## Market Analysis

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# Agency Lenders Raise Spreads Amid Market Volatility

Bond market volatility and a weakening competitive landscape have prompted Freddie Mac and Fannie Mae to widen loan spreads by 15 to 20 basis points in recent weeks. The increase in spreads is relatively small and has been offset by the decline in the 10-year Treasury rate, so borrower coupons remain extremely low, in the 4.5% range.

Still, even though the spread widening is not expected to have an immediate impact on multifamily lending, it does highlight potential issues that could reduce debt availability in coming months. For one thing, multifamily loan costs are dependent on the fixed-income market, which is likely to remain volatile this year. What's more, other major lender types all have issues. Commercial mortgage-backed securities are on the shelf at the moment, life companies have limited appetites and commercial banks are battling higher capital charges and a shifting regulatory arena.

"It's definitely a rocky environment," said one senior lending executive. "If banks or life companies cut back (later in the year), the agencies might not have enough capital to support the rest of the market and would go into rationing mode."