

ViewPoint *Live!*

April 5, 2016

Presented by:

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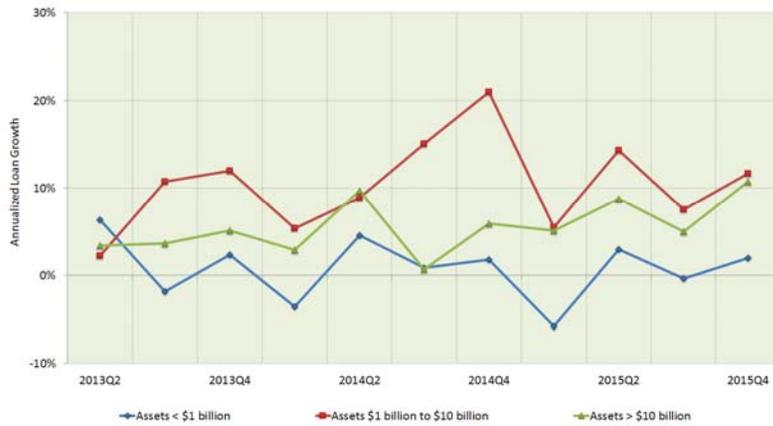


The views expressed here are my own and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.

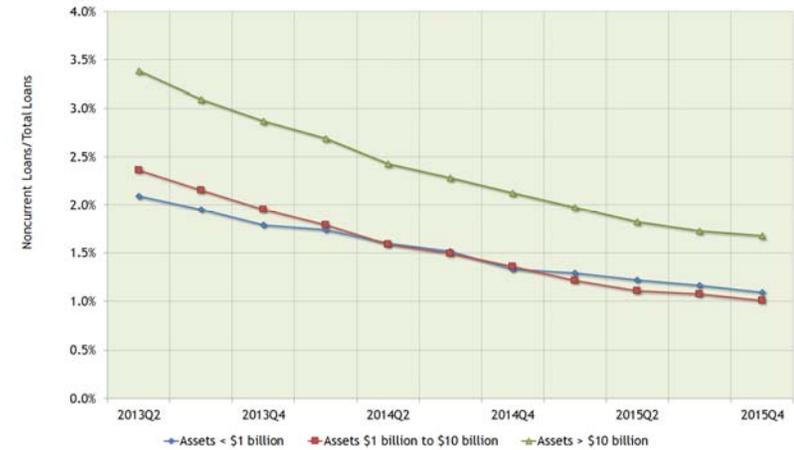
Current U.S. Banking Conditions



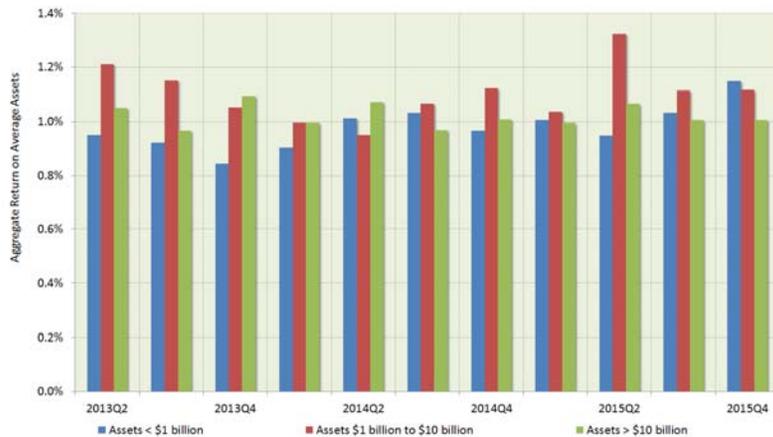
Loan Growth Stronger in 4Q15



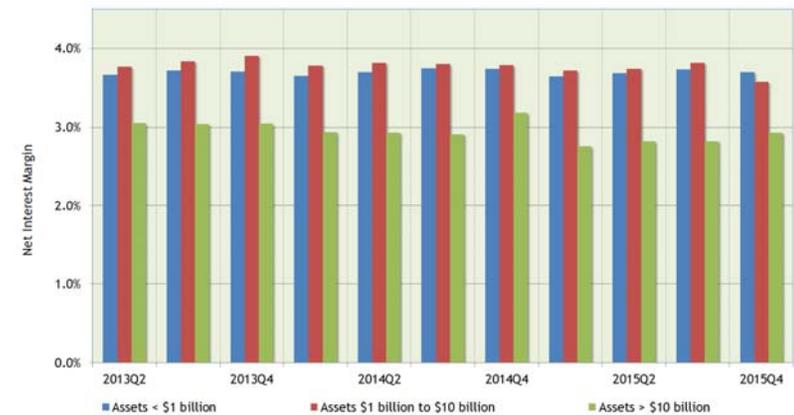
Noncurrent Loans Slow Their Decline



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

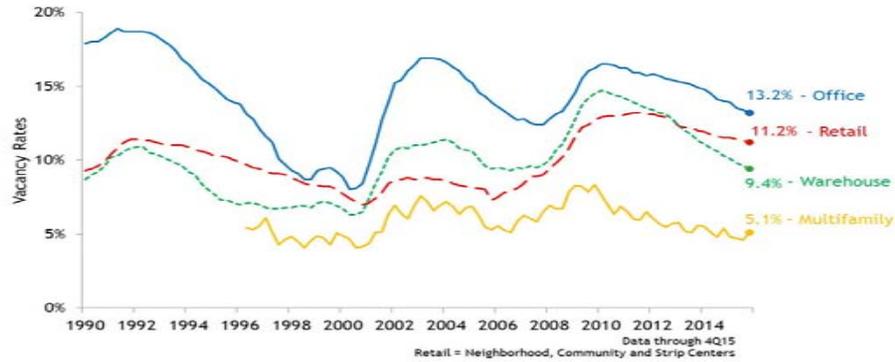
SR 15-17 Interagency Statement on Prudent Risk Management for Commercial Real Estate Lending

<http://www.federalreserve.gov/bankinforeg/srletters/srletters.htm>

Trends in CRE

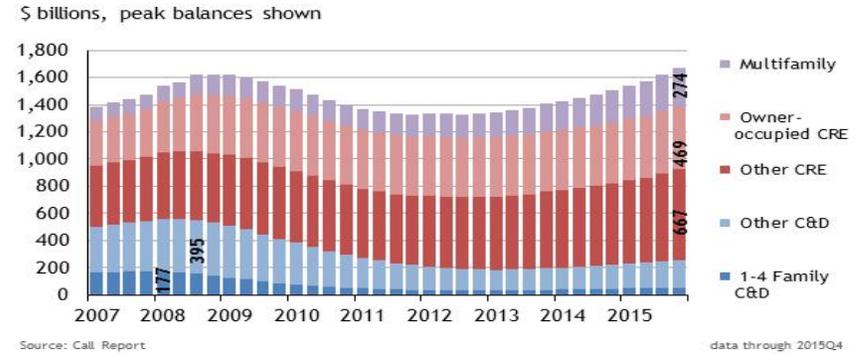


National CRE Vacancy Rates

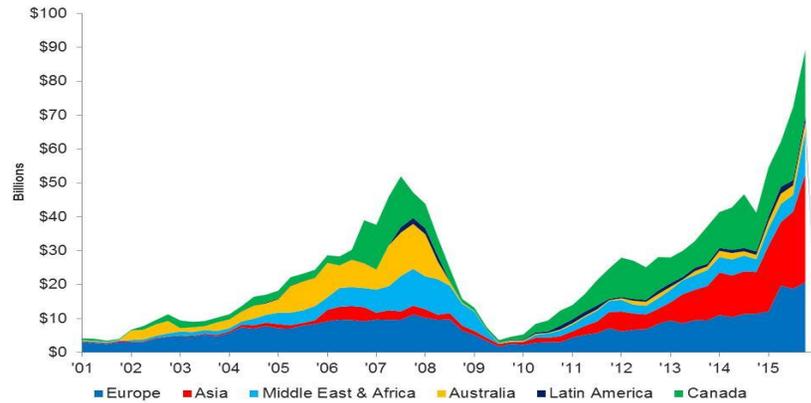


Source: AXIOMetrics/CBRE-EA/FRB Atlanta Risk Analysis Unit.

CRE Loans Outstanding at Banks

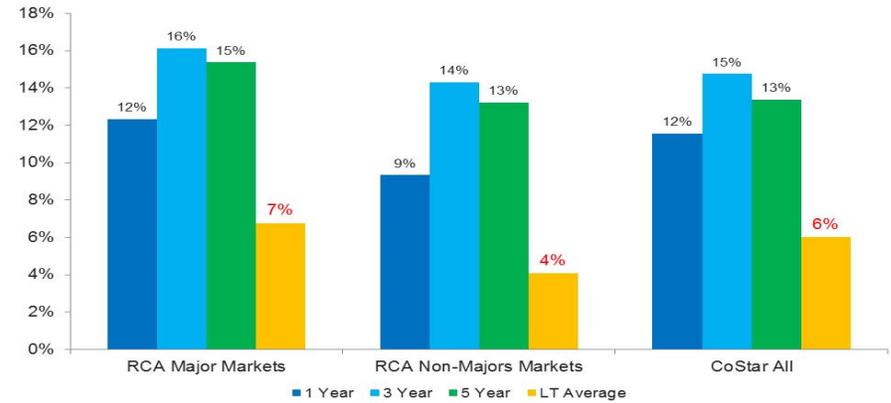


Foreign Capital Invested in U.S. CRE



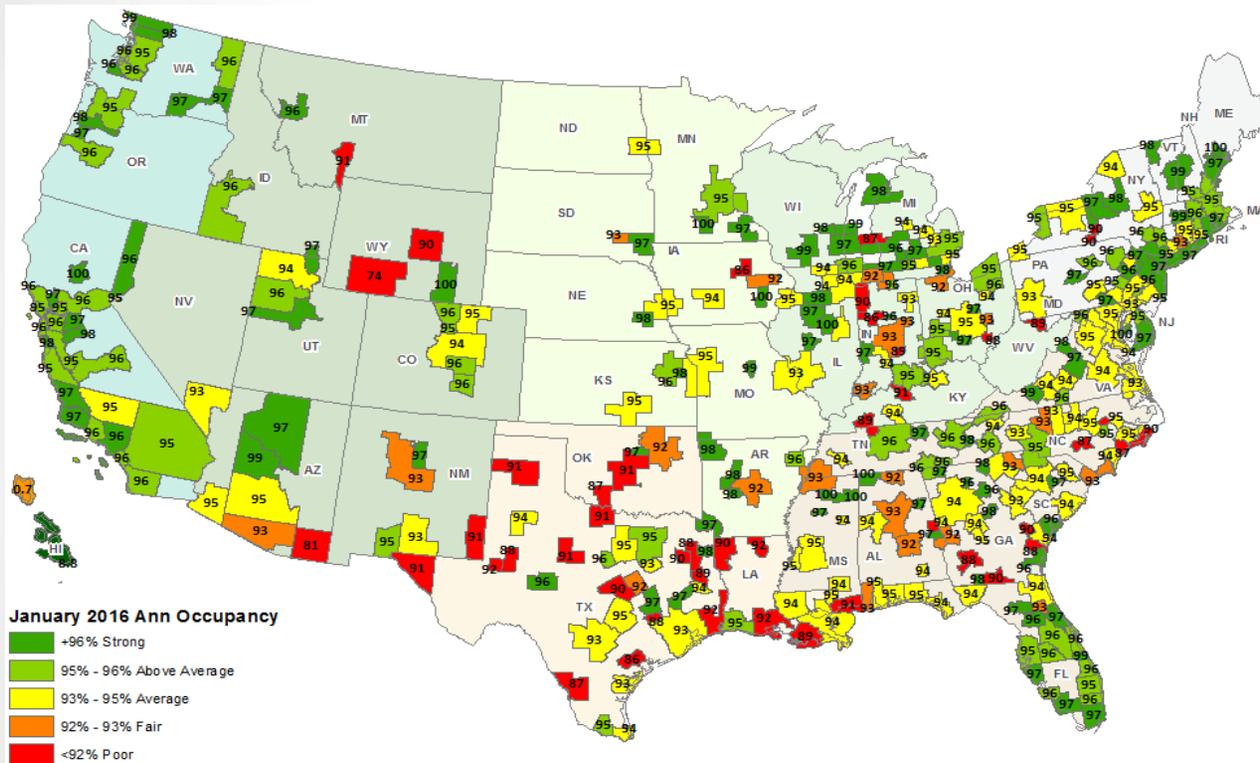
Source: Real Capital Analytics/FRB Atlanta Risk Analysis Unit.

National CRE Price Growth



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

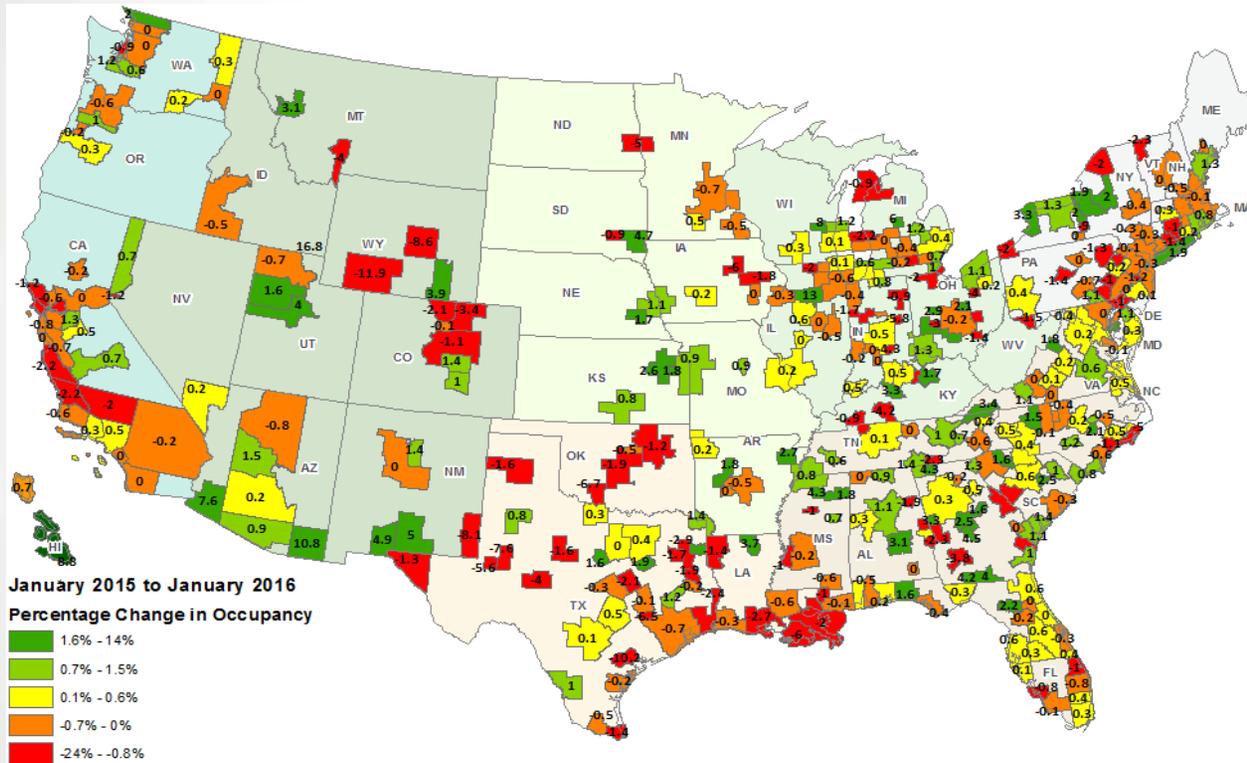
Apartment Occupancy



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

- 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%

Apartment Change in Occupancy



The decline in occupancy can be attributed to:

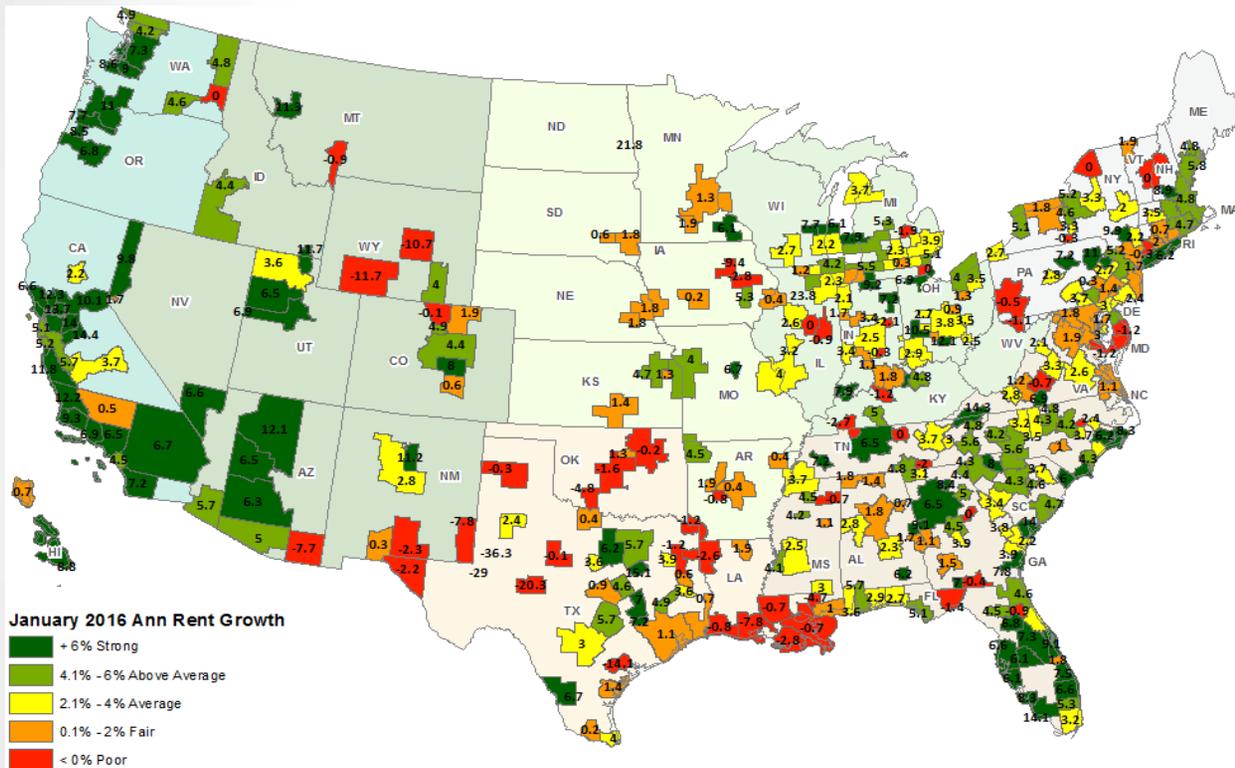
- 1) Energy Sector
- 2) Greater Supply
- 3) Off-peak Leasing Season

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

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

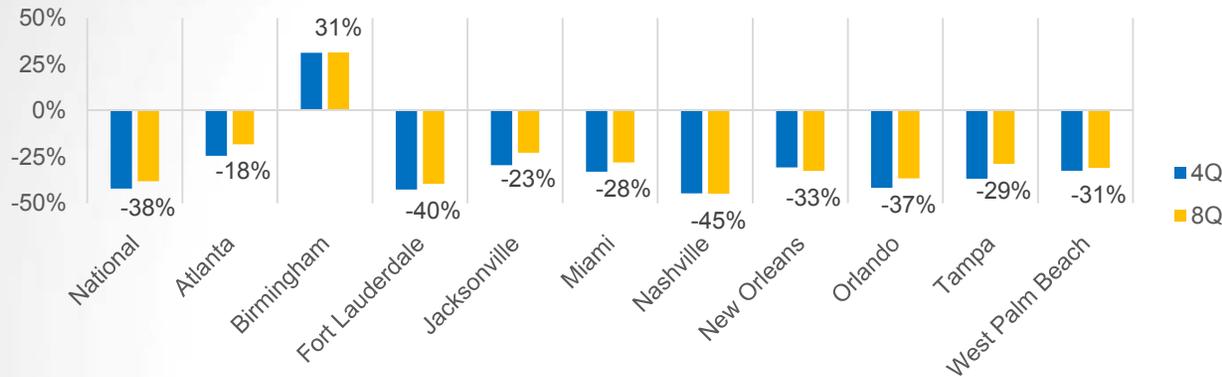
- 1) South Central (LA, OK, portions TX)
- 2) Upper Plains (ND)
- 3) Eastern Rockies (WY, CO)

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

Sixth District CRE Trends - Apartments



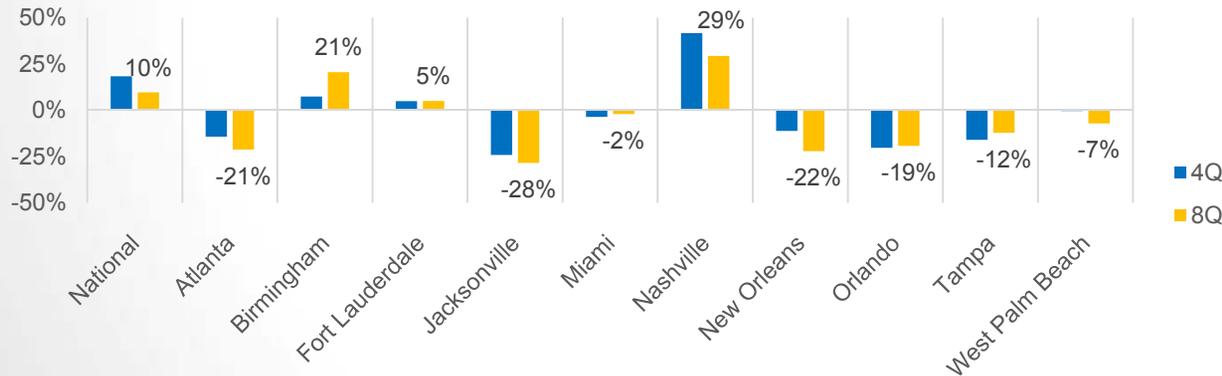
Vacancy Rates



- 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



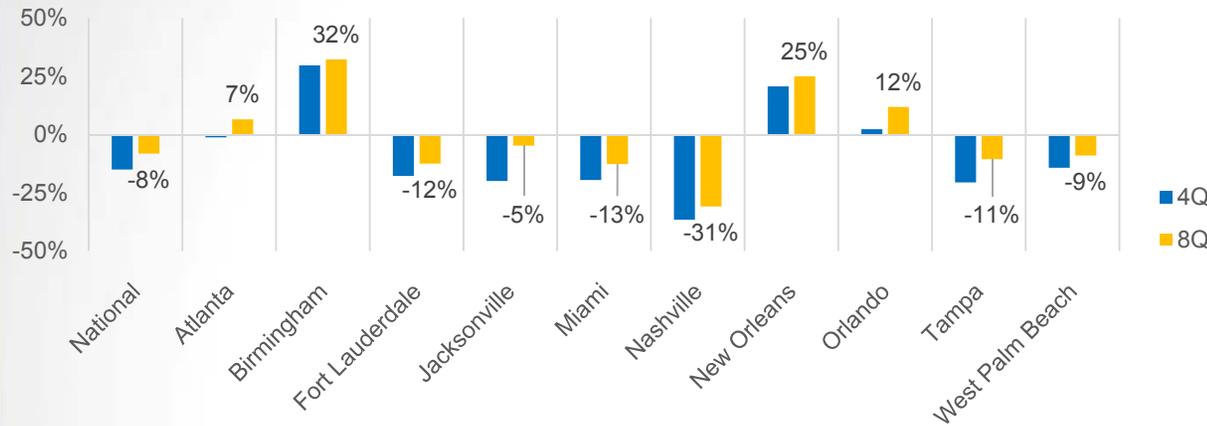
- Completion rates are above their long-term averages in:

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

Sixth District CRE Trends - Office

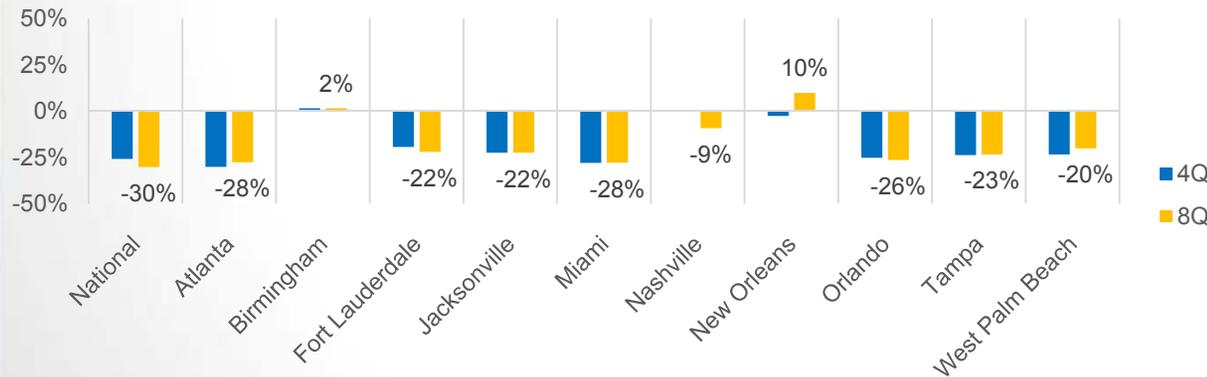


Vacancy Rates



- 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

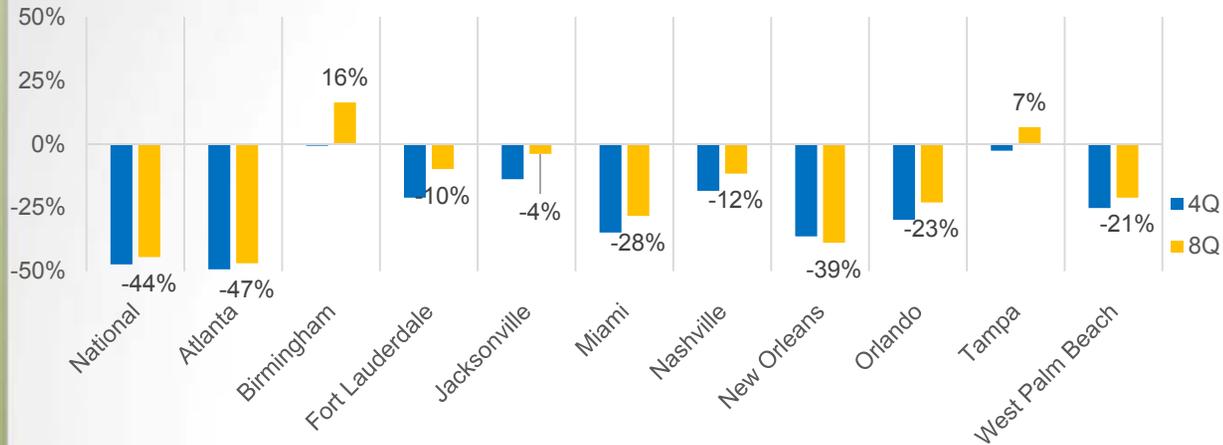


Source: CBRE-EA/ Risk Analysis Unit/Federal Reserve Bank of Atlanta

Sixth District CRE Trends - Industrial



Vacancy Rates

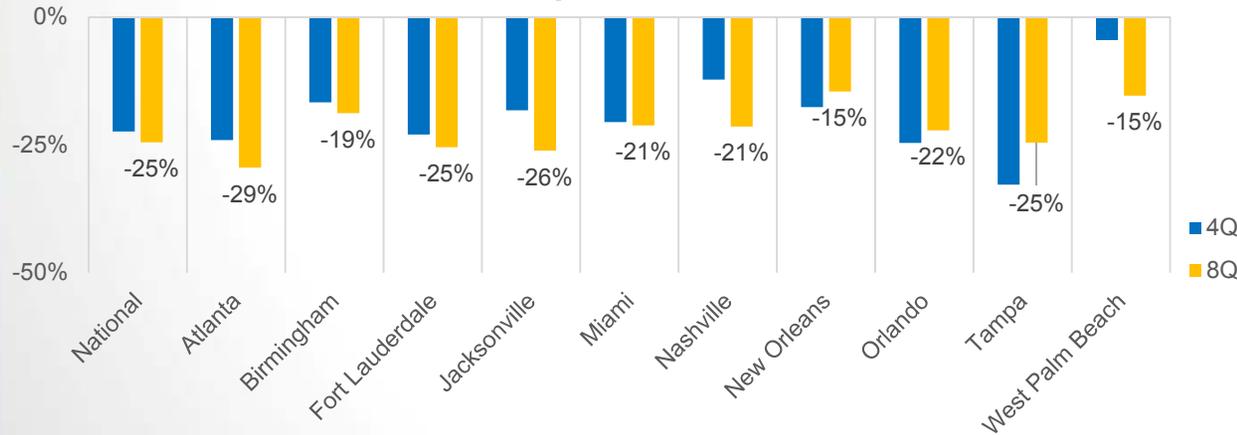


- Across the District, Industrial Vacancy Rates continue to decline which is indicative of resilient conditions.

- 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

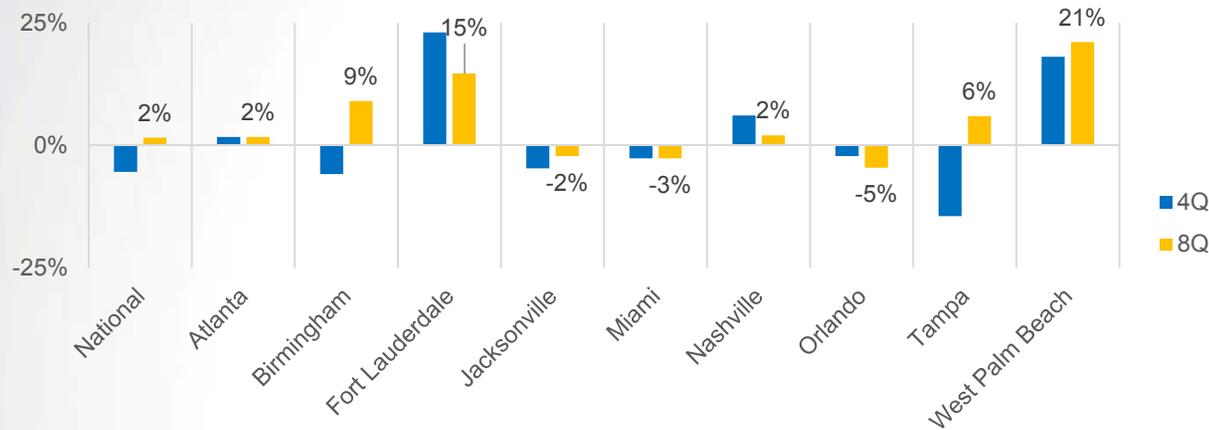


Source: CBRE-EA/ Risk Analysis Unit/Federal Reserve Bank of Atlanta

Sixth District CRE Trends - Retail

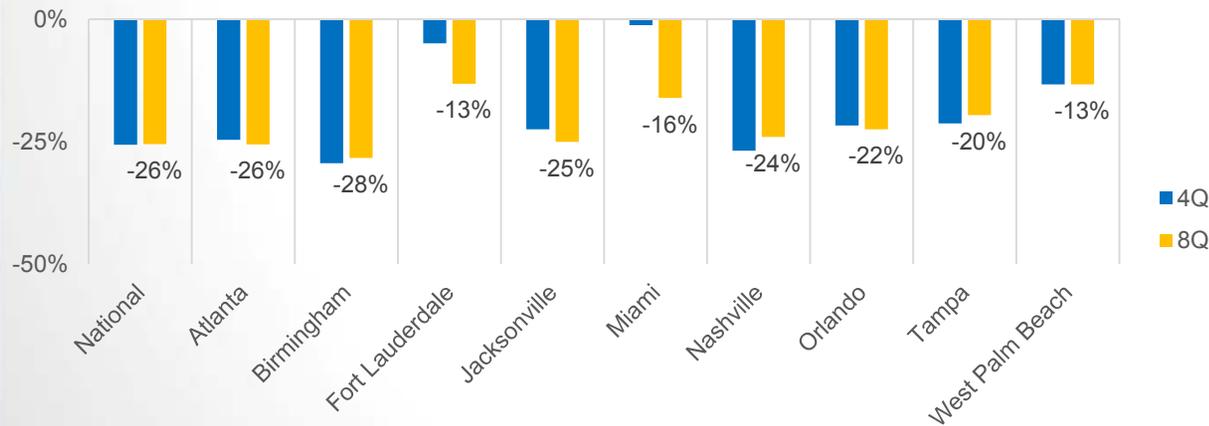


Vacancy Rates



- 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.

Completion Rates



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/bankinforeg/stress-tests-capital-planning.htm>

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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