

JOB GROWTH	Area New Jobs				
	1 Mo	6 Mo	12 Mo		
1	Estimate	End 11/30	End 11/30	End 11/30	
	Dallas/Plano/Irving	14,900	50,200	89,700	
	Fort Worth/Arlington	5,700	13,100	25,100	
		20,600	63,300	114,800	
INTEREST RATES	Rates		END 12/31	Yr. Ago	
	10 Year Treasury		2.45%	2.27%	
	11th District COFI		0.60%	0.65%	
	1 Mo. LIBOR		0.76%	0.42%	
SUPPLY/ DEMAND	Units Added/ Absorbed		6 Mo	12 Mo	24 Mo
			End 12/31	End 12/31	End 12/31
	Dallas County				
	Added		3,112	8,222	19,098
	Absorbed		3,011	8,942	21,156
	Tarrant County				
Added		1,801	4,199	9,331	
Absorbed		378	4,812	10,061	
OCCUPANCY RATES	Dallas County		12/31/2016	6 Mo Ago	12 Mo Ago
	2010's		78.0%	75.5%	72.8%
	2000's		94.6%	95.3%	95.1%
	1990's		95.0%	95.2%	95.5%
	1980's		95.0%	94.9%	94.3%
	1970's or Older		93.7%	93.7%	93.3%
	Tarrant County				
	2010's		81.0%	83.6%	75.4%
	2000's		95.4%	95.7%	95.0%
	1990's		94.4%	95.4%	95.4%
	1980's		94.9%	95.5%	94.8%
	1970's or Older		94.0%	94.2%	93.2%
RENTAL RATES	Dallas County		12/31/2016	6 Mo Ago	12 Mo Ago
	2010's		\$1,485	\$1,503	\$1,492
	2000's		\$1,345	\$1,358	\$1,317
	1990's		\$1,260	\$1,270	\$1,227
	1980's		\$892	\$881	\$836
	1970's or Older		\$830	\$818	\$779
	Tarrant County				
	2010's		\$1,392	\$1,399	\$1,323
	2000's		\$1,155	\$1,164	\$1,128
	1990's		\$1,162	\$1,172	\$1,115
	1980's		\$865	\$850	\$811
	1970's or Older		\$787	\$768	\$734
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's				
	2012	79,200	1 Texas Workforce Commission		
	2013	95,000	2 Banxquote.com		
	2014	141,300	3 ALNsys.com - Rental rates are after concessions.		
	2015	116,600	Approximately 25% of 70's or older are all bills paid		

Multifamily Financing: Matching Your Debt with your Investment Strategy

By: James Eng, Senior Director Old Capital, 214-300-5035, jeng@oldcapitalending.com

Begin with the end in mind. How are you going to exit your investment? What challenges will your buyer encounter when you sell the property? If there is a market downturn, does your debt allow you to ride out the storm?

3 investment strategies and the ideal debt for each strategy:

1) Value-add: Fix, Lease Up, Sale/Refinance. Investment Horizon 3-5 Years.

Ideal Debt: A bridge loan will work well with this type of acquisition, as the lender will give you rehab dollars to bring the property up to market. Typical terms are: 75% Loan-to-cost, 5 year fixed, 4.50-5.00%, 20-25 year amortization, and recourse under \$5MM in loan amount. Benefits of this loan are you can roll a large amount of rehab into the loan and have no or a small prepayment penalty once the asset is stabilized. Disadvantage of a bridge loan is that at the end of your loan term, there is balloon payment where the entire principal balance is due. If the financing market is not as liquid as it is in today's market, it might be difficult for you to sale or refinance the property.

2) Yield Play- Limited deferred maintenance, improve operations. Investment Horizon: 7-10 Years.

Ideal Debt: Agency loan (Fannie Mae or Freddie Mac) works well with this type of acquisition, as you can fix the interest rate for 5, 7, 10, or 12 years with 30 year amortization and the loan is non-recourse at interest rates of 4.75%-5.00%. In addition to very favorable terms upfront, if the value improves significantly in the first 2-3 years of your ownership there is an opportunity to take additional debt through a supplemental loan. Disadvantage of these long term loans are if you decide to sale the property, the new buyer will have to assume your loan or you will have to pay a very large prepayment penalty called Yield Maintenance.

3) Hybrid- Well occupied, but upside available through light capital improvements (under \$5k/unit). Investment Horizon 5-10 years.

Ideal Debt: In this scenario, you have 2 options: Bridge loan or agency loan. Bridge loan brings more risk as it is recourse (under \$5MM loan amount) and has a loan term of only 5 years, but there is no limited prepayment penalty when you exit or refinance. Agency loan is less risky as it is non-recourse (\$1MM or above), locks in the interest rate for up to 12 years, and gives you the option of a supplemental loan, but there is a large prepayment penalty if you sale the property early in the loan term.

If you have any questions about your next refinance or acquisition, please contact James Eng at 214-300-5035 or jeng@oldcapitalending.com. To see recent deals I have closed they are highlighted here: <https://www.linkedin.com/in/jameseng>. You can learn more about Old Capital at <http://oldcapitalending.com/> and can listen to our podcast on iTunes or here: <http://www.oldcapitalpodcast.com/>.