

# ASSET MANAGEMENT

## Low-Income Housing Tax Credit Portfolio Trends Analysis



Enterprise's Low-Income Housing Tax Credit (LIHTC) Portfolio Trends Analysis provides important information to our management and underwriting teams based on our asset management of more than 113,000 affordable homes. Largely drawn from year-end 2020 financials, this report reviews and analyzes key trends across the portfolio, reflecting continued strong performance.

PORTFOLIO



REVENUE



EXPENSES



PERFORMANCE



WATCHLIST



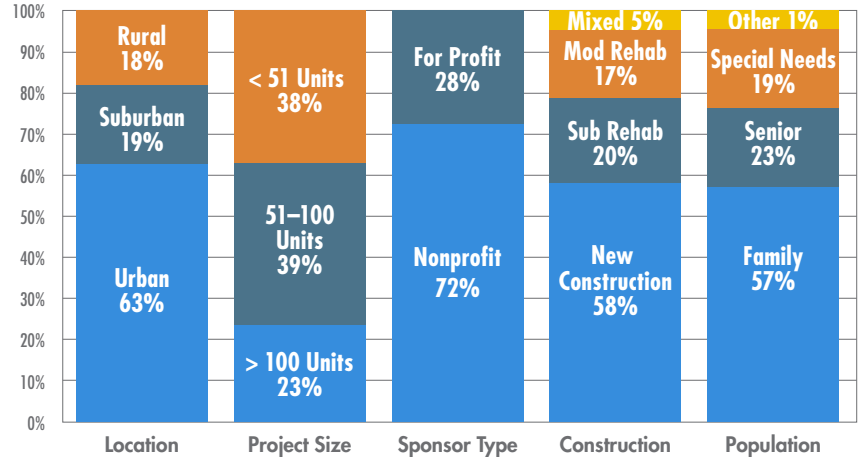


# PORTFOLIO

- In 2020, Enterprise closed 80 projects. These projects represent more than 7,200 residential units and more than \$1.1 billion of gross equity.
- The cumulative investment since Enterprise began syndication in 1988 is \$17.1 billion in gross equity, invested in more than 2,500 projects with a total of 179,000 units.
- As of September 2021, Enterprise has transferred more than 1,150 projects, mostly post-Year 15, representing over 66,000 residential units.
- The average property size is currently 81 units and \$9.4 million in gross equity.

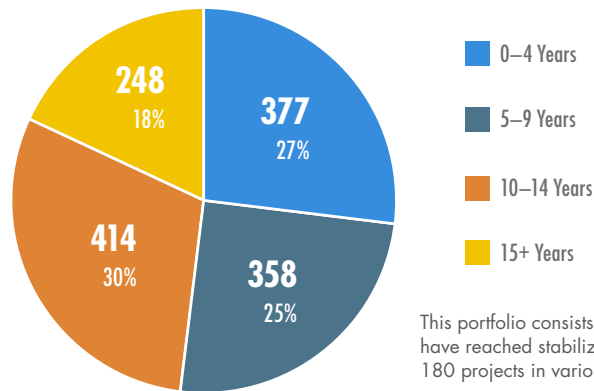
Enterprise provides asset management to 1,395 LIHTC projects across 49 states, the District of Columbia and Puerto Rico. These projects represent more than 113,000 total units and more than \$13.1 billion in gross equity.

## PORTFOLIO CHARACTERISTICS



The Enterprise investment portfolio has 262 supportive housing projects that have at least one-third of the units in the property designated for households with special needs, for which resident services are also provided. This represents 19% of the portfolio and more than 11,000 units across the country, with 77% of the projects assisting homeless individuals and families. During 2020, the average occupancy of the supportive housing portfolio was 95.0%, and the median Debt Coverage Ratio (DCR) was 1.64.

## AGE OF PORTFOLIO

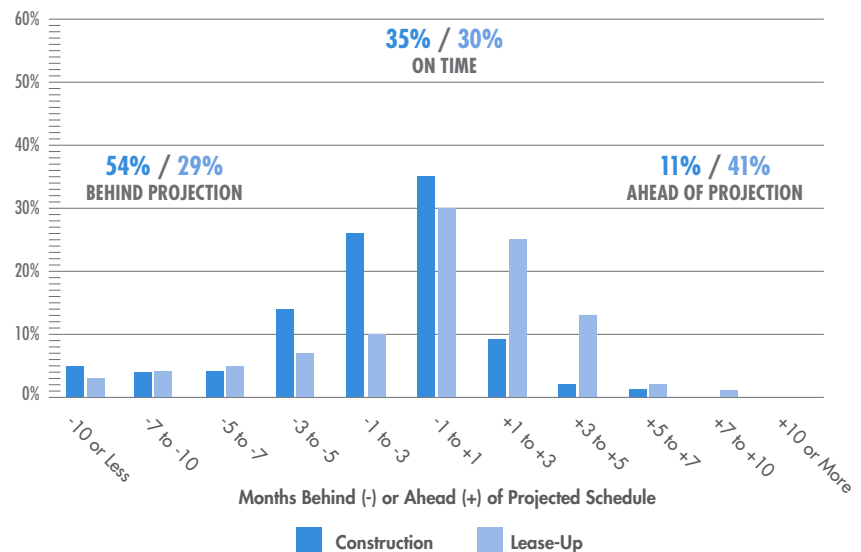


This portfolio consists of 1,217 projects that have reached stabilization, as well as another 180 projects in various stages of development.

# 11,000 SUPPORTIVE HOMES

- Over the past 5 years, the median construction period has been 15.6 months, and 46% of projects are considered on time or ahead of projection. This is a reduction from 56% last year due to COVID-19 and supply chain delays.
- The median lease-up rate has been 4.3 months, and 71% are considered on time or ahead of projection.

## CONSTRUCTION & LEASE-UP DURATION



# % REVENUE

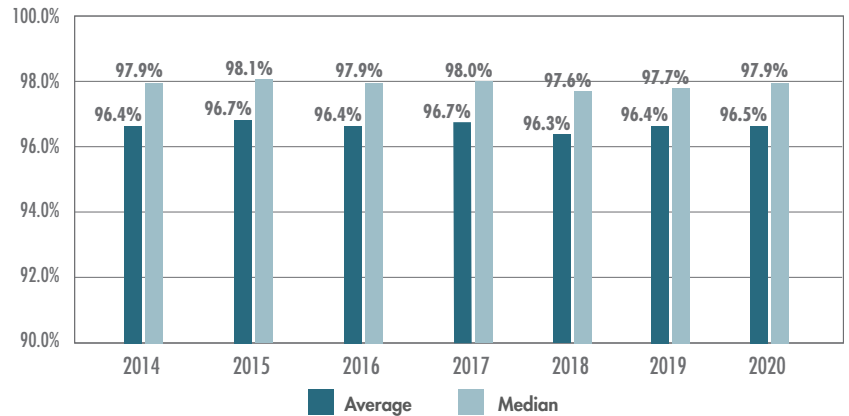
- The average physical occupancy for 2020 was 96.5%, and the median was 97.9%.
- When measuring by equity, more than 47% of the portfolio has an occupancy that is between 98% and 100%. Meanwhile, only 6% of the portfolio has an occupancy that is considered underperforming, or less than 90%.
- The average economic occupancy for 2020 was 94.4%, and the median was 96.3%.
- The average physical occupancy for projects on the year-end 2020 Project Performance List (PPL) was 93.4%.

CITY / MSA	STABILIZED COUNT	AVERAGE OCCUPANCY
New York	188	97.0%
Los Angeles	53	96.3%
Baltimore	43	94.8%
Seattle	42	98.1%
San Francisco	38	96.0%
Washington, D.C.	37	96.9%
Philadelphia	30	96.0%
Cleveland	29	96.1%
Denver	26	95.8%
Portland	25	98.2%

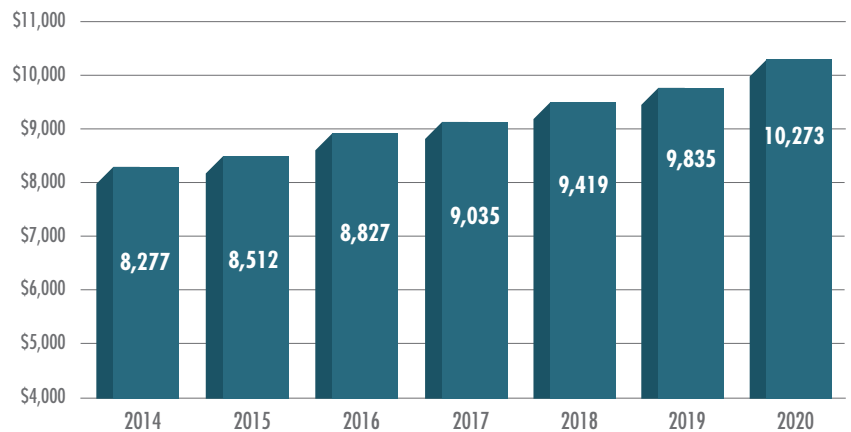
MSA = Metropolitan Statistical Area

The median total revenue for 2020 was \$10,273 per unit, which represents a 4.5% increase over 2019. The average annual growth rate of the median total revenue is 3.7% a year since 2014.

## PHYSICAL OCCUPANCY %



## MEDIAN TOTAL REVENUE (\$ PER UNIT)

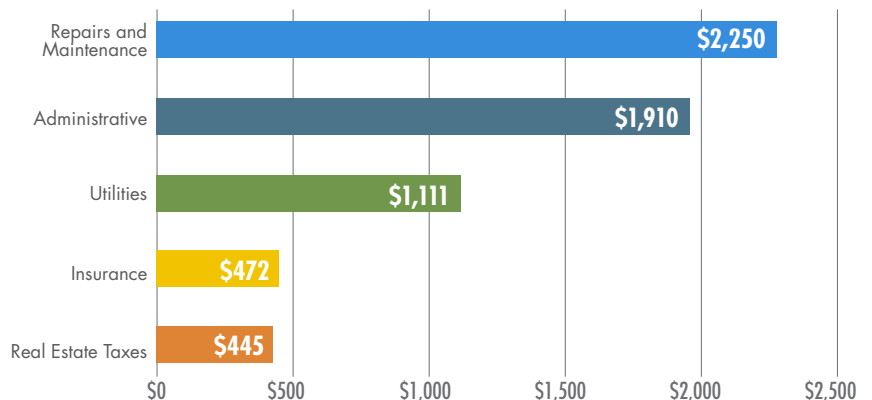


# \$ EXPENSES

- Representing 31% of all operating expenses, repairs and maintenance (R&M) decreased by 2.3% in 2020.
- The decline in R&M may be an indicator of some deferred maintenance during the COVID-19 pandemic.
- Insurance had the largest increase in 2020, at 11.8%, followed by Administrative, at 5.1%.
- Over the past 6 years, Insurance has increased the most, at an annual rate of 4.7%, followed by Administrative, at 3.7%.
- The median total operating expenses for projects on the December 2020 PPL was \$8,989 per unit.

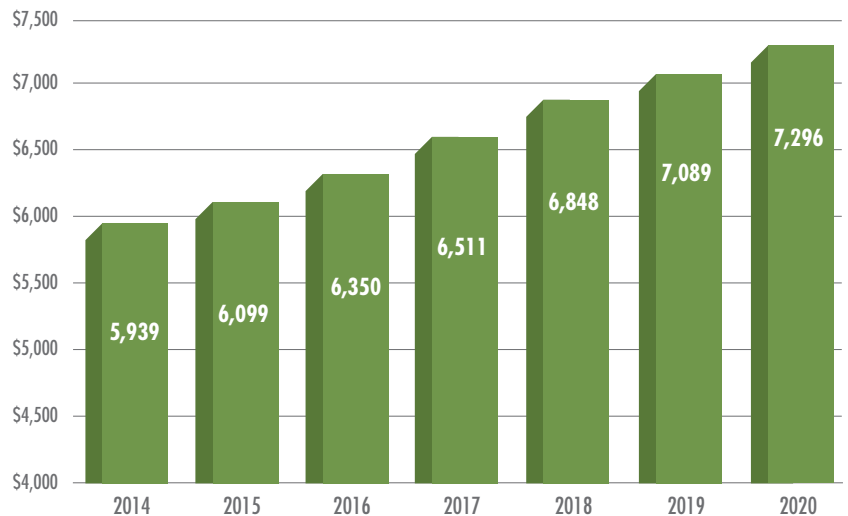
The 2020 median total operating expenses was \$7,296 per unit, which represents a 2.9% increase over 2019. The total average growth rate of the median total operating expenses has been 3.5% a year since 2014.

## MEDIAN OPERATING EXPENSES BY CATEGORY



CITY / MSA	STABILIZED COUNT	MEDIAN OPEX
New York	188	9,581
Los Angeles	53	8,488
Baltimore	43	7,412
Seattle	42	8,776
San Francisco	38	12,275
Washington, D.C.	37	8,594
Philadelphia	30	7,722
Cleveland	29	7,283
Denver	26	7,363
Portland	25	7,659

### MEDIAN TOTAL OPERATING EXPENSES (\$ PER UNIT)

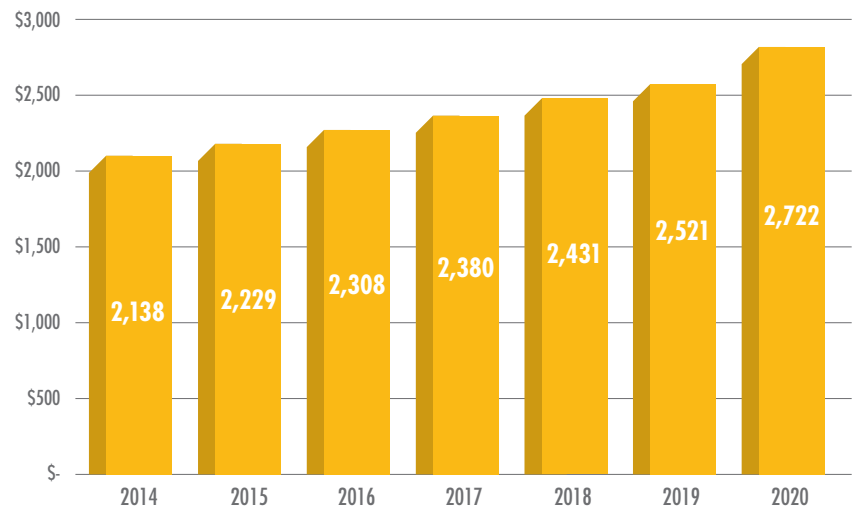


## PERFORMANCE

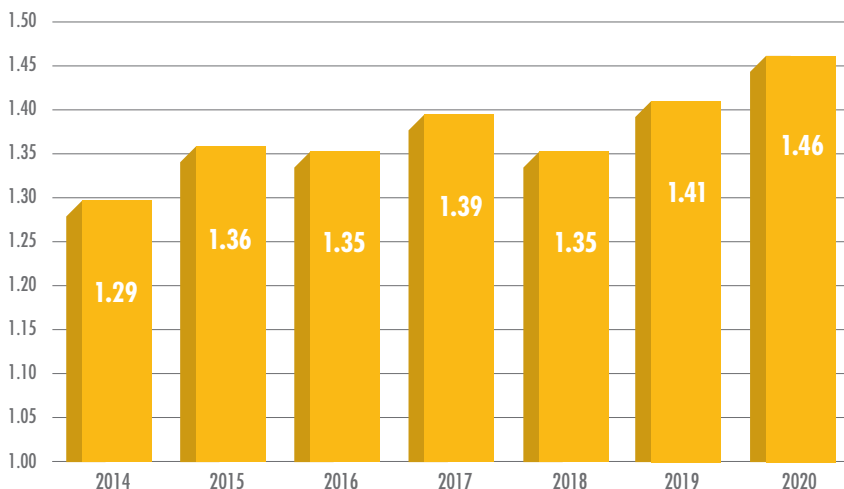
- The median Net Operating Income (NOI) for larger projects with more than 100 units is \$3,909 per unit. This is nearly double that of smaller projects with 50 units or less.
- When measuring by equity, nearly 87% of the portfolio had a DCR > 1 in 2020. The percentage of projects with a DCR > 1 is slightly lower (86%) when measuring by project count.
- The median DCR for projects on the December 2020 PPL was 0.91.
- Currently, 78% of the projects in the portfolio have some hard, or must-pay, debt. This includes both conventional debt with private institutions and public debt with state and local government agencies.

The 2020 median NOI was \$2,722 per unit, which is an increase of 8.0% over the prior year. Strong occupancy and revenue growth of 4.5% caused an increase in the 2020 median DCR, from 1.41 to 1.46.

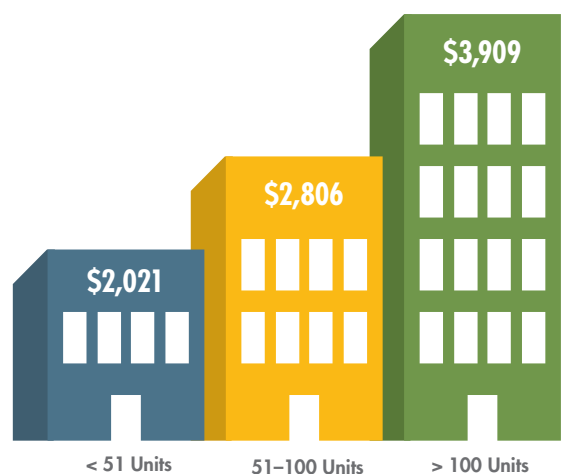
### MEDIAN NOI (\$ PER UNIT)



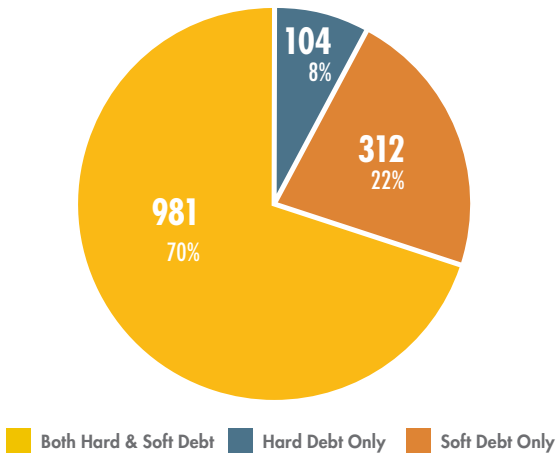
### MEDIAN DCR



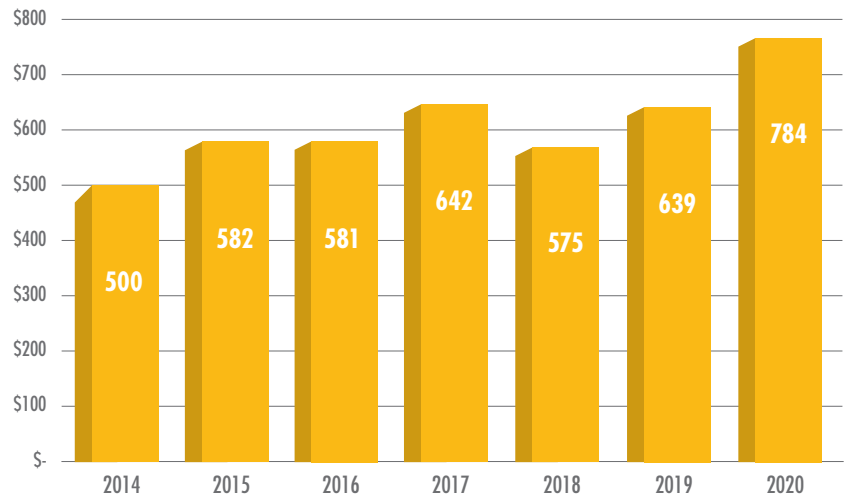
### MEDIAN NOI BY PROJECT SIZE



## PORTFOLIO DEBT COMPOSITION



## MEDIAN CASH FLOW (\$ PER UNIT)

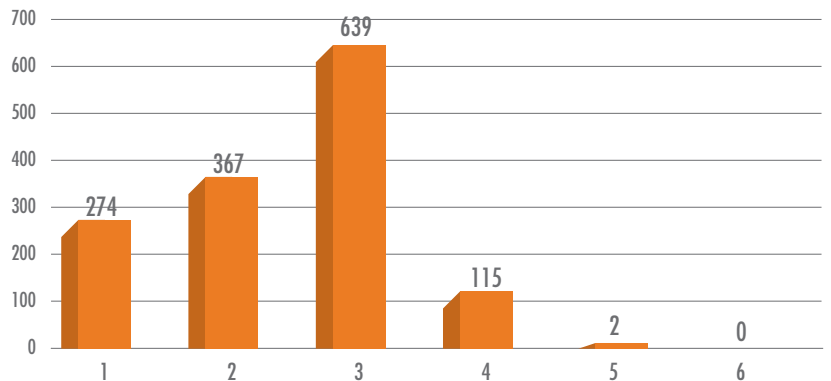


## WATCHLIST

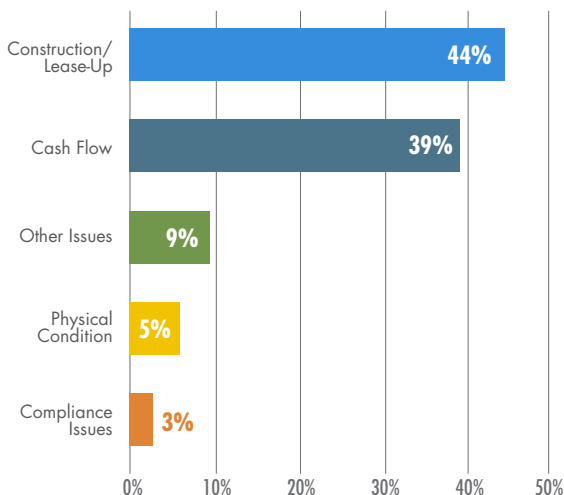
- At year-end, two projects were considered to be at significant risk (PPL rating of 5 or 6), representing only 0.2% of the portfolio.
- The majority of the projects on the Watchlist for the "Other Issues" category were sponsor-related issues.
- The PPL percent for projects in construction was 19.8%.
- At this time last year, 7.2% of the portfolio was on the PPL.

The year-end 2020 Enterprise PPL, or "Watchlist," was at 8.4%. Construction and lease-up delays surpassed cash flow concerns as the primary reason projects are on the Watchlist (44%) during 2020.

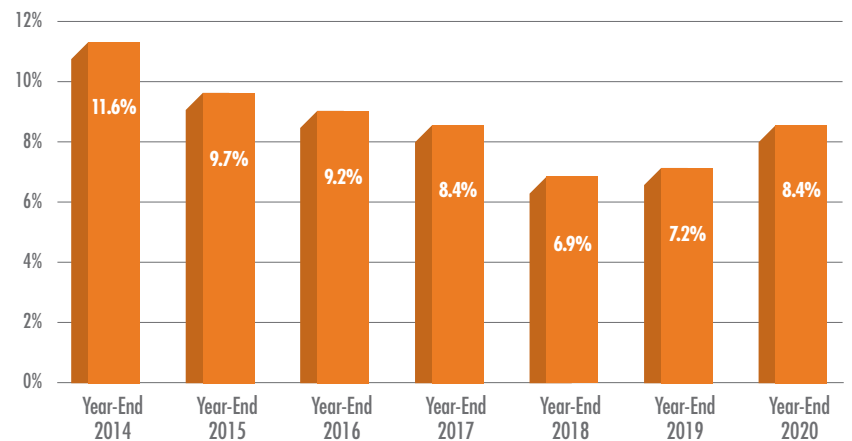
## RISK RATING DISTRIBUTION



## YEAR-END 2020 WATCHLIST CHARACTERISTICS



## HISTORICAL WATCHLIST



# ANALYSIS METHODOLOGY

The Portfolio section includes the 1,395 projects in the Enterprise investment portfolio as of September 2021.

The Revenue, Expense and Performance sections include only the 1,179 projects that reached their qualified occupancy prior to December 31, 2019. The results factor in one-time revenue and expense adjustments for nonrecurring or capital-related expenditures.

The Watchlist section and the Project Performance List (PPL) refer to the quarterly review by the Asset Management team to identify projects that may be underperforming. The projects on the PPL are intensively monitored by the Asset Management team, and quarterly reports of progress are provided to Enterprise senior management and investors.



Enterprise is a proven and powerful nonprofit that improves communities and people's lives by making well-designed homes affordable. We bring together nationwide know-how, partners, policy leadership and investments to multiply the impact of local affordable housing development. Over our 40-year history, Enterprise has invested \$44 billion and created or preserved 781,000 homes in all 50 states.

**We welcome your comments or questions, in care of:**

**Rob Medlock**

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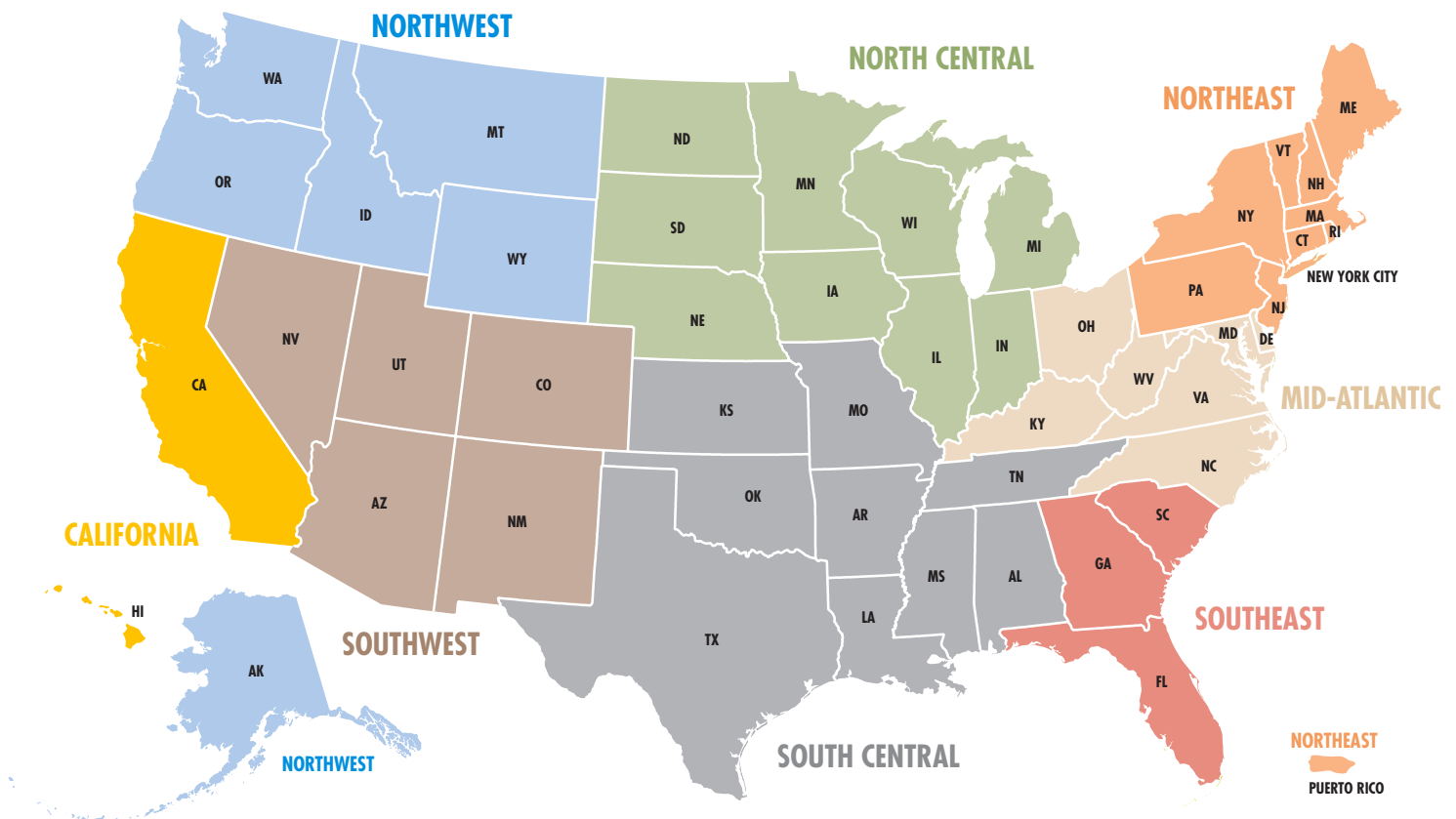
[enterprisecommunity.com](http://enterprisecommunity.com)



*Asset Management operates as Enterprise Community Asset Management, an Enterprise Community Partners affiliate*

# Regional Highlights

The average occupancy for the portfolio was 96.5% in 2020. The largest increases occurred in the Southeast and North Central regions, where occupancy increased by 1.7% and 1.5%, respectively. The occupancy in the South Central region remained under 95% for the second consecutive year. New York City had the largest decline in 2020, as the occupancy decreased by 0.9% to 96.9%. With the modest decline in New York City, the occupancy in the Northwest was the highest occupancy in 2020, at 97.6%, and has remained over 97% for the past six years.



AVERAGE OCCUPANCY BY SUB-REGION (Less Than 95% Highlighted)							
SUB-REGION	2014	2015	2016	2017	2018	2019	2020
Northwest	97.4%	98.0%	97.4%	97.6%	97.1%	97.7%	97.6%
California	96.8%	96.9%	97.0%	97.1%	97.1%	97.3%	97.1%
Southwest	95.8%	95.4%	94.4%	95.5%	95.7%	96.7%	96.7%
North Central	95.0%	95.4%	94.8%	94.8%	94.8%	94.1%	95.6%
South Central	96.0%	95.6%	95.6%	95.4%	95.3%	93.9%	94.1%
Northeast	95.5%	96.0%	96.0%	96.3%	95.6%	96.1%	96.2%
New York City	97.8%	98.2%	98.1%	97.9%	97.4%	97.8%	96.9%
Mid-Atlantic	96.8%	97.0%	97.0%	97.6%	96.8%	96.5%	96.4%
Southeast	95.7%	96.5%	96.3%	95.8%	94.6%	95.2%	96.9%
<b>PORTFOLIO</b>	<b>96.4%</b>	<b>96.7%</b>	<b>96.4%</b>	<b>96.7%</b>	<b>96.3%</b>	<b>96.4%</b>	<b>96.5%</b>

The 2020 median total operating expenses was \$7,296 per unit, which represents a 2.9% increase over 2019. The average annual growth rate of the median total operating expenses has been 3.5% a year since 2014. New York City reported the highest expense amount of \$9,700 per unit, and the Southwest and North Central regions had the lowest, at \$5,567 and \$5,939 per unit, respectively. One primary driver of the higher expenses in New York City is owner-paid utilities. California had the largest expense increase in 2020, at 4.9%, and the Northwest region has had the largest growth rate since 2014, at 4.0%.

**MEDIAN TOTAL OPERATING EXPENSES BY SUB-REGION**

SUB-REGION	2014	2015	2016	2017	2018	2019	2020
Northwest	\$5,122	\$5,326	\$5,421	\$5,761	\$6,004	\$6,245	\$6,474
California	\$7,164	\$7,234	\$7,272	\$7,685	\$7,930	\$8,279	\$8,681
Southwest	\$4,534	\$4,557	\$4,834	\$5,020	\$5,225	\$5,442	\$5,567
North Central	\$4,815	\$4,942	\$5,100	\$5,199	\$5,583	\$5,815	\$5,939
South Central	\$5,116	\$5,275	\$5,441	\$5,499	\$5,558	\$5,857	\$6,072
Northeast	\$6,952	\$7,101	\$7,381	\$7,377	\$7,747	\$7,866	\$7,862
New York City	\$8,629	\$8,711	\$8,601	\$8,752	\$9,371	\$9,562	\$9,700
Mid-Atlantic	\$5,729	\$6,034	\$6,333	\$6,450	\$6,660	\$6,764	\$7,079
Southeast	\$5,188	\$5,429	\$5,496	\$5,669	\$5,698	\$5,983	\$6,247
<b>PORTFOLIO</b>	<b>\$5,939</b>	<b>\$6,099</b>	<b>\$6,350</b>	<b>\$6,511</b>	<b>\$6,848</b>	<b>\$7,089</b>	<b>\$7,296</b>

The 2020 median NOI was \$2,722 per unit, which was an increase of 8.0% over the prior year. Strong occupancy and continued revenue growth have not only strengthened NOI, but also raised the median DCR from 1.41 to 1.46. The average annual growth rate of the median NOI since 2014 has been 4.1% per year. The highest median NOI amounts are traditionally in California and Southwest region, and the lowest median NOI in 2020 was in the North Central region. Strong occupancy and flat operating expenses caused the NOI of the Northeast region to increase 22.4% in 2020, higher than any other region.

**MEDIAN NET OPERATING INCOME BY SUB-REGION**

SUB-REGION	2014	2015	2016	2017	2018	2019	2020
Northwest	\$2,379	\$2,455	\$2,609	\$2,577	\$2,649	\$2,570	\$2,716
California	\$2,902	\$2,803	\$2,824	\$2,963	\$3,349	\$3,348	\$3,562
Southwest	\$2,700	\$2,695	\$2,858	\$2,990	\$3,028	\$3,181	\$3,280
North Central	\$1,718	\$1,785	\$1,944	\$1,957	\$1,800	\$1,833	\$1,961
South Central	\$2,124	\$1,932	\$2,064	\$2,127	\$2,065	\$2,361	\$2,446
Northeast	\$1,596	\$1,553	\$1,638	\$1,868	\$1,784	\$1,776	\$2,173
New York City	\$1,760	\$1,953	\$2,190	\$2,586	\$2,373	\$2,409	\$2,712
Mid-Atlantic	\$2,102	\$2,303	\$2,400	\$2,303	\$2,553	\$2,537	\$3,011
Southeast	\$1,948	\$2,007	\$2,158	\$1,959	\$2,234	\$2,043	\$2,459
<b>PORTFOLIO</b>	<b>\$2,138</b>	<b>\$2,229</b>	<b>\$2,308</b>	<b>\$2,380</b>	<b>\$2,431</b>	<b>\$2,521</b>	<b>\$2,722</b>