



# MULTIFAMILY FINANCE



**MULTIFAMILY NW**  
The Association Promoting Quality Rental Housing

FALL 2023 APARTMENT REPORT LUNCHEON

**Matt Illias**

Senior Managing Director, Partner



# STATE OF THE MARKET

What does it all mean?



FIRST REPUBLIC BANK  
It's a privilege to serve you<sup>SM</sup>



**Fed Funds Rate**  
0.25% to 5.50%

**10-Year Treasury**  
1.49% | Jan 2022  
4.85% | Oct 2023

**GLOBAL  
CONFLICT**



# CAPITAL MARKETS REVIEW

Interest Rates	Up 250 - 350 bps.
Leverage	Generally capped at 60% LTV (or less).
Credit Box	Increased scrutiny by banks, credit union, life companies, agencies. What are net effective rents in Portland? Higher Debt Yields requirements and stressed exit cap rates for construction and bridge.
Market Velocity	Slow down in construction and sales. Cash-IN Refinances lead to Extend and Pretend.
Gap Financing	Preferred Equity, Mezz Debt, PACE financing, Ground Leases are larger piece of puzzle.
Equity	The goal posts keep moving. We're now seeing requirement for Yield on Cost at or greater than 7%.

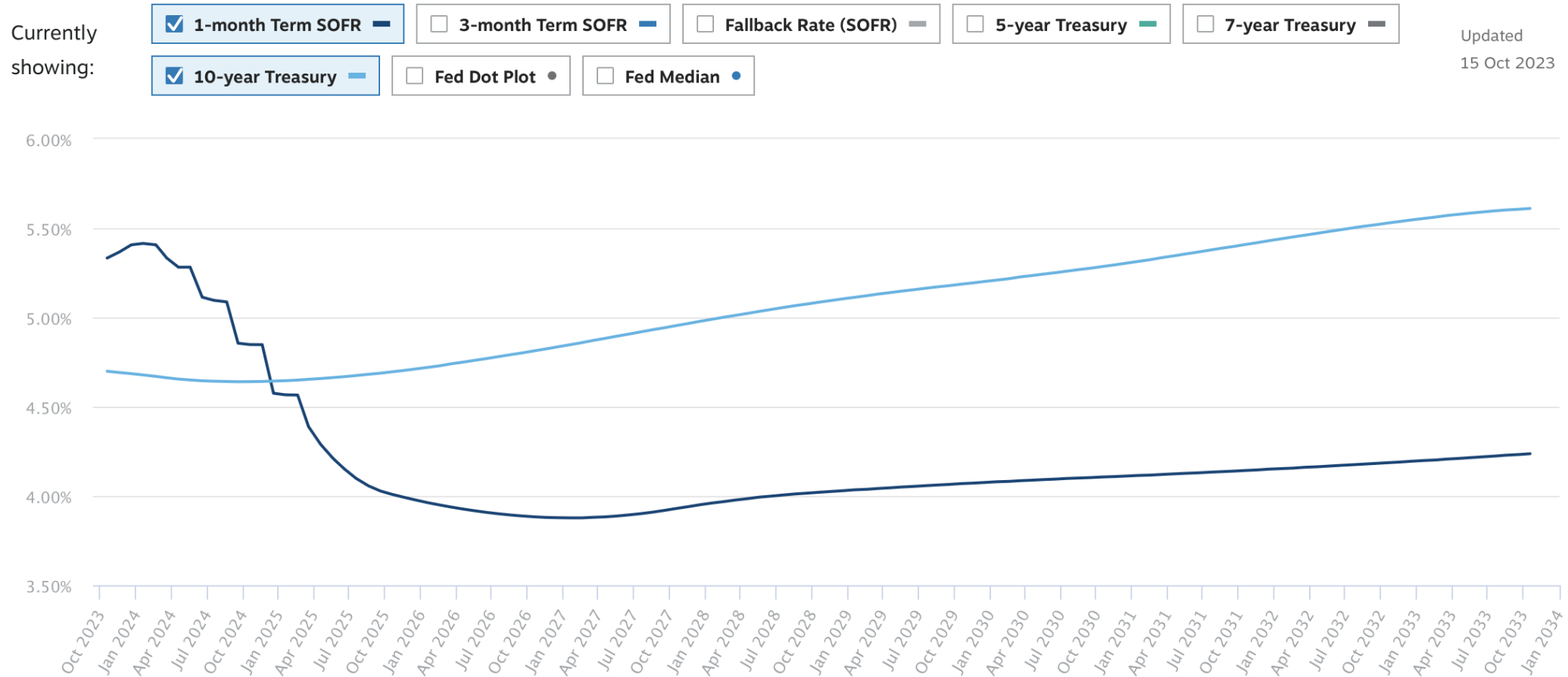


# THE "NEW LOOK" INTEREST RATES

Permanent Debt Financing	10-Year Fixed Term <ul style="list-style-type: none"><li>• Bank/Credit Union: 6.75% to 7.25%</li><li>• Life Company: 6.50% to 6.75%</li><li>• HUD: 6.50% plus MIP</li><li>• CMBS: 7.50% to 7.75%</li></ul>
Construction Financing	Floating: SOFR plus 275-550bps Fixed: 6.75% to 11.00%
Short Term Bridge Financing	Floating: SOFR plus 335-550bps Fixed: 7.50% to 11.00%
Pref Equity / Mezz Stabilized	12% to 15%
Pref Equity / Mezz Construction & Bridge	14% to 18%



# LOOKING FORWARD



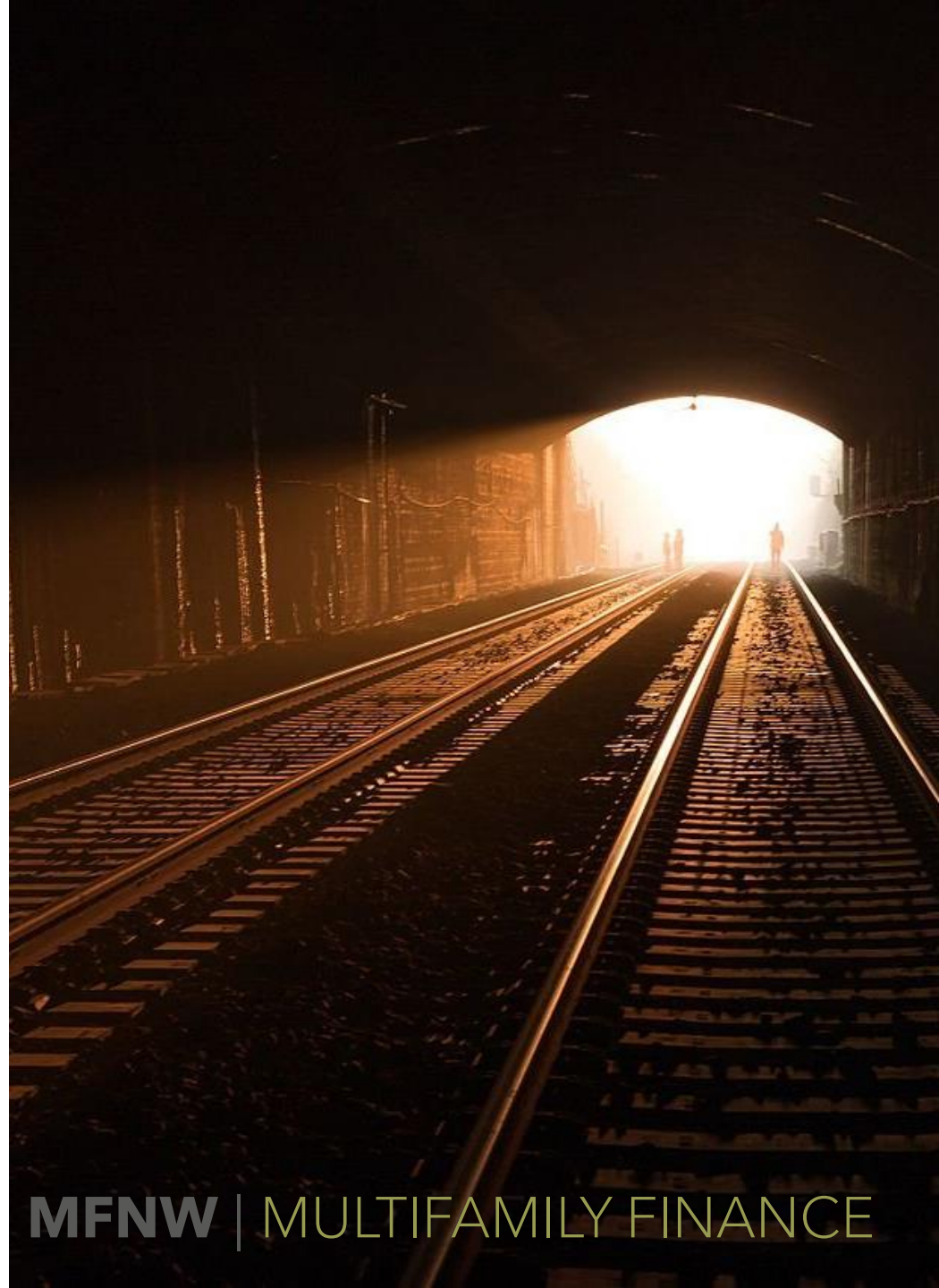
\*Source: Chatham



# LIGHT AT THE END OF THE TUNNEL?

*(Hopefully not a train)*

- Renter pool will continue to grow
  - Home Mortgage: \$3,276  
*(\$425,000 at 8.50% / 30-year amort)*
  - Market Rent: \$1,599  
*(All asset quality - Portland)*
- Cap Rate Compression? Lenders increasing allocation to multifamily and industrial.
- Election Year? Will the Fed get pressured to change policy as a result of the election?
- Construction starts and deliveries are slowing. Will demand outstrip supply once again in 2024.





**DANIEL NATSCH**

daniel@ecacre.com  
(503) 705-3774

**MATT ILLIAS**

matt@ecacre.com  
(503) 544-5970

**MICK STAPLETON**

mick@ecacre.com  
(503) 593-7667