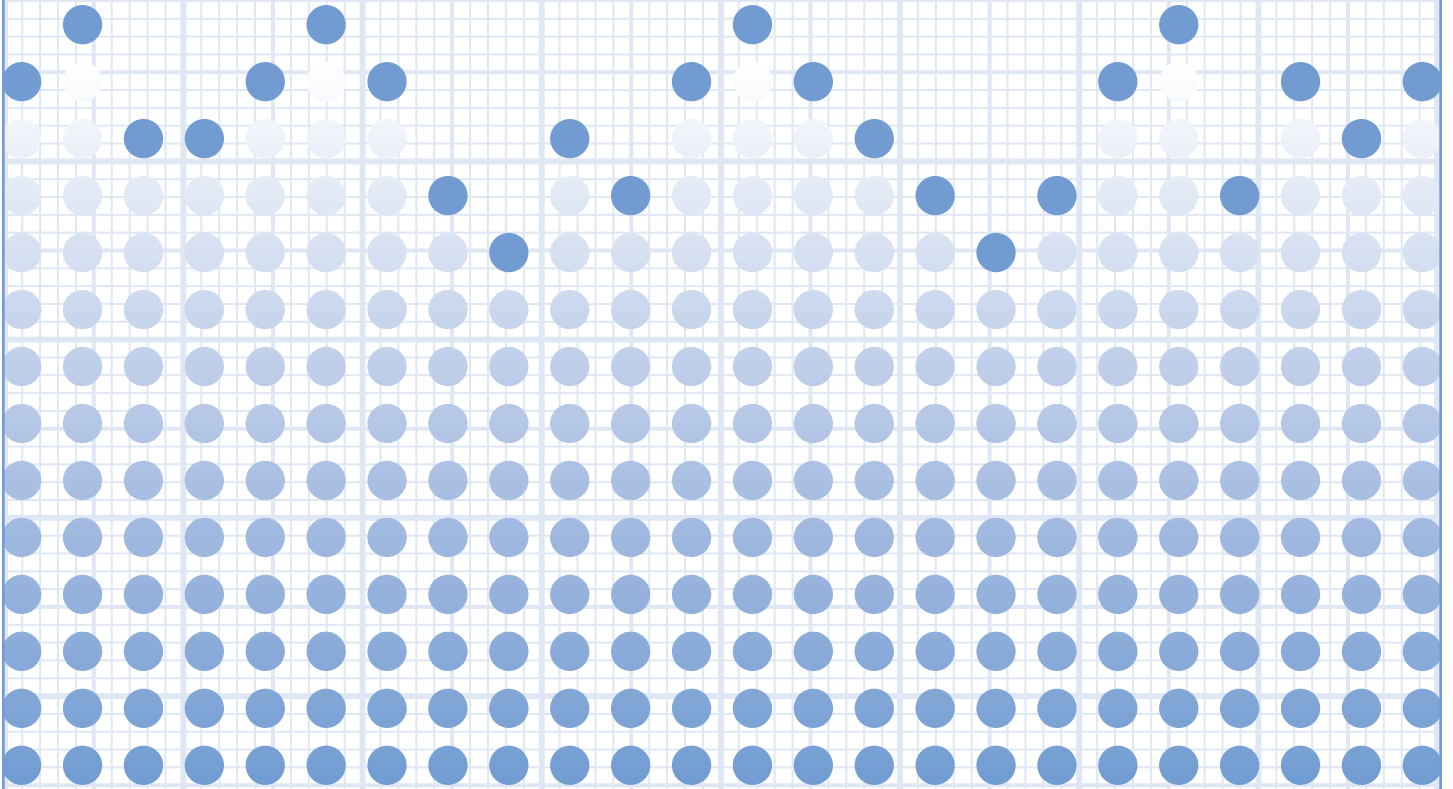


# MBA COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

FOURTH QUARTER 2008



*Commercial/Multifamily Mortgage Debt Outstanding*  
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MBA COMMERCIAL/MULTIFAMILY  
**MORTGAGE DEBT  
OUTSTANDING**



# Commercial/Multifamily Mortgage Debt Outstanding

*Fourth Quarter 2008*

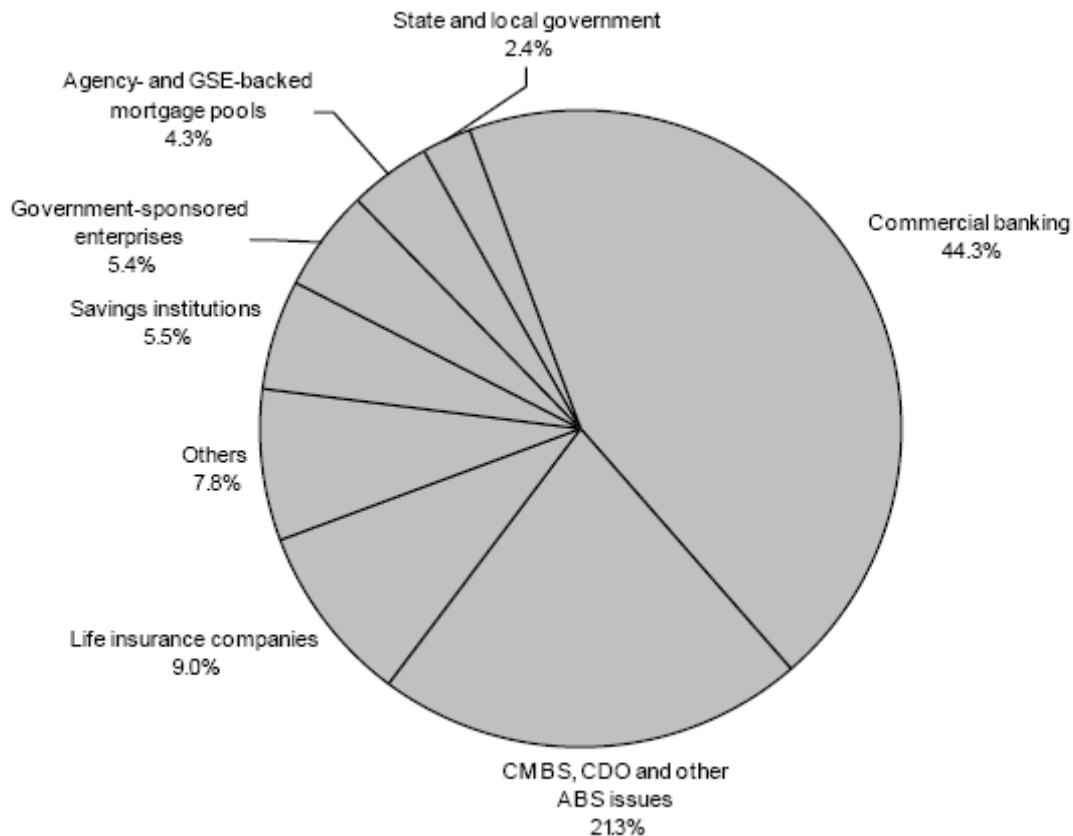
The level of commercial/multifamily mortgage debt outstanding grew by 0.7 percent in the fourth quarter, to \$3.5 trillion, according to the Mortgage Bankers Association (MBA) analysis of the Federal Reserve Board Flow of Funds data. The total was an increase of \$166 billion or 5 percent from the end of 2007.

The \$3.5 trillion in commercial/multifamily mortgage debt outstanding recorded by the Federal Reserve was an increase of \$23 billion from the third quarter 2008. Multifamily mortgage debt outstanding grew to \$900 billion, an increase of \$5.4 billion or 0.6 percent from the third quarter.

“Counter to what many expected, investors increased their holdings of commercial and multifamily mortgages during the fourth quarter,” said Jamie Woodwell, Vice President of Commercial Real Estate Research at the Mortgage Bankers Association. “Banks, thrifts, Fannie Mae, Freddie Mac, life insurance companies and other lenders extended additional credit to the market during the fourth quarter, lending for new commercial and multifamily mortgages than they saw paid off or paid down on existing loans.”

The Federal Reserve Flow of Funds data summarizes the holding of loans or, if the loans are securitized, the form of the

**Commercial Multifamily Mortgage Debt Outstanding**  
*By Investor Group, Fourth Quarter 2008*



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 issuers).

Commercial banks continue to hold the largest share of commercial/multifamily mortgages, \$1.55 trillion, or 44 percent of the total. Many of the commercial mortgage loans reported by commercial banks however, are actually "commercial and industrial" loans to which a piece of commercial property has been pledged as collateral. It is the borrower's business income - not the income derived from the property's rents and leases - that drives the underwriting, pricing and performance of these loans. A *MBA Research PolicyNote* found that among the top 10 commercial real estate bank lenders, 48 percent of their aggregate balance of commercial (non-multifamily) real estate loans were related to owner-occupied properties.

Since the other loans reported here are generally income property loans, meaning that the income primarily comes from rents, the commercial bank numbers are not comparable.

CMBS, CDO and other ABS issues are the second largest holders of commercial/multifamily mortgages, holding \$746 billion, or 21 percent of the total. Life insurance companies hold \$316 billion, or 9 percent of the total, and savings institutions hold \$193 billion, or 5.5 percent of the total. Government sponsored enterprises (GSEs) and Agency- and GSE- backed mortgage pools, including Fannie Mae, Freddie Mac and Ginnie Mae, hold \$189 billion in "whole" loans in their own portfolios and an additional \$149 billion in multifamily loans that support the mortgage-backed securities they issue, for a total share of 10 percent of outstanding commercial/multifamily

mortgages. (As noted above, many life insurance companies, banks and the GSEs also purchase and hold a large number of CMBS, CDO and other ABS issues. These loans appear in the CMBS, CDO and other ABS category referenced above.)

#### MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Looking just at multifamily mortgages, the GSEs and Ginnie Mae hold the largest share of multifamily mortgages, with \$189 billion in their own portfolios and \$149 billion in federally related mortgage pools - 38 percent of the total multifamily debt outstanding. They are followed by commercial banks with \$214 billion, or 24 percent of the total; CMBS, CDO and other ABS issuers with \$115 billion, or 13 percent of the total; state and local governments with \$69 billion, or 8 percent of the total; savings institutions with \$65 billion, or 7 percent of the total; and life insurance companies with \$50 billion, or 6 percent of the total.

#### CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the fourth quarter of 2008, commercial banks saw the largest increase in dollar terms in their holdings of commercial/multifamily mortgage debt - an increase of \$23 billion, or 1.5 percent. GSEs increased their holdings of commercial/multifamily mortgages by \$10 billion, or 6 percent.

In percentage terms, GSEs saw the biggest increase in their holdings of commercial/multifamily mortgages - a jump of 6 percent, while other insurance companies saw their holdings decrease by 9 percent.

#### CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$5 billion increase in multifamily mortgage debt outstanding between the third quarter 2008 and fourth quarter 2008 represents a 0.6 percent increase. In dollar terms, government sponsored enterprises saw the largest increase in their holdings of multifamily mortgage debt - an increase of

\$10 billion, or 6 percent. Agency- and GSE-backed mortgage pools increased their holdings of multifamily mortgage debt by \$720 million, or 0.5 percent. Private pension funds increased by \$222 million, or 8 percent.

In percentage terms, private pension funds recorded the biggest increase in their holdings of multifamily mortgages, 38 percent, while savings institutions saw the biggest drop, -30 percent.

In percentage terms, private pension funds recorded the biggest increase in their holdings of multifamily mortgages, 8 percent, while finance companies saw the biggest drop, -12 percent.

#### CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING DURING 2008

Between December 2007 and December 2008, commercial banking saw the largest increase in dollar terms in their holdings of commercial/multifamily mortgage debt - an increase of \$152 billion, or 11 percent. The results were heavily influenced by the acquisition of savings institution Washington Mutual by commercial bank J.P. Morgan. As a result, the savings institution's assets appear as a net increase in the holdings of the commercial banking sector and a net decrease in the holdings of the savings institution sector. Government-sponsored enterprises increased their holdings of commercial/multifamily mortgages by \$42 billion or 28 percent. Finance companies experienced a net increase of \$13 billion or 23 percent.

In percentage terms, GSEs saw the biggest increase in their holdings of commercial/multifamily mortgages - a jump of 28 percent - while other insurance companies saw the biggest drop, a net change of -11 percent.

The \$57 billion increase in multifamily mortgage debt outstanding during 2008 represents a 7 percent increase. In dollar terms, commercial banking, driven by the acquisition of Washington Mutual by J.P. Morgan mentioned above, saw the largest increase in their holdings of multifamily mortgage debt - an increase of \$46 billion or 27 percent.



## YEAR END COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

### Commercial and Multifamily Mortgage Debt Outstanding, by Sector



	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2008 Q4		2007 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Commercial banking	1,548,780	44.3%	1,396,897	41.9%	151,883	10.9%	91.4%
CMBS, CDO and other ABS issues	746,370	21.3%	788,219	23.7%	-41,849	-5.3%	-25.2%
Life insurance companies	315,516	9.0%	304,030	9.1%	11,486	3.8%	6.9%
Savings institutions	192,965	5.5%	215,416	6.5%	-22,451	-10.4%	-13.5%
Government-sponsored enterprises	189,400	5.4%	147,674	4.4%	41,726	28.3%	25.1%
Agency- and GSE-backed mortgage pools	149,245	4.3%	139,226	4.2%	10,019	7.2%	6.0%
State and local government	82,834	2.4%	84,900	2.5%	-2,066	-2.4%	-1.2%
Finance companies	72,457	2.1%	59,116	1.8%	13,341	22.6%	8.0%
Federal government	69,034	2.0%	65,269	2.0%	3,765	5.8%	2.3%
REITs	39,022	1.1%	41,954	1.3%	-2,932	-7.0%	-1.8%
Nonfinancial corporate business	30,754	0.9%	29,704	0.9%	1,050	3.5%	0.6%
Nonfarm noncorporate business	26,224	0.7%	24,860	0.7%	1,364	5.5%	0.8%
Household sector	14,400	0.4%	13,567	0.4%	833	6.1%	0.5%
Private pension funds	9,610	0.3%	8,947	0.3%	663	7.4%	0.4%
State and local government retirement funds	7,727	0.2%	7,944	0.2%	-217	-2.7%	-0.1%
Other insurance companies	4,250	0.1%	4,770	0.1%	-520	-10.9%	-0.3%
<b>TOTAL</b>	<b>3,498,588</b>		<b>3,332,493</b>		<b>166,095</b>	<b>5.0%</b>	

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

## YEAR END MULTIFAMILY MORTGAGE DEBT OUTSTANDING

### Multifamily Mortgage Debt Outstanding, by Sector

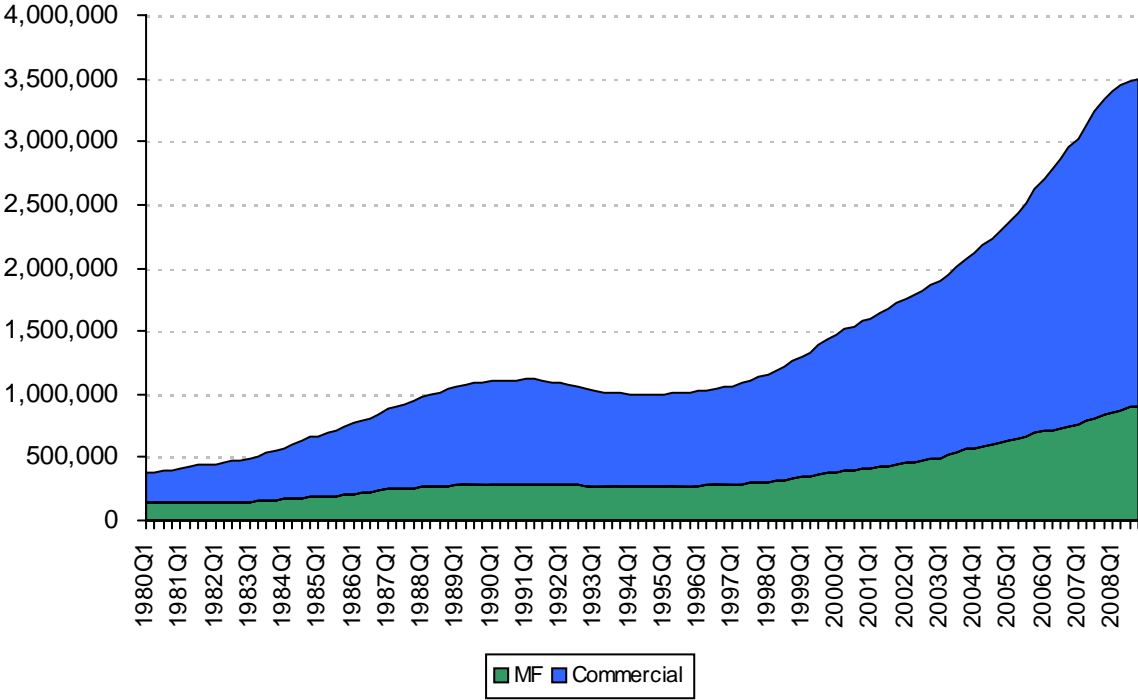


	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2008 Q4		2007 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Commercial banking	214,254	23.8%	168,407	20.0%	45,847	27.2%	80.6%
Government-sponsored enterprises	189,400	21.0%	147,674	17.5%	41,726	28.3%	73.4%
Agency- and GSE-backed mortgage pools	149,245	16.6%	139,226	16.5%	10,019	7.2%	17.6%
CMBS, CDO and other ABS issues	114,505	12.7%	125,494	14.9%	-10,989	-8.8%	-19.3%
State and local government	69,028	7.7%	70,750	8.4%	-1,722	-2.4%	-3.0%
Savings institutions	65,229	7.2%	92,705	11.0%	-27,476	-29.6%	-48.3%
Life insurance companies	50,000	5.6%	51,837	6.1%	-1,837	-3.5%	-3.2%
Nonfarm noncorporate business	14,477	1.6%	13,724	1.6%	753	5.5%	1.3%
Federal government	14,358	1.6%	14,429	1.7%	-71	-0.5%	-0.1%
Finance companies	5,839	0.6%	5,086	0.6%	753	14.8%	1.3%
REITs	4,150	0.5%	5,130	0.6%	-980	-19.1%	-1.7%
State and local government retirement funds	3,622	0.4%	3,724	0.4%	-102	-2.7%	-0.2%
Private pension funds	2,918	0.3%	2,109	0.3%	809	38.4%	1.4%
Household sector	1,733	0.2%	1,656	0.2%	77	4.6%	0.1%
Nonfinancial corporate business	1,232	0.1%	1,167	0.1%	65	5.6%	0.1%
<b>TOTAL</b>	<b>899,990</b>		<b>843,118</b>		<b>56,872</b>	<b>6.7%</b>	

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

**COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING**

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



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

## QUARTERLY COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Commercial and Multifamily Mortgage Debt Outstanding, by Sector



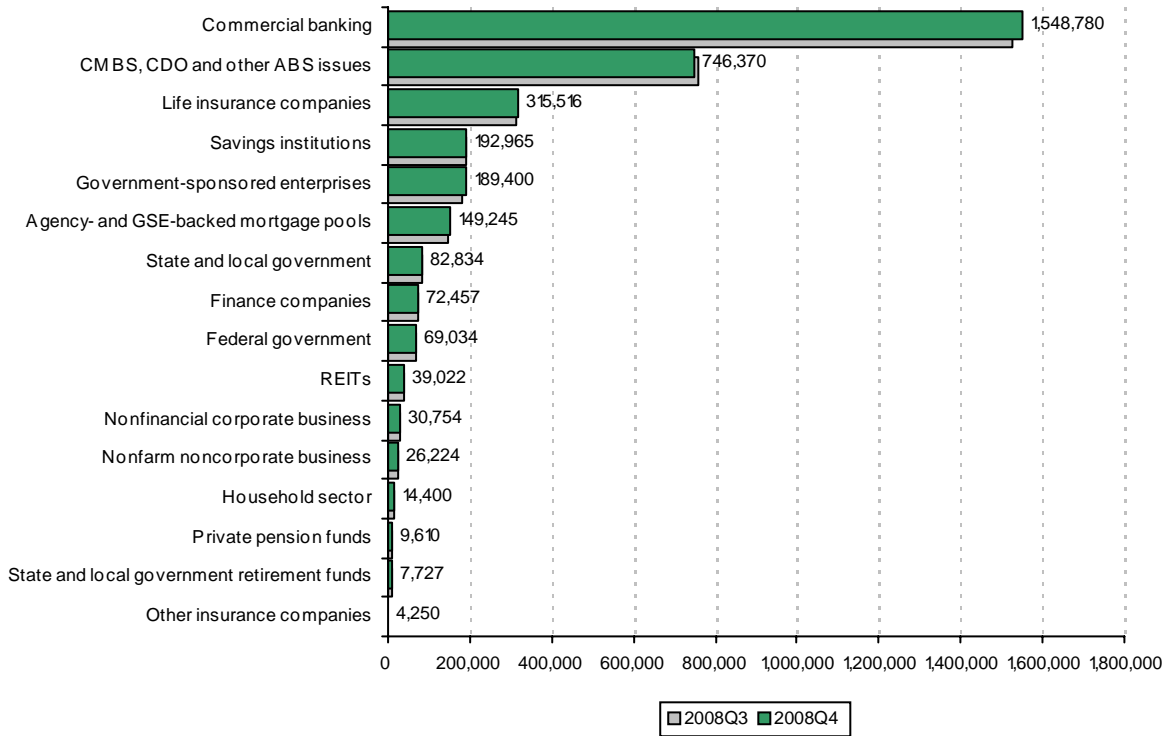
	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2008 Q4		2008 Q3		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Commercial banking	1,548,780	44.3%	1,525,666	43.9%	23,114	1.5%	100.1%
CMBS, CDO and other ABS issues	746,370	21.3%	757,455	21.8%	-11,085	-1.5%	-48.0%
Life insurance companies	315,516	9.0%	314,962	9.1%	554	0.2%	2.4%
Savings institutions	192,965	5.5%	191,151	5.5%	1,814	0.9%	7.9%
Government-sponsored enterprises	189,400	5.4%	179,408	5.2%	9,992	5.6%	43.3%
Agency- and GSE-backed mortgage pools	149,245	4.3%	148,525	4.3%	720	0.5%	3.1%
State and local government	82,834	2.4%	84,173	2.4%	-1,339	-1.6%	-5.8%
Finance companies	72,457	2.1%	73,378	2.1%	-921	-1.3%	-4.0%
Federal government	69,034	2.0%	66,533	1.9%	2,501	3.8%	10.8%
REITs	39,022	1.1%	41,441	1.2%	-2,419	-5.8%	-10.5%
Nonfinancial corporate business	30,754	0.9%	30,490	0.9%	264	0.9%	1.1%
Nonfarm noncorporate business	26,224	0.7%	26,195	0.8%	29	0.1%	0.1%
Household sector	14,400	0.4%	14,186	0.4%	214	1.5%	0.9%
Private pension funds	9,610	0.3%	9,550	0.3%	60	0.6%	0.3%
State and local government retirement funds	7,727	0.2%	7,731	0.2%	-4	-0.1%	0.0%
Other insurance companies	4,250	0.1%	4,660	0.1%	-410	-8.8%	-1.8%
<b>TOTAL</b>	<b>3,498,588</b>		<b>3,475,504</b>		<b>23,084</b>	<b>0.7%</b>	

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

## COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)

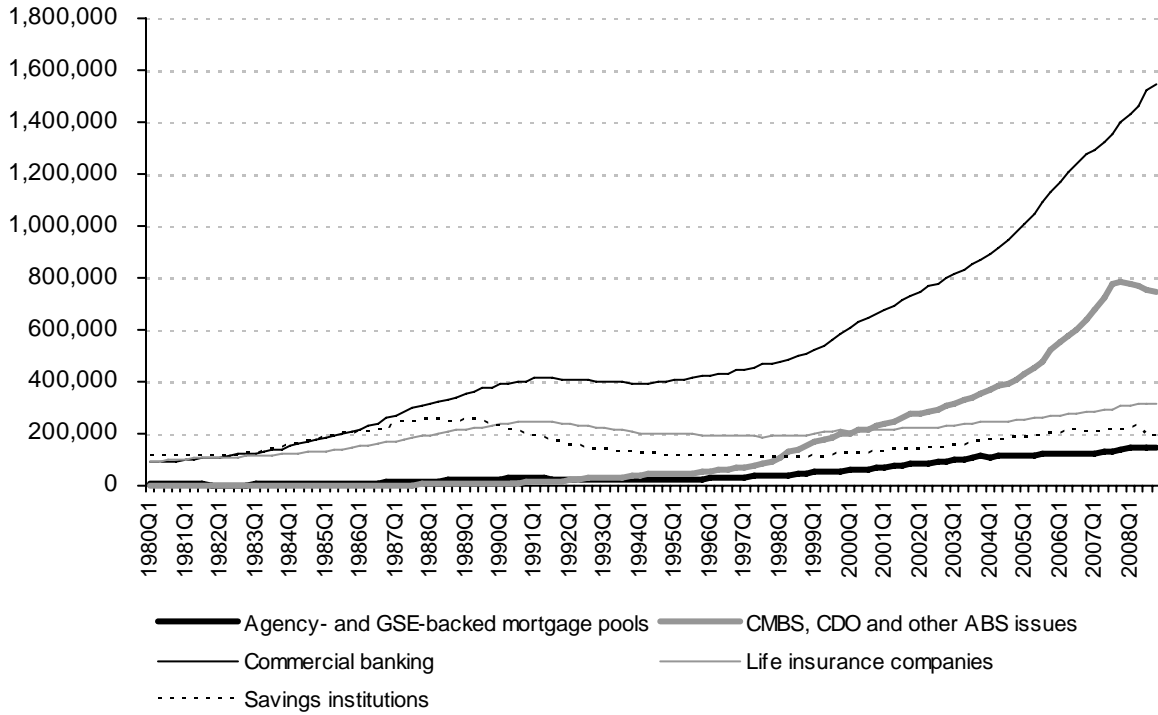


Source: Flow of Funds Accounts, Federal Reserve Board of Governors

## COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

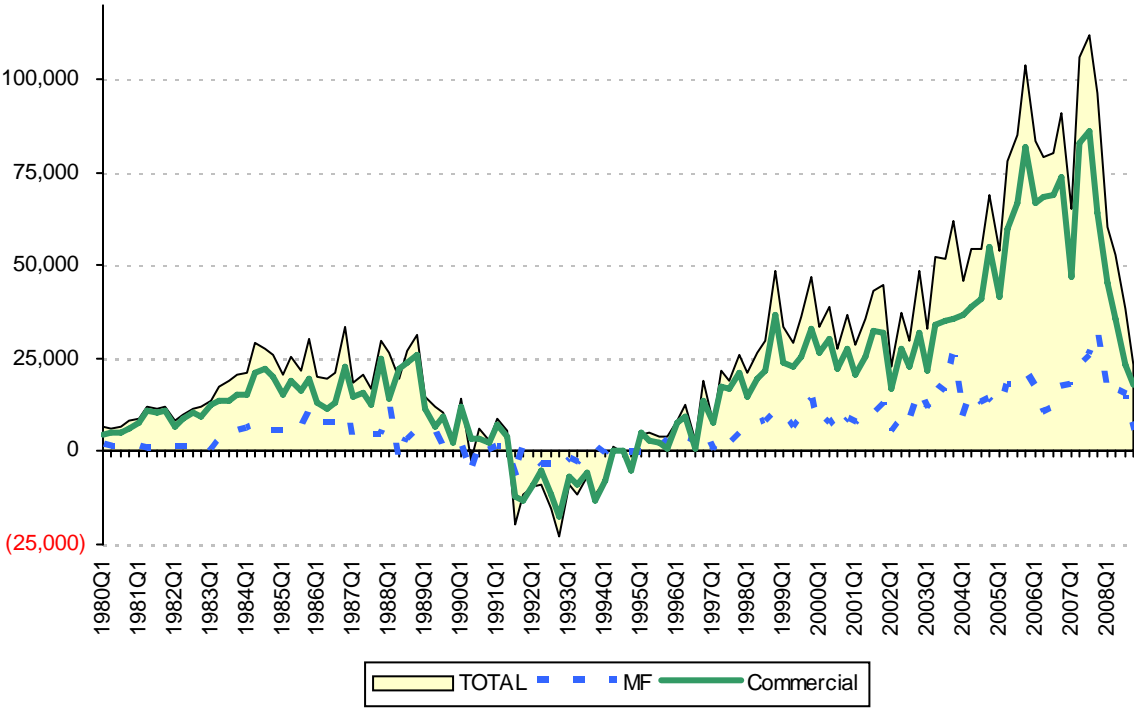
(\$millions)



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

**COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS**

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

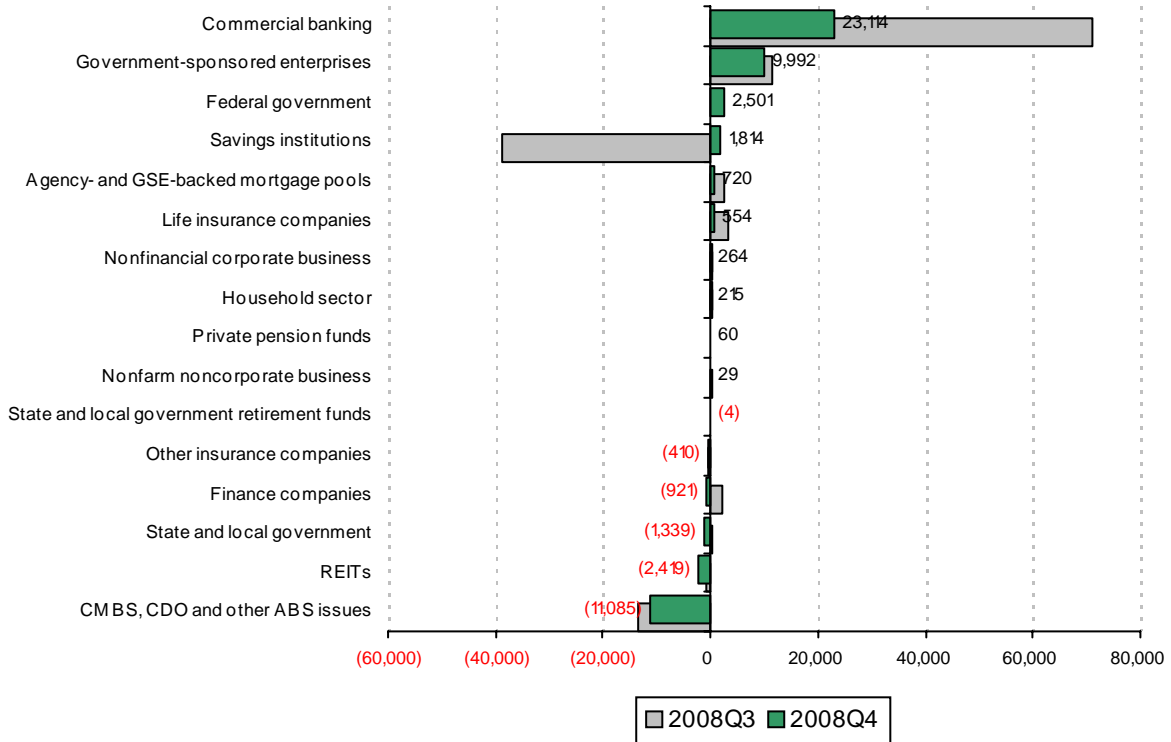


Source: Flow of Funds Accounts, Federal Reserve Board of Governors

## COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

(\$millions)



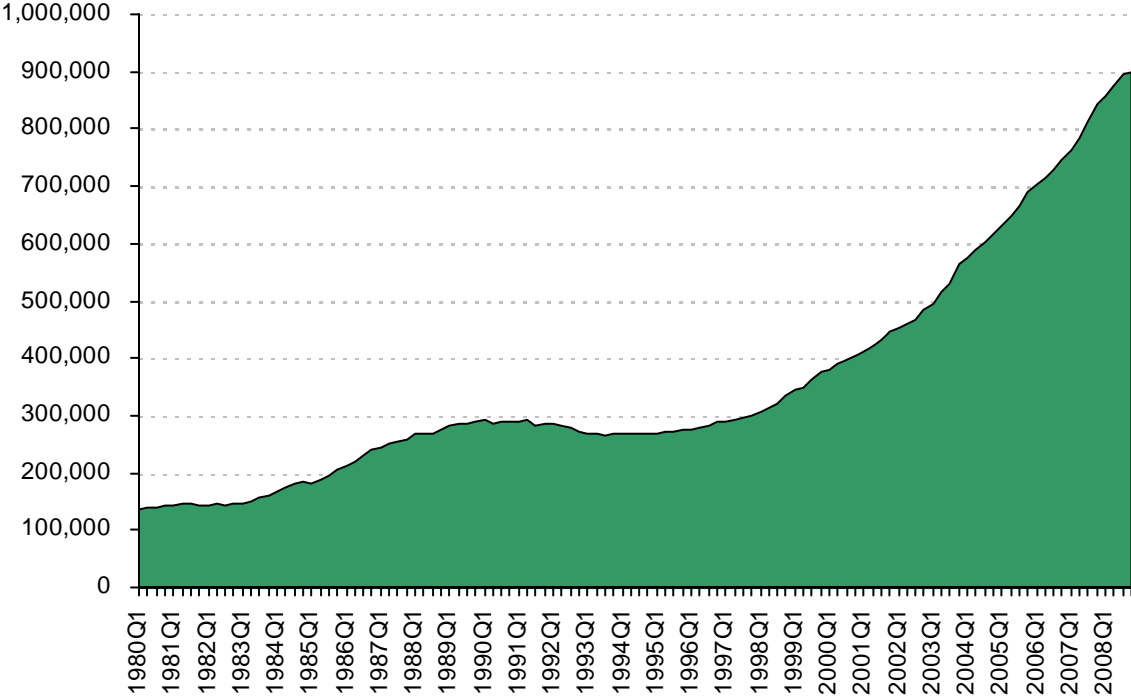
Source: Flow of Funds Accounts, Federal Reserve Board of Governors



## MULTIFAMILY MORTGAGE DEBT OUTSTANDING

**MULTIFAMILY MORTGAGE DEBT OUTSTANDING**

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



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

## QUARTERLY MULTIFAMILY MORTGAGE DEBT OUTSTANDING

### Multifamily Mortgage Debt Outstanding, by Sector

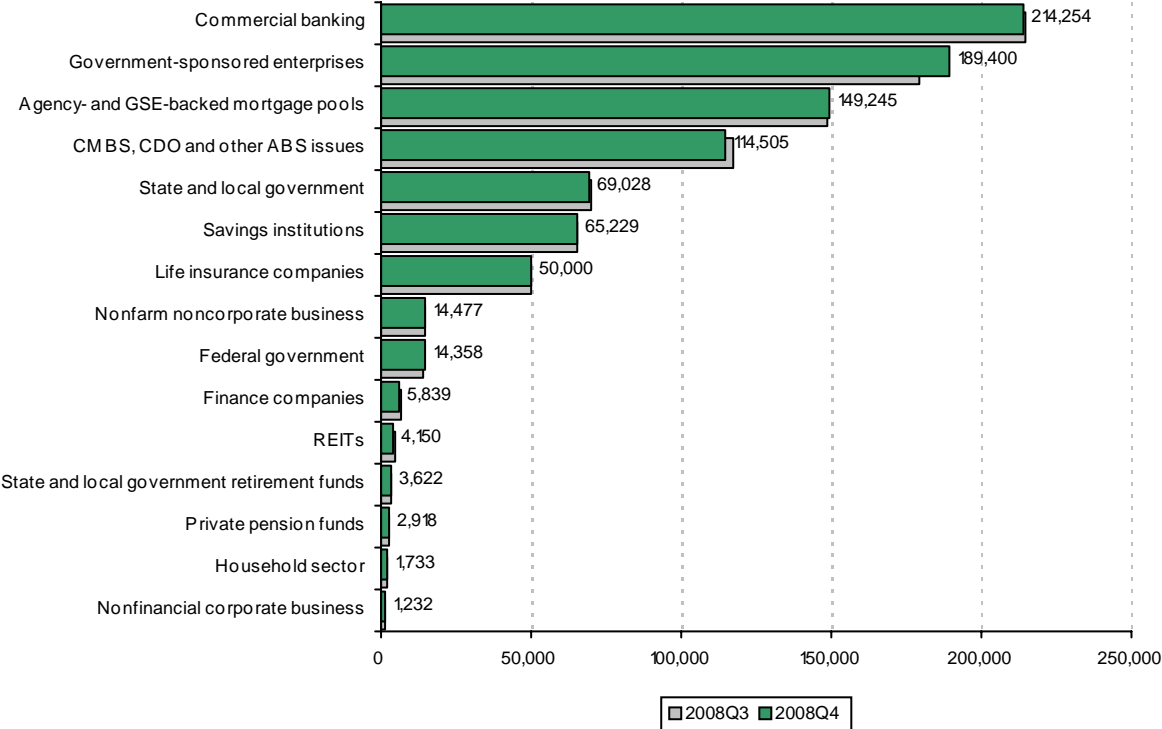


	Mortgage Debt Outstanding				Change		Sector Share of \$ Change
	2008 Q4		2008 Q3		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Commercial banking	214,254	23.8%	214,715	24.0%	-461	-0.2%	-8.6%
Government-sponsored enterprises	189,400	21.0%	179,408	20.1%	9,992	5.6%	185.6%
Agency- and GSE-backed mortgage pools	149,245	16.6%	148,525	16.6%	720	0.5%	13.4%
CMBS, CDO and other ABS issues	114,505	12.7%	117,554	13.1%	-3,049	-2.6%	-56.6%
State and local government	69,028	7.7%	70,144	7.8%	-1,116	-1.6%	-20.7%
Savings institutions	65,229	7.2%	65,202	7.3%	27	0.0%	0.5%
Life insurance companies	50,000	5.6%	50,077	5.6%	-77	-0.2%	-1.4%
Nonfarm noncorporate business	14,477	1.6%	14,461	1.6%	16	0.1%	0.3%
Federal government	14,358	1.6%	14,258	1.6%	100	0.7%	1.9%
Finance companies	5,839	0.6%	6,652	0.7%	-813	-12.2%	-15.1%
REITs	4,150	0.5%	4,362	0.5%	-212	-4.9%	-3.9%
State and local government retirement funds	3,622	0.4%	3,624	0.4%	-2	-0.1%	0.0%
Private pension funds	2,918	0.3%	2,696	0.3%	222	8.2%	4.1%
Household sector	1,733	0.2%	1,713	0.2%	20	1.2%	0.4%
Nonfinancial corporate business	1,232	0.1%	1,215	0.1%	17	1.4%	0.3%
<b>TOTAL</b>	<b>899,990</b>		<b>894,606</b>		<b>5,384</b>	<b>0.6%</b>	

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

**MULTIFAMILY MORTGAGE DEBT OUTSTANDING**

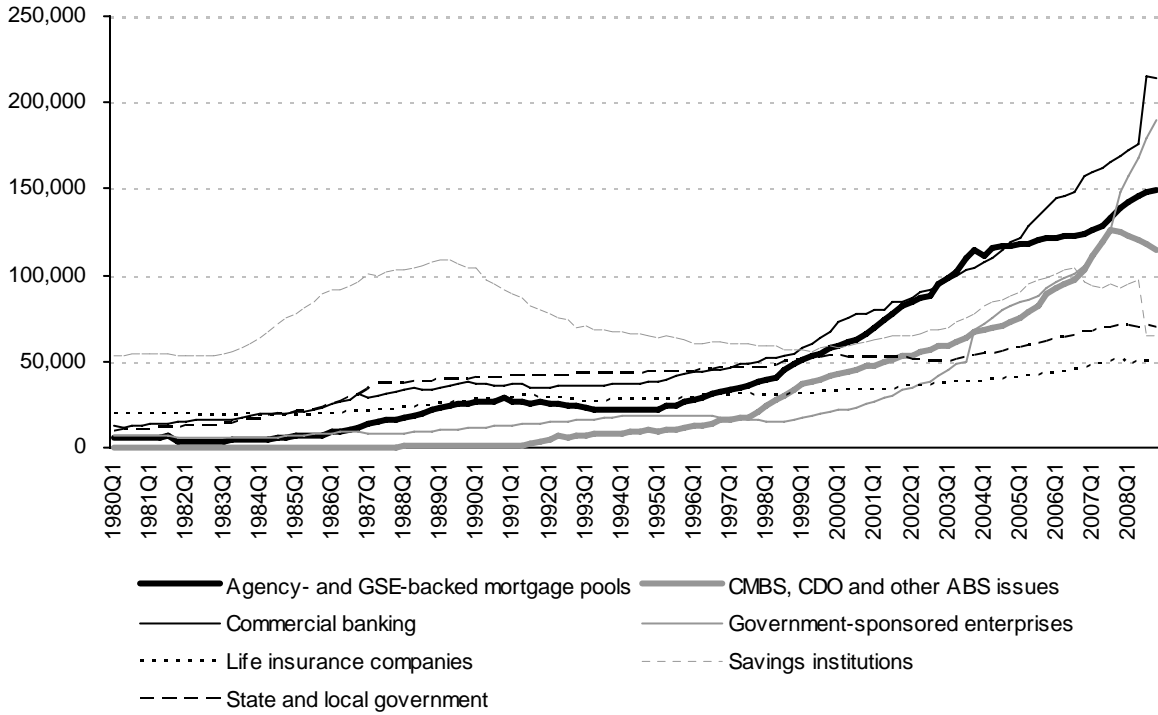
Total Multifamily Mortgage Debt Outstanding, by Sector  
 (\$millions)



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

# MULTIFAMILY MORTGAGE DEBT OUTSTANDING

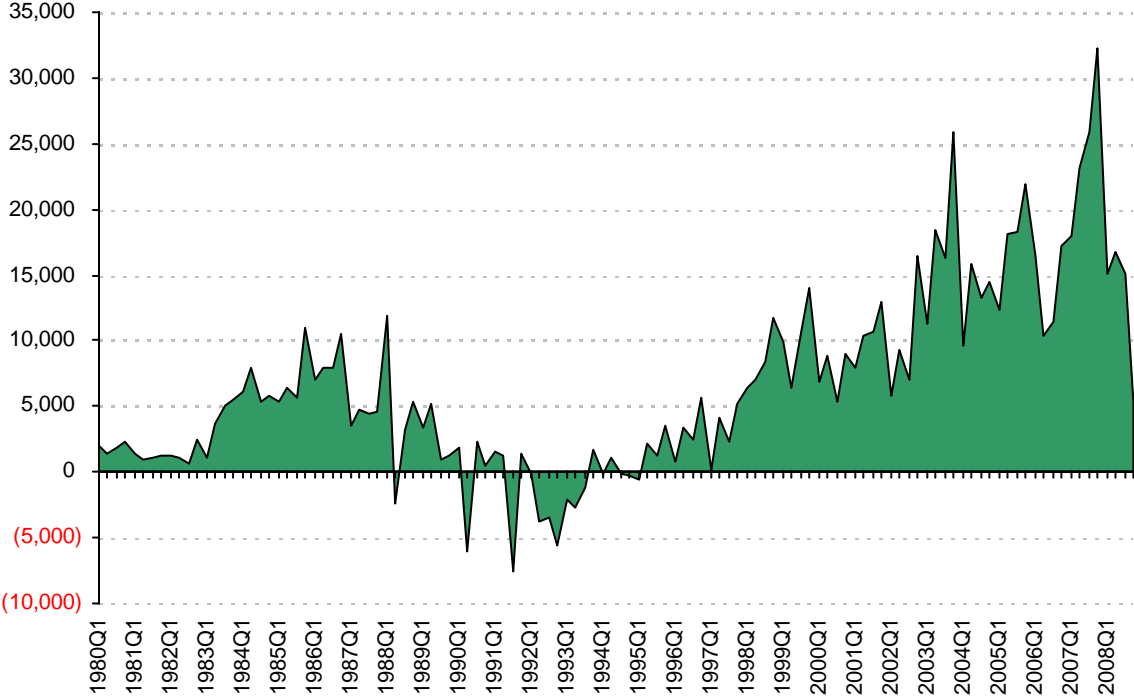
Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter  
 (\$millions)



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

**MULTIFAMILY MORTGAGE FLOWS**

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

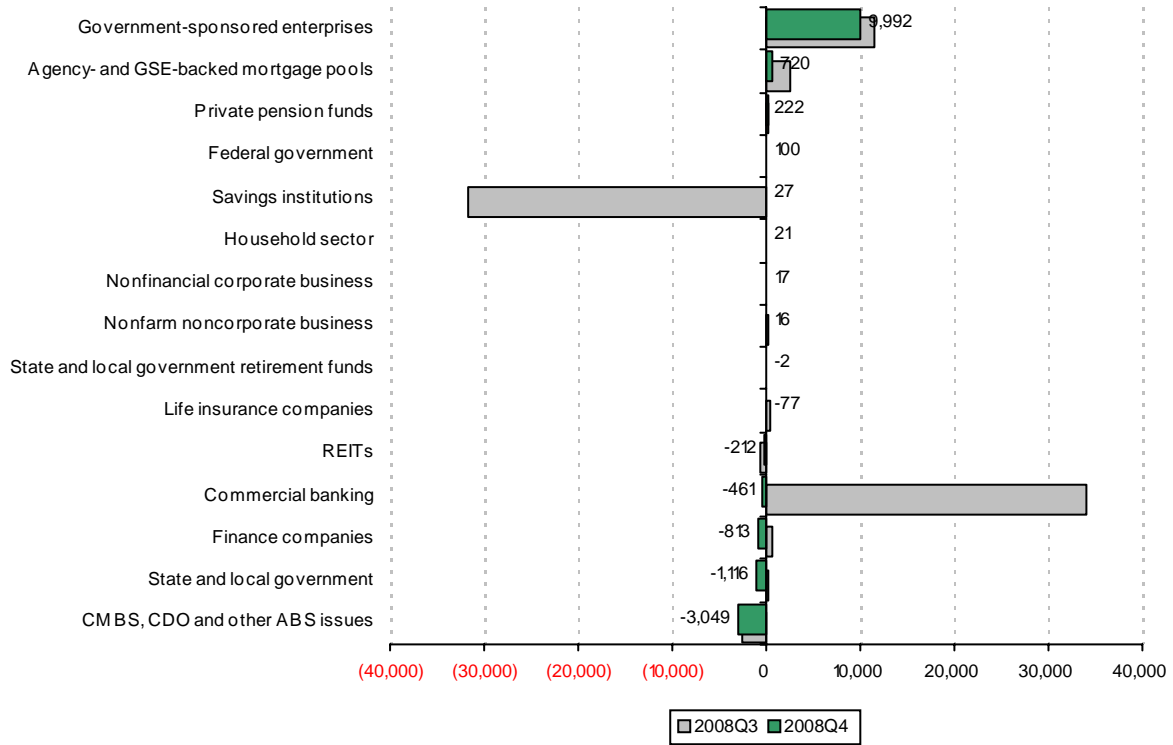


Source: Flow of Funds Accounts, Federal Reserve Board of Governors

## MULTIFAMILY MORTGAGE FLOWS

### Net Change in Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)



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



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