New York City Rent Guidelines Board

2017 Mortgage Survey Report

March 30, 2017

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2017 Mortgage Survey Report

What's New

- ◆ Average interest rates for new multifamily mortgages rose 29 basis points, to 4.26%.
- ◆ Vacancy and collection losses declined 0.22 percentage points, to 2.92% this year, the lowest level recorded by this survey.
- ◆ Average service fees for new loans rose 0.02 percentage points, to 0.44 points.
- ◆ Average maximum loan-to-value ratios declined 0.35 percentage points, to 73.7%.
- ◆ In 2016, 1,167 buildings containing rent stabilized units were sold Citywide, a decline of 14.3% from the prior year.

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 2016 calendar year as well as the first few months of 2017.

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.

Overview

This year's Mortgage Survey found that both interest rates and service fees rose, though they remained near the record lows recorded in last year's survey. However, collection losses continued to decline, falling to a record low; maximum loan-to-value ratios declined slightly; and underwriting criteria remained similar. Furthermore, our analysis of rent stabilized building sales data found that sales volume declined Citywide between 2015 and 2016.

This report will more fully detail these issues by 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

Thirteen financial institutions responded to this year's survey, one more than last year. The survey 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.

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. Ten surveyed lenders report their multifamily real estate holdings to the FDIC, with values ranging between $19 million and $25 billion.[1] Six of this year's institutions reported multifamily holdings of over one billion dollars, while another two institutions held less than $25 million. The average multifamily real estate portfolio of our survey respondents was unchanged from last year's survey, remaining at an average of $5 billion.

Mortgage Survey Analysis[2]

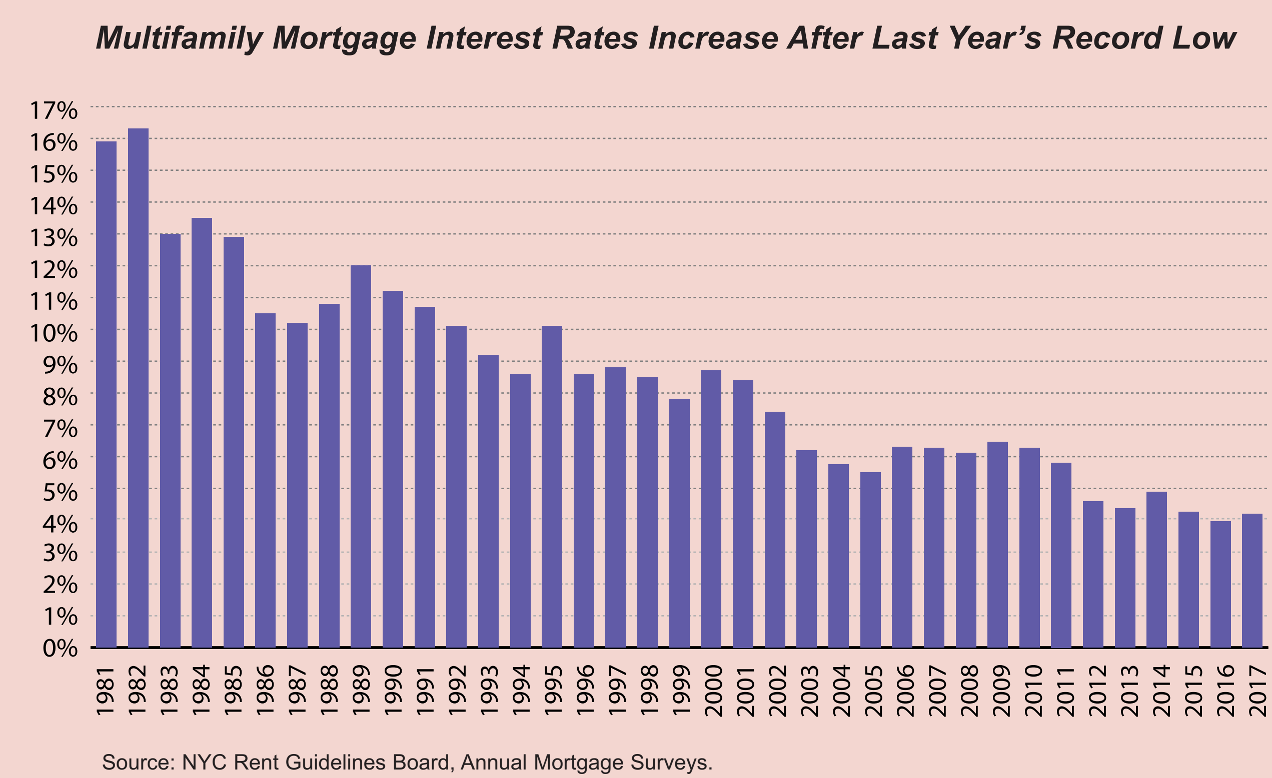
Financing Availability and Terms

As of February 2017, the average interest rate for new multifamily mortgages was 4.26%, a 29 basis points (or 7%) increase from the previous February, when a record low in this survey was reached (see graph on this page and Appendix 1). Likewise, the average interest rate reported by lenders for the 2016 calendar year was 4.35%, an eight basis points (or 2%) increase from 2015.

Average interest rates increased during the year among the institutions surveyed, mirroring interest rate increases by 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 in both December 2016 and March 2017, and the Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions — similarly rose 25 basis points in both December 2016 and March 2017.[3] The Fed is expected to continue to increase interest rates in the coming year, as most Fed officials expect the continuation of a moderately growing U.S. economy.[4]

Points charged for new loans remained near a record low this year. Among survey respondents, they ranged between zero and 1.25, with six surveyed lenders charging no points on new loans. The average

Average Interest Rates for New Loans to Rent Stabilized Buildings, 1981-2017



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys.

service fee charged on new loans by lenders was 0.44 points, virtually unchanged from last year's record low average of 0.42. Average fees reported in the survey have remained around or below one point for close to two decades (see graph on the next page).

Surveyed lenders, for the most part, remained flexible in the loan maturity 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 35-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 remained similar to last year: an average of 105 new loans per institution were financed, compared to 104 the previous year. However, the average number of refinanced loans fell by more than half, declining 55%, to 43 this year. Overall loan volume remains below the peak year of 2004, when our survey reported an average of 160 new loans per institution. This year, most lenders reported no change in new loan volume. Among surveyed institutions, 62% said they saw no change in loan volume; another 31% reported an increase; and 8% reported a decrease from the prior year.

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 LTV ratio — the maximum dollar amount respondents were willing to lend based on a building's value — ranged from 65% to 82.5%. This year's average, 73.7%, remained virtually unchanged from last year's 74.0% (see graph on page 7).

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) remained virtually unchanged, with an average debt service requirement of 1.22, versus 1.21 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 1.30, and all but two surveyed lenders reported making no changes in their underwriting standards over the past year.

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

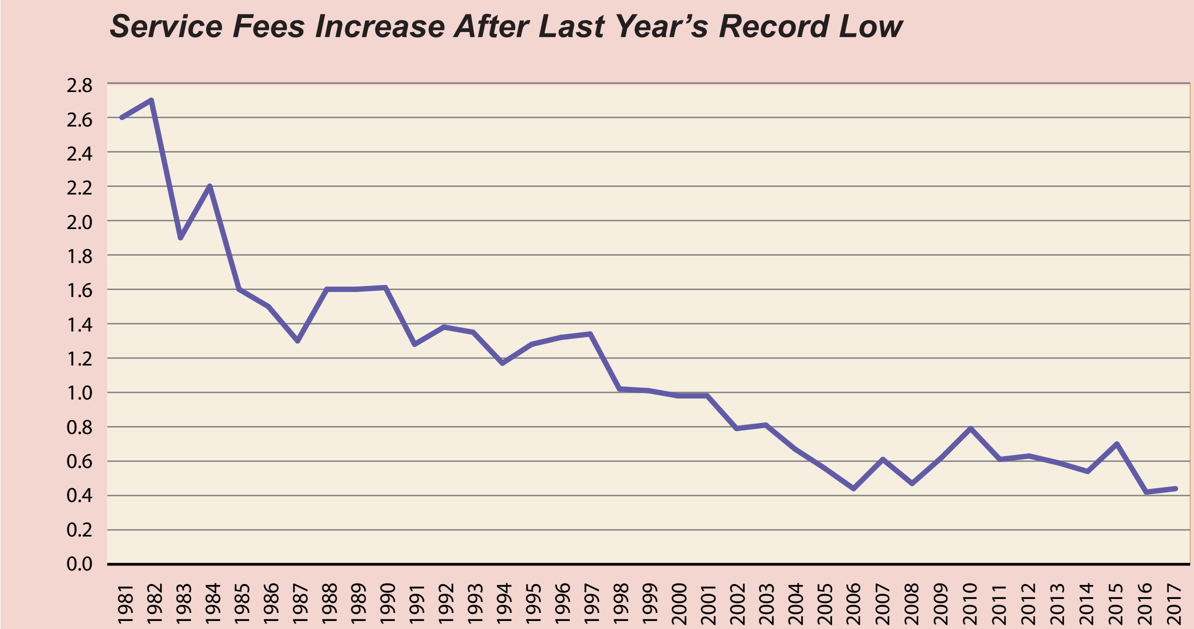
Loan-to-Value Ratio (LTV) - the dollar amount institutions are willing to lend based on a building's value; the lower the LTV, the lower the risk to the lender

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

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, 1981-2017



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys.

Lenders also noted additional standards they use when evaluating loan applications. The two most commonly cited standards are good building maintenance and building size, with almost a third of lenders indicating that either (or both) are important components when considering 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. No lenders reported that any of these standards were more stringent for rent stabilized buildings than for non-stabilized properties.

Non-Performing Loans & Foreclosures

The proportion of lenders reporting that they had non-performing loans this year rose, up from 25% last year to 31% this year, which represents one more lender than the prior year. These loans made up 0.3% of their portfolios this year, compared to 0.2% in the prior year. In addition, two lenders reported foreclosures this year, while none did last year. Foreclosures represented an estimated 0.1% of these two lenders' portfolios.

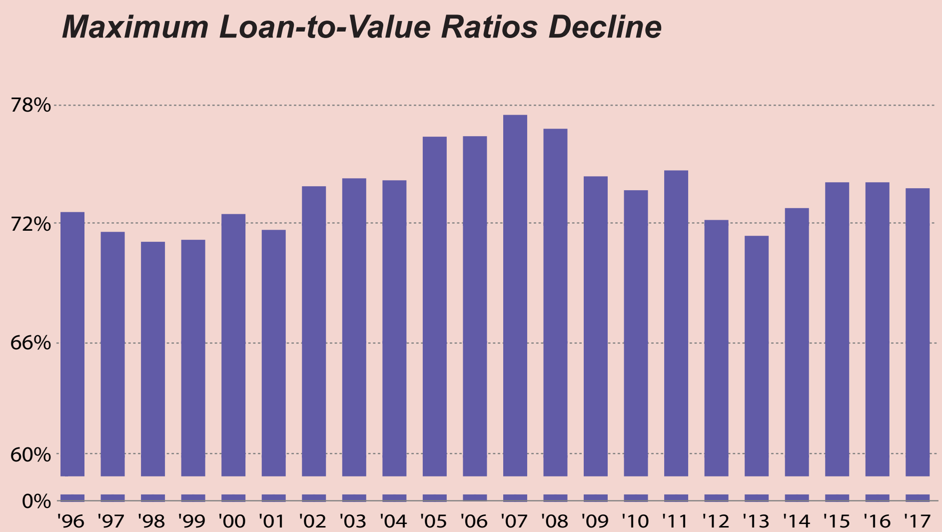
Characteristics of Rent Stabilized Buildings

The typical size of buildings in surveyed lenders' portfolios varies widely. The most commonly reported building size is 20-49 units (38% of lenders). Remaining lenders reported an average of either 50-99 units (23%); 1-10 units or 100+ units (15% each); or 11-19 units (8%).

Average vacancy and collection (V&C) losses decreased for the sixth time in the last seven years, down from 3.14% last year to 2.92% this year, the lowest level in the history of the *Mortgage Survey Report* (see graph on page 8). Similarly, a lower proportion of lenders reported average losses of 5% or more this year, down from 18% last year to 8% this year.

Average operating and maintenance (O&M) expenses and average rents among buildings in

1996-2017 Average Loan-to-Value Standards



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys.

lenders' portfolios remained about the same as the prior year. Expenses rose 0.5%, to $653 per unit, while average rents likewise rose 0.5%, to an average of $1,196 per unit per month (see Appendix 2). Because both average costs and rents remained similar, the average O&M cost-to-rent ratio minimally changed, rising from 54.5% last year to 54.6% 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.[5] However, its findings should not be compared to the cost-to-rent ratio reported in the Mortgage Survey Report because both the sources are very different and the data studied in each report are from different time periods. In the *2017 I&E Study*, which reported on data from calendar year 2015, the average O&M cost-to-rent ratio was 72.6%.[6]

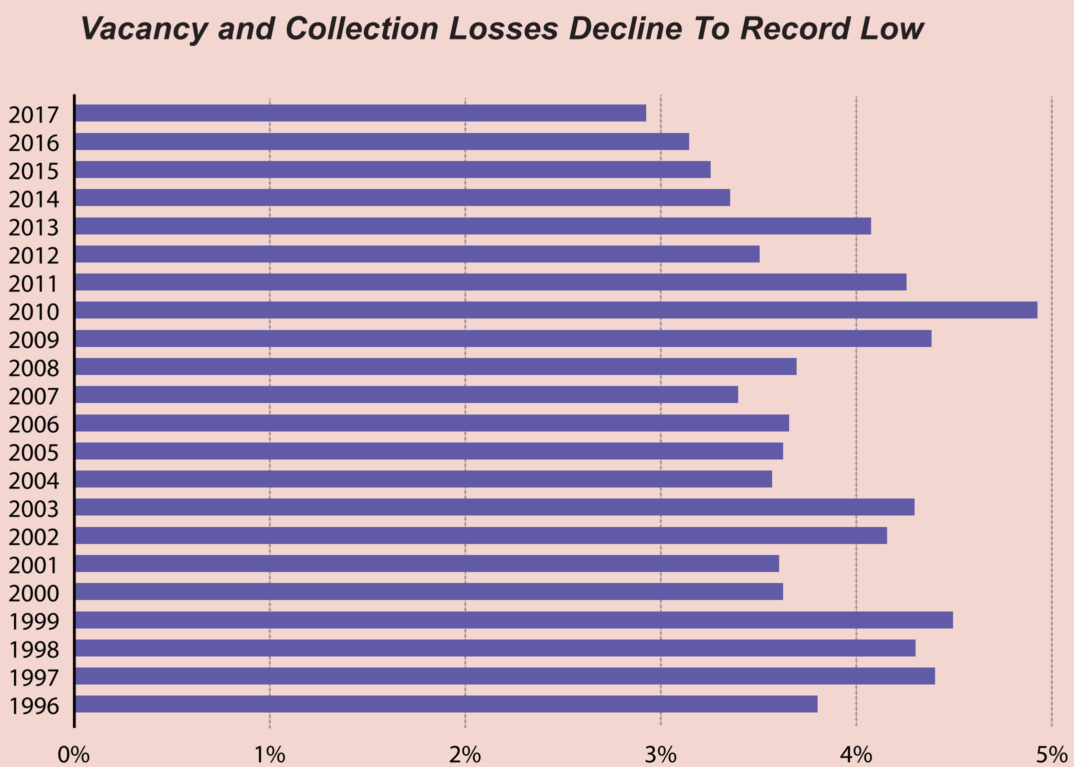
The survey asks lenders whether they retain their mortgages or sell them to secondary markets. Among the lenders, all but three lenders reported retaining all their mortgages, about the same proportion as last year.

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 36% of their portfolios contain commercial space, up from 28% reported 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. Most lenders reported that their expectations had been met or exceeded in all three areas among their rent stabilized portfolio. Specifically, at least two-thirds said this year that their expectations were equaled or exceeded among all three categories, which was a decline from the prior year, when at least 82% said the same thing.

Average Vacancy and Collection Losses, 1996-2017



Source: NYC Rent Guidelines Board, Annual Mortgage Surveys.

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 13 respondents that completed the survey this year, all but one also responded last year. The 12 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

Because all but one lender responded in both years, this year's longitudinal analysis reveals findings that in many cases are similar to this year's main survey analysis. The average interest rate among the longitudinal group for new loans, as of February 2017, was 4.20%, an increase from a year earlier, when the average interest rate was 3.97% for new financing (see Appendix 3).

Among the longitudinal group, average points offered by lenders declined from last year, falling from 0.42 to 0.39.

Underwriting Criteria and Loan Performance

The average maximum loan-to-value (LTV) ratio remained unchanged this year, holding at 74.0%

Selected 2017 Mortgage Survey Data Compared to 2017 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
2017 Mortgage Survey Data	4.26%	105	43	0.44	73.7%	1.22	2.92%
2017 Longitudinal Data	4.20%	111	46	0.39	74.0%	1.23	2.92%

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

Source: NYC Rent Guidelines Board, Annual Mortgage Surveys

among the longitudinal group. The average debt service ratio rose slightly, up from 1.21 last year to 1.23 this year (see Appendix 4). And like the main mortgage survey analysis, vacancy and collection (V&C) losses among the longitudinal group declined, to 2.92% this year, from 3.14% last year.

Looking at the rate of delinquencies among the longitudinal group, the same number of lenders reported non-performing loans this year as did last year. However, regarding foreclosures, two lenders reported them this year, while none did the previous year, and they represented 0.1% of their portfolios. For additional comparisons between the main survey analysis and longitudinal groups, see table on this page.

Sales Data Analysis

The NYC Department of Finance collects and provides public property sales information online. Utilizing this data, this report examines sales data from 2016, and compares it with the prior year. This year's sales data analysis includes buildings listed as sold in 2016 in the Department of Finance database. These are matched to buildings that have filed NYS Division of Housing and Community Renewal (DHCR) building registrations; have not converted to co-op/condo; and have sold for at least $1,000.

Building Sales Volume

In 2016, 1,167 buildings containing rent stabilized units were sold in New York City, down 14% from the prior year. Each borough saw sales volume decline, though at differing proportions. In Manhattan, sales fell the least, falling 7%; while in Queens, sales declined 9%; in the Bronx, they were down 11%; and in Brooklyn, sales fell the most, declining 24%. As in prior years, Staten Island was not included in this

Comparison of Building Sales in 2015 vs. 2016

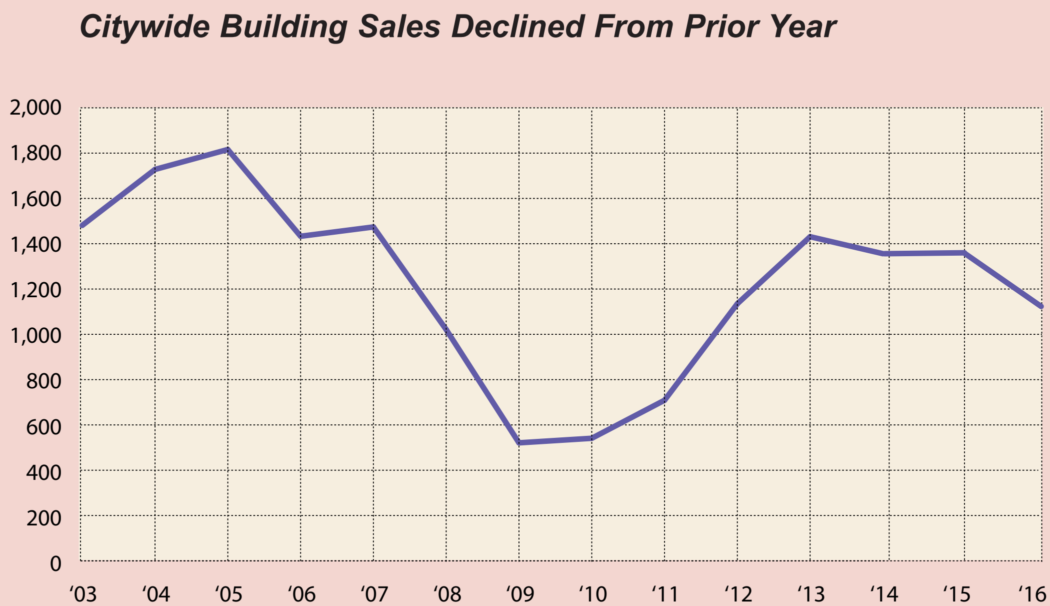
Sales Volume Decline Varies by Borough

	2015	2016	Change
Bronx	262	234	-10.7%
Brooklyn	499	378	-24.2%
Manhattan	438	407	-7.1%
Queens	162	148	-8.6%
Citywide	**1,361**	**1,167**	**-14.3%**

Note: Citywide figures exclude Staten Island

Source: NYC Department of Finance

Rent Stabilized Building Sales, 2003-2016



Source: NYC Department of Finance
Note: Figures exclude Staten Island

analysis because there were too few rent stabilized building sales to meaningfully measure change from year to year.[7] (See the table on the previous 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 2016, containing 6-10 residential units, sales volume was down 21% Citywide, but the decline varied greatly by borough. Sales among 6-10 unit buildings fell the most in Queens, down 30%, and fell the least in the Bronx, down 2%. In between were Brooklyn, down 20%, and Manhattan, down 26%.

Sales volume among 11-19 unit buildings also declined, falling 10% Citywide. However, not all boroughs saw a decline. In Brooklyn, sales among 11-19 unit buildings fell 28%, and in Manhattan, they fell 11%. However, sales rose 29% in the Bronx and were flat in Queens.

Among 20-99 unit buildings, sales volume also declined Citywide, falling 11%. By borough, sales of 20-99 unit buildings in Brooklyn fell the most, down 28%; the Bronx fell 21%; and Manhattan declined 3%. However, sales rose 70% in Queens.

Among the largest buildings, which contain 100 or more units, sales volume Citywide increased 20%. Unfortunately, we are unable to analyze sales data by borough because of the small number of buildings sold. However, these buildings sales are included in the totals by borough and Citywide.[8]

Building sales data show that for the period from 2003 to the present, sales volume reached its peak in 2005, but by 2009, sales Citywide were at their lowest level of the fourteen-year period for which we have data. Between 2009 and 2015, sales volume Citywide increased every year but one. See the graph on this page and Appendix 7 for annual sales volume Citywide.

Building Sales Prices

We also examine 2016 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 rent stabilized building sales prices for all sizes of buildings, the median Citywide sales price was $4.5 million in 2016. The highest median sales price was in Manhattan ($8,000,000); followed by the Bronx ($3,562,500); Brooklyn ($2,600,000); and Queens ($2,150,000).

Examining the smallest buildings (containing 6-10 residential units), the median sales price Citywide was $1,748,205. By borough, prices were highest in Manhattan, at $5,050,000; followed by Brooklyn, at $1,800,000; Queens, at $1,350,000 and the Bronx, at $1,050,000.

Among 11-19 unit buildings, the median Citywide price was $3,831,250. By borough, sales prices were again highest in Manhattan, at $6,270,000; followed by Queens, at $4,300,000; Brooklyn, at $3,500,000; and the Bronx, at $2,152,274.

Buildings with 20-99 units sold Citywide at a median price of $8,250,000. By borough, these buildings sold for the most in Queens, at a median price of $11,813,642; followed by Manhattan, at $9,850,000; Brooklyn, at $8,400,000 and the Bronx, at $5,497,559.

Among the largest buildings, which contain 100 or more units, buildings Citywide sold for a median price of $41,862,500. 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.

Summary

In conclusion, while interest rates and service fees rose, they remained close to the record lows reached in last year's survey. However, vacancy and collection losses did fall to their lowest level in this survey's history. In addition, the number of rent stabilized buildings sold fell from the prior year. ❒

Endnotes

1. Federal Deposit Insurance Corporation (FDIC) website: https://fdic.gov
2. Mortgage Survey Analysis section previously called the Cross-Sectional Study.
3. Federal Reserve Board website: http://www.federalreserve.gov/monetarypolicy/openmarket.htm and https://www.frbdiscountwindow.org
4. "Fed Raises Interest Rates for Third Time Since Financial Crisis," by Binyamin Appelbaum, New York Times. March 15, 2017.
5. 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.
6. The O&M cost-to-rent ratio from the 2017 *Mortgage Survey* reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2017. 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 (I&E) Study*, in which average rent was $1,323 and average unaudited cost was $960, reflects rents and expenses reported by owners for calendar year 2015. Average monthly costs per unit in the Mortgage Survey this year are lower than those reported in the I&E. 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).
7. The data reflect sales of buildings that had been registered with the New York State Division of Housing and Community Renewal (DHCR) as containing rent stabilized units in 2015, 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 buildings sold.
8. 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.

Appendices

1. Mortgage Interest Rates and Terms, 2017

Lending Institution	Rate (%)	Points	Term (yrs)	Type	New Volume	Refin Volume
5	4.00%	0.50	Ω	fixed	25	10
14	3.15%	0.00	NR	adj	66	32
17	NR	NR	NR	NR	5	3
28	4.00%	0.00	NR	both	25	25
30	4.00%	1.25	Ω	both	4	12
35	4.75%	0.00	NR	fixed	48	13
37	5.75%	1.00	10 yrs	fixed	NR	5
107	3.75%	0.00	Ω	adj	479	170
117	3.00%	0.00	Ω	fixed	225	170
209	4.50%	1.00	Ω	fixed	NR	NR
301	4.00%	0.50	175	fixed	15	NR
401	5.25%	0.00	30-35 yrs	fixed	47	20
402	5.00%	1.00	NR	adj	60	10
AVERAGE	**4.26%**	**0.44**	**†**	**†**	**105**	**43**

Adj adjustable rate mortgage † No average computed **NR** no response **BPS** Basis Points

Ω #5 = 5-10 yr, 2-2.5% over swaps #30 = Adjustable: 4.6 4.65 4.7 / Fixed 4.5 4.6 4.65
#107 = 5, 7 year product #117 = 5 yr: spread over swap rates 3.625 note commitment fee amt; 7 yr: 3.875; 10 yr: 4.25
#209 = 275 bps over 5 yr US Treasury

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: 2017 NYC Rent Guidelines Board Mortgage Survey

2. Typical Lending Portfolio Characteristics of Rent Stabilized Buildings, 2017

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	75%	7.5% DY	3%	100+	$600	$1,200
14	75%	1.20	0.5%	20-49	$1,500	$1,500
17	80%	1.25	5%	20-49	NR	$1,800
28	80%	1.25	3%	20-49	$375	$1,000
30	80%	1.20	3%	20-49	NR	$400
35	65%	1.25	4%	11-19	$600	$1,400
37	65%	1.20	3%	1-10	$535	$1,231
107	75%	1.20	1%	50-99	NR	NR
117	75%	1.25	4%	50-99	$650	$1,100
209	70%	1.30	4%	50-99	NR	NR
301	65%	8% DY	2%	20-49	NR	NR
401	83%	1.15	3%	100+	$615	$1,183
402	70%	1.15	3%	1-10	$350	$1,150
AVERAGE	**73.7%**	**1.22**	**2.92%**	**†**	**$653**	**$1,196**

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: 2017 NYC Rent Guidelines Board Mortgage Survey

3. Interest Rates and Terms for New Financing, Longitudinal Study, 2016-2017

	Interest Rates		Points		Term		Type	
Lending Inst.	2017	2016	2017	2016	2017	2016	2017	2016
5	4.00%	◇	0.50	0.5	Ω	NR	fixed	both
14	3.15%	3.25%	0.0	0.0	NR	◆	adj	adj
17	NR	3.50%	NR	0.0	NR	◆	NR	fixed
28	4.00%	4.50%	0.0	0.0	NR	NR	both	fixed
30	4.00%	4.00%	1.25	1.00	Ω	◆	both	both
35	4.75%	4.00%	0.0	0.00	NR	◆	fixed	NR
37	5.75%	5.50%	1.0	1.00	10 yrs	10 years	fixed	fixed
107	3.75%	3.25%	0.0	0.50	Ω	5, 7 & 10 years	adj	both
117	3.00%	3.25%	0.00	0.00	Ω	5, 7 & 10 years	fixed	fixed
209	4.50%	3.25%	1.00	1.00	Ω	◆	fixed	fixed
301	4.00%	3.50%	0.50	0.25	175	NR	fixed	fixed
401	5.25%	5.70%	0.00	0.75	30-35 yrs	30 yrs	fixed	fixed
AVERAGE	**4.20%**	**3.97%**	**0.39**	**0.42**	†	†	†	†

NR no response   † No average computed   **Adj** = adjustable rate mortgage   **BPS** Basis Points

◇ #5 = 1.5 to 2.0% over swap rates

Ω #5 = 5-10 yr, 2-2.5% over swaps #30 = Adjustable: 4.6 4.65 4.7 / Fixed 4.5 4.6 4.65 #107 = 5, 7 year product
#117 = 5 yr: spread over swap rates 3.625 note commitment fee amt; 7 yr: 3.875; 10 yr: 4.25
#209 = 275 bps over 5 yr US Treasury

◆ #14 = Avg spread 1.60 Commitment fee 25bps #17 = 5 and 7 years over Libor Swap Rate
#30 = 5, 7, 10 & 15 years fixed #35 = 10 yr balloon based on 30 yr payout #209 = 5 yrs w/ one 5 yr renewal 30 yr amortization; Full recourse.

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: 2016 and 2017 NYC Rent Guidelines Board Mortgage Surveys

4. Lending Standards and Vacancy & Collection Losses, Longitudinal Study, 2016-2017

	Max Loan-to-Value		Debt Service Coverage		V&C Losses	
Lending Inst.	2017	2016	2017	2016	2017	2016
5	75%	75%	7.5% DY	8% DY	3%	3%
14	75%	75%	1.20	1.20	1%	1%
17	80%	75%	1.25	1.20	5%	5%
28	80%	80%	1.25	1.25	3%	1%
30	80%	80%	1.20	1.20	3%	5%
35	65%	65%	1.25	1.15	4%	4%
37	65%	65%	1.20	1.20	3%	3%
107	75%	75%	1.20	1.20	1%	NR
117	75%	75%	1.25	1.25	4%	4%
209	70%	75%	1.30	1.25	4%	3%
301	65%	65%	8% DY	8% DY	2%	3%
401	83%	83%	1.15	1.15	3%	3%
AVERAGE	**74.0%**	**74.0%**	**1.23**	**1.21**	**2.92%**	**3.14%**

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: 2016 and 2017 NYC Rent Guidelines Board Mortgage Surveys

5. Retrospective of New York City's Housing Market, 1982-2017

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%	18,057 Ø	16,269 Ø
2017	4.3%	*	*

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 2017 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.

6. 2017 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 2016)

Points : __________

Terms: Current 5, 7 and 10 yr spreads over swap rates and note commitment fee amount:

____

____

____

____

Type: Fixed / Adjustable *(circle one)*

Special conditions: ______________________

____

1b. How many loans were made by your institution in 2016 for new permanent financing of *rent stabilized buildings?*

Number of loans: ____________________

2. How many loans did your institution **refinance** in 2016 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 ____________ (increase / decrease) of about _______ %.

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

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

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

____

____

____

____

2

II. Underwriting Criteria for Rent Stabilized Buildings

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

		N.A.
Maximum LTV:	______________	❑
Minimum DSCR or Debt Yield:	______________	❑

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 ________ (more / less) stringent approvals.

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

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

❑ ______________ (Increase / Decrease) monitoring requirements.

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

❑ 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 ________ %.

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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

4

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 2017 *Mortgage Survey Report*, which is scheduled to be released by the beginning of April.

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7. Rent Stabilized Building Sales Volume, Citywide and by Borough, and Percent Change, 2006-2016

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

*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, 2015-2016

	2015 Median Sale Price	2016 Median Sale Price	2015 # of Sales	2016 # of Sales	Change in Sales from 2015-16
Citywide					
All buildings*	$3,800,000	$4,500,000	1,361	1,167	-14.3%
6-10 units	$1,600,000	$1,748,205	581	458	-21.2%
11-19 units	$3,511,235	$3,831,250	213	192	-9.9%
20-99 units	$7,075,000	$8,250,000	532	475	-10.7%
100+ units	$32,650,562	$41,862,500	35	42	20.0%
Bronx					
All buildings*	$3,253,000	$3,562,500	262	234	-10.7%
6-10 units	$920,000	$1,050,000	60	59	-1.7%
11-19 units	$1,830,000	$2,152,274	31	40	29.0%
20-99 units	$4,907,500	$5,497,559	164	130	-20.7%
Brooklyn					
All buildings*	$2,500,000	$2,600,000	499	378	-24.2%
6-10 units	$1,542,500	$1,800,000	290	233	-19.7%
11-19 units	$2,840,700	$3,500,000	67	48	-28.4%
20-99 units	$9,000,000	$8,400,000	130	94	-27.7%
Manhattan					
All buildings*	$7,170,000	$8,000,000	438	407	-7.1%
6-10 units	$5,675,261	$5,050,000	117	86	-26.5%
11-19 units	$6,500,000	$6,270,000	100	89	-11.0%
20-99 units	$9,075,000	$9,850,000	211	205	-2.8%
Queens					
All buildings*	$1,642,500	$2,150,000	162	148	-8.6%
6-10 units	$1,387,500	$1,350,000	114	80	-29.8%
11-19 units	$2,735,000	$4,300,000	15	15	0.0%
20-99 units	$8,400,000	$11,813,642	27	46	70.4%

Note: Staten Island buildings, as well as all 100+ unit buildings by borough, 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