

# “Frothy” Multifamily Debt Markets? How to Survive and Thrive

## MBA CREF/MF 2006 CONVENTION PANEL

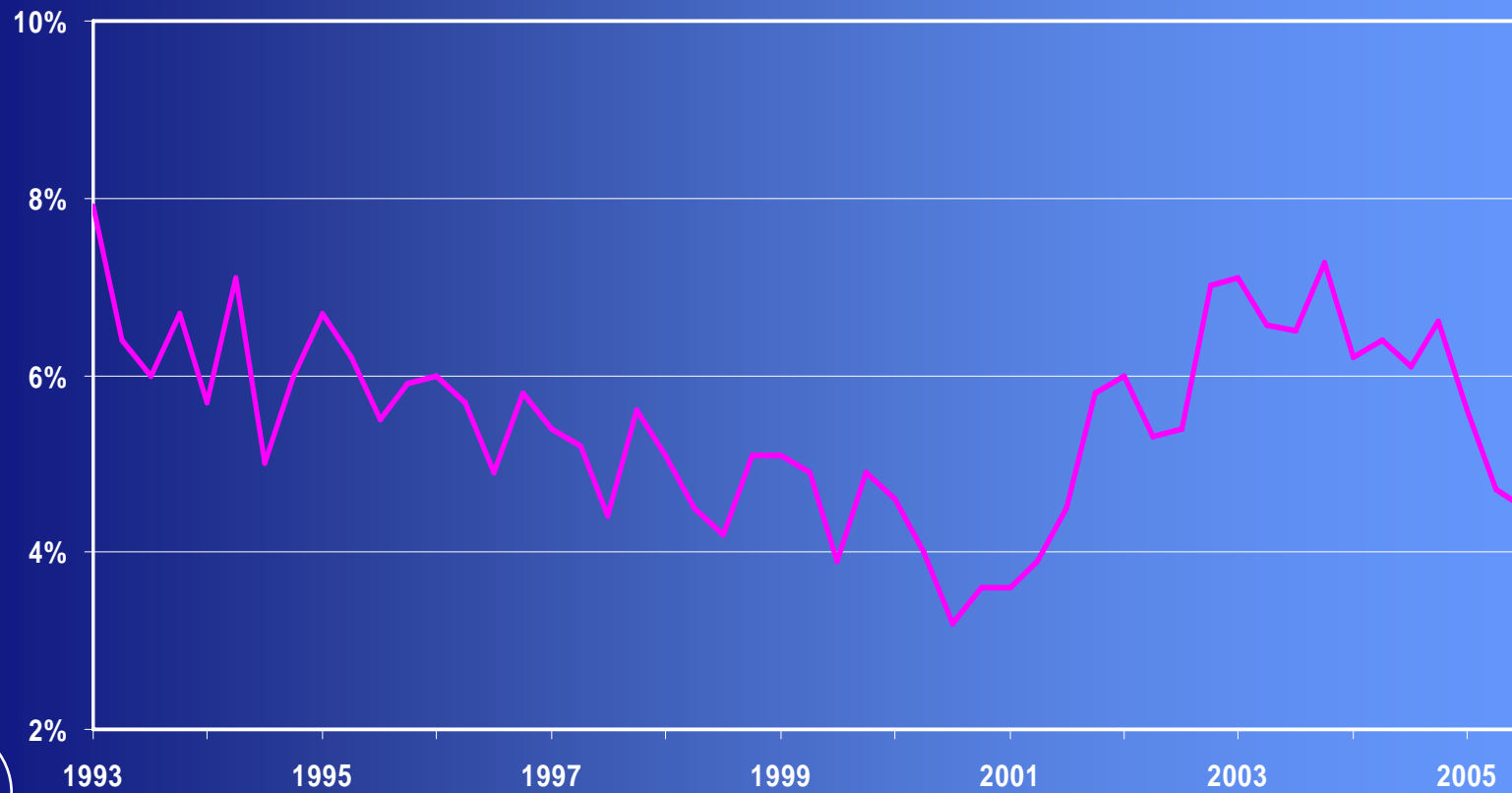
Tuesday, February 7, 2006  
10:45 a.m. – 12:15 p.m.  
Orlando, FL

*Moderator: Shekar Narasimhan, Beekman Advisors*

*Panelists: Adrian Corbiere, Freddie Mac  
Richard Lawch, Fannie Mae  
Kieran Quinn, Column Financial  
David Twardock, Prudential Mortgage Capital Company  
Chris Wheeler, formerly Gables Residential*

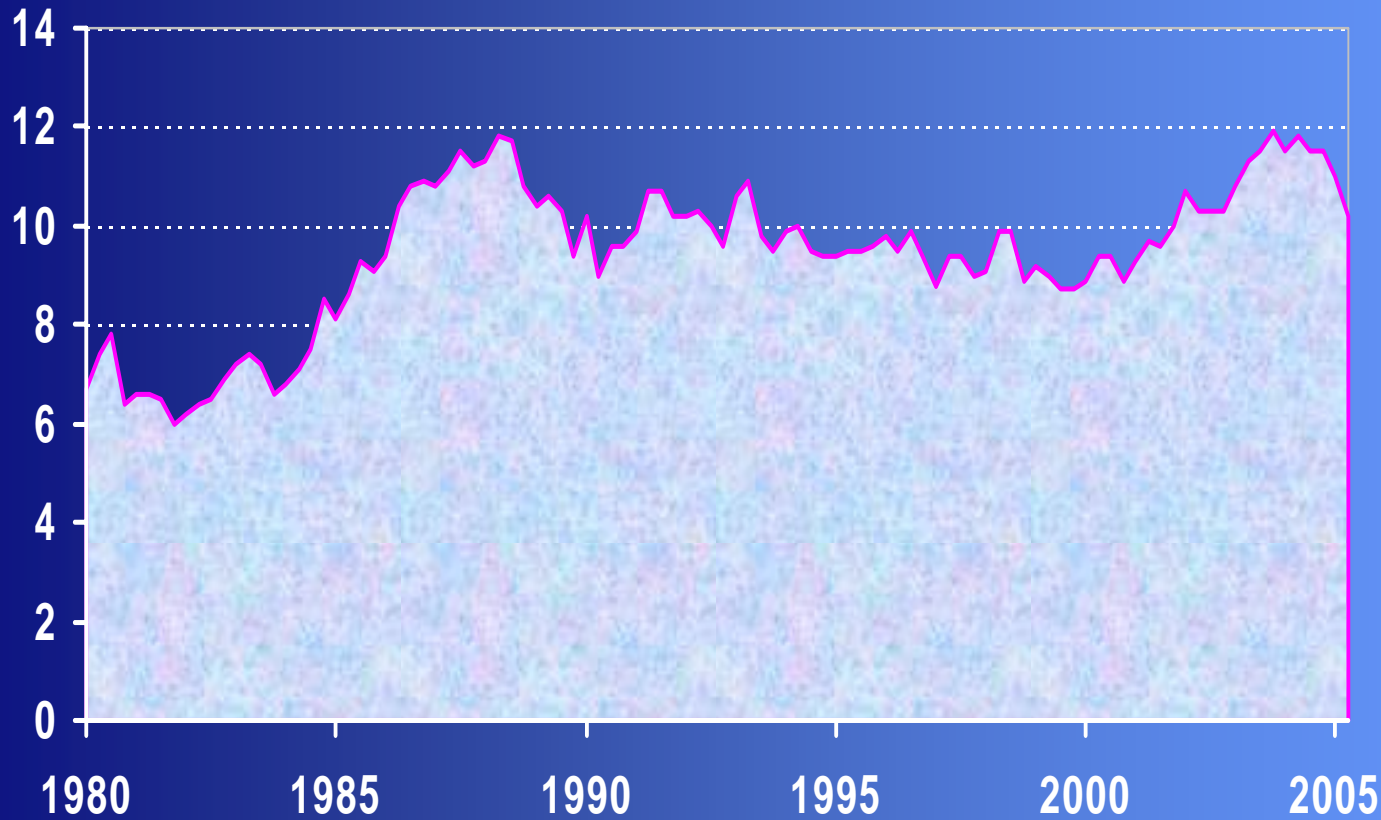
# Vacancy rates for institutional apartments

Vacancy Rate



Source: M/PF Yieldstar.

# Vacancy Rates Broader Market



2004Q1	11.5
2004Q2	11.8
2004Q3	11.5
2004Q4	11.5
2005Q1	11.0
2005Q2	10.2
2005Q3	9.9
2005Q4	??

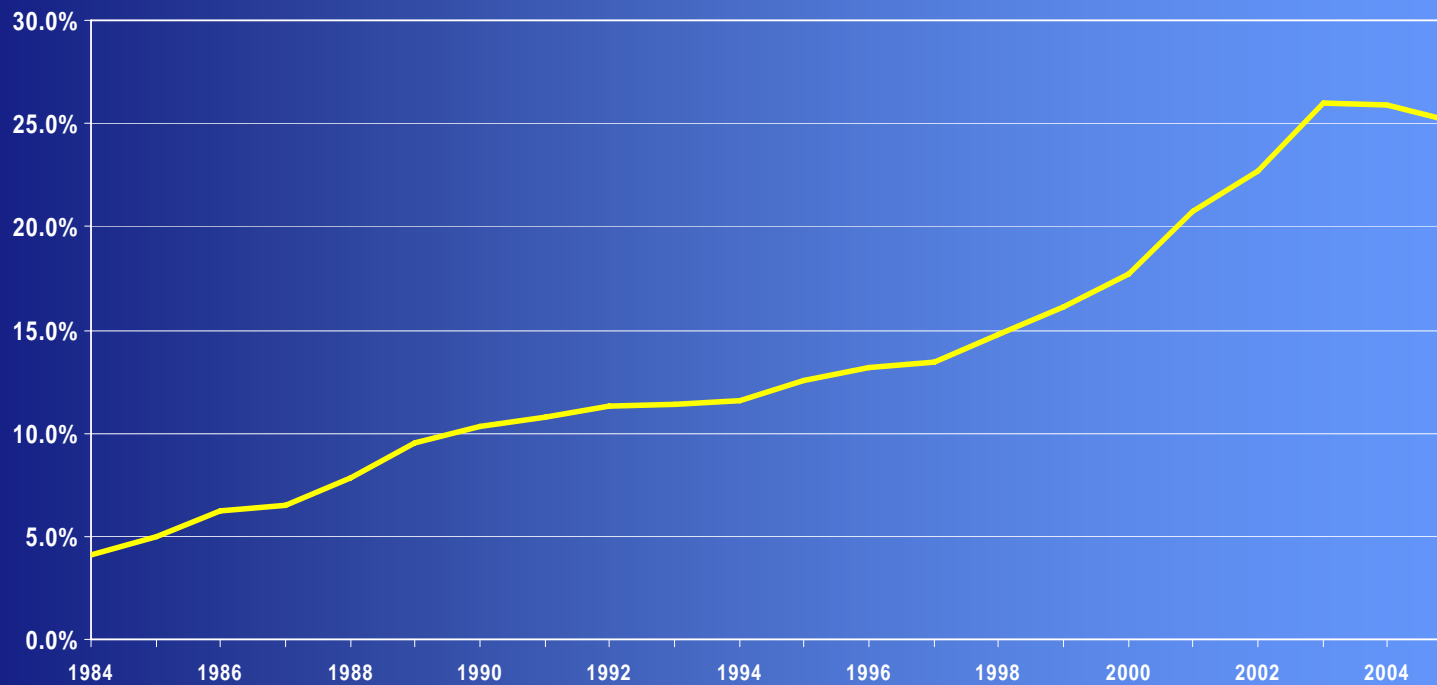
Source: MBA & Census Bureau

Estimate the rental vacancy rate -- in percent -- on 5+ unit rental properties for the fourth quarter 2005 (as reported by the Census Bureau)

- **ANSWER:**
  - **9.5 percent**
- **CLOSEST NON-PANELIST:**
  - **David Holmstrom, Golf Savings Bank: 9.5 percent**
- **CLOSEST PANELIST:**
  - **David Twardock, Prudential: 9.66 percent**

# Fannie – Freddie Share of Mortgage Debt Outstanding

Fannie-Freddie Share of Mortgage Debt Outstanding



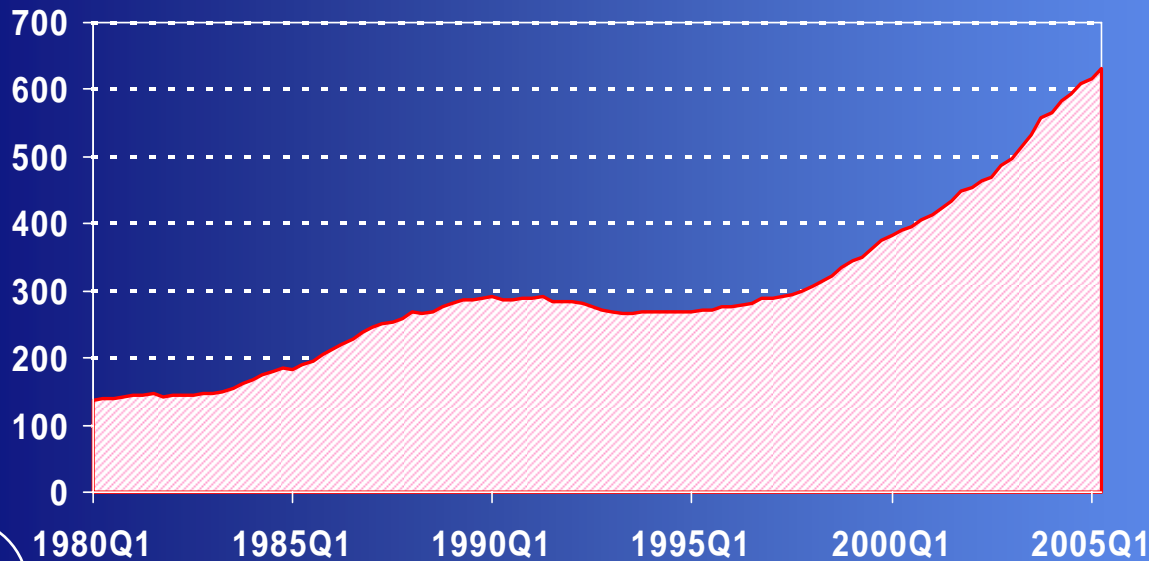
Source: Federal Reserve Board

# Multifamily Mortgage Debt Outstanding

60 day multifamily delinquencies (bps):

	3Q2005	3Q2004
Freddie	0	5
Fannie	9	12
ACLI	17	19
CMBS	146	128

2004Q1	565.1
2004Q2	582.1
2004Q3	594.1
2004Q4	608.5
2005Q1	617.0
2005Q2	630.4
<b>2005Q3</b>	<b>??</b>

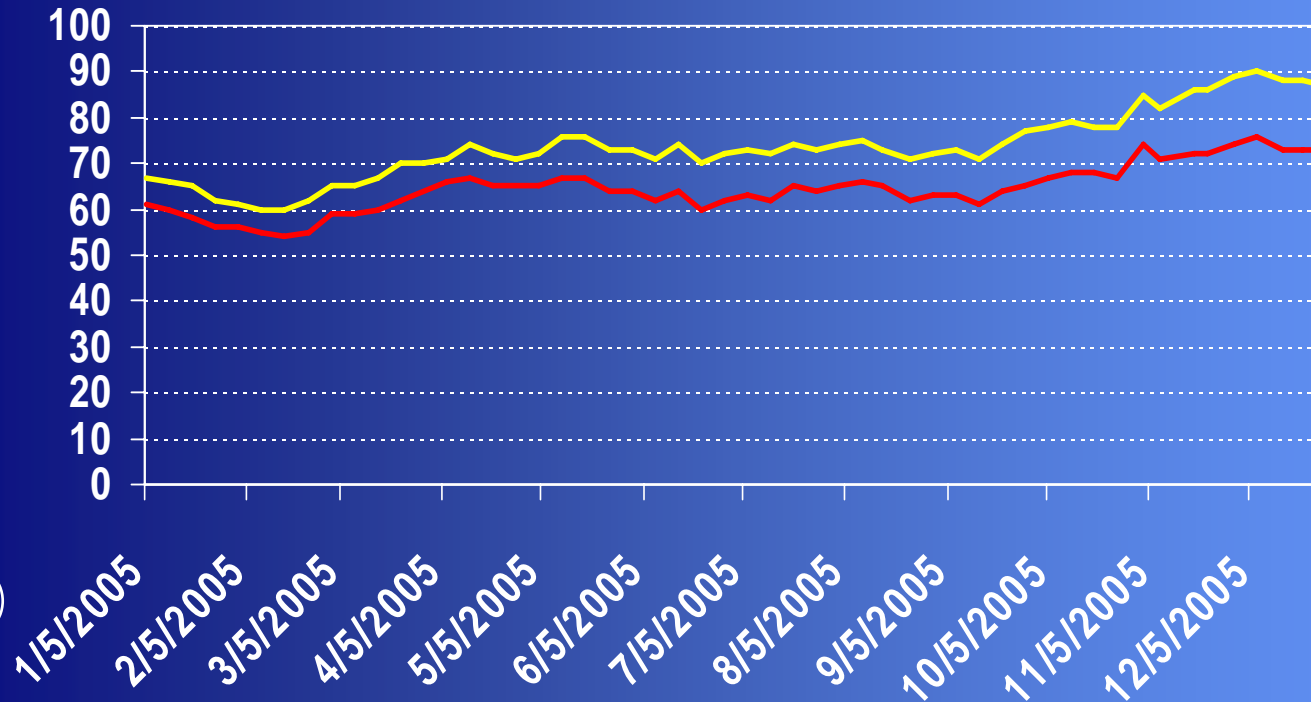


Source: MBA, Federal Reserve Board,  
Trepp Analytics

Guess the total size of multifamily mortgage debt outstanding -- in billions of dollars -- as of September 30, 2005 (as reported by the Federal Reserve Board)

- **ANSWER:**
  - **\$641.6 billion**
- **CLOSEST NON-PANELIST:**
  - **David Holmstrom, Golf Savings Bank: \$642.7 billion**
  - **CLOSEST PANELIST:**
    - **Shekar Narasimhan, Beekman Advisors, Inc.: \$641.6 billion**

# Multifamily Spreads: Do they explain Fannie's pricing?



9/29/2004	68
12/29/2004	65
3/30/2005	64
6/29/2005	62
9/28/2005	65
1/31/2006	??

— DUS 10/9.5 — CMBS AAA

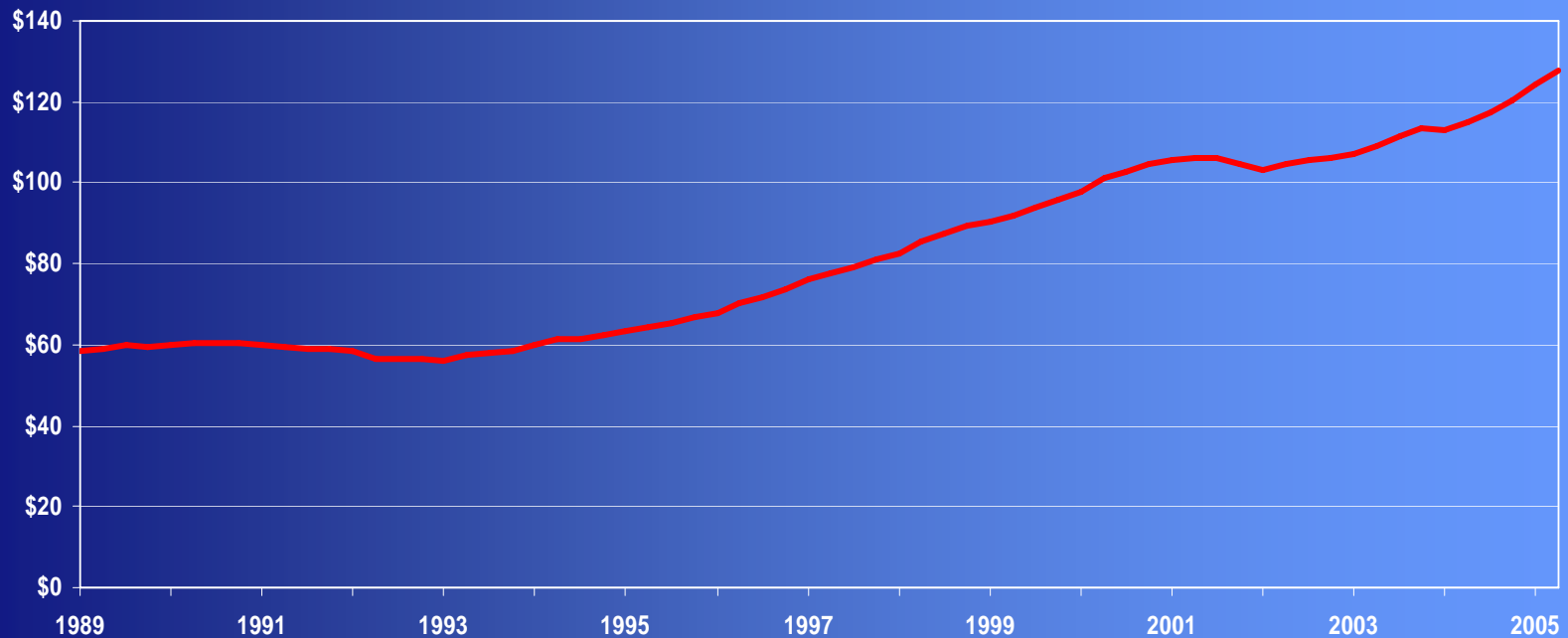
Source: Morgan Stanley

What will the DUS/MBS spread to the 10-year Treasury be -- in basis points -- at the close of business on January 31, 2006 (as reported by Morgan Stanley)?

- **ANSWER:**
  - **69 basis points**
- **CLOSEST NON-PANELIST:**
  - **Jason Miller, Johnson Capital: 69 bps**
- **CLOSEST PANELIST:**
  - **Chris Wheeler, Gables Residential Trust: 68 bps**

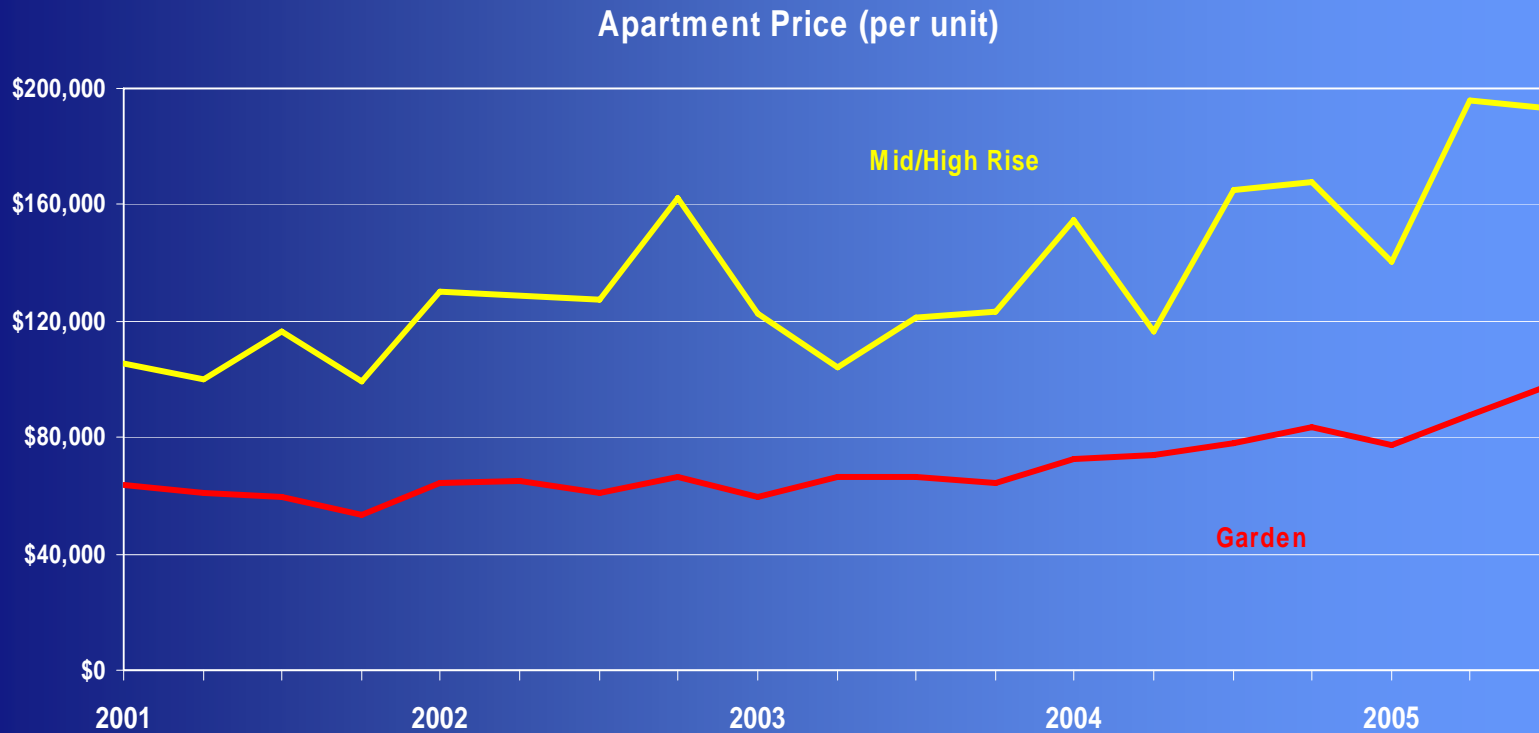
# Apartment Price per Square Foot: Peaked?

Apartment Price (per square foot)



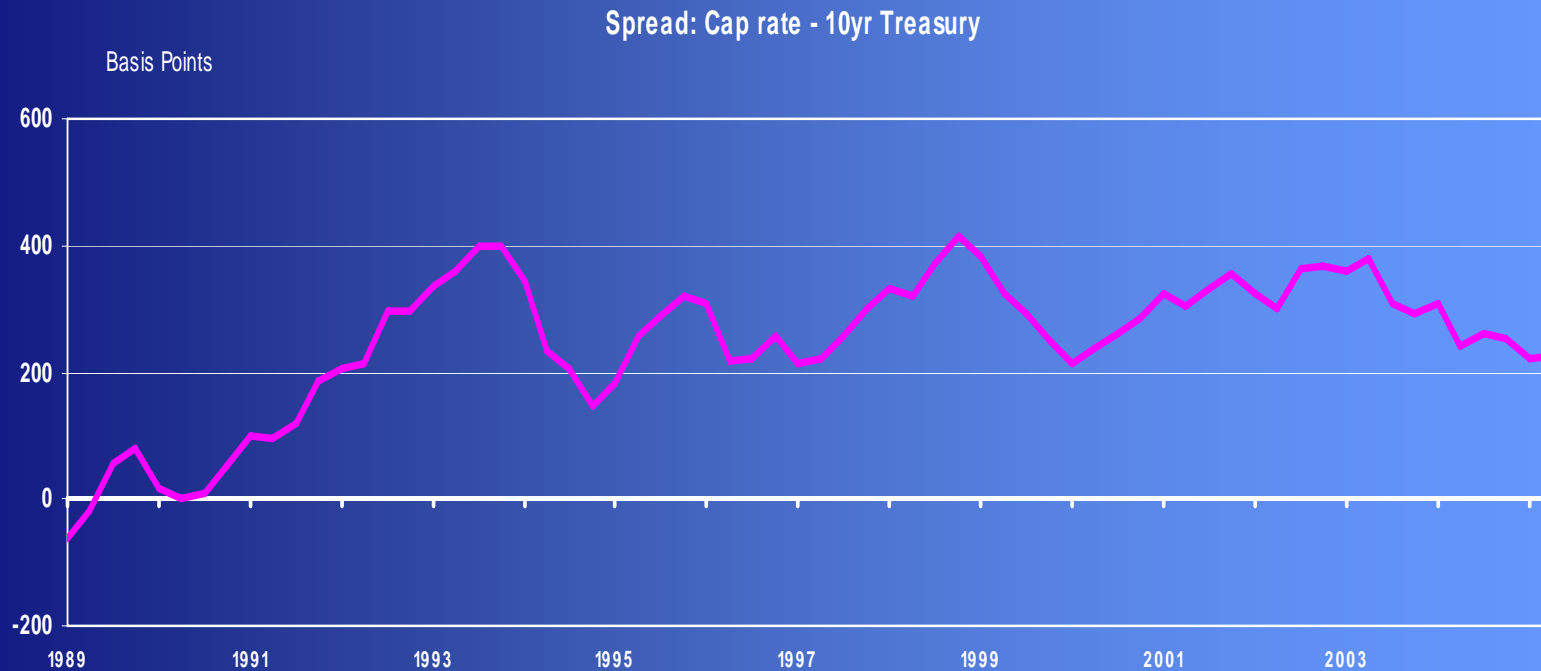
Source: National Real Estate Index (Global Real Analytics)

# Apartment Price per Unit: Peaked?



Source: Real Capital Analytics

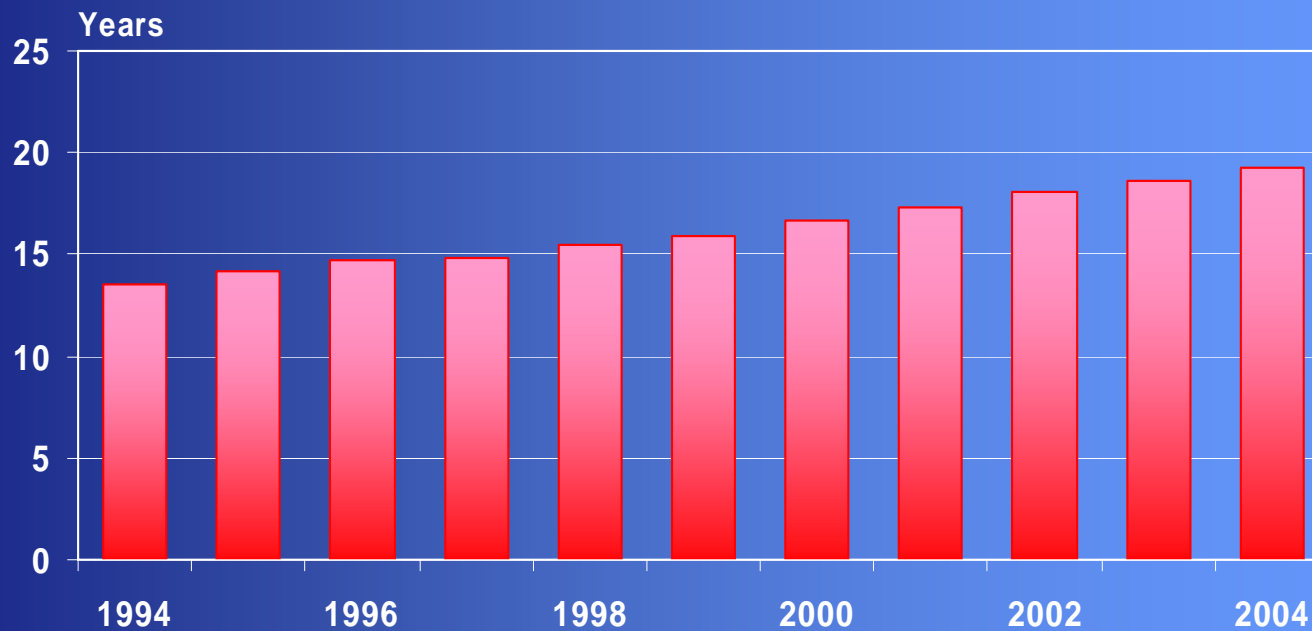
# Spread: Cap Rates – 10 Year Treasury



Source: Federal Reserve Board / National Real Estate Index

# Average Age of Apartments – Public REITs

Average Apartment Age (Public REITs)



Source: ENR Financial



# ORIGINATION VOLUMES: Peaked?

## Question

➤ *2006 is likely the first year since 2001 that we will see a decline in overall production.*

*What is the order of magnitude?*

➤ *How do you survive and thrive even if there is a further thinning of margins?*