Space, Debt and Equity with Jamie Woodwell

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Corey Aber [00:00:00] We spend a lot of time on the podcast talking about multifamily housing and topics related to housing policy and the experience of those living in or operating multifamily housing. While, this is central to us as housers, it's part of a larger commercial real estate market.

Sara Hoffmann [00:00:15] And, you know, it's not just that. It's also connected to the larger banking system. We at Freddie Mac are more of a monoline business, meaning that we really only deal with housing, whether it's own or rented. But banks are involved a lot more. And that raises the question, what insights can we gain from thinking about the market a little bit more broadly across the whole commercial real estate space?

Corey Aber [00:00:41] Hello and welcome to this episode of the Freddie Mac Multifamily podcast. I'm Corey Aber.

Sara Hoffmann [00:00:46] And I'm Sara Hoffmann. Today we're going to take a broader look at the commercial real estate market and what's going on in the banking world and then how these factor into the multifamily housing market. To help us with this, we're excited to welcome back to the show Jamie Woodwell. Jamie is the vice president and head of commercial real estate research at the Mortgage Bankers Association, or MBA, where he oversees MBA's research and related activities covering the commercial and multifamily real estate markets. Jamie, thanks for being here.

Jamie Woodwell [00:01:16] Thanks so much for having me.

Sara Hoffmann [00:01:18] So we've had a lot going on recently in the banking and the commercial real estate worlds. There's the disruption from the office sector, the recent regional bank crisis. On top of that, we're getting questions regarding the impact of higher interest rates on maturities and the overall origination market. And Jamie is just the right person to help us to try to understand and answer some of these questions. So, Jamie, can you start with the big picture? How should we be thinking about this right now?

Jamie Woodwell [00:01:45] Well, Sara, that that's the four-and-a-half-trillion-dollar question right now. There are so many questions about commercial real estate right now, about the different property types, about the different capital sources, etc. And just a lot going on. When, when I think about how to think about commercial real estate and where we sit right now, I sort of think about the fact that commercial real estate and commercial real estate finance really sit at the center of three separate markets. There's the space markets and supply and demand of apartments or office space or retail space. There's the equity markets and where investors, are they risk on, risk off, what are their competitive — what are the competitive returns for other investments than real estate, therefore where cap rates and values. And then the third of the markets, where the debt markets — the commercial real estate market is very capital intensive and so the the cost of debt and the availability of debt, all of those things factor into where commercial real estate is. So we're not really looking at one market to try and understand sort of where we are, we're looking at all three of those: the space markets, the equity markets and the debt markets. And and oftentimes something will happen in one of them that will sort of change conditions in commercial real estate writ large. And we're really going through a time right now where there are some pretty significant changes that have taken place or are taking place in all three of those markets. So it's sort of three-dimensional chess now to figure out how to think about a particular asset and what's going on with its space, space markets, with its equity markets and with its debt market. Does that, does that sort of make some sense?

Corey Aber [00:03:31] Yeah, I think that's a really great way of looking at it. Maybe we can break down, break down each of those parts of the market one at a time. So what do you see going on in the the space market?

Jamie Woodwell [00:03:44] Right. So, so in the space markets and if we look more broadly at all commercial real estate, we can talk about multifamily and specific as well. But but really, all eyes are on the office market right now because as a result of the pandemic and some of the changes — the way we think about officing — there just a lot of changes in the supply and demand dynamics for office space. And those, those changes, we're still in the midst of them. So folks don't really know how it's all going to flesh out and therefore how to think about what the future income from an office property might be. And, you know, the variation from certain properties in downtown San Francisco to other properties in suburban San Antonio to really across the board. There's, there's just a lot of variation. And so what you see is investors, lenders, others really trying to get their heads around that office market and the supply and demand for space there. And that's sort of taking, taking a lot of the eyes off of what's going on in other space markets, which each have their own story whether you're talking multifamily or retail or industrial. But it's hard, hard not to see a headline that's delving into office dynamics and really, again, focused on the space markets there above all else.

Sara Hoffmann [00:05:08] And so how are all of these interconnected across the different commercial real estate markets? Are they usually pretty well siloed, or do you see a lot of interaction across them that one could affect how then the others perform?

Jamie Woodwell [00:05:23] Yeah, I think on the space you there are interactions, and I think a lot of the interactions are are sort of correlation as opposed to causation to put our data geek hats on. That when you think about, for instance, downtown retail and downtown office, some of those properties are being hit by the the same causal effects, which is some of that return to the office, hybrid work, etc., etc. And you're seeing probably the the markets that are being most negatively impacted with the, in the office space dimension. Those places you're also probably seeing a pretty significant impact on the retail in those locations. You know, the other side of that coin is that, that to the degree folks are working in their home neighborhoods on certain days of the week, the retail, the restaurants, some of the other commercial spaces in those neighborhoods are more vibrant than they were before the, the the hybrid-work environment. So there are connections. I think they are probably not so much direct. One of the, one of the things we saw during the pandemic that was really sort of fascinating was how differently different property types were impacted by that. And if you look at the loan books and the property types that saw the greatest rise in delinquency rates, it was hotels, number one; retail, number two. And despite the fact that many office buildings were completely empty — not, you know, not just empty on Mondays and Fridays, but completely empty during that period — very low levels of office delinquencies at that point because of the lease structures and other things going on. So each property type does have its own sort of character and and ends up being affected in different ways by different thing.

Corey Aber [00:07:29] So can we just stick on sort of that relationship between office and and retail for a second? So like does that — what you're seeing in those, those two spaces — like what does that look like for, you know, small business looking for, you know, make up a coffee shop, Carberry Coffee or something like that. You know, like what, what would Carberry Coffee be like? Are they paying more rent now? Paying less rent? Like, how does that affect the, the demand there? And then then we can maybe tie that back into the, you know, where we see the office going.

Jamie Woodwell [00:07:58] Yeah, I think when you think about it, you know, first off, this is a big country, right? With with lots of different cities, lots of different suburbs for each one of those cities, just a variety of different situations. So I think the last thing one should do right now is generalize about sort of what's going on in a particular property type, because there's just so much and so many different stories there. But I think if you were to pick an area that is being hardest hit right now, and there's been a lot of great research from CBRE, JLL, others on sort of working to identify the properties or those property markets that are sort of hardest hit right now. But if you, if you look at those areas that are hardest hit, I think what you'd see on the one hand is that they're, they're really being hit by a drop in demand, some new supply coming online, too, that hasn't been helpful, but that'll probably reverse. But really the shift in demand for for office is what, what a lot of those properties are working through. And that that shift in demand means that that particular area as a whole is seeing a shift in demand, less daytime traffic, etc., which spills over then to, say, a retail property in two ways. One is just perhaps less overall demand for that space, but then two is to the degree those leases have have components where the, a part of the rent payment is based on the sales by that store, that flows through as well if you're not having as much lunch activity or other things. Again, I wouldn't want to overstate that, but you've seen that in a number of downtowns and different ones are working through it in different ways.

I will say that one of the things that that sort of the green shoots right now that we're seeing is that it seems that a number of investors and lenders are starting to really be able to differentiate between the properties that they feel comfortable about and the ones that they feel less comfortable about. So if you look at retail back during the pandemic, it was sort of the entire retail property type was was was sort of looked looked down upon by lenders and investors as a place they didn't want to get involved. And then they saw that grocery-tenanted — grocery-anchored properties were doing fantastically. And so that brought a number, a bunch of activity to that property type. And then other property types were noticed in similar ways. And so that that broke that overall view of retailers as a less-favored asset class. I think we're starting to see the same on office as well.

Sara Hoffmann [00:11:09] Jamie, you think that was a great way to kind of describe the space component of commercial real estate markets. And now with that background, how does the debt side play into this? I know specifically where we sit, we get a lot of questions thinking about on the debt side, specifically how office and multifamily interplay, possible interconnections, especially given all the maturities coming due and the higher interest rate environment.

Jamie Woodwell [00:11:37] Yeah, you bet. And that's why I think that sort of thinking about the three different markets is is helpful that you can think about the ways the the space markets are really very different for each property type. So industrial is still very favored, multifamily is still looked upon very favorably. Retail, as we mentioned, seeing some some good differentiation there and the retail that investors and lenders are really pretty confident about. So so there are a lot of differentiation there by the space market.

When it comes to the debt market, it's it's a little bit more even, right, that when interest rates rise they rise really for everyone. So the Fed's actions — pushing, pushing interest rates up — has really, that has really flowed through to just about every property type. The the impacts aren't nearly as significant as, say the, what we're seeing at the space markets on office. But but it's a change. And so to the degree interest rates are rising for for property owners, that can have an impact on the the final returns on that property and then sort of flowing through in the equity markets.

One of the things we've been looking at there is is the differences in impact based on sort of where that property or that loan was in the past. So if a loan is is coming due or if someone's looking to refinance, the the rates are generally higher than they were when that loan was probably originally made or that property was originally financed. There, there probably — there's less of a change if it was a fixed-rate loan than if it was an adjustable-rate loan, just because those rates in recent years, that base rate was, you know, at or near zero. So that can have an impact. And then what kind of a rate a borrower is going to. So adjustable-rate loans now in many cases are up higher than fixed-rate loans. There there are reasons a borrower still might want to take that out. But but there, there's, again, lots of differences by the different loan types someone wants to take out. But the bottom line is that when you look at financing a property and the capital stack, that debt piece is is likely more more expensive today than it was when that loan was originally made or when that property was last refinanced.

Corey Aber [00:14:16] Okay well, let's round this out then, and just take a quick look at at the equity market and what you're seeing there.

Jamie Woodwell [00:14:22] Yeah, I think on the equity side and the investor side, what we're seeing is not a great deal of clarity — that we're in a little bit of a Catch-22 where there aren't a lot of sales transactions taking place. And as a result, there's not a great deal of clarity into sort of what market pricing is right now. And that's leaving a number of people sort of on the sidelines until they can see greater clarity. So you're sort of waiting for this logjam to break where there's enough transactions taking place that people feel comfortable that if they transact, they're going to get a good market price. So so we haven't really been seeing the different price indices or measures of value probably keeping up with what's actually going on on the street right now. And and that'll probably take another quarter or two before we really see whatever price index it is showing us where values are. So a lot of uncertainty around around property prices. There’s, there’s sort of the the interest rates and the debt market, we know where base rates are, we know generally where pricing is and it's it's uncomfortable and it's been super volatile but there's clarity into that. I think, on the value side, the challenge there is that lack of lack of clarity at this point.

Corey Aber [00:15:47] So in in a market like that, with that lack of clarity, what what would cause cause people to transact?

Jamie Woodwell [00:15:56] Yeah, I think all eyes right now are on loan maturities. If you look at commercial and multifamily mortgages, they tend to be relatively long term in nature. So out of four-and-a-half-trillion dollars of commercial and multifamily mortgage debt outstanding, about 16% is maturing in 2023. So that's, you know, that's 730 billion of loans. If you look by property type, that varies pretty significantly. So less than 10% of multifamily loans are maturing this year, but more than 20% of office loans. And so when that loan comes due, that's really when a property needs to test the space markets and the equity markets and the debt markets and what all of those mean for either a sale or a refinancing or whatnot. So really, I think that the maturities that we're seeing this year are what's going to test the market and really break that logjam that we're seeing in transaction activity.

Sara Hoffmann [00:17:02] Now, given all of those three pieces together and with the maturities that are coming due this year that you mentioned earlier, do you see any concern of more distressed property sales that could snowball throughout the rest of the market?

Jamie Woodwell [00:17:16] When you look at the loan maturities that are coming due this year, there's a lot of variety. There's variety by property type, there's variety by capital source. So if you look at the GSEs (government-sponsored enterprises) and FHA (federal housing agency), less than 3% of those loans are coming due this year. If you look at life companies, it's less than 7%. But if you look at banks, investor-driven lenders, the CMBS (commercial mortgage-backed securities) market, it's more than 20%. Similarly, if you look at the, the sort of term of the loans that are coming due, you've got a greater share of short-term loans coming due this year than you have longer-term loans coming due this year. So if you think about a 10-year loan that was made 10 years ago, that's had a lot of time for that, the income in that property to appreciate, for the value to appreciate, and and really for the owner to build a fair amount of equity there. If you look at a loan that was done in the last couple of years, there hasn't been as much time to see that growth, and so any declines we're seeing in values are going to be be more significant. And similarly, those shorter-term loans are more likely to have been adjustable rate. So they're more likely to see a a bigger swing in interest rates for the next loan they take out.

So all of those things, I think, are contributing to the fact that the loans that we see mature this year are probably going to be ones that are a little bit less strong in terms of their refinance ability than the great swath of commercial multifamily loans that are out there. That that could impact some of what we see in terms of the market recordation of values, that could affect what we see in terms of the number of loans that refinance easily versus those that might need some help or or go in to default. So I think that the remainder of this year and beginning of next year, we're really going to see the degree to which these changing conditions do stress different loans and what types of loans are stressing more.

Sara Hoffmann [00:19:35] So that's really great insight into all the maturities that are coming due this year. And part of also what we've been saying, especially on the multifamily side, that we've had so many years of really strong property price appreciation and NOI (net operating income) growth that would be able to withstand some of these declines that we've seen in the past few quarters. And then it sounds like people aren't really coming to the market unless they have to make a transaction and instead deciding to wait out some of this period of uncertainty. But how do you see that then play into the transaction side?

Jamie Woodwell [00:20:11] I think that's that's definitely been the case. And the question is when people start to see, you know, even rather than the hard data more some anecdotal where they'll see some transactions that make them feel comfortable that they know what's what's available in the market, and that if they bring a property to market, they know what to expect. And I think we're starting to hear that there are more signs that that might be coming. But it's it's probably going to take a little bit before we get back to a regular flow of business that we we had prior to sort of the middle of last year.

Corey Aber [00:20:53] Jamie, this is really helpful, like way of understanding and thinking about a lot of the properties that exist today, you know, like basically legacy housing stock, legacy commercial real estate. But what about on the new construction side and new properties that are entering the market and in many cases need to enter the market?

Jamie Woodwell [00:21:12] Yeah, the new construction side is is really fascinating right now. And and I think that's another place where we're not quite sure where we are based on some of the data that we're tracking. If you, if you look at the Senior Loan Officer Opinion Survey from the Federal Reserve, they've been showing tightened underwriting standards from banks for a whole variety of loans, including construction loans. They also show a big drop in demand, which probably isn't too, too unexpected, given what we've seen in terms of the cost of construction, the cost of debt to construct, and then sort of concerns about what some different property types, markets might be. At the same time, you got to remember that, you know, for a typical 20-plus unit multifamily property, it takes 18 months before when you start construction and when that property gets delivered. So that's a good amount of time. So when we're looking at the data, we haven't really seen the fall off in terms of — on the multifamily side — in terms of the permitting or starts or or units under construction right now, despite the fact that we've seen that that information from the banks and others sort of anticipating a slowdown in construction lending. So I wouldn't be surprised if that's coming. But again, it hasn't really shown up in the numbers yet. And that that's a place where some of the recent questions about the banks and and what we we saw taking place in March with some of the bank failures also comes to play where there has been an awful lot of focus on the banking sector and on commercial real estate at the banks. And so that heightened attention means that lenders are sharpening their pencils before making a loan and and are probably not making quite as many loans as they would otherwise. So that'll, that will without a doubt be having an impact going forward as well.

Corey Aber [00:23:17] When the banks think about construction loans and and do they think about it differently for multifamily versus, you know, office and retail? Like, what's that landscape looking like?

Jamie Woodwell [00:23:31] There was just a great piece that came out from, I believe it was the National Association of Home Builders, where they asked their builders about the the availability of financing, for instance, for different types of construction. And one of the things they asked was how, how availability of construction financing differed between single-family construction and multifamily. And the builders said that it was easier to get single-family construction financing than multifamily right now. They also asked how it compared between multifamily and other commercial property types. And the response was that it was easier to get multifamily than other types of commercial real estate. So there's, there is that differentiation taking place between different, between lenders, between different types of construction activity and where they feel more and less comfortable. Multifamily remains a pretty favored asset class, certainly within the different types of commercial real estate. So if, if a bank is looking to put out dollars and they were rank ordering the places they could put that, multifamily might not be at the very top of the list, but it's probably more more towards the top than the bottom.

Corey Aber [00:24:52] And just one last thing on that point to bring it back around to sort of the the debt and equity part. So when you look at the new multifamily that gets built, right, typically we talk about a lot of sort of high end, you know, higher-rent multifamily and then a lot of, you know, deeply affordable, federally supported multifamily properties, that, kind of, the way those are financed and the way that debt and equity come in is a little bit different, right? Can you lay that out for us just a little bit? And maybe if you're seeing anything different going on right now than maybe what more — maybe than what might have been typical in past years?

Jamie Woodwell [00:25:35] Yeah. If you think about the multifamily market and new construction, I think you can think of it in the two ways. The first is the, the market rate and how that's getting built. And generally the way we get market-rate affordable housing is that it's built to be relatively expensive and then over the years it becomes less and less and less expensive as other stock is brought to the market that can outcompete it. And that's that's continued to be the case. One of the challenges we've seen in recent years is that, for that part of the market coming out of the the great financial crisis, there just wasn't a whole lot built. So you didn't have a lot of that supply filtering down from the top to become more affordable. That was at the same time that you had a huge surge in demand from from millennial households being born. So we were in this real, really difficult shadow where where demand was far outpacing supply. In more recent years, supply has been been growing strongly. We're now at almost a million multifamily units under construction, so that that supply part has come back strong and we are starting to see that impact impact rents in different markets as as that supply comes online.

But when you're when you're looking at financing that the developer will come in, they'll have their equity, they'll go to a bank or an investor-driven lender, FHA or others to get the mortgage debt on that construction. And then they'll look to build it generally with a refinancing once they get the certificate of occupancy and get it up to 90% occupied for 90 days type of thing. And so that's that's sort of relatively straightforward. For the the affordable that the properties that are built to be affordable, those oftentimes require some sort of subsidy. And that subsidy can come in an awful lot of different forms. The Low-Income Housing Tax Credit (LIHTC) is sort of the one that is really responsible for the most new construction being built. And building one of those really is is in some ways a jigsaw puzzle of coming up with the different capital sources to put together the the monies needed to build that property. You'll get LIHTC funds, you'll get different grants, other equity pie, pieces of the pie, some from local jurisdictions and other places, and then some debt as well. The debt is is oftentimes more focused than that general construction financing coming from from more specialized sources who really understand that that that part of the market and the way those different sources go into to a an affordable project. So I think you can really look at them as two separate construction pipelines, both of which are incredibly important and are helping feed the the housing supply, but working in pretty different ways.

Sara Hoffmann [00:28:49] So given that there's those two different sources for the two different property types and the overall macro environment that we're currently in, are they being treated the same way or is one getting impacted more than the other?

Jamie Woodwell [00:29:04] I think that there are, there are some factors that affect both equally. So just the overall cost of funds on the debt side, and the fact that base interest rates have risen or is affecting both the cost of equity, and the fact that there are alternate alternate investments that have have seen increases in their returns, that's impacting things as well. The cost of construction is absolutely affecting both pretty significantly. But then you get into the real intricacies of both sides and looking at what pencils out in the two will be driven by some different things. So on the market rate, looking at what rents are in a market, what your expected occupancy is, that sort of a thing, where cap rates are and the value of that property once you once you've completed it. Those will all be factors in whether you decide to go forward with a project or not. On the affordable side, you have some of those factors but then you also have questions like what are the fair market rents in in a neighborhood, and how has that been affected by by recent government data or other things? You've got the availability of tax credits and the pricing of tax credits. So again, very, a very complicated stew to figure out really what, what makes a property be able to move ahead and be constructed based on the costs involved and the sources of capital.

Sara Hoffmann [00:30:43] Do you see any impact among those two different types of construction avenues given the recent regional bank crisis and the stress they're under?

Jamie Woodwell [00:30:54] Banks have, banks have been one of the key sources of construction lending sort of this through time. And so to the degree banks are pulling back for for any reason on their construction lending, that will have an impact on on how, on how much construction can take place. Again, that the construction lending, it tends to be short-term debt. And so that's where you saw base rates two-plus years ago, almost almost at zero, and today up at an infinite multiples of that. So that's having a significant impact on what it costs to get, get a property constructed.

Corey Aber [00:31:38] Thinking about the, you know, the three parts of the market — the space, equity and debt — you know, there's been some other things that have sort of come up a lot, a lot more in conversation recently. I think you're starting to see more attention paid to over the last few years, especially, more sort of formal understanding across the the industry and thinking about climate risk and some of the impacts of what we're seeing in in, you know, disasters often even what you're seeing in the insurance market. How is all this kind of fitting into what you see with the space, equity and debt markets?

Jamie Woodwell [00:32:11] Yeah, I see that as an overlay sort of thing affecting it all and and in a variety of different ways. In looking at the news lately, it's hard not to see a story about the insurance market. And certainly if you talk to anyone in the industry about some of the challenges of getting insurance on a property, it's having a significant impact on how, on how properties can function. It's hitting bottom lines, but even more so, it's hitting real questions about whether to invest at all. It's just the property insurance is such an important part of the market. If you're a lender, it's really hard to make a loan If you don't see that insurance in place, if you don't know that it's going to be there. And to the degree, that insurance market is now reacting to either changes in natural disaster risk, changes in tort regimes, changes in local regulatory regimes that are causing them to pull back on coverage, that's having a real, creating a real challenge for property owners to be able to sort of one, have coverage on that property, which is so important, and two, to be able to make the numbers work if the cost of that insurance has has gone up significantly.

Corey Aber [00:33:36] What's interesting about banks, too, is that they operate not just in the commercial space or the multifamily, right, but deal with a lot of different components, you know, deal with, you know, financing companies and innovation across the market and in a variety of things that, you know, when we think from a monoline perspective, right, we think about housing, right? But the banks maybe need to think about climate risk a little bit differently and even climate opportunity a little bit differently. How do you see that playing out?

Jamie Woodwell [00:34:07] Yeah, I think what you're seeing is more and more institutions doing that and the regulators looking at that too. If you, if you look at the banking world, you know, risk management has always been a significant part of what they do — whether that be credit risk, operational risk, market risk, interest rate risk, etc. And what's interesting when you look at climate risk is it really spans those different, known risk categories. And so what we're seeing is banks really implementing that climate risks within their risk management regimes and looking at what is the credit risk related to particular investments or loans? What is the the market risk?

You know, looking at the the climate risk writ large — we did a paper back about a year ago looking at the way climate risk sort of plays out and who owns the climate risk in the mortgage market. And it was really an interesting sort of deep dive into it and sort of who, what, what parts of the risk are owned by the property owner? What parts of the risk are owned by the insurer? What parts of the risk are owned by the lender? And and the key takeaway from that is that there's there's not only that question of who owns what types of risk, but you get a very different picture if you look at the physical risks of climate change versus the transition risks of climate change. And the physical risks are those where, you know, a storm comes through, and it takes out a property or damages a property. The transition risks are that because of climate change, people and markets react in different ways. So what we talked about with the insurance market is is probably a great example of the transition risk. And and so I think as you you look at what those institutions are doing, they're all working through sort of what are the physical risks we need to track, what are the transition risk we need to track, what are our mitigations to them and and how do we work through that?

I think for for banks and for mortgage lenders, that insurance market has really been the key piece, that that we've got a really well-defined system where the risks of natural disasters or other challenges, it's pretty well known and very well defined. What of that is owned by the property owner? What of that is owned by the insurer, where the deductible kicks in? What the lender's recourse on all of that is. So I think it's a pretty well-defined system that's already in place, and that what we're seeing and going to be seeing more is folks fine-tuning it, sort of as more is known about natural disasters coming and and sort of what properties might be at more or less risk.

Sara Hoffmann [00:37:09] So, Jamie, maybe as a wrap up, we can get into multifamily volume expectations. I know MBA puts out a volume forecast which we follow closely. We have our own analysis that looks at many different macro drivers and the multifamily market. But how can we think through this, this logjam that's happening and what's holding up some of that origination demand and the factors and the timing that could help release that?

Jamie Woodwell [00:37:34] Yeah, so I think earlier we had a four-and-a-half-trillion-dollar question. This is probably a $500 billion question when we're talking about the multifamily side and just sort of where where volumes will be when when we look at our forecast, I think we're looking at at a few different things. Right now, we're in this logjam of commercial and multifamily sales transactions and mortgage originations volume. You know, the first first quarter of this year, we were down more than half from the first quarter of 2022. A real, real sort of question about when that breaks and when we start to see that that trend up. And I think that the questions we're looking at, that the way we're looking at that is first, that those loan maturities that we talked about earlier, that as we see more loans mature and that brings some clarity to property values, that's going to really help help that market move forward and break that logjam.

I think the other piece — and this works both in terms of the market side and sort of what will help people transact as well as sort of macro forecasting — is is rates and where interest rates are and what that path is that. You know, a lot of our forecasts have anticipated that rates would have been lower than they are right now. We still think we're going to be on a downward trajectory from here, and that should be a good positive for for sales transactions, for mortgage originations, for valuations, etc. There's just a ton of uncertainty about that path right now. If you looked at where where the markets were at the beginning of this year, strong expectation that the Fed would be be dropping rates in a pretty significant fashion by the tail end of this year, that's really not the expectation anymore.

So I think those two things — sort of how the the maturities sort of work clarity into the market around where values are, and then when we start to really get some more firmness in people's expectations about the interest rate path — are going to drive when we see that logjam break and when we start to see those those volumes start to pick back up.

Corey Aber [00:40:00] Well, Jamie, I mean, there's a lot going on in the, in the market right now. And we covered a lot today. You know, can't think of anyone better to help us understand sort of the state of things today and what we might have to look forward to. So, thank you so much for being here today.

Jamie Woodwell [00:40:14] Thanks so much for having me. Really enjoyed the conversation.

Corey Aber [00:40:17] The Freddie Mac Multifamily podcast is produced and supported by a team of our Freddie Mac colleagues, including our production leads Jenny Nguyen and Raquel Sands and audio producer Dalton Okolo. To listen to more and keep up with the latest episodes, be sure to subscribe wherever you get your podcasts and check out our Web site, mf.freddiemac.com/research for the full catalog of podcast episodes and original Freddie Mac research.