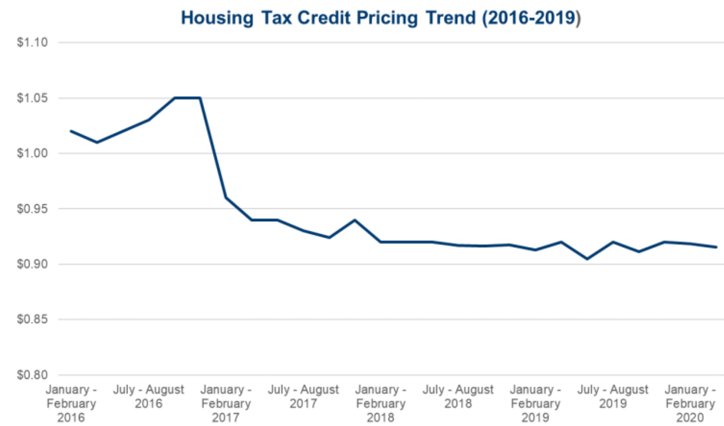
HOUSING TAX CREDIT MONITOR

September 2020

Housing Credit Investment Yield & Pricing Update

- On an equity-weighted basis, participants in our latest survey (July-August 2020) reported a **5.31%** blended IRR among the national multi-investor funds currently offered.
- The pricing update graph represents the net equity price trend since 2016. Current data are reflective of investments approved by the participating syndicators in the last 60 days. The median reported housing credit price in the last 60 days was **$0.911 cents** across 103 properties, which is slightly lower than the previous survey result of $0.919 cents.
- The price distribution in 2020 compared to 2019 indicates more deals now in the lower end of the pricing range. While our survey of syndicators indicated a three-cent drop in new deal pricing nationally, the impact of COVID-19 hasn't reflected clearly yet in the survey data.



CURRENT NATIONAL MULTI-INVESTOR FUNDS

Syndicator / Fund Name	Estimated Fund Size (millions)	After-Tax Cash Needs IRR	Net Equity Price	Target Closing
BFIM BFIM Fund 53	$146	3.8%- 6.25%	$0.86 - $1.0025	October 2020
BFIM BFIM Fund 54	$120	TBD	TBD	February 2021
Boston Capital BCCTC Fund 49	$115	4.38%- 6.25%	$0.83 - $0.9725	September 2020
CREA CREA Corporate Tax Credit Fund 80	$245	3.5%- 6.4%	TBD	September 2020
Enterprise Enterprise Housing Partners XXXIV	$160	TBD	TBD	April 2021
Hunt Hunt Capital Partners Fund 41	$125	TBD	TBD	March 2021
PNC PNC LIHTC Fund 79, LLC	$160	4.5%- 6%	$0.84 - $0.99	TBD
R4 R4 Housing Partners XV LP	$190	TBD	TBD	December 2020
Raymond James RJTCF 47	$200	TBD	TBD	December 2020
RBC Community Investments RBC National Fund 31	$150	TBD	TBD	April 2021
Regions Regions Corporate Partners Fund 57	$110	4.75%- 6%	$0.88 - $0.92	April 2021
WNC WNC Institutional Tax Credit Fund 49	$153	6%- 6.4%	$0.8235 - $0.94	TBD

CURRENT REGIONAL MULTI-INVESTOR FUNDS

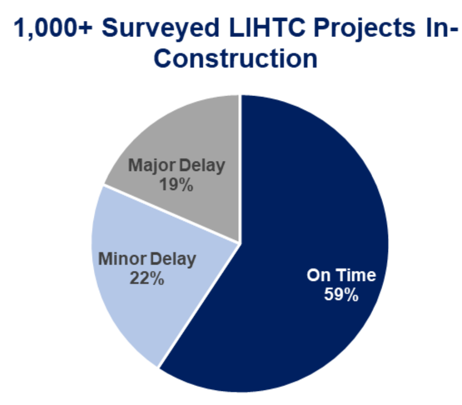
Syndicator / Fund Name	Region	Estimated Fund Size (millions)	After-Tax Cash Needs IRR	Net Equity Price	Target Closing
Cinnaire Cinnaire Fund for Housing LP 35	MI, IN, IL, WI, MN	$100	5%- 5.7%	$0.852 - $0.951	September 2020
MHEG MHEG Fund 52, LP	Midwest	$200	5.35%	TBD	October 2020
MHIC MHEF XXVI	MA	$60	4.00%	$0.94	September 2020
R4 R4 California Housing Partners VI	CA	$75	TBD	TBD	December 2020
Raymond James CAHOF IX	CA	$120	TBD	TBD	September 2020
RBC Community Investments RBC California Fund - 6	CA	$66	4%- 4.5%	$0.9 - $1.05	September 2020
Redstone 2020 CA Regional Fund	CA	$80	4.5%- 6%	TBD	November 2020

COVID-19's Impact on Current Transactions

- CohnReznick continues to gather information about the pandemic's impact on affordable housing to better inform our clients. In the normal course of business, this is the time of the year where CohnReznick would survey housing credit syndicators and direct investors regarding their mid-year assessment of projected annual volume. Since 2020 has been anything but normal, we have expanded our mid-year survey to include a number of COVID-19-related questions concerning construction delays, transaction volume, pricing, investor feedback, and other relevant items.

Projects Under Construction

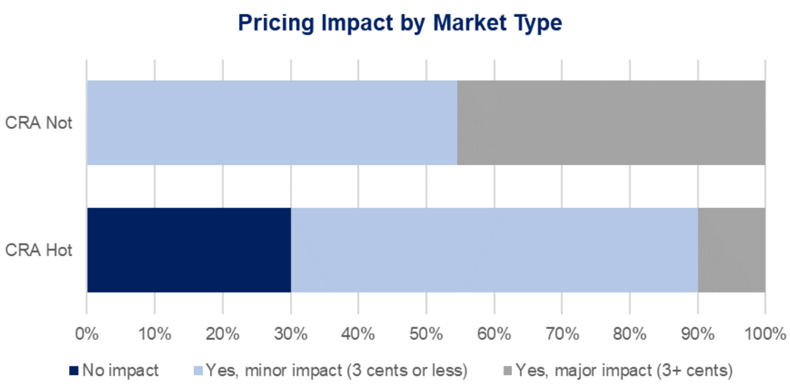
- Over 1,000 properties were reported to be under construction as of the date of this survey. Of those, 59% reported to be proceeding as scheduled, 22% reported a minor delay of three months or less, and 19% reported a major delay of more than three months.



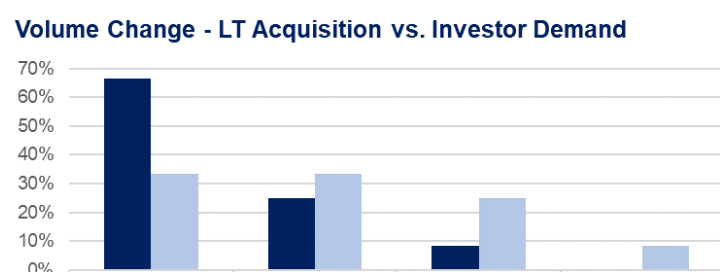
- Digging deeper into the 200+ projects currently experiencing major delays of more than three months, respondents attributed the primary causes to construction moratoriums, permitting delays, and additional complexities involving occupied rehabilitations.
- Downward timing adjusters have commonly come up in recent discussions with our clients. When COVID-19-related construction delays inevitably turn in to leasing delays, how will syndicators enforce adjusters? Respondents were evenly split between enforcing adjusters most of the time, but would consider exceptions, and considering adjusters on a case-by-case basis. A small minority of respondents indicated that adjusters would be enforced in every instance. It appears that syndicators expressed a willingness to resolve significant downward adjusters that are clearly due to the pandemic and beyond one's control collaboratively with their developer and investor partners.

Pre-Closing Projects

- The market is currently in an interesting place, with many syndicators aiming to secure product for late 2020 or early 2021 placement.
- With a nationwide three-cent drop in pricing, we attempted to isolate the pricing impact of the pandemic to “CRA Hot” markets and the rest of the country. Respondents indicated a similar prevalence of minor pricing change (three cents or less) between CRA Hot (60%) and CRA Not (55%) markets.
- Ten percent of respondents indicated major (more than three cents) pricing change among CRA Hot markets, versus 45% among CRA Not markets. While this suggests that CRA Hot markets are, in general, less sensitive to market uncertainties, anecdotal evidence also suggested that select CRA Hot markets had experienced a more pronounced decrease in pricing due to less demand from certain anchor investors.



- Marge Novak, executive vice president at Cinnaire, indicated that the investor demand impact is much more visible at the local and regional level. “I don’t think it’s a case of ‘CRA Hot’ and ‘CRA Not,’ I think you need to look more closely at markets for whether they have steady interest from larger and longer-tenured investors, or are they dominated by mid-range banks that might be stepping back.”
- We surveyed syndicator respondents about their projected 2020 acquisition and investor equity-raising volumes. The majority (67%) of respondents indicated no slowdown in lower-tier acquisitions. Quite the contrary, many noted more potential to be selective in deal terms or secure desired deals that they may otherwise not be able to attract. This is telling, because 66% of respondents also indicated at least some decrease (minor 33%, moderate 25%, major 8%) in projected investor equity volume for 2020.



	No change	Minor decrease (<10%)	Moderate decrease (10%-20%)	Major decrease (20%+)
LT Acquistion	67%	25%	8%	0%
Investor Volume	33%	33%	25%	8%

- The data seem to suggest a short-term imbalance of acquisition activity and investor equity raising that syndicators will need to manage.
- Peter Sargent, director of capital development for Massachusetts Housing Investment Corporation (MHIC), noted, “2020 is really two years: carryover 2019 deals that closed in 2020, and now there are too many deals to be had, and syndicators are running out of [investor] money for 2020.”
- Mr. Sargent attributes some of the acquisition/investor demand imbalance to organizations’ confidence that investor demand will return to normal in 2021. “We are also necessarily focused on properties that can close in early 2021, which is a new CRA investment cycle for many investors. We tend to worry about those properties that ‘must’ close by the end of this year,” Mr. Sargent added.
- The data appear to indicate that while near-term investor demand may be negatively impacted, acquisition activity appears to be relatively modestly impacted – with syndicators potentially taking a longer-term view of the market’s demand.

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>
> – Peter Sargent, MHIC

Projects Under Management

- Most respondents indicated that they had undertaken portfolio-wide analysis of some form to assess the potential impact of the pandemic on property operations.
- Monthly rent collection is a key data point that many respondents are tracking monthly for investors. To date, the impact has been less pronounced than originally feared, with collection rates largely consistent with historical rates. However, as of the date of this writing, CARES Act enhanced unemployment benefits had expired in July, though some additional unemployment relief may be coming via the President’s executive order, and administered by FEMA. Nevertheless, Congress remains deadlocked on additional assistance funding, and the impact is likely beginning to be felt at unsubsidized housing credit properties.
- Forty-five percent of surveyed respondents indicated that the expected average collection rates across their portfolio between now and year-end would be 90%-92%; an additional 45% indicated that the average collections rate is expected to be 85%-90%. Nine percent of respondents indicated that expected collection is projected to be below 85%. Responses seem to indicate that portfolio geographic concentration not surprisingly has tremendous impact on expected collection rates.
- Finally, we inquired whether the pandemic is expected to materially increase watch-list properties by year-end. A majority of respondents (55%) indicated no expected increase.