



Community Banking Bulletin

Community Bank Loan Growth Driven by Increases in Commercial Real Estate (CRE) Loans

December 17, 2021

Community bank CRE loans have grown consistently each quarter since the onset of the COVID-19 pandemic, while growth in other loan categories has been muted.

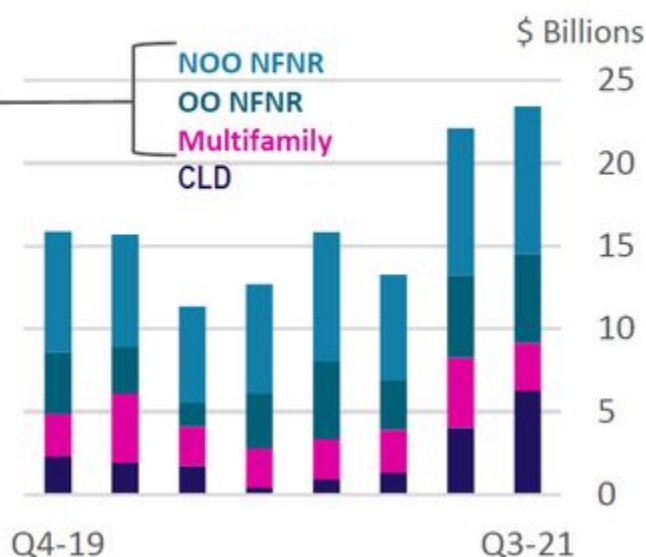
Community bank loan growth

Year-over-year, percent change



Community bank CRE growth by type

Quarterly absolute change, \$ Billions



Source: Reports of Condition and Income, adjusted for mergers, acquisitions and failures

*Other CRE = Non-owner-occupied nonfarm nonresidential (NOO NFNR), Owner-occupied nonfarmnonresidential (OO NFNR), and Multifamily

- Loan growth has been sluggish since the onset of the COVID-19 pandemic across most U.S. banks and loan categories when excluding Paycheck Protection Program (PPP) loans. These trends were consistent across community banking organizations (CBOs) except for in CRE loans, which experienced steady growth rates through 2020 and rose above pre-pandemic levels in 2021, driven by growth in construction and land development (CLD) loans. As of September 30, 2021, CBO's year-over-year CRE loan growth exceeded 10 percent for the first time since 2017.
- CBOs added to their CRE loan portfolios each quarter since year-end 2019 in all CRE loan types, with more significant increases taking place in recent periods. In the second and third quarter of 2021, CBOs' total CRE loans grew by \$22.4 billion

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and \$23.6 billion, respectively.

- In the most recent quarter, the largest increase in CRE loans across CBOs has been in the CLD and non-owner-occupied nonfarm nonresidential (NOO NFNR) loan types, which increased by \$6.3 billion and \$8.9 billion, respectively.

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