

MDO Q1

COMMERCIAL / MULTIFAMILY MORTGAGE DEBT OUTSTANDING | Q1 2024

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COMMERCIAL/MULTIFAMILY
REAL ESTATE **MORTGAGE**
DEBT OUTSTANDING
Q1 2024

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MORTGAGE BANKERS ASSOCIATION

4. Commercial/Multifamily Mortgage Debt Outstanding

June 18, 2024

The level of commercial/multifamily mortgage debt outstanding increased by \$40.1 billion (0.9 percent) in the first quarter of 2024, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Mortgage Debt Outstanding quarterly report.

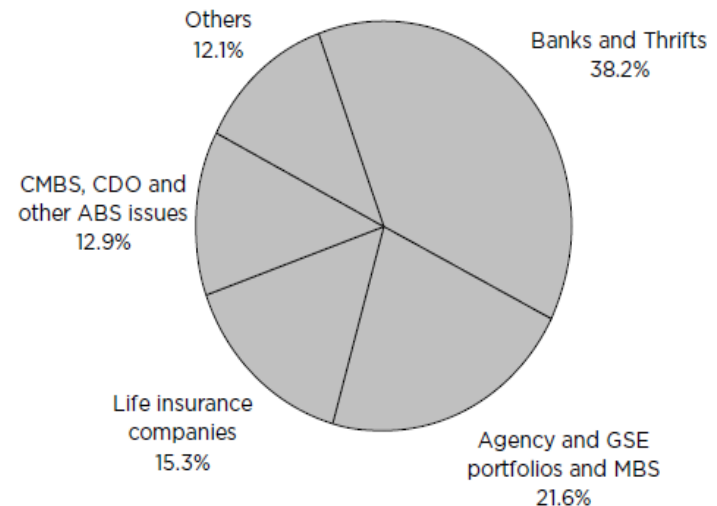
Total commercial/multifamily mortgage debt outstanding rose to \$4.70 trillion at the end of the first quarter. Multifamily mortgage debt alone increased \$23.7 billion (1.1 percent) to \$2.10 trillion from the fourth quarter of 2023.

"The amount of commercial mortgage debt outstanding increased in the first quarter of 2024, despite slow mortgage originations activity," said Jamie Woodwell, MBA's Head of Commercial Real Estate Research. "Every major capital source increased its holdings of commercial mortgages, as fewer loans than usual were paid off through property sales or refinancings."

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 mortgages (22 percent) at \$1.01 trillion. Life insurance companies hold \$720 billion (15 percent), and CMBS, CDO and another other ABS issues hold \$604 billion (13 percent). Many life insurance companies, banks and the GSEs purchase and hold CMBS, CDO and other

Commercial Multifamily Mortgage Debt Outstanding
By Investor Group, First Quarter 2024



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 first quarter of 2024, agency and GSE portfolios and MBS hold the largest share of total multifamily debt outstanding at \$1.01 billion (48 percent), followed by banks and thrifts with \$620 billion (30 percent), life insurance companies with \$230 billion (11 percent), state and local government with \$117 billion (6 percent), and CMBS, CDO and other ABS issues holding \$67 billion (3 percent).

CHANGES IN COMMERCIAL/MULTIFAMILY MORTGAGE DEBT OUTSTANDING

In the first quarter, bank and thrifts saw the largest gains in dollar terms in their holdings of commercial/multifamily mortgage debt – an increase of \$12.8 billion (0.7 percent). CMBS, CDO and other ABS issues increased their holdings by \$11.0 billion (1.9 percent), agency and GSE portfolios and MBS increased their holdings by \$10.2 billion (1.0 percent), and life insurance companies increased their holdings by \$7.0 billion (1.0 percent).

In percentage terms, CMBS, CDO and other ABS issues saw the largest increase – 1.9 percent – in their holdings of commercial/multifamily mortgages. Conversely, state and local government retirement funds saw their holdings decrease 8.3 percent.

CHANGES IN MULTIFAMILY MORTGAGE DEBT OUTSTANDING

The \$23.7 billion increase in multifamily mortgage debt outstanding from the fourth quarter of 2023 represents a quarterly gain of 1.1 percent. In dollar terms, agency and GSE portfolios and MBS issues saw the largest gain – \$10.2 billion (1.0 percent) – in their holdings of multifamily mortgage debt. Bank and thrifts increased their holdings by \$9.1 billion (1.5 percent), and life insurance companies increased by \$3.8 billion (1.7 percent).

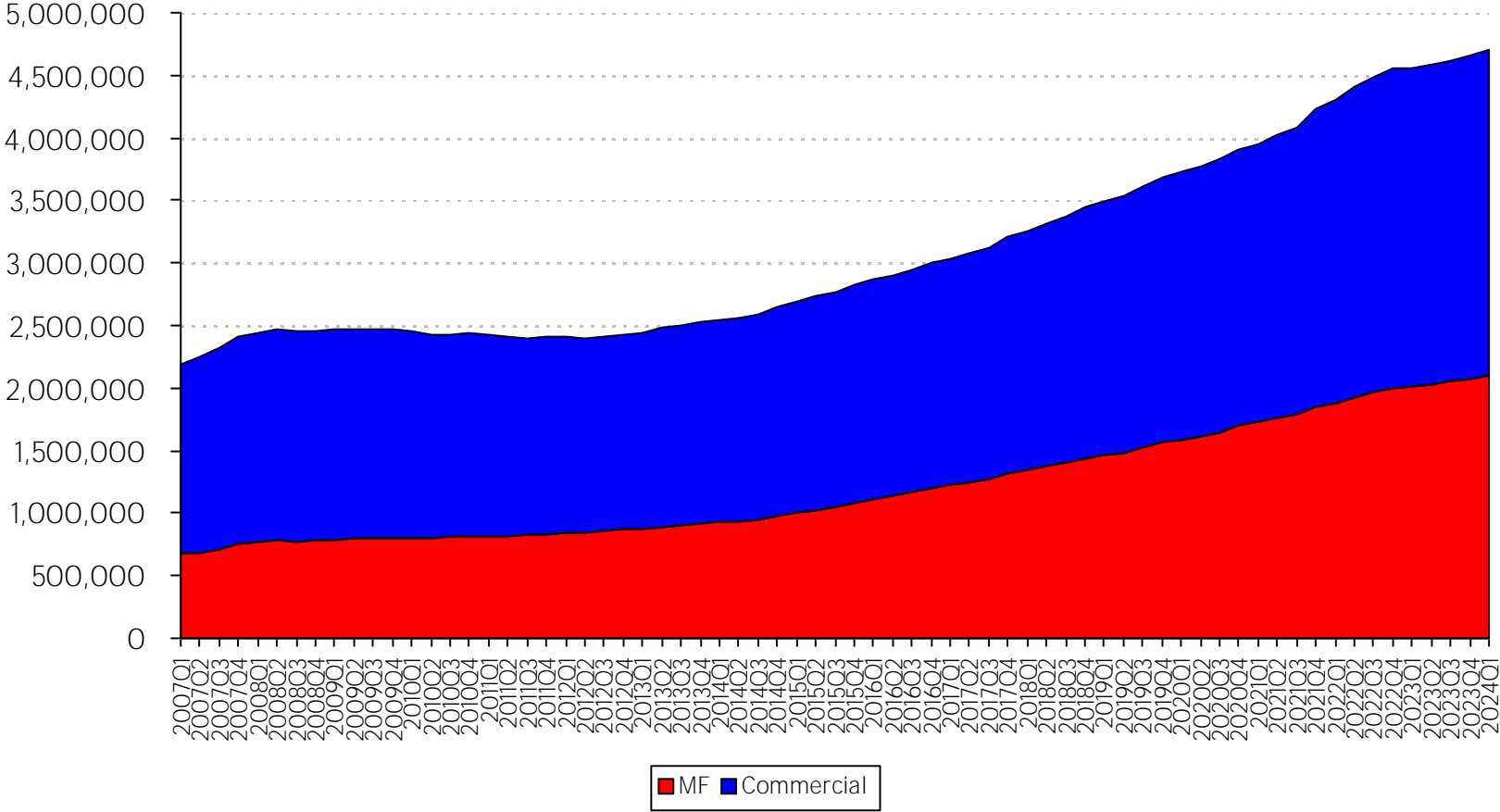
Nonfinancial corporate business saw the largest percentage increase in their holdings of multifamily mortgage debt, up 3.2 percent. REITs saw the largest decline in their holdings of multifamily mortgage debt at 9.7 percent.

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 Q1		2023 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Bank and Thrift	1,793,902	38.2%	1,781,060	38.2%	12,842	0.7%	32.1%
Agency and GSE portfolios and MBS	1,012,672	21.6%	1,002,469	21.5%	10,203	1.0%	25.5%
Life insurance companies	719,647	15.3%	712,686	15.3%	6,961	1.0%	17.4%
CMBS, CDO and other ABS issues	604,046	12.9%	593,061	12.7%	10,985	1.9%	27.4%
State and local government	139,168	3.0%	138,166	3.0%	1,002	0.7%	2.5%
Nonfinancial corporate business	106,115	2.3%	106,404	2.3%	-289	-0.3%	-0.7%
Federal government	97,631	2.1%	96,607	2.1%	1,024	1.1%	2.6%
REITs	91,620	2.0%	94,082	2.0%	-2,462	-2.6%	-6.1%
Finance companies	34,839	0.7%	35,417	0.8%	-578	-1.6%	-1.4%
Nonfarm noncorporate business	34,836	0.7%	34,703	0.7%	133	0.4%	0.3%
Other insurance companies	33,196	0.7%	32,935	0.7%	261	0.8%	0.7%
Private pension funds	25,589	0.5%	25,358	0.5%	231	0.9%	0.6%
State and local government retirement funds	2,902	0.1%	3,165	0.1%	-263	-8.3%	-0.7%
Household sector	1,475	0.0%	1,465	0.0%	10	0.7%	0.0%
TOTAL	4,697,638		4,657,578		40,060	0.9%	

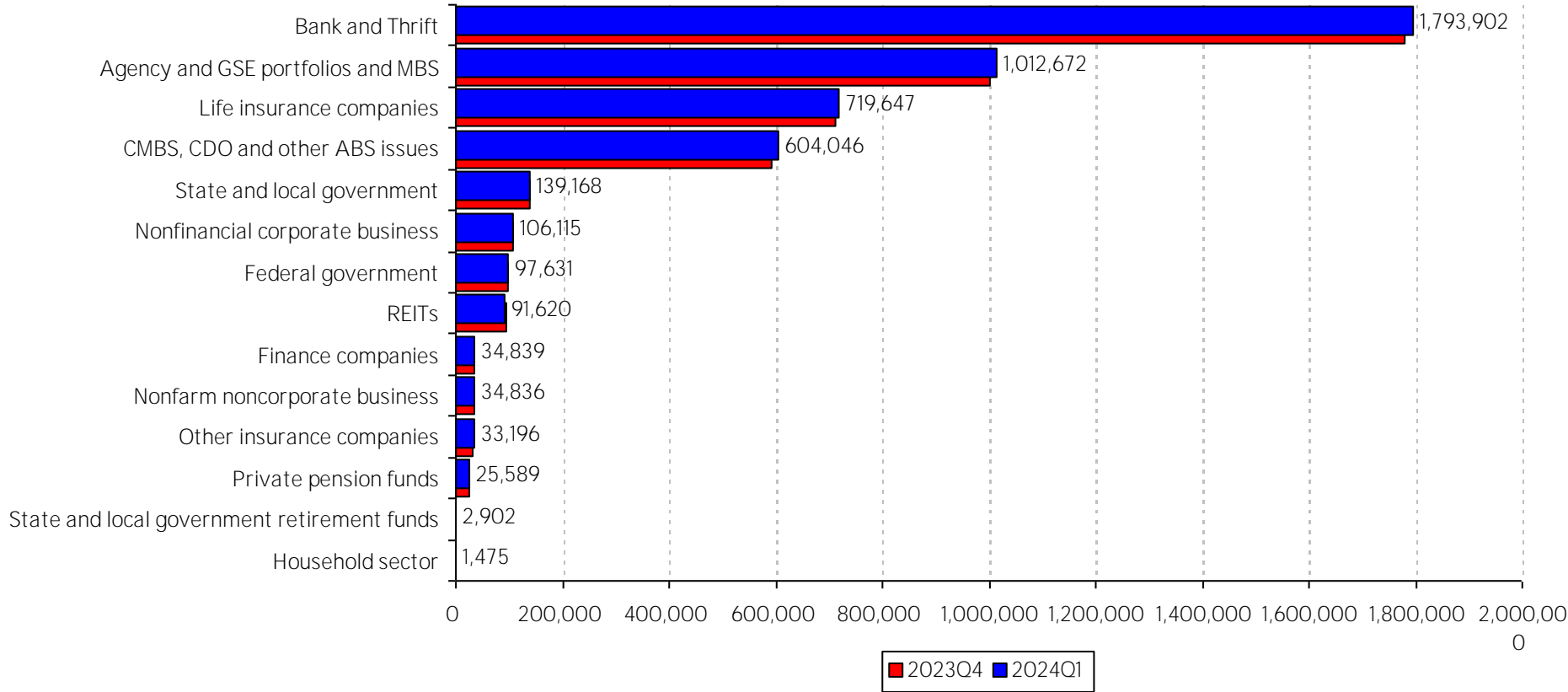
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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.

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector

(\$millions)

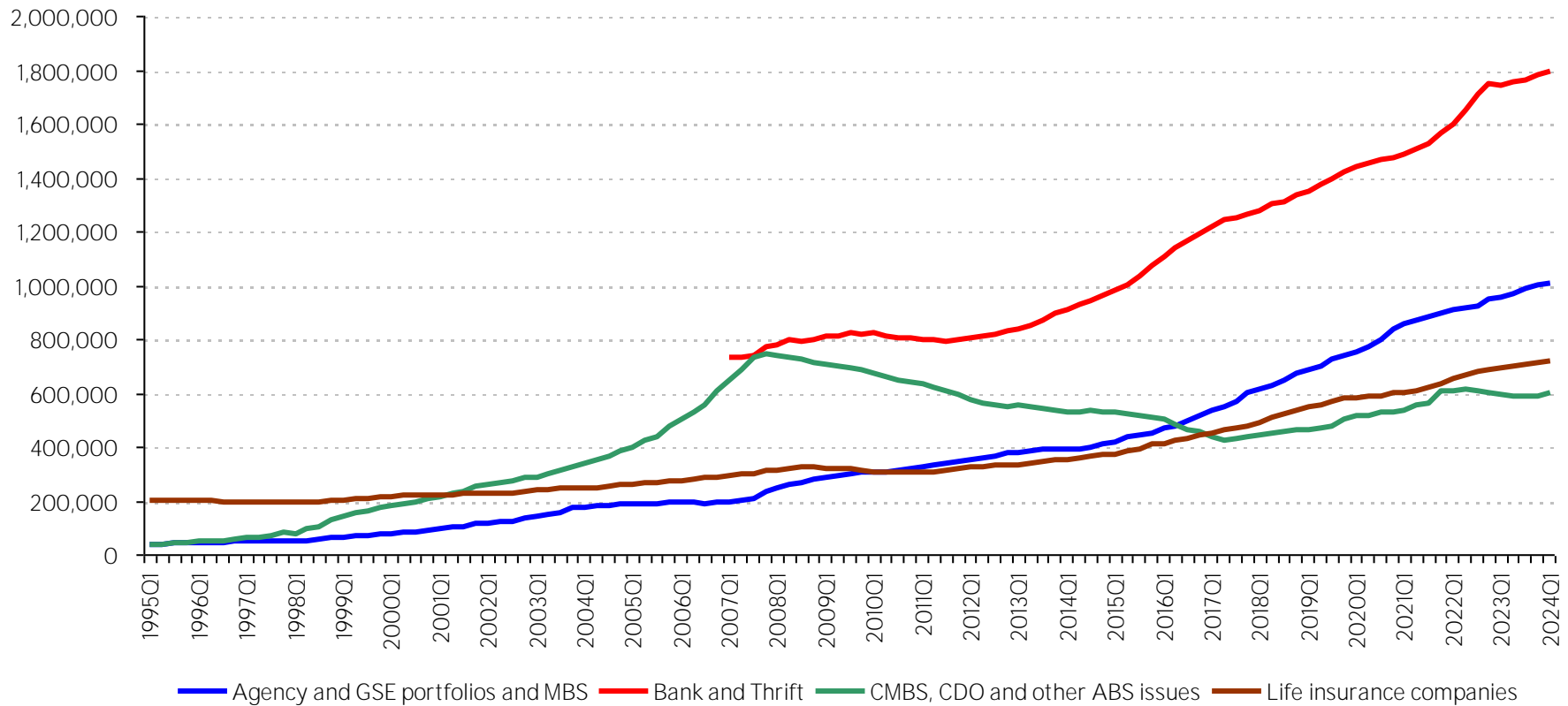


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE DEBT OUTSTANDING

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

(\$millions)

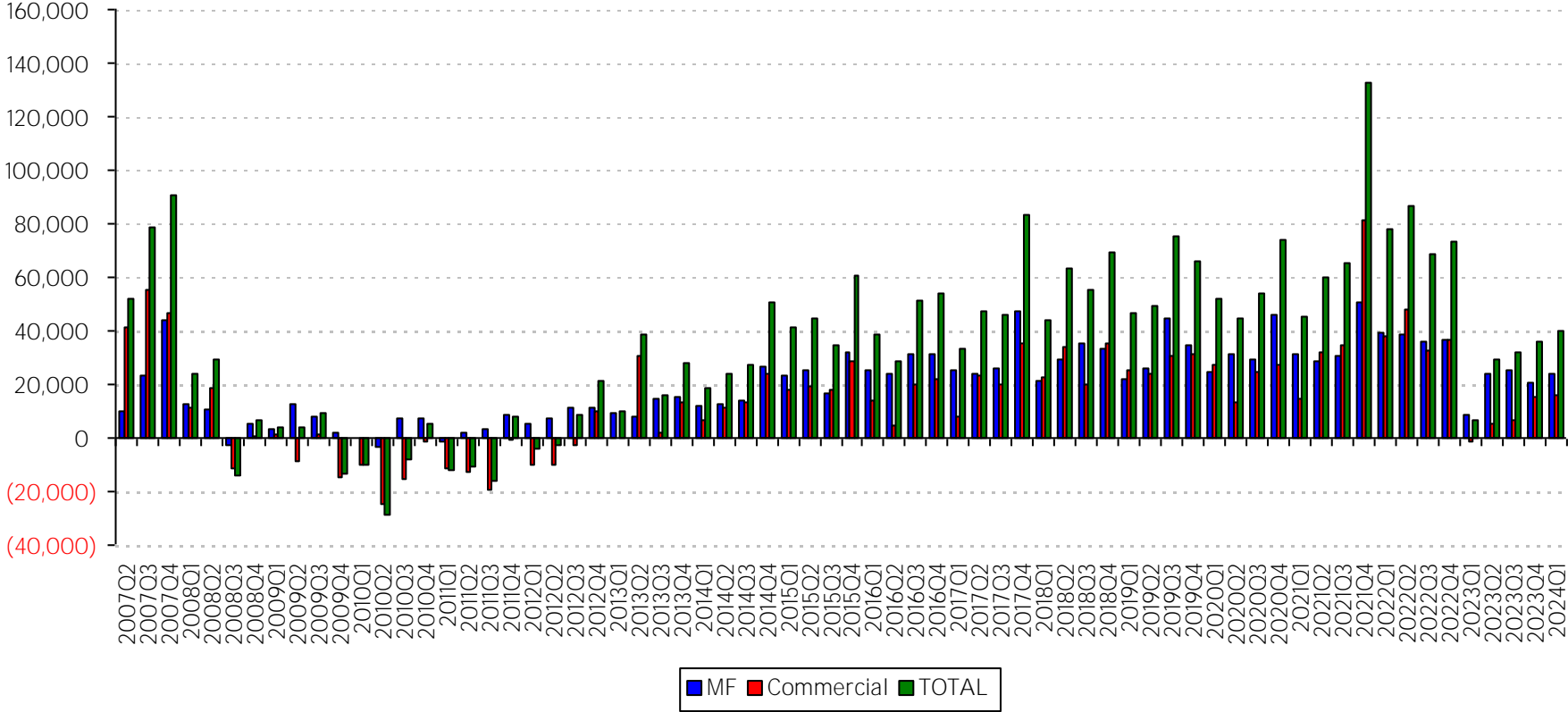


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

COMMERCIAL AND MULTIFAMILY MORTGAGE FLOWS

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

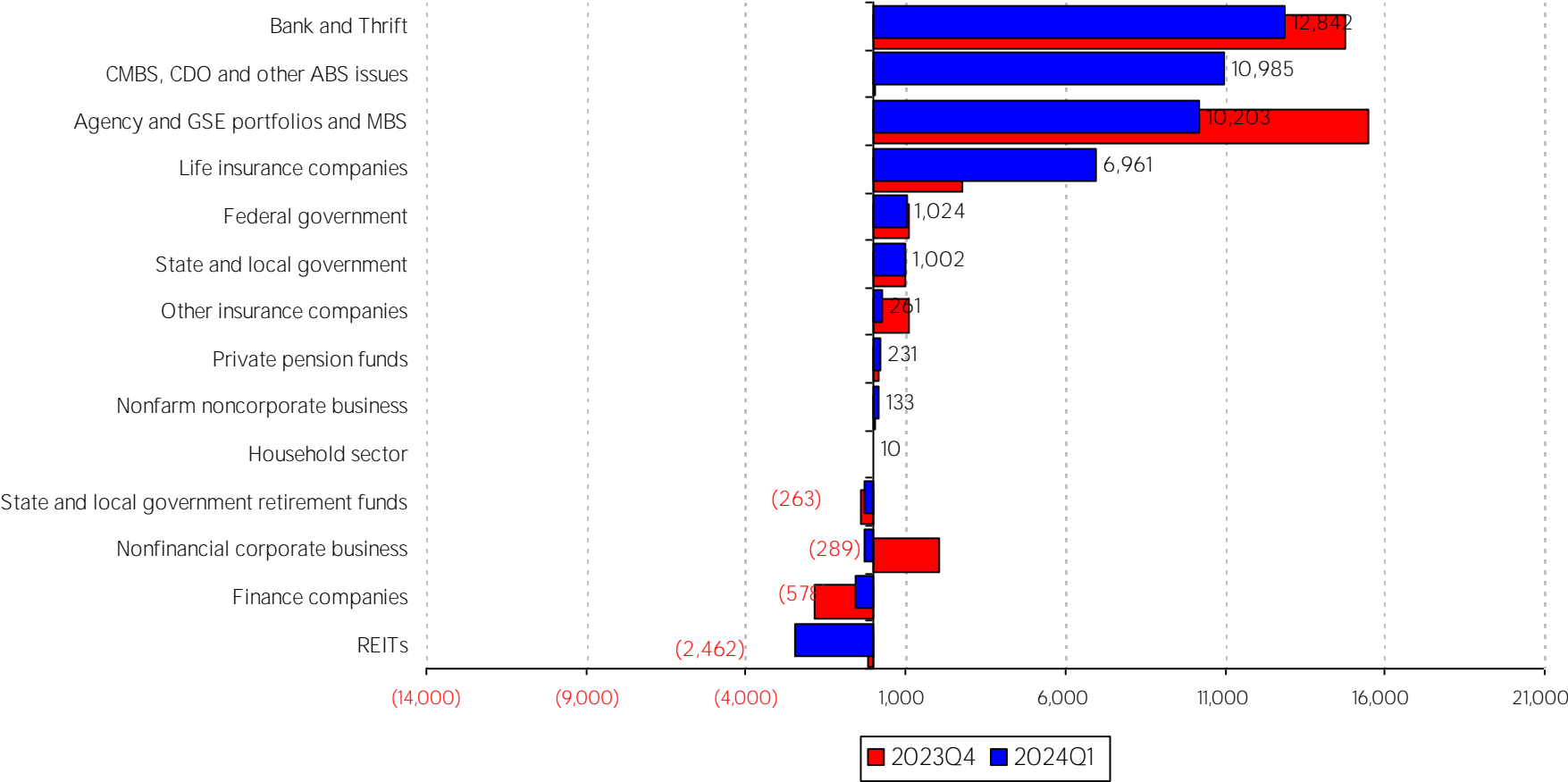
(\$millions)



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)

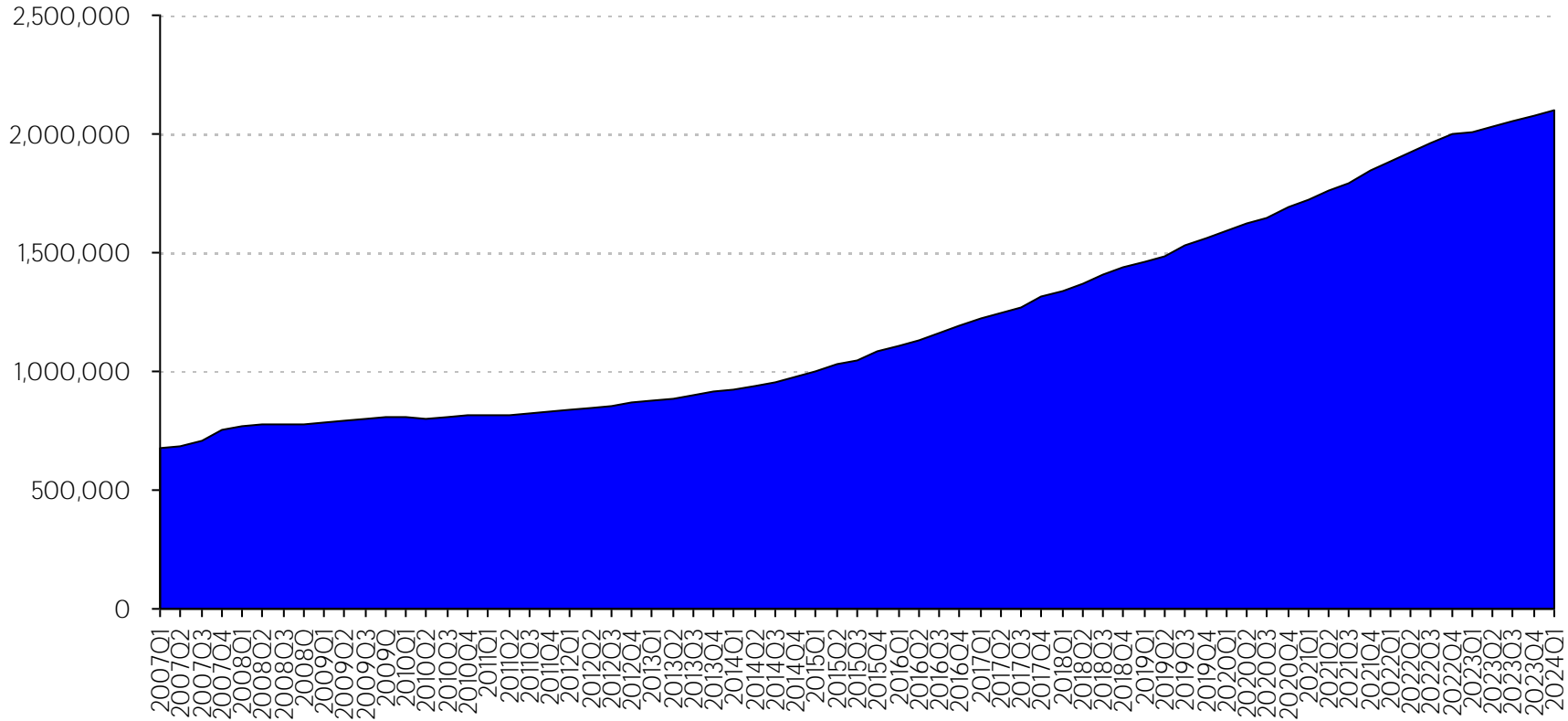


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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 Q1		2023 Q4		(\$millions)	Percent	
	(\$millions)	% of total	(\$millions)	% of total			
Agency and GSE portfolios and MBS	1,012,672	48.2%	1,002,469	48.3%	10,203	1.0%	43.0%
Bank and Thrift	620,244	29.5%	611,153	29.4%	9,091	1.5%	38.3%
Life insurance companies	230,020	11.0%	226,202	10.9%	3,818	1.7%	16.1%
State and local government	116,821	5.6%	115,920	5.6%	901	0.8%	3.8%
CMBS, CDO and other ABS issues	66,759	3.2%	66,635	3.2%	124	0.2%	0.5%
Nonfarm noncorporate business	19,373	0.9%	19,299	0.9%	74	0.4%	0.3%
Finance companies	12,486	0.6%	12,329	0.6%	157	1.3%	0.7%
Federal government	10,295	0.5%	10,318	0.5%	-23	-0.2%	-0.1%
REITs	5,078	0.2%	5,622	0.3%	-544	-9.7%	-2.3%
Private pension funds	2,764	0.1%	2,738	0.1%	26	0.9%	0.1%
State and local government retirement funds	1,360	0.1%	1,484	0.1%	-124	-8.4%	-0.5%
Nonfinancial corporate business	1,250	0.1%	1,211	0.1%	39	3.2%	0.2%
TOTAL	2,099,122		2,075,380		23,742	1.1%	

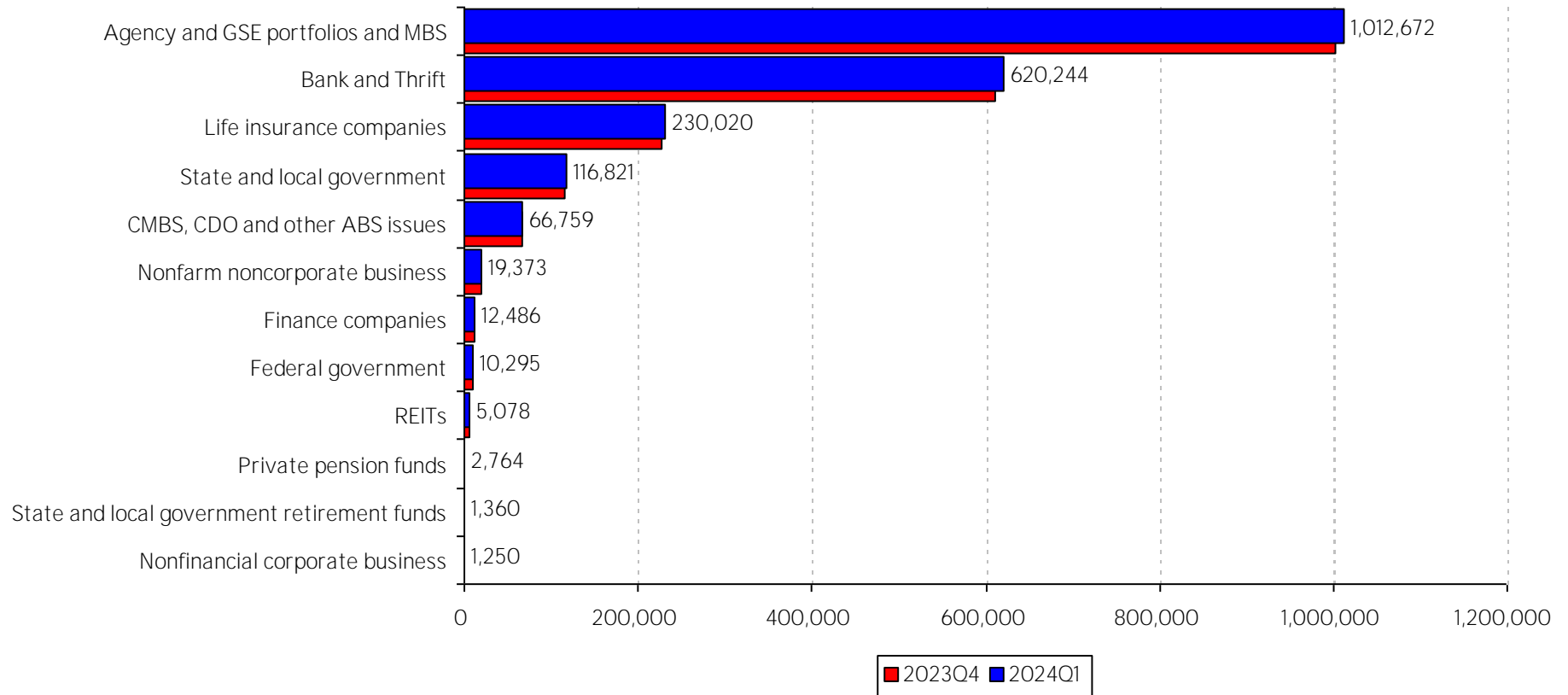
Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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*)

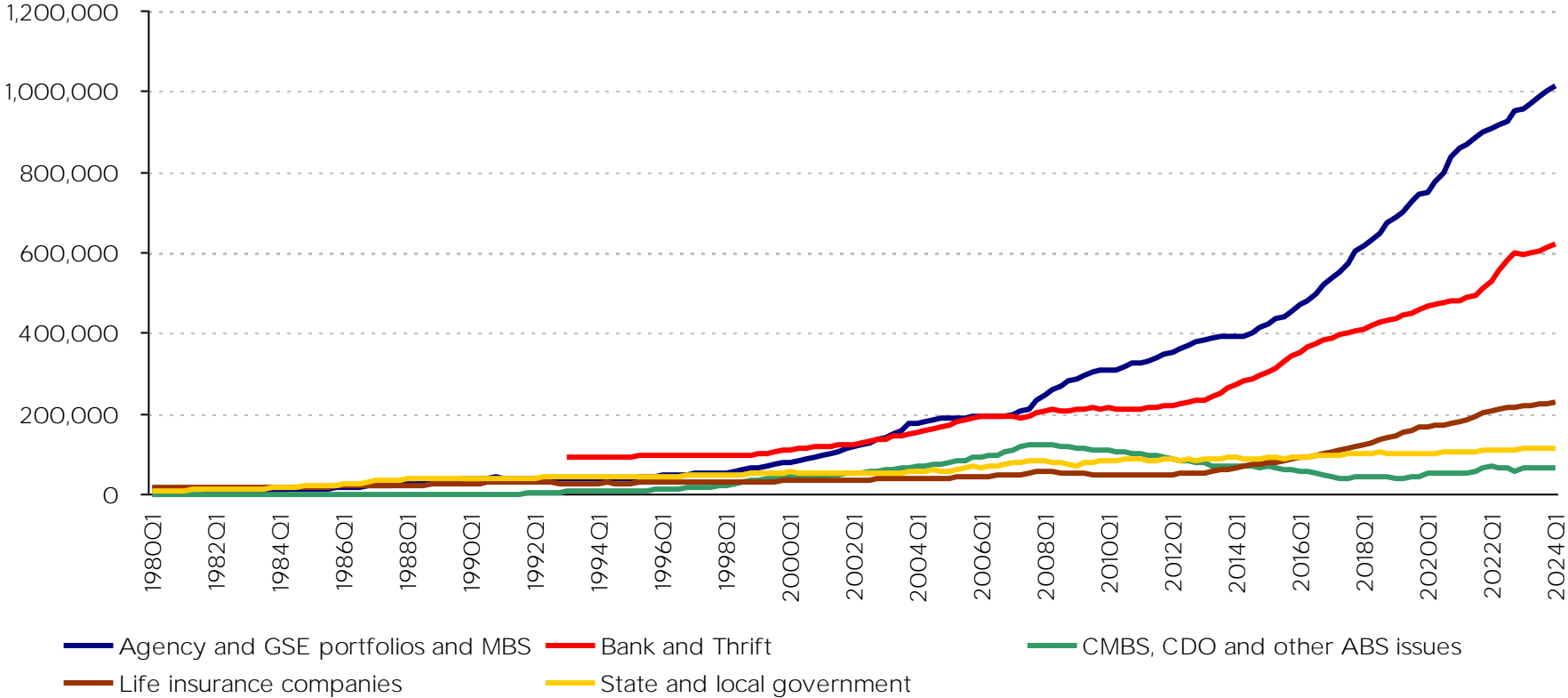


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE DEBT OUTSTANDING

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter

(\$millions)

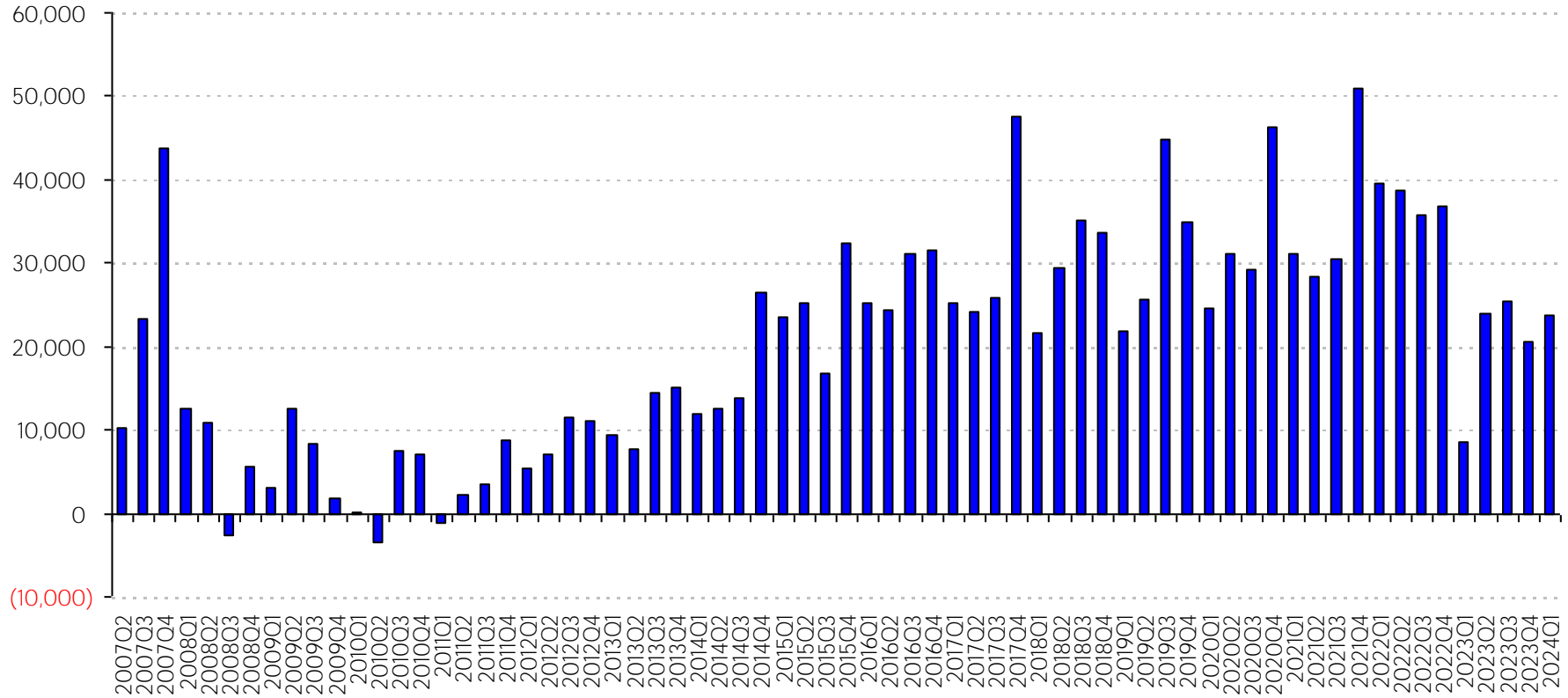


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

MULTIFAMILY MORTGAGE FLOWS

Net Change in Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)

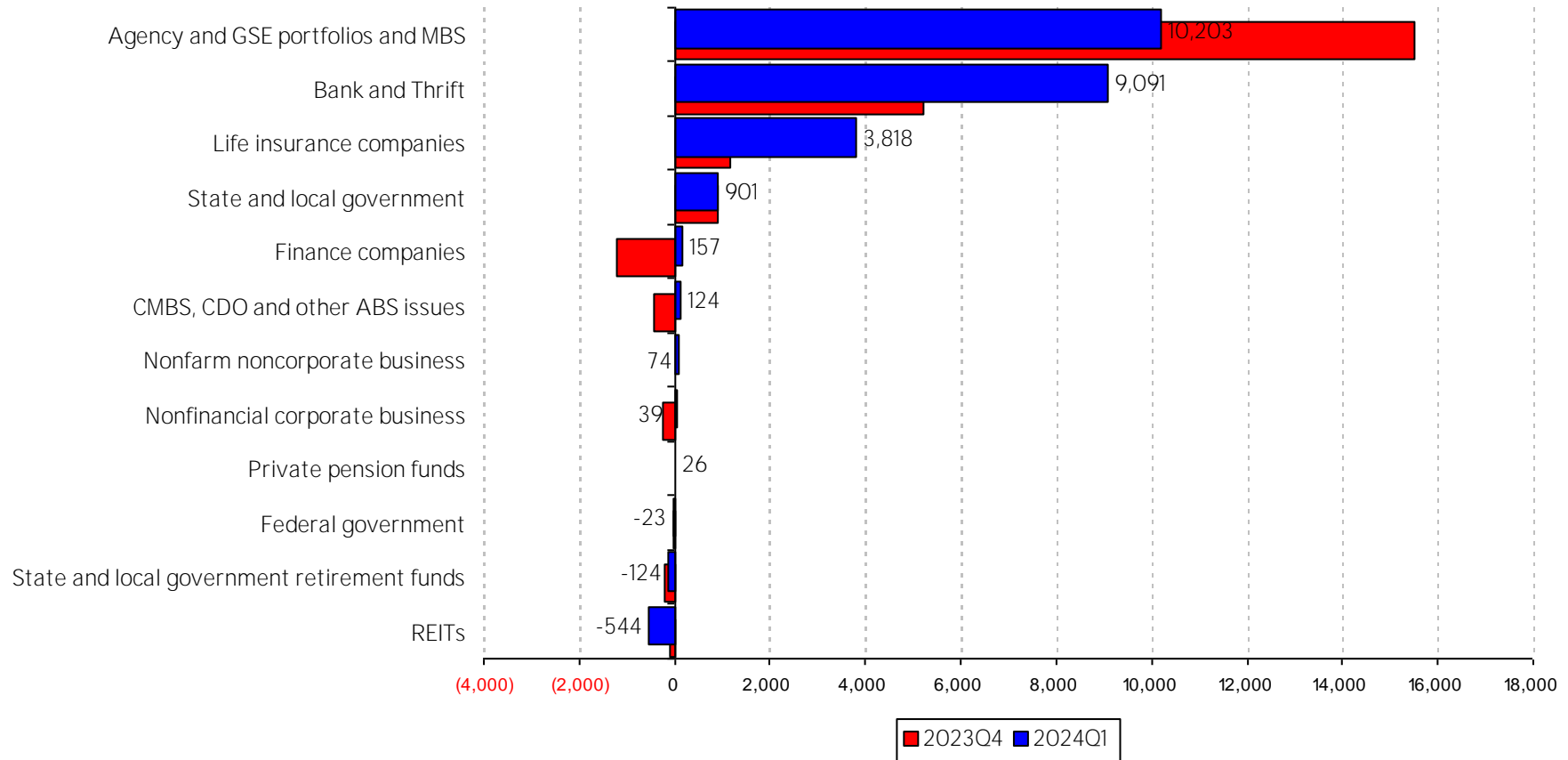


Source: MBA, Federal Reserve Board of Governors, Trepp LLC, and FDIC

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;

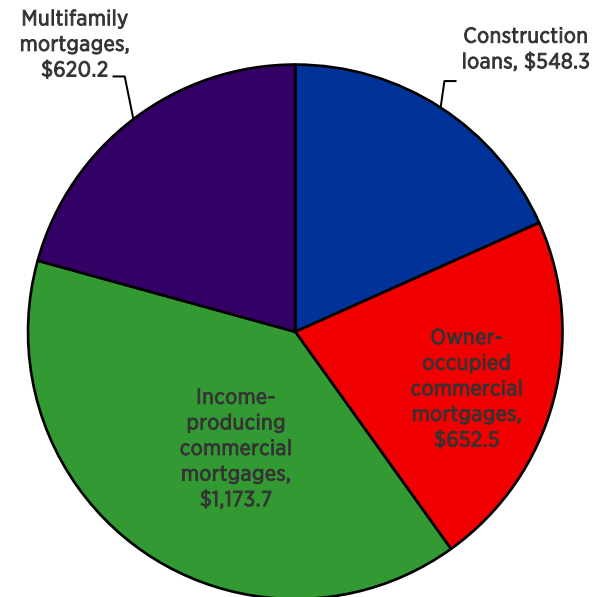
- a. loans for acquisition, development and construction and
- b. loans collateralized by owner-occupied commercial properties.

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 first 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 \$620 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 \$652 billion of loans collateralized by owner-occupied commercial properties and another \$548 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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