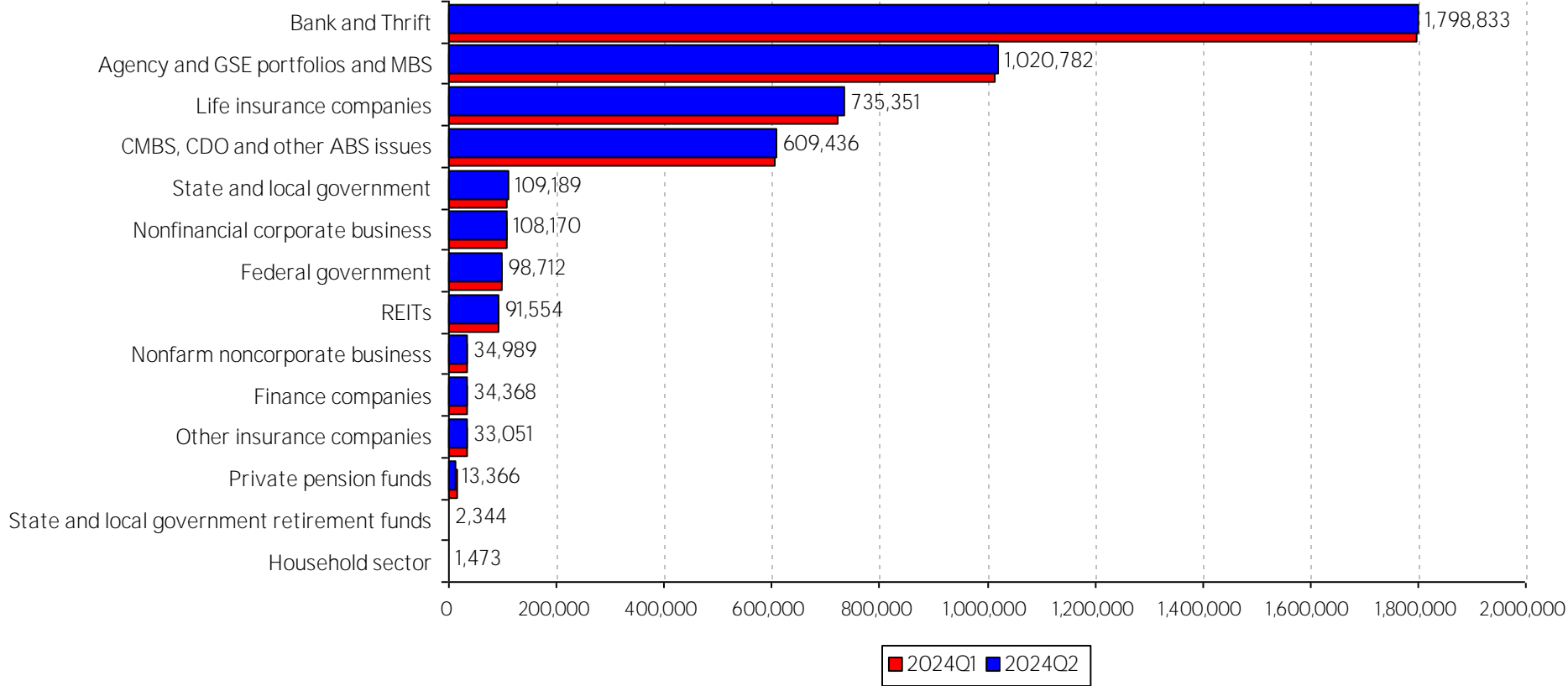
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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)

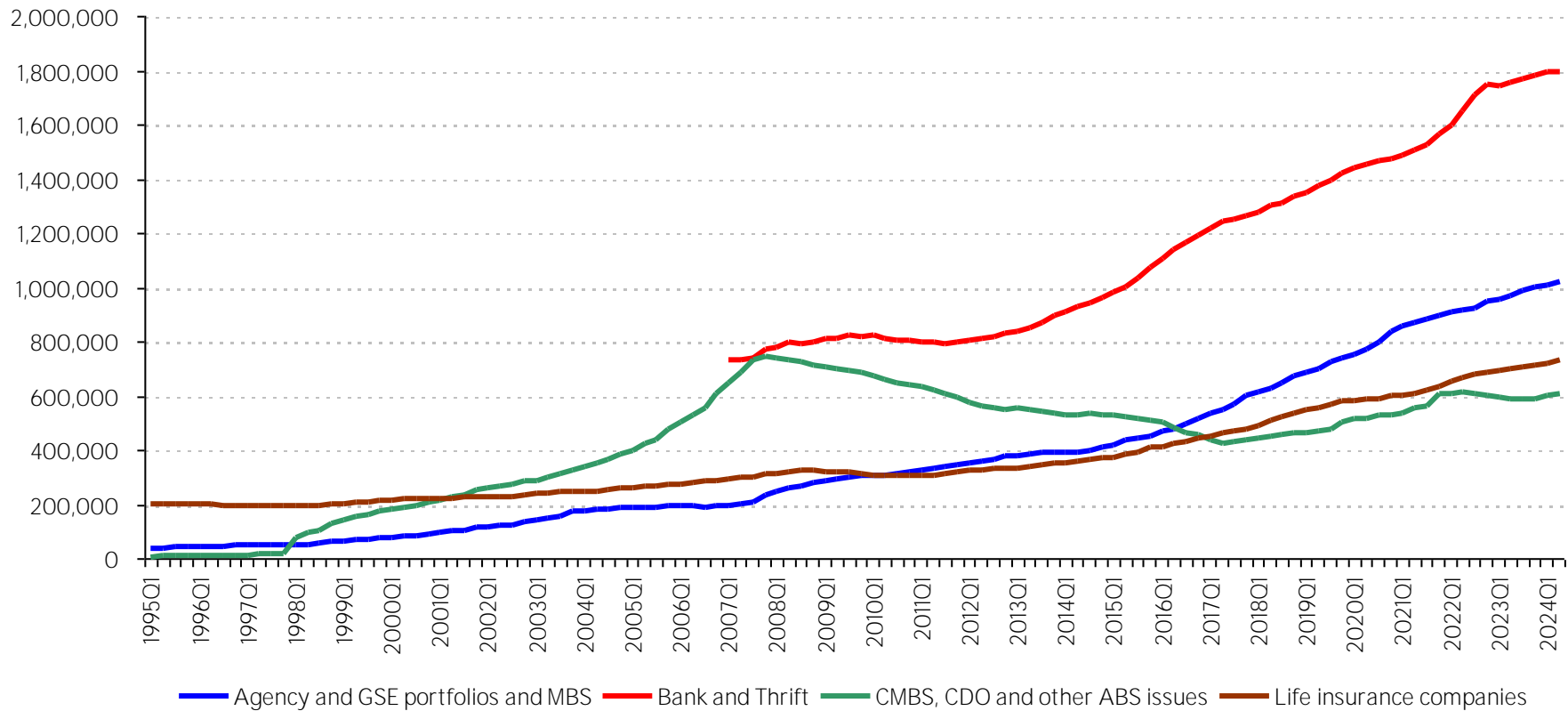


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

(\$millions)

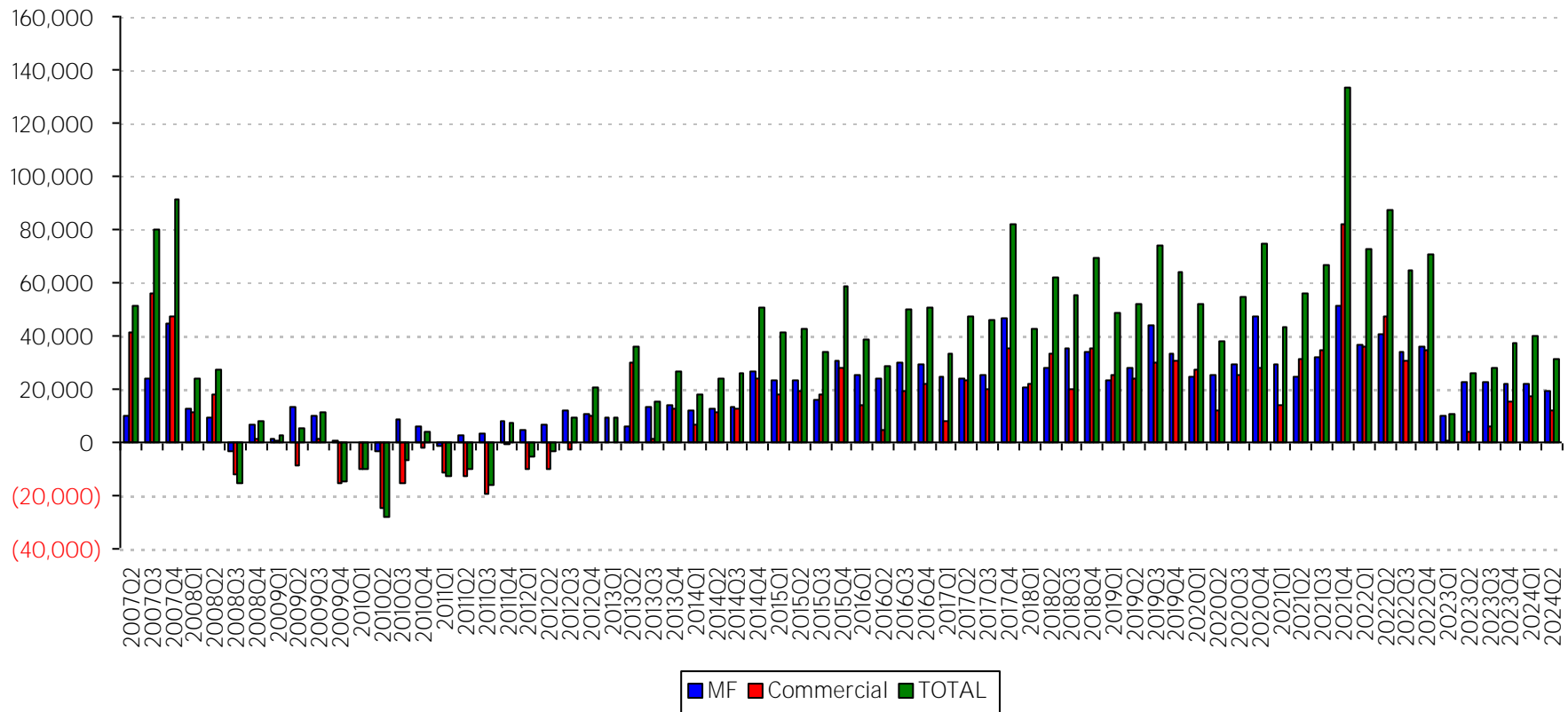


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

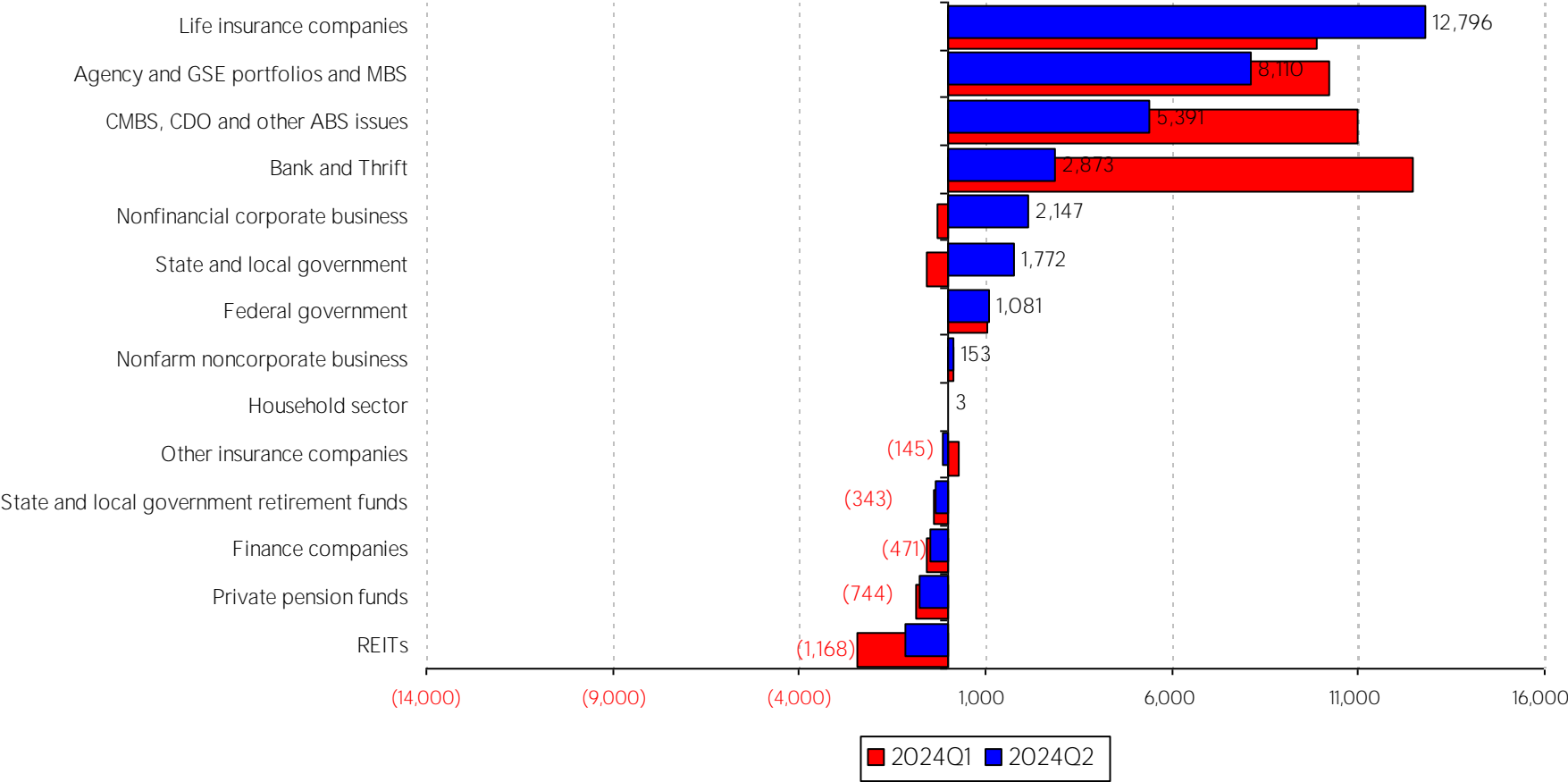
(\$millions)



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)



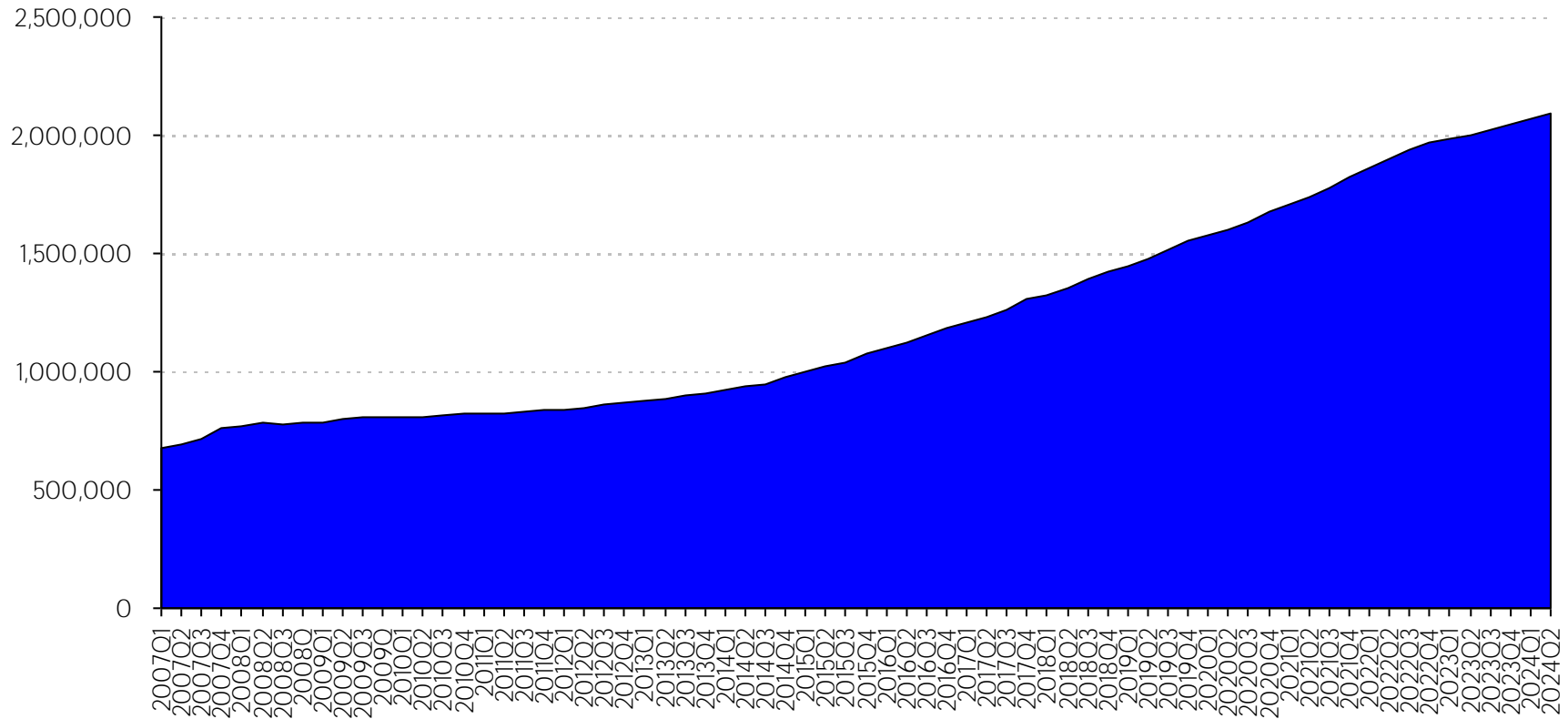
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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
	2024 Q2		2024 Q1		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	1,020,782	48.8%	1,012,672	48.9%	8,110	0.8%	41.9%
Bank and Thrift	624,996	29.9%	620,308	30.0%	4,688	0.8%	24.2%
Life insurance companies	234,379	11.2%	230,020	11.1%	4,359	1.9%	22.5%
State and local government	90,991	4.4%	89,514	4.3%	1,477	1.7%	7.6%
CMBS, CDO and other ABS issues	67,348	3.2%	66,805	3.2%	543	0.8%	2.8%
Nonfarm noncorporate business	19,458	0.9%	19,373	0.9%	85	0.4%	0.4%
Finance companies	12,483	0.6%	12,486	0.6%	-3	0.0%	0.0%
Federal government	10,136	0.5%	10,295	0.5%	-159	-1.5%	-0.8%
REITs	4,386	0.2%	4,067	0.2%	319	7.8%	1.6%
Private pension funds	2,778	0.1%	2,759	0.1%	19	0.7%	0.1%
Nonfinancial corporate business	1,323	0.1%	1,250	0.1%	73	5.8%	0.4%
State and local government retirement funds	1,099	0.1%	1,260	0.1%	-161	-12.8%	-0.8%
TOTAL	2,090,159		2,070,809		19,350	0.9%	

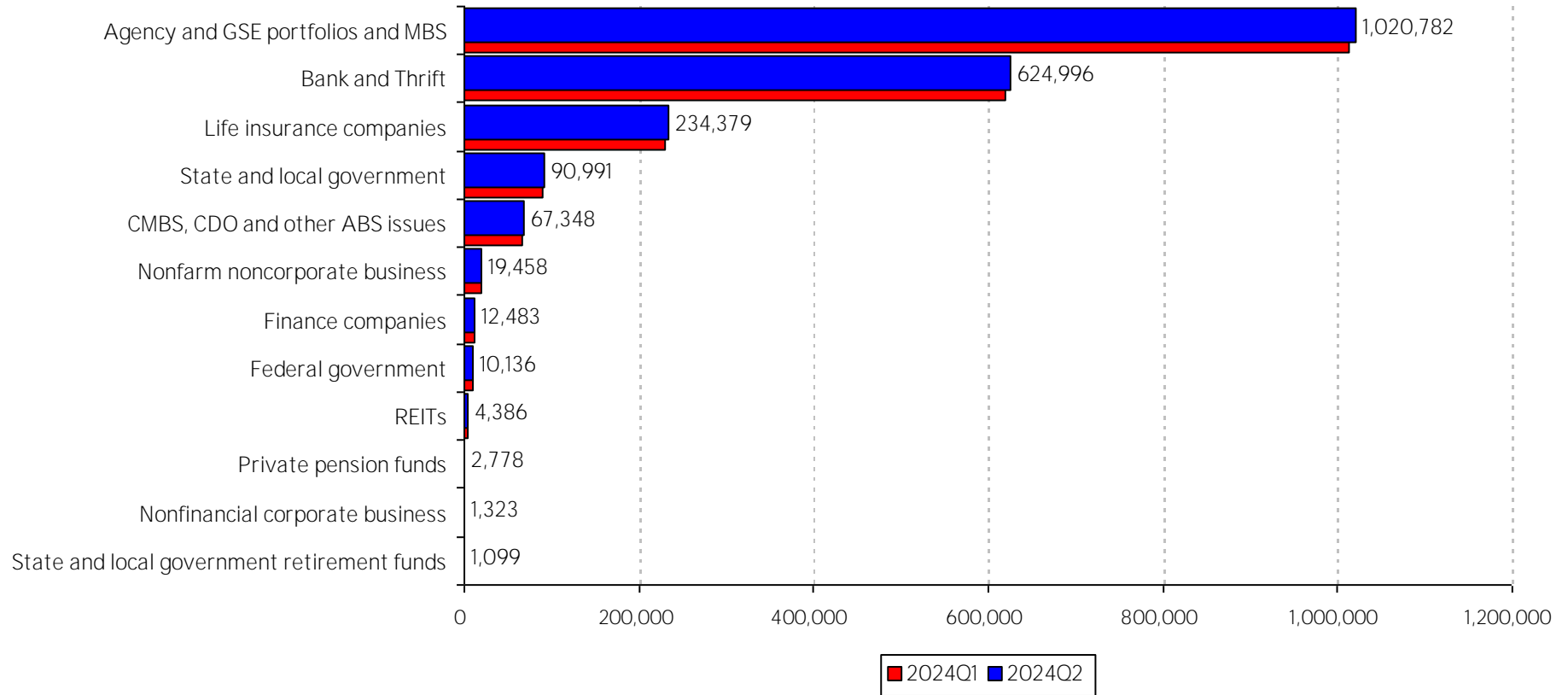
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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*)

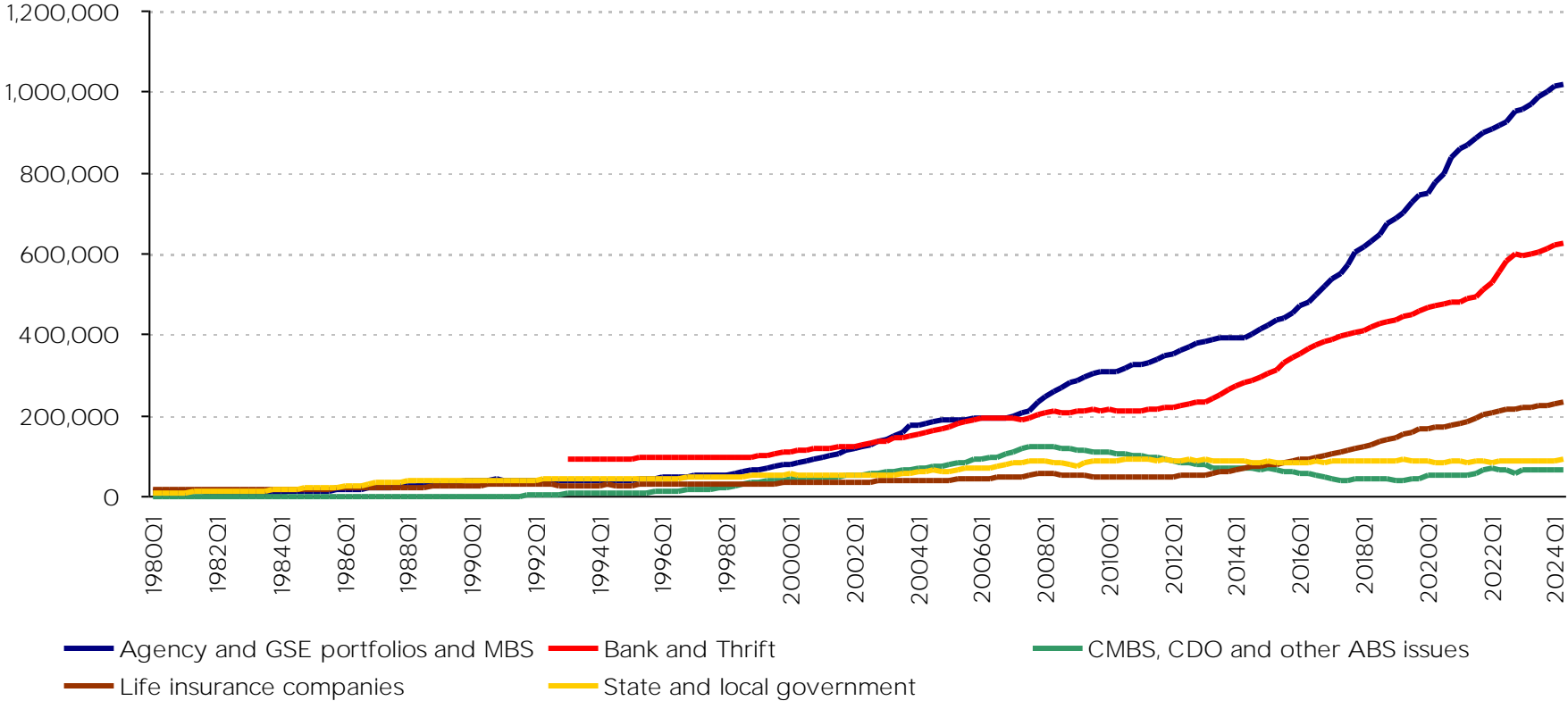


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

(\$millions)

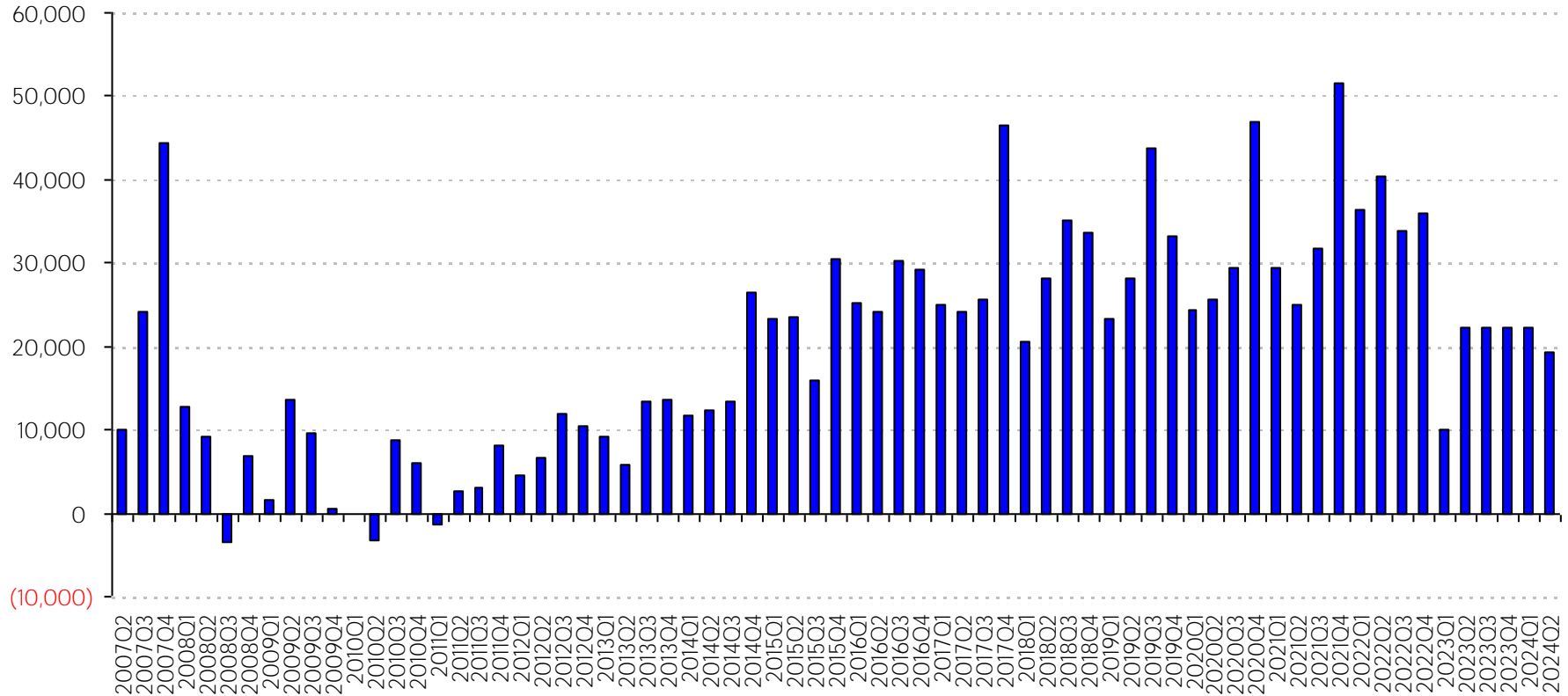


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)

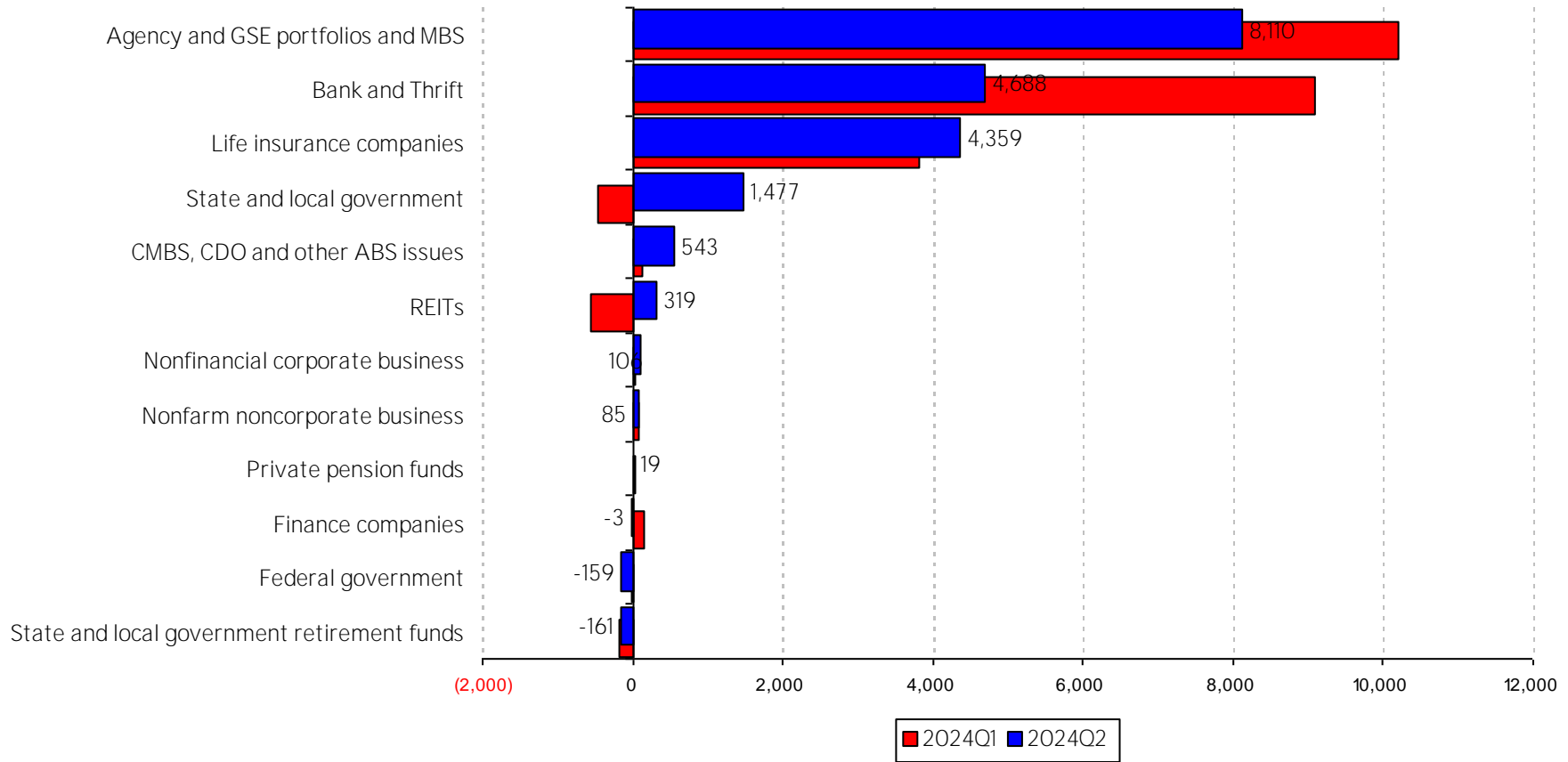


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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;

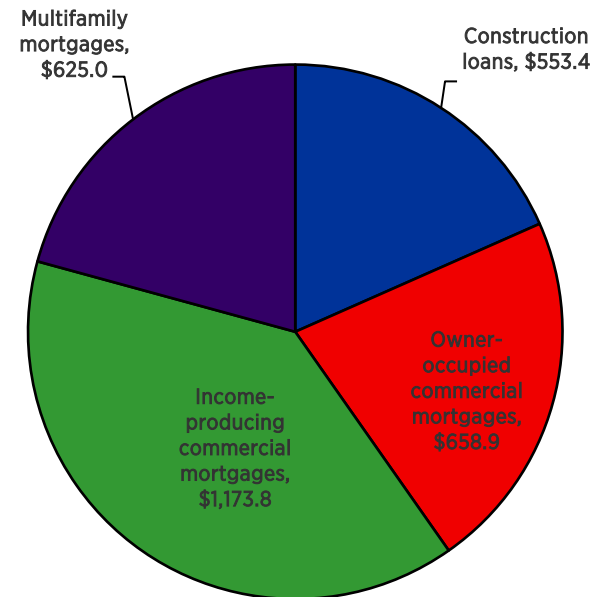
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

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 second quarter 2024, the Federal Reserve Board's Flow of Funds Accounts data attributed \$3.0 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 \$625 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 \$3.0 trillion total reported by the Federal Reserve also includes \$659 billion of loans collateralized by owner-occupied commercial properties and another \$553 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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