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Real Estate Finance 2013 A Very Good Year

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Virtually every segment of the commercial finance market saw an upturn in its 2013 volume and a downturn in defaults. Commercial mortgage debt reached the highest level since the previous peak in 2007 at \$2.19 trillion eliminating the decline during the recession. The fourth quarter was the highest volume quarter since 2007. Overall origination volume was up 15 % over 2012.

Commercial banks increased their overall market share to \$897 billion. They were followed by the securitized CMBS, CDO and ABS lenders at \$567 billion. The agencies, MBS and GSE's ranked third with total outstanding commercial and multifamily debt at \$391 billion and the life insurance industry ranked fourth with \$336 billion in portfolio.

Delinquency at year end also improved across all sectors. Commercial banks and thrifts saw the 30-90 day delinquency rate fall to 1.75 % from 2.61%; down significantly from the high of 4.21% in 2010. CMBS delinquency of 30 days or more and REO made the most improvement declining from 8.72% to 6.97%. Delinquencies of 60 days or more in the Life Industry, Fannie Mae and Freddie Mac all hit cyclical lows of .05%, .10% and .09% respectively.

The prospect for 2014 looks similar with all sectors looking for increased volume. Both fiscal and monetary policy have added clarity from 2012 with congress putting an end to the continuing resolution debacle of prior years and extending the debt ceiling debate until March of 2015. The Federal Reserve has become more transparent with disclosure of its continued tapering and its stated policy of holding both short and long term rates abnormally low in order to stimulate growth.

Interest rates remain at 60 year lows with the 10-year treasury and 10-year swap both hovering around 2.7%. There is one issue of concern and that is maturing volume in hundreds of billions of dollars in 2015 and 2016, but with rates low there may be an escape plan in place.

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