



BEEKMAN ADVISORS

Emerging Trends in Multihousing

Presented By: Shekar Narasimhan

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Emerging Trends in Multihousing

- What is the size and composition of the rental housing market?
- Who will be living there in the future?
- What has happened to rental housing affordability and why?
- The millennial rental market: now or forever?
- The debt markets and a surprising factoid
- Challenges, Opportunities and Risks
- Your turn

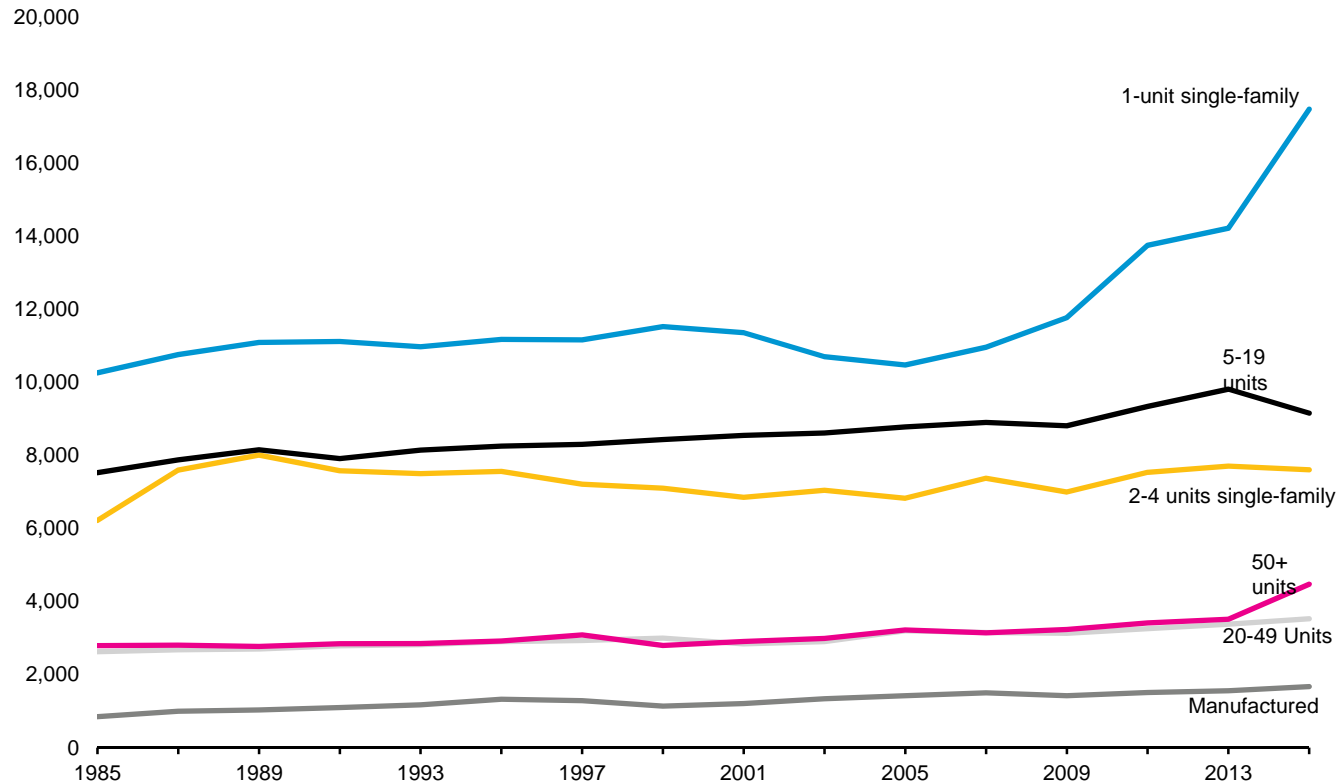
Renter Households by Units in Building

➤ Renter HHs in buildings w/ 1 unit	17,481,000
➤ Renter HHs in buildings w/ 2-4 units	7,608,000
➤ Renter HHs in buildings w/ 5+ units	17,166,000
➤ Total Renter Households	42,255,000

Source: MBA Analysis of American Housing Survey, 2015

More Than Half of All Renters Live in Structures with Less Than Four Units

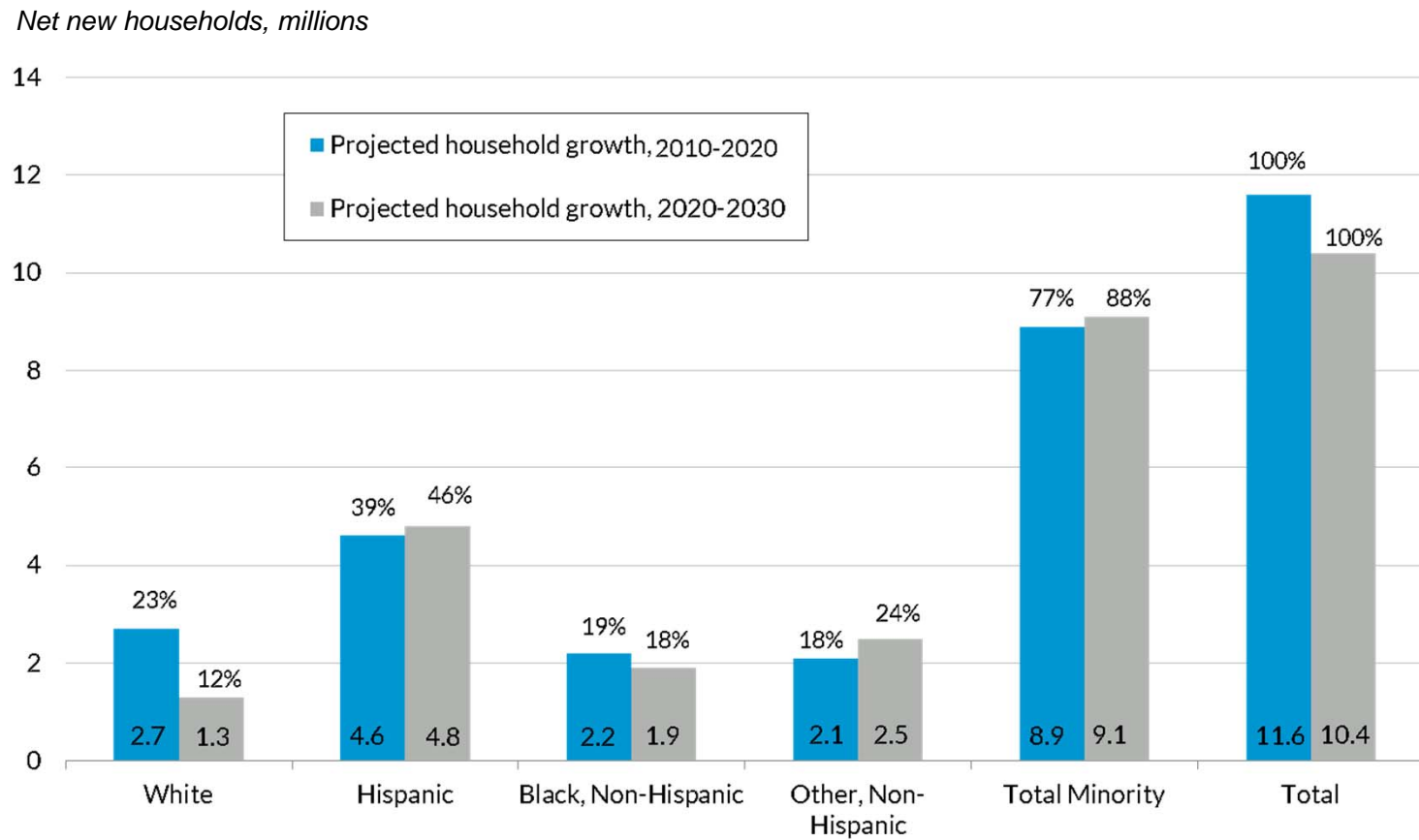
Thousands of units



Structure	Share of Housing Units (%)
Single-Family	39.8%
2-4 Units	17.3%
5-19 Units	20.9%
20-49 Units	8.0%
50+ Units	10.2%
Manufactured Housing	3.8%

Source: American Housing Survey, Urban Institute calculations

Projected Household Growth by Race and Ethnicity

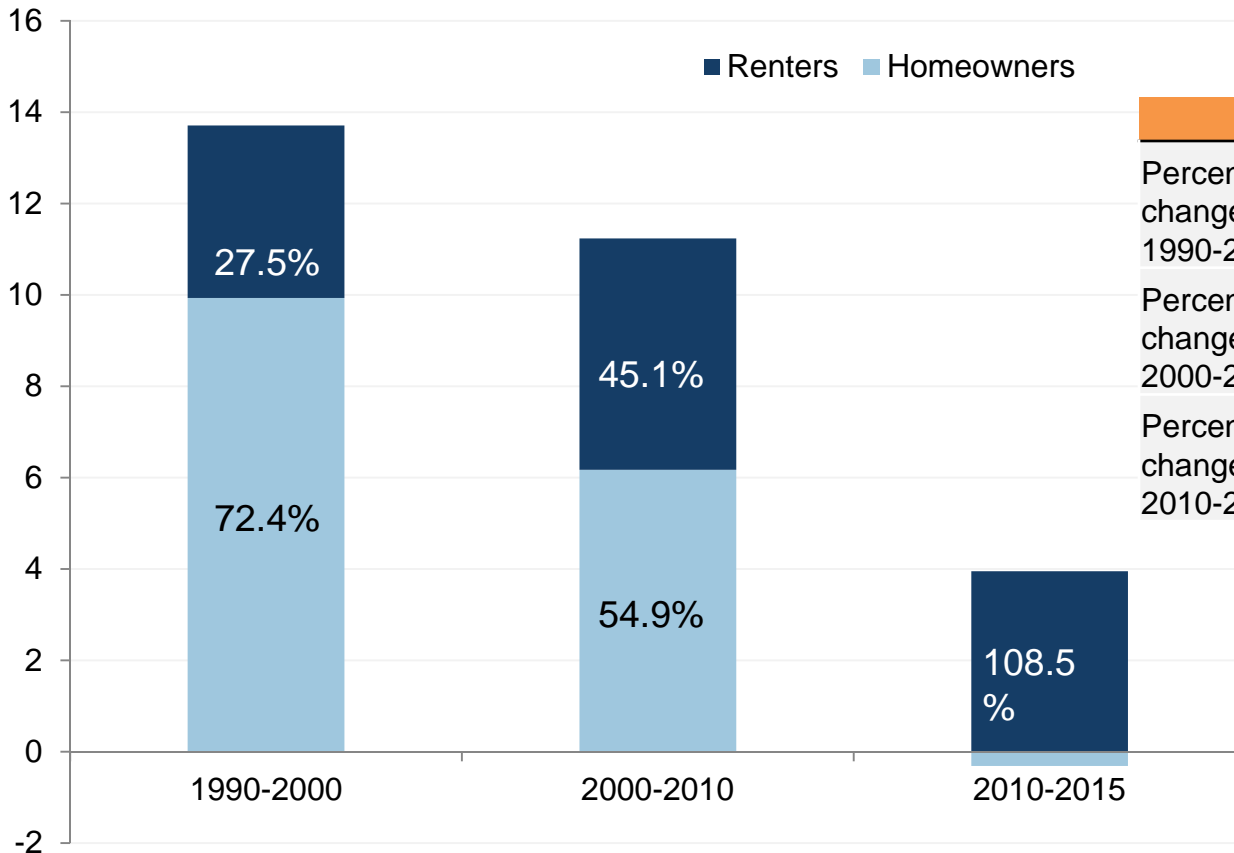


Source: Goodman, Laurie, Pendall, Rolf, and Zhu, Jun. "Headship and Homeownership: What Does the Future Hold?" Urban Institute, June 2015

Rental Household Growth Is High in Recent Years

Number of Net New Households

Millions of households

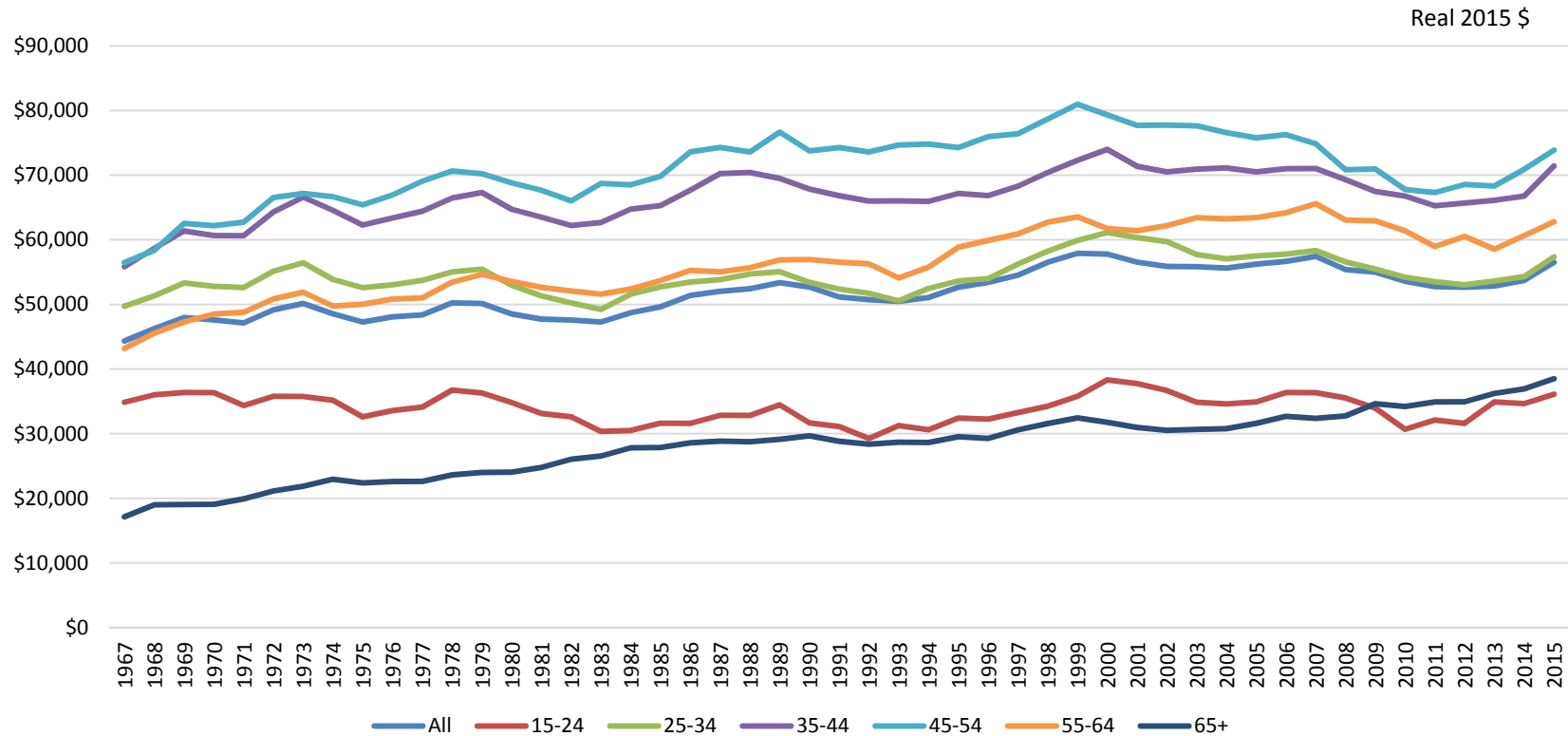


	Households	Owners	Renters
Percent change, 1990-2000	14.94%	16.59%	11.84%
Percent change, 2000-2010	10.65%	8.84%	14.20%
Percent change, 2010-2015	3.18%	-0.41%	9.97%

Source: U.S. Census 1990, 2000, 2010, American Community Survey, 2010, 2015, Urban Institute calculations

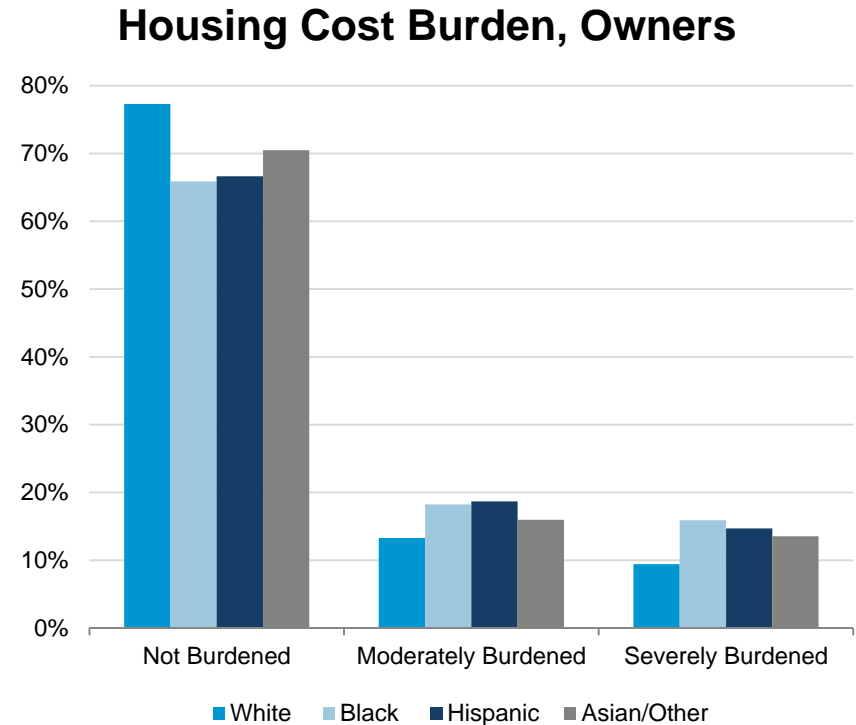
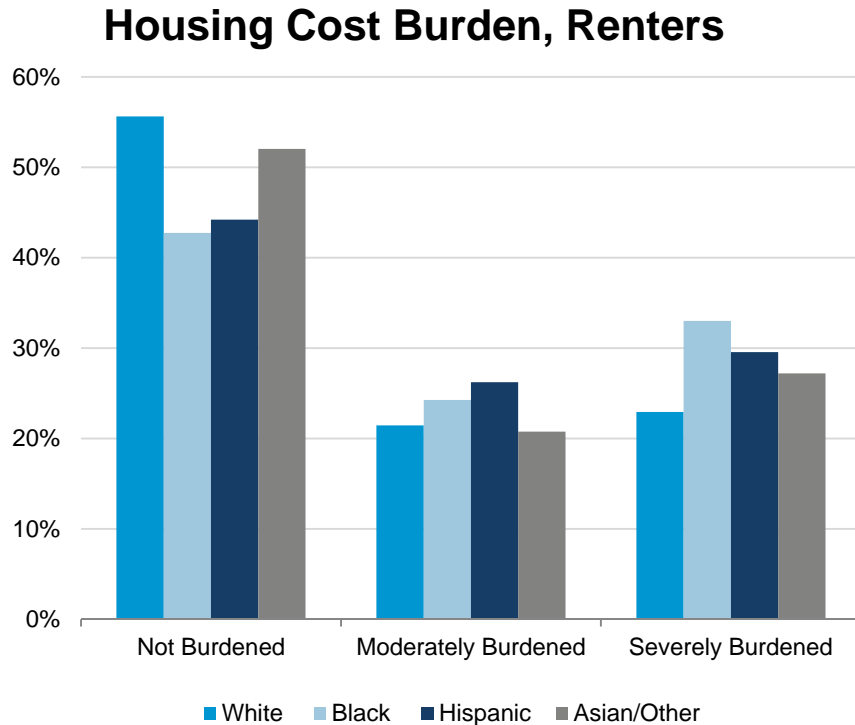
Real Incomes Are Flat, But Improving

Median Household Income by Age of Householder



Source: U.S. Census Bureau Current Population Survey and Urban Institute.

Approximately Half of All Renters Are Cost Burdened



Source: Joint Center for Housing Studies tabulations of US Census Bureau, American Community Surveys, 2014; and Urban Institute

Median Gross Household Income (\$US): The renter-owner disparity

➤ Owners	\$64,353
➤ Renters	\$32,600
➤ All Households	\$50,706

Source: Cauliner, Michael, and Marya, Ellen. "Rental Housing: An International Comparison." Joint Center for Housing Studies, September 2016

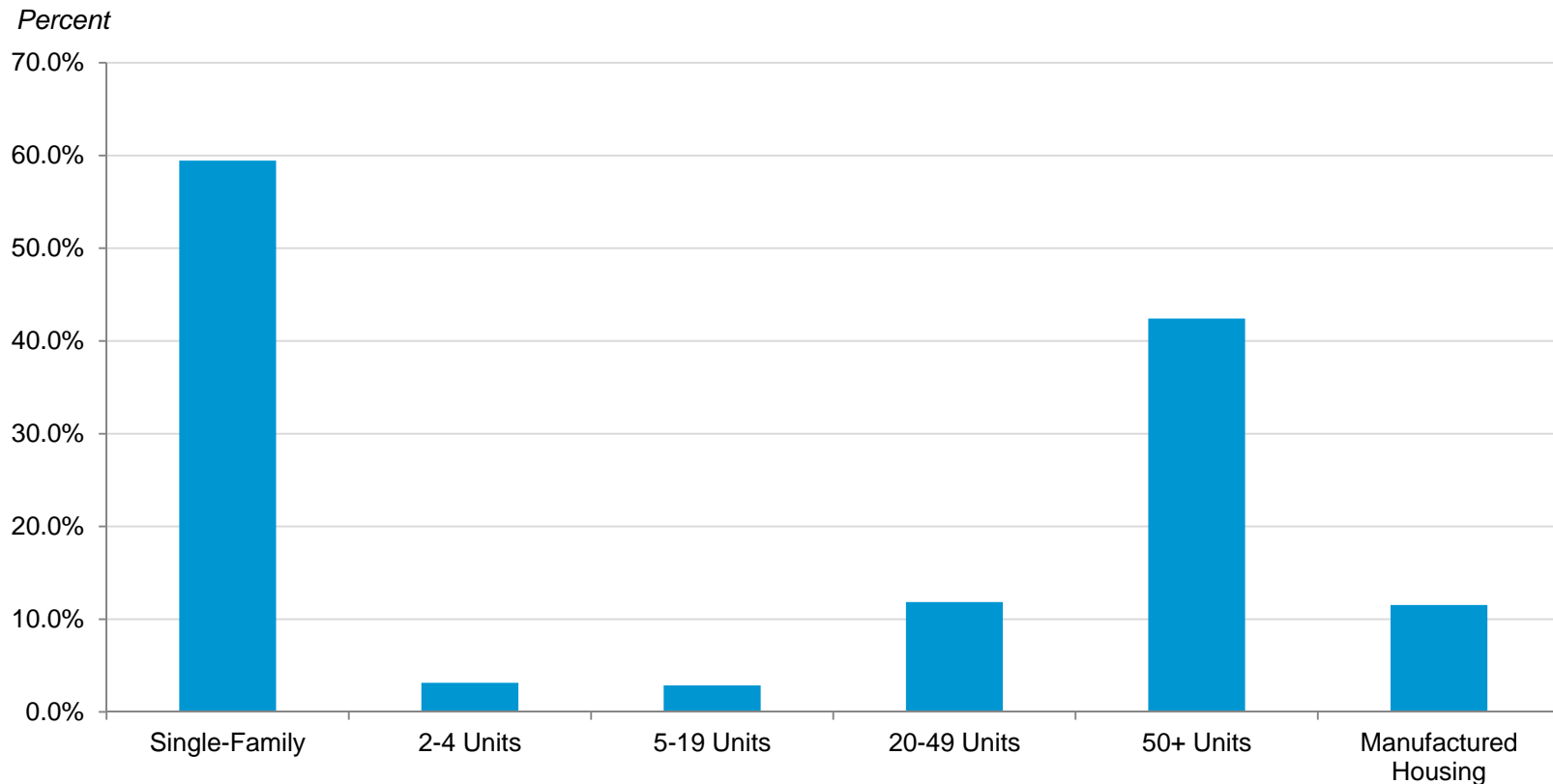
Affordable Rental Units Are Disappearing

	Housing Units (Thousands)			% of Housing Stock		% of Rental Stock	
	2001	2013	Yearly change	2001	2013	2001	2013
Non-market, extremely low rent, and very low rent	21,597	19,218	-198.25	18.3%	14.5%	57.8%	43.1%
Extremely low rent and very low rent	13,264	11,680	-132	11.2%	8.8%	35.5%	26.2%
All rental units	37,392	44,564	597.67	31.6%	33.5%	100.0%	100.0%
Housing Stock	118,196	132,832	1,219.67	100.0%	100%		

Source: Eggers, Frederick J., and Moumen, Fouad. "American Housing Survey Rental Market Dynamics: 2011-2013"; and Urban Institute

Largest Growth in Structure Types with Highest Rent

Change in structure type (2007-2015)



Average rent (\$ per month):	1024	825	865	966	1023	662
	Single-Family	2-4 Units	5-19 Units	20-49 Units	50+ Units	Manufactured Housing

Source: American Housing Survey, Urban Institute calculations

Millennials Renters' Preferences

WHAT APARTMENT RENTERS WANT

Renters seek amenities for every lifestyle. Here's what they like, love, and can't live without.



NMHC NATIONAL MULTIFAMILY HOUSING COUNCIL

KINGSLEY ASSOCIATES

nmhc.org/residents

38 MILLION
apartment renters nationwide

1.6 MILLION
more renters today than five years ago

TOP 5 COMMUNITY AMENITIES:

Parking	94%
Pool	83%
Fitness Center	82%
Secured Community Access	80%
Recycling	80%

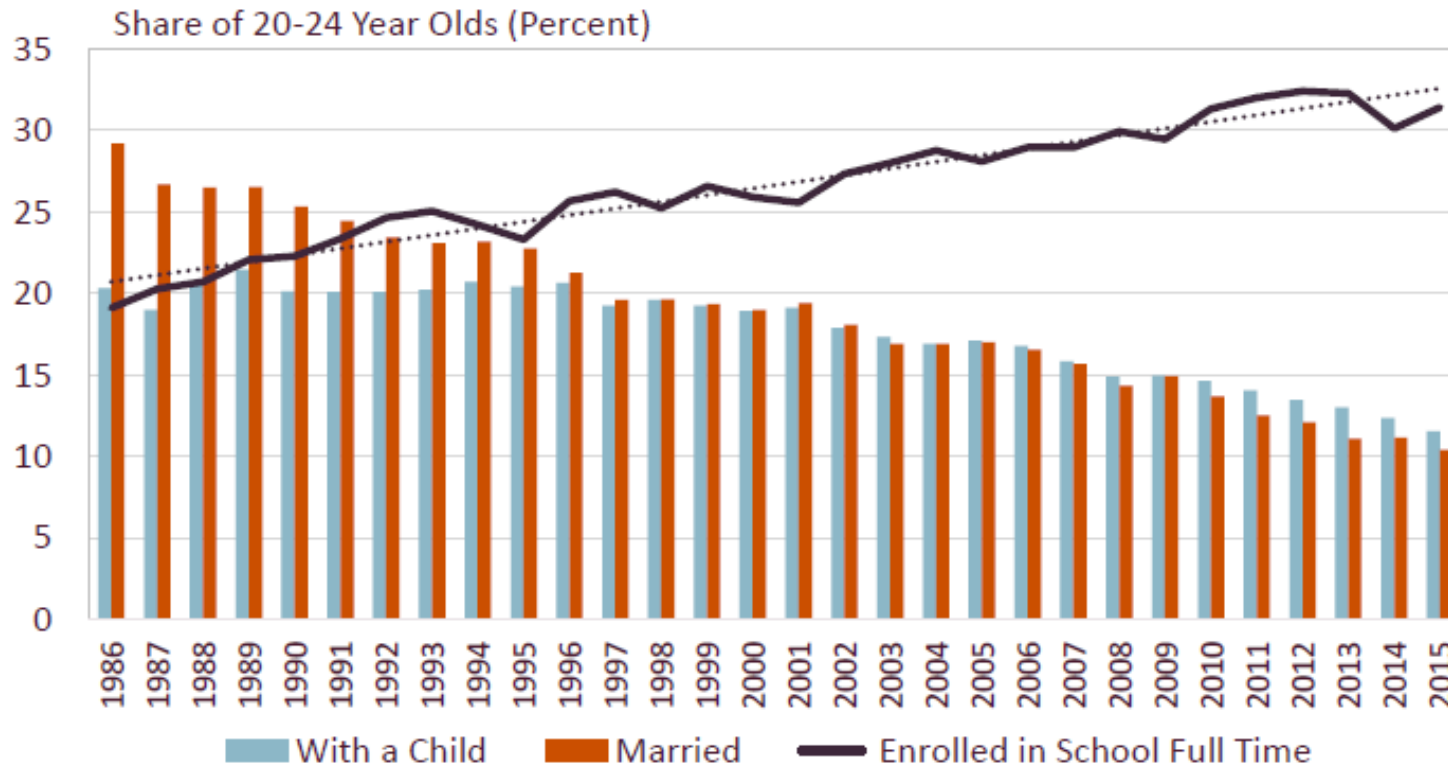
TOP 5 HOME AMENITIES:

High-Speed Internet	94%
Walk-in Closet	89%
Soundproof Walls	88%
Patio or Balcony	87%
Washer/Dryer in Unit	87%

Source: National Multi Housing Council

The Millennial Renting Trend May Be Secular!

Advanced Schooling & Delayed Family Formation Have Worked to Delay Housing Independence of Younger Adults

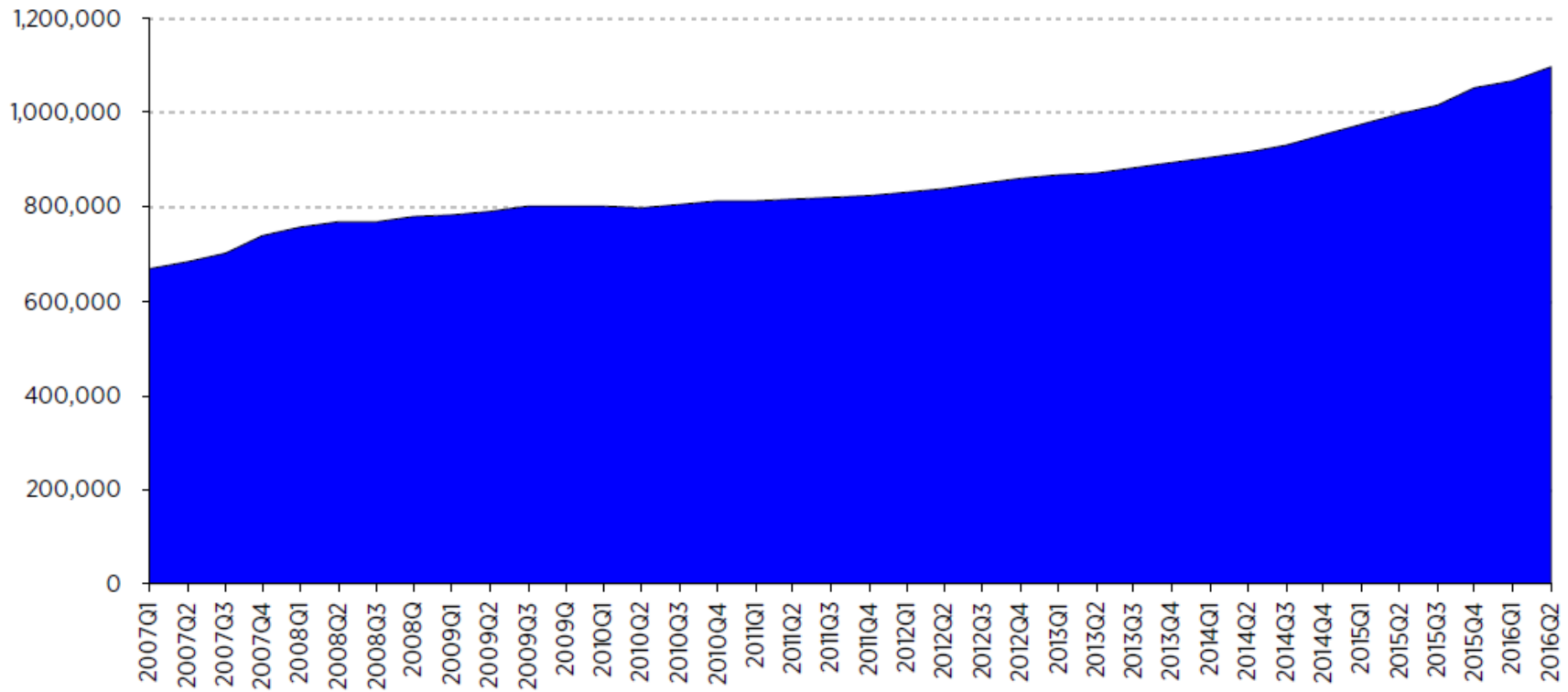


Source: JCHS tabulations of CPS/ASEC data via IPUMS-CPS, University of Minnesota, <http://www.ipums.org>

Multifamily Mortgage Debt Outstanding

Total Multifamily Mortgage Debt Outstanding, by Quarter

(\$millions)

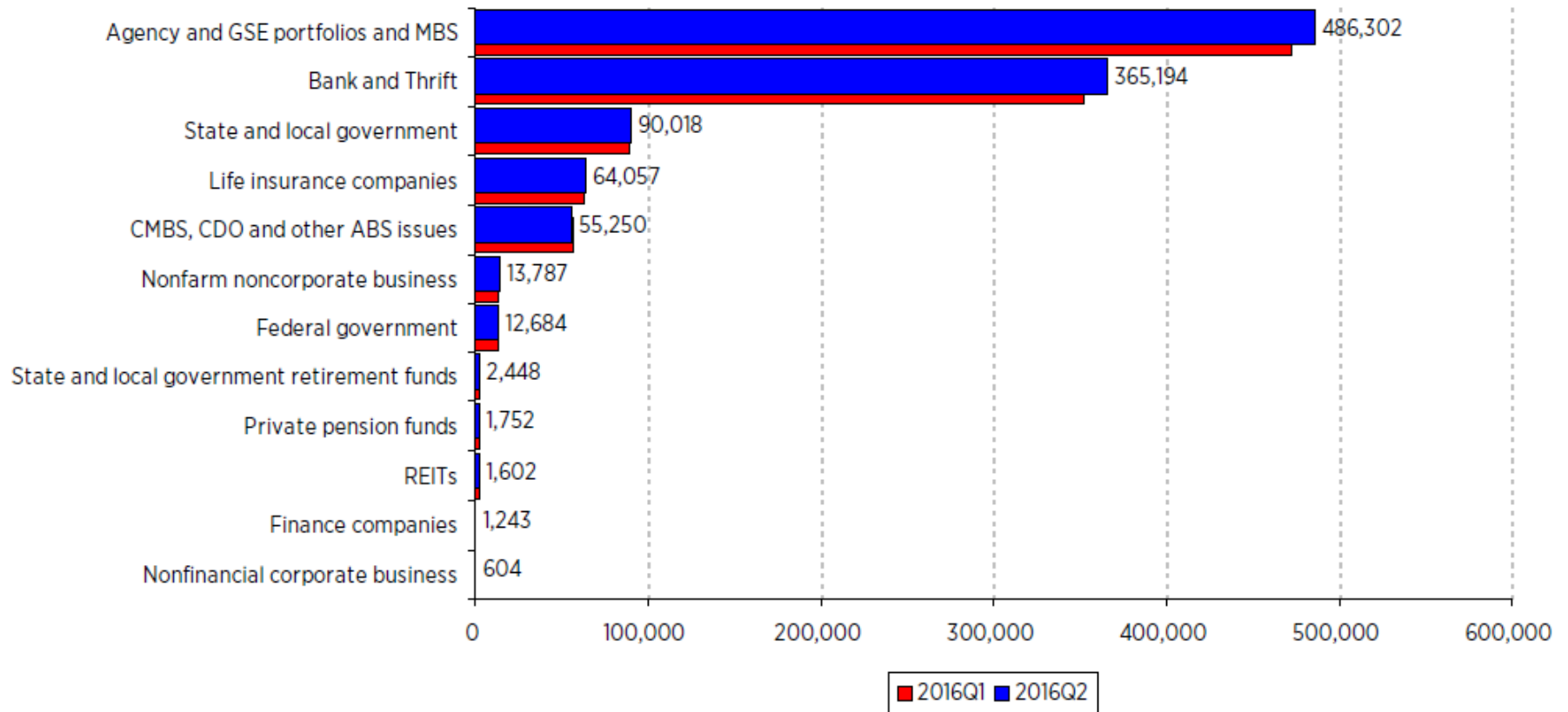


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

Multifamily Mortgage Debt Outstanding

Total Multifamily Mortgage Debt Outstanding, by Sector

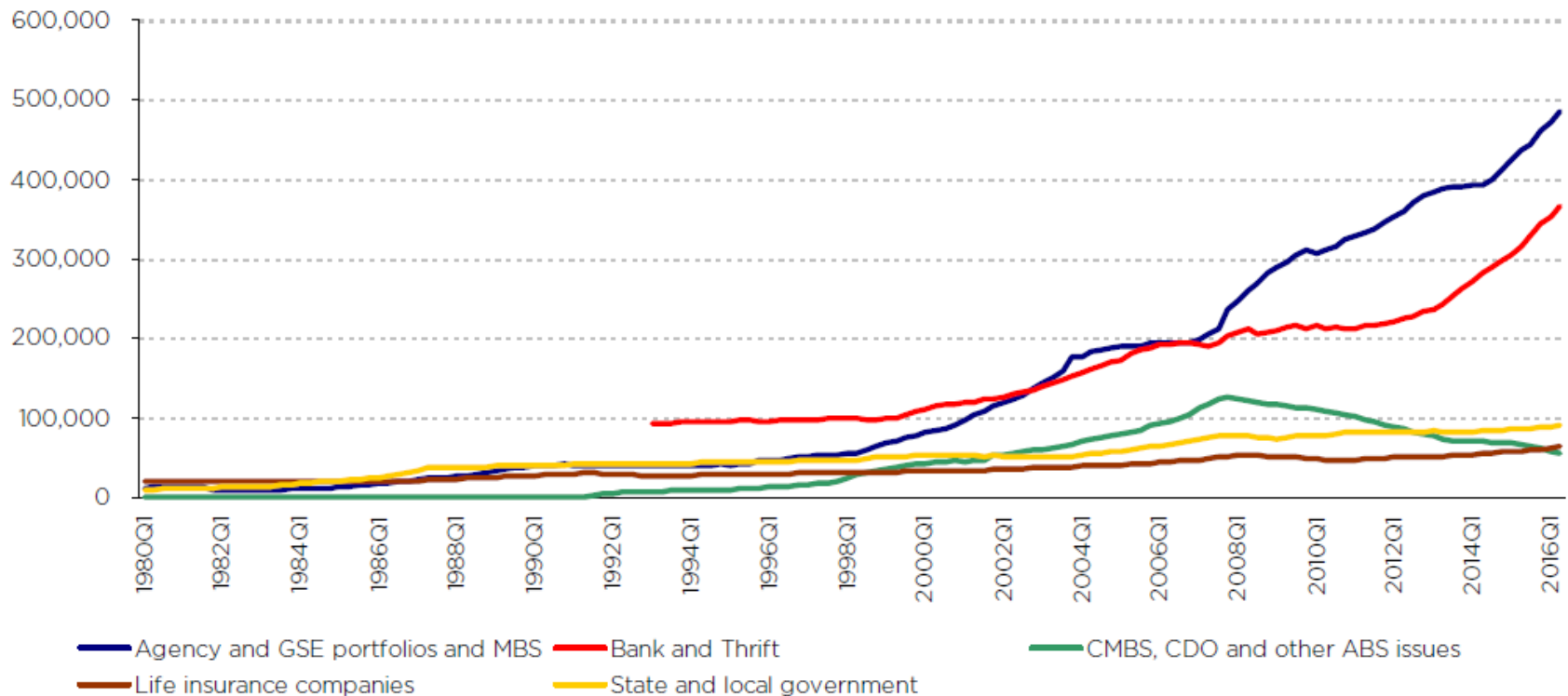
(\$millions)



Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

Multifamily Mortgage Debt Outstanding

Total Multifamily Mortgage Debt Outstanding, by Selected Sector by Quarter
 (\$millions)

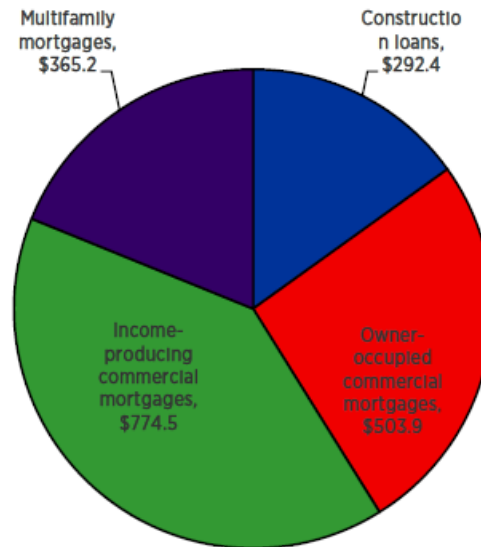


Source: MBA, Federal Reserve Board of Governors, Wells Fargo Securities, LLC, Intex Solutions, Inc. and FDIC

Banks Really Matter For CRE/MF

Estimated Components of Federal Reserve's Flow of Funds "Commercial and Multifamily Mortgages" Held by Banks and Thrifts

(\$Billions)



For the second quarter 2016, the Federal Reserve Board's Flow of Funds Accounts data attributed \$1.9 trillion of outstanding commercial and multifamily mortgages to banks and thrifts. Comparing this number to the FDIC's Quarterly Banking Profile for the same period, one sees that **banks and thrifts held \$365 billion of multifamily mortgages** and \$1,278.4 billion of non-farm nonresidential mortgages of which 61 percent or \$775 billion were income-producing.

Source: MBA, Federal Reserve Board of Governors, and FDIC

Challenges, Opportunities and Risks

- Right now, most market players are focused on less than 25% of the total rental market (roughly 10 million units). The institutional segment of that is even smaller with approximately 4 million units
- The sharing economy and its long-term impact on the institutional rental markets? AirBnB, WeWork, Uber/Lyft.
- Financing disruption? Crowd funding, Online lending. Keep an eye on the banks!
- Will all this fundamentally change three historical presumptions?: 10 years and out financing, 5 years and out equity, you have to have a broker to sell at the highest price!
- Opportunities: Old but gold if you can maintain it and keep it affordable (NOAH); scattered-site rental?
- Near-term risks: Niche markets suffer first when markets flatten and rising rents take their toll: examples are micro-units, student housing off-campus, private pay senior housing, downtown loft apartments. Most vulnerable : 2017-2018 supply.
- Macro risks: GSE reform, Tax code changes, Interest rates



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