2020 Mortgage Survey Report

April 30, 2020

New York City Rent Guidelines Board

New York City Rent Guidelines Board

1 Centre Street, Suite 2210, New York, NY 10007 • 212-669-7480 • nyc.gov/rgb

New York City Rent Guidelines Board

2020 Mortgage Survey Report

What's New

- ☑ This study, published in April 2020, 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 economic ramifications of the pandemic.
- ☑ Average interest rates for new multifamily mortgages decreased 66 basis points, to 3.99%.
- ☑ Average service fees for new loans declined from 0.38 points last year to 0.22 this year, the lowest level ever recorded by this survey.
- ☑ Vacancy and collection losses decreased 0.42 percentage points, to 2.17%, the lowest level ever recorded by this survey.
- ☑ Average maximum loan-to-value ratios rose from 72.0% last year to 73.0% this year.
- ☑ A total of 650 buildings containing rent stabilized units were sold Citywide in 2019, a 27% decline 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 2019 calendar year as well as the first few months of 2020.

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

Overview

The Mortgage Survey this year revealed that both interest rates and service fees declined. In addition, collection losses continued to fall, reaching a record low; maximum loan-to-value ratios rose; and underwriting criteria improved for borrowers. Furthermore, our analysis of rent stabilized building sales data found that sales volume declined Citywide between 2018 and 2019.

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

Survey Respondents

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

Institutions holding deposits insured by the Federal Deposit Insurance Corporation (FDIC) supply details about their holdings on a quarterly basis, including their multifamily real estate holdings, which vary considerably among the respondents. Seven surveyed lenders report their multifamily real estate holdings to the FDIC, with values ranging between $112 million and $31.2 billion.[1] Four of this year's respondents reported multifamily holdings of over $4.2 billion, while

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

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

Maximum LTV - the maximum LTV ratio that a lender will consider when making a loan

Points - up-front fees charged by lenders as a direct cost to the borrowers; one point equals one percent of the principal amount of the loan

Term - the amount of time the borrower has to repay the loan two institutions held less than $320 million. The multifamily real estate portfolio of our survey respondents averaged $7.6 billion, up 48% from the prior year.

Mortgage Survey Analysis

Financing Availability and Terms

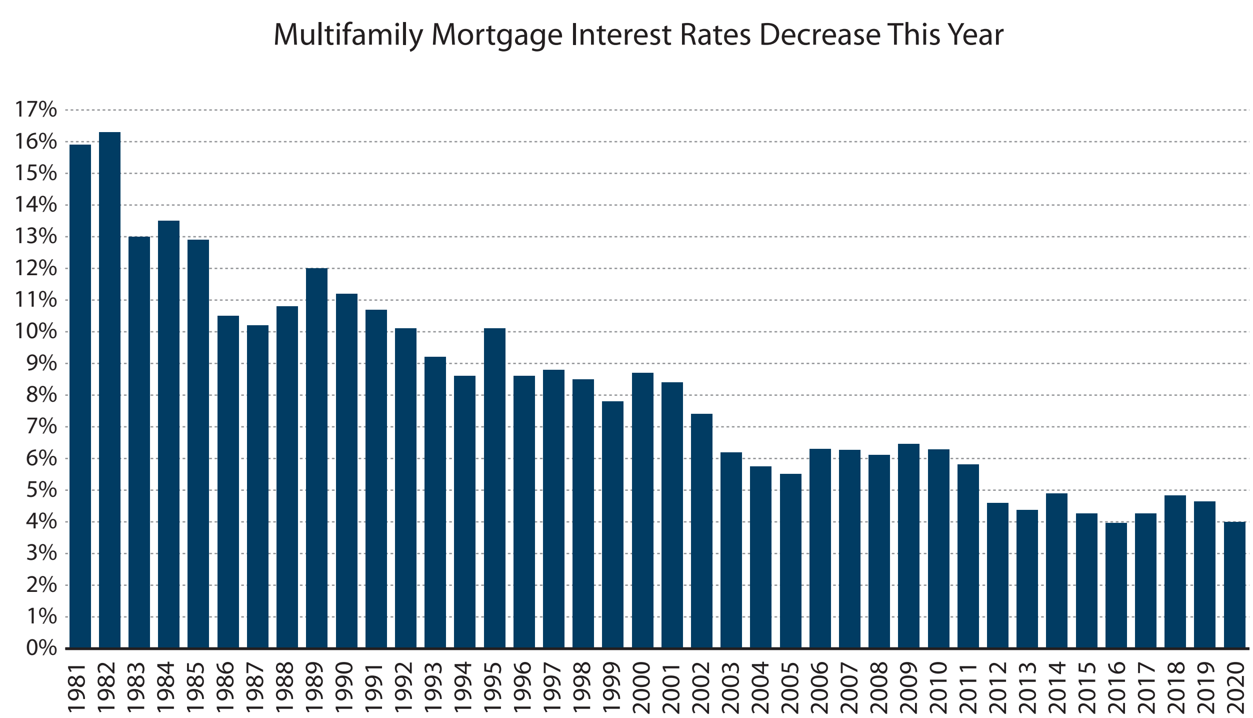
As of approximately February 2020, the average interest rate for new multifamily mortgages was 3.99%, a decline of 66 basis points (or 14%) from a year earlier, the second consecutive year it has declined (see graph on this page and Appendix 1). The five-year average interest rate was 4.34%. In addition, the average interest rate reported by lenders for the full 2019 calendar year was 4.12%, an identical 66 basis points (or 14%) increase from 2018.

Average interest rates decreased during the year among the institutions surveyed, corresponding with interest rate decreases by the Federal Reserve (The Fed) that began to be implemented in the summer of 2019. The Discount Rate — the interest rate at which depository institutions borrow from a Federal Reserve Bank — fell 25 basis points three times in 2019 (August, September and October). In addition, due to the economic crisis brought about by the COVID-19 pandemic, interest rates fell twice in March 2020, first by 50 basis points; subsequently by 150 basis points.

Similarly, the Federal Funds Rate — the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions — also declined three times in 2019 and twice in March 2020.[2] The Fed's cutting of interest rates is just one part of a full array of policies it is using to help combat the ongoing global economic crisis.[3]

Service fees charged for new loans this year fell to a record low. Among survey respondents, they ranged between zero and one, with six surveyed lenders charging no points on new loans. Lenders charged an average of 0.22 points on new loans, 16

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



Source: NYC Rent Guidelines Board, annual Mortgage Surveys

basis points (or 43%) lower than last year's 0.38 points. Average points reported in the survey have remained around or below one point for over two decades (see the graph on this 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, it is not possible to provide an average for the range of terms offered by institutions. Nonetheless, they remained similar to those offered in recent years. Mortgage terms reported by respondents fell within a wide 5- to 40-year range. This flexibility over recent years is in great contrast to terms reported in the surveys of the early- to mid-1990s, when close to half of respondents offered maximum loan maturities of just five years.

The average volume of new mortgage originations in our survey rose from 94 last year to 127 this year, a 35% increase. In addition, the average number of refinanced loans increased at a greater rate this year. This is up 98%, to 112 loans, up from 57 last year, and is likely spurred by declining interest rates.

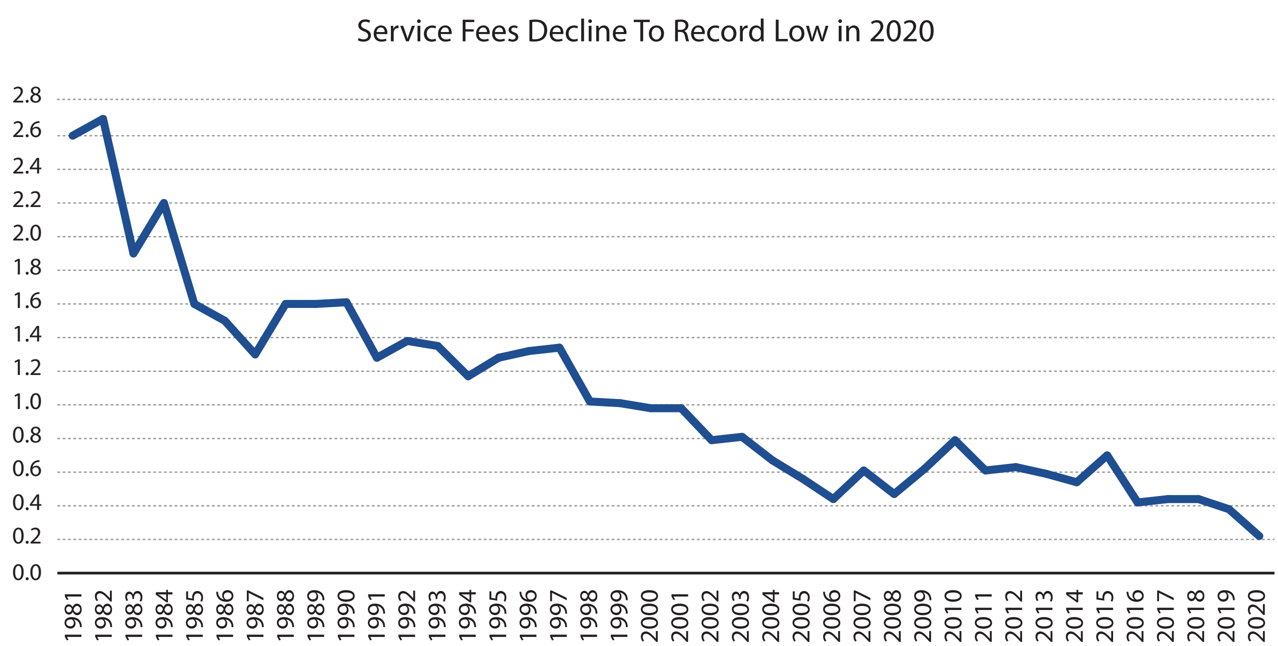
Underwriting Criteria

The survey asked lenders for their typical underwriting standards when approving new and refinanced mortgages to rent stabilized building owners. All lenders this year reported that lending standards were affected by passage of the Housing Stability & Tenant Protection Act of 2019, which limited the ways in which rent stabilized building owners may raise apartment rents, leading to more stringent underwriting criteria.

Among surveyed institutions, the typical maximum Loan-to-Value (LTV) ratio — the maximum amount respondents were willing to lend based on a building's value — ranged from 60% to 82.5%. This year's average, 73.0%, increased one percentage point from last year's 72.0% (see graph on next page).

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

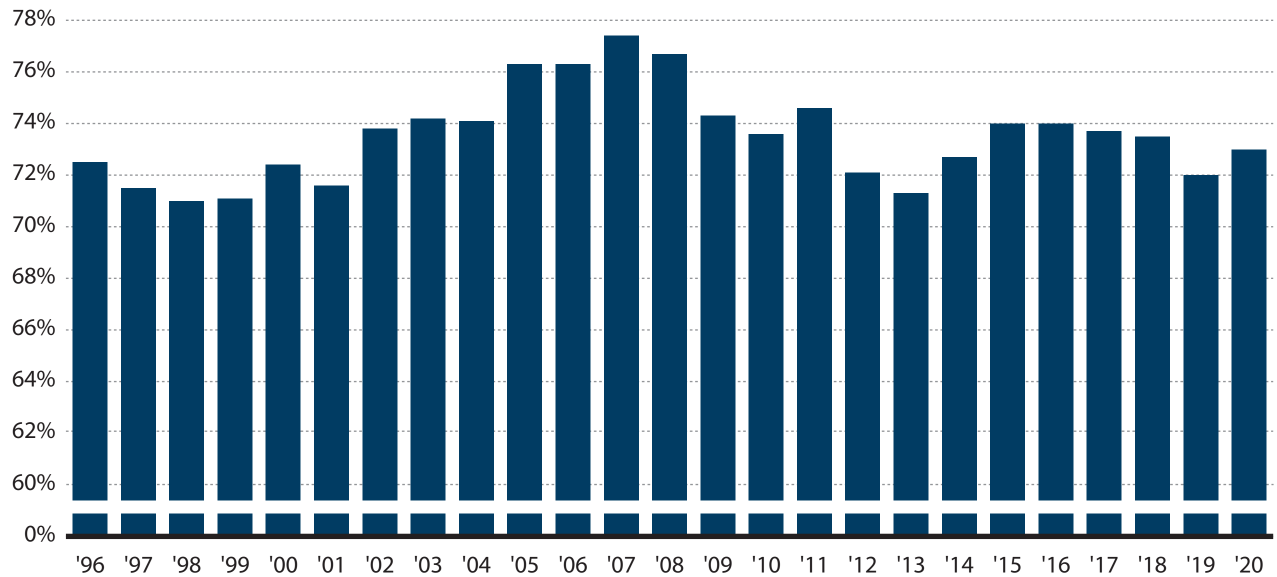
Service Fees for New Loans to Rent Stabilized Buildings, 1981-2020



Source: NYC Rent Guidelines Board, annual Mortgage Surveys

1996-2020 Average Loan-to-Value Standards

Maximum Loan-to-Value Ratios Increase



Source: NYC Rent Guidelines Board, annual Mortgage Surveys

the debt service) remained unchanged, with an average debt service requirement of 1.21 in both years. Because the average DSCR remained 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 ratios at all institutions ranged between 1.15 and 1.30, and all but three surveyed lenders reported that they adjusted their underwriting standards over the past year, most commonly by implementing more stringent approvals.

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

The survey asked lenders whether their lending standards differ for rent stabilized buildings versus non-stabilized multifamily properties. Respondents were asked whether their new financing rates; refinancing rates; loan-to-value ratios; and debt service coverage requirements for rent stabilized properties were higher, lower, or the same as for other properties. While the majority of lenders reported no difference, two lenders reported more beneficial LTV ratios and one lender reported more favorable refinancing rates for stabilized buildings in their portfolios. However, one lender also reported higher interest rates for stabilized buildings.

Non-Performing Loans & Foreclosures

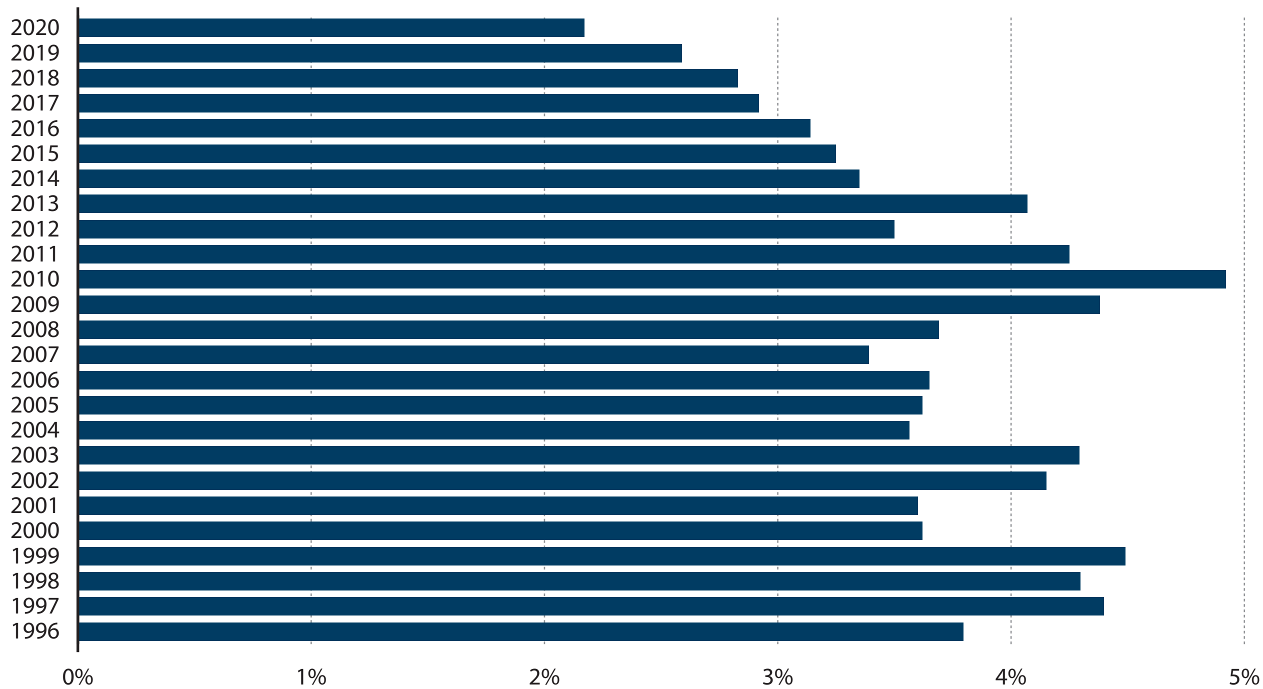
The number of lenders reporting that they had non-performing loans remained the same as last year, with two lenders reporting that less than 1% of their portfolios were non-performing. Also unchanged from last year, only one lender reported foreclosures this year, representing less than 0.5% of its portfolio.

Characteristics of Rent Stabilized Buildings

The size of buildings in surveyed lenders' portfolios varies widely. The average size of buildings in each

Average Vacancy and Collection Losses, 1996-2020

Vacancy and Collection Losses Decline To Record Low For Seventh Consecutive Year



Source: NYC Rent Guidelines Board, annual Mortgage Surveys

of the ten lenders' portfolios is evenly distributed among all building size groupings this year. Two lenders reported a typical building in their portfolios contains 1-10 units; another two report 11-19 units; a third pair report 20-49 units; another two report 50-99 units; and a final two report 100+ units.

Average vacancy and collection (V&C) losses decreased for the ninth time in the last ten years, down from 2.59% last year to 2.17% this year. This is the lowest level in the history of the *Mortgage Survey Report* (see graph on this page). Among all the lenders, reported V&C losses ranged from less than 1% to no more than 3%.

Average operating and maintenance (O&M) expenses and average rents among buildings in lenders' portfolios both grew this year. Estimated rent per unit per month rose 3%, to $1,529 this year, while estimated expenses rose 2%, to $744 this year (see Appendix 2). Because average rent increased more than average expenses, the average reported O&M cost-to-rent ratio fells from 49.0% last year to 48.7% this year.

The NYC Rent Guidelines Board, in our annual *Income and Expense (I&E) Study,* examines the average O&M cost-to-rent ratio as well.[4] However, its findings should not be compared to the cost-to-rent ratio reported in the *Mortgage Survey Report* because the sources are very different, and the data studied in each report are from different time periods. In the *2020 I&E Study,* which reported on data from calendar year 2018, the average O&M cost-to-rent ratio was 74.0%.[5]

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

Lenders are also 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. Every lender except one reported this year that buildings in their portfolio contain commercial space, though the average number varies depending on the lender. On average, lenders report that 41% of their portfolios have commercial space, compared to 25% 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 ratio; and O&M expenses. A majority of lenders reported that their expectations had been met or exceeded in all areas among their rent stabilized portfolio. Specifically, eight out of ten lenders said this year that their expectations were equaled or exceeded among all three categories, about the same as in the prior year.

Longitudinal Analysis

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

Similar to the main survey analysis, the longitudinal group saw interest rates fall. As of February 2020, interest rates were reported as 4.05%, down from 4.63% a year earlier (see Appendix 3).

Selected 2020 Mortgage Survey Data Compared to 2020 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	NF Points	RF Loan Volume	Max LTV Ratio	Debt Service Ratio	V&C Losses
2020 Mortgage Survey Data	3.99%	127	0.22	112	73.0%	1.21	2.17%
2020 Longitudinal Data	4.05%	137	0.24	118	72.8%	1.19	2.38%

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, average points offered by lenders also declined from last year, from 0.35 to 0.24 this year.

Underwriting Criteria and Loan Performance

Compared to the main mortgage survey analysis, underwriting criteria and loan performance was similar among the longitudinal group. The average maximum loan-to-value (LTV) ratio rose, increasing among the longitudinal group from 72.5% last year to 72.8% this year. The average debt service ratio declined slightly, from 1.21 last year to 1.19 this year. And vacancy and collection (V&C) losses among the longitudinal group declined, falling from 2.50% last year to 2.38% this year (see Appendix 4).

Examining delinquencies among the longitudinal group, two lenders reported non-performing loans, the same as last year. And only one lender reported foreclosures this year, the same as the previous year. See the table on the previous page for data comparisons between the main survey and longitudinal analyses.

Sales Data Analysis

The NYC Department of Finance collects and provides public property sales information. Utilizing this data, this report examines sales of buildings containing rent stabilized units from 2019, and compares them with the prior year. Rent stabilized properties are identified by matching buildings that are registered with NYS Homes and Community Renewal (HCR); have not converted to co-op/condo; and have sold for at least $1,000.

Building Sales Volume

In 2019, 650 buildings containing rent stabilized units were sold in New York City, a 27% decline from the prior year. Every borough saw sales volume decrease, though by varying degrees. Sales fell the most in the Bronx, down 48%; followed by Brooklyn, down 22%; and Manhattan, down 21%. Sales fell the least in Queens, falling 17%. (As in prior years, Staten Island was not included in this analysis because there were too few sales of buildings containing rent stabilized units to meaningfully measure change from year-to-year.)[6] See the table on this page for a numerical breakdown in the change in the number of buildings sold in each borough and Citywide.

Since passage last June of the Housing Stability & Tenant Protection Act of 2019, the decline in building sales has accelerated. Citywide, there was a 37% decline in the number of buildings sold during the second half of 2019, compared to the second half of 2018. By borough, there were 58% fewer sales in the Bronx; 42% fewer in Manhattan; 28% fewer in Brooklyn; and 8% fewer in Queens.

Among buildings containing 6-10 residential units, sales volume for the entirety of 2019 was down 19% Citywide from the prior year. The change in volume varied widely by borough. Sales among 6-10 unit buildings declined the most in the Bronx, falling 47%; followed by Brooklyn, down 16%; Queens, down 15%; and Manhattan, down 14%.

Sales volume among 11-19 unit buildings in 2019 also decreased Citywide, down 8%. However, sales did increase in one borough, Brooklyn, rising 10%. In the remaining boroughs, sales fell the most in Manhattan, down 11%; and fell 3% in the Bronx.

Comparison of Building Sales in 2018 vs. 2019

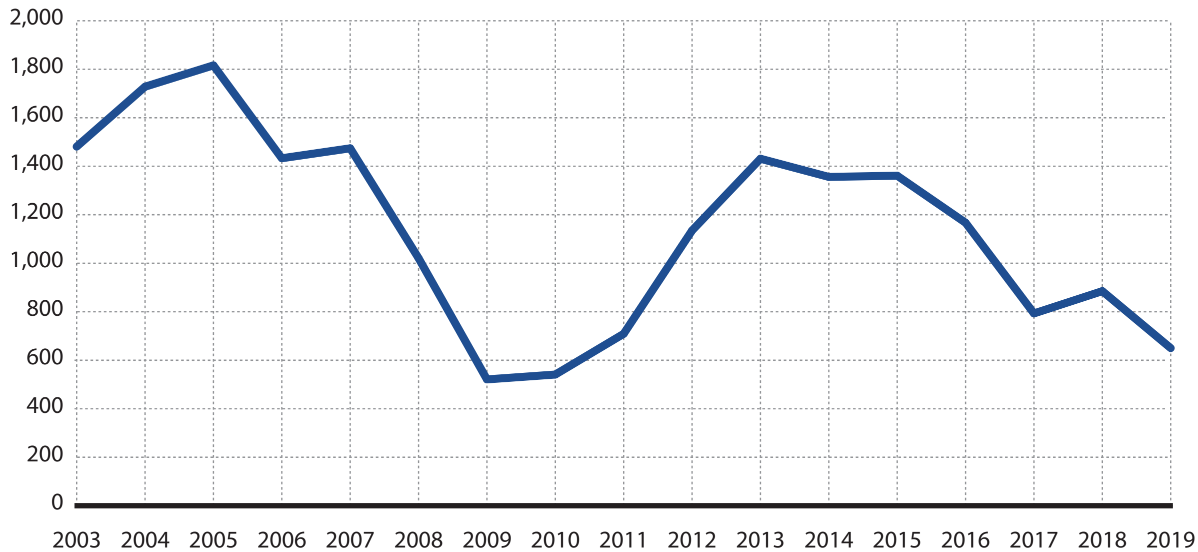
Sales Volume Change Varies by Borough

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

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

Rent Stabilized Building Sales, 2003-2019

Citywide Building Sales Fell From Prior Year



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

They also fell in Queens, declining 40%.

Among 20-99 unit buildings, sales volume also decreased in 2019 Citywide, falling 44%. By borough, sales of 20-99 unit buildings fell the most in the Bronx, down 63%; followed by Brooklyn, down 46%; Manhattan, down 33%; and Queens, down 4%.

Among the largest buildings, which contain 100 or more units, sales volume in 2019 Citywide remained unchange at 22 buildings from the prior year. However, we do not analyze year-to-year changes in sales by borough among the largest building category because of the comparatively small number of buildings sold. However, these buildings sales are included in the totals by borough and Citywide.[7]

Over the 17-year period for which we have data, Citywide sales were at their peak in 2005, with 1,816 buildings sold, and at their lowest in 2009, with 521 sold. However, the number of buildings sold declined in four of the last six years, including this past year's 27% decline. See the graph on this page and Appendix 7 for annual sales volume Citywide.

Building Sales Prices

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

Examining sales for all sizes of buildings, the median Citywide sales price was $4.2 million in 2019. The highest median sales price was in Manhattan ($9.6 million); followed by the Bronx ($4.5 million); Brooklyn ($2.4 million); and Queens ($2.1 million).

Examining the smallest buildings (containing 6-10 residential units), the median sales price Citywide was $2.0 million. By borough, prices were highest in Manhattan, at $6.9 million; followed by Queens, at $1.7 million; Brooklyn, at $1.6 million; and the Bronx, at $1.3 million.

Among 11-19 unit buildings, the median Citywide price was $4.9 million. By borough, prices were highest in Manhattan, at $9.3 million; followed by the Bronx, at $3.7 million; and Brooklyn, at $3.6

million. (There were too few 11-19 unit building sales in Queens to analyze.)

Buildings with 20-99 units sold Citywide at a median price of $9.0 million. By borough, these buildings sold for the most in Manhattan, at a median price of $12.2 million; followed by Queens, at $11.8 million; Brooklyn, at $8.0 million; and the Bronx, at $6.2 million.

Among the largest buildings, which contain 100 or more units, buildings Citywide sold for a median price of $36.6 million. However, as previously mentioned, too few buildings containing 100 or more residential units were sold to accurately report borough building prices by borough. See Appendix 8 for a breakdown of median sales prices in each borough among different sized buildings.

Summary

This study, published in April 2020, 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 economic ramifications of the pandemic.

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

Endnotes

1. Federal Deposit Insurance Corporation (FDIC) website: https://fdic.gov.
2. Federal Reserve Board website: https://www.federalreserve.gov/monetarypolicy/openmarket.htm and https://www.frbdiscountwindow.org.
3. "Fed Deployed Entire Arsenal Over Weekend," by Neil Irwin, New York Times. March 17, 2020.
4. The per unit, per month O&M expense and rent figures reported in the Mortgage Survey reflect a very small, non-random sample of the City's regulated stock and are included for informational purposes only. The rent and expense figures in the NYC Rent Guidelines Board's *Income and Expense Study* are derived from a substantially larger number of stabilized buildings and can be viewed as more authoritative.
5. The O&M cost-to-rent ratio from the *2020 Mortgage Survey* reflects estimates by lenders of expenses and rents for rent stabilized buildings as of approximately February 2020. The average ratio is calculated from just six respondents. By comparison, the latest available O&M cost-to-rent ratio from the *Income and Expense (I&E) Study*, in which average rent was $1,397 and average unaudited cost was $1,034, reflects rents and expenses reported by owners for calendar year 2018. Average monthly costs per unit in the Mortgage Survey this year are lower than those reported in the *I&E Study*. This is due to differences in the two data sources: Lenders' estimated average of buildings in their 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).
6. The data reflect sales of buildings that had been registered with the New York State Homes and Community Renewal (HCR) as containing at least one rent stabilized unit in 2017, the most recent year for which comprehensive registration records were available. It excludes those buildings where the sales price was listed as less than $1,000. It also excludes those buildings listed as co-ops/condos. Furthermore, all of Staten Island is excluded from all analyses due to the small number of eligible buildings sold.
7. All 100+ unit building borough categories are excluded due to the small number of buildings sold. However, while these categories are not discussed, these buildings are included in the overall statistics and analyses.

Appendices

1. Mortgage Interest Rates and Terms, 2020

Lending Institution	Interest Rates	Points	Term	Type	New Volume	Refin Volume
5	3.50%	0.38	Ω	both	5	5
28	4.50%	0.00	NR	fixed	400	300
30	4.55%	0.50	Ω	both	3	34
35	3.75%	0.00	Ω	both	22	17
107	3.50%	0.00	Ω	both	574	411
117	3.38%	0.00	160 months	both	200	275
297	3.50%	0.00	NR	fixed	40	60
301	3.00%	0.30	Ω	both	2	0
401	5.50%	0.00	Ω	fixed	22	13
402	4.75%	1.00	15 years	both	2	3
AVERAGE	**3.99%**	**0.22**	**†**	**†**	**127**	**112**

† No average computed **NR** no response **BPS** Basis Points

Ω #5 = 1.50% above prime rate (5 yr), 1.65% above prime (7 yr), 1.80% above prime (10 yr)
#30 = Loans are mixed between fixed, floating & hybrid. Floating at roughly LIBOR + 325 - 350
#35 = 15 year balloon adjusts in years 5 & 10 #107 = 5 and 7 year fixed w/ 5 year option
#301 = 5 year-1.30% above prime rate; 7 year-1.40% above prime; 10 year-1.40% above prime
#401 = 30-40 years; commitment fee: 75-100 BPS

Notes: Averages for interest rates and points are calculated by using the midpoint when a range of values is given by the lending institution. Lending institution numbers reflect anonymized lenders

Source: 2020 NYC Rent Guidelines Board Mortgage Survey

2. Typical Lending Portfolio Characteristics of Rent Stabilized Buildings, 2020

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	68%	NR	3.0%	100+	$720	$1,600
28	80%	1.20	0.5%	11-19	$475	$1,200
30	80%	1.20	NR	11-19	NR	NR
35	65%	1.20	3.0%	1-10	$450	$1,100
107	75%	1.20	0.5%	50-99	NR	$1,750
117	75%	1.25	3.0%	20-49	$850	$1,800
297	75%	1.30	0.5%	20-49	$1,300	$1,300
301	60%	NR	3.0%	50-99	NR	$2,100
401	83%	1.15	3.0%	100+	$670	$1,381
402	70%	1.15	3.0%	1-10	NR	NR
AVERAGE	**73.0%**	**1.21**	**2.17%**	**†**	**$744**	**$1,529**

NR no response † 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. Lending institution numbers reflect anonymized lenders

Source: 2020 NYC Rent Guidelines Board Mortgage Survey

3. Interest Rates and Terms for New Financing, Longitudinal Study, 2019-2020

	Interest Rates		Points		Term		Type	
Lending Inst.	2020	2019	2020	2019	2020	2019	2020	2019
5	3.50%	4.20%	0.38	0.50	Ω	◆	both	fixed
28	4.50%	4.28%	0.00	NR	NR	◆	fixed	both
30	4.55%	4.50%	0.50	1.00	Ω	◆	both	fixed
35	3.75%	4.75%	0.00	0.00	Ω	25 year amort	both	both
107	3.50%	4.75%	0.00	0.00	Ω	◆	both	both
117	3.38%	4.13%	0.00	0.00	160 months	◆	both	both
301	3.00%	4.10%	0.30	0.30	Ω	NR	both	fixed
401	5.50%	5.50%	0.00	0.00	Ω	◆	fixed	fixed
402	4.75%	5.50%	1.00	1.00	15 years	10 years	both	fixed
AVERAGE	**4.05%**	**4.63%**	**0.24**	**0.35**	**†**	**†**	**†**	**†**

NR no response   **†** No average computed   **BPS** Basis Points

Ω #5 = 1.50% above prime rate (5 yr), 1.65% above prime (7 yr), 1.80% above prime (10 yr)
#30 = Loans are mixed between fixed, floating & hybrid. Floating at roughly LIBOR + 325 - 350
#35 = 15 year balloon adjusts in years 5 & 10   #107 = 5 and 7 year fixed w/ 5 year option
#301 = 5 year-1.30% above prime rate; 7 year-1.40% above prime; 10 year-1.40% above prime
#401 = 30-40 years; commitment fee: 75-100 BPS

◆ #5 = 1.5-1.75% over swaps   #28 = 7-yr 230 bps; 10-yr 225 bps   #30 = Commitment fee of 1%
#35 = 25 year amortization   #107 = 5 and 7 year fixed w/ 5 year option   #117 = 1.25% - 1.55% at par
#301 = 5 yr-1.30 bps; 7 yr-1.40 bps; 10 yr-1.50 bps   #401 = 30-40 years; commitment fee: 75-100 bps

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

Source: 2019 and 2020 NYC Rent Guidelines Board Mortgage Surveys

4. Lending Standards and Vacancy & Collection Losses, Longitudinal Study, 2019-2020

	Max Loan-to-Value		Debt Service Coverage		Vacancy & Collection Losses	
Lending Inst.	2020	2019	2020	2019	2020	2019
5	67.5%	65.0%	NR	1.20	3.0%	3.0%
28	80.0%	80.0%	1.20	1.25	0.5%	3.0%
30	80.0%	80.0%	1.20	1.20	NR	4.0%
35	65.0%	65.0%	1.20	1.20	3.0%	3.0%
107	75.0%	75.0%	1.20	1.20	0.5%	0.5%
117	75.0%	75.0%	1.25	1.20	3.0%	2.0%
301	60.0%	60.0%	NR	NR	3.0%	3.0%
401	82.5%	82.6%	1.15	1.15	3.0%	3.0%
402	70.0%	70.0%	1.15	1.25	3.0%	1.0%
AVERAGE	**72.8%**	**72.5%**	**1.19**	**1.21**	**2.38%**	**2.50%**

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. Lending institution numbers reflect anonymized lenders

Source: 2019 and 2020 NYC Rent Guidelines Board Mortgage Surveys

5. Retrospective of New York City's Housing Market, 1982-2020

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 ∞	7,649
1983	13.0%	17,249 ∞	11,795
1984	13.5%	15,961	11,566
1985	12.9%	25,504	20,332
1986	10.5%	15,298	9,782
1987	10.2%	18,659	13,764
1988	10.8%	13,486	9,897
1989	12.0%	13,896	11,546
1990	11.2%	9,076	6,858
1991	10.7%	6,406	4,699
1992	10.1%	5,694	3,882
1993	9.2%	7,314	5,173
1994	8.6%	6,553	4,010
1995	10.1%	7,296	5,135
1996	8.6%	11,457	8,652
1997	8.8%	11,619	8,987
1998	8.5%	13,532	10,387
1999	7.8%	15,326	12,421
2000	8.7%	18,077	15,050
2001	8.4%	19,636	16,856
2002	7.4%	21,423	18,500
2003	6.2%	23,778	21,218
2004	5.8%	27,695	25,208
2005	5.5%	33,606	31,599
2006	6.3%	32,609	30,927
2007	6.3%	34,514	31,902
2008	6.1%	34,715	33,911
2009	6.5%	6,665	6,057
2010	6.3%	7,406	6,727
2011	5.8%	10,326	8,936
2012	4.6%	11,170	10,334
2013	4.4%	18,963	17,995
2014	4.9%	21,580	20,428
2015	4.3%	57,559	56,183
2016	4.0%	18,116	16,280
2017	4.3%	23,911	22,101
2018	4.8%	23,021	20,910
2019	4.7%	28,574	26,547
2020	4.0%	✦	✦

∞ Prior to 1984, Bergen Co., NJ permit figures are included.
✦ Permit data for 2020 will be available in next year's *Mortgage Survey Report*.

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

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

6. 2020 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) ________ % (2019 average)

Points : ________

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

Type: Fixed / Adjustable / Both *(circle one)*

Special conditions: ________

1b. How many loans were made by your institution in 2019 for new permanent financing of *rent stabilized buildings?*

Number of loans: ________

2. How many loans did your institution **refinance** in 2019 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.
LTV: Maximum: ________ Average: ________	❑
DSCR or Debt Yield: Minimum: ________ Average: ________	❑

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 ________ %.

3

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 all that apply)*

❑ 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
LTV 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. How have revisions to the **Rent Laws** in 2019 impacted your lending terms, underwriting criteria, volume, etc.?

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. 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 2020 *Mortgage Survey Report*, which is scheduled to be released in Spring 2020.

The information collected in this survey will be used for statistical purposes only by the Rent Guidelines Board (RGB). The RGB shall maintain the confidentiality of information identifying the source of the data provided to the RGB to the extent permitted by law.

5

7. Rent Stabilized Building Sales Volume, Citywide and by Borough, and Percent Change, 2007-2019

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Citywide*	**1,474**	**1,021**	**521**	**541**	**709**	**1,135**	**1,431**	**1,356**	**1,361**	**1,167**	**793**	**885**	**650**
% Change from Prior Yr	**-**	***-30.7%***	***-49.0%***	***3.8%***	***31.1%***	***60.1%***	***26.1%***	***-5.2%***	***0.4%***	***-14.3%***	***-32.0%***	***11.6%***	***-26.6%***
Bronx	319	171	100	131	130	204	245	302	262	234	156	195	102
% Change from Prior Yr	-	*-46.4%*	*-41.5%*	*31.0%*	*-0.8%*	*56.9%*	*20.1%*	*23.3%*	*-13.2%*	*-10.7%*	*-33.3%*	*25.0%*	*-47.7%*
Brooklyn	520	426	199	185	258	396	472	494	499	378	292	281	220
% Change from Prior Yr	-	*-18.1%*	*-53.3%*	*-7.0%*	*39.5%*	*53.5%*	*19.2%*	*4.7%*	*1.0%*	*-24.2%*	*-22.8%*	*-3.8%*	*-21.7%*
Manhattan	470	243	146	144	225	419	466	393	438	407	233	289	228
% Change from Prior Yr	-	*-48.3%*	*-39.9%*	*-1.4%*	*56.3%*	*86.2%*	*11.2%*	*-15.7%*	*11.5%*	*-7.1%*	*-42.8%*	*24.0%*	*-21.1%*
Queens	165	181	76	81	96	116	248	167	162	148	112	120	100
% Change from Prior Yr	-	*9.7%*	*-58.0%*	*6.6%*	*18.5%*	*20.8%*	*113.8%*	*-32.7%*	*-3.0%*	*-8.6%*	*-24.3%*	*7.1%*	*-16.7%*

*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, 2018-2019

	2018 Median Sale Price	2019 Median Sale Price	2018 # of Sales	2019 # of Sales	Change in Sales from 2018-19
Citywide					
All buildings*	$4,380,000	$4,237,500	885	650	-26.6%
6-10 units	$2,087,500	$2,000,000	382	310	-18.8%
11-19 units	$5,100,000	$4,925,000	137	126	-8.0%
20-99 units	$8,314,452	$8,975,000	344	192	-44.2%
100+ units	$78,850,000	$36,545,000	22	22	0%
Bronx					
All buildings*	$4,550,000	$4,510,000	195	102	-47.7%
6-10 units	$1,400,000	$1,293,833	47	25	-46.8%
11-19 units	$2,577,000	$3,680,000	30	29	-3.3%
20-99 units	$6,365,198	$6,218,000	116	43	-62.9%
Brooklyn					
All buildings*	$3,016,379	$2,437,500	281	220	-21.7%
6-10 units	$2,000,000	$1,600,000	165	139	-15.8%
11-19 units	$3,654,095	$3,594,247	30	33	10.0%
20-99 units	$9,300,000	$8,000,000	83	45	-45.8%
Manhattan					
All buildings*	$7,200,000	$9,628,482	289	228	-21.1%
6-10 units	$3,800,000	$6,900,000	96	83	-13.5%
11-19 units	$7,250,000	$9,250,000	62	55	-11.3%
20-99 units	$10,012,500	$12,200,000	122	82	-32.8%
Queens					
All buildings*	$2,125,000	$2,135,000	120	100	-16.7%
6-10 units	$1,599,000	$1,725,000	74	63	-14.9%
11-19 units	$4,750,000	-	15	9	-40.0%
20-99 units	$8,725,000	$11,825,000	23	22	-4.3%

Note: All Staten Island buildings; Queens 11-19 unit buildings (2019 sale price only); and all 100+ unit buildings in individual boroughs, are excluded due to the small number of buildings sold.

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

Source: NYC Department of Finance