ViewPoint Live!
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The views expressed here are my own and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.
Current U.S. Banking Conditions

**Loan Growth Stronger in 4Q15**

- **U.S. Bank ROAA**

- **U.S. Bank Net Interest Margin**

Source: Bank Call Reports
Recent Guidance Pertaining to CRE Lending

SR 16-5  Interagency Advisory on Use of Evaluations in Real Estate-Related Financial Transactions

SR 15-17  Interagency Statement on Prudent Risk Management for Commercial Real Estate Lending

http://www.federalreserve.gov/bankinfo/sg/letters/letters.htm
Trends in CRE

National CRE Vacancy Rates

CRE Loans Outstanding at Banks

Foreign Capital Invested in U.S. CRE

National CRE Price Growth

Source: AXIOMetrics/CBRE-EA/FRB Atlanta Risk Analysis Unit.

Source: Real Capital Analytics/FRB Atlanta Risk Analysis Unit.

Source: Real Capital Analytics/CoStar/FRB Atlanta Risk Analysis Unit.
• Occupancy levels remain at historically robust levels

• National Occupancy Rate: 94.9%

• Apartment Occupancy levels are encountering headwinds due to:
  1) Energy Sector Declines
  2) Greater Levels of New Supply

• Occupancy levels for Class A, B & C properties range from 93-95%
The decline in occupancy can be attributed to:

1) Energy Sector
2) Greater Supply
3) Off-peak Leasing Season

Areas directly impacted by the decline in the Energy Sector:

1) South Central
2) Rockies
3) Upper Plains

Source: AXIOMetrics, Risk Analysis Unit/Federal Reserve Bank of Atlanta
Effective Rent Growth:
(Asking Rent minus Concessions)

Strong Areas:
1) Coastal Markets
2) Eastern Sunbelt
3) Arizona

Weak Areas:
Generally Energy Dependent
1) South Central (LA, OK, portions TX)
2) Upper Plains (ND)
3) Eastern Rockies (WY, CO)

Source: AXIOMetrics, Risk Analysis Unit/Federal Reserve Bank of Atlanta
Sixth District CRE Trends - Apartments

- Apartment Vacancy Rates in most Sixth District markets are significantly below each market’s long-term average (except Birmingham).
- Generally across the District, Apartment Vacancy Rates continue to decline, which is indicative of improving conditions.
- Completion rates are above their long-term averages in:
  1) Birmingham
  2) Fort Lauderdale
  3) Nashville

Source: AXIOMetrics, Risk Analysis Unit/Federal Reserve Bank of Atlanta
Sixth District CRE Trends - Office

- Office Vacancy Rates in most Sixth District markets are below each market’s long-term average (except Birmingham, New Orleans, Orlando).

- Downward 4Q Trend in Vacancy indicates improving conditions.

- At the same time, Rates of Office Completions show mixed results.

Source: CBRE-EA/ Risk Analysis Unit/Federal Reserve Bank of Atlanta
Sixth District CRE Trends - Industrial

Across the District, Industrial Vacancy Rates continue to decline which is indicative of resilient conditions.

Except New Orleans, the 4Q trend indicates further improvement in vacancy rates.

Except for New Orleans, Orlando and Tampa, 4Q trend data indicates that a number of markets are seeing a pick-up in new construction and completion rates are moving back toward their long-term average.

Notes: Availability rates are used as a proxy for vacancy rates in Birmingham and New Orleans. Birmingham's completion rates are estimated using the completion and stock values provided by CBRE.
Sixth District CRE Trends - Retail

- Retail Vacancy Rates in most Sixth District markets are near or above each market’s long-term average.
- Fort Lauderdale and West Palm Beach are experiencing heightened levels of vacancy.
- Generally across the District, Retail Vacancy Rates continue to decline which is indicative of improving conditions.
- At the same time, Rates of Retail Completions show most markets are significantly below their long-term averages.

Source: CBRE-EA/ Risk Analysis Unit/Federal Reserve Bank of Atlanta
• Continued improvements in the U.S. Economy have translated into improving fundamentals; however, performance is highly dependent on property, location, class, etc.

• Continued improving fundamentals and the robust availability of capital have translated into heightened pricing levels and rates of growth; however, recent data indicates the trends maybe slowing.

• Local economic conditions are causing conditions to moderate in some Apartment markets. These markets generally have a significant exposure to Energy-related industries and jobs.

• Most Sixth District markets continue to experience improving Commercial Real Estate conditions; however, market dynamics are indicating that rates of new supply may accelerate.

**Disciplined lending is essential during periods of accelerating and robust market conditions.**
Thank you

Additional Fed Resources:

Community Banking Connections
https://communitybankingconnections.org/

ViewPoint

Stress Tests and Capital Planning

Basel Regulatory Framework
http://federalreserve.gov/bankinforeg/basel/default.htm

Supervision and Regulation/Consumer Affairs Letters
http://federalreserve.gov/bankinforeg/srletters/srletters.htm
http://federalreserve.gov/bankinforeg/caletters/caletters.htm

Economic, Banking and Financial Data
http://federalreserve.gov/econresdata/default.htm
https://research.stlouisfed.org/fred2/

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