

RECORD TOTALS	DAY	WEEK	YEAR
PROPERTY SALES	76	76	15,643
MORTGAGES	100	100	27,376
FORECLOSURE NOTICES	1	1	9,781
BUILDING PERMITS	0	0	31,408



RECORD TOTALS	DAY	WEEK	YEAR
BANKRUPTCIES	111	111	19,105
BUSINESS LICENSES	18	18	4,648
UTILITY CONNECTIONS	148	148	23,741
MARRIAGE LICENSES	0	0	4,439

THE MEMPHIS NEWS Business, Politics & The Public Interest

Issues | About

Economy's Impact On Multifamily Financing Small, Lenders Say

[Print](#) | [Front Page](#) | [Email this story](#) | [Email reporter](#)

ERIC SMITH | The Daily News

Despite lending concerns created by the recent Freddie Mac and Fannie Mae crisis, financing for multifamily properties hasn't been negatively affected, local lenders say.

"There is a ready market for willing buyers to find product and bid on it."
- Rick Wood
 Senior vice president, Financial Federal Savings Bank

Yes, the residential loans that both organizations bought in the secondary market at 100 percent of home value caused widespread chaos, but the maximum loan on multifamily always has been just 80 percent of the value of the property, meaning the multifamily portfolio of Freddie Mac in particular remains intact with a low delinquency rate of less than half of 1 percent.

It's an important consideration when looking at the broad picture of financial services as it relates to multifamily lending, said Rick Wood, senior vice president at Financial Federal Savings Bank.

"Freddie Mac has certainly had some bad publicity recently, but Financial Federal has continued to close loans with that agency on apartment projects across the country," Wood said. "Still having Freddie Mac provide capital in a very tough market allows the multifamily sector to be much more fluid in terms of buyers and sellers because they are confident that those acquisition funds are available, and still at that 80 percent level."

Doug Bibby, president of the National Multi Housing Council (NMHC), said the role of Fannie Mae and Freddie Mac should not change despite the recent actions taken by the Treasury Department.

"It is important to note that neither company faces an immediate crisis," Bibby said in a statement. "Rather, these actions were taken largely to restore investor confidence and keep the markets working. The impact of the Treasury Department plan on the apartment sector remains to be seen as the details are worked out, but we are optimistic that there will be little to no disruption in the companies' multifamily operations."

Bright spot in dark picture

The market has been defined of late by disruption. Commercial sales are down significantly, which is drastically impacting the financial services industry as mortgage activity plummets. Through Aug. 31, there have been just 603 commercial sales in Shelby County, down 26.4 percent from the same period a year ago, according to the latest data from real estate information company Chandler Reports, www.chandlerreports.com.

The average sales amount of \$1 million is half of last year's \$2.1 million, and the total volume in terms of dollars is just \$605 million, a staggering 65 percent dropoff from \$1.7 billion in 2007.

As for mortgages, just 277 commercial mortgages were made through the end of August, down 39 percent from the 454 made during the same period of 2007. The average mortgage amount of \$1.3 million through August is well shy of \$4.4 million last year, and the total mortgage volume in terms of dollar amount (\$371.6 million) doesn't come close to 2007's total of close to \$2 billion.

But multifamily is keeping afloat – relatively speaking – as it continues to be one of the strongest performing sectors in commercial real estate. Year to date among property types, apartment sales ranked third with 65 sales behind only vacant

land of more than 1 acre and warehouses. (Sales for vacant land of more than 1 acre totaled 121 and sales for warehouses totaled 68.)

Multifamily is simply drawing more interest – and more capital – than other sectors.

"There are merchant builders who actively develop multifamily properties across the country with the intention of selling them at completion and stabilization," Wood said. "There is a ready market for willing buyers to find product and bid on it. There seems

FRONT PAGE NEWS

- [Monday, Oct. 6, 2008](#)
- [Friday, Oct. 3, 2008](#)
- [Thursday, Oct. 2, 2008](#)
- [Wednesday, Oct. 1, 2008](#)
- [Tuesday, Sep. 30, 2008](#)

[« Back](#)

Go to date:

Search News:

PUBLIC NOTICES

- [Monday, Oct. 6, 2008](#)
- [Friday, Oct. 3, 2008](#)
- [Thursday, Oct. 2, 2008](#)
- [Wednesday, Oct. 1, 2008](#)
- [Tuesday, Sep. 30, 2008](#)

[« Back](#)

Go to date:

Search Notices:

PUBLIC RECORDS

- [Friday, Oct. 3, 2008](#)
- [Thursday, Oct. 2, 2008](#)
- [Wednesday, Oct. 1, 2008](#)
- [Tuesday, Sep. 30, 2008](#)
- [Monday, Sep. 29, 2008](#)

[« Back](#) | [Forward »](#)

Go to date:

Search Records:

SEARCH THE WEB

POWERED BY



to be more willing buyers and willing sellers in the multifamily arena than in the other commercial product types. For retail and office, there seems to be a disconnect between the sellers' aspirations and the buyers' thresholds."

Active market

Part of the reason financing for multifamily remains strong is because lenders consider apartments to be less risky. The recent occupancy and rental rates for apartments in the Memphis market bolster that notion.

Multifamily occupancy in the Memphis area was 90.2 percent for the second quarter (April through June) of 2008, relatively unchanged from the previous quarter and the same quarter a year ago, according to the latest multifamily report by CB Richard Ellis Memphis' multifamily division.

Wood said occupancy numbers have been a boon during this subprime fallout because some thought it wouldn't translate directly to improved market conditions for multifamily.

"There was a fear a year ago that the housing market's weaknesses would cause potential apartment dwellers to move into foreclosed homes," he said. "We can't see evidence of that happening on a widespread scale. Occupancies on well-managed, well-located properties are increasing as are their monthly rents."

As Bibby said recently, Fannie Mae and Freddie Mac will continue to originate and service multifamily loans, keeping it healthier than other realms of commercial real estate.

"The multifamily sector ... remains strong and is actually producing profits for the firms that are helping rebuild their capital reserves," Bibby said. "As a result, we expect (Fannie and Freddie) to remain active in the multifamily market."

