

GREYSTONE

Historical
Multifamily Report

June 2020

A decorative graphic at the bottom of the page consisting of a network of glowing teal lines and nodes, resembling a data network or a molecular structure, set against a dark teal background.



2.5M Jobs Added in May.
Unemployment Slid to
16.3% From 19.7% in April.

368K
Retail

1.2M
Leisure & Hospitality

44K
Construction

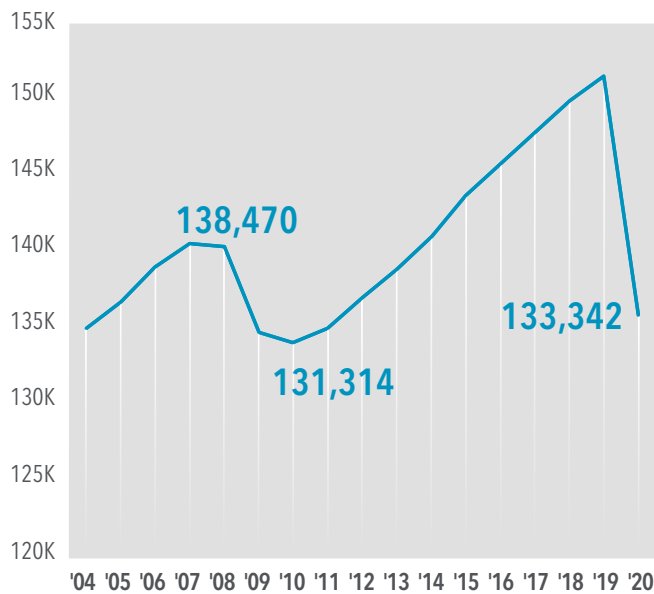
225K
Manufacturing

312K
Healthcare

Employment

Though U.S. employment was at a level in May not seen since 2012, a major surge in hiring of 2.5 million workers in May was a welcome sign that the nation was moving past the crushing economic effects of the pandemic.

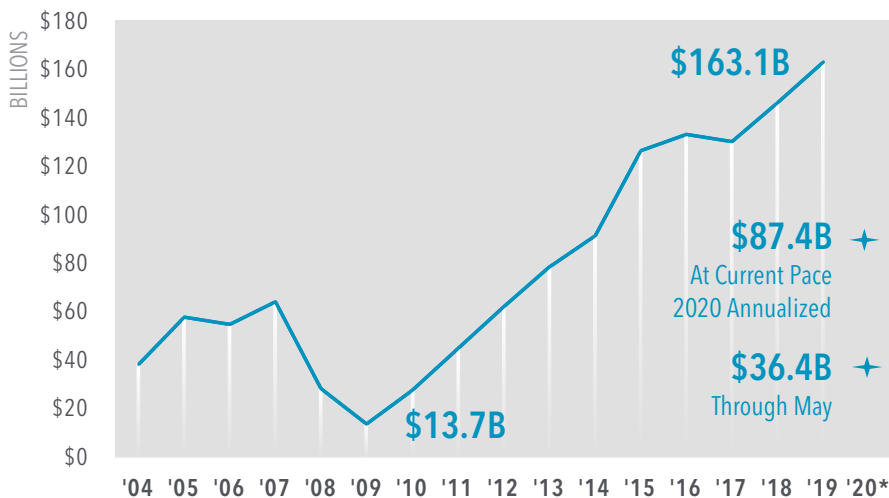
Total U.S. Nonfarm Employment
(Thousands)



Source: Bureau of Labor. All annual figures through May.

Apartment Sales

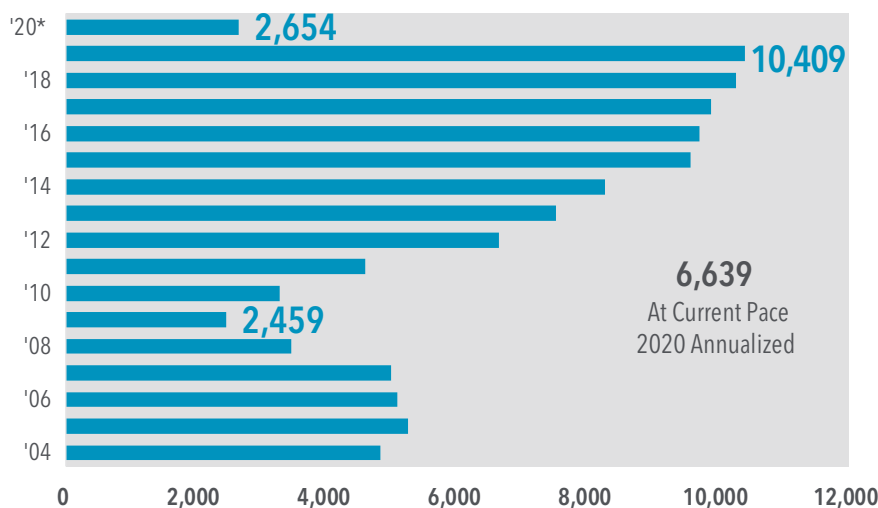
Annual Multifamily Sales Volume



Thus far, apartment sales by volume is down 36% May 2020 over May 2019. At this pace annualized, 2020 would finish around the \$87.4 billion mark as compared to \$163.0 billion in 2019, though improving fundamentals as the year marches on are likely to temper this scenario.

Source: CoStar, 20+ Units, U.S., *Through May.

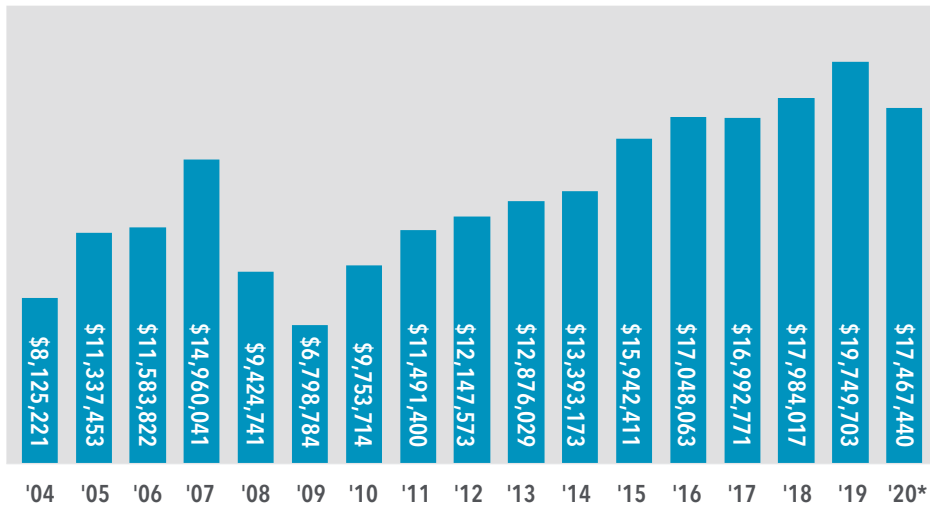
Total Number of Multifamily Transactions



The total number of multifamily transactions for 2020 through May also tells a story of uncertainty. Buyers and sellers appeared to "wait it out" amidst a lot of unknowns about the impact of COVID-19 on the U.S. economy. At an annualized basis, the sales transaction pace was also off by 36% from the year prior.

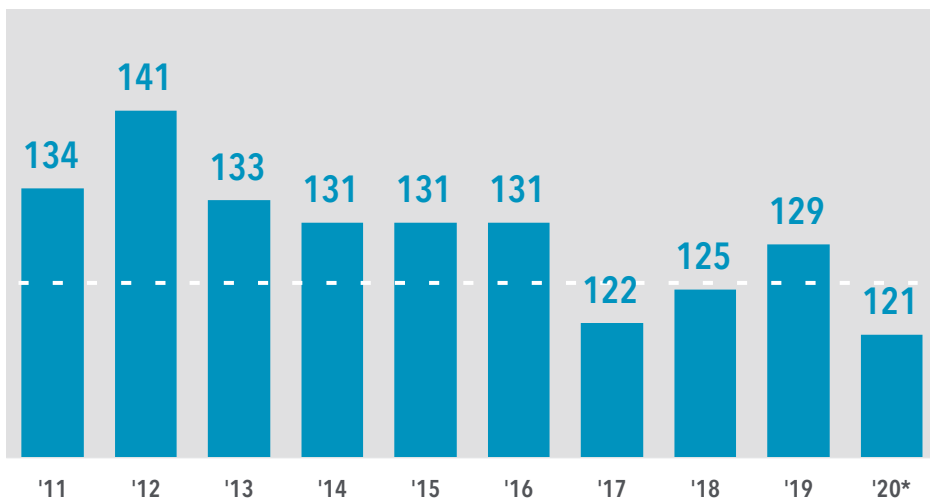
Source: CoStar, 20+ Units, U.S., *Through May.

Average Multifamily Transaction Sale Price



Source: CoStar, 20+ Units, U.S., *Through May.

Average Deal Size by # Units



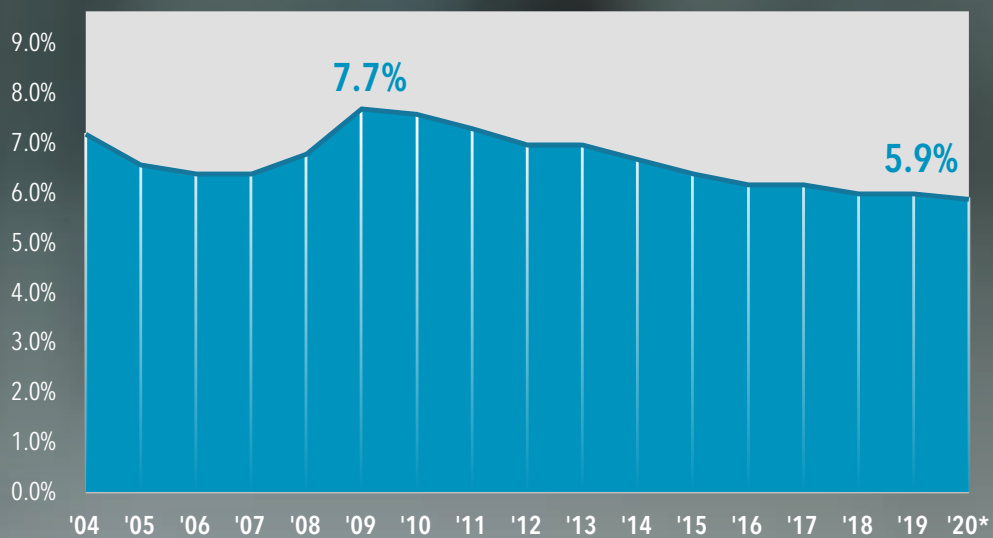
Source: CoStar, 20+ Units, *Through May.

At first glance, the average multifamily sales price per unit looks relatively unscathed from the year prior, at \$148,990 YTD through May compared to \$149,952 for 2019. At a deeper look, prices in 2019 were up 9.2% from the year prior. At the price level we see through May (a slight decline from 2019), YoY appreciation for 2020 appears to be a far-flung wish.

Some, but not all, of the softness in pricing is likely due to the quality of deals that have traded thus far in 2020. The average deal size of 121 units through May of this year is the lowest on average of the past 10 years (125.5), indicating more mom-and-pop / private deals transacted while institutional owners were not big sellers.

RealCapitalAnalytics reports that private sales soared to 74.4% of all deals thus far in 2020 compared to 61.4% in 2019. Conversely, institutional sellers measured 17.1% for the year, down from 25.6% in 2019.

Average Actual Multifamily Cap Rate



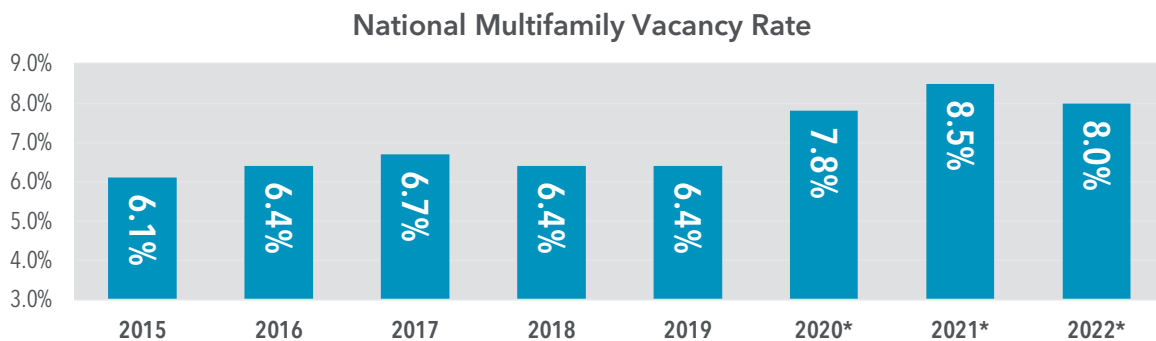
Source: CoStar, 20+ Units, U.S., *Through May

Cap rates have compressed 10 bps from last year's level, to 5.9% indicating that pricing continues to be tight.

CoStar Update on Market Performance

The national multifamily average vacancy rate rose in 1Q 2020 for the first time on record for a first quarter, and as of June at 6.7%, now matches its highest level since 2011.

Vacancies are expected to continue to rise above 8% nationwide, the highest level since at least 2000.



Source: CoStar. *Projected

CoStar's daily rent series, which draws on more than 4 billion rent data points collected via Apartments.com, shows apartment rents falling about 1% from March 10 through May.

CoStar's new baseline forecast scenario calls for steep rent losses through 2020, with rents dropping by about 10% on the year. However, rents are projected to bounce back in 2021, with growth of about 9%, but slow thereafter as the initial economic recovery fades, demographic growth slows.

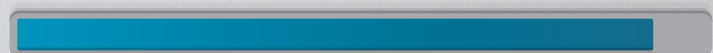
Late Rent Payments

The National Multifamily Housing Council (NMHC)'s Rent Payment Tracker found 93.3% of apartment households made a full or partial rent payment by May 27 in its survey of 11.4 million units of professionally managed apartment units across the country. This is a 1.5-percentage point decrease in the share who paid rent through May 27, 2019. The 93.3%, however, was an increase from the month prior, in which 91.7% had paid by April 27, 2020.

**NMHC Rent Payment Tracker Finds
93.3% of Apartment Households
Paid Rent as of May 27**

May 1 - 27 2020, % Rent Payments Made

93.3% ▼



Delinquency Rate by Property Type (% 30 Days +)

	May '20	Apr '20	Mar '20	3 Mo.	6 Mo.	12 Mo.
Industrial	1.82	1.36	1.35	1.45	2.00	2.05
Lodging	19.13	2.71	1.53	1.60	1.52	1.42
Multifamily	3.25	1.92	1.63	1.79	2.01	2.16
Office	2.40	1.92	1.86	1.72	1.97	2.98
Retail	10.14	3.67	3.89	3.62	4.36	4.29

Source: Trepp

CMBS Delinquency Rate Records

Largest Monthly Jump Ever in May 2020

Trepp has released its May 2020 report, and as expected, a surge in CMBS delinquencies was reported. Key takeaways include:

- The overall U.S. CMBS delinquency rate climbed 481 basis points in May to 7.15%
- This was the largest increase since Trepp started tracking this metric in 2009
- The all-time high on this basis was 10.34% registered in July 2012
- The percentage of A/B loans (i.e. loans in "grace period" or "beyond grace" period) was 7.60% in May
- Year-to-date through May, the overall U.S. CMBS delinquency rate was up 449 basis points. One year ago, the U.S. CMBS delinquency rate was 2.66%.

CMBS Commercial / Multifamily Mortgage Delinquency Rates 30+ Day & REO



Source: MBA, Trepp, *As of May 2020



GREYSTONE

Copyright ©2020 Greystone & Co. II LLC. All Rights Reserved. References to the term “Greystone,” refer to Greystone & Co. II LLC and/or its affiliated companies, as applicable. Although the information contained herein has been obtained from sources deemed reliable, Greystone Real Estate Advisors, Inc. makes no express or implied guaranty, warranty, or representation that the information is complete or accurate. Further, any projections, opinions, assumptions, or estimates used or offered herein are for the purpose of example only. Accordingly, Greystone Real Estate Advisors, Inc. recommends that you conduct your own careful, independent investigation into all aspects of this research report in order to gain a full understanding of the program / topic and reach your own conclusions or opinions as to its value and any related issues. The information contained in this research report should be independently examined by experts selected by you. Any recipient of these materials from Greystone Real Estate Advisors, Inc. should not and may not rely on these materials for any purpose beyond general introductory information.