2012 Mortgage Survey Report

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2012 Mortgage Survey Report

What's New

- ✔ Average interest rates for new multifamily mortgages decreased 1.23 percentage points, or 21.1%, to 4.59%.
- ✔ Average refinancing interest rates fell by 1.07 percentage points, to 4.65%.
- ✔ Vacancy and collection losses fell from 4.25% last year to 3.50% this year.
- ✔ In 2011, 709 buildings containing rent stabilized units were sold citywide, up 31.1% from the prior year.
- ✔ Average service fees for both new and refinanced loans increased 0.02 points, to 0.63 points.
- ✔ Average maximum loan-to-value ratios fell from 74.6% last year to 72.1% this year.
- ✔ New loan volumes fell 10% and refinanced loan volume fell 2% from last year.

Introduction

Section 26-510 (b)(iii) of the Rent Stabilization Law requires the Rent Guidelines Board 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 7 for a reproduction of the survey.) The survey provides details about New York City's multifamily lending market during the 2011 calendar year as well as the first few months of 2012.

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, is also examined.

Summary

This 2012 Mortgage Survey features historically low interest rates among both new and refinanced loans. In addition, vacancy and collection losses declined. However, maximum loan-to-value ratios fell. Furthermore, our analysis of rent stabilized building sales data showed an increase in rent stabilized building sales volume and median sales prices Citywide from 2010 to 2011, though these changes varied by borough and building size.

This report will more fully detail these issues by beginning with a discussion of the characteristics of the survey respondents, followed by both a cross-sectional and longitudinal analysis, then examine rent stabilized building sales data.

Survey Respondents

Fourteen financial institutions responded to this year's survey, one more than last year. The survey sample is regularly updated to include only those institutions offering loans to multiple dwelling, rent stabilized properties in New York City. This year's respondents include a variety of traditional lending institutions, such as savings and commercial banks, as well as non-traditional lenders. The 14 responding lenders who make up the cross-sectional group will be discussed first, while the 11 lenders who completed the survey both this year and last make up the longitudinal group, and that analysis will be discussed later in this report.

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, and they vary considerably among the respondents. Twelve surveyed lenders report their multifamily real estate holdings to the FDIC, with values ranging between $18.5 million and $5.9 billion.[1] Six of this year's institutions reported multifamily holdings of over one billion dollars, while two institutions had holdings of less than $100 million. Compared with last year, the average multifamily real estate portfolio of our survey respondents increased by 27%, to $1.3 billion.[2]

Cross-Sectional Analysis

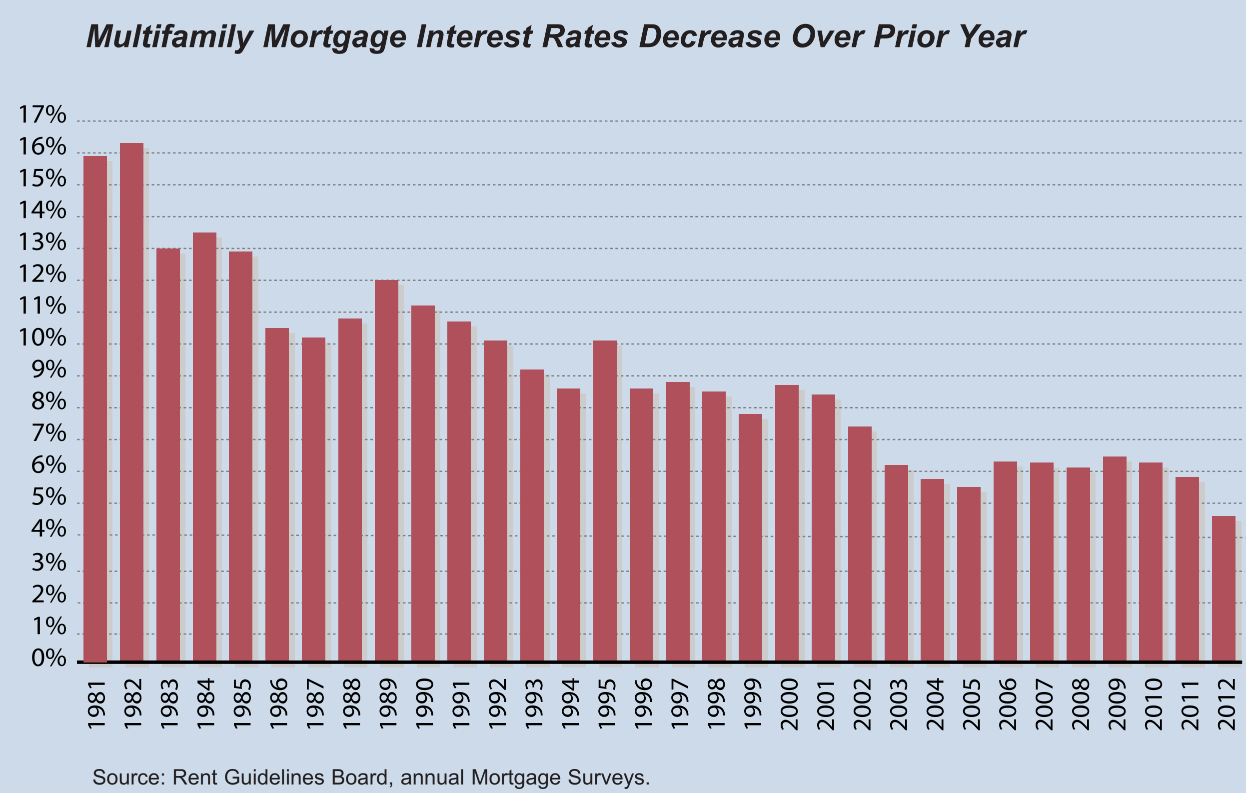
Financing Availability and Terms

In February 2012, the average interest rate for new multifamily mortgages was 4.59%, a decrease of 1.23 percentage points, or 21%, from the previous February (see graph on this page and Appendix 1), representing the lowest rate in the history of our survey.

Likewise, the average interest rate reported by lenders for the 2011 calendar year was 5.01%, a 0.95 percentage point (or 16%) decrease from calendar year 2010 (but 0.42 percentage points higher than reported February 2012 rates). As in prior years, a small number of large lenders provided the vast majority of the total volume of new and refinanced mortgages. Of all respondents, four lenders provided 92% of the total volume of new mortgages.[3]

Average interest rates decreased during the year among the institutions surveyed, despite the fact that the Discount Rate — the interest rate at which depository institutions borrow from the Federal Reserve Bank of New York — hasn't changed since February, 2010, and the Federal Funds Rate — the interest rate at which depository institutions lend balances at the

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2012



Source: Rent Guidelines Board, annual Mortgage Surveys.

Federal Reserve to other depository institutions — hasn't changed since December, 2008.[4] The Fed announced last year that it intended to keep both rates unchanged for two years to combat high unemployment and stimulate the economy.[5]

Surveying institutions regarding their refinanced mortgages found that virtually all of them offered identical or similar terms to those for new loans. The average current rate charged for refinanced mortgages as of February 2012, 4.65%, was close to the average current rate charged on new originations, 4.59%, and 1.07 percentage points lower than in February 2011. (See Appendix 1) In addition, at 5.10%, average 2011 refinancing rates were 0.80 percentage points lower than the prior year's refinancing rates.

While interest rates fell, points (up-front service fees) that were charged for new and refinanced loans increased slightly from the prior year. Among survey respondents, they ranged from zero to 2.5 points, with four surveyed lenders charging no points on either new or refinanced loans.

The average service fee charged on new loans by lenders was 0.63 points, little changed from last year's average of 0.61. Average fees reported in the survey have remained around or below one point since the late 1990s (see graph on the next page). Average points for refinanced mortgages were the same (0.63) as that charged on new originations.

Surveyed lenders, for the most part, remained flexible in the loan terms they offered their borrowers. Since survey respondents typically offer a wide range of terms rather than a single number, it is difficult to provide a precise average for the range of terms offered by institutions, but they remained like those offered in recent years. Mortgage terms reported by respondents fell within a wide 5- to 30-year range. Four lenders offered terms as long as 30 years, while two offered a maximum of five years. This continued mortgage term flexibility over recent years is in great contrast to terms found in the surveys of the early- to mid-1990s, when close to half of respondents offered maximum loan maturities of just five years.

For the fifth time in six years, new loan volume decreased. An average of 43 new loans per institution were financed this past year, down from 48 in 2010.[6] While loan volume among all lenders on average decreased, the change in volume among each lender varied greatly. Among surveyed institutions, 38% said they saw loan volume increase; 36% reported that they saw no change in volume; and 23% reported a decrease from the prior year.

Similar to new loan volume, the average number of refinanced loans also declined, but just slightly, falling from an average of 25 last year to 24 this year. (See endnote 6.) New and refinanced loan volume averages remain far below the year 2004, when our survey found a peak in loan volume per institution, averaging 160 new loans and 173 refinanced loans.

Terms and Definitions

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

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

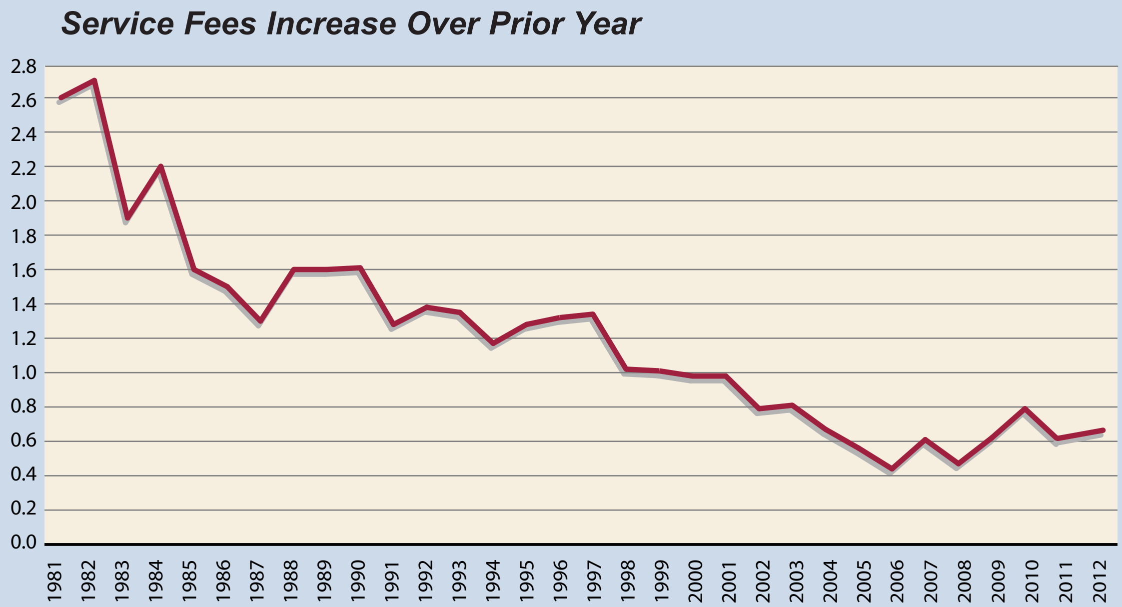
Loan-to-Value Ratio (LTV) - the dollar amount institutions are willing to lend based on a building's value; the lower the LTV, the lower the risk to the lender

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

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

Service Fees for New Loans to Rent Stabilized Buildings, 1981-2012



Source: Rent Guidelines Board, annual Mortgage Surveys.

Underwriting Criteria

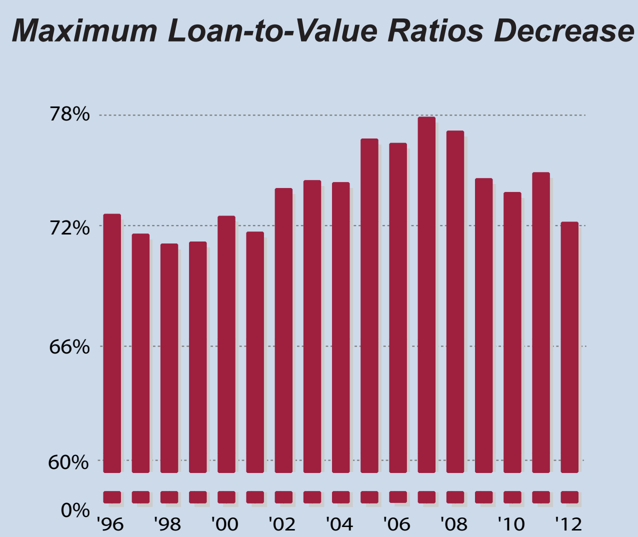
The survey asks lenders for their typical underwriting standards when approving new and refinanced mortgages to rent stabilized building owners. This year lenders, on average, moderately toughened standards in lending practices. For all institutions, the typical maximum LTV ratio — the maximum dollar amount respondents were willing to lend based on a building's value — ranged from 65% to 80%. The average was 72.1%, down from 74.6% in 2011 (see graph on next page).

Another important lending criterion is the debt service ratio — an investment'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 loan given constant net income. The debt service ratio (or NOI divided by the debt service) increased this year, with an average debt service requirement of 1.29, up from 1.25 in 2010. Because the average debt service ratio rose, lenders have incrementally decreased 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 1.50, and just a quarter of all surveyed lenders reported making changes in their underwriting standards since last year.

Lenders also noted additional standards they use when evaluating loan applications. Similar to prior years, the most commonly cited standard is good building maintenance, with 54% of lenders indicating its importance. Further, 46% of lenders require a minimum number of units in the building when offering a loan.

Our survey asked lenders whether their lending standards differ for rent stabilized buildings as opposed to 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. Almost all lenders (90%) reported that standards were no different in all categories for rent stabilized buildings, the same overwhelming proportion as last year.

1996-2012 Cross-Sectional Average Loan-to-Value Standards



Source: Rent Guidelines Board, annual Mortgage Surveys.

Non-Performing Loans & Foreclosures

The same proportion of lenders reported that they had non-performing loans both last year and this year. However, those with non-performers saw them make up a higher proportion in their portfolios. Forty-five percent of lenders reported having non-performing loans over the past two years. Of those lenders with non-performers, they represented on average 4.0% of their lending portfolio in 2012, up from 1.6% the prior year.

However, the proportion of institutions reporting foreclosures declined this year, from last year's 30% to 17% this year. Of those that did report foreclosures this year, they represented 1.3% of their portfolios, up from 0.8% the prior year.

Characteristics of Rent Stabilized Buildings

The typical sizes of buildings in surveyed lenders' portfolios vary, with 35.7% reporting an average size of 50-99 units; while the remaining lenders reported an average of either 1-10 units; 11-19 units; or 20-49 units (21.4% reporting each). No lenders this year reported that their typical building contained 100 or more units.

Vacancy and collection (V&C) losses decreased for a second consecutive year, down to 3.50%, from 4.25% in 2011. (See graph on next page.) Similarly, a lower proportion of lenders reported losses of 5% or more this year, down from 58% last year to 38% this year.

Average operating and maintenance (O&M) expenses and average rents among buildings in lenders' portfolios rose at essentially equal rates this year. Expenses rose 5.63%, to $599 per unit, and average rents rose 5.56%, to an average of $1,121 per unit per month. (See Appendix 2) Because average rents and expenses rose at virtually the same rate, the average O&M cost-to-rent ratio remained about the same, at 53.47% this year vs. 53.43% last year.[7]

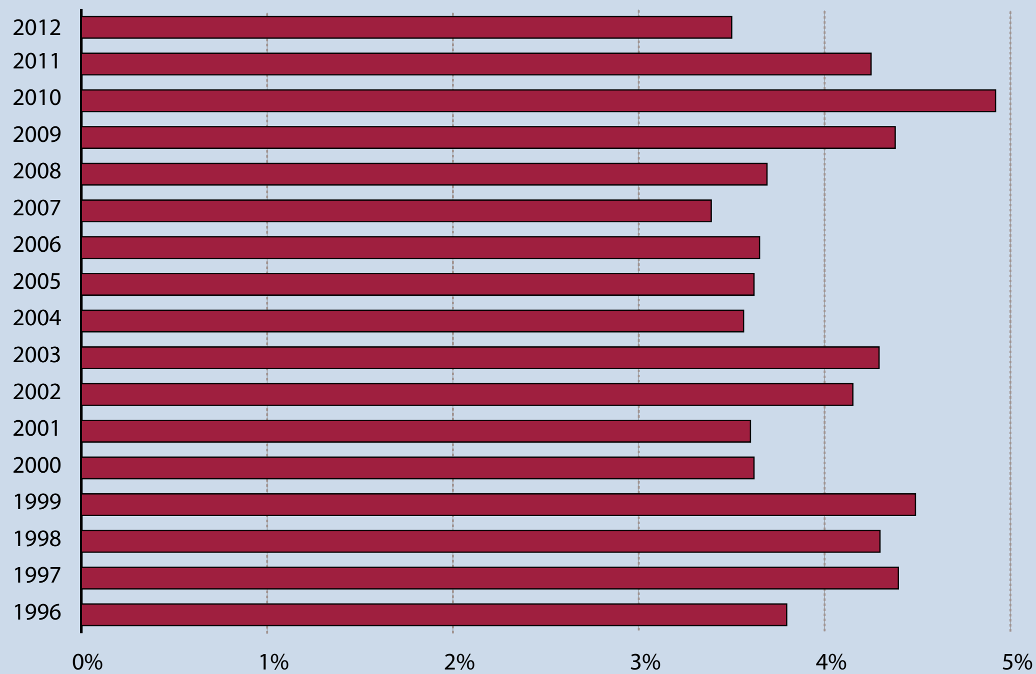
The Rent Guidelines Board, in our annual *Income and Expense (I&E) Study*, examines the average O&M cost-to-rent ratio as well. However, its findings should *not* be compared to the cost-to-rent ratio reported in this Mortgage Survey because both the sources and sample sizes are very different and the data studied in each report are from different time periods. In the 2011 *I&E Study*, which reported on data from the year 2009, the average O&M cost-to-rent ratio was 76.5%.[8]

The survey asks lenders whether they retain their mortgages or sell them to secondary markets. Among the lenders, 79% of respondents retain all their mortgages, 14% sell all their mortgages, and 7% sell some of their mortgages to secondary markets. These results are similar to those found in the previous year. Of those institutions that sell their mortgages, Freddie Mac and Fannie Mae are the typical purchasers.

Lenders are asked whether the rent stabilized buildings which are offered mortgage financing contain commercial space. This is helpful so as to understand the extent of income for owners from sources other than residential tenants. Similar to prior years, all but one lender reported that buildings in their portfolio contain commercial space, though the average amount varies depending on the lender. Among the lenders, buildings containing commercial space represent, on average, 23% of their lending portfolio, little changed from the 21% reported in 2011.

Average Vacancy and Collection Losses, 1996-2012

Vacancy and Collection Losses Decreased From Prior Year



Source: Rent Guidelines Board, annual Mortgage Surveys.

Loan Expectations

The survey asks lenders about their portfolio's performance, compared with expectations at the time of initial loan origination, with regard to net operating income (NOI), debt service coverage, and O&M expenses. Little changed from last year, with the vast majority of lenders (82%) reporting that their expectations had been met or exceeded in all three areas among their rent stabilized portfolio. By contrast, 18% felt that not all of their expectations were met in 2011.

Specifically, 82% said NOI expectations were equalled or exceeded; and 91% said both debt service and expenses expectations were either equalled or better than expected.

Longitudinal Analysis

Information regarding rent stabilized buildings can 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 cross-sectional analysis reflect actual variations in the lending market or simply the presence of a different group of lenders from year to year. Among the fourteen respondents that completed the survey this year, eleven also replied last year. These eleven make up the longitudinal group, and their responses from both this year and last are compared in this section to underscore changes between the two years.

Financing Availability and Terms

This year's longitudinal analysis reveals data that is similar to this year's cross-sectional sample.[9] The average interest rate among the longitudinal group for new loans, as of February 2012, was 4.80%, down 1.14 percentage points from last year's longitudinal group, which had an average interest rate of 5.94% for new financing. Likewise, the refinancing rate fell from 5.83% last year to 4.86% this year, a 0.97 percentage point decline (See Appendices 3 and 4)

Among the longitudinal group, average points offered by lenders crept up for both new and refinanced loans. This sample reports an average of 0.70 points for both new and refinanced loans, up from last year's 0.64.

Like the cross-sectional group of lenders, the longitudinal group saw loan volume fall, down 22% for new loans and 4% for refinanced loans.

Underwriting Criteria and Loan Performance

The average maximum loan-to-value (LTV) ratio declined to 72.8% among the longitudinal group, down from last year's 74.5%. However, the average debt service ratio remained unchanged, at 1.25 both this year and last. (See Appendix 5) But like in the cross-sectional analysis, vacancy and collection (V&C) losses among the longitudinal group fell, declining from 4.10% last year to 3.50% this year.

Looking at the rate of delinquencies among the longitudinal group, non-performing loans averaged 4.0% among the five lenders reporting them, up from 1.8% last year. Foreclosure rates also increased, up from 0.8% last year to 1.3% this year among the two lenders reporting foreclosures in their portfolios. For additional comparisons between the cross-sectional and longitudinal groups, see the table below.

Sales Data Analysis

The NYC Department of Finance began offering online public property sales information five years ago. Using this data, an analysis of rent stabilized building sales was contained in each of the last four *Mortgage Survey Reports*. This year, we once again follow-up with an examination of the data from 2011, and compare it to 2010. Included in this report's sales data analysis are buildings listed as sold in 2011 in the Dept. of Finance database. These are matched to buildings that have filed 2010 DHCR building registrations; have not converted to co-ops/ condos; and have sold for at least $1,000.

Building Sales Volume

In 2011, 709 buildings containing rent stabilized units were sold in New York City, 31% more than in the prior year. Sales volume increased the most in Manhattan, up 56%, and also rose in Brooklyn, up 39%, and Queens, up 19%. Meanwhile, building sales volume

Selected 2012 Cross-Sectional Data Compared to 2012 Longitudinal Data

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

(Averages)	NF Interest Rate	RF Interest Rate	NF Loan Volume	RF Loan Volume	NF Points	RF Points	Max LTV Ratio	Debt Service Ratio	V&C Losses
2012 Cross-Sectional Data	4.59%	4.65%	43	24	.63	.63	72.1%	1.29	3.5%
2012 Longitudinal Data	4.80%	4.86%	48	26	.70	.70	72.8%	1.25	3.5%

NF= New Financing RF= Refinancing LTV=Loan-to-Value V&C=Vacancy and Collection

Source: Rent Guidelines Board, Annual Mortgage Surveys

Comparison of Building Sales in 2010 vs. 2011

Sales Volume Change Varied by Borough from the Prior Year

	2010	2011	Change
Bronx	131	130	-1%
Brooklyn	185	258	39%
Manhattan	144	225	56%
Queens	81	96	19%
Citywide	**541**	**709**	**31%**

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

fell slightly in the Bronx, down 1%. As in the past, 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.[10] (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 the smallest rent stabilized buildings sold in 2011 (6-10 unit buildings), sales volume was up 24% Citywide. Among buildings of this size, sales increased in each borough except the Bronx, where it remained unchanged. Sales volume increased 33% in Manhattan, 26% in Brooklyn and 21% in Queens.

The change in sales volume also increased among 11-19 unit buildings in each borough except the Bronx, and increased 46% Citywide. By borough, sales were up 71% in Manhattan, 30% in Brooklyn, and remained unchanged in the Bronx.[11]

Among 20-99 unit buildings, sales volume rose Citywide by 39%. Sales volume also rose in each borough, rising 89% in Brooklyn; 76% in Manhattan; and 5% in the Bronx.

Because of the small number of buildings sold each year, we were not able to analyze the sales data for buildings with 100 or more units. However, these buildings sales are included in the totals by borough and Citywide.[12]

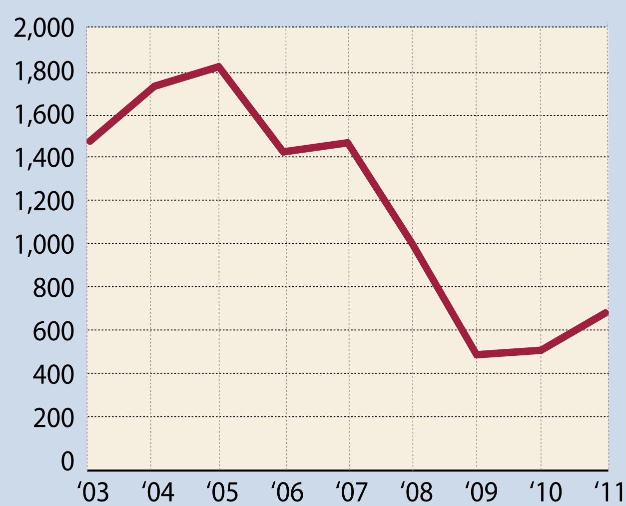
Building sales data shows that for the period from 2003 to the present, sales reached their peak in 2005, but by 2009, sales Citywide were at their lowest level of the nine-year period for which we have data. Since 2009, sales volume Citywide has rebounded, but at different paces in each borough. See the graph on this page and Appendix 8 for annual sales volume Citywide since 2003.

Building Sales Prices

Examining the change in rent stabilized building sales prices, the median Citywide sales price was $1,800,000 in 2011. The highest median sales price was in Manhattan ($3,500,000), followed by the Bronx ($2,170,000), Queens ($995,250) and Brooklyn ($967,500).

Rent Stabilized Building Sales, 2003-2011

Building Sales Citywide Up 31% from Prior Year



Source: NYC Dept. of Finance
Note: Figures exclude Staten Island

In order to compare sales prices from one year to the next, staff examined sales by building size as well as by borough. This analysis takes into account the borough and size of the building that was sold. It does not take into consideration the condition of the building being sold or the specific neighborhood within each borough, important factors that cannot be accurately studied using this data set. Nevertheless, this analysis does reveal the general trends in building sale prices Citywide and throughout the boroughs from 2010 to 2011.

Examining the smallest buildings (6-10 residential units), median sales prices rose 11% Citywide. Median sales prices increased in each of the boroughs except the Bronx, where they fell 12%. In Manhattan, prices increased 16%, while in Queens, prices rose 15%, and in Brooklyn, they increased 11%.

For 11-19 unit buildings, the change in prices varied by borough. Prices were up 8% Citywide, while in Brooklyn, prices rose 15%, and in the Bronx, they increased 4%. Conversely, median prices fell 4% in Manhattan. Data for Queens is not available. (See Endnote 11.)

Among 20-99 unit buildings, prices rose Citywide, up 4%, and were up in each of the boroughs, where in Manhattan, median prices rose 13%, in Brooklyn, they increased 12%, and in Bronx, they rose 2%.

And as was stated in the building sales volume section above, there were too few sales among buildings containing 100 or more residential units to accurately measure changes in building prices from year to year. See Appendix 9 for the median sales prices in each borough as well as the change from the prior year among different sized buildings.

Summary

In sum, interest rates charged for new loans fell to the lowest levels since our survey began in 1981, and terms continued to be generally beneficial to borrowers. As a result, rent stabilized building sales volume increased Citywide. ❐

Endnotes

1. Federal Deposit Insurance Corporation (FDIC) website: http://www3.fdic.gov/sdi/main.asp
2. The primary reason for the 27% increase is due to the participation in this year's survey of three lenders with large multifamily portfolios who did not respond last year.
3. The total volume of loans reported by lenders who participated in this survey was 434. However, four participants did not provide the number of new loans, all of which had portfolios exceeding one billion dollars.
4. Federal Reserve Bank of New York website: http://www.newyorkfed.org/markets/statistics/dlyrates/fedrate.html
5. "After Day of Tumult, Dow Closes Up 430 Points," by Graham Bowley and Christine Hauser, *New York Times*. August 8, 2011.
6. The average does not include the loan volume of four participants, whose portfolios each exceed one billion dollars, because they did not report the number of loans they made in 2011.
7. 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 Rent Guidelines Board's *Income and Expense Study* are derived from a much larger sample of stabilized buildings and can be viewed as more authoritative.
8. The O&M cost-to-rent ratio from the 2012 Mortgage Survey reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2012. The average ratio is calculated from just nine respondents. By comparison, the latest available O&M cost-to-rent ratio from the *Income and Expense Study (I&E)*, in which average rent was $1,020 and average unaudited cost was $781, reflects rents and expenses reported by owners for calendar year 2009. Average monthly costs per unit in the Mortgage Survey this year are lower than those reported in the I&E. This may be 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 sample 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 have an assessed value greater than $40,000 and eleven or more units, while the Mortgage Survey does not exclude these buildings).
9. The cross-sectional and longitudinal groups are very similar because all but three lenders responded both years.
10. The data reflects sales prices for buildings that are registered with the New York State Division of Housing and Community Renewal (DHCR) as containing rent stabilized units. It excludes those buildings where the sales price was listed as less than $1,000. It also excludes those buildings listed as co-ops. Furthermore, all Staten Island is excluded from all analysis due to the small number of buildings sold.
11. There were too few 11-19 and 20-99 unit buildings sold in the last two years in Queens to accurately report data.
12. All 100+ unit building borough categories are excluded due to the small number of buildings sold in their respective categories. However, while these categories are not discussed, these buildings are included in the overall statistics and analysis. A total of 18 rent stabilized buildings containing 100+ units were sold in 2011 and 22 were sold in 2010.

Appendices

1. Interest Rates and Terms for New and Refinanced Mortgages, 2012

Lending Institution	New Mortgages: Rate (%)	Points	Term (yrs)	Type	Volume	Refinanced Mortgages: Rate (%)	Points	Term (yrs)	Type	Volume
7	4.00%	0.50	5 to 10 yrs	fixed	40	4.00%	0.50	5 to 10 yrs	fixed	15
11	4.13%	NR	5/5/5/5/5/5 30 yr arm	adj	NR	4.13%	NR	5/5/5/5/5/5 30 yr arm	adj	NR
14	3.75%	0.00	5 & 5	adj	NR	3.75%	0.00	5 & 5	adj	NR
15	NR	1.50	5, 7, 10, 15, 20, 30 yrs	both	NR	NR	1.50	5, 7, 10, 15, 20, 30	both	NR
16	4.00%	0.00	5 yr	fixed	NR	4.00%	0.00	5 yrs	fixed	NR
28	4.50%	0.00	5, 7, 10 yrs	both	11	4.50%	0.00	5, 7, 10 yrs	both	11
30	4.65%	1.00	30 yr	fixed	33	5.00%	1.00	10 yrs/ 30 yr amort	fixed	10
33	4.25%	0.50	5+5 yrs	adj	12	4.50%	0.50	5, 10, 15 yrs	adj	4
35	5.00%	0.50	15 yr	fixed	27	5.00%	0.50	15 yr	fixed	7
37	7.25%	1.00	10 yrs	fixed	1	7.25%	1.00	10 yrs	fixed	0
40	6.25%	2.50	15 yr or 10/25 *	fixed	0	6.25%	2.50	15 yr or 10/25 *	fixed	0
117	3.85%	0.00	5 yrs	fixed	300	3.85%	0.00	5 yrs	fixed	175
208	4.50%	0.25	5 yrs + 5 yrs, 30 yr §	fixed	5	4.50%	0.25	5 yrs + 5 yrs, 30 yr §	fixed	15
301	3.50%	0.50	7 yr	fixed	5	3.75%	0.50	7 yr	fixed	5
AVERAGE	**4.59%**	**0.63**	**†**	**†**	**43**	**4.65%**	**0.63**	**†**	**†**	**24**

§ Amortization   **Adj** = adjustable rate mortgage   † No average computed   **NR** = no response to this question   * Balloon

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

Source: 2012 Rent Guidelines Board Mortgage Survey

2. Typical Characteristics of Rent Stabilized Buildings, 2012

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
7	75%	1.30	5%	50-99	$660	$1,203
11	70%	1.50	NR	1-10	NR	NR
14	70%	1.15	0.5%	20-49	$1,000	$1,000
15	80%	1.25	5%	20-49	$1,200	$1,900
16	75%	1.40	4%	50-99	NR	NR
28	75%	1.30	2%	50-99	$350	$1,000
30	80%	1.25	5%	20-49	$625	$900
33	NR	1.30	5%	11-19	$458	$1,200
35	65%	1.25	3%	1-10	$150	$1,000
37	65%	1.20	3%	11-19	$375	$1,000
40	68%	1.30	5%	1-10	NR	NR
117	75%	1.25	2%	50-99	$575	$885
208	75%	1.25	3%	11-19	NR	NR
301	65%	1.35	3%	50-99	NR	NR
AVERAGE	**72.1%**	**1.29**	**3.50%**	**†**	**$599**	**$1,121**

NR indicates no response to this question   † No average computed.

Note: Average loan-to-value (LTV) and debt service coverage ratios were calculated using the midpoint when a range was given by the lending institution.

Source: 2012 Rent Guidelines Board Mortgage Survey

3. Interest Rates and Terms for New Financing, Longitudinal Study, 2011-2012

	Interest Rates		Points		Term		Type	
Lending Inst.	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
7	4.00%	NR	0.5	NR	5 to 10 yrs	NR	fixed	NR
14	3.75%	5.00%	0.0	0.0	5&5	5&5	adj	adj
15	NR	NR	NR	NR	5/7/10/15/20/30 yrs	5/7/10/15/20/30 yrs	both	fixed
28	4.50%	5.75%	0.0	0.0	5, 7, 10 yrs	10 yrs	both	fixed
30	4.65%	5.75%	1.0	1.0	30 yr	30 yrs	fixed	both
33	4.25%	4.75%	0.5	0.5	5+5 yrs	3-10 yrs	adj	adj
35	5.00%	6.25%	0.5	0.5	15 yr	✚	fixed	fixed
37	7.25%	7.75%	1.0	1.0	10 yrs	10 yrs	fixed	fixed
40	6.25%	8.38%	2.5	2.5	15 yr or 10/25 *	15 yr or 10/25 *	fixed	fixed
117	3.85%	4.63%	0.0	0.0	5 yrs	5 yrs	fixed	fixed
208	4.50%	5.25%	0.3	0.3	5 + 5, 30 yr §	5 + 5, 30 yr §	fixed	fixed
AVERAGE	**4.80%**	**5.94%**	**0.70**	**0.64**	†	†	†	†

NR indicates no response to this question
Adj = adjustable rate mortgage
† No average computed
§ Amortization
* Balloon
✚ 10 yr term/9.5 yrs yield maint, 30 yr §

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: 2011 and 2012 Rent Guidelines Board Mortgage Surveys

4. Interest Rates and Terms for Refinanced Loans, Longitudinal Study, 2011-2012

	Interest Rates		Points		Term		Type	
Lending Inst.	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
7	4.00%	5.00%	0.5	NR	5 to 10 yrs	5, 7, 10, 30 yr	fixed	adj
14	3.75%	5.00%	0.0	0.0	5&5	5&5	adj	adj
15	NR	NR	1.5	NR	5/7/10/15/20/30 yrs	5/7/10/15/20/30 yrs	both	fixed
28	4.50%	5.75%	0.0	0.0	5, 7, 10 yrs	10 yrs	both	fixed
30	5.00%	5.75%	1.0	1.0	10 yrs/ 30 yr §	30 yrs	fixed	both
33	4.50%	4.50%	0.5	0.5	5, 10, 15 yrs	3-10 yrs	adj	adj
35	5.00%	6.25%	0.5	0.5	15 yr	15 yr or 10/20 *	fixed	fixed
37	7.25%	7.75%	1.0	1.0	10 yrs	10 yrs	fixed	fixed
40	6.25%	8.38%	2.5	2.5	15 yr or 10/25 *	15 yr or 10/25 *	fixed	fixed
117	3.85%	4.63%	0.0	0.0	5 yrs	5 yrs	fixed	fixed
208	4.50%	5.25%	0.3	0.3	5 + 5, 30 yr §	5 + 5, 30 yr §	fixed	fixed
AVERAGE	**4.86%**	**5.83%**	**0.70**	**0.64**	†	†	†	†

NR indicates no response to this question
Adj = adjustable rate mortgage
† No average computed
§ Amortization
* Balloon

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

Source: 2011 and 2012 Rent Guidelines Board Mortgage Surveys

5. Lending Standards and Relinquished Rental Income, Longitudinal Study, 2011-2012

Lending Inst.	Max Loan-to-Value 2012	Max Loan-to-Value 2011	Debt Service Coverage 2012	Debt Service Coverage 2011	V&C Losses 2012	V&C Losses 2011
7	75%	NR	1.30	NR	5%	NR
14	70%	75%	1.15	1.20	0.5%	5%
15	80%	80%	1.25	1.25	5%	5%
28	75%	80%	1.30	1.25	2%	3%
30	80%	80%	1.25	1.25	5%	5%
33	NR	70%	1.30	1.30	5%	4%
35	65%	65%	1.25	1.15	3%	3%
37	65%	85%	1.20	1.20	3%	3%
40	68%	60%	1.30	1.40	5%	5%
117	75%	75%	1.25	1.25	2%	5%
208	75%	75%	1.25	1.25	3%	3%
AVERAGE	**72.8%**	**74.5%**	**1.25**	**1.25**	**3.50%**	**4.10%**

NR indicates no response to this question

Note: Average loan-to-value and debt service coverage ratios are calculated using the midpoint when a range is given by the lending institution.

Source: 2011 and 2012 Rent Guidelines Board Mortgage Surveys

6. Retrospective of New York City's Housing Market, 1982-2012

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%	9,868 Ø	8,936 Ø
2012	4.6%	•	•

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.

* The 2008 figure has been revised from that which was originally published due to the exclusion of one government lender

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: Rent Guidelines Board, Annual Mortgage Surveys; U.S. Bureau of the Census, Manufacturing & Construction Division, Residential Construction Branch.

7 . 2012 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?*

❑ **Yes** *(Indicate typical terms and conditions at right.)*

❑ **No**

Interest rate : __________ % __________ %
(current) (12 mo. average for 2011)

Points : __________

Terms : __________

Type: Fixed / Adjustable *(circle one)*

Special conditions: ______________________

1b. How many loans were made by your institution in 2011 for new permanent financing of *rent stabilized buildings?*

Number of loans: ____________________

2a. Do you currently offer **refinancing** of mortgages on *rent stabilized buildings?*

❑ **Yes** *(Indicate typical terms and conditions at right.)*

❑ **No** *(Skip to question 4a if you do not offer refinancing.)*

Interest rate : __________ % __________ %
(current) (12 mo. average for 2011)

Points : __________

Terms : __________

Type: Fixed / Adjustable *(circle one)*

Special conditions: ______________________
(if any)

2b. How many loans did your institution **refinance** in 2011 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%)?

❑ Yes, we have experienced a significant __________ of about _______ %.
(increase / decrease)

❑ No, it is about the same. *(Please skip Question 3b).*

3b. If **loan volume** has changed significantly, is the change attributable to:

(Please check and fill in all applicable choices.)

❑ A significant ______________ in the volume of
(increase / decrease)
loan **applications** of about _____ %.

❑ A significant ______________ in the rate of
(increase / decrease)
application **approvals** of about _____ %.

Are there any **trends** related to financing availability and terms on which you wish to comment?

____

____

____

____

CONFIDENTIAL 1

II. Underwriting Criteria for Rent Stabilized Buildings

4a. What **standards** does your institution employ when assessing loan applications for *rent stabilized buildings?*

*(Provide the **maximum** criteria.)*

	N.A.
Loan-to-Value Ratio: ______________	❑
Debt Service Coverage: ______________	❑
Appraised Value of Building: ______________	❑

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.)*

	N.A.
Number of Units in Building: __________	❑
Building Age: ______________	❑
Borrower Lives in Building: __________	❑
Overall Building Maintenance: __________	❑
Co-op / Condo Conversion Potential: __________	❑
Other *(Please Specify)*: ______________	❑

5. Did your institution change its **underwriting practices** for financing or refinancing *rent stabilized buildings* over the past year?

❑ Yes.

❑ No. *(If no, please skip to Question 7).*

6. Yes, we changed our **underwriting practices** for *rent stabilized buildings* to:

(Please check and fill in all applicable choices.)

❑ Use ________ stringent approvals.
(more / less)

❑ Require ________ fees (i.e., points or fees).
(higher / lower)

❑ ______________ loan-to-value ratio.
(Increase / Decrease)

❑ ______________ monitoring requirements.
(Increase / Decrease)

❑ ______________ lending to rent stabilized buildings.
(Discontinue / Reduce / Expand)

❑ Other : ______________________

III. Additional Mortgage Questions

7. How many **dwelling units** are contained in the average *rent stabilized building* financed by your institution?
(Please check only one.)

❑ 1 -10 ❑ 11 - 19 ❑ 20 - 49
❑ 50 - 99 ❑ 100 or more

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.)*

❑ < 1% ❑ 1% ❑ 2%
❑ 3% ❑ 4% ❑ 5%
❑ 6% ❑ 7% ❑ > 7%

9. Approximately what percentage of your loans to *rent stabilized buildings* are **currently non-performing**?

❑ None
❑ Approximately ________ %.

CONFIDENTIAL 2

10. Approximately what percentage of your loans to *rent stabilized buildings* are **currently in foreclosure**?

❑ None
❑ Approximately ________ %.

11a. Does your institution **retain the mortgages** you offer or do you sell any to secondary markets?

❑ We retain all the mortgages sold. *(If so, please skip to question 12.)*
❑ We sell all our mortgages to secondary markets.
❑ We sell ____% of our mortgages to secondary markets.

11b. To whom do you **sell your mortgages**?
(Please check and fill in all applicable choices.)

❑ Fannie Mae
❑ Freddie Mac
❑ Other: ______________________

____

____

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**?

❑ No
❑ Yes. Approximately what percentage of buildings in your portfolio have commercial space? ________%

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?

$ ______________ ***per unit per month***

(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.)

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)

New Financing Rates:	❑ Higher	❑ Lower	❑ Same
Refinancing Rates:	❑ Higher	❑ Lower	❑ Same
Loan-to-Value Ratio:	❑ Higher	❑ Lower	❑ Same
Debt Service Coverage:	❑ Higher	❑ Lower	❑ Same

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)

Net Operating Income:	❑ Better	❑ Worse	❑ Same
Debt Service Coverage:	❑ Better	❑ Worse	❑ Same
O&M Expenses:	❑ Better	❑ Worse	❑ Same

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18. Please estimate, *on average*, what percentage of Net Operating Income (NOI) goes towards **payment of debt service**:

__________%.

19. Please estimate the **average mortgage loan payment per unit per month** for a typical building in your portfolio:

$ __________.

20. 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. Findings will be published in the 2012 *Mortgage Survey Report*, which will be released in late March.

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8. Rent Stabilized Building Sales Volume, Citywide and by Borough, and Percent Change, 2003-2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Citywide	**1,481**	**1,728**	**1,816**	**1,433**	**1,474**	**1,021**	**521**	**541**	**709**
% Change from Prior Yr	**-**	***16.7%***	***5.1%***	***-21.1%***	***2.9%***	***-30.7%***	***-49.0%***	***3.8%***	***31.1%***
Bronx	203	269	264	224	319	171	100	131	130
% Change from Prior Yr	-	*32.5%*	*-1.9%*	*-15.2%*	*42.4%*	*-46.4%*	*-41.5%*	*31.0%*	*-0.8%*
Brooklyn	678	730	750	593	520	426	199	185	258
% Change from Prior Yr	-	*7.7%*	*2.7%*	*-20.9%*	*-12.3%*	*-18.1%*	*-53.3%*	*-7.0%*	*39.5%*
Manhattan	418	480	598	403	470	243	146	144	225
% Change from Prior Yr	-	*14.8%*	*24.6%*	*-32.6%*	*16.6%*	*-48.3%*	*-39.9%*	*-1.4%*	*56.3%*
Queens	182	249	204	213	165	181	76	81	96
% Change from Prior Yr	-	*36.8%*	*-18.1%*	*4.4%*	*-22.5%*	*9.7%*	*-58.0%*	*6.6%*	*18.5%*

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

Source: NYC Department of Finance

9. Rent Stabilized Building Median Sales Price and Sales Volume, by Borough and Building Size, and Percent Change, 2010-2011

	2010 Median Sale Price	2011 Median Sale Price	Percent Change from 2010-11	2010 # of Sales	2011 # of Sales	Percent Change from 2010-11
Citywide						
All buildings*	$1,579,000	$1,800,000	-	541	709	31.1%
6-10 units	$740,000	$825,000	11.5%	234	290	23.9%
11-19 units	$1,500,000	$1,622,000	8.1%	79	115	45.6%
20-99 units	$3,560,000	$3,687,500	3.6%	206	286	38.8%
Bronx						
All buildings*	$2,740,000	$2,170,000	-	131	130	-0.8%
6-10 units	$670,791	$591,250	-11.9%	19	19	0.0%
11-19 units	$1,110,000	$1,149,604	3.6%	17	17	0.0%
20-99 units	$3,340,441	$3,400,000	1.8%	87	91	4.6%
Brooklyn						
All buildings*	$830,000	$967,500	-	185	258	39.5%
6-10 units	$650,000	$720,000	10.8%	123	155	26.0%
11-19 units	$1,150,000	$1,325,000	15.2%	23	30	30.4%
20-99 units	$2,875,000	$3,215,240	11.8%	37	70	89.2%
Manhattan						
All buildings*	$3,175,000	$3,500,000	-	144	225	56.3%
6-10 units	$2,500,000	$2,900,000	16.0%	39	52	33.3%
11-19 units	$2,550,000	$2,458,732	-3.6%	31	53	71.0%
20-99 units	$4,000,000	$4,500,000	12.5%	63	111	76.2%
Queens						
All buildings*	$850,000	$995,250	-	81	96	18.5%
6-10 units	$700,000	$803,000	14.7%	53	64	20.8%
11-19 units	-	-	-	-	-	-
20-99 units	-	-	-	-	-	-

Notes: The percent change in median sales price citywide and by borough were not calculated due to the variation in the median building size from year to year. Staten Island buildings; Queens 11-19 unit and 20-99 unit buildings; as well as all 100+ unit buildings, 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