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EXCLUSIVE

# Full Swing, Lender Competition Heats Up

By Mark Scott, founder and president of Commercial Mortgage Capital | Commentary

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2014 looks to be a challenging year as loan maturities drop slightly, says Scott.

LIVINGSTON, NJ—In the wake of The **Mortgage Bankers Association**'s Commercial Real Estate/Multifamily Housing Finance conference, which was held in Orlando in early February, we noted several takeaways—namely that the market is currently in full swing and competition is heating up between lenders, all of whom have lofty targets. Overall, 2014 looks to be a challenging year as loan maturities drop slightly and thus lower loan demand, however, transaction volume is picking up and this will help support production levels.

The Mortgage Bankers Association also released a number of reports during the convention, one of which projects originations of commercial and multifamily mortgages growing to $300 billion in 2014, a 7% increase from 2013 volumes, and continuing to rise to $333 billion in 2016. Originations of multifamily mortgages are forecast at $116 billion in 2014.

"Early indications are that commercial and multifamily lenders increased originations by 15 percent in 2013," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research, in the published report. "This year will once again see fewer loans coming up against their maturities. But with still low interest rates, improving property fundamentals, a rebound in property prices, and higher loan maturity volumes on the horizon, we anticipate mortgage originations will continue to increase in 2014."

According to the MBA, commercial/multifamily mortgage debt outstanding is expected to continue to grow in 2014, ending the year at almost $2.6 trillion, more than 3% higher than at the end of 2013. By the end of 2016, mortgage debt outstanding is forecasted to approach $2.7 trillion.

For the majority of life companies there is currently a flight to quality, with well-capitalized lenders investing in the top-quality product channels and geographic regions. Therefore, they are willing to compete on price. But there's another stratum of office, industrial and multifamily spaces that are not considered the prettiest product. For nearly five years now, these less than desirable buildings have found very little favor with investors. Enter CMBS 2.0, which has seen lenders pick up the slack and provide creative structuring in order to generate loan dollars.

In general, CMBS has become very aggressive and active. While life companies are snapping up A-quality assets, CMBS lenders tend to acquire properties that are B-level and below. They are also being more conservative and operating off of existing cash flows and avoiding pro-forma.

Though we can expect to see more transactions in 2014, there is still a certain level of uncertainty in the market and now is the time for borrower's to lock in today's low rates with a seasoned mortgage professional.

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