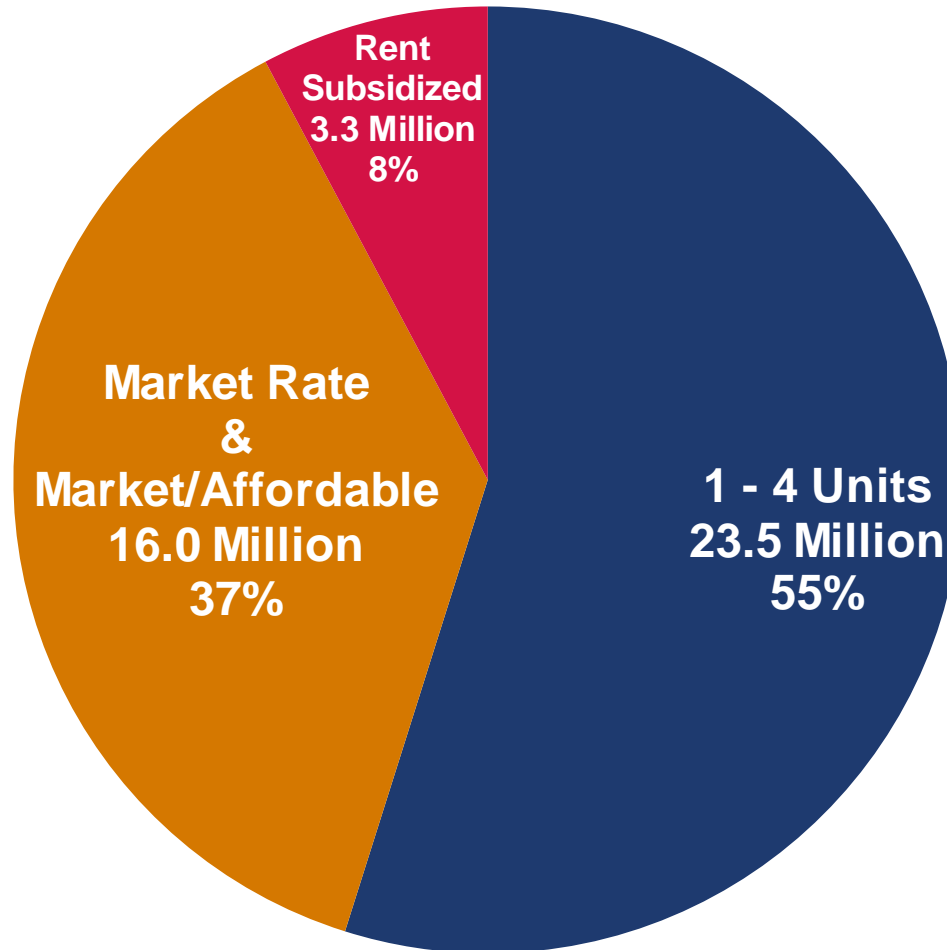




Naturally Occurring Affordable Housing

NAAHL Annual Conference | December 1, 2016

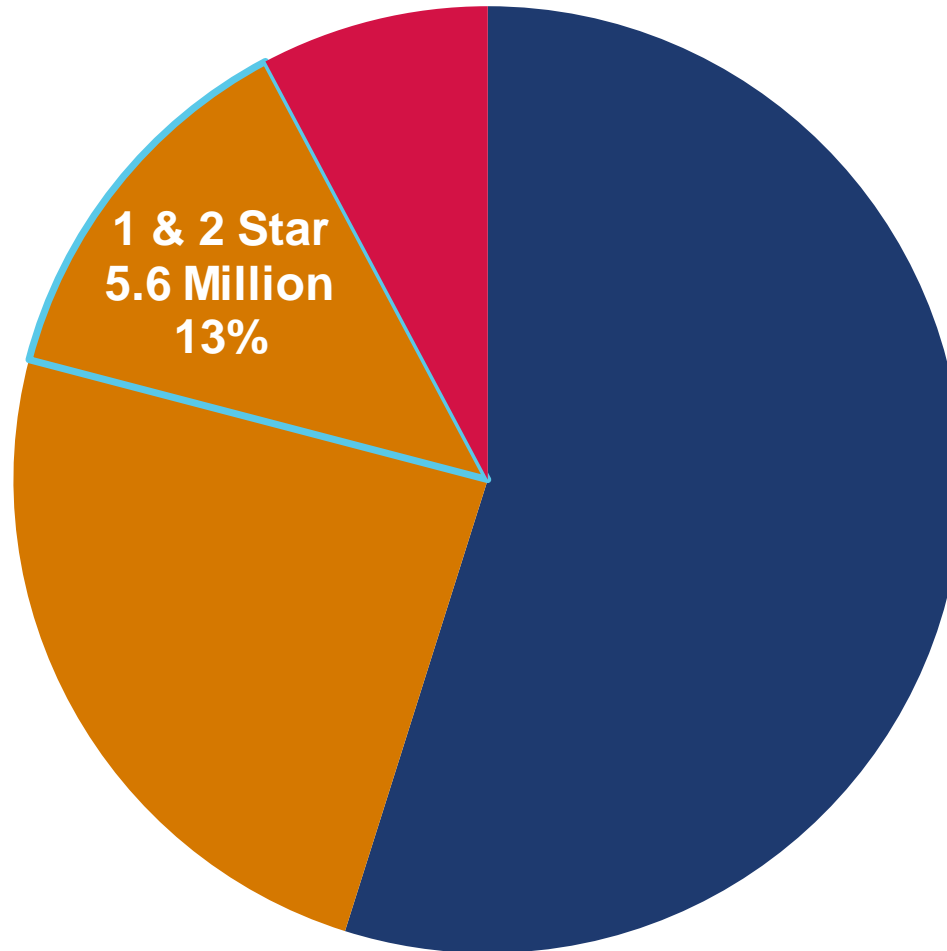
U.S. Rental Housing Inventory By Units



Sources: U.S. Census Bureau; CoStar Portfolio Strategy

As of August 2016

U.S. Rental Housing Inventory By Units



Sources: U.S. Census Bureau; CoStar Portfolio Strategy

As of August 2016

One- And Two-Star Rating Criteria



CoStar Building Rating System (BRS)

RATING	GROUP	DEFINITION	
★★	Architectural Design	Exterior Materials/Façade	Brick, stucco, EIFS, precast concrete, siding with noticeable aging.
		Fenestration/Glazing/Views	Small, seemingly inadequate windows.
		Overall Aesthetics	Average, functional.
	Structure/Systems	Purely functional.	
	Amenities	Unit Amenities/Design	Below average finishes, inefficient use of space.
		Site Amenities	Likely only one or no on-site shared facilities.
	Site/Landscaping	Minimal or no landscaping, no exterior spaces.	
	Certifications	Unlikely a certified/labeled green and energy efficient building.	
★	Practically uncompetitive with respect to typical multi-family investors, may require significant renovation, possibly functionally obsolete.		

Three-Star Rating Criteria

CoStar Building Rating System (BRS)

RATING	GROUP	DEFINITION	
★★★	Architectural Design	Exterior Materials/Façade	Brick, stucco, EIFS, precast concrete, vinyl or fiber cement siding, possibly 4 Star materials with signs of age.
		Fenestration/Glazing/Views	Punched windows, fair mix of glazed and opaque surfaces that provide adequate natural light.
		Overall Aesthetics	Average with respect to background buildings, contextually appropriate.
	Structure/Systems	Likely smaller and older with less energy-efficient and controllable systems.	
	Amenities	Unit Amenities/Design	Average quality finishes, layout conducive to compact lifestyle but not necessarily an open floor plan.
		Site Amenities	A few on-site shared facilities and spaces such as a Clubhouse/Party Room, Fitness Center, Business Center, Pool, Laundry Facilities, etc.
	Site/Landscaping	Modest landscaping and likely small or no exterior spaces.	
	Certifications	Possibly a certified/labeled green and energy efficient building.	

Four-Star Rating Criteria




CoStar Building Rating System (BRS)

RATING	GROUP	DEFINITION	
★★★★	4-Star buildings are constructed with higher end finishes and specifications, providing desirable amenities to residents and designed/built to competitive and contemporary standards.		
	Architectural Design	Exterior Materials/Façade	Durable materials, well-detailed and constructed metal panel, wood veneer or terracotta cladding; possibly exhibiting minor signs of weathering and wear.
		Fenestration/Glazing/Views	Large windows, great natural day lighting and views.
		Overall Aesthetics	Representing recent trends and standards in design and/or of a timeless, perhaps an historic quality.
	Structure/Systems	Likely to have some 5 Star qualities, or of a prior generation of buildings.	
	Amenities	Unit Amenities/Design	Includes some high quality finishes such as hardwood floors, granite countertops, stainless steel appliances, bay window(s), crown molding, a balcony/patio and in-unit washer/dryers. Also may have an open floor plan and high/vaulted ceilings.
		Site Amenities	Several on-site shared facilities such as a Clubhouse/Party Room, Fitness Center, Business Center, Pool, Concierge, etc.
	Site/Landscaping	Well maintained landscaping where applicable; likely to have exterior gathering spaces, roof terrace or courtyard.	
Certifications	Possibly a certified/labeled green and energy efficient building.		

Five-Star Rating Criteria

CoStar Building Rating System (BRS)

RATING	GROUP	DEFINITION	
	A 5-Star building represents the luxury end of multi-family buildings defined by finishes, amenities, the overall interior/exterior design and the highest level of specifications for its style (garden, low-rise, mid-rise, or high-rise).		
	Architectural Design	Exterior Materials/Façade	High-quality durable materials – natural stone, glass, well detailed and constructed metal panel, wood veneer, or terracotta cladding; accentuating lighting.
		Fenestration/Glazing/Views	Large windows, abundant natural day lighting, generally available exterior views, high efficient glazing specification.
		Overall Aesthetics	Representing current trends and standards in design and/or of a timeless, perhaps a historic quality. Aesthetically exceptional arrangement of forms, massing and materials. Possibly designed by a notable or signature architect.
	Structure/Systems	High ceilings; modern energy-efficient, central HVAC, individually controlled systems, high-speed elevators, likely new or newly renovated.	
	Amenities	Unit Amenities/Design	Requires numerous high quality finishes such as hardwood floors, granite countertops, stainless steel appliances, bay window(s), crown molding, a balcony/patio and in-unit washer/dryers. Also typically has an open floor plan and high/vaulted ceilings of 9'+
		Site Amenities	Requires plentiful on-site shared facilities including a clubhouse/party room, fitness center, business center, pool, concierge, etc.
	Site/Landscaping	Continually maintained landscaping where applicable; exterior gathering spaces, roof terrace or courtyard.	
Certifications	Possibly a certified/labeled green and energy efficient building.		

EXTERIOR

INTERIOR



1 Star
★



2 Star
★★



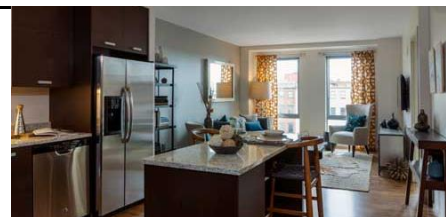
3 Star
★★★



4 Star
★★★★



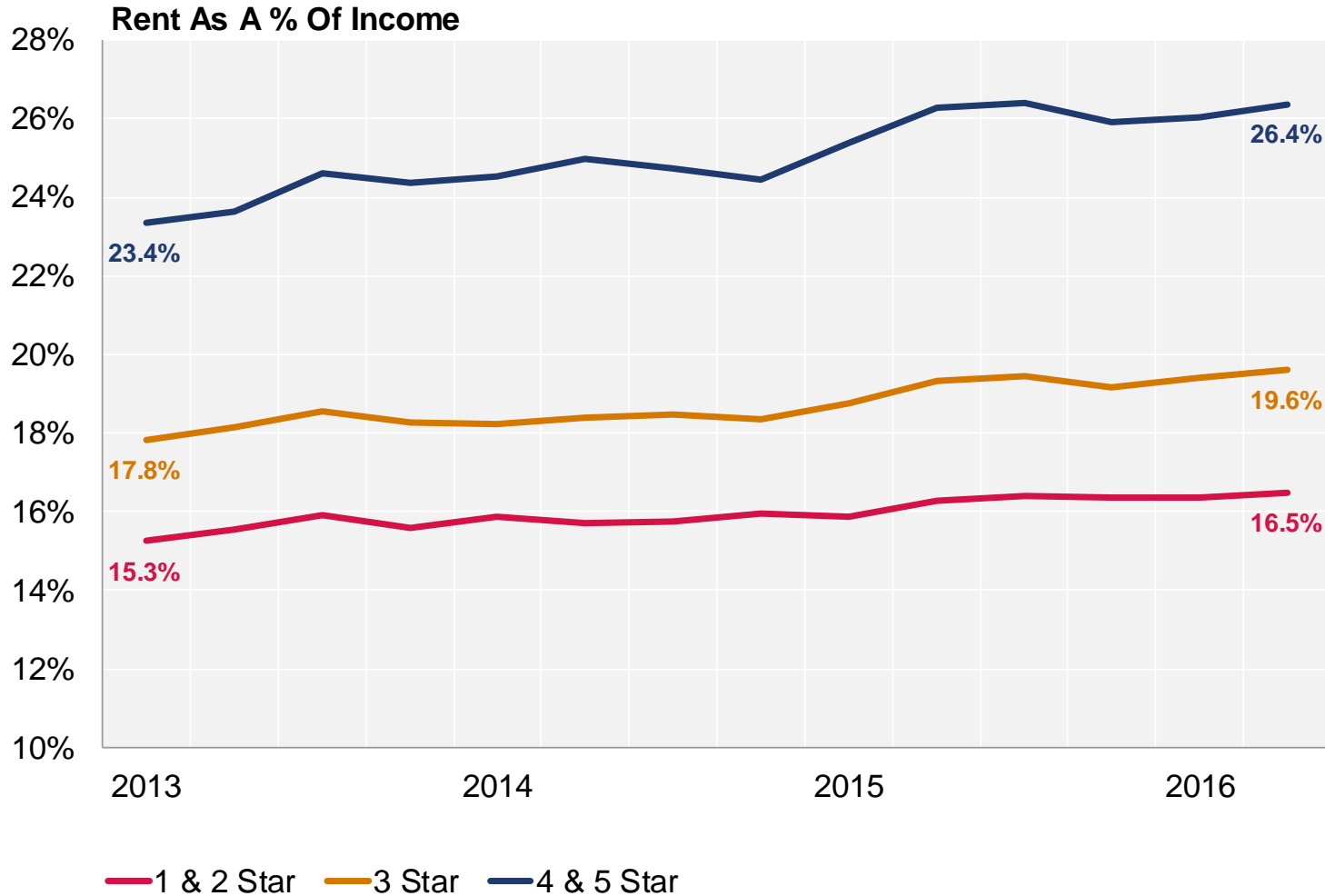
5 Star
★★★★★



Affordability Issues More Significant At Top End Of Market



Rent As A % Of 100% Area Median Income By Star Rating



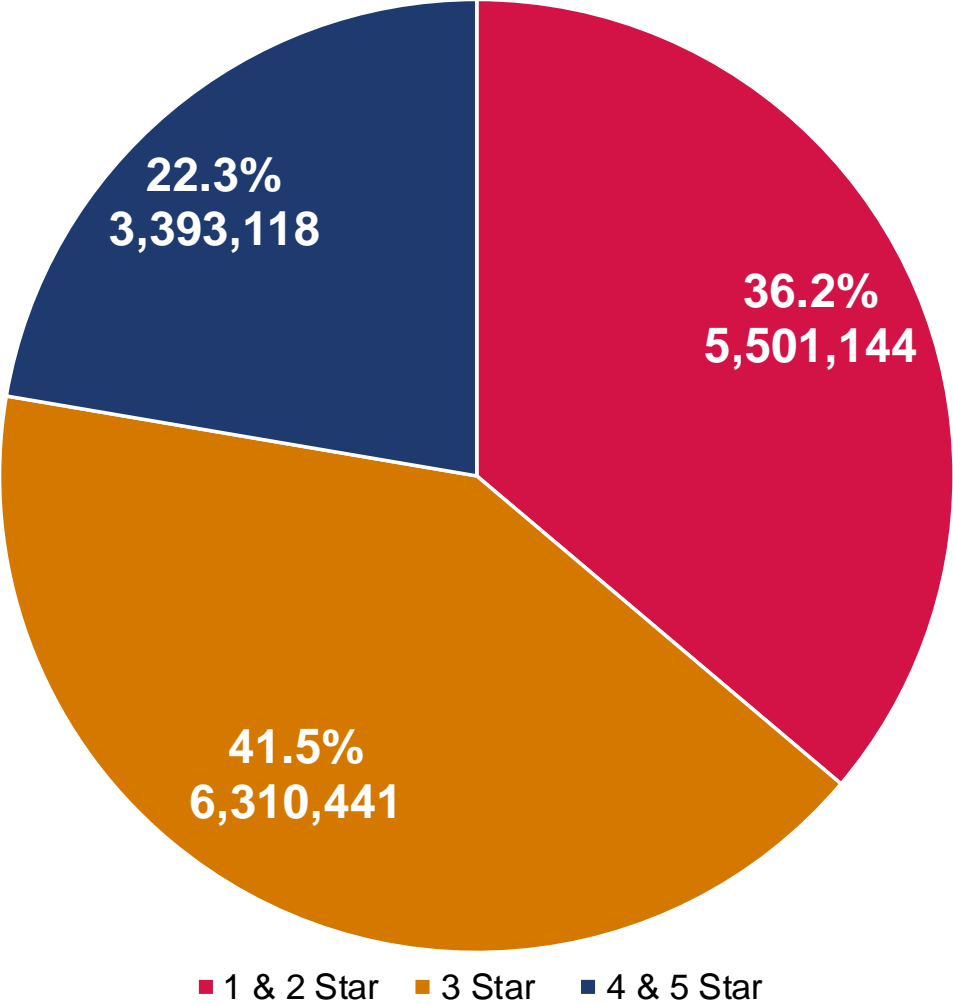
Source: CoStar Group

As of 16Q2

1 & 2 Star Represents A Major Portion Of The Market



Number Of Units By Star Rating



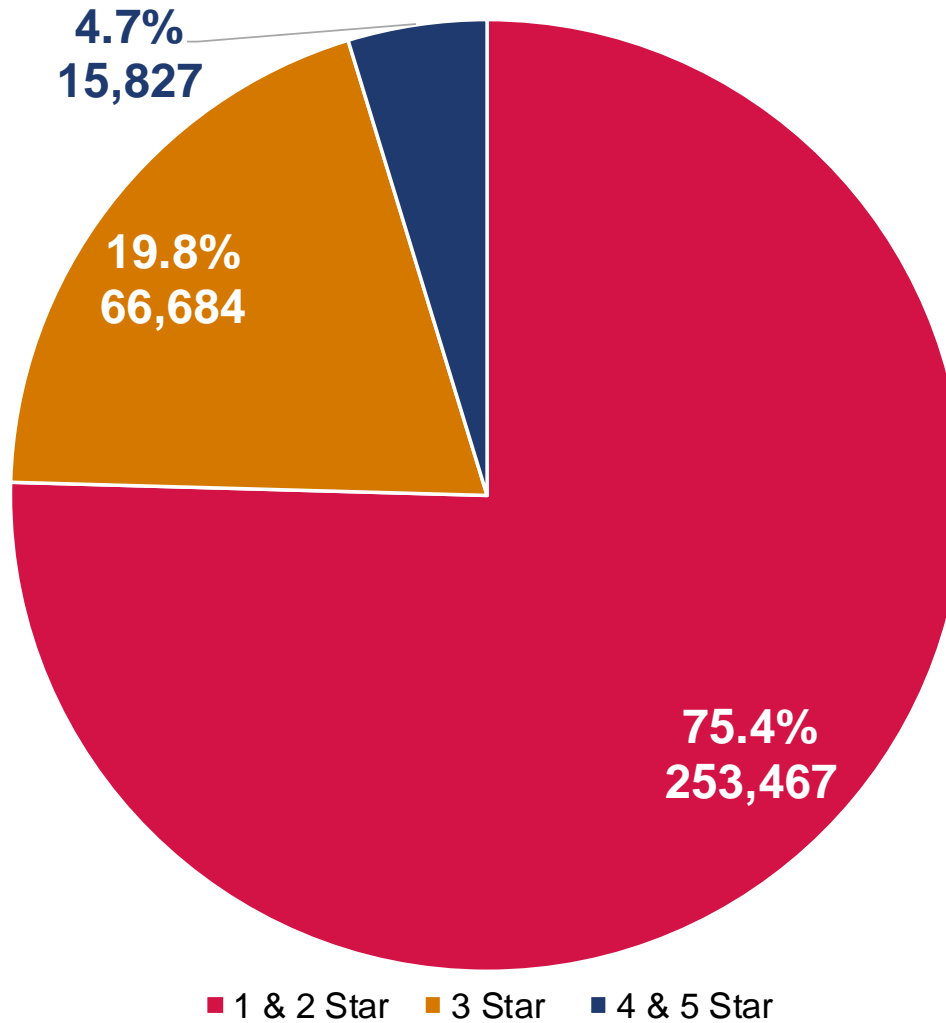
Source: CoStar Group

As of August 2016

The Vast Majority Of Multifamily Properties Are 1 & 2 Star



Number Of Properties By Star Rating



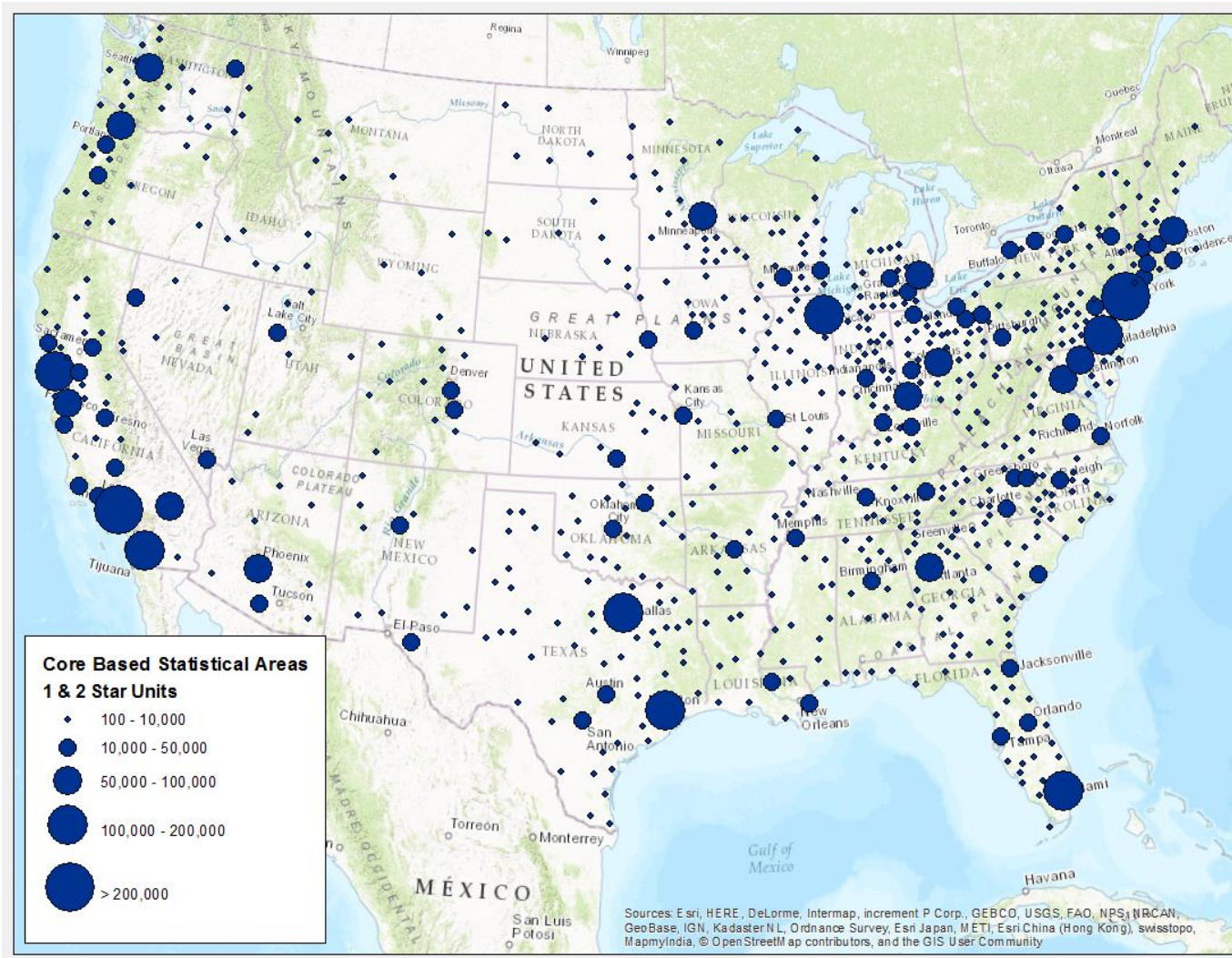
Source: CoStar Group

As of August 2016

1 & 2 Star Properties Can Be Found Almost Anywhere



1 & 2 Star Units By Metro

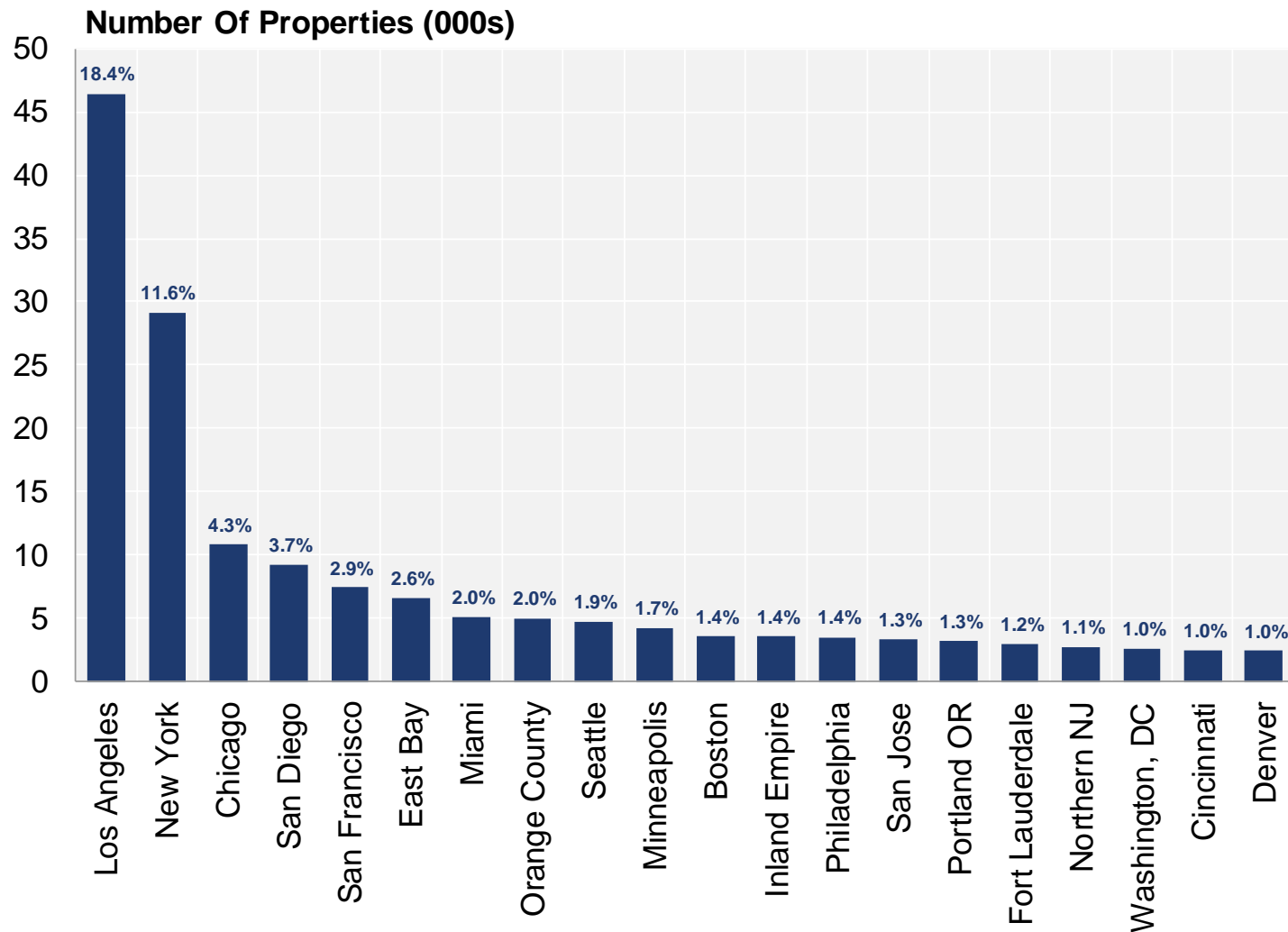


Sources: ESRI; CoStar Portfolio Strategy

As of 16Q2

Los Angeles And New York Dominate

1 & 2 Star Properties By Metro



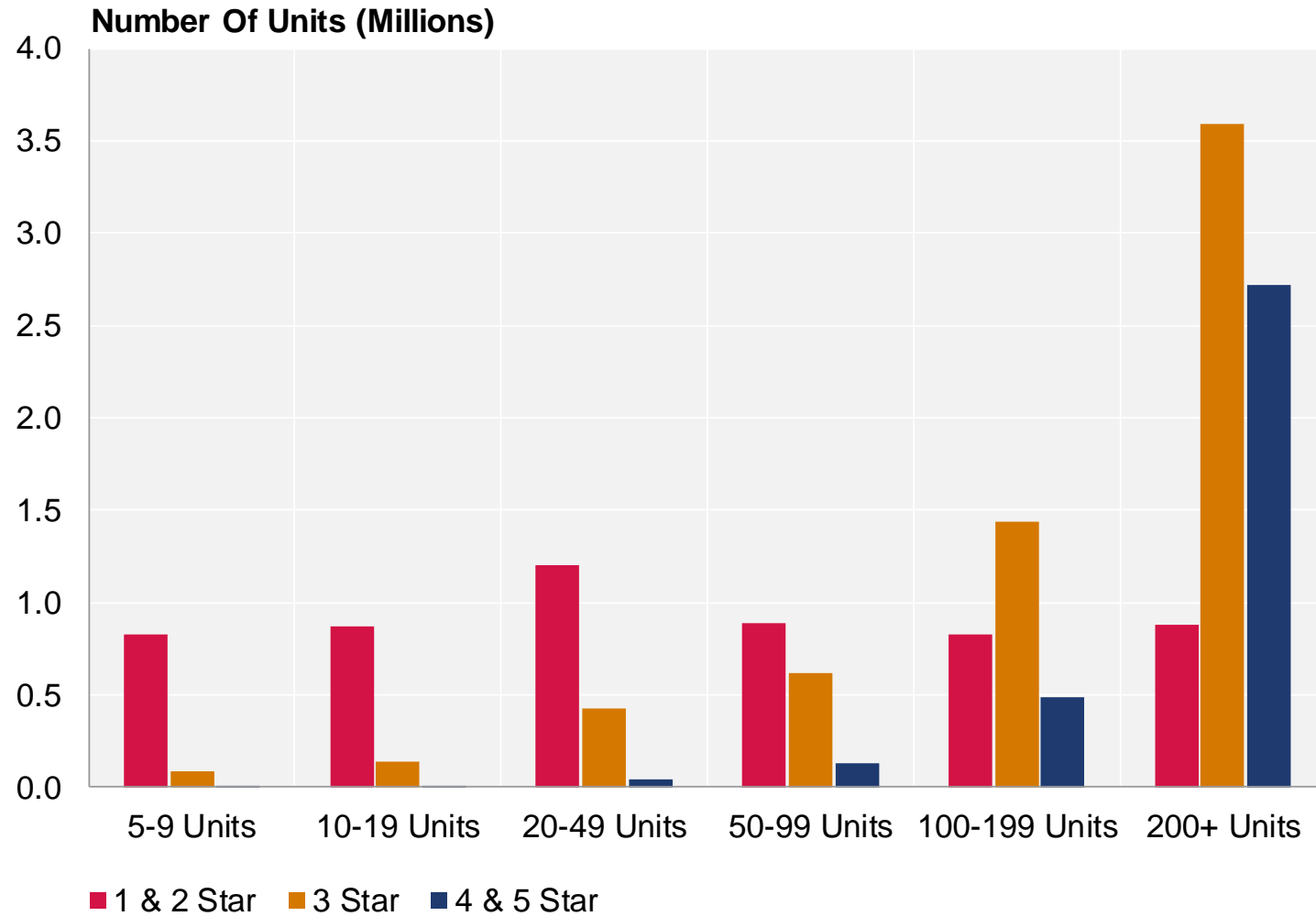
Source: CoStar Group

As of August 2016

Almost Half Of 1 & 2 Star Inventory In 50+ Unit Buildings



Number Of Units By Building Size And Star Rating

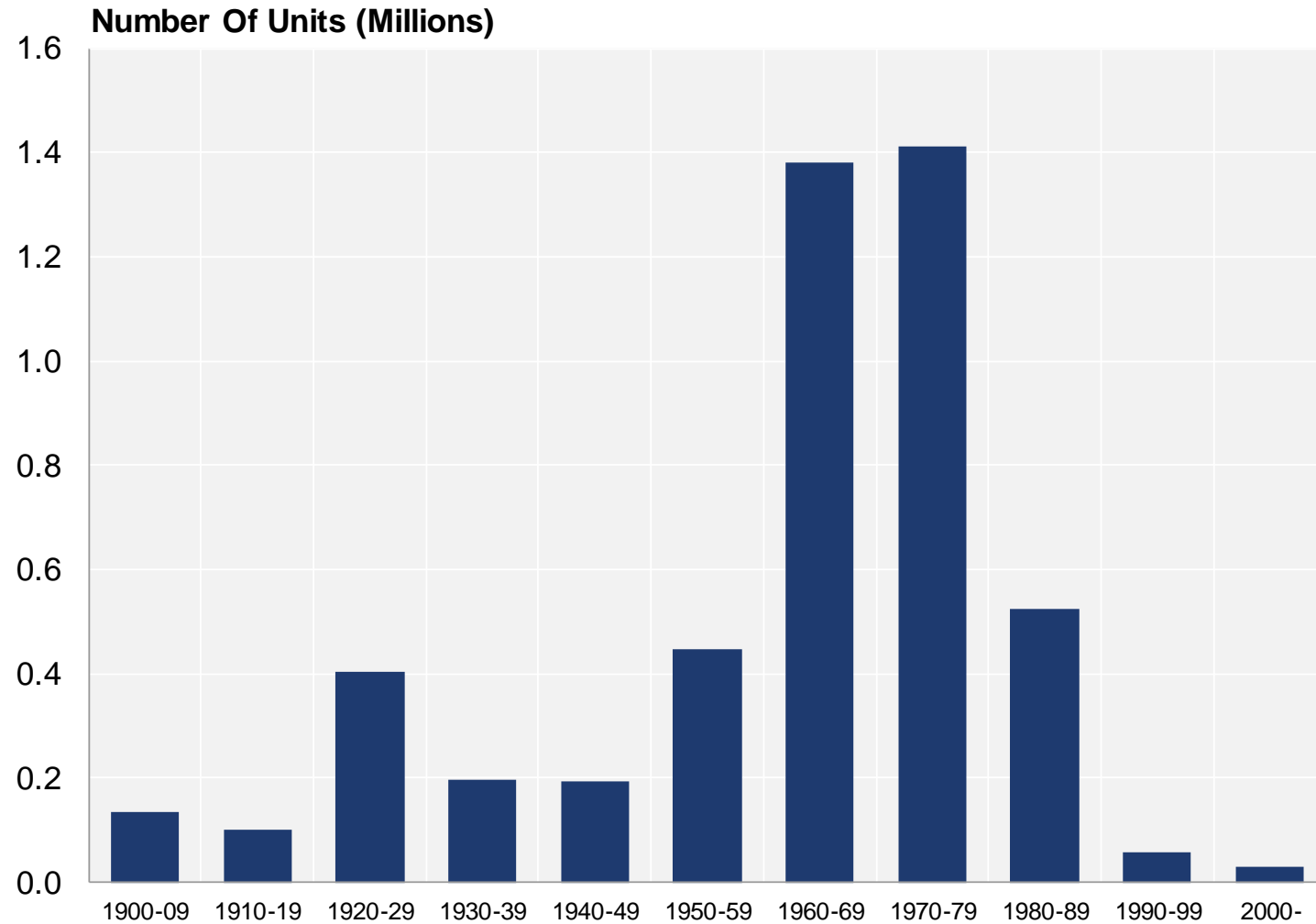


Source: CoStar Group

As of August 2016

Most Units Built More Than 35 Years Ago

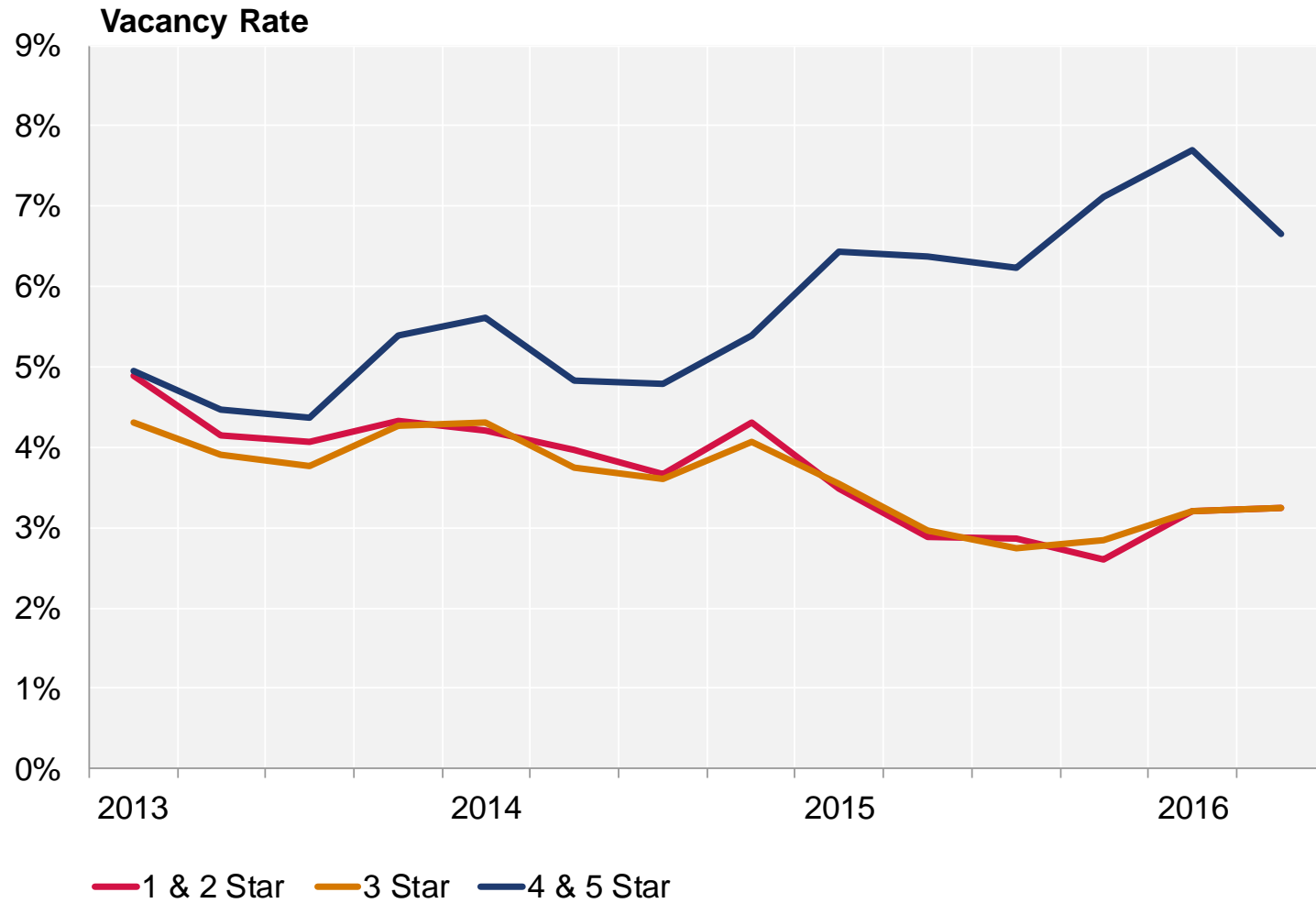
1 & 2 Units By Building Age



Source: CoStar Group

As of August 2016

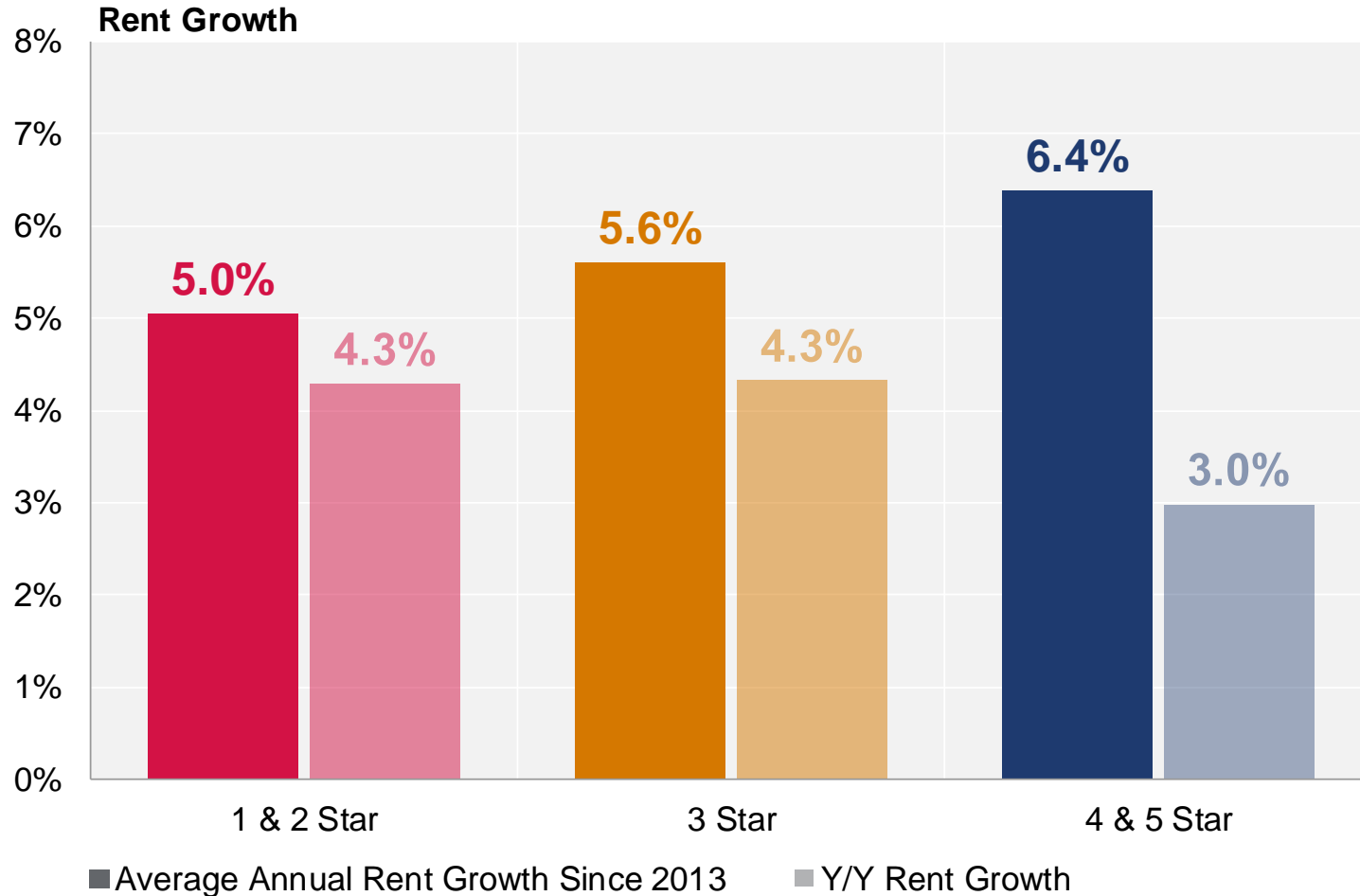
Average Vacancy By Star Rating



Source: CoStar Group

As of 16Q2

Average Rent Growth By Star Rating



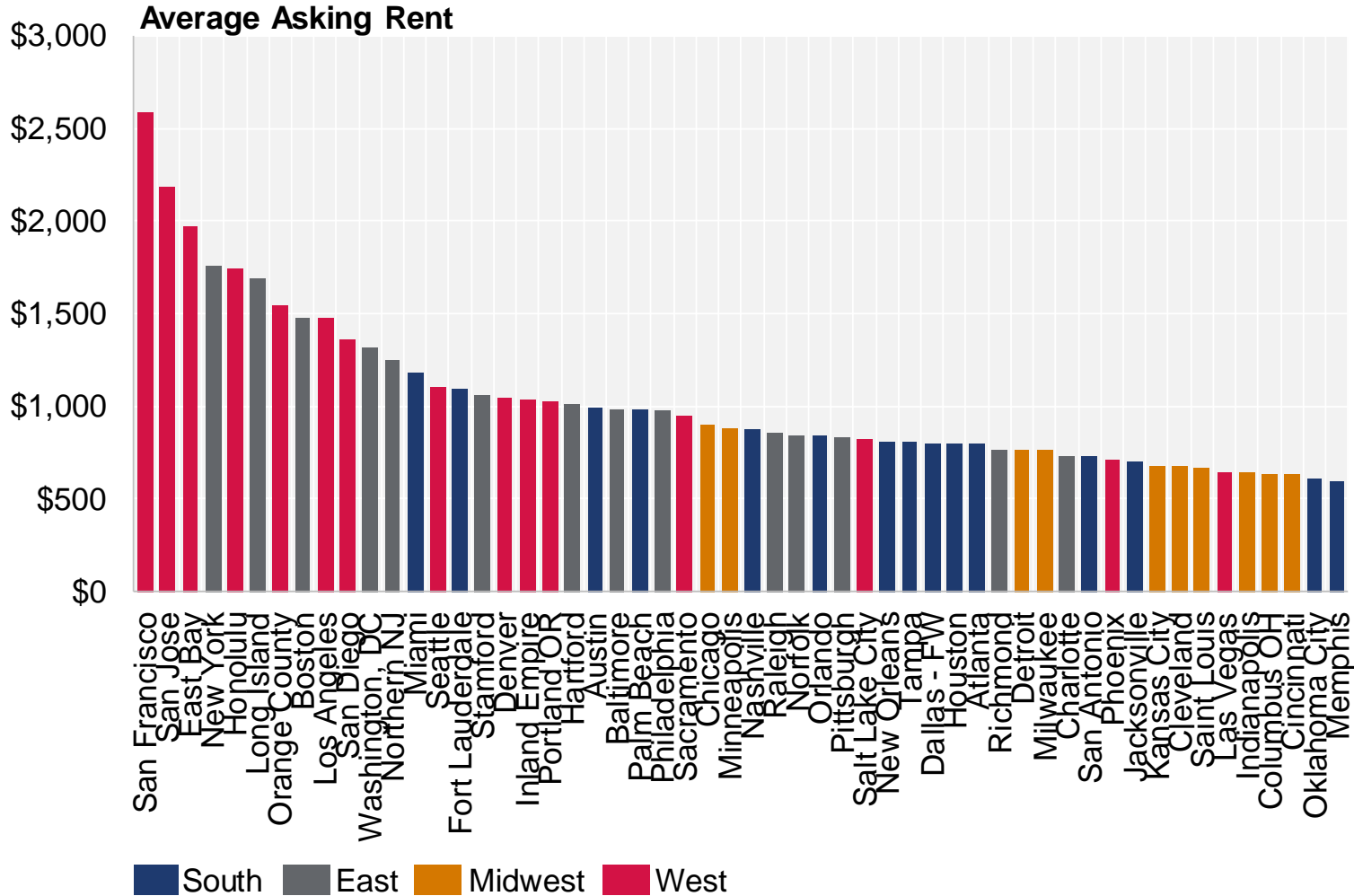
Source: CoStar Group

As of 16Q2

Core Coastal Metros Are The Priciest



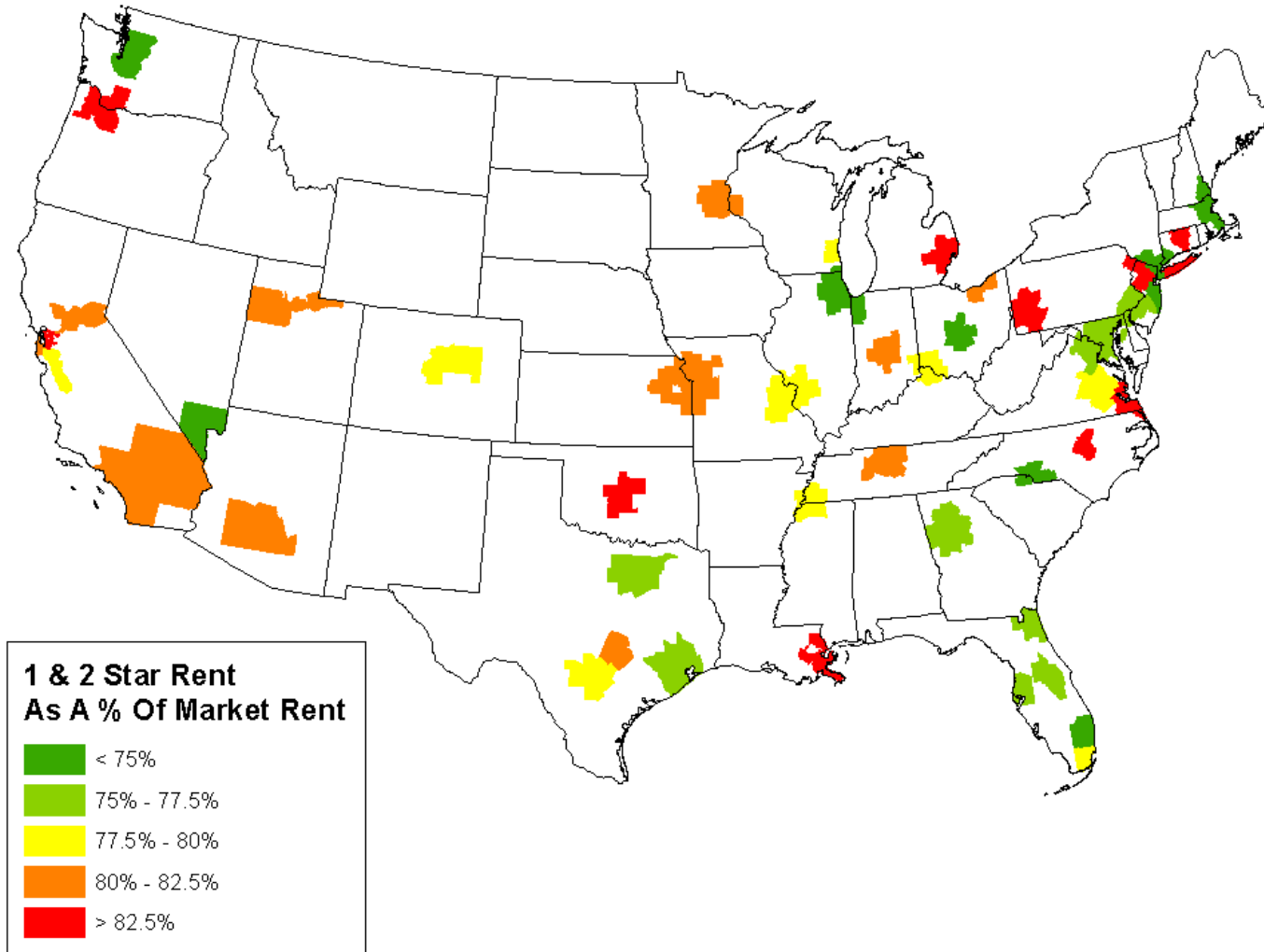
1 & 2 Star Average Asking Rent By Metro



Source: CoStar Group

As of 16Q2

1 & 2 Star Apartment Rents As A Percent Of Market Rent



Sources: ESRI; CoStar Portfolio Strategy

As of 16Q2

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