[New Records Being Set with Commercial Real Estate and Multifamily Lenders]

The after-effects of the subprime mortgage crisis are still being felt across the lending industry. While recovery may not have been necessarily swift, there is ample evidence that the industry is recovering well and is even entering a boom period. A national housing shortage has led to a critical need for multi-family housing, creating a favorable economy for commercial real estate investors. Both investors and lenders have responded to the need, leading to a record year for commercial real estate and multifamily lenders. In 2018, closed loan originations rose eight percent to reach a peak high of $574 billion, with loans for multifamily properties accounting for [nearly half of all originations].

In spite of the surge of originations, CRE loans for some of the nation's largest banks are actually tapering off. Contributing factors include a resurgent CMBS market as well as increased competition from smaller banks and even life insurers. Smaller banks, in particular, are seeing a significant [increase in holdings] across three key categories: construction and development, nonresidential and multifamily.

In January, construction and development loans were up from the previous year-end by an annualized 11.9%; multifamily was up by an annualized 6% and nonfarm, nonresidential was up an annualized 4.7%. Numbers for the top 25 banks in the US, however, showed a marked decline in the same categories, with construction and development loans [dropping by nearly $700 million in January], contributing to an annualized decline of more than 7.5%.

Traditionally, the first quarter of the year shows a significant seasonal decline over the last quarter of the previous year and this year was no exception. While originations in the first three months of the year were 34 percent lower than the fourth quarter of 2018, according to [research from the Mortgage Bankers Association], commercial and multifamily mortgage loan originations rose 12 percent in comparison to the same period last year. This points to the momentum gained in 2018's record year of borrowing and lending showing no signs of slowing down any time soon. According to Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research, first quarter volumes were higher in nearly every property category.

Among capital sources, Freddie Mac and Fammie Mae led the way by showing double-digit loan volume growth. CRE continues to be an attractive market to borrowers thanks to continued low interest rates and strong property values. In the commercial/multifamily category, a 73 percent increase in originations for industrial properties, a 41 percent increase in health care and a 14 percent increase in hotel properties led to an overall increase in lending volume. In fact, that only dollar volume that remained unchanged was for office property loans, with all other categories seeing anywhere from a marginal to a significant increase. With no end in sight to housing shortages across the nation, there is no reason to believe that the last three quarters of 2019 will show an end to the momentum gained in 2018. In fact, 2019 might even be poised to shatter the records set in 2018.