

NYC Rent Guidelines Board

***2019 Mortgage Survey
Report***

April 18, 2019

What is the *Mortgage Survey Report?*

- Section 26-510(b)(iii) of the Rent Stabilization Law requires the RGB to consider “costs and availability of financing” in its deliberations
- Surveys financial institutions that underwrite mortgages for multifamily properties in N.Y.C.
- Four main areas:
 - new and refinanced loans
 - underwriting criteria
 - non-performing loans
 - the characteristics of buildings in lenders’ portfolios

What is the *Mortgage Survey Report?*

- Highlights changes in N.Y.C. multifamily lending market over the prior year
- Report consists of three parts:
 - Mortgage survey analysis;
 - Longitudinal analysis; and
 - Rent stabilized building sales volume and prices

How is the Survey Conducted?

- Lenders surveyed each winter
- Update list of mortgage lenders
- Received **11** responses in 2019
 - **27** lenders were surveyed
 - **41%** participation rate

Summary Findings

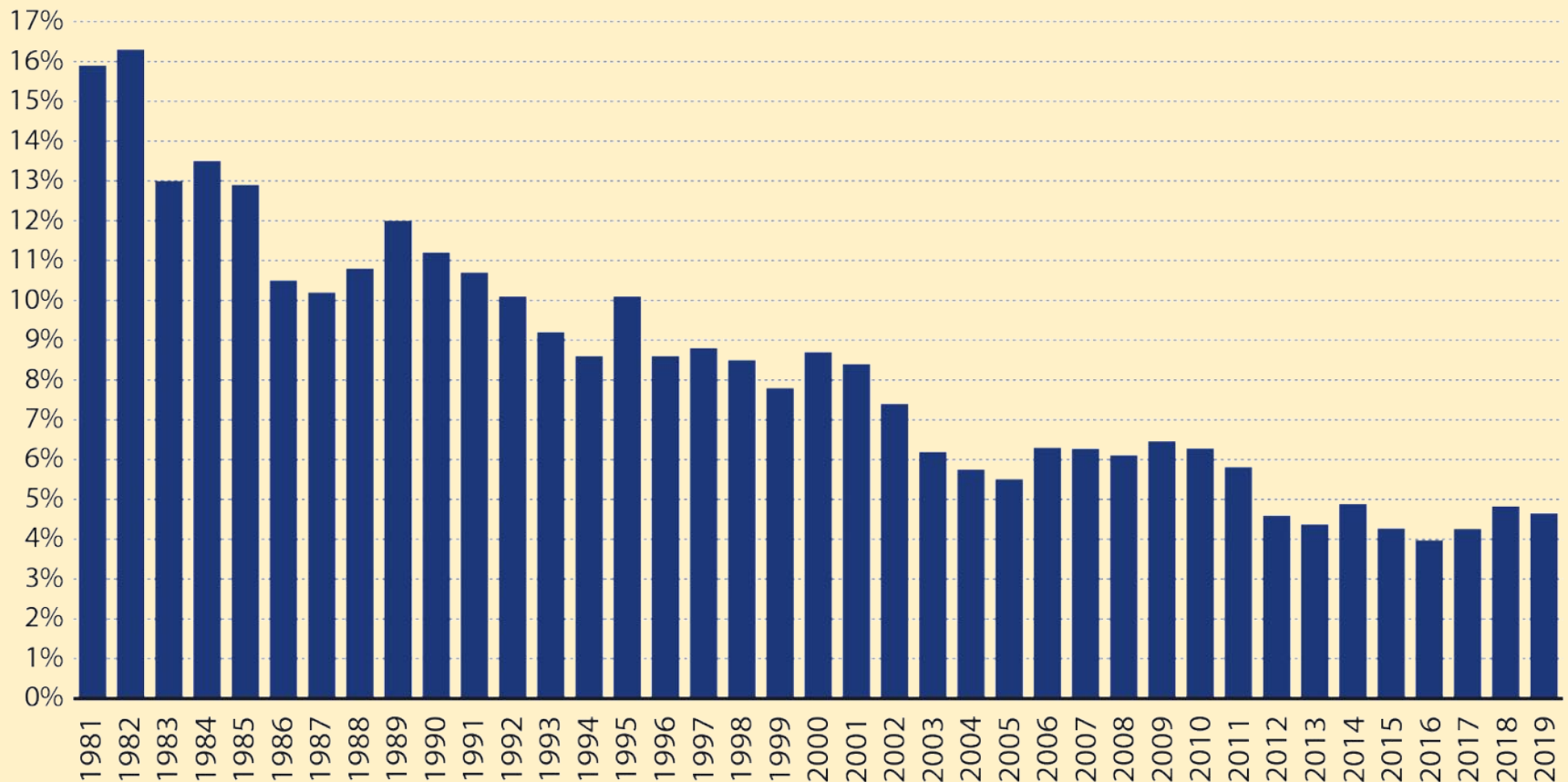
- Interest rates decreased
- Points on new loans declined to record low
- Vacancy & collection losses decreased to record low
- New & refinanced loan volume increased
- Loan-to-value ratios declined
- Sales of rent stabilized buildings increased

Interest Rates Decrease

- Mortgage survey data shows decrease in interest rates for new mortgages, to **4.65%**
 - Decline of **18** basis points (**4%**)

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

Multifamily Mortgage Interest Rates Decrease This Year



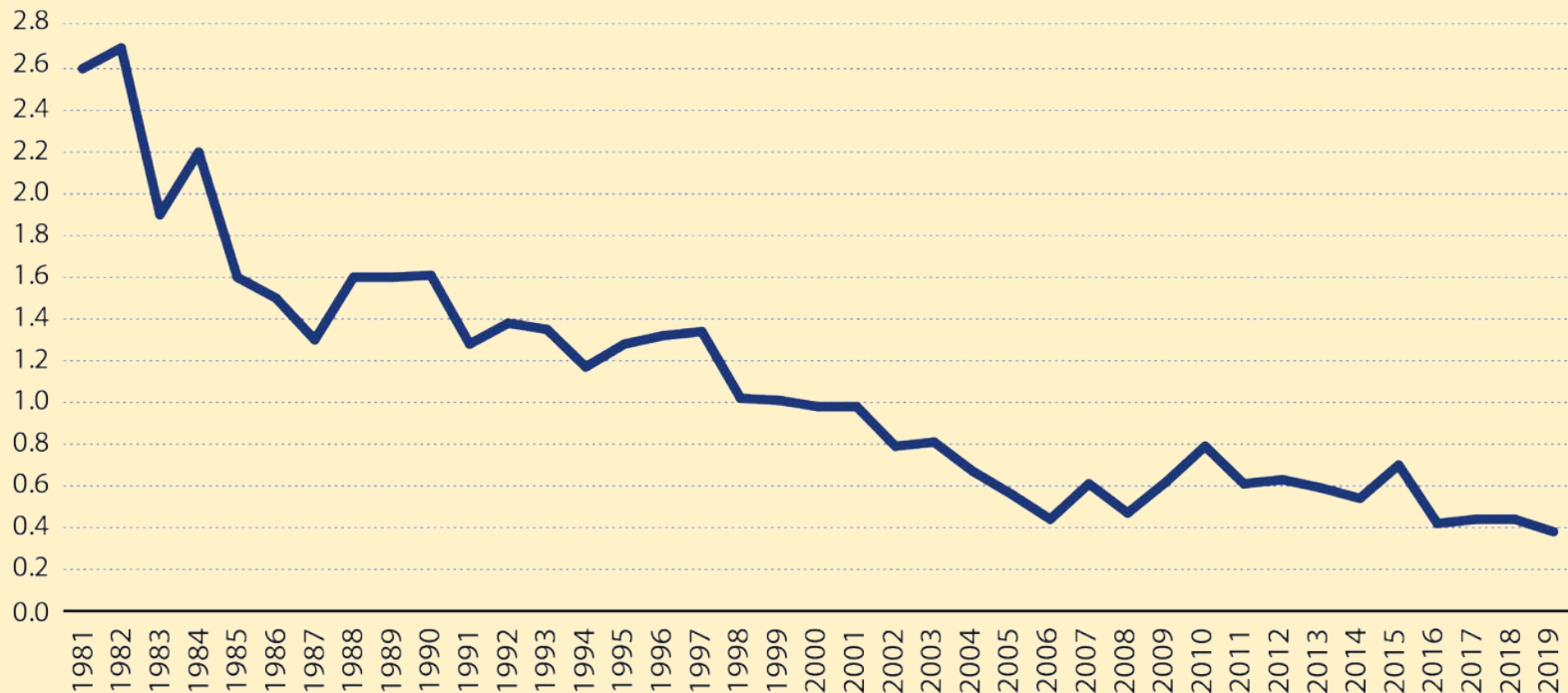
Source: NYC Rent Guidelines Board, Annual Mortgage Surveys

Service Fees Decrease

- Upfront service fees, called points, for loans fell to record low of **0.38**
 - **Six** basis point (**14%**) decline from prior year
- Fees ranged between **0** and **1** point
 - **Five** lenders charge **no** service fee

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

Mortgage Loan Activity Grew

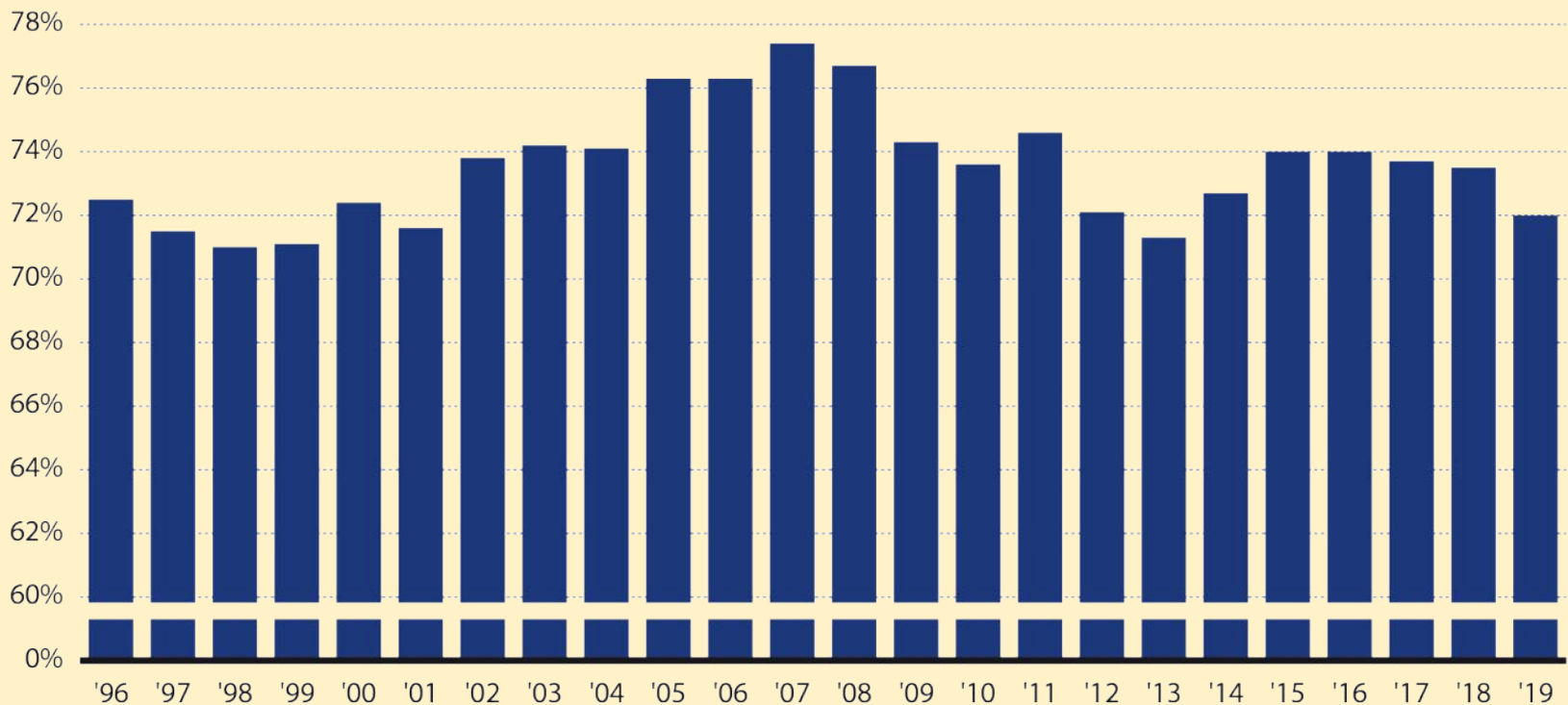
- New loan volume rose from prior year
 - Average of **94** loans per institution
 - **116%** increase over prior year
 - **1,031** new loans reported by surveyed lenders
- Refinanced loan volume increased
 - Number of refinanced loans grew to **57**
 - Increase of **7%** from prior year
 - **622** refinanced loans reported by lenders

Minimal Change in Underwriting Criteria

- Maximum LTV ratios ranged from **60%** to **82.5%**
- Average LTV ratio declined from **73.5%** to **72.0%** this year
- Average debt service ratio rose slightly, from **1.21** last year to **1.23** this year

1996-2019 Mortgage Survey Average Loan-to-Value Standards

Maximum Loan-to-Value Ratios Decline



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys

Similar Lending Standards for Rent Stabilized Buildings

- Survey found lending standards similar for both stabilized and unregulated buildings
- Majority of lenders reported standards no more stringent among stabilized buildings for:
 - interest rates;
 - LTV ratio;
 - debt service coverage

Non-Performing Loans & Foreclosures

- **Two** lenders reported non-performing loans vs. **one** the prior year
 - Represents less than 1% of lenders' portfolio
- **One** lender reported having foreclosures, same as last year
 - Also less than 1% of lender's portfolio

Characteristics of stabilized buildings in lenders' portfolios

- Typical building in lenders' portfolios has:
 - 20-49 units: **36%** of lenders
 - 1-10 units: **27%** of lenders
 - 50-99 units: **27%** of lenders
 - 100+ units: **one** lender

Characteristics of stabilized buildings in lenders' portfolios

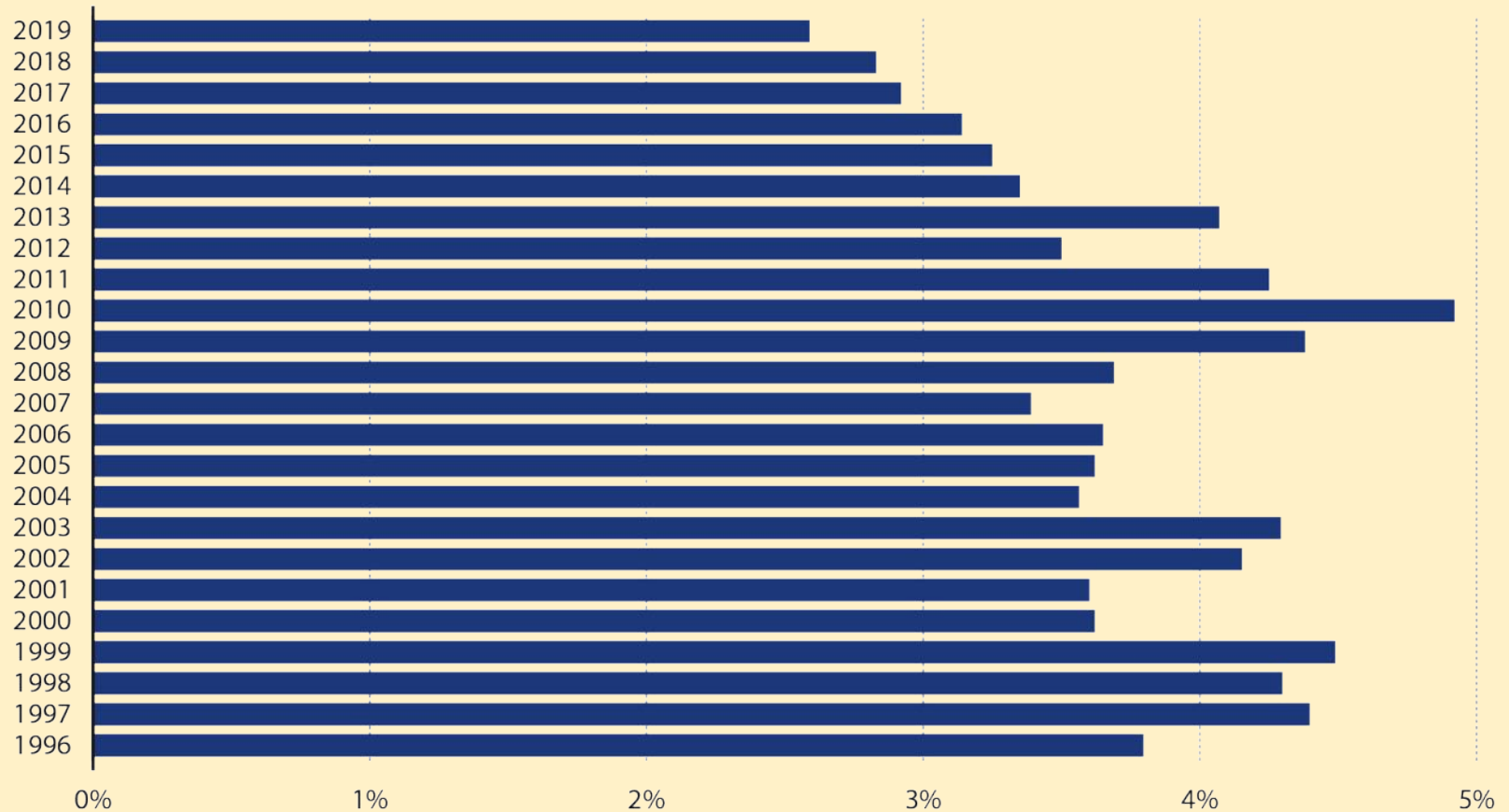
- Average rent per apartment rose **16%**, to **\$1,482**
- Average expense per apartment rose **22%**, to **\$727**
- Average O&M cost-to-rent ratio rose from **46.7%** to **49.0%** this year

Characteristics of stabilized buildings in lenders' portfolios

- Vacancy and collection losses fell to record low of **2.59%** this year
 - Decline from **2.83%** the prior year
- All but two lenders offered financing to buildings containing commercial space
 - **25%** of buildings in loan portfolios contain commercial space, down from **35%** in the prior year

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

Portfolios of Mortgage Lenders

- **82%** of lenders' NOI; debt service; and O&M expenses expectations equaled or exceeded
 - Similar to prior year
- **75%** of lenders keep their mortgages, rather than selling to secondary markets

Longitudinal Analysis Summary

- **Ten** of this year's lenders responded to our survey both this and last year
- Average rate for new originations: **4.72%**, up from **4.68%** in prior year
- Average points rose from last year: **0.42** this year from **0.33** last year

Longitudinal Analysis Summary

- Maximum LTV ratio declined from **73.3%** last year to **71.8%** this year
- Debt service ratio declined from **1.23** last year to **1.21** this year
- V&C losses declined from **2.60%** last year, to **2.55%** this year
- **Two** lenders reported non-performing loans, the same as last year
- **One** lender reported foreclosures, down from two last year

Rent Stabilized Sales Data Analysis

- **885** buildings sold in 2018, up **12%** from the prior year
- Growth in sale volume varied by building size:
 - Sales among 6-10 unit buildings up **2%**
 - Sales of 11-19 unit buildings grew **12%**
 - Sales of 20-99 unit buildings increased **22%**
 - Sales of 100+ unit buildings rose **38%**

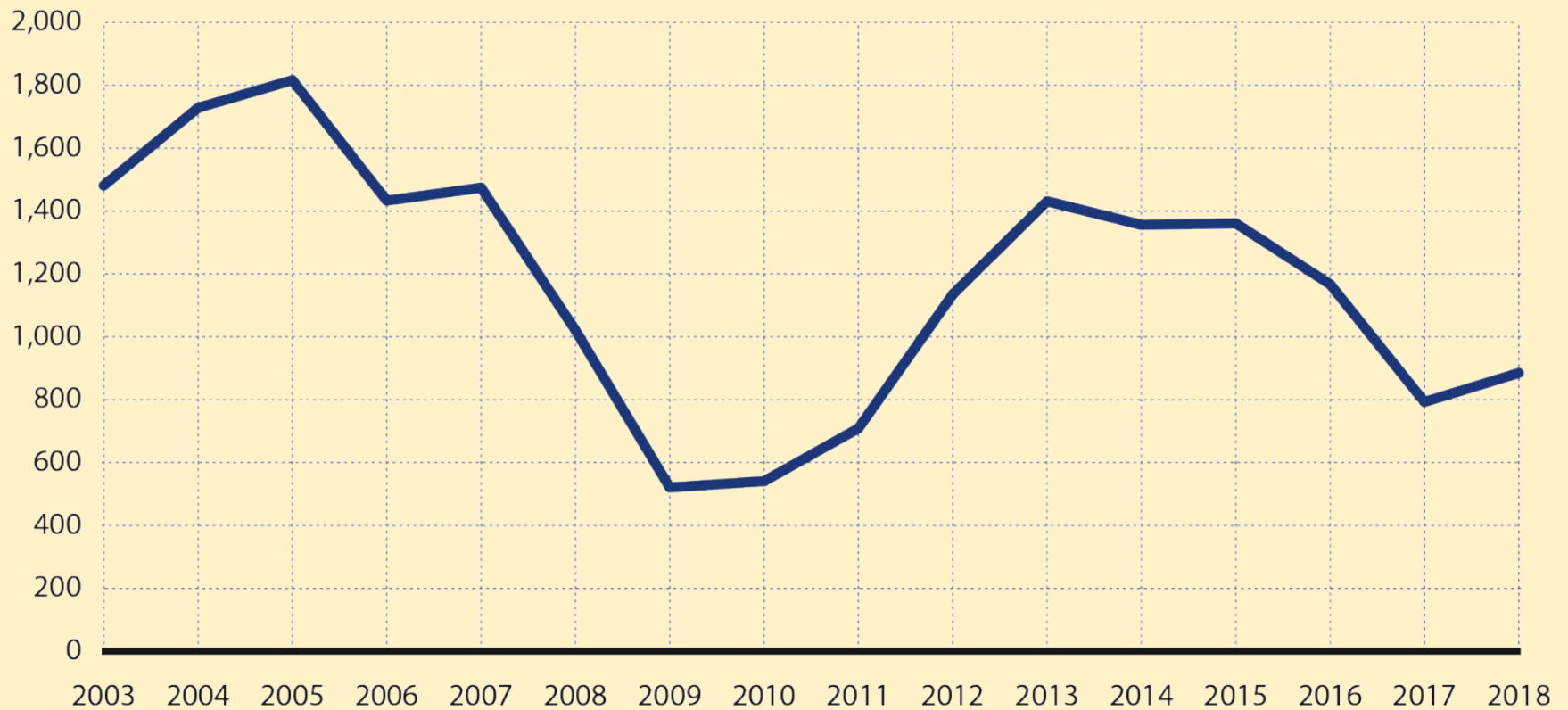
Sales Volume Change Varies by Borough

	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%

Source: NYC Department of Finance

Rent Stabilized Building Sales, 2003-2018

Citywide Building Sales Declined from Prior Year



Source: NYC Department of Finance

Rent Stabilized Sales Data Analysis

- In 2018, median rent stabilized building sale price Citywide was **\$4.4 million**
 - Manhattan: **\$7.2 million**
 - Bronx: **\$4.6 million**
 - Brooklyn: **\$3.0 million**
 - Queens: **\$2.1 million**

Rent Stabilized Sales Data Analysis

- In 2018, median Citywide sales prices by building size:
 - 6-10 unit buildings: **\$2.1 million**
 - 11-19 unit buildings: **\$5.1 million**
 - 20-99 unit buildings: **\$8.3 million**
 - 100+ unit buildings: **\$78.9 million**

2019 Mortgage Survey Report Summary

- Average interest rates declined
- Service fees declined to record low
- Vacancy & collection losses decreased to record low
- Among longitudinal group, interest rates and service fees rose
- Building sales volume increased Citywide

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