

# *Invest with the Best* In Commercial Real Estate

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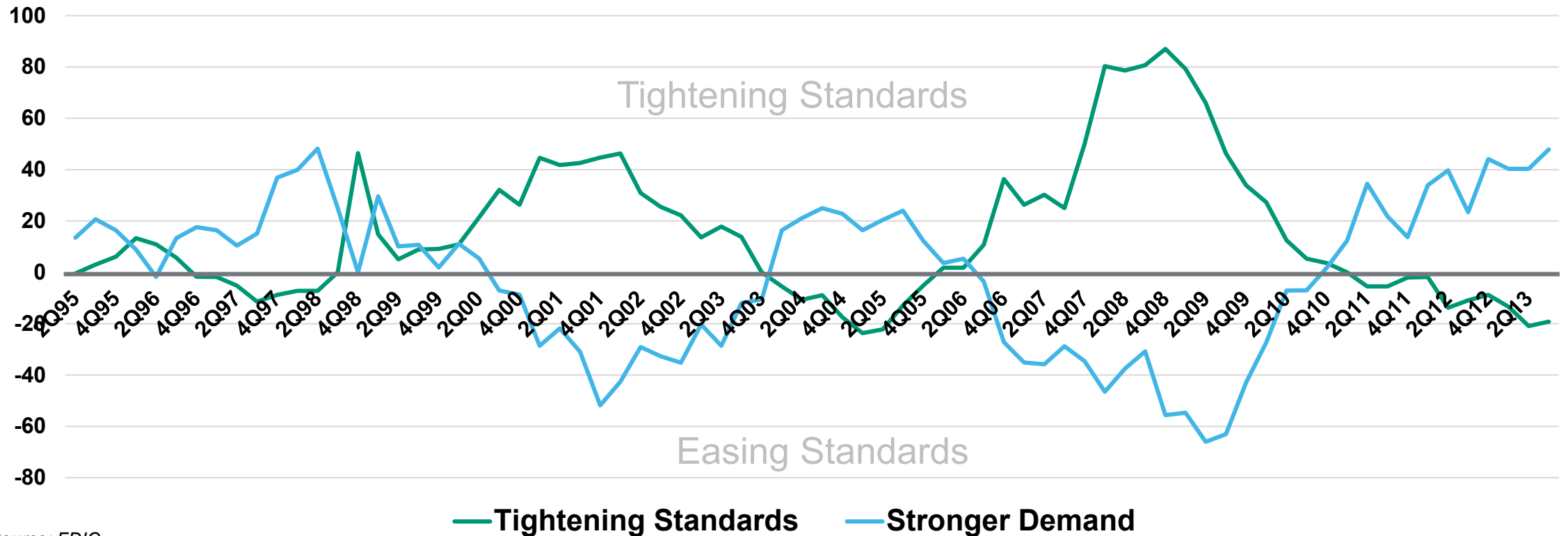
**Richard Green**  
Vice President, Enterprise Risk  
Management and Analytics  
USAA

# Supply and Demand for CRE Loans

All Commercial Real Estate (1995-2013)



## Net % of Respondents Reporting Tightening Standards and Stronger Demand

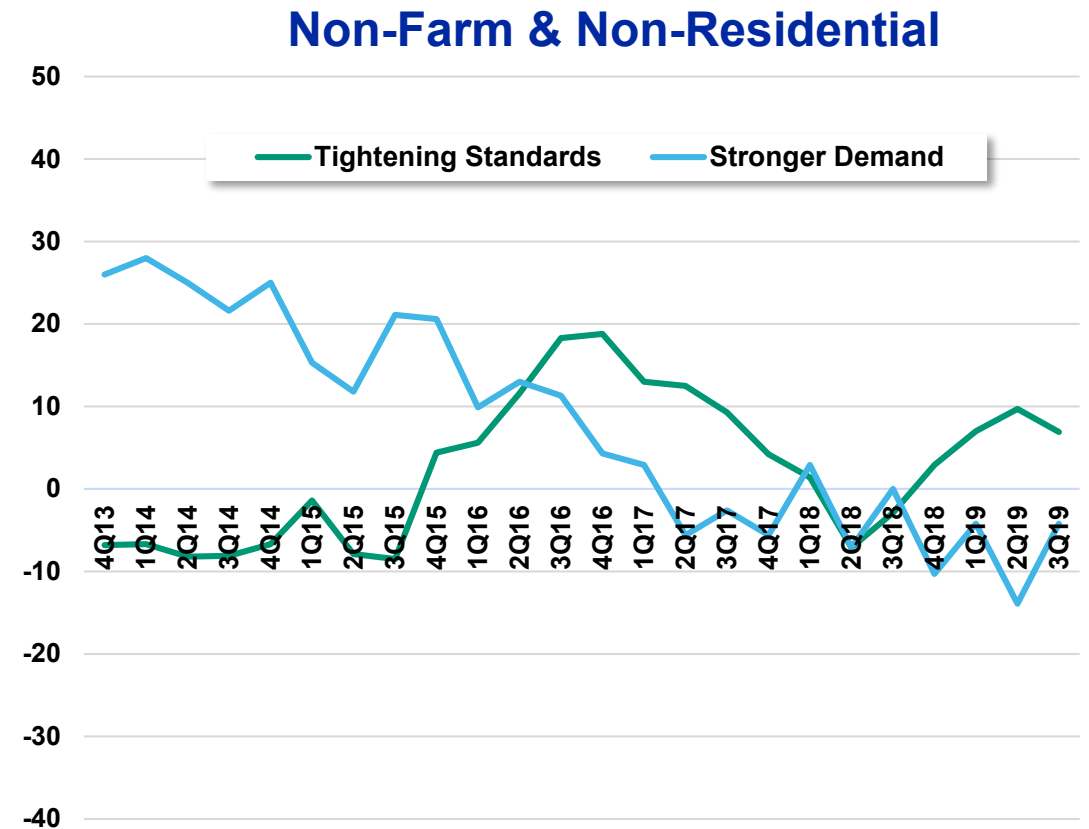
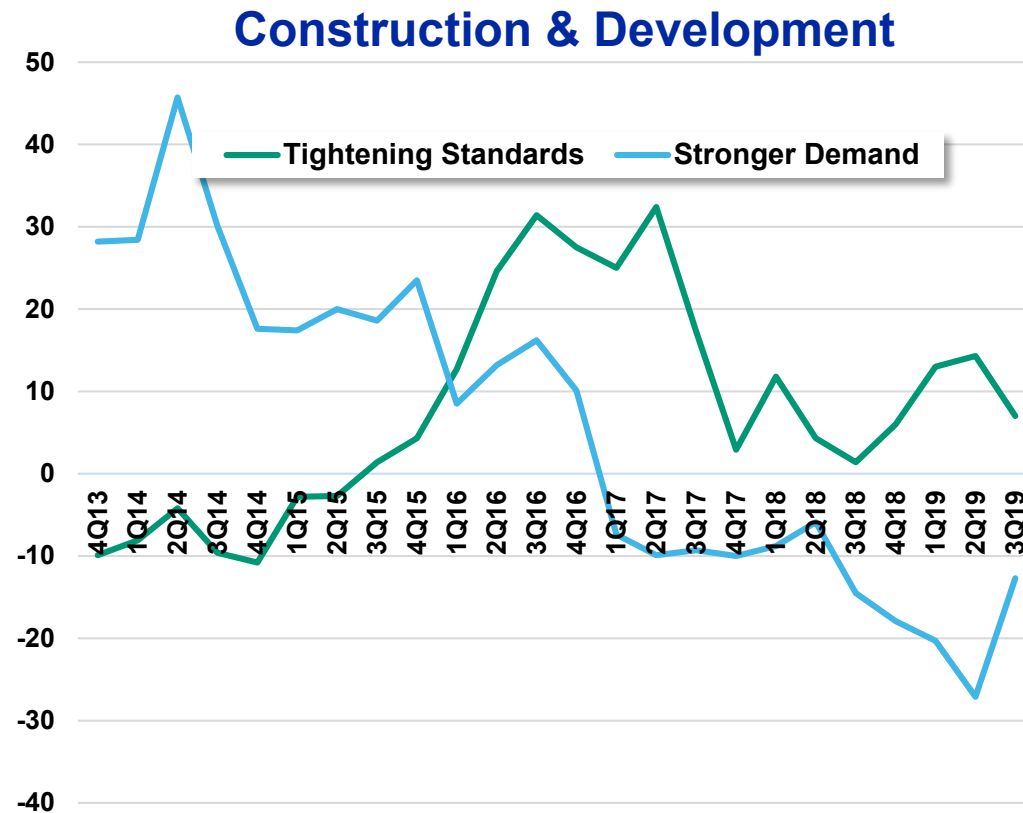


Source: FDIC

# Supply and Demand for CRE Loans



## Net % of Respondents Reporting Tightening Standards and Stronger Demand (2013-Present)

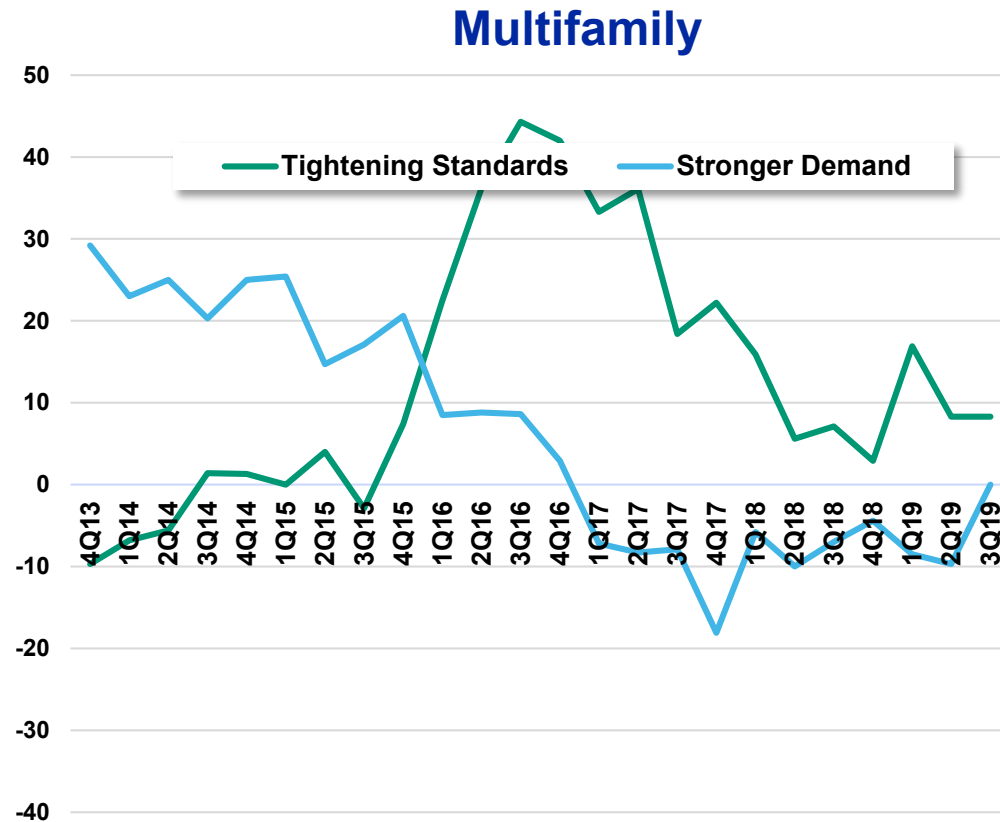


Source: FDIC

# Supply and Demand for CRE Loans



## Net % of Respondents Reporting Tightening Standards and Stronger Demand (2013-Present)



Source: FDIC; Mortgage Bankers Association, Census.gov

### By the Numbers...

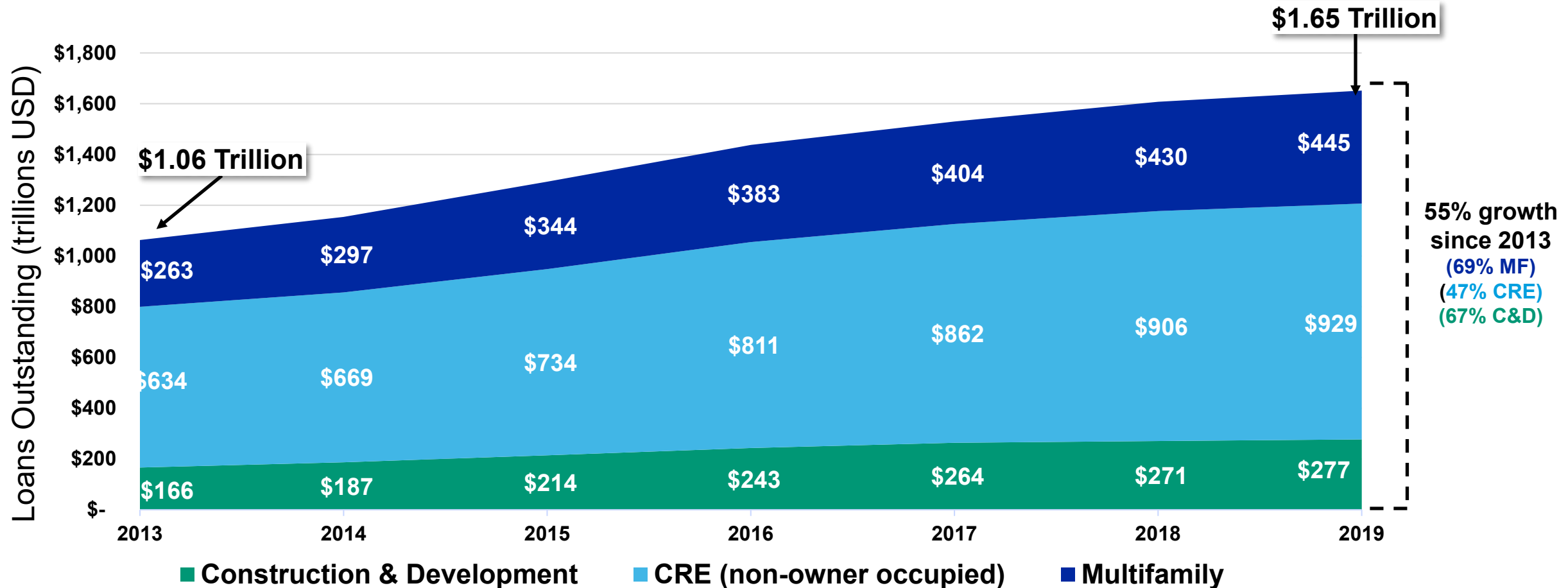
- » Lenders closed a record \$574 billion in commercial real estate loans in 2018 with an average loan size of \$19 million
- » At \$266 billion, **Multifamily** properties saw the highest volume of origination – followed by office buildings, retail properties, industrial, hotel/motel and health care
  - 4.0 million new multifamily building permits YTD September; up 21% YoY
- » More than half were originated by commercial banks (\$174 billion) and GSEs Fannie/Freddie (\$142 billion)
  - The rest, in order: CMBS issuers, life insurance companies and pension funds, REITs, and investment funds



# CRE Loans Held at Commercial Banks



CRE Loans are the Fastest Growing Asset Class Since 2013



Source: FDIC (excludes SFR construction and OO-CRE)

# Loan Growth and Underwriting Standards Aren't the Only Thing Making Headlines



## Technology is Rapidly Changing How the Business of CRE Lending

- » The average person is bombarded by the equivalent of about **200 newspapers worth of data each day** – Five times more than in the 1980s
- » The human brain receives 11 million bits and makes 10 quadrillion calculations every second
- » Advancements in technology enable us to make more informed decisions with better (*and much more!*) information
- » Having more information available at a greater frequency is altering customer expectations and how we do business

### Open Sourcing of Financial Services?



*“The front office relationship is in an app. The middle office processing is through an API, and the back office is all about analytics.”*

- Chris Skinner

Author, expert and speaker on banking, finance and fintech



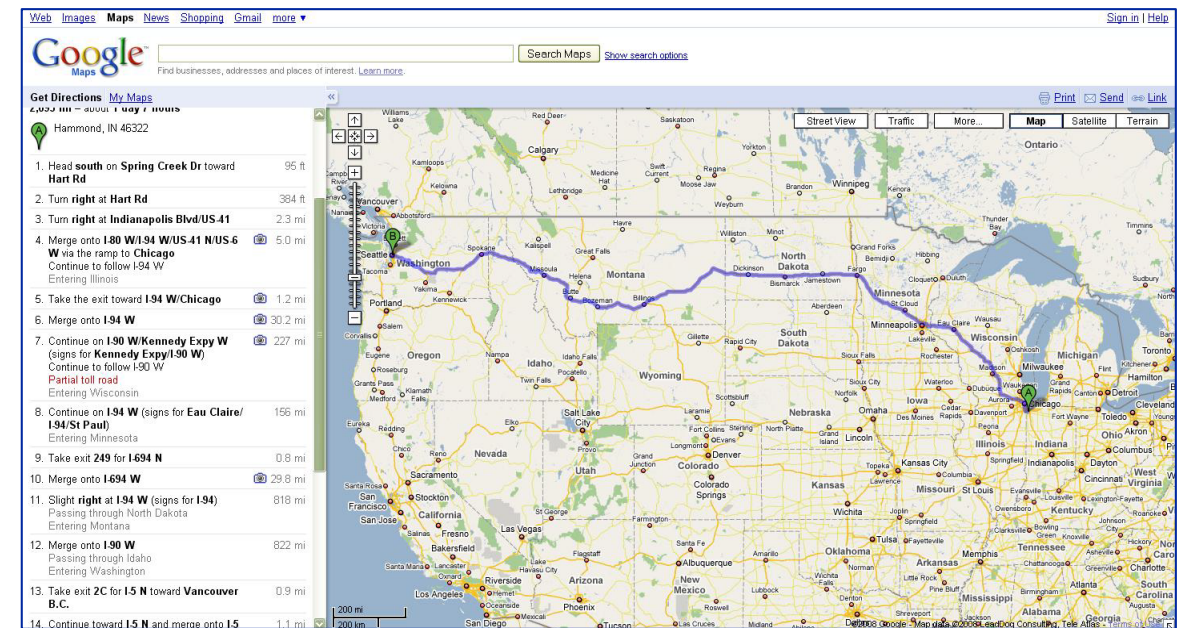
# Analogy: Road Maps



20 Years Ago...



10 Years Ago...

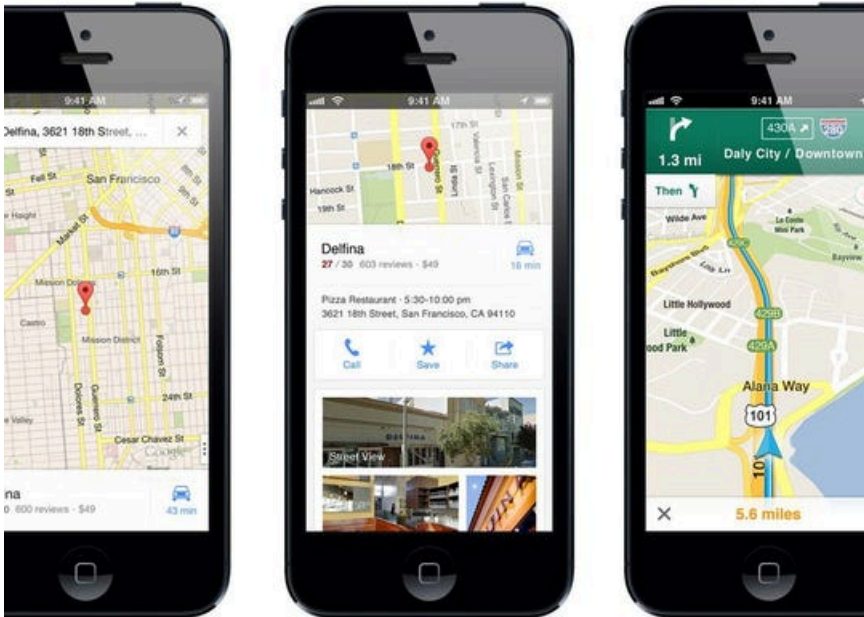




# Analogy: Road Maps



Today



Current Stats

- » 25 million updates from over 1,000 sources each day
- » 1 billion active users each month
- » 40 million miles of roads
- » 150 million places (with names, addresses, ratings, reviews, hours of operation, contact information)
- » 99% coverage of the world

*Google used solar-powered cameras strapped to sheep to collect imagery of the Faroe Islands (aka "Sheep Island").*

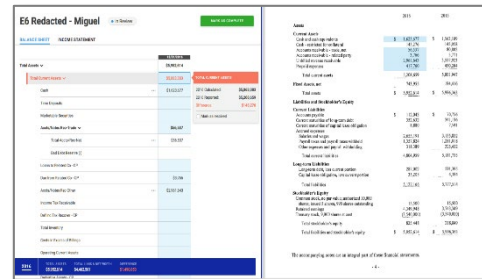
*The hilly country has 50,000 people and 70,000 sheep.*



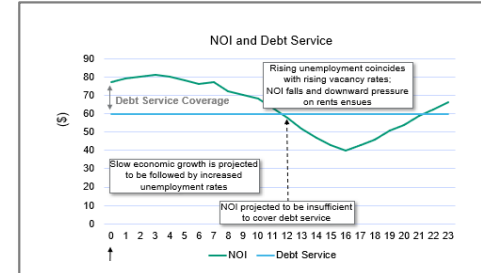
## Dashboard



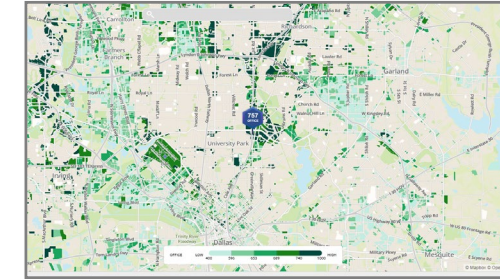
## Financial Statement Analysis



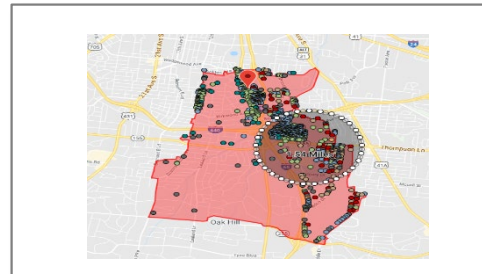
## Credit Risk Rating



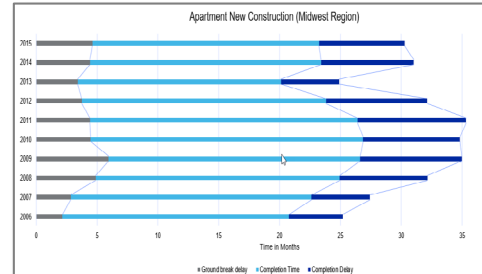
## Location Assessment



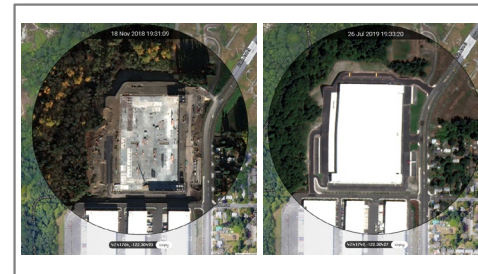
## Market Analytics



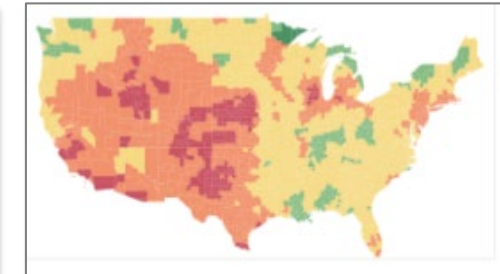
## Construction Analytics



## Virtual Site Visit



## Climate Risk Analysis



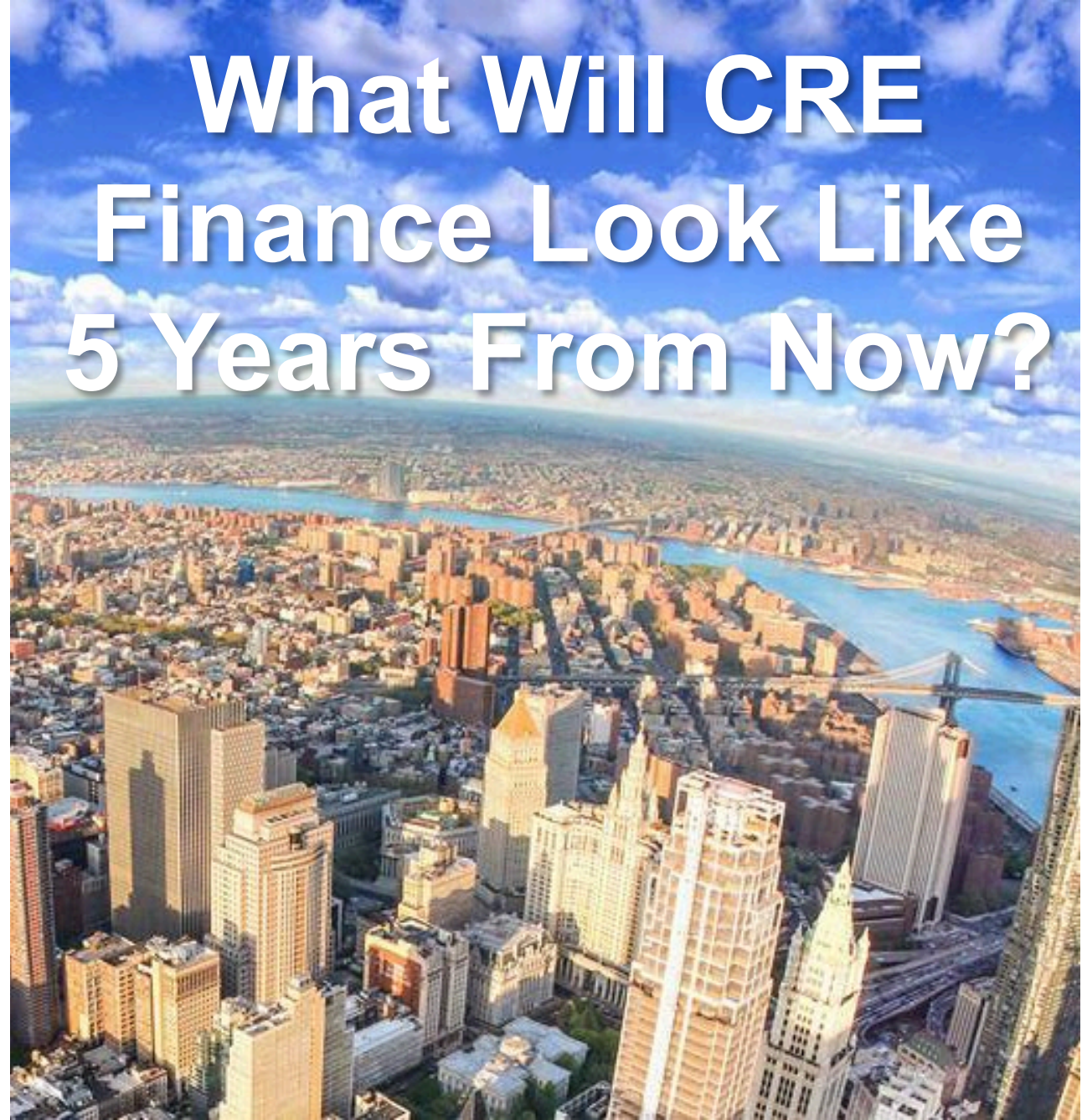
Submit



## Topics For Discussion:

- » Changing customer expectations and behavior
- » “Real-time” information about properties, markets, and emerging risks
- » Digitized and standardized underwriting/onboarding
- » Automated and objectively-based lending and investment approvals
- » Minimizing bias from credit decisions and within models (perhaps w/machine learning)
- » “One-stop-shop” vs. modular solutions
- » Shift in recruiting to more tech-savvy and analytical profiles
- » Advanced analytics and use of granular data in lending and risk management
- » Impact of the rapidly-growing number of fintech start-ups
- » Crowdsourcing ideas and information
- » Need to quantitatively demonstrate a strong risk culture (instead of qualitative statements)

# What Will CRE Finance Look Like 5 Years From Now?



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