



Learners Guide

Welcome To Connect Classroom - Multifamily

Multifamily industry experts discuss the state of the market as we enter Summer 2020. Topics covered in this course include May and June rental payment tracking, the effect of COVID-19 on pricing and valuations and the effect of COVID-19 on different markets across the nation.

Throughout the course, Connect Classroom has created course content, which encourages ongoing conversations rather than rote memorization. Enjoy listening to panel conversations about topics relevant to your work.

CE Credit: 1 hour

Written section length: 1 hour

Estimated time to complete course: 1.5 hours

Disclaimer Statement

This course is approved for continuing education credit by the California Department of Real Estate. However, this approval does not constitute an endorsement of the views or opinions which are expressed by the course sponsor, instructors, authors, or lecturers.

INSTRUCTORS

- Daniel Cenicerros – Founder and CEO, Connect Commercial Real Estate

INDUSTRY EXPERTS

- Doug Bibby – President at National Multifamily Housing Council
- James Flynn – CEO at Hunt Real Estate Capital
- Hessam Nadji – CEO at Marcus & Millichap
- Jeff Day – Chief Strategy Officer, Multifamily Capital Markets at Newmark Knight Frank
- David Schwartz – CEO / Chairman at Waterton
- Daniel Cenicerros – CEO at Connect Commercial Real Estate

LESSON 1: MULTIFAMILY RENTAL PAYMENT UPDATE – MAY 2020

Estimated Time: 1 minute and 21 seconds

Industry Experts discuss May rental payment tracking

- Doug Bibby discusses April through May rent tracking

- Owner-operators reported that May numbers looked better than April
- Many in the industry expected rent collections to be around 60% in May but they were around 80% at the recording of the webinar. (Compared to 81.7% in the first six days of May 2019)

LESSON 2: MULTIFAMILY RENTAL PAYMENT UPDATE – JUNE 2020

Estimated Time: 2 min 28 sec

Industry Experts discuss June rental payment tracking

- NMHC: Just under 81% of residents paid full or partial rent through the first 6 days of June. That compares with 81.6% in June of 2019 but ahead of May, which came in at 80.2%
- We have seen a slight erosion in asking rents in the class A space.
- There is a further separation between the class A space and the class B and C space. There will be continued stress in the class C properties, according to Doug Bibby.
- In April and May around 95% of rents were collected by the end of the month

LESSON 3: IMPACT OF RENT COLLECTION ON CAPITAL MARKETS

Estimated Time: 2 minute and 23 seconds

How do May rent collection numbers relate to the Capital Markets side of the industry?

QUIZ 3

LESSON 4: ARE RENTS BEINGS PAID?

Estimated Time: 1 minutes and 21 seconds

- Many of the transactions that were in the pipeline and got delayed in March have come back.
- There has only been a moderate price reduction as of May in multifamily properties
- Transaction volume has been way down from a typical market environment
- There is a lot of concern for what will happen in August/September once unemployment benefits run out.

LESSON 5: THE IMPACT OF MANAGEMENT STYLE ON COLLECTION HISTORY

Estimated Time: 1 minute and 50 seconds

Has there been a difference in collection histories because of different styles of management? (V2: 4:10-5:52)

- Most of the discord has been coming from non-professionally managed rental properties

LESSON 6: PORTFOLIO CHARACTERISTICS

Estimated time to complete 2 minutes and 28 seconds

What characteristics have other instructors seen in their portfolios through June? (V2: 5:54-8:09)

- David Schwartz's Waterton Multifamily Portfolio has seen similar numbers to NMHC.
- Enhanced unemployment benefits have allowed people to stay in their homes. If it is not renewed in July it could send ripples through the industry.

LESSON 7: A LENDING PERSPECTIVE

Estimated Time: 2 minutes and 43 seconds

What do all these numbers mean from a lending perspective?

- Concern for the months ahead abounds
- How long will it take for the jobs to come back?

LESSON 8: TRANSACTION VOLUME IN REOPENING STATES

Estimated time to complete 3 minutes and 32 seconds

Has there been an uptick in transactions in the states that have reopened?

- In May there were no reliable metrics
- The physical restraints of not being able to meet face to face with clients is affecting transaction volume.
- The amount of capital on the sidelines is immense. There is a lot of interest in acquiring assets.

LESSON 9: IMPACT OF STATE REOPENINGS ON CAPITAL MARKETS

Estimated Time: 6 minutes and 25 seconds

Instructors share capital markets outlook as market openings roll out

- Certain markets like Texas and others in the south are primed for quicker rebound.
- However, rental demand has still gone down even in markets that are reopened.
- Some markets that opened earlier like Texas and Arizona have seen spikes back up in COVID-19 cases. So, instructors are keeping an eye on cases and another potential wave.

LESSON 10: LENDING UPDATE MAY 2020

Estimated Time: 1 minute and 26 seconds

What types of loans are instructors seeing right now?

- Anyone that has a longer hold period is taking advantage of lower rates
- On the flip side, some buyers are looking for flexibility
- There's not a lot of new loan products yet

LESSON 11: LENDING UPDATE JUNE 2020

Estimated Time: 1 minute and 58 seconds

On the financing side, are instructors seeing more refinancing or debt & equity? Has there been more or less forbearance?

- Forbearance seems to have slowed down

LESSON 12: DEVELOPER & OWNER PERSPECTIVE

Estimated Time: 4 minutes and 57 seconds

On the development side, what are developers and owners saying about different markets?

- Those that started projects in 2019 are proceeding but there has been a crunching halt on new construction at least for the next 60 days as of May.
- There are still plenty of questions out there as of May
- Most developers are holding back to see how this shakes out
- Before we entered this pandemic we were seeing softness in the class A space with class B and C apartments seeing high demand. So there are a lot of questions surrounding the A space right now.
- We are seeing private investors step up right now because they can acquire properties they couldn't before.

LESSON 13: THE OUTLOOK FOR MULTIFAMILY GOING FORWARD

Estimated Time: 5 minutes and 40 seconds

- Is there a COVID-19 pricing adjustment?
- Are people putting properties on the market?
- There is no broad trend and it's really a case by case basis
- There is no large discount for getting into multifamily
- If consumers preferred renting to begin with, and we are in a recession, the outlook for multifamily looks strong 3-5 years out
- In the pandemic-driven recession, people have been eating through resources and it makes it harder for people to buy single-family houses
- Multifamily has one of the strongest outlooks of any property sector aside from industrial

LESSON 14: COVID-19'S IMPACT ON PRICING ON JUNE 2020

Estimated Time: 1 minute and 58 seconds

Is there a COVID-19 pricing adjustment going on right now? What is the overall outlook for multifamily going forward?

- What is going on as far as people putting properties on the market?
- There is no broad trend and it's really a case by case basis.
- There is no large discount for getting into multifamily
- If consumers preferred renting to begin with and we are in a recession, the outlook for multifamily looks strong 3-5 years out.
- In the pandemic-driven recession people have been eating through resources and it makes it harder for people to buy single-family houses.
- Bibby: "multifamily has one of the strongest outlooks of any property sector aside from industrial."

LESSON 15: COVID-19'S IMPACT ON PRICING IN JUNE 2020

Estimated Time: 1: 58

June Update: Is there COVID pricing right now

- Everyone is out there hunting for a good discount
- There has been a lot of activity in the private client space of around \$25 million and under. Those type of transactions are still happening and less discounted than expected
- There has been a big pickup in refinancing activity

LESSON 16: THE OPPORTUNITY FOR BUYING & SELLING

Estimated Time – 3: 38

Is there an opportunity right now for buying and selling?

- There is a bid-ask gap in the market right now as of June.
- Very few trades have been made post-COVID so it's hard to get a range of pricing right now relative to pre-COVID values.
- How much of a value hit have properties taken?

LESSON 17: INSTRUCTORS DISCUSS MAY 2020 RENTAL PAYMENT TRACKING

Estimated Time: 1: 49

What are forbearance requests looking like? (V1: 26:54-28:45)

- Requests have been fairly consistent across the board
- Instructors believe it is temporary
- Most of the borrowers are coming with good intentions but are looking for some help.

LESSON 18: NEW LEGISLATIVE INITIATIVES WITH NMHC IN JUNE PART 1

Estimated Time: 2:04

Are there any new legislative initiatives that NMHC is working right now? (V1: 29:05-31:09)

- NMHC is working to make changes to the CARES Act so that owners and servicers are not caught in the middle.
- Working on a \$100 billion package from the government that will go to both renters and owners.
- A lot of stress is building at the bottom end of the marketplace

LESSON 19: NEW LEGISLATIVE INITIATIVES WITH NMHC IN JUNE PART 2

Estimated Time: 2:02

(V2: 25:07-29:09)

- Liability protection for COVID related lawsuits

INCREMENTAL ASSESSMENT**Quiz Directions**

Quiz questions are true/false or multiple choice. Choose the best answer. You will have an opportunity to answer the questions a second time if you fail the first time. Correct answers allow you to move forward in the course.

FINAL EXAM

Please complete the following exam to receive full continuing education credit. You will be able to take the exam twice and must have a 70% score to pass.

While taking this exam, please ensure that you are in a private room to avoid distraction with a stable wi-fi connection. Once you begin the exam you will be unable to pause it or restart it. If you do not pass within 2 attempts, the course will need to be retaken.

Once you have successfully passed the course exam, you will be directed click a button to continue on to receive your certificate.

Before the learner can download their certificate, they must verify the following information:

I, NAME, certify and ensure that by written statement signed under penalty of perjury that the participant enrolled is the person completing the course.

First Name:

Last Name:

State Recognized ID:

Professional License Number:

If any of this information is missing or incorrect – STOP NOW! – and click the “**Update Information**” button.

This is important as it’ll be used on your certificate!

A pop-up dialog box will give the learner an opportunity to correct erroneous information or add in missing information. When all of the information has been updated, click “**Update**” button. Finally click the “**I Confirm My Details Are Correct**” button to return to the Course home page. The course certification will be available to download from the top of the page.

Thank you for completing the Nationwide Multifamily Update Course!

FINAL EXAM – TEST BANK: 10 Questions Pulled from a Question Bank of 22 Questions
10 questions, 1 minute each question = 10 minutes to complete