

2019 Mortgage Survey Report

April 18, 2019

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New York City Rent Guidelines Board

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2019 Mortgage Survey Report

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What's New

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- Average interest rates for new multifamily mortgages decreased 18 basis points, to 4.65%.
- Vacancy and collection losses decreased 0.24 percentage points, to 2.59%, the lowest level ever recorded by this survey.
- Average service fees for new loans declined from 0.44 last year to 0.38 points this year, the lowest level ever recorded by this survey.
- Average maximum loan-to-value ratios fell from 73.5% last year to 72.0% this year.
- A total of 885 buildings containing rent stabilized units were sold Citywide in 2018, a 12% increase from the prior year.

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Introduction

Section 26-510 (b)(iii) of the Rent Stabilization Law requires the NYC Rent Guidelines Board (RGB) to consider the “costs and availability of financing (including effective rates of interest)” in its deliberations. To assist the Board in meeting this obligation, each winter the RGB research staff surveys lending institutions that underwrite mortgages for multifamily rent stabilized properties in New York City. See Appendix 6 for a reproduction of the survey. The survey provides details about New York City’s multifamily lending market during the 2018 calendar year as well as the first few months of 2019.

The survey is organized into three sections: financing availability and terms for rent stabilized buildings; underwriting criteria; and additional mortgage questions, including vacancy and collection losses, operating and maintenance expenses, and portfolio performance information. In addition to the survey analysis, rent stabilized building sales data, obtained from the NYC Department of Finance, are also examined.

Overview

The Mortgage Survey this year revealed that both interest rates and service fees declined. In addition, collection losses continued to fall, reaching a record low; maximum loan-to-value ratios fell; and underwriting criteria remained similar. Furthermore, our analysis of rent stabilized building sales data found that sales volume grew Citywide between 2017 and 2018.

This report will more fully detail this data, beginning with a discussion of the characteristics of all of this year’s survey respondents, followed by a longitudinal analysis of those responding both last and this year. Further, it will examine rent stabilized building sales data by volume and price.

Survey Respondents

Eleven financial institutions responded to this year’s survey, one fewer than last year. This year’s respondents include a variety of traditional lending institutions, such as savings and commercial banks, as well as non-traditional lenders.

Institutions holding deposits insured by the Federal Deposit Insurance Corporation (FDIC) supply details about their holdings on a quarterly basis, including their multifamily real estate holdings, which vary considerably among the respondents. Eight surveyed lenders report their multifamily real estate holdings to the FDIC, with values ranging between \$22.1 million and \$29.9 billion.¹ Five of this year’s respondents reported multifamily holdings of over one billion dollars,

Terms and Definitions

Actual LTV - the typical loan-to-value ratio of buildings in lenders’ portfolios

Basis Points - a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01 percentage point

Debt Service - the repayment of loan principal and interest

Debt Service Ratio - net operating income divided by the debt service; measures the risk associated with a loan; the higher the ratio, the less money an institution is willing to lend

Loan-to-Value Ratio (LTV) - the dollar amount institutions are willing to lend based on a building’s value; the lower the LTV, the lower the risk to the lender

Maximum LTV - the loan-to-value ratio set by the lenders as part of their underwriting criteria

Points - up-front service fees charged by lenders as a direct cost to the borrowers

Term - the amount of time the borrower has to repay the loan; generally, the term should not exceed the remaining economic life of the building

while two institutions held less than \$100 million. The multifamily real estate portfolio of our survey respondents averaged \$6.5 billion, up 26% from the prior year.

Mortgage Survey Analysis

Financing Availability and Terms

As of February 2019, the average interest rate for new multifamily mortgages was 4.65%, an 18 basis points (or 4%) decline from the previous February, the first decline in three years (see graph on this page and Appendix 1). Over the last five years, the average interest rate was 4.40%. In addition, the average interest rate reported by lenders for the 2018 calendar year was 4.79%, a 36 basis points (or 8%) increase from 2017.

Average interest rates decreased during the year among the institutions surveyed, despite interest rate increases throughout 2018 by the Federal Reserve (The Fed). The Discount Rate — the

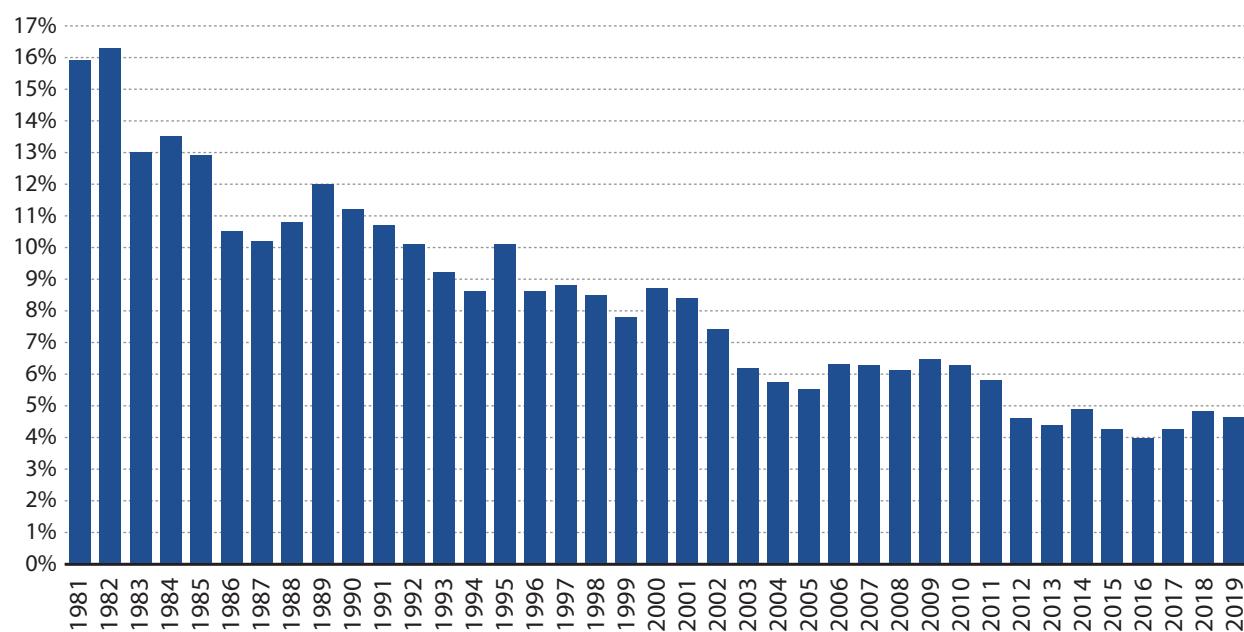
interest rate at which depository institutions borrow from the Federal Reserve Bank of New York — rose 25 basis points on four occasions in 2018 (March, June, September and December). The Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions — also rose 25 basis points in each of those aforementioned months.² The Fed is not expected to increase interest rates in 2019, assuming inflation remains low and economic expansion continues.³

Points charged for new loans reached a record low this year. Among survey respondents, they ranged between zero and one, with five surveyed lenders charging no points on new loans. The average service fee charged on new loans by lenders was 0.38 points, a six basis points (or 14%) decrease from last year's 0.44 points. Average fees reported in the survey have remained around or below one point for the past two decades (see the graph on next page).

Surveyed lenders, for the most part, remained flexible in the loan maturity terms they offered

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2019

Multifamily Mortgage Interest Rates Decrease This Year



Source: NYC Rent Guidelines Board, annual Mortgage Surveys.

their borrowers. Since survey respondents typically offer a wide range of terms rather than a single number, it is not possible to provide an average for the range of terms offered by institutions, but they remained similar to those offered in recent years. Mortgage terms reported by respondents fell within a wide 5- to 40-year range. This continued mortgage term flexibility over recent years is in great contrast to terms reported in the surveys of the early- to mid-1990s, when close to half of respondents offered maximum loan maturities of just five years.

The average volume of new mortgage originations in our survey rose from 43 last year to an average of 94 new loans per institution financed this year, a 116% increase, in part due to the addition of one larger lender in this year's survey. In addition, the average number of refinanced loans increased more modestly this year, rising from 53 last year to 57 this year, a 7% increase. Overall loan volume is well below the peak year of 2004, when our survey reported an average of 160 new loans per institution. This year, a majority of lenders reported

no change in new loan volume, while about a third reported an increase in loan volume, and just one lender reported a decline.

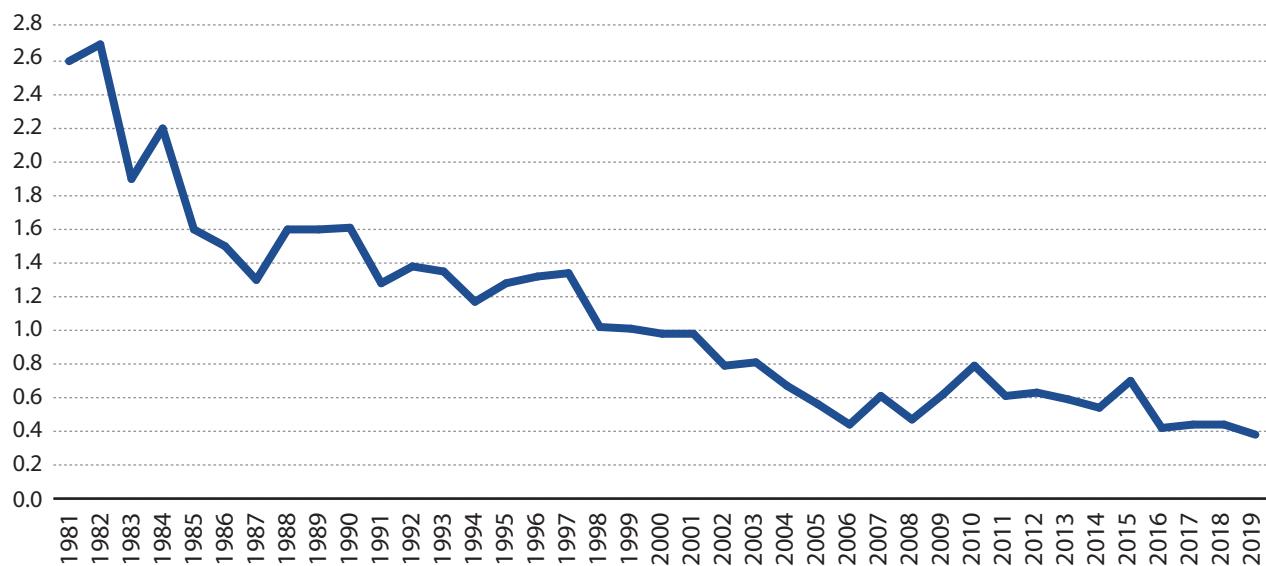
Underwriting Criteria

The survey asked lenders for their typical underwriting standards when approving new and refinanced mortgages to rent stabilized building owners. Lenders this year, on average, reported lending standards similar to last year. For all institutions, the typical maximum Loan-to-Value (LTV) ratio — the maximum dollar amount respondents were willing to lend based on a building's value — ranged from 60% to 82.5%. This year's average, 72.0%, declined 1.5 percentage points from last year's 73.5% (see graph on next page).

Another important lending criterion is the debt service ratio — an investor's ability to cover mortgage payments using its net operating income (NOI). The higher the debt service coverage requirements, the less money a lender is willing to

Service Fees for New Loans to Rent Stabilized Buildings, 1981-2019

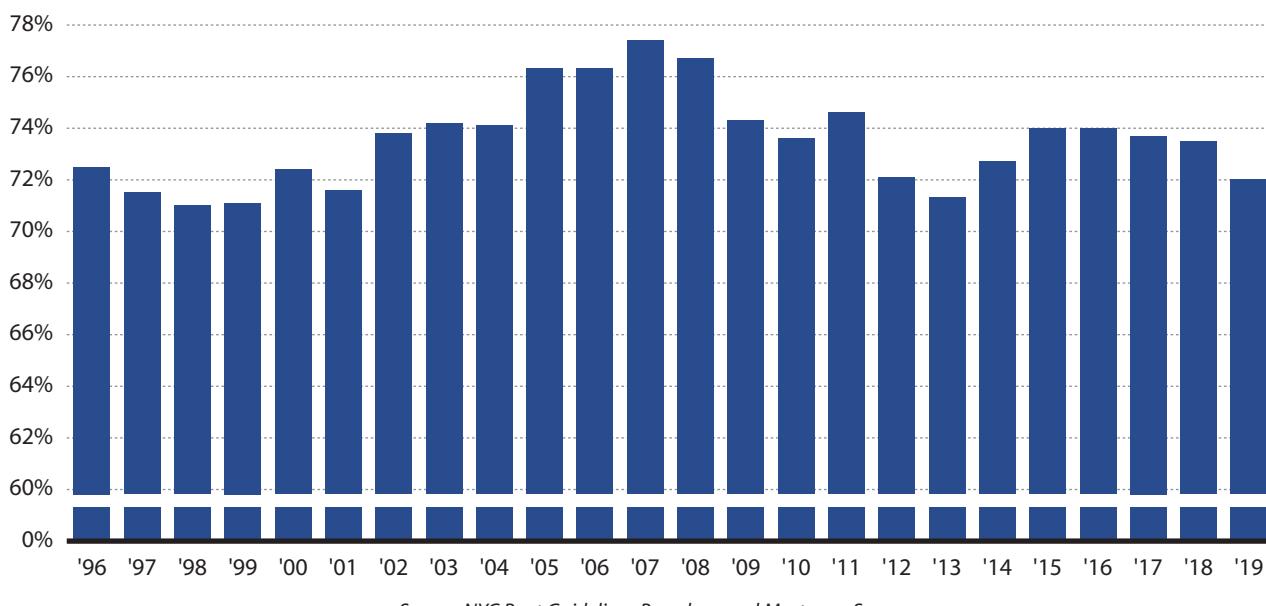
Service Fees Decrease To Record Low in 2019



Source: NYC Rent Guidelines Board, annual Mortgage Surveys.

1996-2019 Average Loan-to-Value Standards

Maximum Loan-to-Value Ratios Decline



Source: NYC Rent Guidelines Board, annual Mortgage Surveys.

loan given constant net income. The debt service ratio (or NOI divided by the debt service) remained little changed, with an average debt service requirement of 1.21, versus 1.23 last year. Because the average debt service ratio remained about the same, lenders have maintained the amount of money they are willing to lend in relation to the net operating income of buildings (see Appendix 2). Overall, debt service coverage at all institutions ranged between 1.15 and 1.25, and no surveyed lenders reported adjusting their underwriting standards over the past year.

Lenders also noted additional standards they use when evaluating loan applications. The most commonly cited standard is good building maintenance, with almost half of lenders indicating that it is an important consideration when reviewing a loan application.

The survey asked lenders whether their lending standards differ for rent stabilized buildings versus non-stabilized multifamily properties. Respondents were asked whether their new financing rates; refinancing rates; loan-to-value ratios; and debt

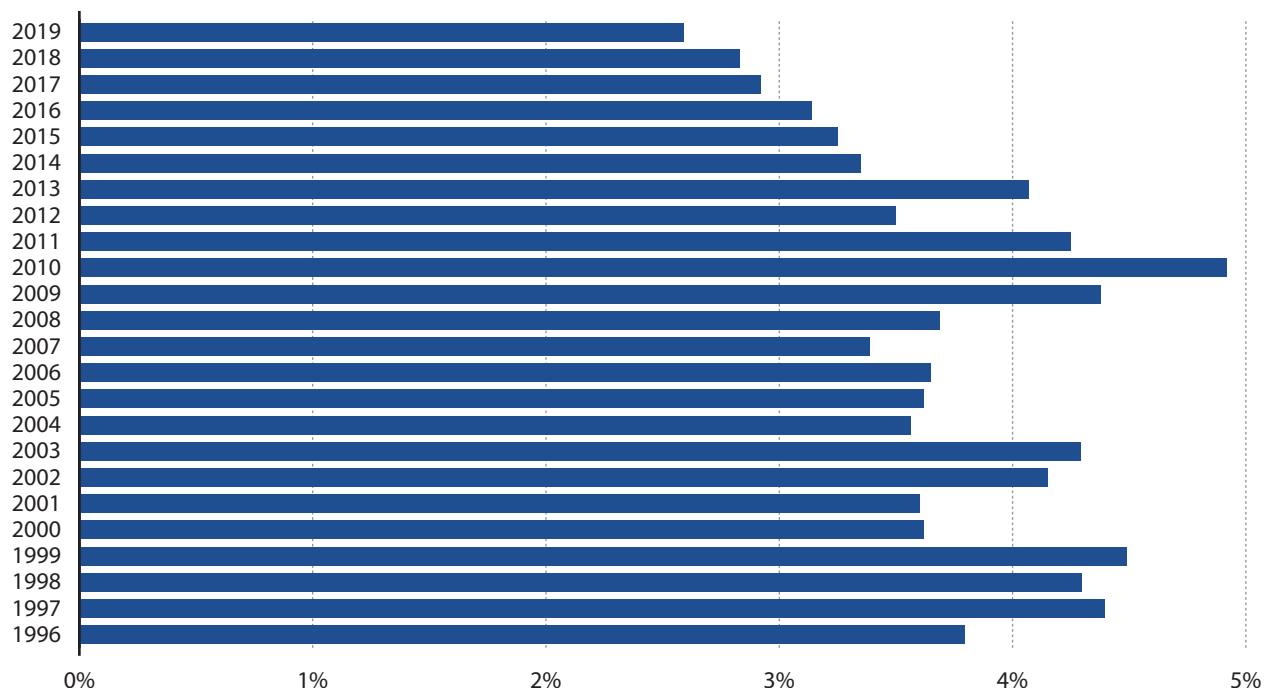
service coverage requirements for rent stabilized properties were higher, lower, or the same as for other properties. While the majority of lenders reported no difference, one lender reported higher refinancing rates, while two lenders reported more conservative LTV ratios and debt service coverage for stabilized buildings. By contrast, one lender reported more favorable financing rates; two lenders reported better refinancing rates; one lender reported more beneficial LTV ratios; and another two lenders reported more lenient debt service coverage requirements for stabilized buildings in their portfolios.

Non-Performing Loans & Foreclosures

The number of lenders reporting that they had non-performing loans was about the same this year, with two lenders reporting that less than 1% of their portfolios were non-performing, compared to one lender last year. In addition, like last year, just one lender reported foreclosures this year, also representing less than 1% of its portfolio.

Average Vacancy and Collection Losses, 1996-2019

Vacancy and Collection Losses Decline To Record Low For Six Consecutive Years



Source: NYC Rent Guidelines Board, annual Mortgage Surveys.

Characteristics of Rent Stabilized Buildings

The size of buildings in surveyed lenders' portfolios varies widely. The most commonly reported building size is 20-49 units, with 36% of lenders reporting this size as typical, while 27% report that their typical building is 1-10 units, and another 27% report their typical building contains 50-99 units.

Average vacancy and collection (V&C) losses decreased for the eighth time in the last nine years, down from 2.83% last year to 2.59% this year, the lowest level in the history of the *Mortgage Survey Report* (see graph on this page). Among all the lenders, reported V&C losses ranged from less than 1% to no more than 4%.

Average operating and maintenance (O&M) expenses and average rents among buildings in lenders' portfolios both increased this year. Average rent per unit per month rose 16%, to \$1,482 this

year, while expenses rose 22%, to \$727 this year (see Appendix 2). Because average expenses increased more than average rent, the average O&M cost-to-rent ratio rose from 46.7% last year to 49.0% this year.

The NYC Rent Guidelines Board, in our annual *Income and Expense (I&E) Study*, examines the average O&M cost-to-rent ratio as well.⁴ However, its findings should not be compared to the cost-to-rent ratio reported in the *Mortgage Survey Report* because the sources are very different, and the data studied in each report are from different time periods. In the 2019 *I&E Study*, which reported on data from calendar year 2017, the average O&M cost-to-rent ratio was 72.7%.⁵

The survey asks lenders whether they retain their mortgages or sell them in the secondary market. Three-quarters of lenders reported retaining all their mortgages, about the same proportion as last year.

Lenders are asked whether the rent stabilized buildings that are offered mortgage financing contain commercial space. This information is useful to help understand the extent to which owners earn income from sources other than residential tenants. All but two surveyed lenders this year reported that buildings in their portfolio contain commercial space, though the average number varies depending on the lender. On average, lenders report that 25% of their portfolios contain commercial space, compared to 35% last year.

Loan Expectations

The survey asks lenders about the performance of their portfolios, compared with expectations at the time of initial loan origination, regarding net operating income (NOI); debt service coverage; and O&M expenses. A majority of lenders reported that their expectations had been met or exceeded in all areas among their rent stabilized portfolio. Specifically, at least 82% said this year that their expectations were equaled or exceeded among all three categories, about the same as in the prior year.

Longitudinal Analysis

Information regarding rent stabilized buildings can also be examined longitudinally to more accurately assess changes in the lending market, since many respondents reply to the Mortgage Survey in at least two successive years. This longitudinal comparison helps to clarify whether changes highlighted in the primary mortgage survey analysis reflect actual variations in the lending market or simply the presence of a different group of lenders from year-to-year. Among the 11 respondents that completed the survey this year, all but one also responded last year. The 10 lenders that make up the longitudinal group, and their responses from both this year and last year, are compared in this section to illustrate changes between the two years.

Financing Availability and Terms

In contrast to the main survey analysis, where the average interest rate declined, the longitudinal group saw interest rates rise. As of February 2019, interest rates were reported as 4.72%, an increase

Selected 2019 Mortgage Survey Data Compared to 2019 Longitudinal Data

Average Interest Rates, Loan Volume, Points, Loan-to-Value Ratios, Debt Service Coverage, and Vacancy & Collection Losses

(Averages)	NF Interest Rate	NF Loan Volume	RF Loan Volume	NF Points	Max LTV Ratio	Debt Service Ratio	V&C Losses
2019 Mortgage Survey Data	4.65%	94	57	0.38	72.0%	1.21	2.59%
2019 Longitudinal Data	4.72%	91	60	0.42	71.8%	1.21	2.55%

NF= New Financing

RF= Refinancing

LTV=Loan-to-Value

V&C=Vacancy and Collection

Source: NYC Rent Guidelines Board, Annual Mortgage Surveys.

from a year earlier, when the average interest rate was 4.68% (see Appendix 3).

Among the longitudinal group, average points offered by lenders increased from last year, rising from 0.33 to 0.42. This differs from the main survey analysis, where average points declined.

Underwriting Criteria and Loan Performance

Compared to the main mortgage survey analysis, underwriting criteria and loan performance was similar among the longitudinal group. The average maximum loan-to-value (LTV) ratio declined, falling among the longitudinal group from 73.3% last year to 71.8% this year. The average debt service ratio declined slightly, down from 1.23 last year to 1.21 this year. And vacancy and collection (V&C) losses among the longitudinal group declined, falling slightly, from 2.60% last year to 2.55% this year (see Appendix 4).

Looking at the rate of delinquencies among the longitudinal group, two lenders reported non-performing loans, the same as last year. However, only one lender reported foreclosures this year, compared to two in the previous year.

Sales Data Analysis

The NYC Department of Finance collects and provides public property sales information. Utilizing this data, this report examines rent stabilized building sales from 2018, and compares it with the prior year. Rent stabilized properties are identified by matching buildings that are registered with NYS Homes and Community Renewal (HCR); have not converted to co-op/condo; and have sold for at least \$1,000.

Building Sales Volume

In 2018, 885 buildings containing rent stabilized units were sold in New York City, up 12% from the prior year. Most boroughs saw sales volume increase. Sales grew the most in the Bronx, rising 25%, and in Manhattan, increasing 24%. Sales also rose in

Queens, up 7%. However, sales fell in Brooklyn, declining 4%. As in prior years, Staten Island was not included in this analysis because there were too few rent stabilized building sales to meaningfully measure change from year-to-year.⁶ See the table on this page for a numerical breakdown in the change in the number of buildings sold in each borough and Citywide.

Among buildings containing 6-10 residential units, sales volume was up 2% Citywide. However, the change in volume varied widely by borough. Sales among 6-10 unit buildings grew the most in Manhattan, rising 50%, and also rose in the Bronx, up 15% and Queens, up 6%. Meanwhile, sales fell 17% in Brooklyn.

Sales volume among 11-19 unit buildings also increased Citywide, up 12%. By borough, sales increased in two boroughs, rising 38% in Manhattan. Sales in Queens rose from 8 buildings in 2017 to 15 buildings in 2018, an 88% increase. By contrast, sales declined 21% in Brooklyn and 3% in the Bronx.

Among 20-99 unit buildings, sales volume also increased Citywide, rising 22%. By borough, sales of 20-99 unit buildings climbed the most in Brooklyn, increasing 63%; followed by the Bronx, up 43%; and Manhattan, up 3%. However, sales fell 26% in Queens.

Comparison of Building Sales in 2017 vs. 2018

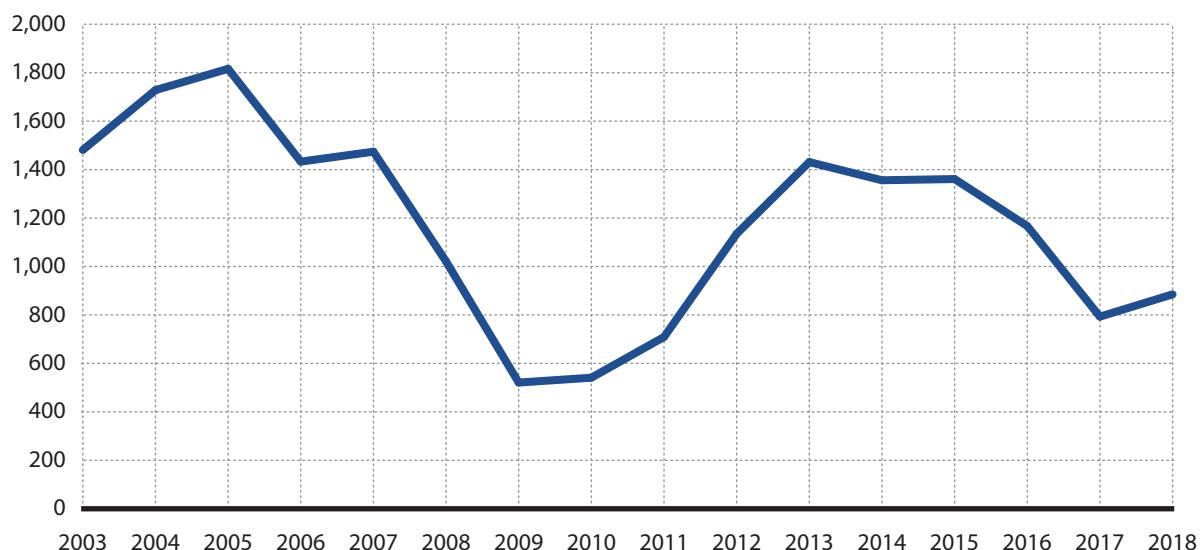
Sales Volume Change Varies by Borough

	2017	2018	Change
Bronx	156	195	25.0%
Brooklyn	292	281	-3.8%
Manhattan	233	289	24.0%
Queens	112	120	7.1%
Citywide	793	885	11.6%

Note: Citywide figures exclude Staten Island
Source: NYC Department of Finance.

Rent Stabilized Building Sales, 2003-2018

Citywide Building Sales Grew Over Prior Year



Note: Figures exclude Staten Island

Source: NYC Department of Finance.

Among the largest buildings, which contain 100 or more units, sales volume Citywide rose 38%. However, we do not analyze year-to-year changes in sales by borough among the largest building category because of the comparatively small number of buildings sold. However, these buildings sales are included in the totals by borough and Citywide.⁷

Over the 16-year period for which we have data, Citywide sales were at their peak in 2005, with 1,816 buildings sold, and at their lowest in 2009, with 521 sold. Following two consecutive years of decline, sales rose in 2018, by 12%. See the graph on this page and Appendix 7 for annual sales volume Citywide.

Building Sales Prices

We also examine 2018 rent stabilized building sales prices Citywide and by borough. However, in reporting sales prices, we are not able to take into consideration the condition of the building or the neighborhood where each building is sold, factors important in determining the sales price.

Examining sales for all sizes of buildings, the median Citywide sales price was \$4.4 million in 2018. The highest median sales price was in Manhattan (\$7.2 million); followed by the Bronx (\$4.6 million); Brooklyn (\$3.0 million); and Queens (\$2.1 million).

Examining the smallest buildings (containing 6-10 residential units), the median sales price Citywide was \$2.1 million. By borough, prices were highest in Manhattan, at \$3.8 million; followed by Brooklyn, at \$2.0 million; Queens, at \$1.6 million; and the Bronx, at \$1.4 million.

Among 11-19 unit buildings, the median Citywide price was \$5.1 million. By borough, prices were highest in Manhattan, at \$7.3 million; followed by Brooklyn, at \$3.7 million; and the Bronx, at \$2.6 million. (There were too few 11-19 unit building sales in Queens to analyze.)

Buildings with 20-99 units sold Citywide at a median price of \$8.3 million. By borough, these buildings sold for the most in Manhattan, at a median price of \$10.0 million followed by Brooklyn, at \$9.3 million; Queens, at \$8.7 million; and the Bronx, at \$6.4 million.

Among the largest buildings, which contain 100 or more units, buildings Citywide sold for a median price of \$78.9 million. However, as previously mentioned, too few buildings containing 100 or more residential units were sold to accurately report borough building prices in more detail. See Appendix 8 for a breakdown of median sales prices in each borough among different sized buildings.

6. The data reflect sales of buildings that had been registered with the New York State Homes and Community Renewal (HCR) as containing rent stabilized units in 2017, the most recent year for which comprehensive registration records are available. It excludes those buildings where the sales price was listed as less than \$1,000. It also excludes those buildings listed as co-ops/condos. Furthermore, all of Staten Island is excluded from all analyses due to the small number of eligible buildings sold.
7. All 100+ unit building borough categories are excluded due to the small number of buildings sold. However, while these categories are not discussed, these buildings are included in the overall statistics and analyses.

Summary

Average interest rates declined, and both service fees as well as vacancy and collection losses fell to their lowest levels in this survey's history. However, interest rates and service fees among the longitudinal group rose. In addition, the number of rent stabilized buildings sold increased from the prior year. □

Endnotes

1. Federal Deposit Insurance Corporation (FDIC) website: <https://fdic.gov>.
2. Federal Reserve Board website: <https://www.federalreserve.gov/monetarypolicy/openmarket.htm> and <https://www.frbdiscountwindow.org>.
3. "Fed Signals End of Interest Rate Increases," by Binyamin Appelbaum, New York Times. January 30, 2019.
4. The per unit, per month O&M expense and rent figures reported in the Mortgage Survey reflect a very small, non-random sample of the City's regulated stock and are included for informational purposes only. The rent and expense figures in the NYC Rent Guidelines Board's *Income and Expense Study* are derived from a substantially larger number of stabilized buildings and can be viewed as more authoritative.
5. The O&M cost-to-rent ratio from the *2019 Mortgage Survey* reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2019. The average ratio is calculated from just six respondents. By comparison, the latest available O&M cost-to-rent ratio from the *Income and Expense (I&E) Study*, in which average rent was \$1,353 and average unadjusted cost was \$984, reflects rents and expenses reported by owners for calendar year 2017. Average monthly costs per unit in the Mortgage Survey this year are lower than those reported in the *I&E Study*. This is due to differences in the two data sources: Lenders' estimated average of buildings in an institution's portfolio vs. a weighted average of a large number of owner-reported data; the large variance between the two sample sizes; and the difference between the buildings studied in each analysis. (Buildings required to file Real Property Income and Expense (RPIE) forms must generally have an assessed value greater than \$40,000 and eleven or more units, while the Mortgage Survey does not exclude these buildings).

Appendices

1. Mortgage Interest Rates and Terms, 2019

Lending Institution	Interest Rates	Points	Term	Type	New Volume	Refin Volume
5	4.20%	0.50	Ω	fixed	5	10
7	4.00%	0.00	Ω	fixed	121	19
28	4.28%	NR	Ω	both	450	350
30	4.50%	1.00	Ω	fixed	4	11
35	4.75%	0.00	Ω	both	44	16
37	5.45%	1.00	5/10 years	fixed	0	2
107	4.75%	0.00	Ω	both	332	90
117	4.13%	0.00	Ω	both	25	100
301	4.10%	0.30	140 bps	fixed	10	10
401	5.50%	0.00	Ω	fixed	30	9
402	5.50%	1.00	10 years	fixed	10	5
AVERAGE		4.65%	0.38	†	†	94
57						

† No average computed NR no response BPS Basis Points

Ω #5 = 1.5-1.75% over swaps #7 = 7 & 10 yr swaps / 122-135 bps spread #28 = 7-yr 230 bps; 10-yr 225 bps
#30 = Commitment fee of 1% #35 = 25 year amortization #107 = 5 and 7 year fixed w/ 5 year option
#117 = 1.25%-1.55% at par #401 = 30-40 years; commitment fee: 75-100 bps

Note: Averages for interest rates and points are calculated by using the midpoint when a range of values is given by the lending institution.

Source: 2019 NYC Rent Guidelines Board Mortgage Survey

2. Typical Lending Portfolio Characteristics of Rent Stabilized Buildings, 2019

Lending Institution	Maximum Loan-to-Value Standard	Debt Service Coverage	Vacancy & Collection Losses	Typical Building Size	Average Monthly O&M Cost/Unit	Average Monthly Rent/Unit
5	65%	1.20	3.0%	50-99	\$700	\$1,500
7	75%	1.20	3.0%	50-99	\$900	\$1,800
28	80%	1.25	3.0%	20-49	NR	\$1,200
30	80%	1.20	4.0%	20-49	NR	\$1,800
35	65%	1.20	3.0%	1-10	\$1,000	\$1,350
37	65%	NR	3.0%	1-10	\$372	\$1,224
107	75%	1.20	0.5%	50-99	NR	\$1,500
117	75%	1.20	2.0%	20-49	\$750	\$1,800
301	60%	7.5% DY	3.0%	20-49	NR	NR
401	83%	1.15	3.0%	100+	\$638	\$1,350
402	70%	1.25	1.0%	1-10	NR	\$1,300
AVERAGE		72.0%	1.21	2.59%	†	\$727
						\$1,482

NR no response DY Debt Yield † No average computed.

Notes: Average loan-to-value (LTV) and debt service coverage ratios are calculated using the midpoint when a range was given by the lending institution. Debt Yield refers to Net Operating Income (NOI) divided by the first mortgage debt (loan) amount, times 100.

Source: 2019 NYC Rent Guidelines Board Mortgage Survey

3. Interest Rates and Terms for New Financing, Longitudinal Study, 2018-2019

<u>Lending Inst.</u>	<u>Interest Rates</u>		<u>Points</u>		<u>Term</u>	<u>Type</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
5	4.20%	NR	0.50	0.75	Ω	♦	fixed
28	4.28%	4.50%	NR	0.00	Ω	NR	both
30	4.50%	4.75%	1.00	0.25	Ω	110-210 BPS	both
35	4.75%	3.75%	0.00	0.00	Ω	♦	both
37	5.45%	5.85%	1.00	1.00	5/10 years	10 yrs	adj
107	4.75%	4.19%	0.00	0.00	Ω	5, 7 and 10 yrs	fixed
117	4.13%	3.75%	0.00	0.00	Ω	♦	fixed
301	4.10%	4.13%	0.30	0.25	140 bps	♦	fixed
401	5.50%	5.69%	0.00	0.00	Ω	♦	fixed
402	5.50%	5.50%	1.00	1.00	10 years	10 year	fixed
AVERAGE	4.72%	4.68%	0.42	0.33	†	†	†

NR no response

† No average computed

Adj = adjustable rate mortgage

BPS Basis Points

Ω #5 = 1.5-1.75% over swaps #7 = 7 & 10 yr swaps / 122-135 bps spread #28 = 7-yr 230 bps; 10-yr 225 bps

#30 = Commitment fee of 1% #35 = 25 year amortization #107 = 5 and 7 year fixed w/ 5 year option

#117 = 1.25%-1.55% at par #401 = 30-40 years; commitment fee: 75-100 bps

♦ #5 = 1.75-2.25% over swaps #35 = 5/5/5 based on amortization #117 = 5 years; 1.50 over swaps
#301 = 5 yr-1.30 bps; 7 yr-1.40 bps; 10 yr-1.50 bps #401 = 30-40 years; commitment fee: 75 bps

Note: Averages for interest rates and points are calculated by using the midpoint when a range of values is given by the lending institution.

Source: 2018 and 2019 NYC Rent Guidelines Board Mortgage Surveys

4. Lending Standards and Vacancy & Collection Losses, Longitudinal Study, 2018-2019

<u>Lending Inst.</u>	<u>Max Loan-to-Value</u>		<u>Debt Service Coverage</u>		<u>V&C Losses</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
5	65%	75%	1.20	1.20	3%	2%
28	80%	80%	1.25	1.25	3%	2%
30	80%	80%	1.20	1.20	4%	5%
35	65%	65%	1.20	1.25	3%	3%
37	65%	65%	NR	1.20	3%	3%
107	75%	80%	1.20	1.20	1%	1%
117	75%	75%	1.20	1.25	2%	4%
301	60%	60%	7.5% DY	7.5% DY	3%	3%
401	83%	83%	1.15	NR	3%	3%
402	70%	70%	1.25	1.25	1%	1%
AVERAGE	71.8%	73.3%	1.21	1.23	2.55%	2.60%

NR no response

DY Debt Yield

Notes: Average loan-to-value and debt service coverage ratios are calculated using the midpoint when a range is given by the lending institution. Debt Yield refers to Net Operating Income (NOI) divided by the first mortgage debt (loan) amount, times 100.

Source: 2018 and 2019 NYC Rent Guidelines Board Mortgage Surveys

5. Retrospective of New York City's Housing Market, 1982-2019

Year	Interest Rates for New Mortgages	Permits for New Housing Units in NYC and northern suburbs	Permits for New Housing Units in NYC only
1982	16.3%	11,598 b	7,649
1983	13.0%	17,249 b	11,795
1984	13.5%	15,961	11,566
1985	12.9%	25,504	20,332
1986	10.5%	15,298	9,782
1987	10.2%	18,659	13,764
1988	10.8%	13,486	9,897
1989	12.0%	13,896	11,546
1990	11.2%	9,076	6,858
1991	10.7%	6,406	4,699
1992	10.1%	5,694	3,882
1993	9.2%	7,314	5,173
1994	8.6%	6,553	4,010
1995	10.1%	7,296	5,135
1996	8.6%	11,457	8,652
1997	8.8%	11,619	8,987
1998	8.5%	13,532	10,387
1999	7.8%	15,326	12,421
2000	8.7%	18,077	15,050
2001	8.4%	19,636	16,856
2002	7.4%	21,423	18,500
2003	6.2%	23,778	21,218
2004	5.8%	27,695	25,208
2005	5.5%	33,606	31,599
2006	6.3%	32,609	30,927
2007	6.3%	34,514	31,902
2008	6.1%	34,715	33,911
2009	6.5%	6,665	6,057
2010	6.3%	7,406	6,727
2011	5.8%	10,326	8,936
2012	4.6%	11,170	10,334
2013	4.4%	18,963	17,995
2014	4.9%	21,580	20,428
2015	4.3%	57,559	56,183
2016	4.0%	18,116	16,280
2017	4.3%	23,911 ♦	22,101 ♦
2018	4.8%	23,021 Ø	20,910 Ø
2019	4.7%	*	*

b Prior to 1984, Bergen Co., NJ permit figures are included.

Ø Figures are preliminary.

♦ This figure has been revised from the preliminary figure reported last year to reflect the final adjusted count.

*Permit data for 2019 will be available in next year's *Mortgage Survey Report*.

Notes: Interest rate data was collected in January-February and represents a 12-month average of the preceding year. Permit data is for the entire 12-month period of the shown year. The northern suburbs include Putnam, Rockland, and Westchester counties. Sources: NYC Rent Guidelines Board, Annual Mortgage Surveys; U.S. Bureau of the Census, Manufacturing & Construction Division, Residential Construction Branch.

Sources: NYC Rent Guidelines Board Mortgage Surveys; U.S Census Bureau

6. 2019 Survey of Mortgage Financing for Multifamily Properties

I. Financing Availability and Terms for Multifamily Buildings	
1a. Do you currently offer new permanent financing (i.e., loans secured by a property not previously mortgaged by your institution) for rent stabilized buildings?	<p>Interest rate: _____ % (current) _____ % (2018 average)</p> <p>Points: _____</p> <p>Terms: Current 5, 7 and 10 yr spreads over swap rates and note commitment fee amount:</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p><input checked="" type="checkbox"/> Yes (Indicate typical terms and conditions at right.)</p> <p><input type="checkbox"/> No</p>	
1b. How many loans were made by your institution in 2018 for new permanent financing of rent stabilized buildings?	Number of loans: _____
2. How many loans did your institution refinance in 2018 for rent stabilized buildings?	Number of loans: _____
3a. In the past year, has the total volume of new and refinanced loans underwritten by your institution changed significantly (by at least 5%)?	<p><input type="checkbox"/> Yes, we have experienced a significant _____ of about _____ %. (increase / decrease)</p> <p><input type="checkbox"/> No, it is about the same. (Please skip Question 3b).</p>
3b. If loan volume has changed significantly, is the change attributable to:	<p>(Please check and fill in all applicable choices.)</p> <p><input type="checkbox"/> A significant _____ in the volume of loan applications of about _____ %. (increase / decrease)</p> <p><input type="checkbox"/> A significant _____ in the rate of application approvals of about _____ %. (increase / decrease)</p>
<p>Are there any trends related to financing availability and terms on which you wish to comment?</p> <p>_____</p> <p>_____</p> <p>_____</p>	

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II. Underwriting Criteria for Rent Stabilized Buildings	
4a. What standards does your institution employ when assessing loan applications for rent stabilized buildings?	<p>Maximum LTV: _____ <input type="checkbox"/> N.A.</p> <p>Minimum DSCR or Debt Yield: _____ <input type="checkbox"/></p>
4b. Please provide any other standards your institution employs when assessing loan applications. If you do not employ the standard given, place an "X" in the "N.A." column. (Indicate an average, minimum, or maximum criteria.)	Number of Units in Building: _____ <input type="checkbox"/> N.A.
	Building Age: _____ <input type="checkbox"/>
	Borrower Lives in Building: _____ <input type="checkbox"/>
	Overall Building Maintenance: _____ <input type="checkbox"/>
	Co-op / Condo Conversion Potential: _____ <input type="checkbox"/>
	Other (Please Specify): _____ <input type="checkbox"/>
5. Did your institution change its underwriting practices for financing or refinancing rent stabilized buildings over the past year?	<p><input type="checkbox"/> Yes.</p> <p><input type="checkbox"/> No. (If no, please skip to Question 7).</p>
6. Yes, we changed our underwriting practices for rent stabilized buildings to:	<p>(Please check and fill in all applicable choices.)</p> <p><input type="checkbox"/> Use _____ stringent approvals. (more / less)</p> <p><input type="checkbox"/> Require _____ fees (i.e., points or fees). (higher / lower)</p> <p><input type="checkbox"/> _____ loan-to-value ratio. (Increase / Decrease)</p> <p><input type="checkbox"/> _____ monitoring requirements. (Increase / Decrease)</p> <p><input type="checkbox"/> _____ lending to rent stabilized buildings. (Discontinue / Reduce / Expand)</p> <p><input type="checkbox"/> Other: _____</p>
7. How many dwelling units are contained in the average rent stabilized building financed by your institution? (Please check only one.)	<p><input type="checkbox"/> 1-10 <input type="checkbox"/> 11-19 <input type="checkbox"/> 20-49</p> <p><input type="checkbox"/> 50-99 <input type="checkbox"/> 100 or more</p>
8. Which of the following best describes the average vacancy and collection loss for rent stabilized buildings during the past year? (Please check only one.)	<p><input type="checkbox"/> < 1% <input type="checkbox"/> 1% <input type="checkbox"/> 2%</p> <p><input type="checkbox"/> 3% <input type="checkbox"/> 4% <input type="checkbox"/> 5%</p> <p><input type="checkbox"/> 6% <input type="checkbox"/> 7% <input type="checkbox"/> > 7%</p>
9. Approximately what percentage of your loans to rent stabilized buildings are currently non-performing?	<p><input type="checkbox"/> None</p> <p><input type="checkbox"/> Approximately _____ %</p>

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10. Approximately what percentage of your loans to rent stabilized buildings are currently in foreclosure?	<p><input type="checkbox"/> None</p> <p><input type="checkbox"/> Approximately _____ %.</p>
11a. Does your institution retain the mortgages you offer or do you sell any to secondary markets?	<p><input type="checkbox"/> We retain all the mortgages sold. (If so, please skip to question 12.)</p> <p><input type="checkbox"/> We sell all our mortgages to secondary markets.</p> <p><input type="checkbox"/> We sell _____ % of our mortgages to secondary markets.</p>
11b. To whom do you sell your mortgages? (Please check all that apply)	<p><input type="checkbox"/> Fannie Mae</p> <p><input type="checkbox"/> Freddie Mac</p> <p><input type="checkbox"/> Other: _____</p>
12. In your sector, who are your major competitors in multi-family lending?	_____
13. Do the mortgages offered to rent stabilized buildings include any commercial space?	<p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes. Approximately what percentage of buildings in your portfolio have commercial space? _____ %</p>
14. What is your best estimate of average operating and maintenance costs per unit per month in the rent stabilized buildings financed by your institution? (Include the following operating and maintenance costs in your estimate: Real Estate & Other Taxes, Labor, Fuel, Utilities, Contractor Services, Administration — including Legal, Management and other costs — Insurance, Parts & Supplies, and Replacement Costs.)	\$ _____ per unit per month
15. What is your best estimate of average rent per unit per month in the rent stabilized buildings financed by your institution?	\$ _____ per unit per month
16. Do any of your lending or underwriting standards differ for rent stabilized buildings as opposed to non-stabilized multifamily properties? (Please check all that apply)	<p>New Financing Rates: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p> <p>Refinancing Rates: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p> <p>LTV Ratio: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p> <p>Debt Service Coverage: <input type="checkbox"/> Higher <input type="checkbox"/> Lower <input type="checkbox"/> Same</p>
17. On average, how does your portfolio of rent stabilized buildings perform as compared with expectations at the time of the initial loan originations? (Please check all that apply)	<p>Net Operating Income: <input type="checkbox"/> Better <input type="checkbox"/> Worse <input type="checkbox"/> Same</p> <p>Debt Service Coverage: <input type="checkbox"/> Better <input type="checkbox"/> Worse <input type="checkbox"/> Same</p> <p>O&M Expenses: <input type="checkbox"/> Better <input type="checkbox"/> Worse <input type="checkbox"/> Same</p>

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18. Please estimate the average mortgage loan payment per unit per month for a typical building in your portfolio: \$ _____.	
19. Are there any additional trends relating to underwriting criteria, non-performing loans & foreclosure, or the mortgage market in general on which you wish to comment?	_____
_____	_____
_____	_____
_____	_____

Thank you for taking the time to complete the survey. If you have any questions, please contact RGB Research Director Brian Hoberman at (212) 669-7484 or bhoberman@nycrgb.org.

Findings will be published in the 2019 Mortgage Survey Report, which is scheduled to be released in Spring 2019.

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7. Rent Stabilized Building Sales Volume, Citywide and by Borough, and Percent Change, 2006-2018

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Citywide*	1,433	1,474	1,021	521	541	709	1,135	1,431	1,356	1,361	1,167	793	885
% Change from Prior Yr	-	2.9%	-30.7%	-49.0%	3.8%	31.1%	60.1%	26.1%	-5.2%	0.4%	-14.3%	-32.0%	11.6%
Bronx	224	319	171	100	131	130	204	245	302	262	234	156	195
% Change from Prior Yr	-	42.4%	-46.4%	-41.5%	31.0%	-0.8%	56.9%	20.1%	23.3%	-13.2%	-10.7%	-33.3%	25.0%
Brooklyn	593	520	426	199	185	258	396	472	494	499	378	292	281
% Change from Prior Yr	-	-12.3%	-18.1%	-53.3%	-7.0%	39.5%	53.5%	19.2%	4.7%	1.0%	-24.2%	-22.8%	-3.8%
Manhattan	403	470	243	146	144	225	419	466	393	438	407	233	289
% Change from Prior Yr	-	16.6%	-48.3%	-39.9%	-1.4%	56.3%	86.2%	11.2%	-15.7%	11.5%	-7.1%	-42.8%	24.0%
Queens	213	165	181	76	81	96	116	248	167	162	148	112	120
% Change from Prior Yr	-	-22.5%	9.7%	-58.0%	6.6%	18.5%	20.8%	113.8%	-32.7%	-3.0%	-8.6%	-24.3%	7.1%

*Note: Staten Island buildings are excluded due to the small number of rent stabilized buildings sold.

Source: NYC Department of Finance

8. Rent Stabilized Building Median Sales Price and Sales Volume, by Borough and Building Size, and Percent Change in Sales, 2017-2018

	2017 Median Sale Price	2018 Median Sale Price	2017 # of Sales	2018 # of Sales	Change in Sales from 2017-18
Citywide					
All buildings*	\$3,800,000	\$4,380,000	793	885	11.6%
6-10 units	\$1,585,392	\$2,087,500	374	382	2.1%
11-19 units	\$3,675,000	\$5,100,000	122	137	12.3%
20-99 units	\$9,000,000	\$8,314,452	281	344	22.4%
100+ units	\$35,000,000	\$78,850,000	16	22	37.5%
Bronx					
All buildings*	\$4,215,500	\$4,550,000	156	195	25.0%
6-10 units	\$1,190,000	\$1,400,000	41	47	14.6%
11-19 units	\$2,645,000	\$2,577,000	31	30	-3.2%
20-99 units	\$5,887,500	\$6,365,198	81	116	43.2%
Brooklyn					
All buildings*	\$2,100,000	\$3,016,379	292	281	-3.8%
6-10 units	\$1,575,000	\$2,000,000	199	165	-17.1%
11-19 units	\$3,275,000	\$3,654,095	38	30	-21.1%
20-99 units	\$7,500,000	\$9,300,000	51	83	62.7%
Manhattan					
All buildings*	\$8,300,000	\$7,200,000	233	289	24.0%
6-10 units	\$5,525,000	\$3,800,000	64	96	50.0%
11-19 units	\$7,595,000	\$7,250,000	45	62	37.8%
20-99 units	\$12,000,000	\$10,012,500	118	122	3.4%
Queens					
All buildings*	\$1,725,000	\$2,125,000	112	120	7.1%
6-10 units	\$1,450,000	\$1,599,000	70	74	5.7%
11-19 units	-	\$4,750,000	8	15	87.5%
20-99 units	\$11,546,512	\$8,725,000	31	23	-25.8%

Note: All Staten Island buildings; Queens 11-19 unit buildings (2017 sale price only); and all 100+ unit buildings in individual boroughs, are excluded due to the small number of buildings sold.

* All buildings totals include buildings with 100 or more units. Therefore, these figures may not equal the sum of their subsets. In addition, Citywide figures do not contain Staten Island building sales.

Source: NYC Department of Finance