MARKET NEWS
YOUR QUARTERLY CAPITAL MARKETS UPDATE FOR 2Q|2016
NorthMarq Capital

FEATURED ARTICLE

A NATIONWIDE LOOK AT AGENCY LENDERS

NorthMarq Capital producers from across the country share their insight and perception of agency lenders in today's multifamily market.

High Times in Colorado for Fannie Mae

By: David Link
SVP/Managing Director, Denver

Fannie Mae continues to view Colorado as positive. Growth trends in population and employment are fueling the appetite for product within Fannie Mae. Over the past two years I've heard lenders discuss overbuilding concerns in Denver. While some may consider Denver as having pockets of oversupply, Fannie Mae has no programmatic limitations for any part of the Denver metro area. The same can't be said for areas in Las Vegas or cities largely driven by the energy sector. Outside of Colorado, Fannie Mae has concerns (as do other lenders) over their supply exposure in certain markets and is regularly taking the temperature of the economic drivers in the market.

Year to date Fannie production as of the end of March was approximately $13 billion so the appetite remains strong. Fannie Mae reports slower than expected financings for the first quarter. This is due primarily to the erratic market movements that have seemed to level off with expectations that we get to business as usual.

Agency Appetite in Chicago Signals Good News for Borrowers

By: Sue Blumberg
SVP/Managing Director, Chicago

As of the second quarter, 2016 the agencies have a good appetite for multifamily in the Chicago market, as well as the Midwest. Although there has been a surge of new product being delivered, it appears to be absorbing well. Rent growth is expected to slow to 3-5 percent from all-time highs of 5-7 percent, and vacancies edging up (also from all-time lows). Occupancies remain around 95 percent.

Both agencies have been aggressive in seeking out good deals with great borrowers with favorable loan terms. Given the increased cap on volume this year, the agencies have adequate capacity for lots more multifamily. Properties that contain affordable units will continue to take priority.

Freddie Mac's Confidence in Western U.S. on the Rise

By: Ron Peterson
SVP/Managing Director, Seattle

Freddie Mac continues to be bullish in the Western U.S. and particularly so in the Seattle MSA, where overall occupancy rates are above 95 percent. In-fill submarkets are particularly strong with some areas at 97 percent occupancy or better. Seattle has been one of the top cities for rent growth over the past few years and is expected to stay strong, although projected rent increases will likely slow. Freddie Mac nationally has had a slower first quarter than typical, but still did annual production of $17.5 billion for the first quarter.

Last year, the Western region generated production of $14.4 billion (30 percent of Freddie's total volume). Freddie Mac reported their top MSA's for new business to be Denver, Los Angeles/Long Beach, Phoenix, Seattle/Bellevue and Orange County. Freddie's overall goal for 2016 is $51 billion. Affordability remains a strong driver for Freddie Mac lending, however middle to high end rent properties are also attractive, particularly those with strong underwriting ratios.

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Conditions in Northeast Favorable for Strong Freddie Mac Deal Flow

By: Gary Cohen
SVP/Senior Director, New Jersey

Freddie Mac continues to view the Northeast as positive. While there is a lot of construction in the metros, absorption is strong. The majority of the Northeast metros are expected to perform in-line with or better than the national average. Effective rent grew by 4.7 percent in 2015, the strongest since 2007, and vacancy rates increased slightly to 3.8 percent, only 20 basis points over the past year, according to REIS. Job growth has not been as strong as other areas in the country, but has seen steady growth the past several years of around 1.4 percent.

First quarter fundings were $17.5 billion across all product types and regions. In the Northeast, competition from the local and regional banks as well the life companies will continue to be a headwind. But despite this competition, deal flow picked up in the beginning of second quarter when spreads declined. Freddie Mac expects deal flow to remain strong.

HUD Focuses its Attention on Urban and Affordable

By: Frank Relihan
SVP/Senior Director, Washington, DC

HUD is still a reliable entity providing a needed source of capital in the market place. They are putting the “U” back into HUD, with more focus on Urban and “affordable.” After the great recession, HUD was one of a few lenders offering refinancing and construction/permanent products while the banks and life companies were out of business, and consequently they quickly filled up their allocation in major urban areas.

In 2012, HUD put the brake on market rate 221(d)4s in several markets (starting with Washington DC) and in the past few years have been considering only affordable deals. As the absorption in DC over the past several years (50,000 new jobs per year) has stabilized the HUD portfolio, selective market rate transactions are being considered that have some affordable component and transit focus. Other recent changes with HUD include 85 percent acquisition financing for the 223(f) program on market rate deals and 90 percent financing for affordable acquisitions.

What is the Outlook in Your Market?

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TRANSACTION TYPES

- FIXED RATE AND VARIABLE-RATE MORTGAGES
- JOINT VENTURE STRUCTURES
- EQUITY STRUCTURES
- MEZZANINE DEBT
- BRIDGE LOANS
- CREDIT TENANT LEASE TRANSACTIONS
- CONSTRUCTION LOANS
- FORWARD COMMITMENTS
- CREDIT ENHANCED BOND TRANSACTIONS

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