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Re: Agency Finance is the Driver of the Multifamily Bus

The GlobeSt. Com ran the following story:

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WASHINGTON, DC-Fannie Mae and Freddie Mac originated about 60% of all multifamily loans last year, or \$32 billion. They will likely exceed that record-- despite the ramped up competition they are seeing from the life insurance industry--in 2012 as originations are expected to reach \$75 billion. In short, the GSEs are driving the multifamily bus right now: without the robust financing they provide, price points, cap rates and even supply and demand fundamentals would be entirely different.

Freddie Mac, for example, is expecting to close between \$21 billion to \$24 billion in originations this year, Tom Hamill, managing director, told the audience at RealShare Apartments East, produced by ALM's Real Estate Media Group. "We have already funded \$1.9 billion so far in January."

The GSEs, though, are facing headwinds, in the form of increased competition from other providers, and in the form of discouraging talk and measures from Capitol Hill. Recently the Treasury Department made a reference to winding down the GSEs, Doug Bibby, president of the National Multi Housing Council, said. "And by wind down, they meant wind down." It is especially discouraging, he told the audience, because it is apparent that many in Congress don't understand the role the GSEs play in multifamily.

The competitive situation, however, is old hat to Fannie and Freddie. Depending on where multifamily is in the real estate cycle, life insurance companies traditionally have gotten quite aggressive in their pursuit of these deals—and no more so than last year.

"At the beginning of 2011 it was apparent that we would have to concede the conservative loans to life companies," Hamill said. "This year we expect another tough battle with them." Manny Menendez, vice president and head of Multifamily and Customer Engagement for Fannie Mae said that there is talk that life companies will be very aggressive this year. "In 2011 they originated about \$11 billion of multifamily—this year it is being said that number will be \$15 billion."

Conduits are not expected to provide much competition—indeed, they have become, as one panelist said, the lender of last resort for multifamily. Banks, especially in the New York region, Menendez observed, "are particularly aggressive though."

A more troublesome trend is the pushback against the agencies in Congress. Executive bonuses were held up this year and as of Feb. 15th it was still unclear what was happening. Morale, in short, can be wobbly at the agencies and the lost of valuable human capital is an increasing fear. "It hurts when we lose people who have been with the agency for years," Menendez said. Indeed the moderator of the GSE panel was Mike McRoberts, managing director of Prudential Mortgage Capital—and a former longtime executive at Freddie Mac.