Agency Multifamly Mortgage Production Climbs to $45 Billion Ytd

2017 VOLUME OUTPACES 2016

Fannie Mae's and Freddie Mac's combined multifamily mortgage business reached $45 billion for the first five months of 2017, 14% ahead of 2016. May production was almost identical to May 2016. Both agencies anticipate 2017 volume to reach or exceed 2016 ($55-$60 billion each).

Year-to-date mortgage production data from other types of lenders are not available to determine the GSE's exact market share in the U.S. However, the agencies are the clear leaders for multifamily financing followed by banks.

For Q1 2017, 62% of Fannie Mae's activity fell under the 2017 FHFA volume cap; 54% of Freddie Mac's business was capped. In Q1 2017, the agencies financed 361,000 units, comparable to every apartment unit in metro Seattle.

At the moment, Freddie Mac is winning considerably more business than Fannie Mae and will very likely outpace Fannie in June. Fannie Mae started the year with a high volume and, currently, is taking a less aggressive stance on new business.

Figure 1: U.S. Multifamily Mortgage Production - Dollars

	Total ($ billions)		Change (%)
Jan-May	2016	2017	Y-o-Y
Fannie Mae	18.5	25.2	36.2
Freddie Mac	24.1	19.5	-19.1
Total	42.6	44.7	4.9

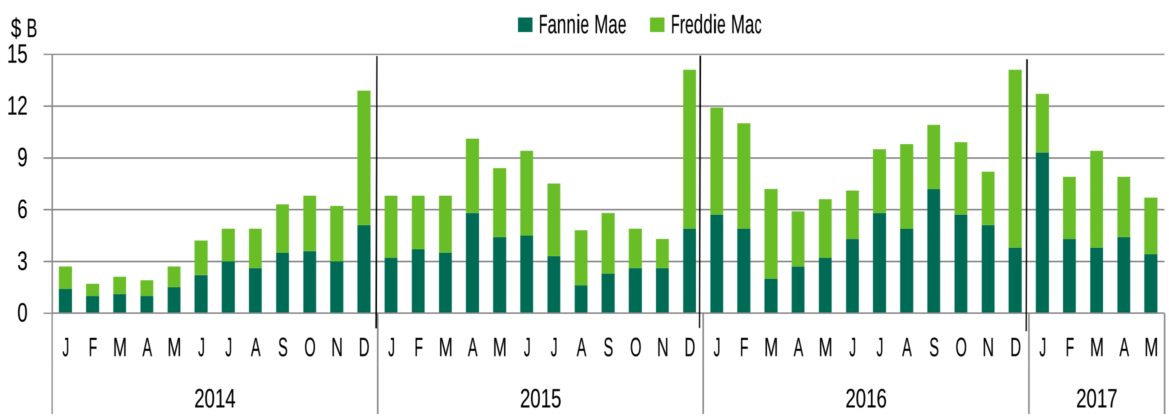
Source: CBRE Research, Fannie Mae, Freddie Mac, Q2 2017.

Figure 2: U.S. Multifamily Mortgage Production - Units

	Total Units Financed		
Q1	2016	2017	Y-o-Y
Fannie Mae	161,000	202,000	25.5
Freddie Mac	208,700	158,500	-24.1
Total	369,700	360,500	-2.5
Avg Loan Size $	81,300	83,200	2.3

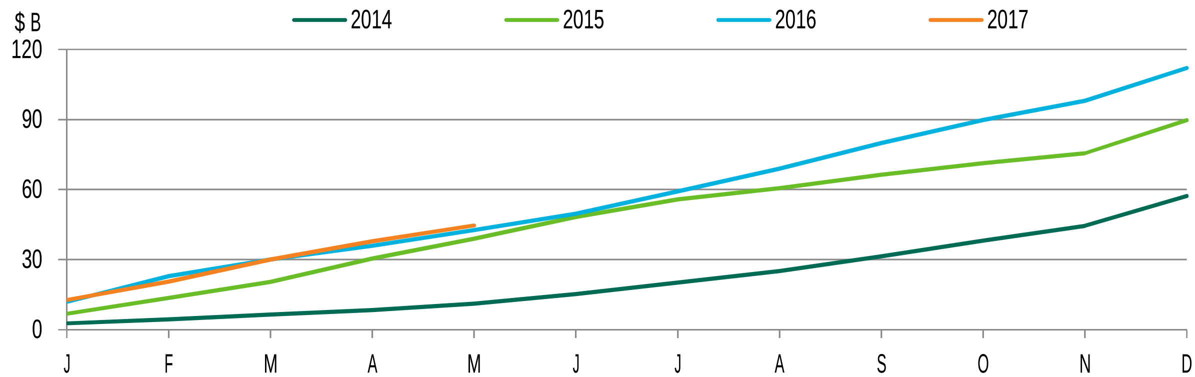
Source: CBRE Research, Fannie Mae, Freddie Mac, Q1 2017. Figures rounded to nearest 100.

Figure 2: Monthly Agency New Mortgage Production Volumes



Source: CBRE Research, Fannie Mae, Freddie Mac, Q2 2017.

Figure 3: Cumulative Annual Agency Mortgage Production - Fannie Mae and Freddie Mac Combined



Source: CBRE Research, Fannie Mae, Freddie Mac, Q1 2017.

Figure 4: Fixed-Rate vs. Floating-Rate Loans

		Fixed	Floating
2016	Fannie Mae	69	31
	Freddie Mac	52	48
2017 Ytd	Fannie Mae	69	31
	Freddie Mac	64	36

Source: CBRE Research, CBRE Capital Markets, June 2017. Figures are approximate and based on CBRE originated loans. Percentages based on dollar volume.

FIXED VS. FLOATING

Fannie Mae and Freddie Mac both provide fixed-rate and floating-rate loans, and the route that borrowers take often reflects their views of expected rate movement in the future (short-term savings vs. longer-term risk).

Floating rate loans, are appealing for their prepayment flexibility. But, floating rate loans also bring risk from potential rate movement and a changing financing climate. Generally, if borrowers perceive interest rates will stay low/stable for a period of time, then floating-rate loans tend to be more attractive, and vice-versa.

In 2016, CBRE's Fannie Mae loans were 69% fixed-rate and 31% floating-rate. The year-to-date 2017 ratio is the same.

Last year, the mortgages which CBRE originated for Freddie Mac represented a higher percentage of floating-rate loans at 48%. The year-to-date 2017 average, however, reflects a notable shift to fixed-rate loans.

Figure 5: Acquisition Financing vs. Refinancings

		Acquisition	Refinancing
2016	Fannie Mae	61	39
	Freddie Mac	66	34
2017 Ytd	Fannie Mae	44	56
	Freddie Mac	47	53
Deals Under App	Fannie Mae	54	46
	Freddie Mac	61	39

Source: CBRE Research, CBRE Capital Markets, June 2017. Figures are approximate and based on CBRE's book of business. Percentages based on dollar volume.

ACQUISITION FINANCING VS. REFINANCING

Through the market's recovery and expansion, the percentage of acquisition financings (vs. refinancings) trended up. The peak was reached in 2016, the trend has reversed. In 2016, CBRE's Fannie Mae business was approximately 61% acquisition financings, and Freddie Mac's was 66%.

However, the capital markets climate in 2017 has tipped the scales somewhat, with refinancings accounting for the majority of new mortgage production over the first half of the year.

Yet, based on CBRE's agency deals currently under application, acquisition financings are again rising in prominence.

Report author: Jeanette I. Rice, Americas Head of Multifamily Research. With assistance from Mitchell Kiffe and Kyle Draeger, CBRE Capital Markets.

