

**National Market Rate &
Affordable Housing Trends
July 26, 2023**



National Market Trends

Strong Indicators

- Occupancy rates in 93% to 95% range are very strong
- Rental growth in 3% to 4% is historically strong market indicator

Fewer development funding options – more interest in HUD insured loans for new construction and rehab

New housing demand still very strong – need affordability up & down the AMI segments, some with government intervention, some without

Single family homeownership remains out of reach for many, or they are renters by choice

Movement of capital from markets with rent control to those without including TX, AZ, FL (same places lots of people are moving)

Despite an overall slowdown across the industry, markets like Florida and the larger Sun Belt region, are still experiencing significant demand

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Still not much SF housing to move into – but BFR may provide a bridge for those looking for SF home fee/renting flexibility

- Typically an older renter/family
- Historically would have moved to SF home ownership or SF rental

Office Attendance growing: Move back to smaller units?

- Analysts noted the first half of 2023 ended with average attendance stuck just below 50% of pre-pandemic levels, about where it was in late January, though that 10-city average is now well above the 32% seen at the end of 2022.
- Tracking showed attendance averaging 49.1% of pre-pandemic levels for the week ended July 12, with numbers consistently topped this year by the Texas cities of Houston, Austin and Dallas, followed by Chicago

Amenities continue to evolve

- Recycling programs,
- less parking,
- dog parks/wash stations,
- parcel pickup

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Sales Activity –

- Both buyers and sellers are waiting for the other side to blink which has slowed the market.
- Sellers may have locked in long-term fixed-rate financing in 2019-2022 which does not make them feel forced to sell at all.
- Buyers want lower prices and stability, higher leverage

Expect transaction volume to pick up early next year when the realities of the current cycle settle and groups with short-term floating rate debt feel the pressure to sell. Until then transaction volume will be down.

Properties with favorable financing with some length left in the loan may be more attractive to buyers – pay to lock in the lower rate financing by assuming

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Per Cohn Reznik data:

- National LIHTC occupancy median physical occupancy is currently 97.6%. Consistent since 2013 above 97.2%.
- National median LIHTC DCR is currently 1.45x, steadily rising since 2013 (1.32x) and before.
- National median LIHTC cash flow was \$889/unit as of 2021 compared to 2013 indication at \$571/unit and 2005 indication at \$250/unit
- Watchlist –Current - 12%-15% of national supply is on watchlist (operating below breakeven); compared to 33% in 2005.

Strong underlying operations with good bottom line results that are increasing

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Florida – new tax law – non-LURA properties get tax break for rents from 80% to 120% AMI, annual certification, 3-year report check In requirement; helps with land use approval also since that is a high hurdle

Criteria summary (by no means exhaustive): More than 70 units must be set aside for affordable housing. Those designated units (recent construction) must serve:

- Up to 80% AMI per unit for an 100% property tax exemption; OR
- 81% up to 120% AMI per unit for a 75% property tax exemption*

*The Area Median Income (AMI) published by the United States Department of Housing and Urban Development *or* 90% of the fair market value rent as determined by a rental market study.

Wisconsin Governor signed 5 bills targeting the expansion of new and preservation of affordable housing – some provide funding, some address land use regulations

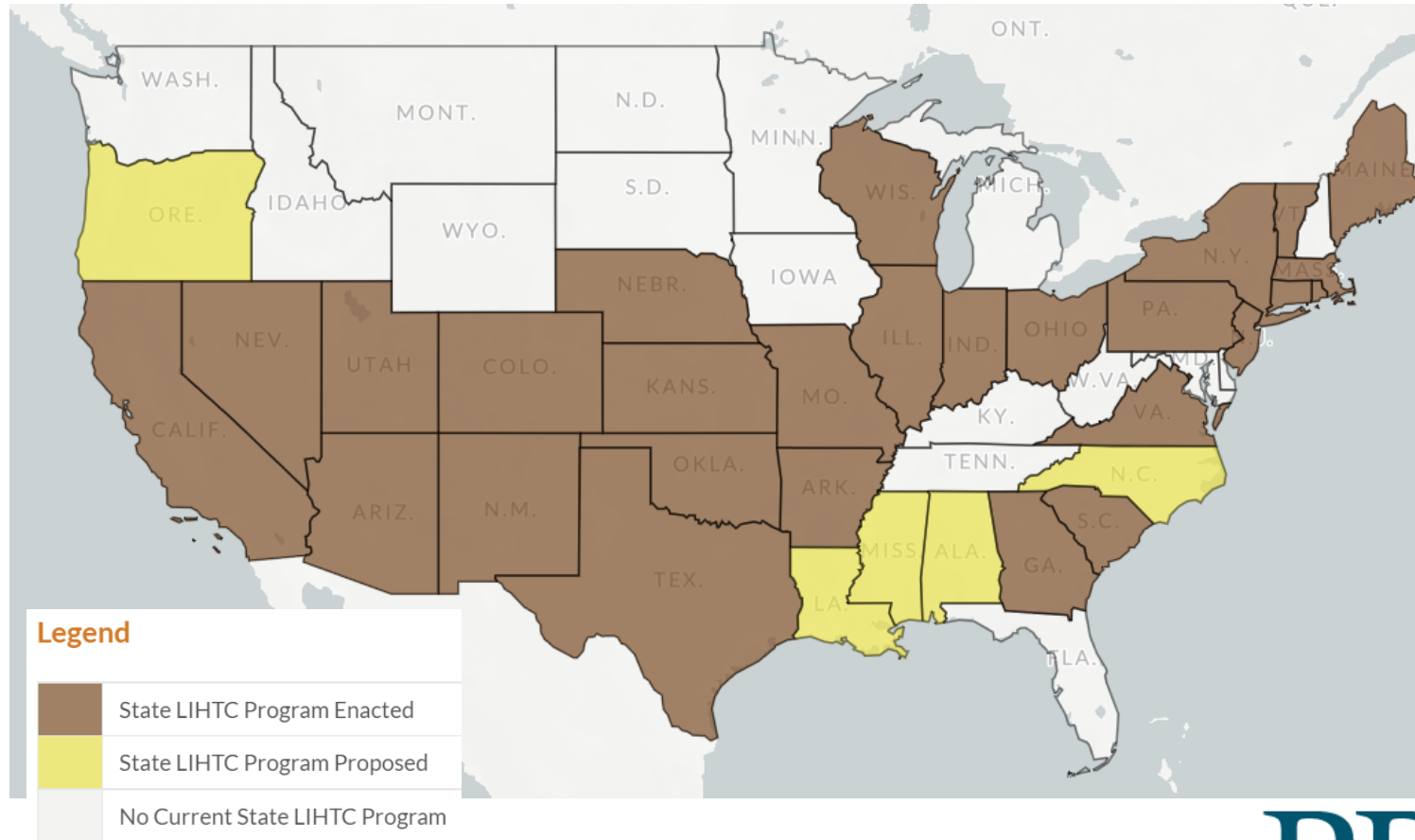
Texas – PFC participation & RE Tax Exemption (as of June 18, 2023 – HB 207) requires set aside of 10% at 60% AMI and 40% at 80% AMI minimum and many are paired with LIHTC or more restrictive affordability requirements that are outside LIHTC

- New time frames for compliance; PFC stay home to do deals (mostly), 10 yr. LURA, and other changes

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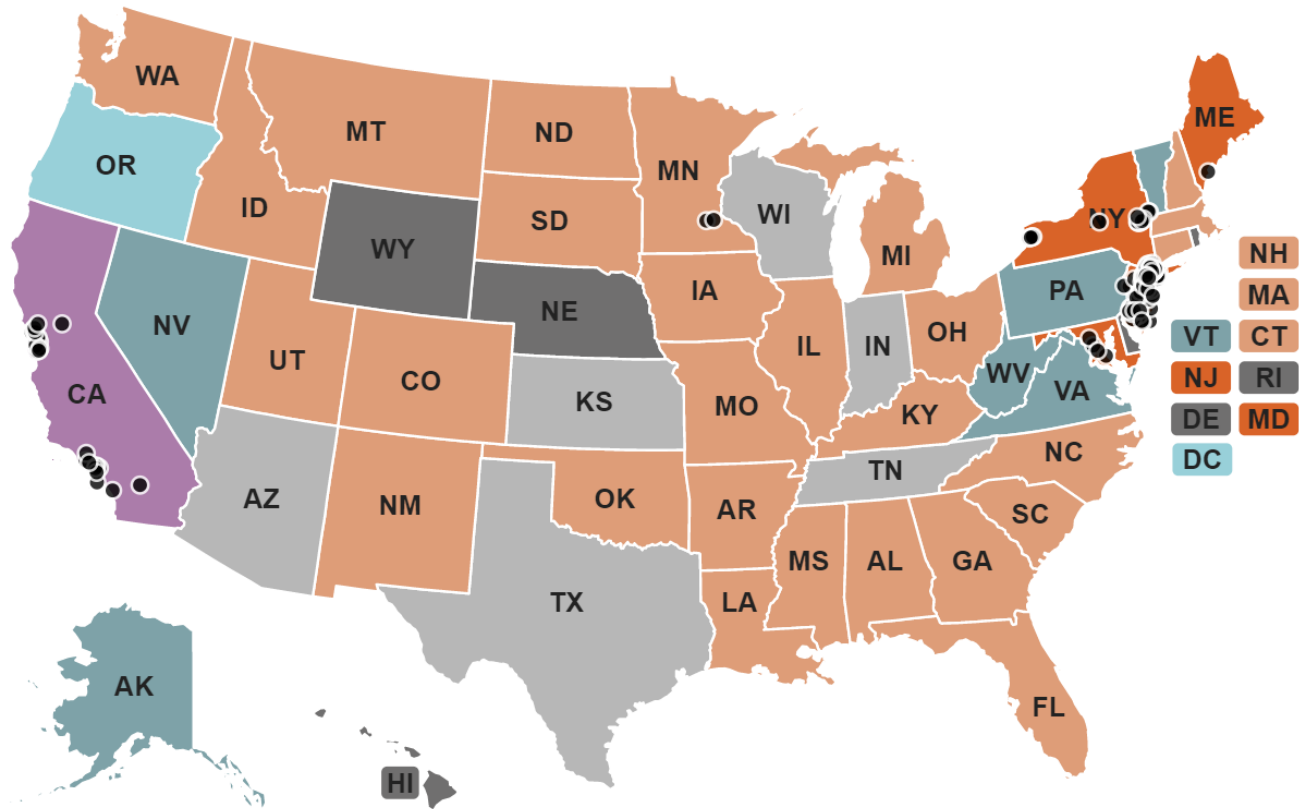
More states are enacting state tax credits to augment funding sources

Source - Novogradac



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Rent Control by State *(source NMHC)*



**Not intended for use as legal advice. Information pulled from publicly available sources.*

Legend:

- Has Statewide Rent Control
- Has Statewide Rent Control Caps & City Specific Laws
- No Statewide Rent Control; County and City Laws in Effect
- Preempts Rent Control
- Has no Rent Control or Preemptions
- Dillon Rule State with no Rent Control nor Preemptions
- Preempts Mandatory Inclusionary Zonings & Rent Control

Questions?

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