

ViewPoint *Live!*

April 5, 2016

Presented by:

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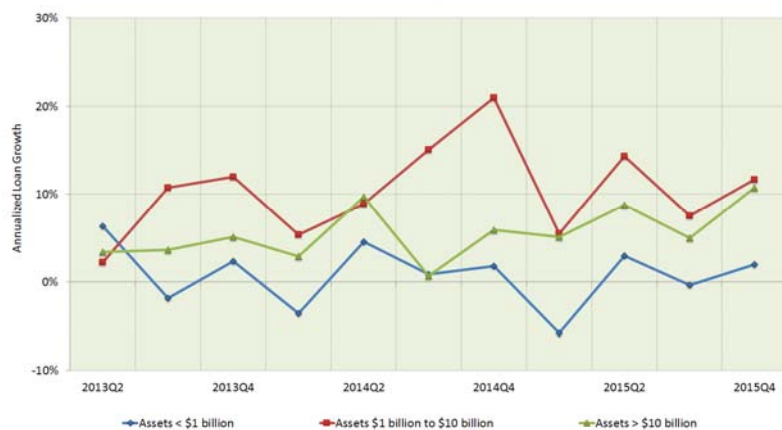


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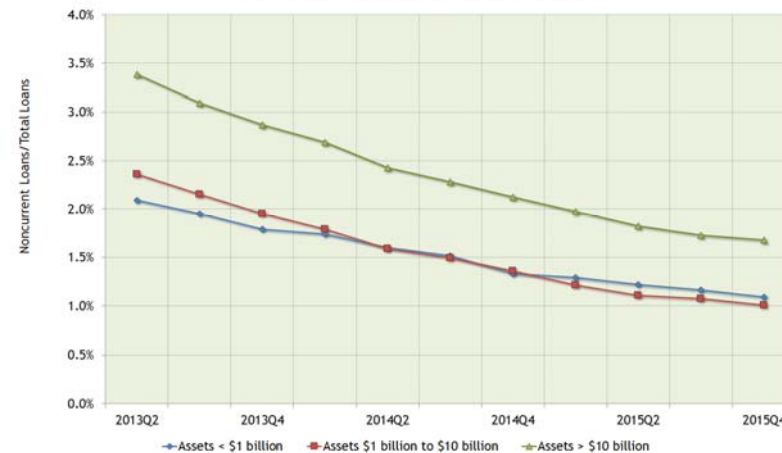
Current U.S. Banking Conditions



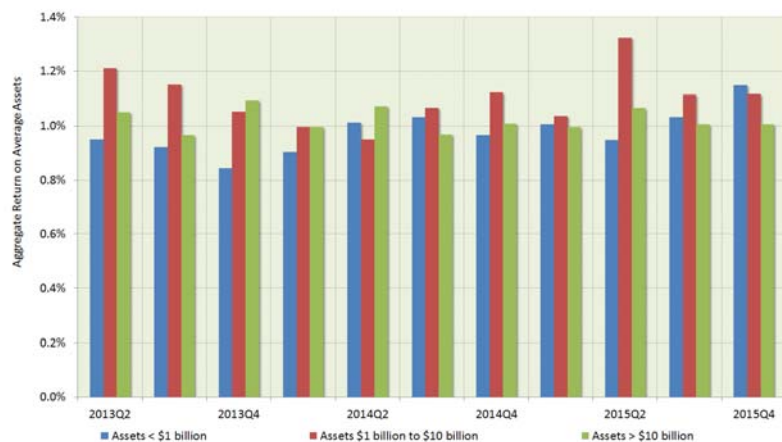
Loan Growth Stronger in 4Q15



Noncurrent Loans Slow Their Decline



U.S. Bank ROAA



U.S. Bank Net Interest Margin



Recent Guidance Pertaining to CRE Lending



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

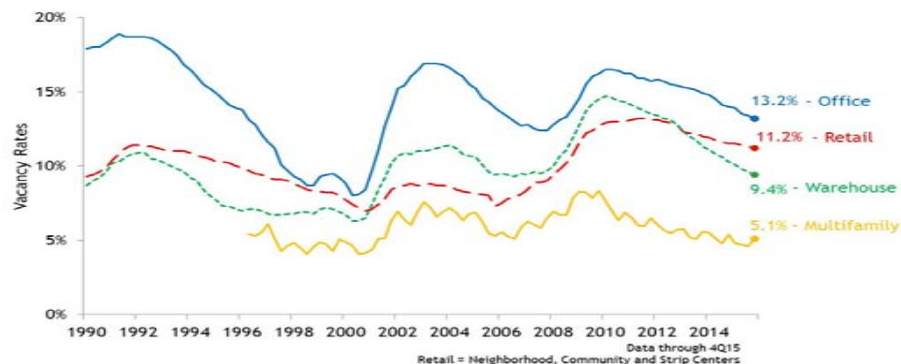
SR 15-17 Interagency Statement on Prudent Risk Management for Commercial Real Estate Lending

<http://www.federalreserve.gov/bankinfo/reg/srletters/srletters.htm>

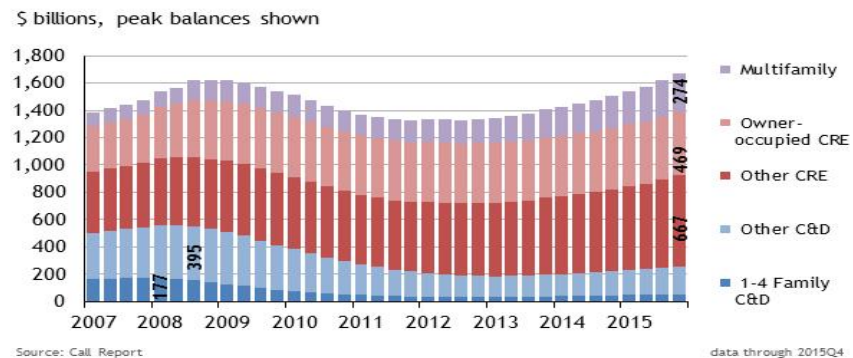
Trends in CRE



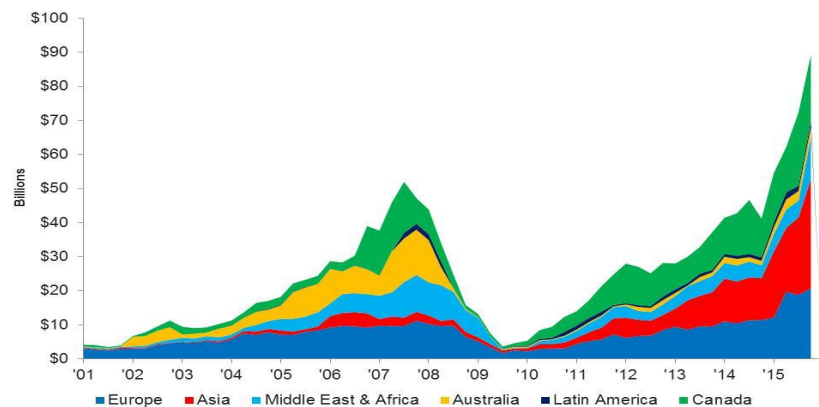
National CRE Vacancy Rates



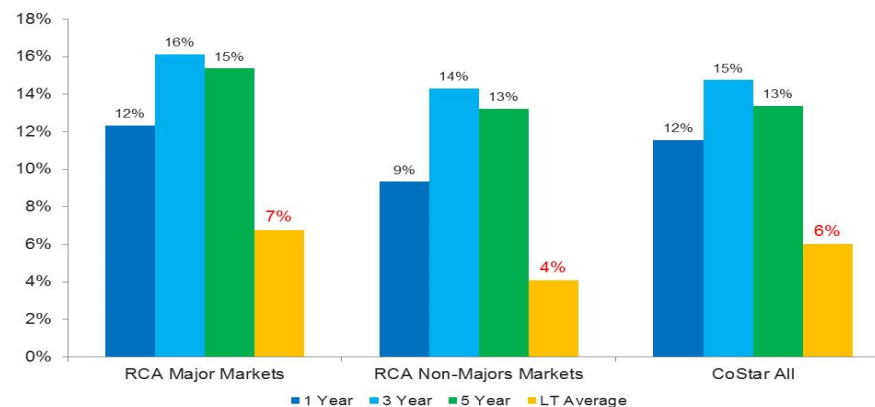
CRE Loans Outstanding at Banks



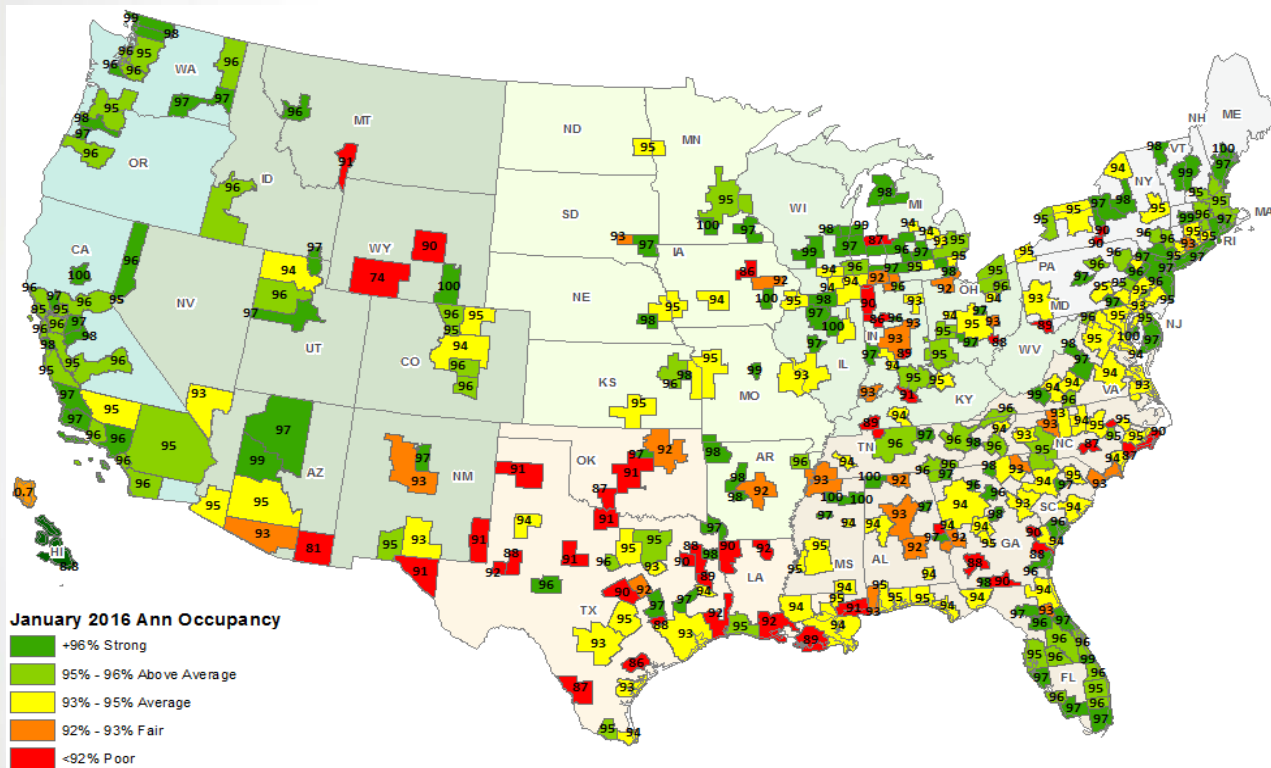
Foreign Capital Invested in U.S. CRE



National CRE Price Growth



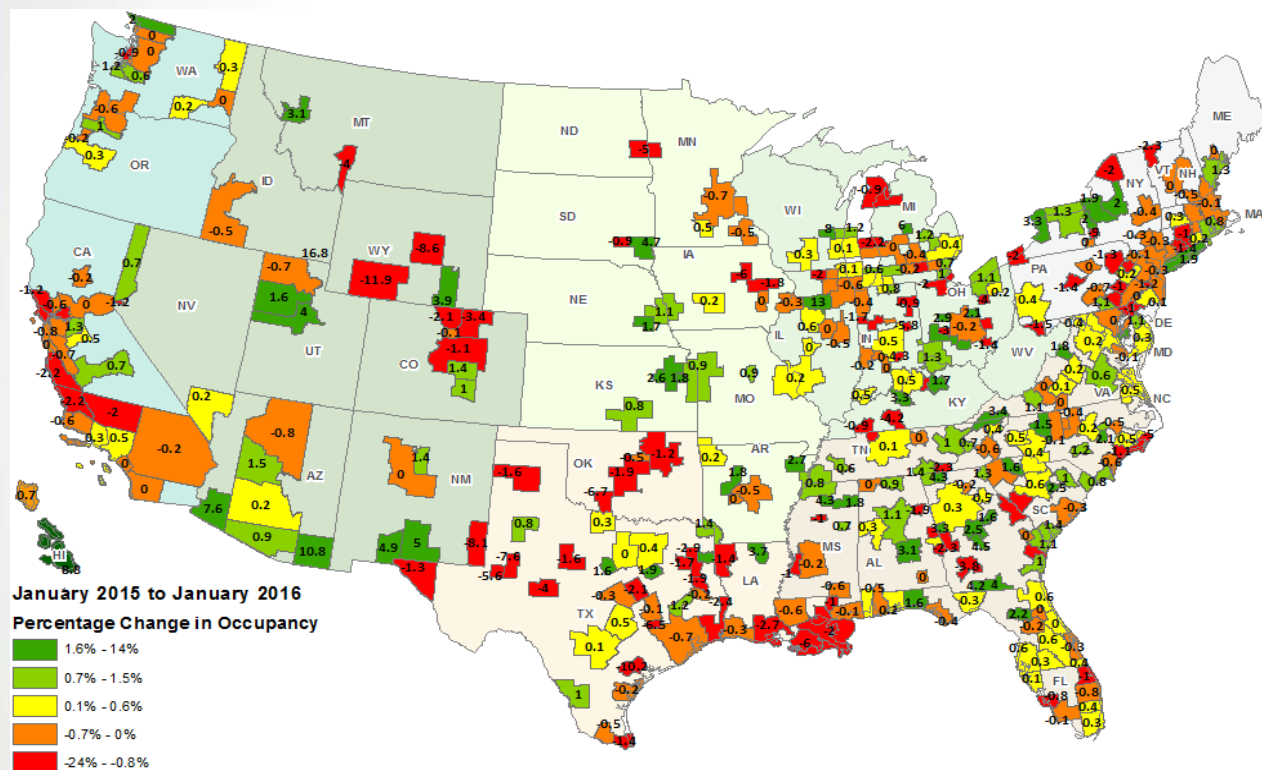
Apartment Occupancy



- 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%

Source: AXIOMetrics, Risk Analysis Unit/Federal Reserve Bank of Atlanta

Apartment Change in Occupancy



Source: AXIOMetrics, Risk Analysis Unit/Federal Reserve Bank of Atlanta

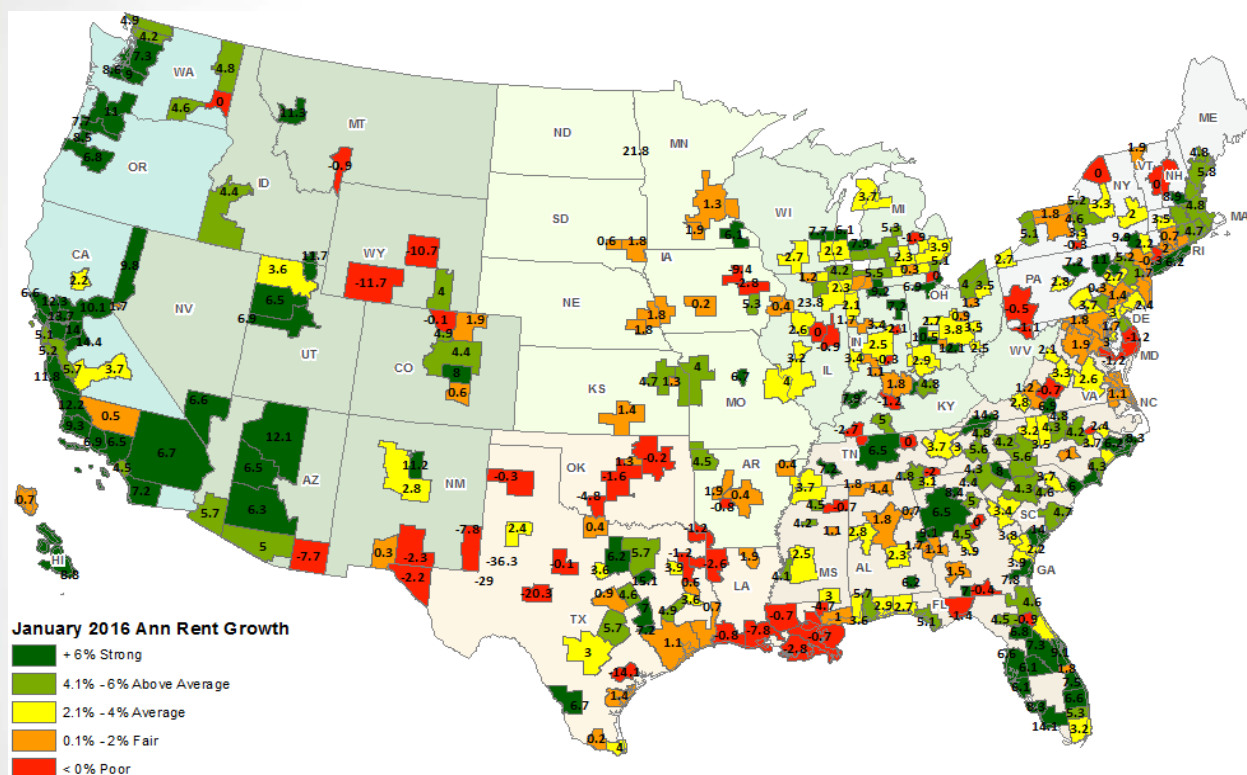
The decline in occupancy can be attributed to:

- 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

Apartment Effective Rent Growth



Effective Rent Growth:
(Asking Rent minus Concessions)

Strong Areas:

- 1) Coastal Markets
- 2) Eastern Sunbelt
- 3) Arizona

Weak Areas:

Generally Energy Dependent

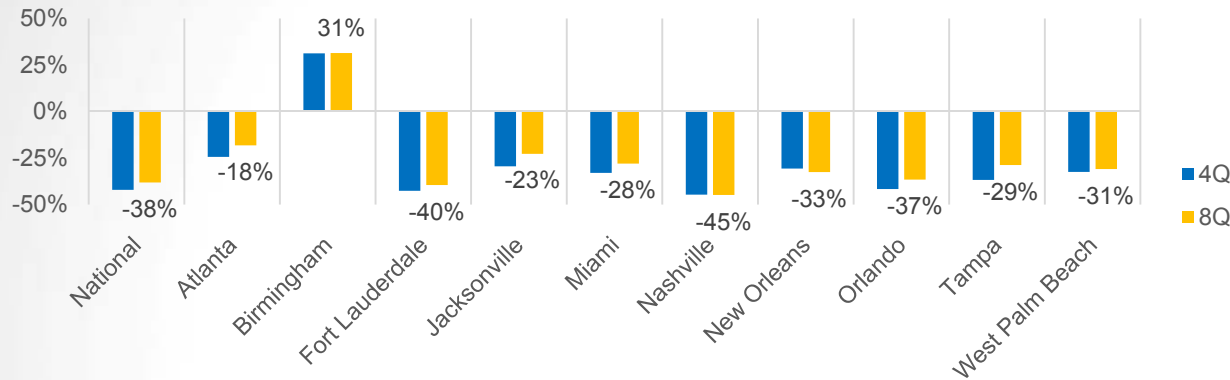
- 1) South Central (LA, OK, portions TX)
- 2) Upper Plains (ND)
- 3) Eastern Rockies (WY, CO)

Source: AXIOMetrics, Risk Analysis Unit/Federal Reserve Bank of Atlanta

Sixth District CRE Trends - Apartments



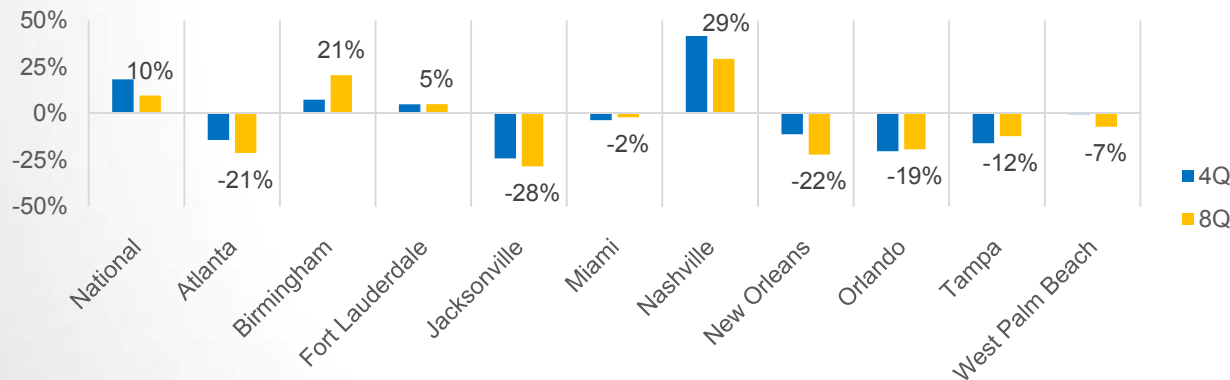
Vacancy Rates



- 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



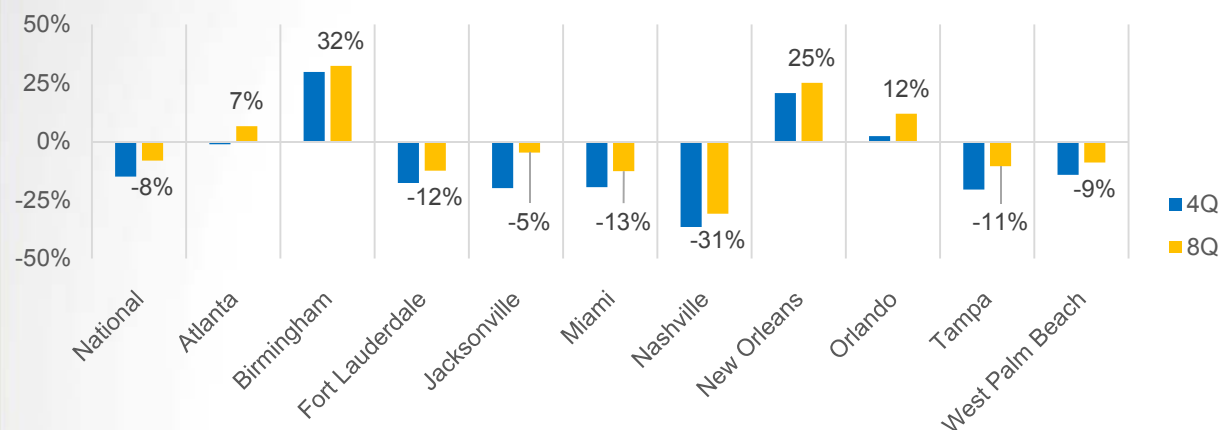
- Completion rates are above their long-term averages in:

- 1) Birmingham
- 2) Fort Lauderdale
- 3) Nashville

Sixth District CRE Trends - Office



Vacancy Rates

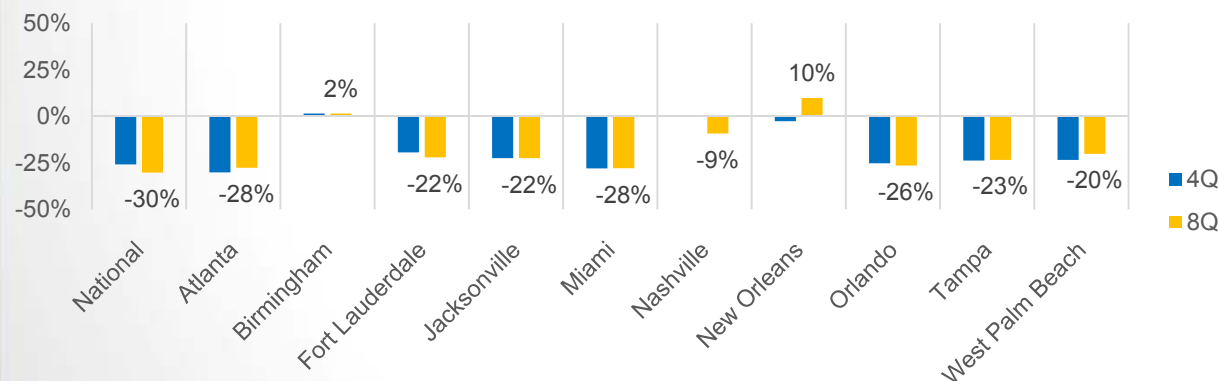


- Office Vacancy Rates in most Sixth District markets are below each market's long-term average (except Birmingham, New Orleans, Orlando).

- Downward 4Q Trend in Vacancy indicates improving conditions.

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

Completion Rates

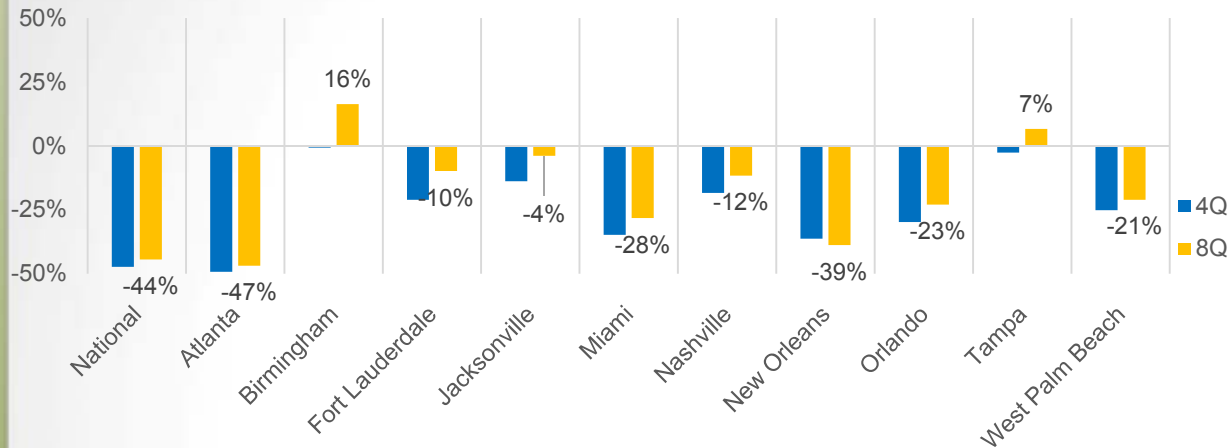


Source: CBRE-EA/ Risk Analysis Unit/Federal Reserve Bank of Atlanta

Sixth District CRE Trends - Industrial



Vacancy Rates

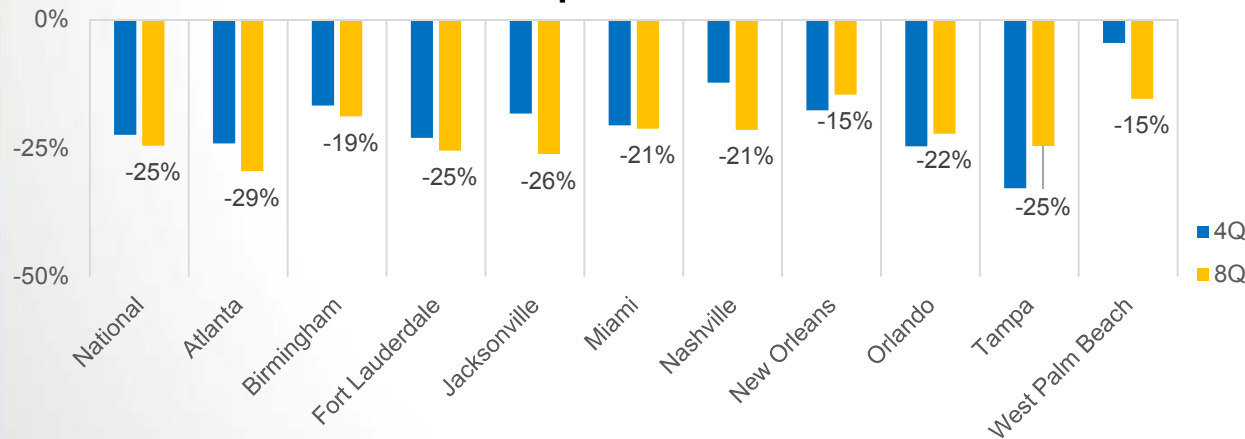


- Across the District, Industrial Vacancy Rates continue to decline which is indicative of resilient conditions.

- 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.

Completion Rates



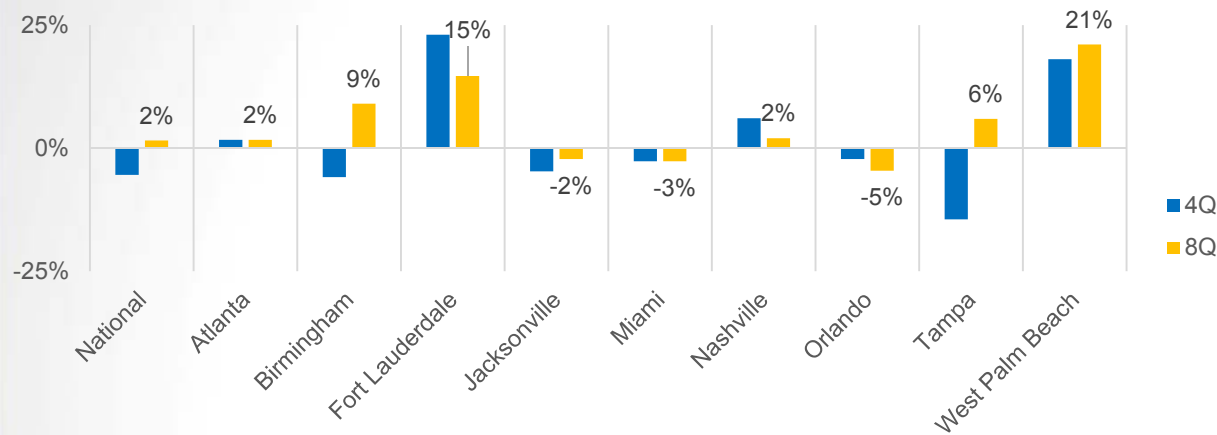
Source: CBRE-EA/ Risk Analysis Unit/Federal Reserve Bank of Atlanta

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.

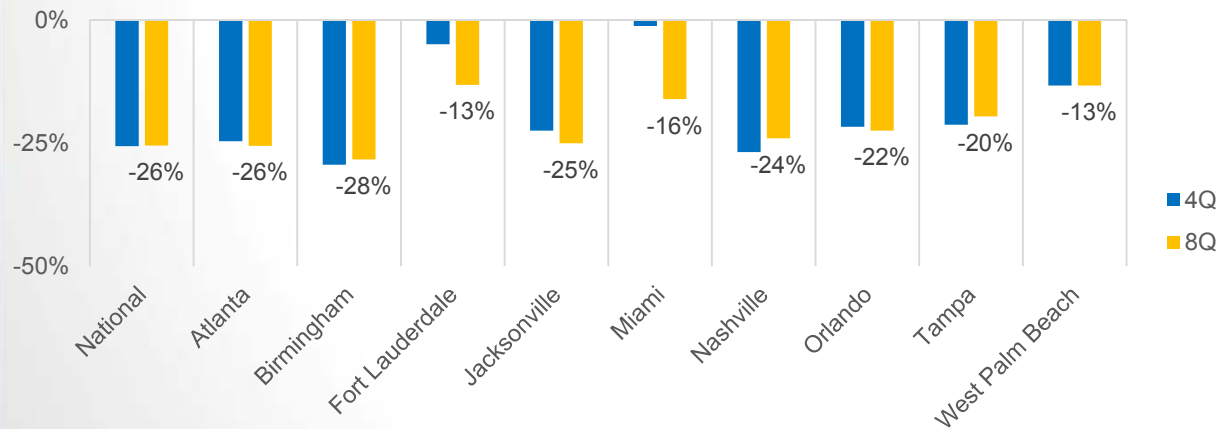
Sixth District CRE Trends - Retail



Vacancy Rates



Completion Rates



- 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

Takeaways



- Continued improvements in the U.S. Economy have translated into improving fundamentals; however, performance is highly dependent 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

<https://frbatlanta.org/economy-matters.aspx>

Stress Tests and Capital Planning

<http://federalreserve.gov/bankinfo/stress-tests-capital-planning.htm>

Basel Regulatory Framework

<http://federalreserve.gov/bankinfo/basel/default.htm>

Supervision and Regulation/Consumer Affairs Letters

<http://federalreserve.gov/bankinfo/srletters/srletters.htm>

<http://federalreserve.gov/bankinfo/caletters/caletters.htm>

Economic, Banking and Financial Data

<http://federalreserve.gov/econresdata/default.htm>

<https://research.stlouisfed.org/fred2/>

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