

## Multifamily Market Commentary – October 2012

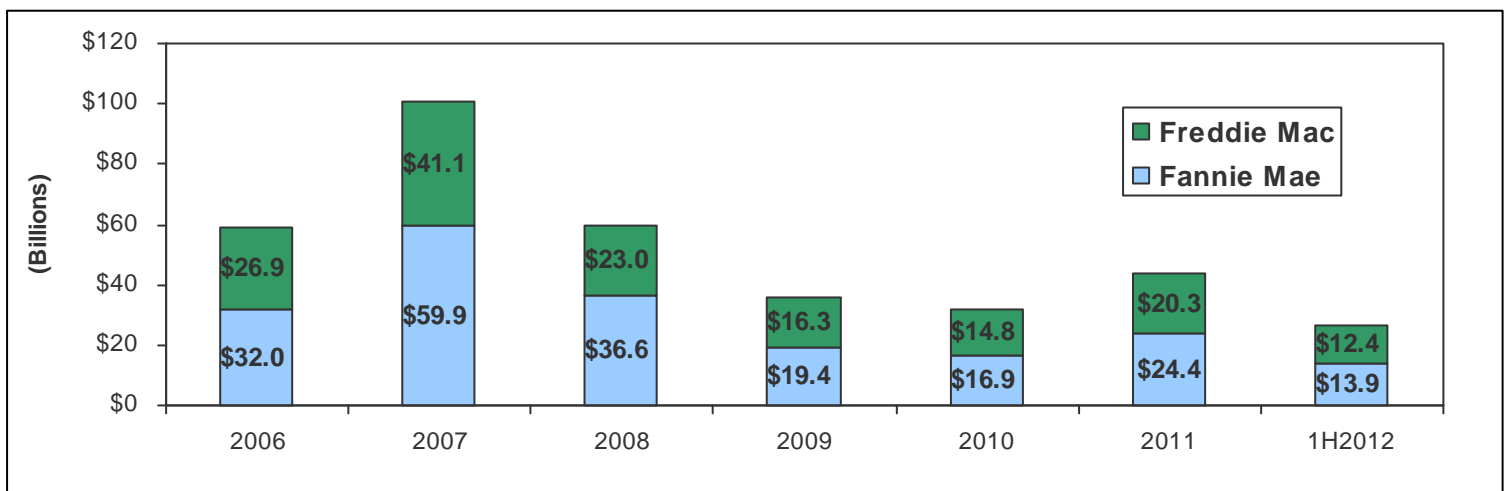
### Multifamily Mortgage Acquisitions Increased During First Half of 2012

Continuing the trend that started in early 2011, the multifamily mortgage sector continued to experience interest from various market participants during the first half of 2012. Although the majority of multifamily lending liquidity came from Fannie Mae, Freddie Mac, and the Federal Housing Administration, other participants, including life insurers and banks, also were active in acquiring multifamily mortgages.

#### GSEs Still the Largest Participants

Based on publicly-available company reports, Fannie Mae and Freddie Mac were responsible for acquiring a large portion of newly originated multifamily mortgage loans during the first half of the year. As seen in the chart below, Fannie Mae acquired \$13.9 billion in multifamily mortgage loans and Freddie Mac acquired \$12.4 billion during the first six months of the year.

**Multifamily Mortgages and Securities Purchased by GSEs 2006-1H2012**



Sources: 2006-2009: Annual Housing Activities Report-Federal Housing Finance Agency (FHFA); 2010-1H2012: FNM and FRE company reports

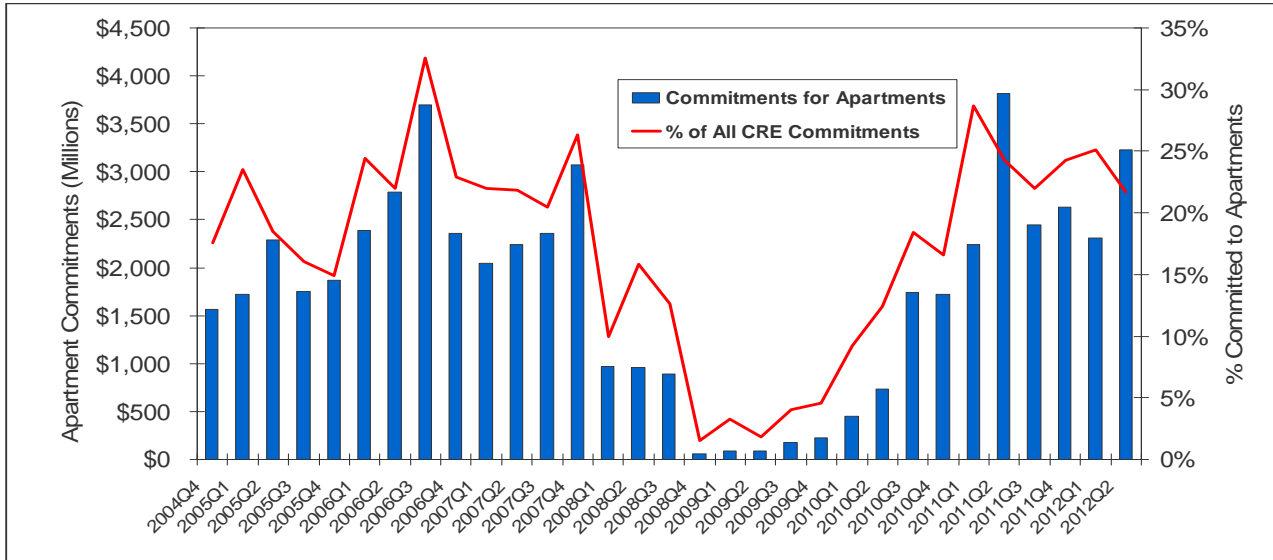
#### Multifamily CMBS Gained Steam

During the first half of 2012, there were 11 CMBS deals issued that had newly-originated multifamily loans as part of the underlying collateral. The 11 deals had a total of \$1.6 billion in multifamily investment on 120 loans. Of these, \$1.14 billion were classified as multifamily collateral and \$470 million were classified as manufactured housing.

#### Life Insurers Continued Pursuing Multifamily

According to the American Council of Life Insurers, during the first six months of the year, the life insurers' multifamily commitment volume totaled \$5.5 billion. This is nearly the same level of activity as during the first half of 2011 when the life insurers' issued commitments on \$6 billion of multifamily loans.

## Life Insurers: Loans Committed for Apartments



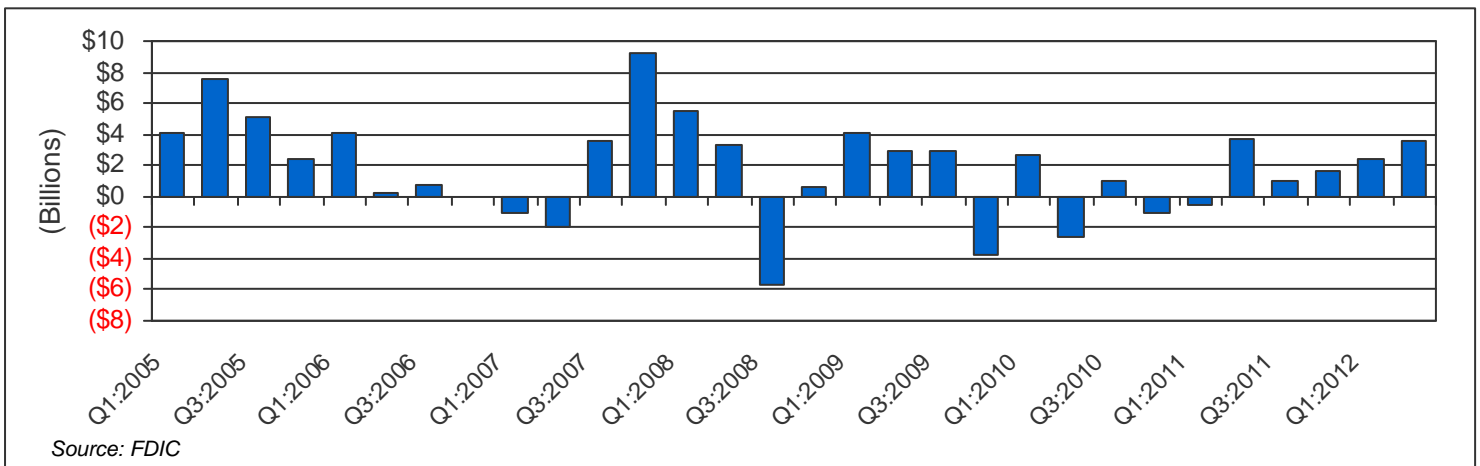
Source: American Council of Life Insurers, "Commercial Mortgage Commitments Investment Bulletin," Second Quarter 2012

## Bank Net Holdings Increased

The banks and thrifts saw a very healthy increase in their net multifamily real estate loan holdings during the first half of 2012, continuing a trend that started a year ago, during second quarter 2011. The net change in multifamily holdings by the banks and thrifts increased by \$6.0 billion during the first half of the year, which is the same amount as for all of 2011.

The banks and thrifts have been increasing their net multifamily real estate holdings solidly for a year. As a result, as of second quarter 2012, the FDIC-insured institutions held a total of \$224.5 billion in multifamily real estate loans, up from \$218.5 billion six months prior at year end 2011.

## FDIC-Insured Institutions: Quarterly Change in Multifamily Loan Holdings

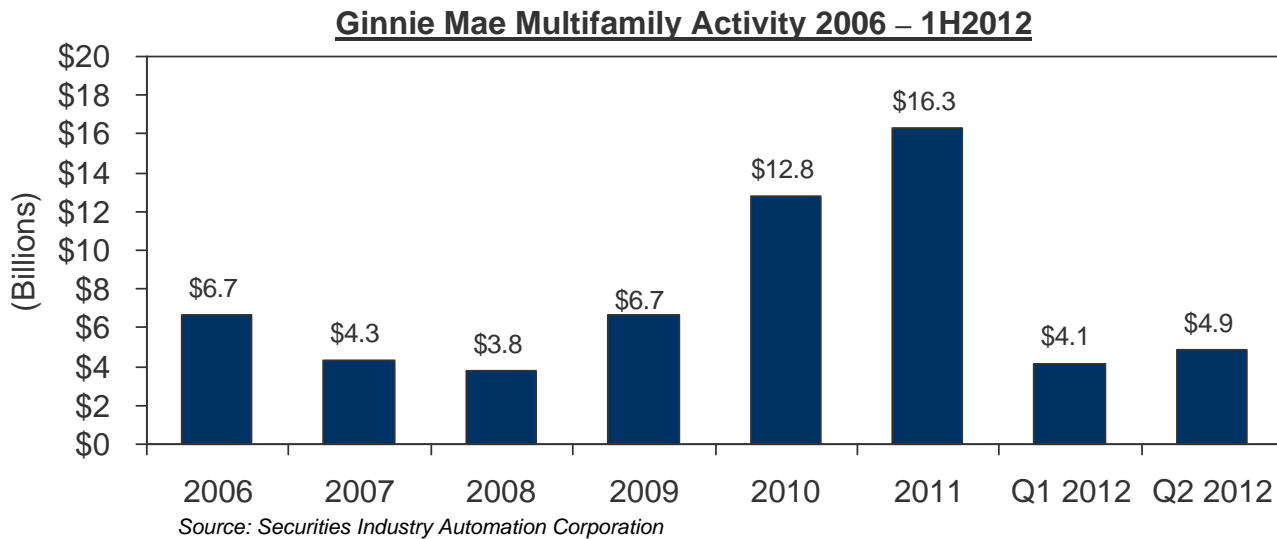


Source: FDIC

## Ginnie Mae Multifamily Activity Remains at Record Levels

Ginnie Mae is not usually considered a primary competitor in the institutional investor multifamily debt sector, since Ginnie Mae does not buy or sell multifamily mortgage loans, nor does it issue mortgage-backed securities. Instead, Ginnie Mae functions as a guarantor. Ginnie Mae is a federal government corporation that guarantees investors the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans, such as those insured by FHA or the Veterans Administration.

Since 2009, Ginnie Mae has seen a significant increase in its multifamily guaranty business, as illustrated in the chart below. This robust guaranty growth continued during the first half of 2012 with Ginnie Mae guaranteeing \$9.0 billion in multifamily securities.



### Expect Continued Interest in Multifamily

Sales of apartment properties valued at \$2.5 million or greater totaled \$16.2 billion in the second quarter of 2012 alone, according to data from Real Capital Analytics. Although apartment sales are beginning to slow year-over-year, it is still an increase of 15 percent compared to the second quarter of 2011. According to Real Capital Analytics, apartment property sales in the major metro areas alone saw an increase in the number of transactions, climbing by about 22.0 percent during the first six months of the year. Interest in multifamily is expected to remain healthy this year, due likely to continued low interest rates, slowed but steady demand from tenants, and the dearth of new supply coming online during the next six months.

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