BEEKMAN ADVISORS

June 2023

Primer on Multifamily Housing & Finance

U.S. HOUSING STOCK:

- Renters occupied 35% of units in 2021, the same as in 2011
- Single family renter occupied units increased by 2.9% from 13.9 million in 2011 to 14.3 million in 2021
- Multifamily (5+ units) renter occupied units grew by 16.6% from 17.4 million in 2011 to 20.3 million in 2021
- According to the Census Bureau, multifamily units under construction rose to 960,000 in early 2023 – the highest ever
- Due to the big construction pipeline, delivery of units is expected to elevate across 2023 and 2024 before declining

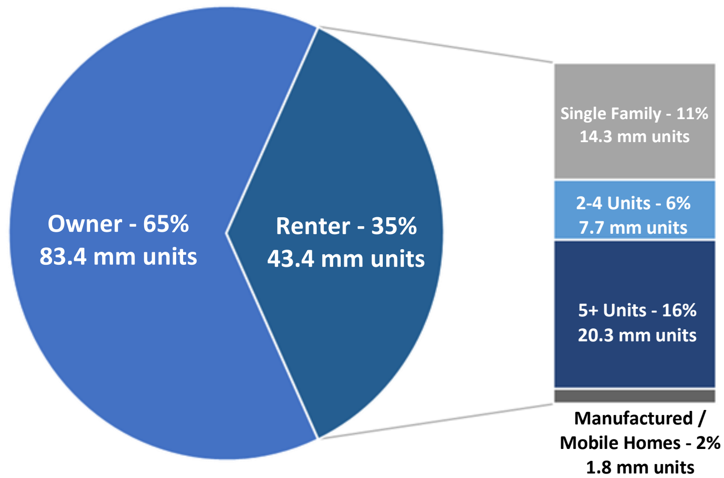
DEMOGRAPHICS:

- After surging in 2021-22, the Joint Center for Housing Studies at Harvard expects household formation to slow significantly due to declining affordability and slowing population growth
- Median renter household incomes are 52% of median owner incomes; however, renter incomes grew 1.7% more than owner incomes between 2017 and 2021
- Affordability challenges remain but homeownership hit 65.9% in 2022 – the highest year-end level post financial crisis
- Renters with high school or less education levels declined by 4% while those with Bachelors or higher grew 14% since 2017
- A 3.8% decline in white renter households since 2017 led to an almost equal split between white and minority renters

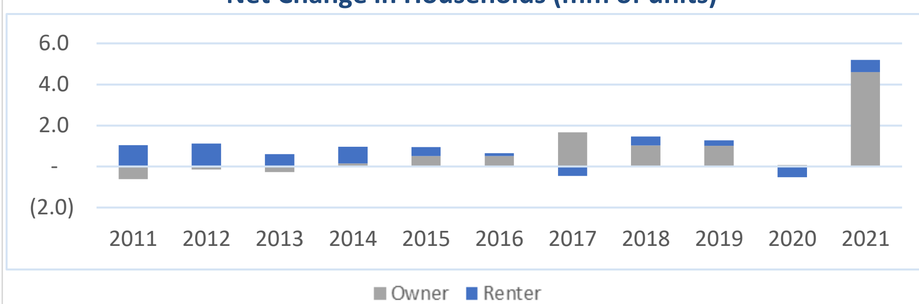
MULTIFAMILY PERFORMANCE:

- According to the National Multifamily Housing Council, the total value of apartments stood at \$6.2 trillion in 2022 compared to \$3.8 trillion in 2017
- The US Census Bureau reports rental housing vacancy dropped to 5.6% in 2022 Q2 (the lowest figure in 37 years) but increased to 6.4% by 2023 Q1
- Per RealPage, vacancies for professionally managed apartments (a subset of the broader market) hit an all time low of 2.5% in 2022 Q1 but have more than doubled to 5.2% in 2023 Q1
- RealPage data shows annual rent growth in professionally managed units slowed from 15.3% in 2022 Q1 to 4.5% in 2023 Q1
- Renters who spend more than 50% of income on rent have increased from 25.2% in 2017 to 26.5% in 2021

Occupied U.S. Housing Stock is 127mm Units

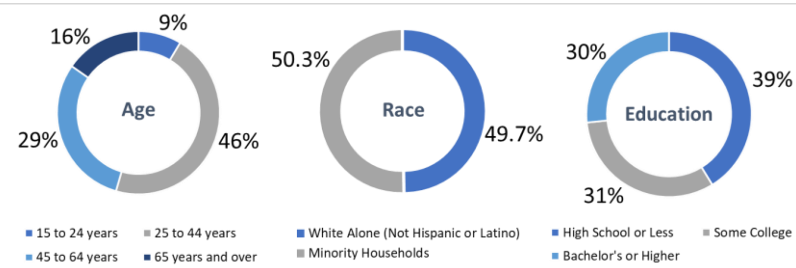


Net Change in Households (mm of units)

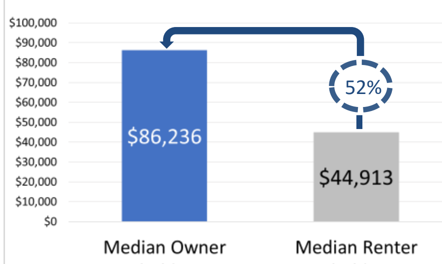


Source: US Census Bureau, American Community Survey 1 Year Estimates for '11 to '19 and '21, 5 Year Estimate for '20

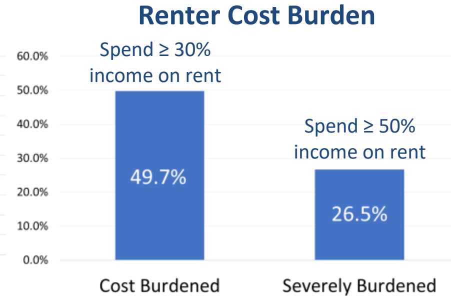
Renter Demographics



Median Household Income



Renter Cost Burden



Source: U.S. Census Bureau, 2021 American Community Survey 1 Year Estimates

MULTIFAMILY DEBT:

- Multifamily debt outstanding grew by a compounded rate of over 8% for the past decade, more than doubling in that span
- Single family (1-4 family residence) debt grew by 33% over the same time with over half of the growth in 2021 and 2022
- Debt backed by the GSEs (Fannie Mae and Freddie Mac) accounts for 39% of multifamily debt outstanding, with FHA/Ginnie Mae another 7%
- The GSEs' multifamily originations plateaued in 2020 at $159 billion before declining due to competition and lending caps imposed by Federal Housing Finance Agency
- After exceeding 40% from 2016 to 2020, the GSEs' share of annual multifamily debt originations declined to 32.5% in 2022

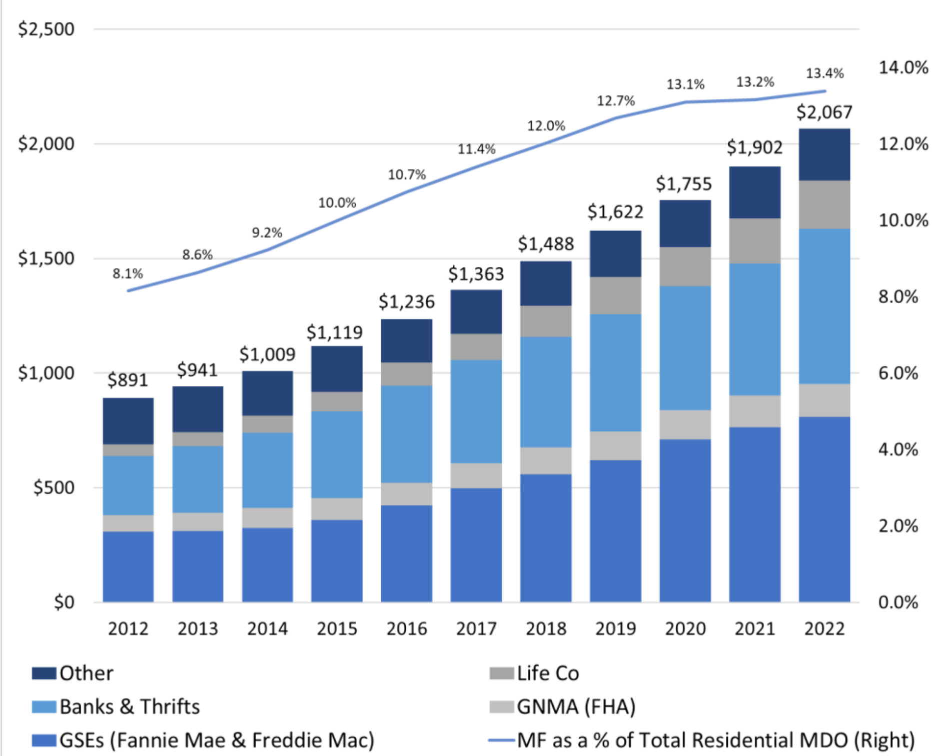
CHARACTERISTICS:

- Typically, 7 to 10-year term floating and fixed rate 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
- 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:

- Delinquencies ticked up but multifamily loans had the lowest delinquency rate among major asset classes at 2022 Q4 per the Mortgage Bankers Association
- GSE multifamily debt outperformed the broader market with consistently low delinquency rates
- Fannie Mae's delinquency rate spike in 2020/2021 relative to Freddie Mac was caused by a difference in how each of the GSEs reported on loans subject to COVID-era forbearance programs
- Delinquency data shown for the various capital sources are not comparable as each measures different data
- Peak post-crisis multifamily credit losses for GSEs were a fraction of similar losses for Banks and CMBS

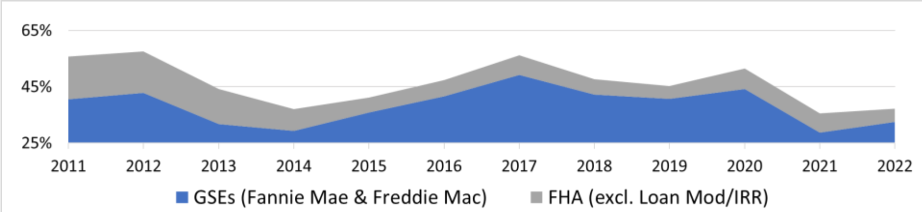
Multifamily Mortgage Debt Outstanding ($ in billions)



Source: Federal Reserve Mortgage Debt Outstanding Historical Data

GSE and FHA/HUD Multifamily Debt Originations

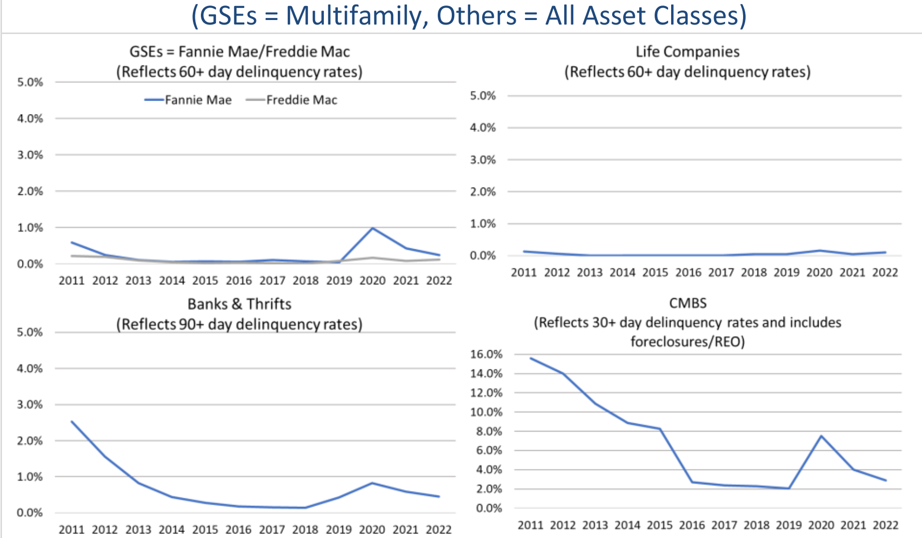
(% of Total U.S. Multifamily Debt Originations)



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

Multifamily/Commercial Delinquency Rates

(GSEs = Multifamily, Others = All Asset Classes)



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