

# The Cantrell Report

Pertinent Information for Apartment Owners  
May 1, 2012

## Inside the Numbers: The GSEs' Single-Family vs. Multifamily Operations

By: *Jerry Ascierio*

Fannie Mae and Freddie Mac recently reported their third-quarter results, and it wasn't pretty.

Fannie lost \$5.1 billion in the three-month period, while Freddie saw a \$4.4 billion loss, resulting in the companies asking for a combined additional \$13.8 billion in government aid. Sadly, the resulting uproar around the losses, coupled with the sizable compensation paid to the companies' top execs, is nothing new.

What isn't being talked about in the debate, however, is the phenomenal performance of the multifamily business lines of the government-sponsored enterprises (GSEs). Not only are the multifamily divisions profitable and making money for the taxpayers that bailed them out, but the delinquency rates and amount of REO are miniscule in comparison to the GSEs' single family business.

What's more, the multifamily divisions are also mission-rich: While the multifamily book is only a fraction of the single-family portfolio, the amount of affordable housing units financed by the GSEs last year tilts heavily, and disproportionately, in favor of the apartment operations.

The numbers below paint a tale of the two business lines and bolster the case for a successful spin-off of the multifamily operations-if Congress ever gets around to dealing with GSE reform, that is.

FANNIE MAE		
	Single-Family	Multifamily
2010 Earnings (net income)	-\$27 billion	\$216 million
2011 Earnings* (net income)	-\$19 billion	\$406 million
Delinquency Rate	4%	0.57%
Portfolio Size	\$2.84 trillion	\$193.3 billion
Nonperforming Assets (as of Q3)	\$202.5 billion	\$1.5 billion
REO Inventory	122,616 properties	274 properties
Affordable Units Financed in 2010 (80% AMI or below)	746,823	265,952

FREDDIE MAC		
	Single-Family	Multifamily
2010 Earnings (net income)	-\$16.3 billion	\$965 million
2011 Earnings* (net income)	-\$7.7 billion	\$764 million
Delinquency Rate	3.51%	0.33%
Portfolio Size	\$1.7 trillion	\$174 billion
Nonperforming Assets (as of Q3)	\$120.6 billion	\$3.3 billion
REO Inventory	59,616 properties	20 properties
Affordable Units Financed in 2010 (80% AMI or below)	533,915	192,257

All 2011 figures are as of the end of the third quarter.  
Sources: Fannie Mae, Freddie Mac

JOB GROWTH <sup>1</sup>	Area New Jobs	1 Mo	6 Mo	12 Mo
	Estimate	End 3/31	End 3/31	End 3/31
	Dallas/Plano/Irving	12,100	14,900	46,500
Fort Worth/Arlington	7,600	8,500	23,500	
		19,700	23,400	70,000
INTEREST RATES <sup>2</sup>	Rates	END 4/30		Yr. Ago
	10 Year Treasury		1.95%	3.31%
	11th District COFI		1.16%	1.45%
	1 Mo. LIBOR		0.24%	0.21%
Spreads over the above indexes have been increasing as rates have decreased. Best all in rates for the best properties are around 4.0%.				
SUPPLY/ DEMAND <sup>3</sup>	Units Added/ Absorbed	6 Mo	12 Mo	24 Mo
		End 4/30	End 4/30	End 4/30
	<b>Dallas County</b>			
	Added	3,223	5,436	9,246
	Absorbed	3,805	8,785	18,732
<b>Tarrant County</b>				
Added	1,154	3,027	4,067	
Absorbed	2,140	5,390	9,967	
OCCUPANCY RATES <sup>3</sup>	Dallas County	4/30/2012	6 Mo Ago	12 Mo Ago
	2000's	92.0%	93.3%	92.2%
	1990's	94.8%	95.0%	94.7%
	1980's	92.2%	91.1%	90.7%
	1970's or Older	89.8%	89.2%	87.4%
	<b>Tarrant County</b>			
	2000's	93.5%	93.8%	92.8%
	1990's	94.9%	94.9%	94.8%
1980's	92.9%	92.2%	91.0%	
1970's or Older	88.4%	86.8%	85.6%	
RENTAL RATES <sup>3</sup>	Dallas County	4/30/2012	6 Mo Ago	12 Mo Ago
	2000's	\$1,218	\$1,193	\$1,154
	1990's	\$1,081	\$1,060	\$1,016
	1980's	\$658	\$647	\$636
	1970's or Older	\$660	\$647	\$632
	<b>Tarrant County</b>			
	2000's	\$1,011	\$986	\$942
	1990's	\$937	\$922	\$897
1980's	\$629	\$614	\$604	
1970's or Older	\$588	\$576	\$571	
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's		1 Texas Workforce Commission	
	2007	82,200	2 Banxquote.com	
	2008	2,500	3 ALNsys.com - Rental rates are after concessions.	
	2009	(94,900)	Approx. 25% of 70's or older are all bills paid.	
	2010	50,800		
	2011	51,200		

**Sam Pettigrew**  
972-630-6691

[spettigrew@cantrellcompany.com](mailto:spettigrew@cantrellcompany.com)

**Todd Franks, CCIM**  
972-630-6692

[tfranks@cantrellcompany.com](mailto:tfranks@cantrellcompany.com)

**Thomas Hooke**  
972-630-6696

[thooke@cantrellcompany.com](mailto:thooke@cantrellcompany.com)