

# Primer on Multifamily Housing & Finance

Beekman Advisors - July 7, 2017

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## U.S. HOUSING STOCK:

- Renters occupied 37% of units in 2015, up from 33% in 2005
- Single family renter occupied units increased by 34% from 11.3 million in 2005 to 15.2 million in 2015
- Multifamily (5+ units) renter occupied units increased by 15% from 16.3 million in 2005 to 18.7 million in 2015
- The Harvard Joint Center for Housing Studies (JCHS) forecasts 4.7 million new renter households between 2015 and 2025

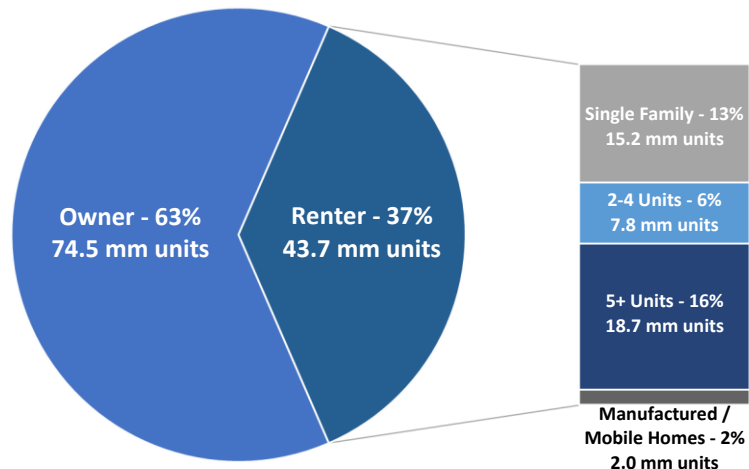
## DEMOGRAPHICS:

- Renter households are younger, smaller and a higher percentage of minorities than owner households
- Renter incomes have consistently been 50% or less of owner incomes
- Changes are occurring - rental is growing faster than ownership among older households while the share of renters who are married with children is decreasing

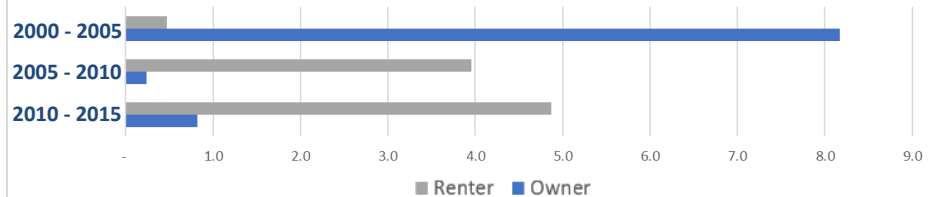
## MULTIFAMILY PERFORMANCE:

- Vacancy rates for all rental housing dropped seven years in a row, averaging 6.9% in 2016 - the lowest figure in 30 years
- Per the Bureau of Labor Statistics, rent of primary residences showed continued strength in 2016, growing 4.0% and outpacing inflation (2.1%)
- Professionally managed apartments are a subset of the overall multifamily (5+ units) market
- Rental vacancies for professionally managed apartments averaged 3.8% in 2016 per MPF Research
- Rent increases for these apartments were 3.8% in 2016
- According to National Multifamily Housing Council, the total value of occupied apartments in 2015 stood at \$3.28 trillion, nearly double the value of apartment stock in 2005

## U.S. Housing Stock is 118 mm Units

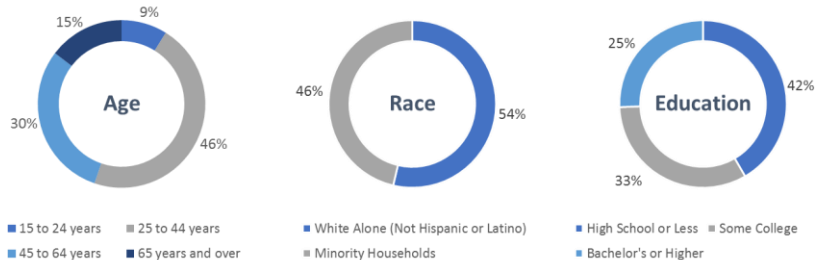


## Net Change in Households (mm of units)

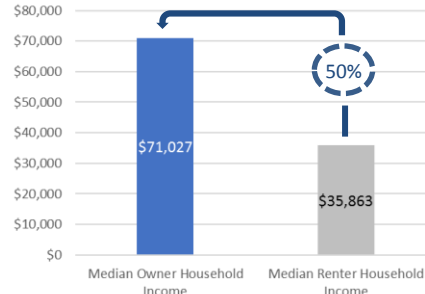


Source: U.S. Census Bureau, 2015 American Community Survey 1 Year Estimates & Current Population Survey

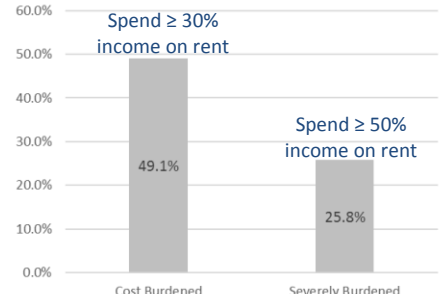
## Renter Demographics



## Median Household Income



## Renter Cost Burden



Source: U.S. Census Bureau, 2015 American Community Survey 1 Year Estimates

## MULTIFAMILY DEBT:

- Multifamily debt outstanding remained flat throughout the credit crisis; subsequent growth has been driven by GSEs, FHA, Banks and Life Companies
- Single family (1-4 family residence) debt outstanding remains below the pre-crisis peak, while multifamily debt is at an all-time high
- Debt backed by the GSEs (Fannie Mae and Freddie Mac) grew from 25% of multifamily debt outstanding in 2007 to 36% in 2017 Q1
- The GSEs' share of annual multifamily debt originations has been 30%-45% for several years as other capital sources re-emerged post crisis

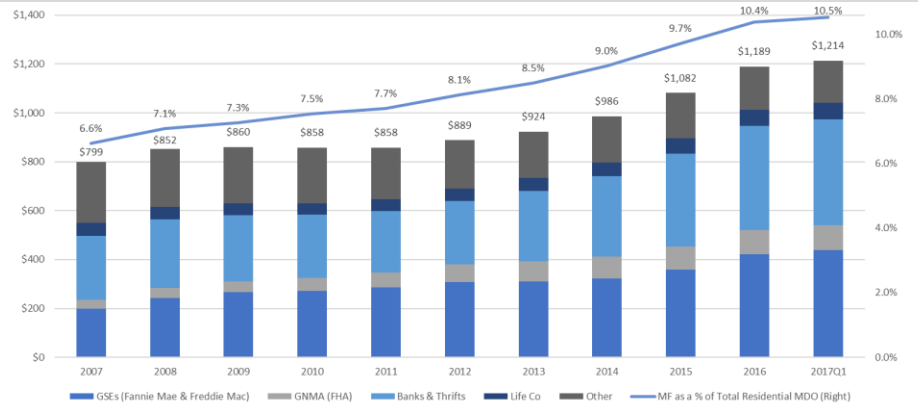
## CHARACTERISTICS:

- Typically, 7 to 10-year term debt, except for FHA and specialty products
- Debt for properties financed with Low-Income Housing Tax Credits typically have 15 to 18 year terms
- Usually features balloon maturities, which require refinancing at regular intervals
- Property renovations are often done in conjunction with refinancing
- Largely fixed rate
- Considered "B2B" as multifamily debt is backed by income producing assets operated as a business
- Loan servicers have responsibility for processing debt assumptions, reserve releases and other matters, in addition to processing payments
- Requires active asset management for life of loan, including regular inspections and financial reviews

## DEBT PERFORMANCE:

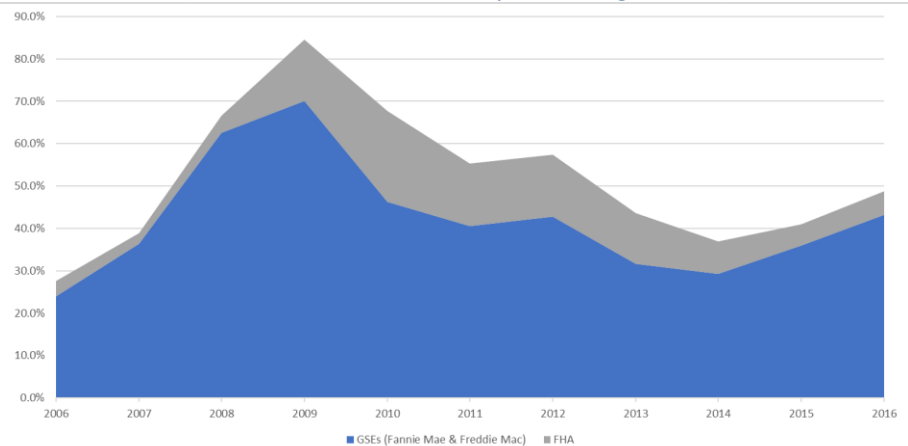
- GSE multifamily debt has outperformed the market, with consistently low delinquency rates
- CMBS delinquency rates includes Real Estate Owned (REO) while others do not; the resolution of these troubled loans has contributed to the recent decline in delinquency rates
- Peak post-crisis multifamily credit losses for Fannie Mae and Freddie Mac were a fraction of similar losses for Banks and CMBS

## Multifamily Mortgage Debt Outstanding (\$ in billions)



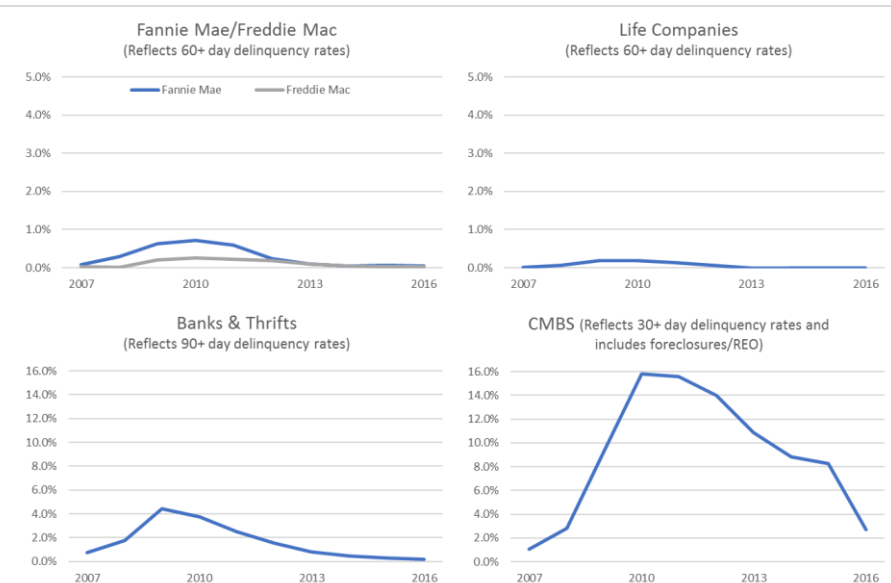
Source: Federal Reserve Mortgage Debt Outstanding Historical Data

## GSE and FHA/HUD Multifamily Debt Originations (% of Total U.S. Multifamily Debt Originations)



Source: MBA Annual Report on Multifamily Lending, Fannie Mae, Freddie Mac, FHA/HUD Database

## Multifamily Delinquency Rates



Source: Fannie Mae, Freddie Mac, FDIC, American Council of Life Insurers (ACLI), Trepp