Commercial Borrowing Drops 49% in Third Quarter From a Year Ago

Loan Volume Has Fallen Back Near Pandemic Lows

The Mortgage Bankers Association has its headquarters at 1919 M St. NW in Washington, D.C. (Kate Wichlinski/CoStar)

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U.S. commercial and multifamily mortgage loan originations were 49% lower in the third quarter compared to a year ago, according to the Mortgage Bankers Association. They dropped 7% from the second quarter.

Loan originations have fallen yearly and have been slipping since the end of 2021 as the commercial real estate market contends with a challenging economy.

"Year-to-date CRE mortgage borrowing has fallen 44%, driven by questions about some properties' fundamentals, uncertainty about property values, and higher and volatile interest rates," Jamie Woodwell, MBA's head of commercial real estate research, said in a statement.

The MBA's quarterly originations index survey, a measure of loan volume, topped out at a record high of 533 in the fourth quarter of 2021. As of the third quarter, the index had fallen to 164. At the outset of the coronavirus pandemic in the second quarter of 2020, the index stood at 155. The baseline volume measure of 100 for the index was established by the average over four quarters in 2001.

"Borrowing and lending were down for every property type and capital source from one year ago," Woodwell said.

There was a 76% year-over-year decrease in the dollar volume of loans for healthcare properties, a 52% decrease for hotel properties, a 51% decrease for retail properties, a 50% decrease for multifamily properties, a 49% decrease for office loans and a 35% decrease for industrial properties.

Among investor types, the dollar volume of loans originated for banks decreased by 73% year over year. There was a 55% decrease for investor-driven lenders, a 27% decrease in Fannie Mae and Freddie Mac loans, a 5% decrease for commercial mortgage-backed securities and a 4% decrease in the dollar volume of life insurance company loans.

Greater certainty around property values and the outlook for interest rates are key prerequisites to breaking the logjam of transaction activity, Woodwell said.

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