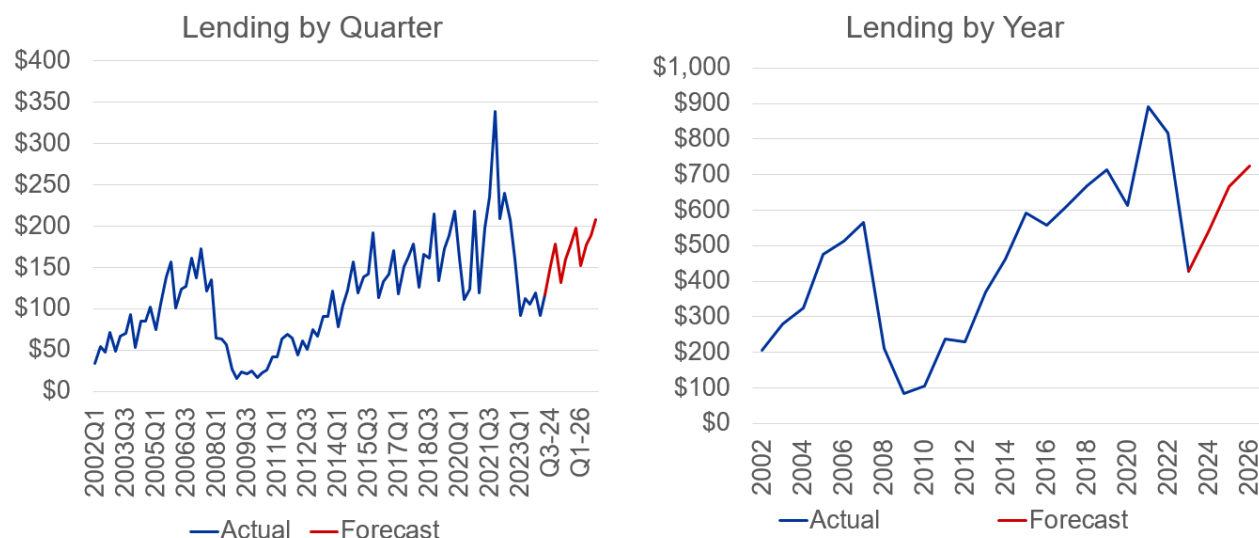


Chart of the Week – August 30th 2024
Commercial Mortgage Lending (\$billions)



Source: MBA CREF Forecast

Is the logjam in CRE transaction activity starting to break?

Since the second half of 2022, commercial real estate sales transaction and mortgage origination volumes have been in the dumps. Originations in the second half of 2022 were more than a third lower than they had been a year earlier. Originations in 2023 were half of what they had been in 2022. And in the first half of 2024, originations remained at the low levels seen in the first half of 2023.

Several factors have been holding originations back – among them, questions about some properties’ fundamentals, uncertainty about property values, and an expectation that future interest rates would fall.

For this last one (an expectation that future interest rates would fall) the future is now. At his speech in Jackson Hole earlier this month, Federal Reserve Chair Powell noted, “The time has come for policy to adjust.”

Anticipating the Fed’s moves (and myriad other economic factors), the 10-Year Treasury yield, which averaged 4.8 percent last October, is now hovering in the high-3 percent range. Not only do rate drops mean that more deals “pencil-out,” they also mean that borrowers and lenders who were waiting and/or hoping for a drop in rates to improve a particular deal’s prospects have seen that happen.

MBA’s CREF Forecast – [released this week](#) – anticipates that, after a first-half of the year that was flat to 2023, 2024 mortgage originations will be 26 percent higher than 2023. In 2025, volumes should be up another 24 percent. For multifamily alone, we expect a rise of 21 percent in 2024 and 31 percent in 2025.

CRE mortgage origination volumes have been whipsawed lately – from record highs in 2021 to decadal lows in 2023. Greater consistency and certainty in rates should help the recent logjam begin to clear.

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