U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

17th Annual SMAC Conference & CNA E-Tool Training

State of the Southeast Region and Key Market Updates

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Objectives

1. Territory
2. Staffing
3. Loan Volume 2017
4. Production Challenges/Solutions
5. Elderly Properties Processed in 2017
6. Asset Management Challenges/Solutions
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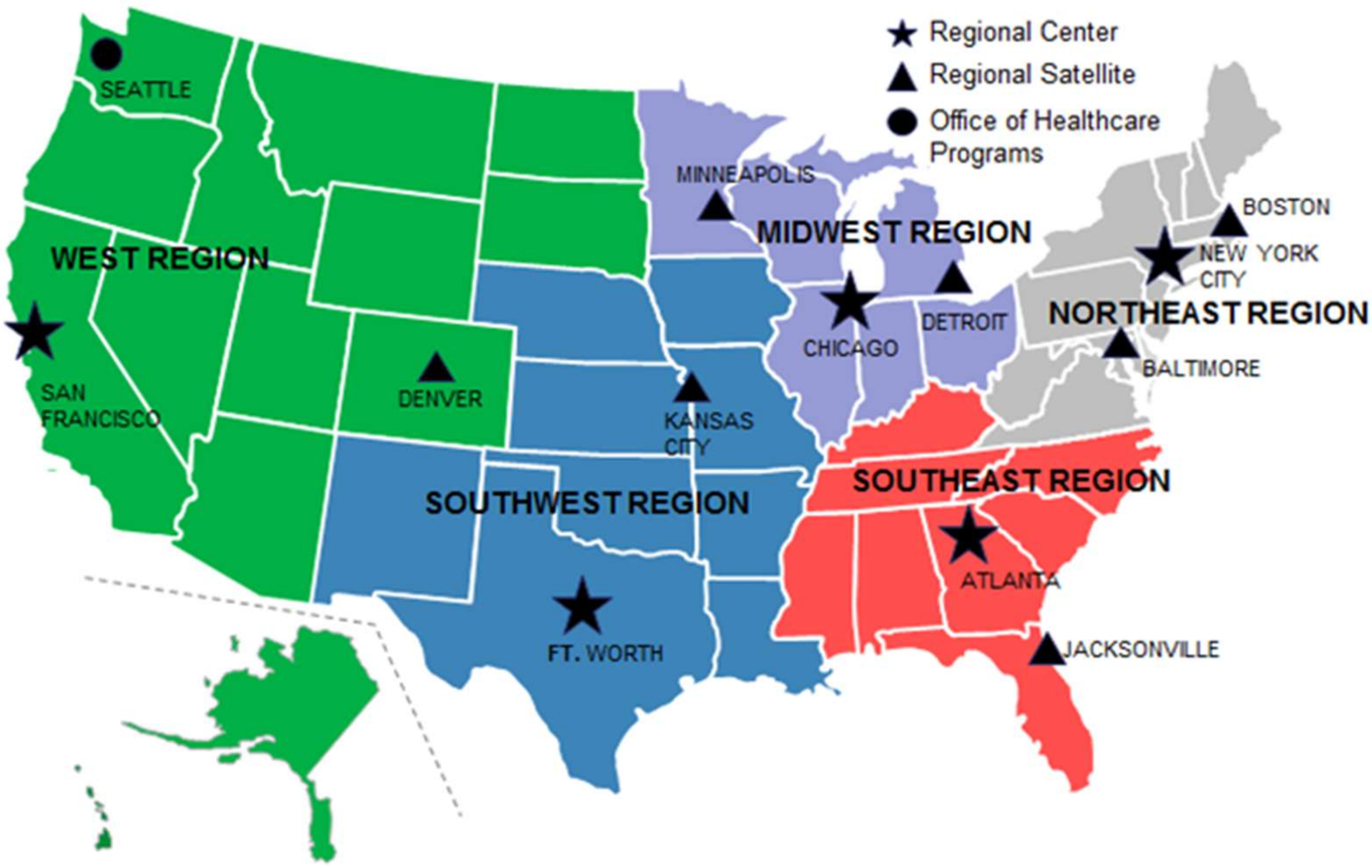
HUD Southeast Region



Southeast Region Leadership

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Program Analyst

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Director,
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Branch Chief

Ed Wallace
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Atlanta Technical Specialist
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Current Staffing

The "Wire-Frame" is our fully staffed model under FY17 appropriation levels. The final staffing model from Multifamily For Tomorrow (MFT) in 2015 planned for 206 FTEs. The initial wireframe was adjusted downward to reflect actual FY17 appropriations. We are currently 9.57% below those appropriated levels.

	HISTORICAL WIRE-FRAME	CURRENT WIRE-FRAME	% GAP
Start of MFT	206		
FY 2015 Target	201		
FY 2016 Target	195		
FY 2017 Target	188		
Current MF TOTAL	**170**	**188**	**-9.57%**

	CURRENT Staffing 4/1/2018	WIRE-FRAME	WIRE-FRAME to CURRENT % GAP
Production Staff	48	62	-22.58%
Asset Management Staff	115	117	-1.71%
Operations Staff	5	7	-28.57%
Director's Office	2	2	0.0%
TOTAL	**170**	**188**	**-9.57%**

2017 Southeast Region Loans Processed

Firm Invitations

SOA Category	No. of Loans	No. of Units	Dollar Amount
220	1	62	$9,693,700
221(d)(4)	17	3,556	$491,944,000
241(a)	1	288	$39,397,200
Total	**19**	**3,906**	**$541,034,900**

Firm Commitments

SOA Category	No. of Loans	No. of Units	Dollar Amount
221(d)(4)	15	2,685	$376,645,800
223(f)	20	2,695	$160,871,400
223(a)(7)	5	823	$65,492,000
542(c	1	48	$690,000
Total	**41**	**6,251**	**$603,699,200**

Initial Endorsements

SOA Category	No. of Loans	No. of Units	Dollar Amount
220	1	397	$101,528,500
221(d)(4)	48	8,737	$998,013,100
Total	**49**	**9,134**	**$1,099,541,600**

Final Endorsements

SOA Category	No. of Loans	No. of Units	Dollar Amount
221(d)(4)	27	4,778	$354,696,900
223(f)	85	14,953	$1,072,178,500
223(a)(7)	31	2,663	$360,758,900
241(a)	1	8	$909,500
Total	**144**	**22,402**	**$1,788,543,800**

Elderly Properties Processed in FY 2017

Total Mortgage Amount: $154,999,400

Total Projects: 19

Total Unit Count: 2,466

Production Challenges

- Project processing times taking much longer due to environmental issues needing to be reviewed and vetted more carefully. CPD reviews often are adding significant review time in addition to housings processing time frames.
- Project processing times take longer due to issues related to learning curve associated and navigating within the CNA e-Tool system.
- Projects where wage rate determinations (multiple wage rates) are being issued late in the process, can sometimes hold up closings.

Production Challenges (continued)

Lenders and Owners getting very surprised and disenchanted by the length of time it is taking to iron out the technical issues related to: environmental, CNA e-tool and multiple wage rates. Last minute fire drills are becoming very problematic and disruptive to providing quality customer service.

Production Solutions

Strengthen the weekly communication between the technical disciplines and the UWs.

CAs and Appraisers will be required to provide a more detailed explanation and weekly update to technical issues in environmental, valuation, CNA e-Tool, wage determination, and other miscellaneous technical issues.

These communications, if consistently provided, will increase overall awareness, accountability and more detailed focus and concerted efforts managing more difficult time-consuming technical issues.

Production Solutions (continued)

UWs will in turn communicate these technical issues to the Lenders, keeping them apprised and updated on a weekly basis, so that they can understand and respond to the issues throughout processing rather than be caught off guard and surprised when more time is needed to address and resolve ongoing issues.

Production will be providing more accountability, more awareness, more concerted focus and more COMMUNICATIONs to avoid the last-minute fire drills and surprises.

Asset Management Challenges/Solutions

Owners and agents uncertain who their assigned AE is.

Solution: Provide link information at all conferences as well as send out notifications quarterly via ListServ. The link is updated monthly.

https://www.hud.gov/states/georgia/working/localpo/mfhsg

Asset Management Challenges/Solutions (continued)

Consistency in the processing of servicing actions between the regional and satellite office.

Solution: Using tools through monthly BC meetings, BC/DD meetings (per office), small group collaboration and region wide training. Also ensuring all team members are processing work items in accordance to our National Standard of Work.

Asset Management Challenges/Solutions (continued)

Servicing of loans are processed in accordance with the Regulatory Agreement (i.e. R4R deposits)

Solution: Reminder to O/A's that for 223f's, we process R4Rs based on the PCNA (and now the CNA e-tool). There are still some instances where items are requested that were never reflected in underwriting.

Operations Challenge

Currently the Southeast Region only has the capability to hire candidates within our Housing Program area.

While this fulfills some of our staffing needs it doesn't get the Region where we need to be in-an-effort to meet and maintain the 188 FTEs that have been allocated to the Region. External hiring is essential to keep pace with retirements and allotted FTEs.

Operations Solution

Multifamily Housing should be allowed to hire up to appropriated levels. Hiring actions should be approved for both internal and external hires. Internal hiring actions should also cross Program cylinders in-order to obtain a larger pool of internal candidates.

KEY MARKET UPDATES
3rd QUARTER Atlanta - 2017

Atlanta continued to lead the Southeast Region in terms of the largest number of units under construction with more than 15,700 units.

3rd Quarter 2017- Nashville

- The largest decline in the number of units under construction occurred in Nashville where the number of units fell by nearly 7,800, or 48 percent, to approximately 8,550.
- The vacancy rate increased in every major metropolitan area in the region, led by Nashville where the vacancy rate increased 3.0 percentage points to 6.6 percent from 3.6 percent a year earlier.
- Nashville had the largest increase in annual absorption at 2,050 units, to reach nearly 5,900 units, but the increase was not sufficient to prevent the large increase in the vacancy rate.

<u>3rd Quarter 2017- Largest # of Units Under Construction</u>

Orlando, Charlotte, and Miami followed Atlanta in the number of units under construction, with approximately 13,200, 12,300, and 12,300 units, respectively.

3rd Quarter 2017- Annual Absorption

- Annual absorption slowed in several metropolitan areas of the region compared with the same period a year earlier, with the largest decline of nearly 8,500 units in Miami; however, the resulting negative absorption of 1,250 units was likely skewed by Hurricane Irma.

- Annual absorption fell by more than 2,000 units in Columbia and Greensboro to approximately 140 and 1,375 units, respectively. In Memphis, annual absorption also fell by more than 2,000 units but resulted in negative absorption of approximately 280 units.

3rd Quarter 2017- Rent Growth

Rent growth throughout the region was generally higher than typical for the respective areas. Unusually high annual rent growth of 11 percent occurred in Miami, which could be a combination of a large number of newer, more expensive units and Hurricane Irma-related issues.

3rd Quarter 2017- Highest Rents

Florida markets; Miami, Fort Lauderdale, and West Palm Beach averaged $1,483, $1,490, and $1,495, respectively, up from $1,332, $1,464, and $1,449 a year earlier.

3rd Quarter 2017- Softest and Tightest Markets

Apartment markets in the region were generally balanced to slightly soft with the softest markets in Birmingham and Jackson where vacancy rates were 7.3 and 7.4 percent, respectively.

The tightest major markets in the region were Orlando, Miami, and Knoxville with vacancy rates of 3.5, 3.8, and 3.8 percent, respectively.

3rd Quarter 2017- Vacancy Rate Increase

Vacancy rate increases of 2.0 percentage points or more occurred in Charleston, Fort Myers/Naples, and Miami where the vacancy rates were 5.9, 5.7, and 3.8 percent, respectively.

Thank you!