

REALInvestor Radio Show Notes

INTROS / BIOS

- Jack BeVier. 15 years - partner Dominion Group in Maryland. Dominion owns 800+ houses. Purchases 100+ per year. Property Management company. Originator of ~\$60 million per month in bridge and DSCR loans for investors nationwide.
- Craig Fuhr: Investor rehabber for 20 years. Coach to hundreds. Now runs a fellowship of entrepreneurial men who want to bridge the gap between who they are today versus who they want to be tomorrow.

EPISODE 1: THE MOOD AND SENTIMENT IN THE MARKET / IMN CONF.

IMN CONFERENCE:

- IMN, founded in 1994
- global organizer of institutional finance & investment conferences.
- Over 60 global events annually,
- IMN conferences are the catalyst for information exchange and deal transacting, by providing a platform that informs, engages and delivers a competitive edge.

IMN QUESTIONS

- History / What is it?
- Who attends IMN, generally. Patrons / Speakers / Vendors?
- What was the general mood and sentiment this year?
- Talk about the panel you sat on. What was the topic.
- What were some of the bigger issues folks were discussing?
 - Marklets
 - Financing
 - Build To Rent

Current Fed Funds Rate 5.25%

Link: <https://www.macrotrends.net/2015/fed-funds-rate-historical-chart>

Translate that into lending rates for investors. What are most investors paying for a 30 year loan on an investment grade rental property or small portfolio?

Historic Fed Lending Rate





Last 5 years

INVESTOR SENTIMENT

PERE News - a leading publication for investors

Title: A year of shifting sentiment

Link: <https://www.perenews.com/a-year-of-shifting-investor-sentiment/> (A Year of Shifting Sentiment)

Report Facts:

1. The proportion of investors overallocated to real estate is at its highest in five years
2022: 9% 2023: 21%
2. Almost one-third of investors expect private real estate will underperform benchmarks in the next 12 months (%)
3. Almost one-third of investors expect private real estate will underperform benchmarks in the next 12 months

Calculated Risk Substack: Bill McBride June 1

Title: inflation adjusted house prices 4.2% below peak

Link: https://calculatedrisk.substack.com/p/inflation-adjusted-house-prices-42?utm_source=post-email-title&publication_id=443155&post_id=124040139&isFreemail=false&utm_medium=email

Title: Case-Shiller: National House Price Index Increased 0.7% year-over-year in March

Link: <https://calculatedrisk.substack.com/p/case-shiller-national-house-price-747>

Report Facts:

1. Case Schiller Housing Index.
 - a. The MoM increase in the seasonally adjusted Case-Shiller National Index was at 0.42%
 - b. Prices Up 62% from 2006 above bubble peak
 - c. FHFA House Price Index: U.S. house prices rose 4.3 percent between the first quarters of 2022 and 2023, **Federal Housing Finance Agency (FHFA)**

- i. Year over year prices in many western states have started to decline for the first time in over ten years.”
 - d. For MARCH 2023: Before seasonal adjustment, the U.S. National Index posted a **1.3% month-over-month increase in March, while the 10-City and 20-City Composites posted increases of 1.6% and 1.5%, respectively.**
2. Almost one-third of investors expect private real estate will underperform benchmarks in the next 12 months (%)
 3. Almost one-third of investors expect private real estate will underperform benchmarks in the next 12 months

EPISODE 2: THE BANKING CRISIS AND HOW IT AFFECTS YOU.

“Midsize Banks Tighten up on Commercial Credit, Fed Survey Says.” American Banker, 8 May 2023, <https://tinyurl.com/2xvbkwe8>

Facts from story:

- Banks were already taking a more cautious approach to underwriting heading into this year, a trend that continued in the first quarter.
- Overall, the net percentage of domestic banks that tightened standards for commercial and industrial loans was 46%. That was up slightly from the prior quarter but marked a significant reversal from 2022, when far more banks were easing standards than tightening them.

Facts:

Silicon Valley Bank: March 12, 2023

Signature Bank: March 12, 2023

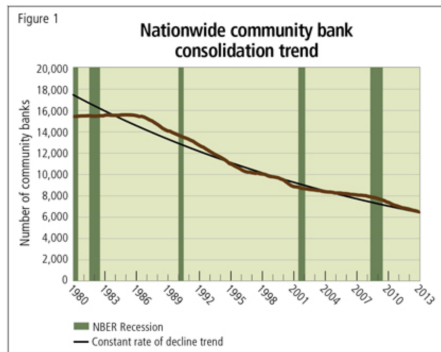
Credit Suisse: March 15, 2023

First Republic Bank: May 12, 2023

What happened: “SVB had benefited from more than a decade of “zero money” interest rates as billions poured into the bank via tech venture capital. Looking for some kind of a return, it put the money into long-term US treasury bonds. But when interest rates started sharply rising last year, and depositors demanded higher returns, the bank was forced to sell some of those bonds at a loss.”

RESOURCE: “Community Banks: Number by State and Asset Size.” Banking Strategist, www.bankingstrategist.com/community-banks-number-by-state-and-asset-size.

MISC FACTS:



Schreck, Ron J. Feldman;Paul. "Assessing Community Bank Consolidation | Federal Reserve Bank of Minneapolis." www.minneapolisfed.org, <https://tinyurl.com/ykf8rbpe>

- The 15 largest banks in the United States (U.S.) hold a combined total of \$13.4 trillion in assets as of Dec. 31, 2022.
- Regional banks generally are seen as banks that hold assets between \$10 billion and \$100 billion
- Community Banks are <\$10 billion.
 - Represent 97% of bank charters in US, but hold less than 14% of all assets.

"20 Bank Holding Companies with the Largest Consumer Loan Portfolios." American Banker, 1 May 2023, <https://tinyurl.com/2p9ync2n>

EPISODE 3: THE SUITS ON WALL ST HAVE STOPPED BUYING. SHOULD YOU?

RESOURCE: "Wall Street is running away from the housing market. But why?" Yahoo Finance / Fortune. May 2023. <https://tinyurl.com/mskz3bue>

Point: The suits are not buying right now. What was the evolution for getting in? How are they financing the deals. How the market has changed. Spread no longer exists between cost of capital and pricing.

"Their game is different than your game." Their game was finding the cheapest money while your game has been to find cheap houses.

Should we just sit on the sidelines because there is no cheap money? Smart money is on the sidelines. What should the average investor be doing right now?

INTRODUCE PREDIUM (Progress Residential) and Finebrook - biggest player in SFR

Facts From Story:

- The Pandemic Housing Boom saw a flood of institutional homebuying. Ex: Opendoor, Blackstone...etc
- Those owning over 1,000 homes—bought 90% fewer homes in January and February than they did in the first two months of 2022

- Invitation Homes, the largest owner (83,000 homes) of U.S. single-family rental homes, recently became a net seller. In the first quarter of 2023, Invitation Homes bought 194 homes while it sold off 297. In Q1 2022, they purchased 822 and sold 147.

Headwinds: The financial return on each additional home added just isn't that great right now after factoring in interest rates, the outlook on house prices, and rents,

RESOURCE: Institutional homebuyer Yieldstreet slashes buying levels by 90% as it awaits a sharper home price correction." Jan 23. Yahoo Finance / Fortune. <https://tinyurl.com/3zky3scx>

Facts From Story:

- From December onward, the expectation from Yieldstreet perspective is - we'll have another 10% to 15% decline [in home prices] nationally," Tejas Joshi, director of single-family residential at Yieldstreet, tells Fortune.
- In the second half of 2022, Joshi says, Yieldstreet reduced its homebuying levels by more than 90% in the face of falling home prices.
- November 22: the Case-Shiller National Home Price Index has U.S. home prices down 2.4% from the June 2022 peak
- Joshi says, "The second or third quarter of 2023 will be about 20% below their 2022 peak."

RESOURCE: "Single-Family Rental M&A and Capital Markets Report April 2023" Zelman. <https://tinyurl.com/b6wkddxm>

EPISODE 4: THE EVOLUTION OF FIX & FLIP. WHERE ARE WE HEADING?

RESOURCE: "2nd Look at Local Housing Markets in May" Calculated Risk Substack Jun 23. <https://tinyurl.com/37yk6sfp>

Glossary: RTL Loans, Fix & Flip, or Residential Bridge Loans.

Idea; Who the players are? The institutionalization that has happened. Who the winners and losers are? Top 10 lenders. The nature of how they are all funded. Which players have the balance sheets to weather the storm.

Old school hard money lender - who WAS the business until 2015
 2015: Wall St buying houses - debt guys jump in. KIAVI
 Anchor & Genesis (mostly West Coast - bigger dollars)
 CoreVest / Finance of America (ROC)

2017: Secondary Market emerged in 2017....(Peer St / AlphaFlow / Churchill, Private Equity, Insurance Co.

2022 - disrupts the model with interest rates. Fall out from

Ex: CIVIC (PacWest sold CIVIC to ROC)

Ex: KIAVI (Venture backed) (formerly Lending Home) 800-lb Gorilla because they got to securitization first.

Facts From Story:

- Examining 40 markets. Some are entire states. Some are MSA's.
- In May, sales in these 40 markets were down 16.2%. In April, these same markets were down 23.6% YoY Not Seasonally Adjusted (NSA).

Closed Sales, May 2023			
	May-23	May-22	YoY
Atlanta	7,159	8,563	-16.4%
Dallas-Ft.Worth	9,458	9,758	-3.1%
Denver	4,167	5,445	-23.5%
Georgia	9,624	11,348	-15.2%
Jacksonville	2,608	2,952	-11.7%
Las Vegas	3,000	3,758	-20.2%
Memphis	1,164	1,923	-39.5%
Mid-Florida	17,698	19,252	-8.1%
Nashville	3,243	3,767	-13.9%
New Hampshire	1,281	1,664	-23.0%
Northwest	6,310	9,096	-30.6%
Portland	2,008	2,916	-31.1%
San Diego	2,150	2,980	-27.9%
Total	62,711	74,859	-16.2%

- Closed sales in May were mostly for contracts signed in March and April. Since 30-year fixed mortgage rates were in the 6% to 6.5% range in March and April - compared to the 4% to 5% range the previous year - closed sales were down significantly year-over-year in May.

- In May, sales in these markets were down 16.2%.
- 21 consecutive months with YoY sales decline.
- Public Apartment REITs on average are down 30.1% over the trailing twelve months and up 10.1% in the last 30 days

RESOURCE: "2023 Real Estate Market Forecast: Top 10 Predictions." June 2021 Mashvisor.
<https://tinyurl.com/yck7jefd>

Facts From Story:

- Housing Demand Will Continue to Rise.
 - Millennials ages between 23 to 41 years old make up 43% of homebuyers
 - Additionally, population growth can have an impact on real estate demand, both through migration to new areas and increased urbanization in already populated areas.
- Home Appreciation Will Slow Down
- Interest Rates Will Continue to Surge

- Housing Inventory Is Expected to Increase
 - Inventory started to grow again in August 2022. Realtor.com reports that inventory grew by 26% in Summer of 2021.
 - Recession concerns are growing.
- Rent Prices Will Keep Soaring
- Fannie Mae Forecasts a Slight Recession in 2023
- Plenty of Buyers Are Pulling Back
- Real Estate Market Will Likely Shift to a Buyers' Market
- Short Term Rentals Will Remain Strong in 2023
- Demand Will Rise in Secondary and Tertiary Real Estate Markets

Top 5 States Where There Will Be Continued Net Positive Migration

1. Florida
2. Texas
3. Tennessee
4. North Carolina
5. Georgia

Top 3 Rental Markets

1. Austin, TX
2. Nashville, TN
3. Charlotte, NC

RESOURCE: “2023 The Affordable Housing Crisis in 2023: Where Do We Stand, and What are the Solutions? Jan 2023. University of North Carolina Keenan School of Private Enterprise. <https://tinyurl.com/ykjcvm7>

Facts From Story:

- Pandemic shift to “Work from home” has made living in the suburbs less costly as workers are commuting 3-5 days per week on average.
- Municipalities need to step up and ease land-use restrictions for higher density.
- Higher interest rates are affecting renters and sellers. Less sellers because many homeowners are sitting on mortgages with historically low interest rates. Higher rates also mean that those who would have qualified - no longer qualify because of debt ratios
- There has been little productivity growth in housing in 50 years. 3D printing, modular are not viable options as they are not yet scalable.

Small and midsize metros investing in more affordable housing

SMALL METROS	AVERAGE*	MIDSIZE METROS	AVERAGE*
1. Florence-Muscle Shoals, AL	\$107,576	1. Trenton-Princeton, NJ	\$78,226
2. Owensboro, KY	\$107,765	2. Brownsville-Harlingen, TX	\$115,521
3. Carbondale-Marion, IL	\$115,921	3. Omaha-Council Bluffs, NE-IA	\$143,806
4. Jonesboro, AR	\$118,041	4. Gulfport-Biloxi, MS	\$146,362
5. Vineland-Bridgeton, NJ	\$124,309	5. Salisbury, MD-DE	\$158,307
6. Binghamton, NY	\$127,186	6. Tallahassee, FL	\$161,986
7. Clarksville, TN-KY	\$130,301	7. McAllen-Edinburg-Mission, TX	\$177,572
8. Charleston, WV	\$131,059	8. Reno, NV	\$180,107
9. Sierra Vista-Douglas, AZ	\$131,443	9. Little Rock-North Little Rock-Conway, AR	\$181,620

RESOURCE: “U.S. Cities Investing in More Affordable Housing [2023 Edition]” March 2023. Construction Coverage. <https://tinyurl.com/ycy3fcvx>

Facts From Story:

- Home sale prices stabilizing
- Residential construction spending has contracted in recent months after nearing its pre-Great Recession peak
- Between May 2022 and November 2022, annual spending decreased by

EPISODE 5: iBUYERS

RESOURCE: iBuyer Stats: Companies & Market Share (2023). April 2023.
<https://www.rubyhome.com/blog/ibuyer-stats/#largest-ibuyer-markets>

What is an iBuyer: “An iBuyer, is a real estate company that uses predictive algorithms and technology to buy and resell residential real estate quickly. The model was first introduced to the U.S. market in 2014 by Opendoor, the current largest U.S. iBuying company.

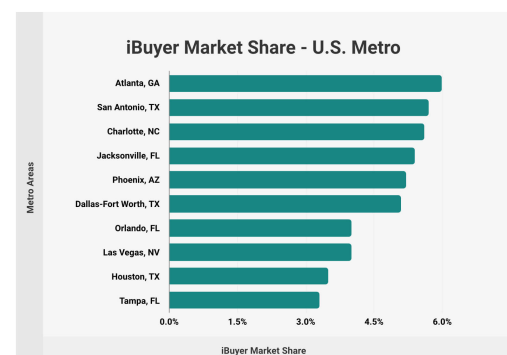
The offer is based on an AVM “Automated Valuation Model.”

They are basically, “Institutional Flippers (Wholesalers).” ~Green Residential

How do they make money:

- **Service fees:** paid by seller, like an agent’s commission. **5-10%**
- **Closing fees:** title insurance, loan fees, and other ancillary services that iBuyers provide (if any). The closing fee is paid by the home buyers, typically **2.5%**.
- **Resale margin:** The difference between what the iBuyer paid for a home and how much they sell it for, typically **4% - 12%. (bet on appreciation)**

Players: OpenDoor, OfferPad, Zillow, Knock, RedfinNow



STATS:

LINK: <https://ipropertymanagement.com/research/ibuyer-market-statistics>

- Major iBuyer companies posted net losses in 2022 Q1.
- Opendoor sold more homes than Zillow and Offerpad from 2019 to 2022 Q2.

- Zillow Offers reported significant losses in 2019, 2020, and 2021.

Year	Total Revenue
2017	\$1.08 billion
2018	\$1.33 billion
2019	\$2.74 billion
2020	\$1.62 billion
2021	\$2.13 billion
2022	\$1.96 billion



Zillow:

2019: Revenue peaked at \$2.7M.

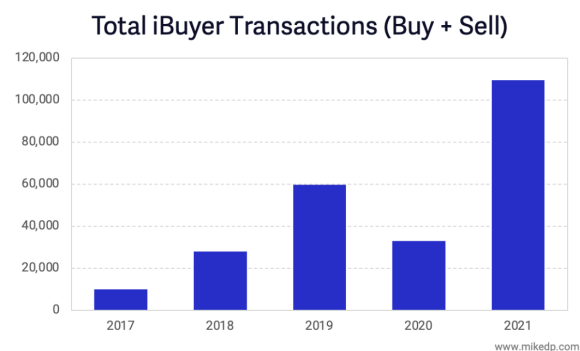
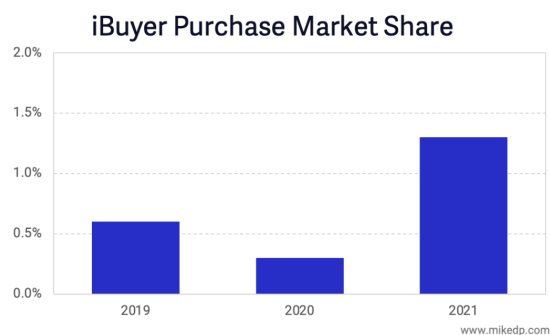
In 2022: \$1.96B in revenue but lost \$101M.

By their estimates, 67% of all home buyers use Zillow.

OUT of the iBuying biz.

STATS:

LINK: <https://www.mikedp.com/articles/2022/2/1/ibuyer-market-share-soars-in-2021>

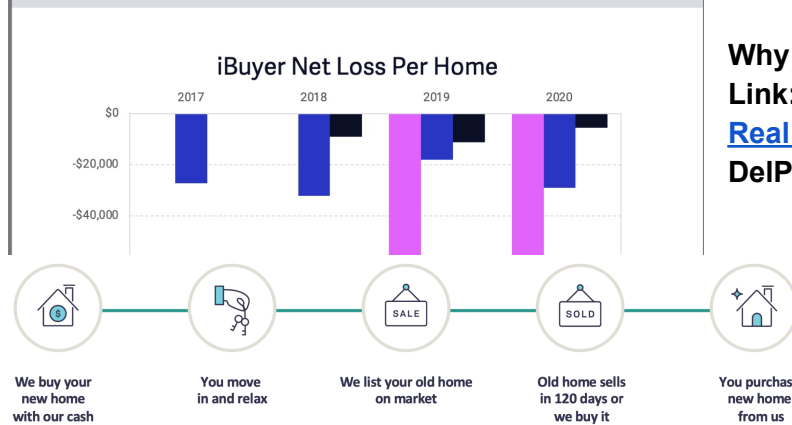


While 2021 saw record-high iBuyer transactions, it also saw the implosion of Zillow Offers after the business grew too quickly.

iBuyer national market share of home purchases hit an all-time high of 1.3 percent -- around 70,000 houses -- in 2021.

In August of 2022 it is estimated that the company lost money on 42% of its transactions. This was in the third quarter of last year, when the median home price in the United States was still rising. ([MotleyFool](#))

With all expenses included, the major iBuyers are losing tens of thousands of dollars per home.



Why should we care?

Link: [The 2021 Emerging Models in Real Estate Report 2021](#). Mike DelPrete

The Evolution of the Industry.

It doesn't appear to be going away any time soon. The business models are evolving.

The PowerBuyer model.

- Buy before you sell.
- Integrating all aspects of the transaction, including Title and mortgage.
- 70% mortgage attach. 80% Title attach. Higher than builders. (iBuyer avg: 20%)
- Companies are: Orchard, Knock, Homeward
 - Homeward laid off 40% of staff
 - Knock laid off 40% in 2022
 - Orchard laid off 100 (23%) employees in 2022

RESOURCE:

Sentiment: Can investors benefit from iBuyers published inventory? Robert Parsley, Dir of business development at Lima One says, "Yes. Despite low housing inventory nationwide, experts believe that the recent resurgence of iBuyers shouldn't materially affect available housing inventory. Link:

<https://whosonthemove.com/should-ibuyers-be-part-of-your-investment-strategy/>

EPISODE 6. Market Update

Link: [Small and Midside Homebuilders Didn't Quite Meet Their Expectations in May](#)

Link: [The homebuilders are busy. But they're not busy enough](#)

Link: [Title Premium Volume Drops 43% YoY](#)

Link: The Fed is not done with rate hikes, even as the housing industry begs for mercy

News Coming This Week:

S&P/Case-Shiller House Price Index for April.

FHFA House Price Index for April.

The Mortgage Bankers Association (MBA) will release the results for the **mortgage purchase applications index**

Pending Home Sales Index for May.

EPISODE 7. Inventory / Demand / Interest Rates / Predictions

- In March, I was telling investor friends and guys about a report that I saw. Mark Flemming at First American predicted that new homes might be the better option for buyers as inventory would tighten considerably in the Spring and Summer of 2023.

He was right. In March new homes were 15% of total inventory. Let's discuss where we are today.

Housing News for June 2023

Realtor.com's June 2023 Monthly Housing Market Trends Report

Link:

<https://www.realtor.com/research/june-2023-data/#:~:text=The%20number%20of%20homes%20actively,sale%20compared%20to%20last%20year.>

- The number of homes actively for sale increased by 7.1% compared to last year.
- Home sellers were less active this June, with **25.7% fewer homes newly listed for sale compared to last year.**
- **The median price of homes for sale decreased by -0.9% annually in June, the first decline seen in our data trend history since 2017.**
- **Homes spent 44 days on the market, which is 13 days longer than last year** but still shorter than before the pandemic.
- **Inventory was down 4.6% compared to the same week in 2022, and down 51.0% compared to the same week in 2019.**

Fannie Mae: ““The supply of existing homes is near the 2009 crisis low, and it’s showing no signs of easing.”

The stabilization and improvement in pending home sales continues to support that the market has moved past its bottom and is making a slow and bumpy recovery as home buyers adjust to higher rates and may start to reenter the market gradually

Time on market: In the 50 largest metropolitan areas in the United States, the typical home spent 37 days on the market, 11 days more than the previous June. This trend was seen across all regions, with larger metros in the South seeing the greatest increase (+15 days), followed by the West (+9 days), Northeast (+7 days) and Midwest (+6 days).

Calculated Risk

Current State of the Housing Market; Overview for mid-July Part 1

Link:

https://calculatedrisk.substack.com/p/part-1-current-state-of-the-housing-539?utm_source=post-email-title&publication_id=443155&post_id=134615625&isFreemail=true&utm_medium=email

New Homes:

- For new homes, there are 4.1 months of homes under construction - well above the normal level, but declining. This elevated level of homes under construction is due to supply chain constraints. There are 1.1 months of completed supply (red line). This is slightly below the normal level.
- **New home inventory is close to a record percentage of total inventory. ~23% of existing inventory.**
- **Housing starts surged 18.5% in May to a pace of 997,000 units, the highest level in a year.**

Calculated Risk

Current State of the Housing Market; Overview for mid-July Part 2

INTEREST RATES

Link:

https://calculatedrisk.substack.com/p/part-2-current-state-of-the-housing-675?utm_source=post-email-title&publication_id=443155&post_id=134615652&isFreemail=false&utm_medium=email

- Currently 23.3% of loans are under 3%, 61.3% are under 4%, and 81.2% are under 5%.
- This is very different from the housing bust, when many homeowners were forced to sell as their teaser rates expired and they could not afford the fully amortized mortgage

payment. The current situation is similar to the 1980 period, when rates also increased quickly.

- In that period we had favorable demos, with sharply rising energy prices and inflation. In the early 2000's we had low teaser rates, and relaxed lending

EPISODE 8. The Market News

CoreLogics

MORTGAGE INDUSTRY

US BANK Layoffs.

https://www.housingwire.com/articles/us-bank-imposes-mortgage-layoffs/?cx_testId=6&cx_testVariant=cx_1&cx_artPos=0&cx_experienceId=EXAPB9I50LOS#cxrecs_s

- Mortgage volume has been in free fall at the bank amid surging rates. The bank's total mortgage origination volume reached \$9.6 billion from January to March, down 41.7% year over year.
- **4th largest lender is laying off staff.**

Mortgage Industry Facts

- In March of 2021 the mortgage industry was running at a \$4.4 trillion annualized pace. The industry is down about 75% from that level, at an annual pace of between \$1.2 trillion and \$1.4 trillion in 2023.
- But at 343,000 workers in May, the mortgage LO workforce remains quite elevated for the origination volume being produced. And there are north of 1.5 million Realtors competing for about 4.2 million existing home sales.
- M&A is HOT as companies are looking to exit.
Garth Graham, senior partner at the **STRATMOR Group** overseeing mortgage-lender merger and acquisition (M&A) activities, said in 2020 and 2021 there was a total of 43 M&A deals involving IMBs with annual origination volume of \$500,000 or more. Last year that figure hit 50 deals, and for 2023 STRATMOR projects there will be at least 60 such M&A deals — for a total of 110.

TOPIC 2: SFR Bill Introduced in the House. The “Stop Predatory Investing Act”

Link:

<https://www.housingwire.com/articles/stop-predatory-investing-act-introduced-by-democrats-in-the-u-s-senate/>

- Author: Sherrod Brown (D, OH)
- **Any entity (with the exception of nonprofits and the like) owning 50 or more homes** will be prohibited from deducting the costs of interest and depreciation on all owned-homes. Interestingly, new homes - either built or bought - are exempt. There is also a provision to recapture these deductions for homes sold to owner-occupants.
- Punishes existing owners. Those benefits were priced into the purchase. Take them away and the houses will be worth less. The price of the asset has to go down.
- Benefits REITS that don't pay taxes.
- Who gets hurt? Whoever owns land. It's "taking" from them. The family selling Mom's crappy house.

Montgomery County, MD Passes Rent Control Bill With 6% Cap

Link:

<https://www.bisnow.com/washington-dc/news/multifamily/montgomery-council-agrees-to-6-rent-cap-a-midpoint-between-competing-bills-119882>

- Montgomery County, a D.C. suburb with a population of over 1 million, will soon enact a rent control policy with a 6% cap on increases for apartments built before 2000.
- The bill sets multiple exemptions for units that won't need to comply with the cap, including apartments owned by landlords with four or fewer units in the county, licensed assisted living facilities and nursing homes, and buildings that came to the market within the last 23 years.

TOPIC 3: Banking:

American Banker: What's Keeping Bankers Up At Night

Link: <https://shorturl.at/ckrU4>

- Community banks are grappling with surging deposit costs and increased expectations for weaker economic conditions that could hamper credit quality in the second half of 2023.

TOPIC 4: Investor News

ProPublica: Homevestor CEO Steps Down

Link:

<https://www.propublica.org/article/we-buy-ugly-houses-homevestors-david-hicks-ceo-retirement>

- The number of franchisees has increased from about 165 in 2009 to nearly 1,150.
- The company was also bought and sold multiple times during Hicks' tenure.
- It is now owned by Bayview Asset Management, which acquired HomeVestors in 2022.

- WHY?
 - Pressure on wholesalers / cash homebuyers business model.
 - Philly required registration of wholesalers several years ago. Maryland introduced a bill to ban wholesaling last session.

TOPIC 5: Multifamily News

FHFA extends forbearance for rental properties

Link: <https://www.housingwire.com/articles/fhfa-extends-forbearance-for-rental-properties/>

- Fannie & Freddie extend forbearance for owners with caveats through the end of September.
- The options to put off debt payments for federally-backed multifamily properties had been slated to expire at the end of June. The regulator also extended protections for tenants that property owners must adhere to in order to access forbearance.
- As of Freddie Mac's most recent report, there are 1,154 securitized loans in forbearance, representing about 2.1% of the GSE's total securitized unpaid principal balance. For those whose forbearance has ended, more than 82% by loan count are currently making payments or have fully repaid the money owed. Requests for new or additional forbearance have dropped to just a handful in recent months, the GSE said.

EPISODE 9. Ron Phillips / Syndications

- Frame multifamily syndications
- Increase in activity going into COVID
- Dominion survey of market at the end of 2021 (surveyed 30 companies. Placed money in two or three)
- Where we are today...

- Still a lot of money being raised
 - ARTICLE in Rea
- Prognostications
 - TON of A-class properties hitting the market
 - Rents will stall in A-class
 - CAP rates are expanding with 10 year Treasury. (4% bond should = 7% CAP)

EPISODE 10. Ron Phillips / In The News

TOPIC 1: Multifamily

Source: The Real Deal. House of Cards. Multifamily Edition

Link:

https://therealdeal.com/magazine/national-august-2023/editors-note-multifamily-maelstrom/?utm_campaign=sl-insideissue&tpcc=sl-insideissue&utm_source=Sailthru&utm_medium=email&utm_term=Subscribers%20%2B%20Engaged

- Many syndicators and firms in the space who have raised significant capital and who have amassed sizable portfolios over the past 8-10 years, weren't even old enough to have personally experienced The Great Recession.
- They've bet solely on buy near retail, do some value-add, hike rents, flip at a premium.
- They're betting on an appreciating market
- Crowd Funding as a player - as a tool in syndications
- ARBOR bridge lender. Product: 3 year fixed rate, 1 year extension.
- Did they bet wrong

TOPIC 2: Wall St Loves Rentals.

Source: Bloomberg: "JPMorgan Asset Management Strikes New Rental House Partnership"

Link:

https://www.bloomberg.com/news/articles/2023-07-27/jpmorgan-s-asset-management-arm-strikes-new-rental-house-deal?in_source=embedded-checkout-banner#xj4y7vzkg

Facts

- According to a 2022 report from MetLife Investment Management, 4-in-10 single-family rental homes could be owned and controlled by Wall Street within just seven years

- Given the recent surge in inflation and the Federal Reserve's raising of interest rates in response, many ordinary homeowners could be forced to sell, as these financial pressures seem likely to persist. MetLife believes institutions will step in to buy many of the newly available homes, along with others that will be constructed in the coming years, giving the Wall Street-backed investment firms control of 7.6 million SFRs — 40% of the market — by 2030.

Joint venture with landlord AMH follows 2020 partnership

- Landlords are looking for new growth channels in tight market
- Institutional investors advised by JPMorgan Asset Management joined a \$625 million venture with AMH this month,

TOPIC 3: Inverted Yield Curve

Source: Bloomberg: "JPMorgan Asset Management Strikes New Rental House Partnership"

Link:

https://www.bloomberg.com/news/articles/2023-07-27/jpmorgan-s-asset-management-arm-strikes-new-rental-house-deal?in_source=embedded-checkout-banner#xj4y7vzkg

Facts

- As of July 6, 2023, the yield on the 3-month Treasury bill was 5.46% while the 2-year Treasury note closed at 4.99%. By comparison, the yield on the much longer-term 10-year U.S. Treasury note was 4.05%.
- Yield curve is at its deepest inversion since 1981.
- All nine recessions since 1955 have been preceded by an inverted yield curve according to research from the San Francisco Fed—except in one case. The time between an inverted yield curve and a recession has ranged from six to 24 months.

Episode: Is It Time For Me To Do A Securitization.

Episode: Multifamily opportunities and Dominion's construction project

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