



**KEEPING CLIENTS AND INVESTORS
AHEAD OF THE CURVE.**



**Sabal Capital Partners
Multifamily NW**

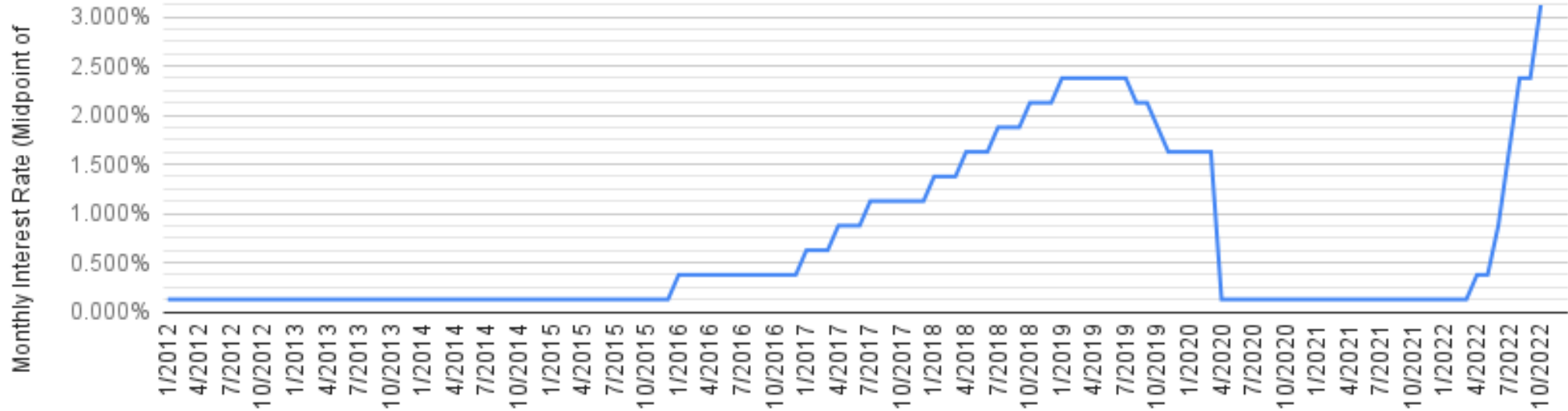
Oct 2022

What the Fed is going on?



Tiktok – influencer Robert Ross with account tik.stocks

Federal Funds Target Rate



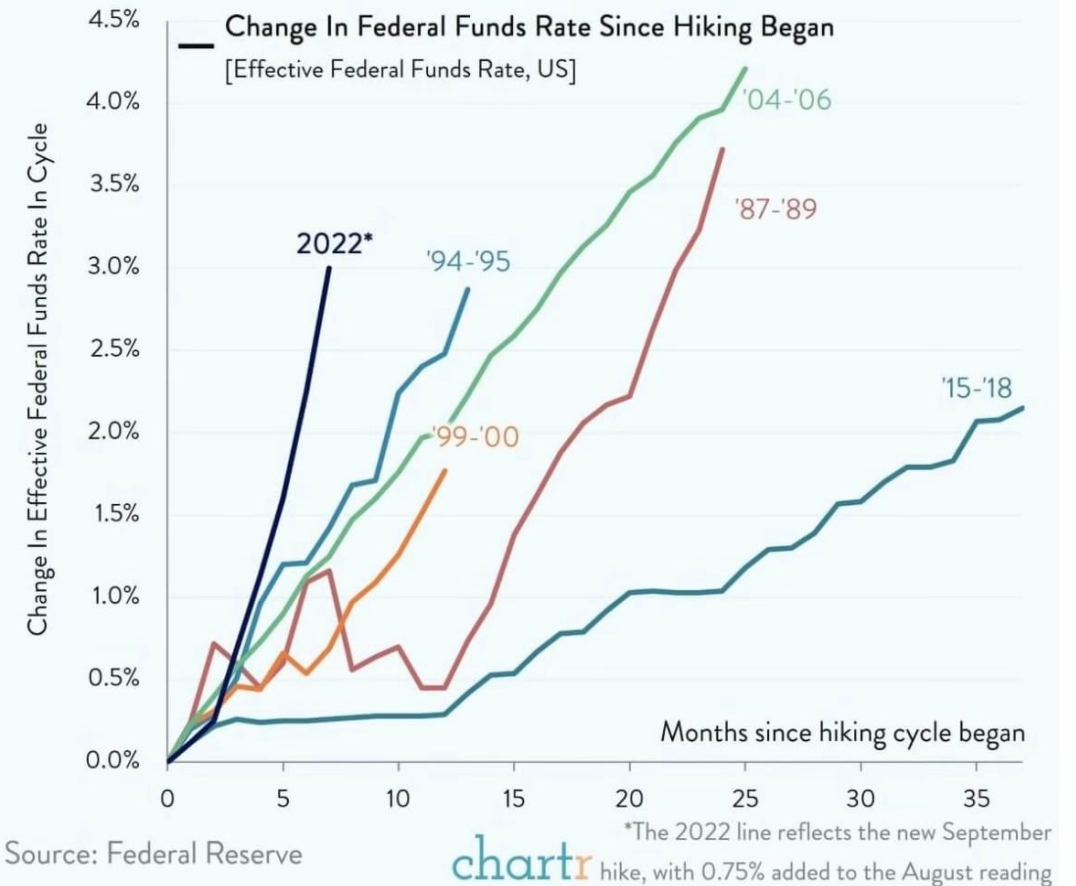
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Jan-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	0.50%-0.75%	1.25%-1.50%	2.25%-2.50%	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%																																		
Feb-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	0.50%-0.75%	1.25%-1.50%	2.25%-2.50%	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%																																		
Mar-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	0.50%-0.75%	1.25%-1.50%	2.25%-2.50%	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%																																		
Apr-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	0.75%-1.00%	1.50%-1.75%	2.25%-2.50%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%																																		
May-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	0.75%-1.00%	1.50%-1.75%	2.25%-2.50%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%																																		
Jun-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	0.75%-1.00%	1.50%-1.75%	2.25%-2.50%	0.00%-0.25%	0.00%-0.25%	0.75%-1.00%																																		
Jul-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	1.00%-1.25%	1.75%-2.00%	2.25%-2.50%	0.00%-0.25%	0.00%-0.25%	1.50%-1.75%																																		
Aug-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	1.00%-1.25%	1.75%-2.00%	2.00%-2.25%	0.00%-0.25%	0.00%-0.25%	2.25%-2.50%																																		
Sep-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	1.00%-1.25%	1.75%-2.00%	2.00%-2.25%	0.00%-0.25%	0.00%-0.25%	2.25%-2.50%																																		
Oct-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	1.00%-1.25%	2.00%-2.25%	1.75%-2.00%	0.00%-0.25%	0.00%-0.25%	3.00%-3.25%																																		
Nov-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	1.00%-1.25%	2.00%-2.25%	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%																																			
Dec-1	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0.25%-0.50%	1.00%-1.25%	2.00%-2.25%	1.50%-1.75%	0.00%-0.25%	0.00%-0.25%																																			

Federal Funds rate as of September 2022 meeting set at 3.00% to 3.25%

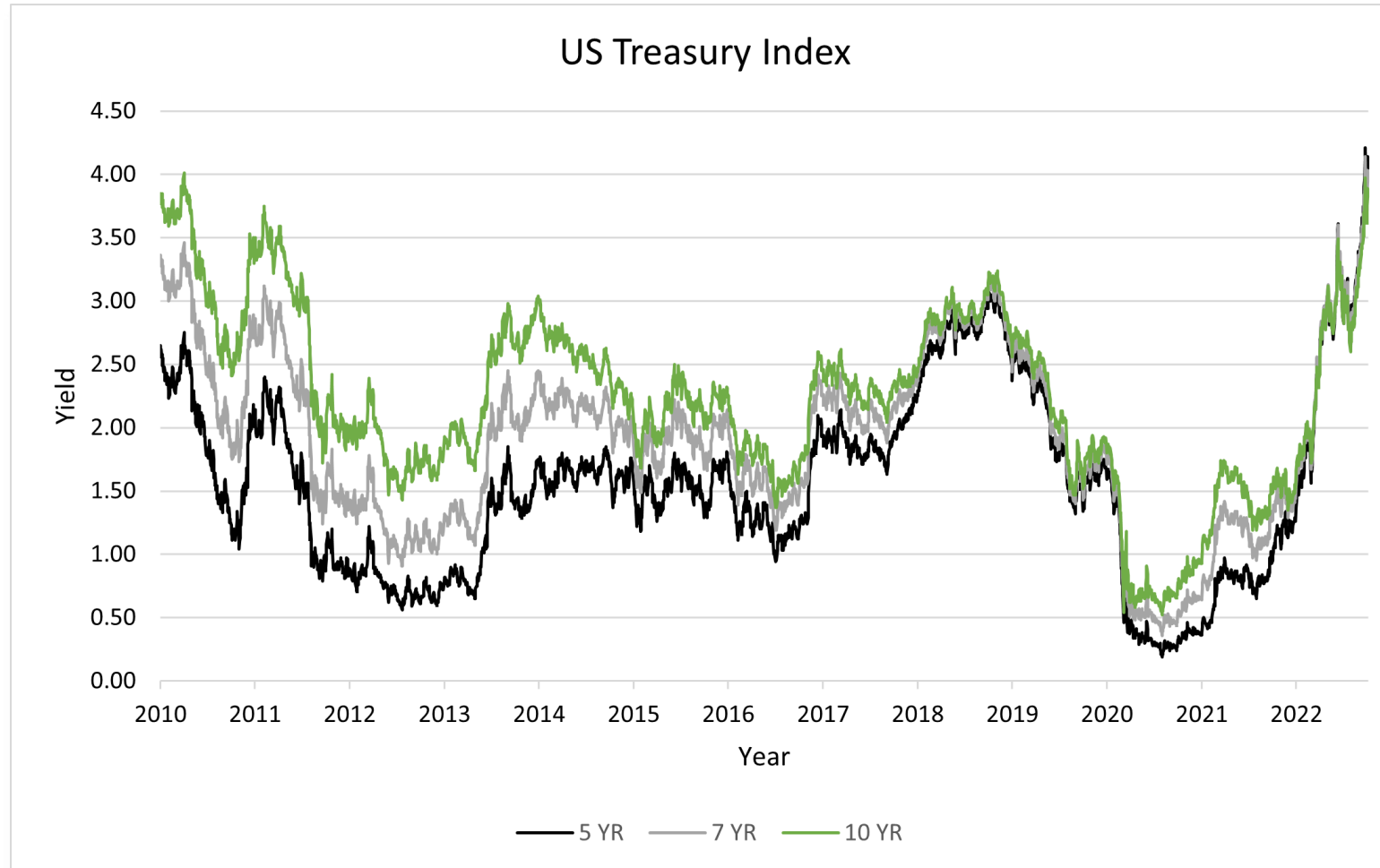
2022 Rate Hikes

- March 17th + 25 BPS
- May 5th + 50 bps
- June 16th + 75 bps
- July 27th + 75 bps
- Sept. 21st + 75 bps
- Nov. 2nd ??
- Dec. 14th ??

The Fed Is Hiking Further & Faster Than Any Time In Modern History



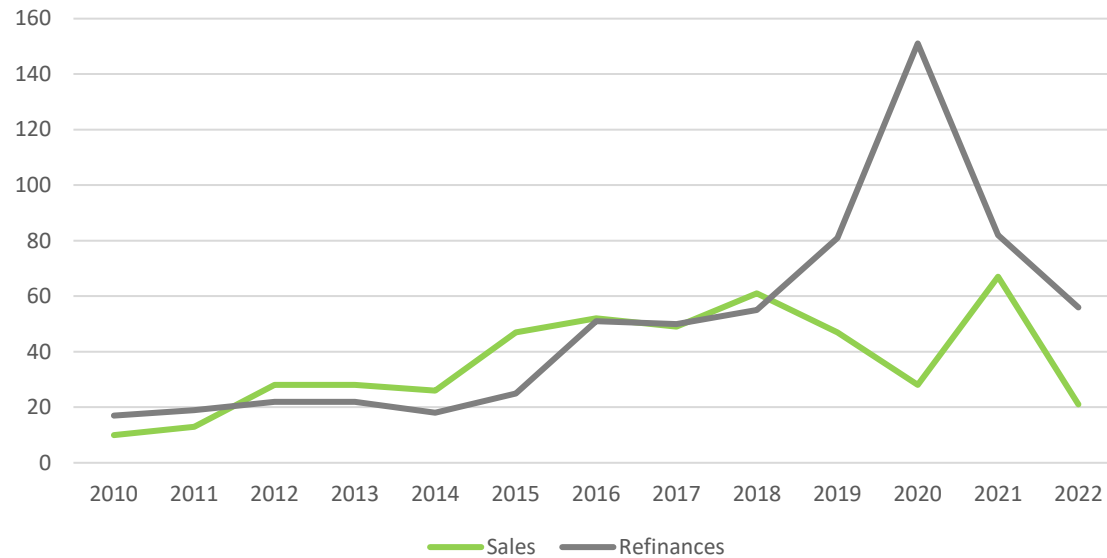
Treasury PAR Yield Curve Rates



*As of 10/14/22 – 10-year treasury yield of 4.02%

Historic volume (Refi vs. Acquisition)

Total Sales/Refinances Volume of Transactions (Portland Metro)

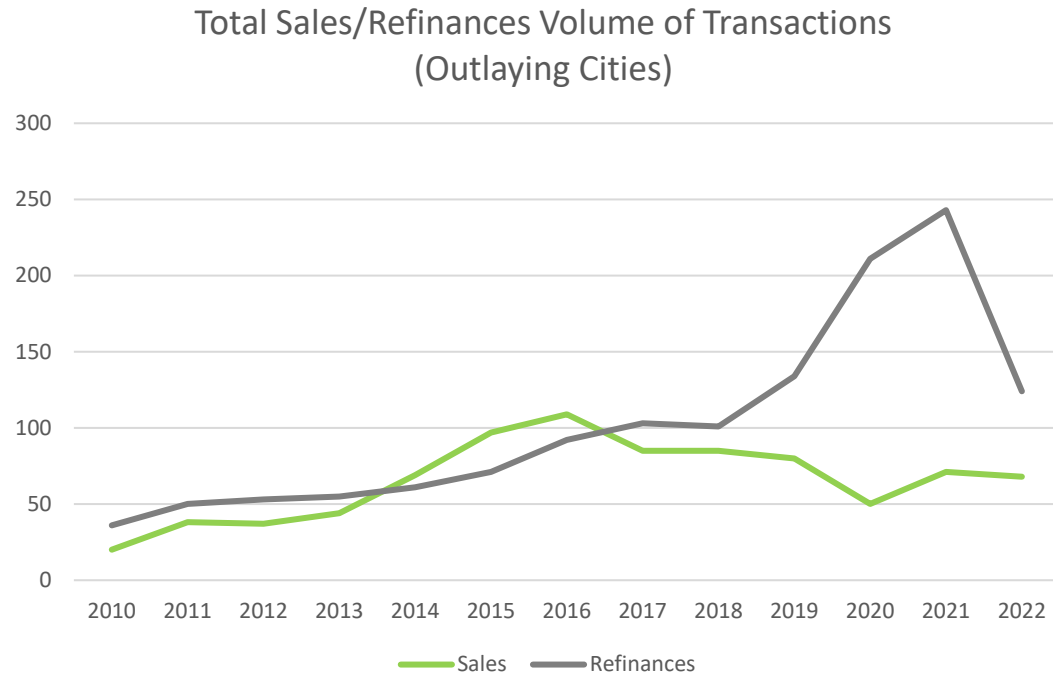


Total Sales/Refinances (Portland)

	Sales	Refinances	Total
2010	10	17	27
2011	13	19	32
2012	28	22	50
2013	28	22	50
2014	26	18	44
2015	47	25	72
2016	52	51	103
2017	49	50	99
2018	61	55	116
2019	47	81	128
2020	28	151	179
2021	67	82	149
2022	21	56	77
Average	37	50	87
Avg. 2017-21	45	85	130

Source – Real Capital Analytics, 5+ units, greater than \$1 million

Historic volume (Refi vs. Acquisition)



Total Sales/Refinances (Outlying Cities)

	Sales	Refinances	Total
2010	20	36	56
2011	38	50	88
2012	37	53	90
2013	44	55	99
2014	69	61	130
2015	97	71	168
2016	109	92	201
2017	85	103	188
2018	85	101	186
2019	80	134	214
2020	50	211	261
2021	71	243	314
2022	68	124	192
Average	66	103	168
Avg. 2017-21	71	134	214

Source – Real Capital Analytics, 5+ units, greater than \$1 million

Historic volume (Refi vs. Acquisition)

Transaction Volume (Portland)								
		Sales	Sales (units)	Sales (Proceeds)		Refinances	Refinances (units)	Refinances (Proceeds)
2020	Q1	15	549	\$111,990,000		31	1322	Not Available
2020	Q2	5	302	\$130,975,000		67	2089	Not Available
2020	Q3	7	320	\$70,785,000		12	705	Not Available
2020	Q4	1	21	\$3,110,000		41	983	\$102,454,000
Total		28	1192	\$316,860,000		151	5099	\$102,454,000
2021	Q1	9	476	\$120,600,000		27	1505	\$174,270,000
2021	Q2	13	784	\$245,896,000		23	1581	\$263,810,000
2021	Q3	24	1543	\$408,958,000		17	1433	\$169,649,000
2021	Q4	21	1068	\$323,835,000		15	2164	\$348,336,000
Total		67	3871	\$1,099,289,000		82	6683	\$956,065,000
2022	Q1	9	526	\$143,605,000		28	1141	\$172,209,000
2022	Q2	9	486	\$152,135,000		24	1549	\$273,278,000
2022	Q3	3	99	\$24,303,000		3	200	\$35,150,000
2022	Q4	0	0	\$0		1	117	\$17,500,000
Total		21	1111	\$320,043,000		56	3007	\$498,137,000

Source – Real Capital Analytics, 5+ units, loan amount greater than \$1 million

Historic volume (Refi vs. Acquisition)

Transaction Volume (Outlying Cities)								
		Sales	Sales (units)	Sales (Proceeds)		Refinances	Refinances (units)	Refinances (Proceeds)
2020	Q1	19	2290	\$471,270,000		38	5193	Not Available
2020	Q2	17	1087	\$159,371,000		81	4124	Not Available
2020	Q3	10	551	\$62,206,000		43	5271	Not Available
2020	Q4	4	586	\$141,280,000		49	5163	\$620,113,000
Total		50	4514	\$834,127,000		211	19751	\$620,113,000
2021	Q1	11	622	\$110,975,000		91	3815	\$554,606,000
2021	Q2	14	1434	\$365,149,000		46	5029	\$555,302,000
2021	Q3	22	2264	\$536,861,000		55	5318	\$648,539,000
2021	Q4	24	2349	\$585,293,000		51	6000	\$648,084,000
Total		71	6669	\$1,598,278,000		243	20162	\$2,406,531,000
2022	Q1	19	1770	\$418,249,000		54	4528	\$429,653,000
2022	Q2	23	1921	\$378,349,000		62	6891	\$781,973,000
2022	Q3	16	636	\$139,703,000		8	1097	\$57,698,000
2022	Q4	10	767	\$96,622,000		0	0	\$0
Total		68	5094	\$1,032,923,000		124	12516	\$1,269,324,000

Source – Real Capital Analytics, 5+ units, loan amount greater than \$1 million

Fannie & Freddie Volumes

Fannie Mae Multifamily New Business Activity

Multifamily Monthly New Business Volumes¹

\$ in billions (rounded)

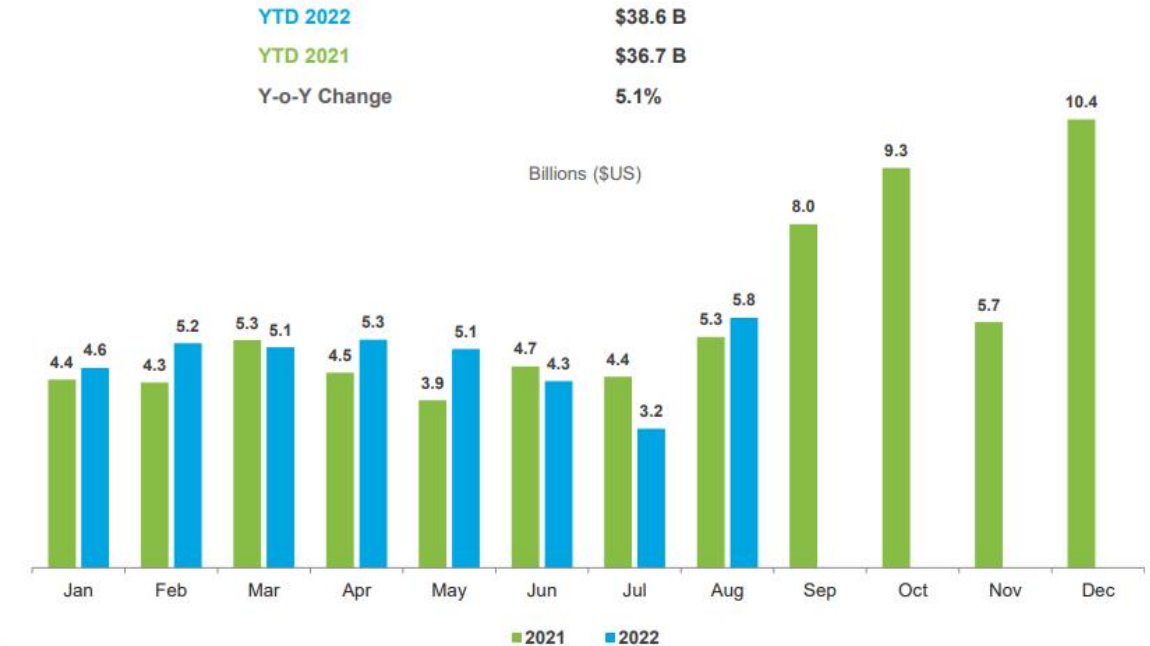
Month	2022	2021
January	8.5	10.0
February	3.7	6.2
March	3.8	5.3
April	6.3	4.0
May	5.0	2.9
June	7.4	4.0
July	4.5	5.2
August	4.9	3.8
September	6.5	7.3
September YTD²	50.6	48.8
October		8.3
November		8.2
December		4.2
Total²	50.6	69.5

¹Reflects unpaid principal balance of multifamily Fannie Mae MBS issued (excluding portfolio securitizations), multifamily loans purchased, and credit enhancements provided during the period.

²Numbers may not foot due to rounding.



Freddie Mac Multifamily New Business Activity



Notes:

- Numbers represent Freddie Mac's total new business loan purchases.
- This chart does not include Freddie Mac Multifamily LIHTC Equity Investments. Approximately \$0.5B was invested in 2018, \$0.5B in 2019, \$0.5B in 2020, \$674M in 2021 and approximately \$406.6M in 2022.

What this means?

	Total	Per unit	%
Rental Income	\$ 701,040	\$14,307	
Durable Other Income	\$ 31,425	\$641	
Non-Durable Other Income	\$ 5,259	\$107	
Commercial Income	\$ -	\$0	
Effective Gross Income	\$ 737,724	\$15,056	
RE Taxes	\$ 62,480	\$1,221	8.47%
Insurance	\$ 24,037	\$347	3.26%
Utilities	\$ 71,708	\$1,463	9.72%
R&M (Incl Trash & Turnover)	\$ 58,800	\$1,200	7.97%
Grounds	\$ 13,680	\$237	1.85%
Property Mgmt	\$ 36,886	\$602	5.00%
Payroll (Incl Emp Apt, Security)	\$ 33,122	\$676	4.49%
G&A (Incl Adv, Legal, Model)	\$ 12,240	\$230	1.66%
Misc Expense	\$ -	\$0	0.00%
Reserves	\$ 12,250	\$250	1.66%
Total Expenses	\$ 325,203	\$6,227	44.08%
NOI	\$ 412,521	\$8,829	55.92%
Rate	3.60%		
DCR	1.20		
PMT	\$28,647.27		
Loan Proceeds Rounded	\$6,300,000		
Purchase Price	\$8,400,000		
Leverage	75%		

Rate	4.00%
DCR	1.20
PMT	\$28,647.27
Loan Proceeds	\$6,000,000
Purchase Price	\$8,400,000
Leverage	71%

Rate	5.00%
DCR	1.20
PMT	\$28,647.27
Loan Proceeds	\$5,340,000
Purchase Price	\$8,400,000
Leverage	64%

Rate	6.00%
DCR	1.20
PMT	\$28,647.27
Loan Proceeds	\$4,780,000
Purchase Price	\$8,400,000
Leverage	57%



The “New” Normal

What to expect (short term) -

- Fed is overcorrecting
- Only activity will be out of necessity (maturity, construction take-out, bridge, etc.)
- Sharp slowdown in refinance activity and moderate slowdown in transaction activity until Fed stops rate hikes
 - Lower leverage - deals will continue to trade
 - Higher leverage deals might be in jeopardy
- Interest rates will peak by year end, start to settle 2023
- Rates go back to historical norms in 2023 – 6% range

Forecast

There is a storm coming, prepare accordingly.

How to prepare –

- Know your loan documentation
 - Is the loan assumable, secondary liens, prepays, etc.
 - Interest only options becomes more appealing
 - Soft prepayment or non prepayment penalties
 - Stay on touch with lenders / lending sources
-
- Silver lining – With increase in rates, yield maintenance & defeasance prepayment penalties decrease

“No storm lasts forever, difficult times too get over after a while. Weather the storm; it’s sunny on the other side.” – Latika Tedtia

Lending Sources (Feedback)

Agency (Fannie, Freddie, HUD, etc.)

- 30 & 35 year amortization
- Non-recourse
- 5, 7 & 10 year terms
- Leverage 60% to 65%
- DSCR – 1.20 to 1.25
- Interest Only available, 1 to 5 years, full term with lower leverage
- YM Prepayment penalties, stepdown is available for increased interest rate
- Early rate locks available (Freddie SBL, Fannie SERL, Treasury locks, etc.)

Banks & Credit Unions

- 30 Year amortization
- Typically full recourse (non-recourse available at lower leverage)
- 5, 7 year terms
- Leverage 60% to 65%
- DSCR – 1.20 to 1.25
- Interest Only available, 1 to 5 years
- Stepdown prepayment penalties, no prepay with some CU's
- Lock rate at application (hold 60 days)
- Requiring deposits

Life Companies

- 25 & 30 year amortization
- Non-recourse
- 5, 10, 15 and 20 year terms
- Leverage 55 to 65%
- Usually debt yield constrained 7% to 8%
- DSCR – 1.20 to 1.40
- Interest Only available, 3 to 10 years

CMBS

- 30 year amortization
- Non-recourse
- 5 & 10 year terms
- Leverage 55 to 65%
- Usually debt yield constrained 7% to 8%
- DSCR – 1.20 to 1.40
- Interest Only available, 3 to 10 years

Permanent Financing - Sabal/Freddie Mac SBL Lending (April 2022)

• Collateral / Loan Summary

- Location: Portland, OR
- Loan Purpose: Acquisition
- Physical Occupancy: 94%
- The borrower was under contract to purchase this property in February 2022. We were able to secure 75% Loan to Value at a very competitive rate.



• Key Loan Terms

- Loan Term: 20 Years
- Fixed Period: 10 Years
- Amortization: 30 Years
- IO Period: 3 Year
- LTV: 75%
- Amortization DSCR: 1.20x
- **Initial Fixed Rate: 3.60%**
- Non-recourse

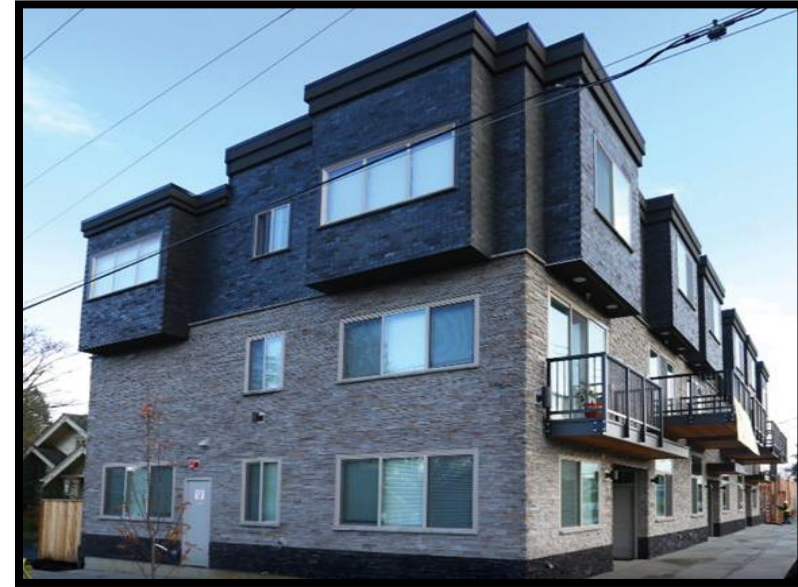
• Deal Highlights

- 75% Loan to Value

Permanent Financing - Sabal/Freddie Mac SBL Lending (April 2022)

• Collateral / Loan Summary

- Loan Purpose: Refinance
- Year Built: 2016
- Physical Occupancy: 100%
- Long term owner. We were able to secure a rate and term full term interest only loan with a competitive rate.



• Key Loan Terms

- Loan Term: 20 Years
- Fixed Period: 10 Years
- Amortization: 30 Years
- IO Period: 10 Year
- LTV: 60%
- Amortization DSCR: 1.45x
- **Initial Fixed Rate: 3.53%**
- Non-recourse

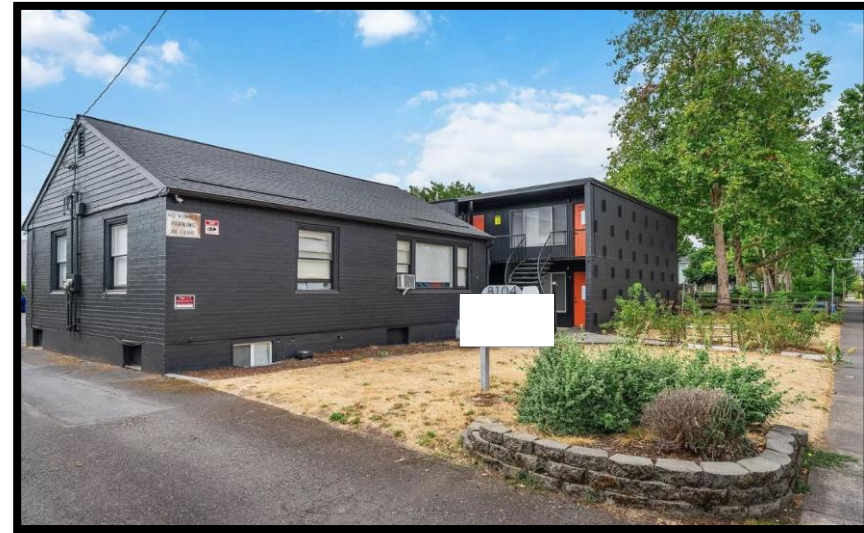
• Deal Highlights

- Full Term Interest Only (10 Years)

Permanent Financing - Sabal/Freddie Mac SBL Lending (Under Application)

• Collateral / Loan Summary

- Loan Purpose: Refinance
- Year Built: 1964
- Physical Occupancy: 94%
- The borrower purchased the property in November 2020 and has since invested over \$200,000 in Capital Expenditures. We are retiring the existing debt as well as give the borrower some cash-out to payoff their partnership.



• Key Loan Terms

- Loan Term: 20 Years
- Fixed Period: 5 Years
- Amortization: 30 Years
- IO Period: 1 Year
- LTV: 67.8%
- Amortization DSCR: 1.25x
- **Initial Fixed Rate: 4.79%**
- Non-recourse

• Deal Highlights

- Non-Stabilized T-12

Permanent Financing - Sabal/Freddie Mac SBL Lending (July 2021)

• Collateral / Loan Summary

- Loan Purpose: Refinance
- Year Built: 2021
- Physical Occupancy: 100%
- Newly constructed asset built by our sponsor. We were able to retire construction debt and secure our lowest rate ever on a refinance at 75% LTV.



• Key Loan Terms

- Loan Term: 20 Years
- Fixed Period: 5 Years
- Amortization: 30 Years
- LTV: 75%
- Amortization DSCR: 1.30x
- **Initial Fixed Rate: 2.78%**
- Non-recourse

• Deal Highlights

- Interest rate of 2.78%
- 75% LTV

Contact

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