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Betting on Bad Debt Becoming a Growing Investment Play
問題商業房貸的投資日益增多，但預計未來兩年會更多

By Mark Heschmeyer (CoStar)

With most if not all facets of commercial real estate investment mired in the dumps, one area is burgeoning -- the market for distressed debt. Indeed, investors say the distressed debt market is more active now than it has ever been, and still nowhere near where players see it going over the next couple of years.

Spurring the action is new paradigm in property acquisition. Debt buyers are keen on the notion that properties can be acquired at significant discounts to their loan values - offering even bigger savings than the cost of purchasing a property outright.

Examples of this new arrangement are abundant, with AION Partners, a real estate private equity company in New York, being just one. AION is utilizing this loan-to-own strategy as a starting point for increasing its ownership portfolio. It recently purchased a portfolio of eight loan-to-own assets in opportunistic markets throughout the Sunbelt with a value in excess of $110 million. Since acquiring the loans, AION Partners has already foreclosed, or taken a deed in lieu on five of these non-performing first mortgage loans and plans to take control of the remaining properties in 2010.

The eight loans purchased in 2009 include: a 234-unit multifamily complex in North Miami, FL; a 192-unit multifamily property in West Palm Beach, FL; a 178-unit assisted living facility in Arlington, TX; a 287,000-square-foot distribution warehouse in Chester, NY; a 150-unit multifamily complex in Phoenix, AZ; a 196-unit multifamily property in Tucson, AZ; a 480-unit multifamily community in Atlanta, GA; and a 220-unit multifamily building in Charlotte, NC.

"We are committed to building a large, national portfolio of multifamily assets and are executing this strategy through the acquisition of distressed loans and properties and then employing our experience as investors, developers and managers to stabilize and build value," said Michael Betancourt, principal of AION Partners, which also owns office, retail and condominium properties in major cities including New York, Washington, DC, and Los Angeles. "If our success during 2009 is any indication of things to come, we anticipate activity in 2010 both on the investment and asset management fronts to surpass our initial projections for our partners and ourselves."

The bulk of the distressed debt sales in 2009 were in the CMBS arena and from the Federal Deposit Insurance Corp. and industry participants expect those numbers to continue growing this year.

The FDIC alone sold about 3,500 commercial real estate loans with a book value of more than $6.1 billion last year; that compares to commercial real estate loans sales in 2008 of just $153 million. Nonperforming loans went for 37 cents on the dollar last year but November and December 2009 sales prices coming in closer to 30 cents. Performing loans sold for about 57 cents on the dollar, but with the most recent sales coming in at 44 cents.

Also, the FDIC has a growing portfolio of bad loans to deal with as regulators are closing banks in record numbers.

According to analysis by Property and Portfolio Research (PPR), a CoStar Group subsidiary, as commercial real estate fundamentals continue to deteriorate through 2010, banks with large exposure to the commercial real estate sector will face increased pressure on their balance sheets. FDIC guidelines suggest that a bank whose commercial real estate holdings exceed 300% of capital is "overexposed" to the sector. Based on that metric, PPR says there is no shortage of candidates that the FDIC could seize in 2010. As of the end of the third quarter 2009, more 1,200 banks had commercial real estate exposure of greater than 300% of capital, and 500 of these banks had exposure greater than 400% of capital. The assets of those banks total approximately $650 billion.

So as far as the growth in the amount of debt the FDIC can dispose of, Steve Miller, director of debt research and risk management at PPR, says it is limited only by the FDIC's ability to deal with the growing volume of distressed financial institutions.

CMBS loan liquidations were averaging about $108 million a month in 2008 and last year the average jumped $182 million with November's totaling hitting $255 million and December's ballooning to $585 million, according to CMBS bond rating agency Realpoint. Loans were being liquidated at losses near 66%.

In addition, the rate at which liquidated or resolved CMBS credits are replenished by newly delinquent loans is growing and remains a high concern, especially regarding further growth in the foreclosure and REO categories (evidence of additional loan workouts and liquidations on the horizon for 2010).

To the selling side of the equation, industry participants also expect to see heretofore reluctant community and regional banks begin to dispose of more of their distressed commercial real estate assets.

"The secondary market for buying loans is a crowded space right now," said Barry C. Smith, president of LoanSaleCorp.com in Scottsdale, AZ. "There are many groups seeking deals, but transactions (other than the FDIC sales) actually taking place are not as great as one might think. Bid / ask spreads are still wide, but we do see things narrowing somewhat."

"January was interesting; it is apparent that both buyers and sellers are ready to get things going after a dismal 2009," Smith said. "We see good momentum in the market currently and we are happy to report that the community and regional banks we deal with seem to be more interested in actually doing something proactive. This contrasts with what we saw in 2009. Some banks are starting to come out of their Zombie like state and explore the disposition of identified problems. This is an encouraging sign for the market."

Bill Looney, president of loan sales at DebtX in San Francisco, said the market for commercial real estate debt is as active as he has seen it in 10 years.

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"That's a function of weakening conditions in the commercial real estate market and a recognition among financial institutions that they need to actively manage their portfolio to reduce risk and protect the bottom line," Looney said. "Many institutions realize that a loan sale can expeditiously dispose of a loan at fair market value. By selling, rather than holding onto the loan in workout, institutions can remove the headwind from their balance sheet and get back to the business of making profitable loans again."

In addition to selling a significant volume of non-performing loans, Looney said he also expects to sell a fair amount of performing debt start coming to market.

New York-based Mission Capital Advisors conducted $9.2 billion in loan sales last year including $571 million of CMBS loan sales, a 77% increase year over year versus 2008.

"We see the market as extremely active, with the most active sellers being the healthier community and regional banks who have successfully raised capital and nearly all special servicers (regardless of financial condition)," said William David Tobin, principal of Mission Capital Advisors. "Mission's commercial loan sale business was up 57% in 2009 versus 2008 in terms of balance offered. We expect a similar increase in 2010."

"The most active buyers are localized operators teamed with high net worth individuals or groups of individuals, with a strategic use for the property (and accordingly, a price advantage over strictly financial buyers)," Tobin said. "The second most active buyer profile is $50 million to $500 million private equity / high net worth investment funds."

In terms of buyers, Bill Looney said DebtX is seeing a lot of bidding and purchasing by opportunity funds, private equity funds and hedge funds.

"In addition, we're seeing a number of equity buyers who previously owned property, but have been in cash looking to get back in," Looney said. "Because many distressed properties are mired in default or are unable to service their debt, some equity players are seeking to re-enter the property market by purchasing the loans. Finally, we're seeing local players, such as community banks, selectively buying loans. Community banks often have a local market advantage because they are tied so closely to their communities."

Barry Smith at LoanSaleCorp.com said the major buying activity presently is in the sub- and nonperforming loan space. Buyers are not showing a clear preference for property types but that clearly loans in the major metropolitan markets are of the most interest.

$200 Million Co-Investment Facility Launched for Investment in the US Real Estate Market
商業地產投資集團成立并預備投資兩億美金
By Elbit Plaza USA, L.P.

Elbit Plaza USA, L.P. ("Elbit Plaza USA"), a real estate investment venture jointly formed by Elbit Imaging Ltd. ("Elbit") and Plaza Centers N.V. ("Plaza"), has entered into a framework and co-investment agreement with Eastgate Property LLC, an affiliate of NCH Capital Inc., an established U.S. based international real estate fund manager ("Eastgate"), under which the parties have committed to co-invest in equal portions a combined $200 million with a U.S. real estate investment fund that will be jointly established by the parties with outside investors and which will focus on investments in the U.S. retail and commercial real estate sectors (the "Fund"). The parties intend to take advantage of real estate opportunities in the United States, primarily in the retail sector, through direct acquisitions and joint ventures with leading real estate operators.

Elbit Plaza USA is in the process of securing capital commitments totaling, together with Elbit Plaza USA's and Eastgate's investments, approximately $400 million to be utilized in pursuit of the Fund's investment program, enabling Elbit Plaza USA to fund property acquisitions valued at up to $1 billion taking into account potential leverage. The framework and co-investment agreement is a major step forward in Elbit Plaza USA's efforts towards that end.

Alex Berman, CEO, commented: "We are excited to work with Eastgate, as it brings to the venture additional capital and significant investment and fund management experience. Elbit Plaza USA is actively seeking investment opportunities. We are of the view that the recent financial turmoil in the U.S. which resulted in a correction of the real estate market has caused certain assets such as shopping malls to be undervalued, and we predict that over a five-to-seven-year period, such assets will again be valued by the markets at fair value. There are various shopping malls in the U.S. that have attractive annual net operating income and significant upside potential in terms of appreciation."

Elbit Imaging Ltd. is a public limited liability company whose shares are traded both on the NASDAQ Global Select Market (EMITF) and on the Tel Aviv Stock Exchange. Elbit is a growing conglomerate with specialty in real estate and other entrepreneurial investments.

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Hotels Top CMBS Delinquencies
商業貸款抵押證券拖欠率全面上揚，但酒店的拖欠率最高
By CoStar

The delinquent status of the Extended Stay America loan was a large contributor to a 129 basis-point increase in overall U.S. CMBS delinquencies last month to 6%, according to Fitch Ratings.

"While the Extended Stay loan is a significant contributor to the increase in delinquencies, a steady up-tick in all property types will lead to continued increases in the months ahead," said Susan Merrick, Fitch managing director. "Even without the classification of the Extended Stay loan as delinquent, the index would have increased to 5.10% instead of 6%."

For the fifth month in a row, each of the five main property types saw an increase in delinquencies. Delinquency rates for those properties compared to last month are as follows.

Hotel:	16.44% (vs. 9.13%)
Multifamily:	8.33% (vs. 7.54%)
Retail:	4.94% (vs. 4.25%)
Industrial:	3.73%. (vs. 3.57%)
Office:	3.06% (vs. 2.66%)

Sketchers U.S.A. Plans 1.82 Million-Sq.-Ft. Distribution Center in Moreno Valley
Sketchers U.S.A. 計畫在 **Moreno Valley** 建造面積一百八十二萬尺的配送中心
By Randyl Drummer (CoStar)

Sketchers USA, Inc. has entered into a limited-liability joint venture with HF Logistics I, LLC to acquire and develop about 110 acres in the Highland Fairview Corporate Park in Moreno Valley, CA, for development of a 1.82 million-square-foot distribution facility.

The shoe company will lease the building from the JV for 20 years upon delivery at a base rent of $933,894.44 per month. In published reports, Skechers said it hopes to break ground in 60 to 90 days.

Under the JV, Skechers, through its wholly owned subsidiary Skechers RB, LLC, will contribute $30 million and HF Logistics will contribute the land, according to an SEC filing by Skechers. Further costs would be split between the partners.

The joint venture is in the process of obtaining $55 million in construction financing, with closing subject to certain conditions. In the event that either the construction loan is not finalized or construction does not begin by June 1, the JV would become null and void, according to the filing.

Under the agreement, Skechers would have oversight of the project's buildings and operations after construction while HF would handle landlord duties, project financing and entitlements.

Multifamily REIT CEOs Upbeat On Apartment Prospects Despite Bleak Fundamentals
公寓投資信託的行政人員對於公寓的走勢充滿信心

By Randyl Drummer (CoStar)

Even as apartment rents continue to erode, vacancies remain at historic highs and prospects for recovery unlikely until next year, executives for the nation's largest publicly traded apartment companies sounded a note of optimism during the latest round of earnings conference calls, believing that the worst of the pain has already passed.

Most predicted slow and steady, if unspectacular, improvement in fundamentals over the course of 2010, though the path to recovery will be bumpy.

"Management teams are sporting a new cloak of optimism, although it is heavily footnoted," said Citi REIT analyst Michael Bilerman in a research note.

Some companies, such as AvalonBay Communities (NYSE: AVB) and Equity Residential (NYSE: EQR) based their optimism on capital raising, acquisition, development and other growth plans. Others, such as Camden Property Trust (NYSE: CPT) are holding back, shelving their 2010 development plans while deleveraging and charging off losses and impairments to their land and portfolios.

Most companies said they are trying to boost occupancy by lowering rents, trading lower net operating income (NOI) in hopes of holding the line on vacancies during the current wave of job losses that has thinned the ranks of renters, especially among "echo boomers" in their 20s and 30s who are opting to double up with roommates or live with their parents. Just as their office and retail counterparts are doing, apartment companies are giving renters the upper hand.

Meanwhile, the long-expected flood of distressed property sales hasn't yet materialized, with deals held back by limited financing availability and low interest rates that have mostly allowed borrowers to continue to service their loan debt, even though many of those loans are under water.

For now, apartment executives are hanging their hopes on the unprecedented slowdown in housing construction, and the sheer numbers of the echo-boom generation, second in size only to the baby boomers, which they say point to strong expected rent growth starting in 2011, according to Marcus & Millichap's 2010 National Apartment Report.

"It is simply a matter of time before an expanding economy releases this powerfully favorable demographic into the renter pool," said Marcus & Millichap President Harvey E. Green and Managing Director Hessam Nadji, authors of the report.

Acquisitions: Back on the Radar Screen for Some

After dropping about 70% from the peak, confidence and investment activity began to stir modestly in the second half of 2009 and into 2010. Private local buyers account for most of the activity, but REITs and institutions that have built-up capital are expected to continue targeting large properties in major markets this year.

The largest apartment REIT, Equity Residential, has been first out of the gate. EQR earlier this month acquired two luxury apartment complexes in Manhattan from Macklowe Properties, River Tower and 777 Sixth Street, and signed a contract for a third, the Longacre House, for more than 900 units in deals totaling $475 million.

EQR, headed by billionaire Sam Zell, also in the fourth quarter closed its purchase of Metropolitan at Pentagon Row, a 326-unit apartment complex in Arlington, VA, from joint venture partners Cornerstone Real Estate Advisers and Kettler for $100 million, according to CoStar information. The company has also acquired two other high-rises in Arlington and mid-rises in Seattle and Del Mar, CA, according to EQR President and CEO David Neithercut.

"This is all good news for the apartment business," Neithercut told investors earlier this month. "I'm not suggesting that we're experiencing any kind of sharp inflection here. I would rather say we think we are at the beginning of a period of slowly, and I do mean slowly, improving fundamentals. But … if you add job growth to that picture, we believe that will quickly turn into one of the best operating periods in our history."

The cautious return of large investors may signal a shift in strategies from wait-and-see to bargain-hunting. Some believe values have dropped sufficiently to encourage investors to resume acquisitions in stronger metros and submarkets rather than risk missed opportunities by attempting to time the absolute bottom of the market.

"Visions of quality assets coming to market at fire-sale prices will continue to fade, and buyers and sellers will move closer to redefining fair value based on true assessments of quality and risk," Green and Nadji said in their report. "More distress is sure to come to market, but the quality will be highly mixed as lenders avert further losses by avoiding foreclosure on performing assets and those with reasonable prospects for stabilization."

REITs aren't the only buyers gearing up for future investments. Private local investors who liquidated their holdings at a tidy profit in the mid-2000s are coming back as buyers, Marcus & Millichap said.

In what may be "the clearest signal yet that prices have adjusted to levels that can be sustained," such smaller investors recently have accounted for 82% of the dollar value in the current acquisitions pool, compared with 37% at the peak four years ago.

New Development on Hold

The majority of apartment companies have chosen to either cancel or scale back their 2010 development plans, according to a survey of company earnings statements and conference calls. Developers delivered just 94,000 units in 2009, according to Marcus & Millichap, a number expected to drop even lower this year, a level expected to be the lowest level since 1995. New construction starts have fallen to a 15-year low, with new development constituting just 0.5% of existing inventory.

Fitch Ratings recently maintained a stable outlook for multifamily REITs in 2010 due to this limited supply, along with continued access to low-cost financing from government-sponsored entities Fannie Mae and Freddie Mac.

The construction pause, along with a population surge among renters forming new households over the next three years, is expected to drive down vacancies and offer the opportunity to raise rents. With these numbers in mind, AvalonBay, unlike some of its rivals, said it remains committed to delivering new product.

"Given greater visibility now for both the economy and capital markets and our positive outlook regarding the fundamentals in late 2011 and 2012, we will be increasing our acquisition, free development and development volumes this year to position us for the projected improvement in fundamentals," said AVB Chairman and CEO Bryce Blair.

"We do intend to start some new developments in 2010 although the amount should be modest by historical standards upon the order of $400 million," added President Tim Naughton. "Most of the activity is likely to occur in the northeastern suburban markets where market conditions are more stable and wood frame communities offer better projected returns. In addition we are beginning to look at new land opportunities as some land owners and lenders are starting to consider disposing of their holdings and many of our competitors remain on the sidelines."

The prospects for a recovery come as apartment vacancies hit a 30-year high in the fourth quarter, and rents fell 3% last year as landlords scrambled to retain existing tenants and attract new ones.

Rising unemployment contributed to a more than 3% decline in asking rents in 2009, while effective rents fell nearly 6% and concessions rose. Landlords quickly cut rent in the first half of 2009 and concessions have become commonplace in formerly torrid housing markets, such as Fort Lauderdale, Las Vegas, Miami, Orlando, Phoenix, the Inland Empire, Sacramento and Tampa-St. Petersburg possibly reflecting increased competition from the single-family and condo "shadow" market.

GSEs to the Rescue

At the end of last year, 4.9% of CMBS were delinquent, a five-fold increase over the year before, Moody's Investors Service said last month. The Moody's "delinquency tracker" found that more than 8% of the bonds for apartment loans and more than 9% of bonds for hotel mortgages were delinquent.

In another black-eye for the industry, multifamily is at the center of one of the biggest commercial real estate deals to come undone so far, the default on the debt used to finance the $5.4 billion purchase in 2006 of the massive Peter Cooper and Stuyvesant Town apartment community in Manhattan. The 11,000-unit property is now valued at less than half its purchase price.

However, agency funding has likely helped stave off even higher multifamily delinquency rates. Fannie Mae and Freddie Mac dominated multifamily financing last year. Financing 81% of all multifamily activity based on Freddie Mac's accounting for a combined $36.4 billion.

The agencies' commercial loans have been among the best performing assets in their portfolios, and GSEs should remain the primary sources of financing for apartment investors, according to Marcus & Millichap. Beyond that, the lending climate for apartments will remain constrained and underwriting standards will be conservative in 2010: investors should expect loan to values to stay within the 55-75% range, M&M said.

The Good News: More Retail Property Deals in 2010 as Loans Mature and Banks Recognize Losses

美國購物商場的平均空屋率預計會在 2010 年持續上漲，但今年的購物商場成交率會高於 2009 年

By Sasha Pardy (CoStar)

The International Council of Shopping Centers (ICSC) sponsored a webinar this week offering strategies and insights for property owners and investors from industry executives on the capital markets and the impact they are expected to have on the retail real estate market in 2010.

The panel of retail property experts was moderated by Bernie Haddigan, managing director of Marcus & Millichap's National Retail Group. Despite a sharp drop-off in the amount of retail construction from the record amount of deliveries recorded during 2005-2008, Haddigan noted the national average retail vacancy rate is expected to continue increasing through 2010 before topping out at a two-decade all-time high for retail real estate. On top of this, said Haddigan, owners are experiencing flat to declining rental income, further hampering property NOIs.

While the national statistics paint a grim overall picture of today's retail real estate market, Haddigan said that it's not the case for all geographies. Over the course of the next year, he expects retail properties located in urban infill markets with strong demographics will likely enjoy improving occupancy and greater investor interest. 2010 will clearly define a divide between "the best and the rest," he said, with retail properties in secondary and tertiary markets likely suffering considerably.

The effect of declining fundamentals and NOIs, combined with the state of the lending market, has had a dramatic impact on retail property sale transaction activity. The total number of retail transactions his firm has seen dropped 66% from the peak to the cycle trough. Although since the third quarter of 2009, transaction activity has picked up slightly from the all-time lows, particularly on high quality retail properties, said Haddigan.

Retail transaction activity has also showed a disparity in the pricing of deals. In the first quarter of 2007, retail property sales of $20 million or more comprised more than half of all transaction activity. By second quarter 2009, deals that size accounted for only 6% of the market, according to Haddigan. "It's largely the under $10 million deals that are trading, as financing has been more readily available and valuations have been easier on these smaller deals," he added.

Pricing trends are further widened when comparing cap rate trends on single-tenant and multi-tenant retail deals, said Haddigan, with transaction activity on the single-tenant side not declining nearly as much as on the multi-tenant retail side.

Haddigan also said overall cap rate trends are misleading because the majority of deals closing in recent quarters have involved high quality properties. "I'm seeing best-in-class single tenant deals with trade at caps about 200bps higher than they were four years ago," while marginal transactions are trading at caps as much as 600bps higher than four years ago, said Haddigan.

With the caveat that there is a much smaller pool of sales data limited to primarily high quality property deals, Haddigan showed that on average, multi-tenant deals traded at an 8.2% cap during 2009. In an anecdotal example,

Haddigan said, "Over the last sixty days, we've traded a few infill grocery-anchored deals at sub-7% caps, so on your better quality deals, there is an appetite." Outside of these high quality deals, said Haddigan, retail transactions in secondary markets are seeing pricing on a "replacement kind of analysis."

Looking forward through the rest of this year and into 2011, the level of retail transaction activity depends greatly on the actions of the lending community -- from how many retail properties will be foreclosed on as refinancing continues to be a challenge, to how much distressed retail will be put on the market for sale, to how difficult the new loan origination market will remain.

"Between now and the end of 2014, there's $1.176 trillion of commercial mortgages coming due and on a daily basis, we're finding it very difficult to refinance many of these deals," said Haddigan. Already, Marcus & Millichap estimates there is $170.1 billion in 8,084 commercial properties in distress (delinquencies, defaults, etc) and retail properties account for the largest chunk -- 22.6%, or $38.5 billion. Put in perspective, however, Haddigan said, "it's important to note that there's only 2% of all retail actually in foreclosure or REO, so the vast majority of deals seem to have some type of workouts or extensions."

Kevin Donahue, the SVP at Midland Loan Services (wholly owned subsidiary of PNC Bank) that runs the company's Real Estate Solutions Group echoed the view that retail property accounts for the largest amount of commercial property loans in distress. His firm has about $12 billion in special servicing and about 35% of that is retail. He noted, however, that the bankruptcy of a single large owner accounted for much of the retail total.

Donahue said that, due to the sheer volume of assets in special servicing, he expects more transaction activity will occur in the market. "In 2009, we hit a high water mark where the ratio of asset transfers into special servicing versus resolutions was 4.6:1 -- that volume alone is going to force special servicers to start liquidating loans and collateral. This is ultimately a good thing because it will help the market reset and de-lever the assets that need to be de-levered," he said.

Another panel member, Kieran Quinn, vice chairman at D.C.-based mortgage banking firm, Walker & Dunlop, said that commercial banks, which hold about 50% of the maturing commercial real estate loans out there, are just starting to face reality, recognize their losses and take action.

"We lost 150 banks in 2009 and we're probably going to lose another 150 to 200 in 2010," he added.

For those retail property owners having a tough time refinancing their loans, Quinn offered advice. "Start early. Get together all the information you would for a new loan, get your rent rolls and financials updated, etc. It's also important to be very respectful of the person on the other end, because they are busier than ever before and have nothing but bad news thrown at them daily. If you don't come with a plan or action steps, you're not going to get taken seriously in this process," he said.

With advice to the many retail property owners that are in the situation of their property value being less their debt, Quinn said, "If it's truly an impairment of value because a tenant has blown out, for example, then the borrower is going to have to go in with a cash pay down or some kind of restructuring intent. Nothing comes free. Focus on debt service coverage -- you may just get away with putting up some money to cover the loan for the next two years. The more you bring to the table, the better reception you're going to get and the more flexibility you'll get on the other side."

Donahue said that Midland prefers to work with its borrowers as opposed to letting property go into REO. "We're willing to work with borrowers that want to be part of the solution and add value. They need a plan of action and some cash, " he said. Working with a borrower may involve restructuring the loans with an adjusted interest rate

or curtailing principal and then there is also the option of bringing fresh equity that would become a subordinate to the original equity, explained Donahue. "Ultimately, I want to resize that debt relative to where we think the value is or might be in a short period of time," he added.

Addressing the market for new loans, Quinn said, "The reigns are loosening up dramatically." Using life companies as an example, Quinn said, "we think life companies are going to have $30 billion or more to lend. The loan to value ratio will likely max at 68% to 69%, but we've even seen quotes on really nice deals at 50% LTV."

These funds, however, will be almost exclusively limited to high quality deals. "Quality differentiation is going to be the key going forward. In the hay day of 2007, everybody got a loan for the best price with max leverage and their reserve waived. Today, you have a market for high quality real estate in top tier cities," said Quinn, adding that good quality deals in secondary markets will see some willing to lend, too, "but in cities where you still have job losses, you just really need a bullet proof story," to get a loan. "People are not going to stretch like they did before," he said.

"There is a tremendous amount of equity that is on the sidelines, looking to be in the acquisition mode and they're just trying to figure out when that is," said Quinn. Haddigan added that until there is a general market consensus that rents have bottomed out and the bid-ask pricing gap shrinks, most equity will remain "somewhat paralyzed."

Fannie, Freddie Grabbing Ever-Higher Share of Multifamily Debt Financings

房利美和房地美 **2009** 年借出三百六十多億的公寓房貸，相當於整個公寓房貸市場的 **81%**

By Mark Heschmeyer (CoStar)

Fannie Mae and Freddie Mac dominated multifamily financing last year. The two federal government sponsored entities financed 81% of multifamily activity based on Freddie Mac's accounting. Their combined activity totaled $36.4 billion.

Fannie Mae, through its lender and housing partners, provided $19.8 billion in debt financing for the multifamily rental housing market in 2009.

Fannie Mae Multifamily made reinvigorating its mortgage-backed securities business one of its top priorities in 2009. Approximately 81% of total production, or $16 billion, was an MBS execution in 2009, compared to 17%, or $5.9 billion, in 2008.

Approximately 87% of the multifamily units financed by Fannie Mae in 2009 were affordable to families at or below the median income of their communities. Approximately 49% of all multifamily units financed by Fannie Mae served special affordable families (low- and very-low income families in low-income areas), and 48% of the multifamily units financed were made in underserved markets.

Freddie Mac financed its highest percentage of market share, 37% of the overall multifamily market, compared to 29% in 2008. Freddie Mac had $16.6 billion in volume for its multifamily whole loan and bond guarantee business.

Freddie Mac's multifamily transactions financed more than 250,000 apartment units, the vast majority of which are affordable to families earning low or moderate incomes.

Due to a contracting market, the two entities annual production volume declined from 2009. For example, Freddie Mac did $24 billion in 2008. Still its 2009 volume represents the 3rd largest volume in Freddie Mac's multifamily history.

According to Fannie Mae, fundamentals in the multifamily market are expected to remain under pressure in 2010.

That is also the general consensus of the National Multi Housing, in its latest Quarterly Survey of Apartment Market Conditions.

"This quarter saw a continued uptick in sales volume and equity financing, which represent another step, albeit a small one, toward a more normal transactions market, after 2009 recorded the lowest number of transactions of the decade," said Mark Obrinsky, NMHC chief economist. The weakest performing index is the Market Tightness Index, underscoring the fact that full recovery of occupancy and rents will require job growth to return to the economy. When that happens, and as a large wave of Echo Boomers begins to enter a supply-constrained market, we should see above average rent growth."

While the apartment sector benefits from the mortgage programs of Fannie Mae and Freddie Mac, the CMBS market remains dormant and bank lending activity remains subdued, NMHC said.

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Fannie and Freddie to Buy More Delinquent Home Loans
房利美和房地美表示會增加拖欠房貸的購入

By Nick Timiraos (WSJ)

Fannie Mae and Freddie Mac said they will ramp up their purchases of some $200 billion in delinquent home loans that the two government-controlled mortgage-finance companies have guaranteed.

Those loans were packaged into mortgage-backed securities now held by pension funds, insurance companies and other investors. Fannie and Freddie are required to buy out nonperforming loans when they modify mortgages or when the loan has been delinquent for 24 months. But now they are planning to buy more loans that are 120 days or more past due.

The moves stem from an accounting change that makes it more cost-effective for Fannie and Freddie to accelerate purchases of delinquent loans. Before new accounting rules took effect on Jan. 1, the companies were more inclined to continue making principal and interest payments to bondholders on nonperforming loans because buyouts triggered steep write-downs.

Freddie said it would buy "substantially all" of its loans that are 120 days or more delinquent. The company had nearly $70 billion of such loans it had guaranteed at the end of December. Fannie said it would "significantly" increase its purchases over the next few months and had $127 billion of loans that were 120 days or more past due.

Fannie and Freddie will hold the delinquent loans in their investment portfolios, which are financed through regular debt sales. Because the interest on that debt is less expensive than the cost of continued payments to bondholders, the companies said they expect the purchases to limit losses that could ultimately be paid by the U.S. Treasury.

"It is a positive from a perspective of the companies' finances," says Bose George, an analyst at Keefe, Bruyette & Woods Inc. But he described the move as "a negative" for investors holding the mortgage securities because they will no longer receive payments on higher-yielding bonds.

While Freddie will make a one-time purchase from its bucket of delinquent loans, Fannie's volume of defaulted loans is larger and the company will stretch its purchases over several months.

Fannie and Freddie, which were established to provide liquidity to the housing market, were taken over by the government nearly 18 months ago through a legal process known as conservatorship and have required $111 billion in capital infusions from the U.S. Treasury to stay afloat. In December, the government said it would stand behind unlimited losses over the next three years, up from the previous limit of a combined $400 billion.

Fannie and Freddie's move to accelerate bad-loan purchases will flood investors with cash at a time that the government is looking to investors to pick up the pace of their acquisitions of newly issued mortgage-backed securities. For more than one year, the Federal Reserve has been propping up the housing market by being the primary purchaser of those bonds. But the Fed is set to wind down that $1.25 trillion program, which has helped keep mortgage rates at near-record lows.

"There's going to be more than $100 billion of cash sloshing around in the hands of MBS investors," said Jim Vogel, an analyst at FTN Financial. Many of those investors will look to plow that money back into the mortgage market.

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Latest Residential Loan Rates [Slightly Higher than Last Week]
最新住宅地產貸款利率【比上周稍漲】

	Interest Rate	APR
Conforming and FHA Loans		
• 30-Year Fixed	4.875%	5.065%
• 30-Year Fixed FHA	5.500%	6.245%
• 15-Year Fixed	4.250%	4.573%
• 5-Year ARM	3.875%	3.564%
• 5-Year ARM FHA	3.875%	3.401%
Larger Loan Amounts in Eligible Areas – Conforming and FHA		
• 30-Year Fixed	5.125%	5.264%
• 30-Year Fixed FHA	5.250%	5.924%
• 5-Year ARM	4.250%	3.652%
Jumbo Loans – Amounts that exceed conforming loan limits		
• 30-Year Fixed	5.750%	5.895%
• 5-Year ARM	5.000%	3.930%