

**NYC Rent Guidelines Board**

***2020 Mortgage Survey  
Report***

**April 30, 2020**

# 2020 Mortgage Survey Report

This report focuses on data from 2019 and the early part of 2020. Due to the as-yet-unknown full impact of the COVID-19 virus, it does not reflect the current condition of the New York City multifamily building lending market and should not be interpreted as such. Future editions of this study will better illustrate the impact of the pandemic and its economic ramifications.

# 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 **10** responses in 2020
  - **21** lenders were surveyed
  - **48%** participation rate

# Summary Findings

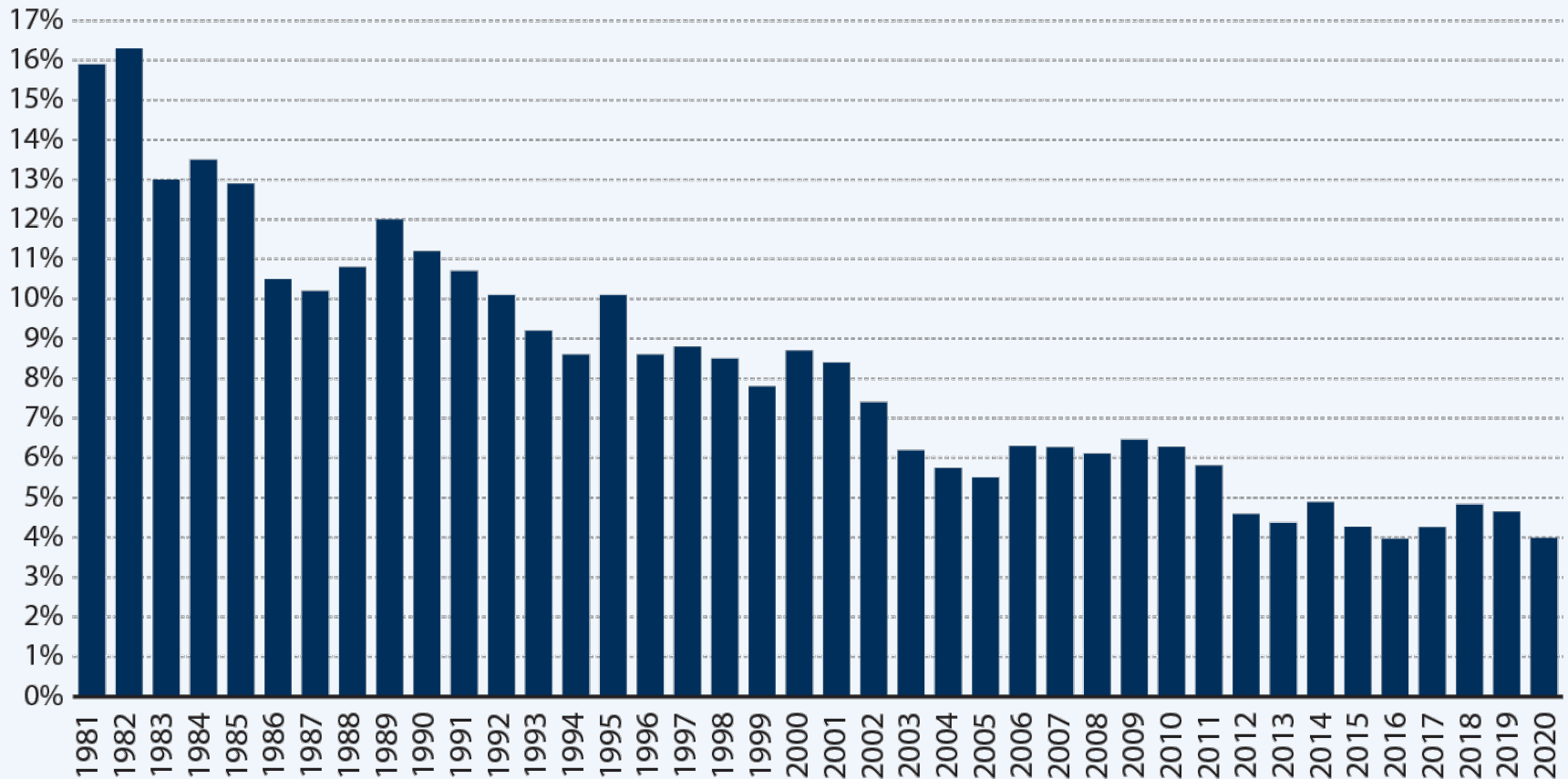
- Interest rates decreased
- Points on new loans declined to record low
- Vacancy & collection losses also decreased to record low
- Loan-to-value ratios rose
- Sales of rent stabilized buildings declined

# Interest Rates Decrease

- Mortgage survey data shows decline in interest rates for new mortgages, to **3.99%**
  - Decrease of **66** basis points (**14%**)

# Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2020

## Multifamily Mortgage Interest Rates Decrease This Year



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys

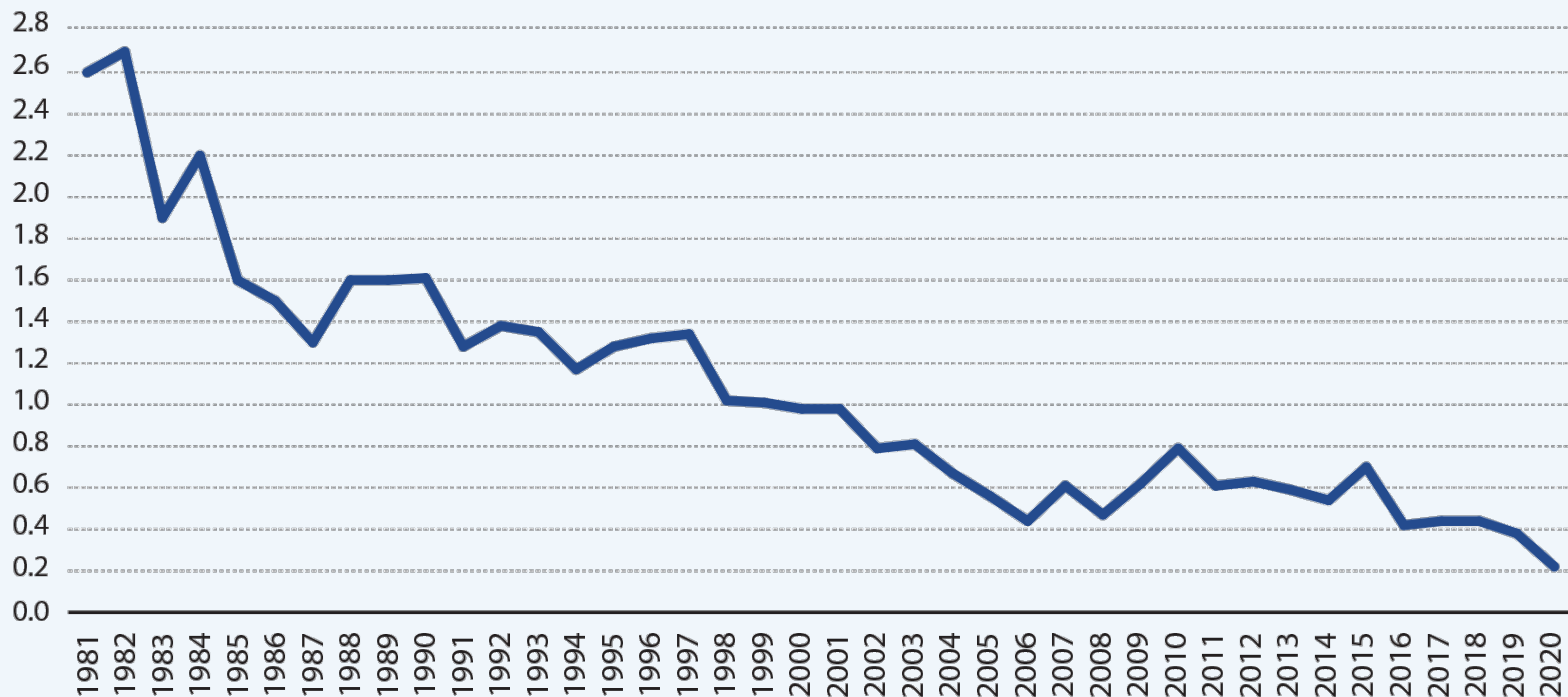


# Service Fees Decrease

- Upfront service fees, called points, for loans fell to record low of **0.22**
  - **16** basis points (**43%**) lower than prior year
- Fees ranged between **0** and **1** point
  - **6** lenders charge **no** service fee

# Service Fees for New Loans to Rent Stabilized Buildings, 1981-2020

Service Fees Decrease to Record Low in 2020



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys

# Mortgage Loan Activity Grew

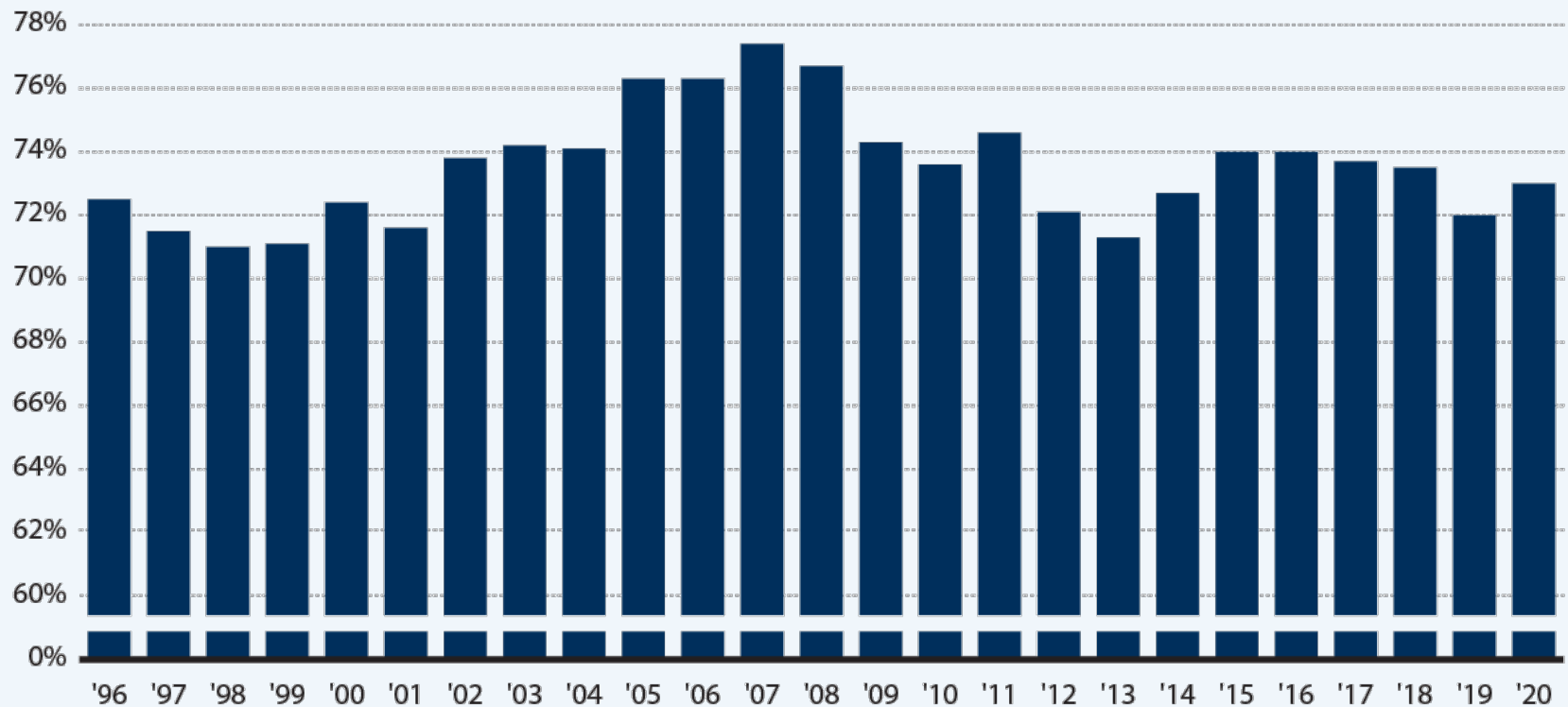
- New loan volume rose from prior year
  - Average of **127** loans per institution
  - **35%** increase over prior year
- Refinanced loan volume increased
  - Number of refinanced loans grew to **112**
  - Increase of **98%** from prior year

# Adjustments in Underwriting Criteria

- Maximum LTV ratios ranged from **60%** to **82.5%**
- Average LTV ratio rose from **72.0%** to **73.0%** this year
- Average debt service coverage ratio (DSCR) remained unchanged, at **1.21**

# 1996-2020 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, same as last 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

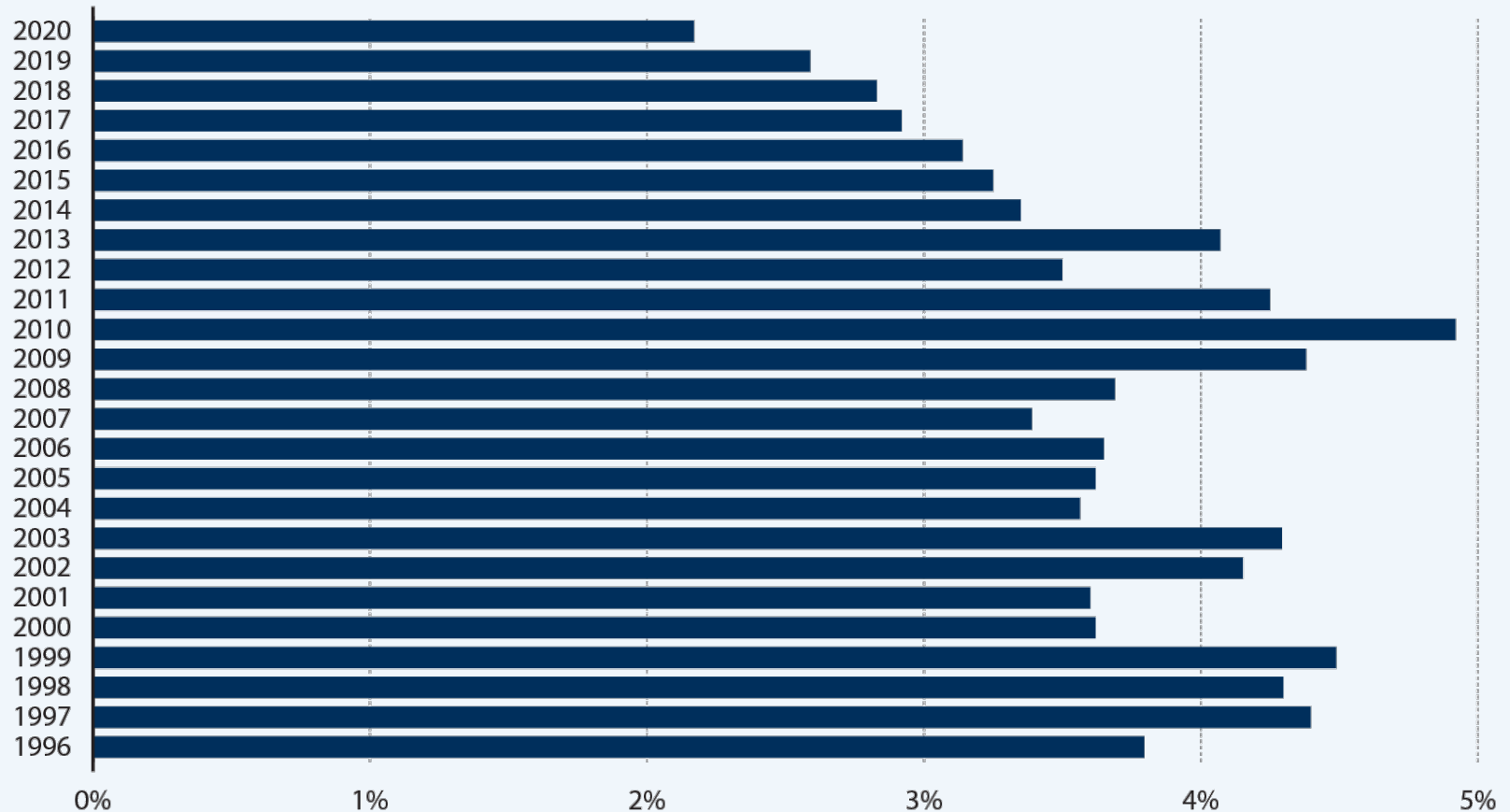
# Characteristics of stabilized buildings in lenders' portfolios

- Typical building in lenders' portfolios has:
  - 1-10 units: **two** lenders
  - 20-49 units: **two** lenders
  - 50-99 units: **two** lenders
  - 100+ units: **two** lenders



# Average Vacancy and Collection Losses, 1996-2020

## V&C Losses Decline To Record Low For 7 Straight Years



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys

# Portfolios of Mortgage Lenders

- **80%** of lenders' NOI; debt service; and O&M expenses expectations equaled or exceeded
  - Similar to prior year
- **70%** of lenders keep their mortgages, rather than selling to secondary markets

# Longitudinal Analysis Summary

- **Nine** of this year's lenders responded to our survey both this and last year
- Average rate for new originations declined: **4.05%**, down from **4.63%** in prior year
- Average points declined: **0.24**, down from **0.35** in prior year

# Longitudinal Analysis Summary

- Maximum LTV ratio rose from **72.5%** last year to **72.8%** this year
- Debt service ratio declined from **1.21** last year to **1.19** this year
- V&C losses declined from **2.50%** last year, to **2.38%** this year

# Rent Stabilized Sales Data Analysis

- **650** buildings sold in 2019, a **27%** decline from the prior year
- Growth in sale volume varied by building size:
  - Sales among 6-10 unit buildings down **19%**
  - Sales of 11-19 unit buildings fell **8%**
  - Sales of 20-99 unit buildings declined **44%**
  - Sales of 100+ unit buildings remained unchanged, at **22**

# Sales Volume Change Varies by Borough

	2018	2019	Change
Bronx	195	102	-47.7%
Brooklyn	281	220	-21.7%
Manhattan	289	228	-21.1%
Queens	120	100	-16.7%
<b>Citywide</b>	<b>885</b>	<b>650</b>	<b>-26.6%</b>

Source: NYC Department of Finance

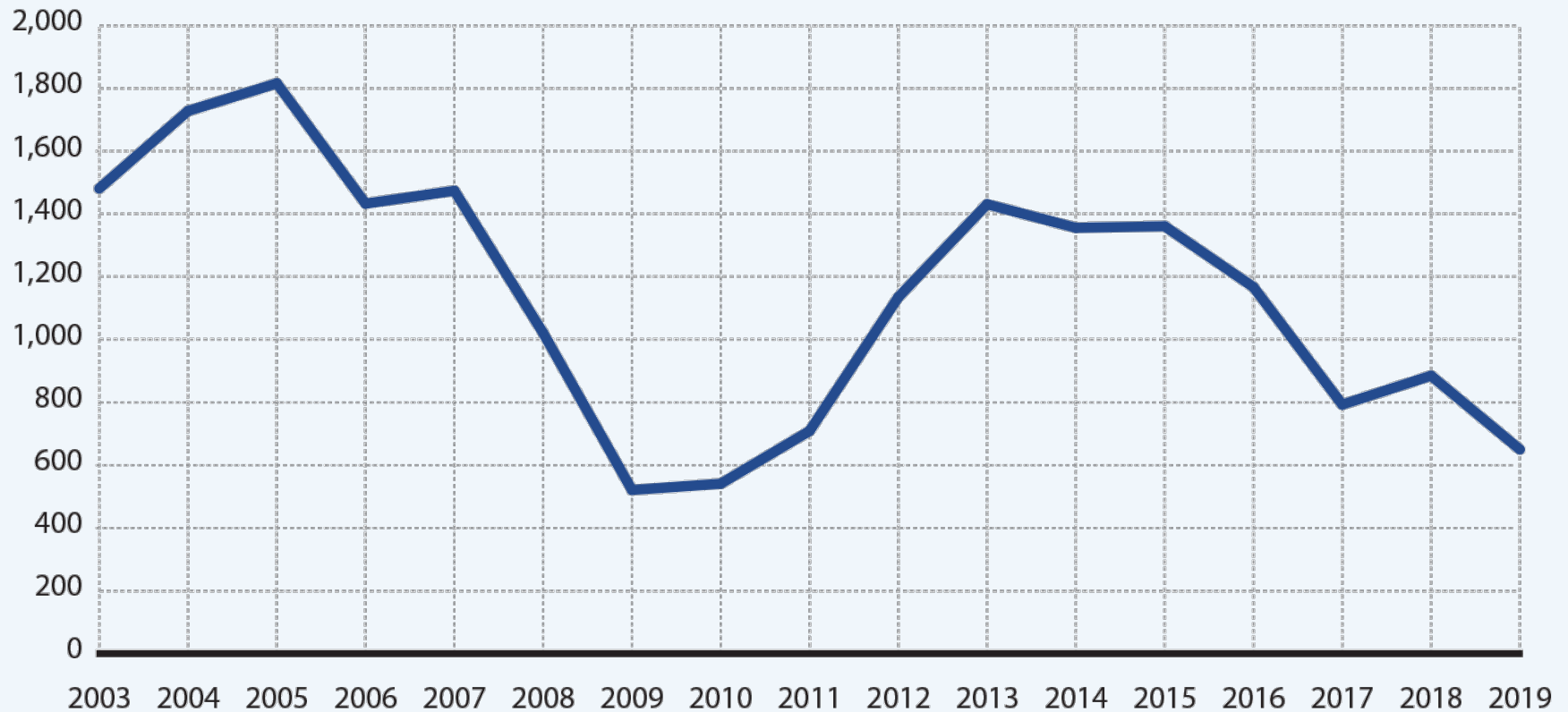
# Rent Stabilized Sales Data Analysis

- After passage of Housing Stability & Tenant Protection Act of 2019 in June:
  - In Second Half of 2019, Citywide sales declined **37%** from same period in 2018
  - Bronx: down **58%**
  - Manhattan: down **42%**
  - Brooklyn: down **28%**
  - Queens: down **8%**

# Rent Stabilized Building Sales, 2003-2019

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Citywide Building Sales Declined from Prior Year



Source: NYC Department of Finance



# Rent Stabilized Sales Data Analysis

- In 2019, median rent stabilized building sale price Citywide was **\$4.2 million**
  - Manhattan: **\$9.6 million**
  - Bronx: **\$4.5 million**
  - Brooklyn: **\$2.4 million**
  - Queens: **\$2.1 million**

# Rent Stabilized Sales Data Analysis

- In 2019, median Citywide sales prices by building size:
  - 6-10 unit buildings: **\$2.0 million**
  - 11-19 unit buildings: **\$4.9 million**
  - 20-99 unit buildings: **\$9.0 million**
  - 100+ unit buildings: **\$36.6 million**

# 2020 Mortgage Survey Report Summary

- Average interest rates declined
- Service fees fell to record low
- Vacancy & collection losses also fell to record low
- Building sales volume declined Citywide

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