

Portfolio Trends & Headwinds



OCCH

October 8, 2024

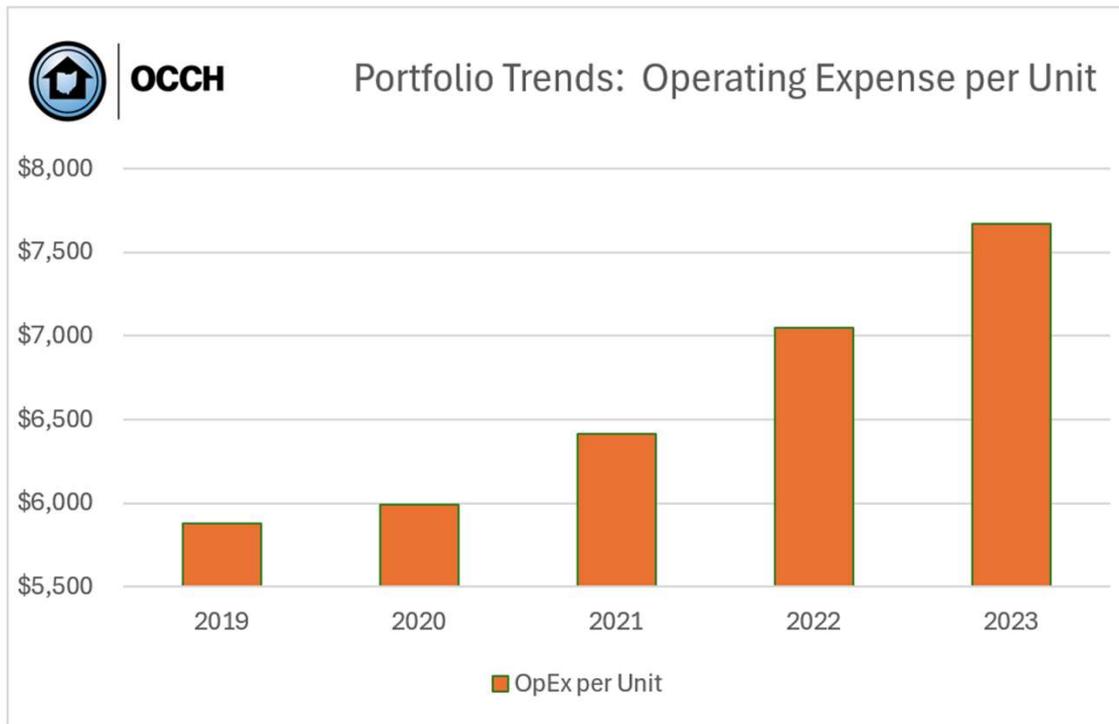
Special Analysis: 2019 thru 2023

- Studied audited financials of a set pool of properties actively reporting between 2019 and 2023
- Methodology allowed for ‘same store comparison’ within the 5-year period
- Data pool included 488 properties representing 29,068 units of housing across 5 states (OH, KY, IN, PA and WV)
- Study encompassed 90 unique managing agents



PUPA OpEx Trends

ALL 488 PROPERTIES



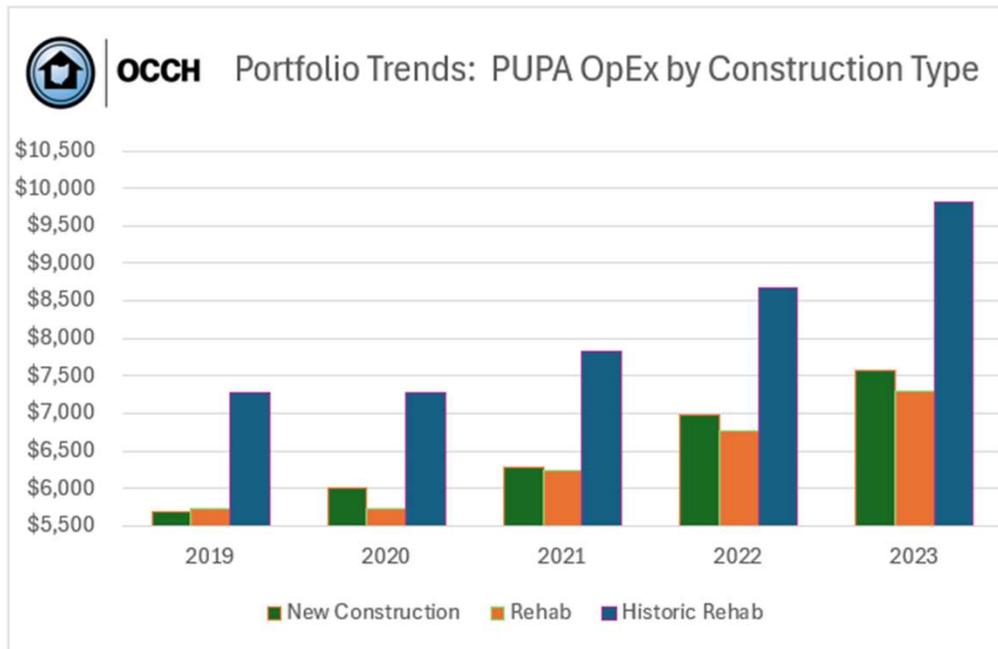
- 2023 OpEx increased 30.5% from 2019 (proforma expectation was 12.6%)
- 2023 PUPA OpEx was \$7,674
- 2019 PUPA OpEx was \$5,879

* Special Analysis: 488 properties in pool

PUPA OpEx by Construction Type

OpEx by Construction Type PUPA

	2019	2020	2021	2022	2023	
Historic Re	\$ 7,268	\$ 7,274	\$ 7,817	\$ 8,677	\$ 9,825	
New Cons	\$ 5,685	\$ 6,007	\$ 6,274	\$ 6,971	\$ 7,580	
Rehab	\$ 5,725	\$ 5,731	\$ 6,235	\$ 6,764	\$ 7,305	
Historic Rehab		0.1%	7.5%	11.0%	13.2%	35.2% increase from 2019
New Construction		5.7%	4.4%	11.1%	8.7%	33.3% increase from 2019
Rehab		0.1%	8.8%	8.5%	8.0%	27.6% increase from 2019



- New construction OpEx exceeded Rehab OpEx in 2020 for the first time
- Payroll is the significant driver of increase

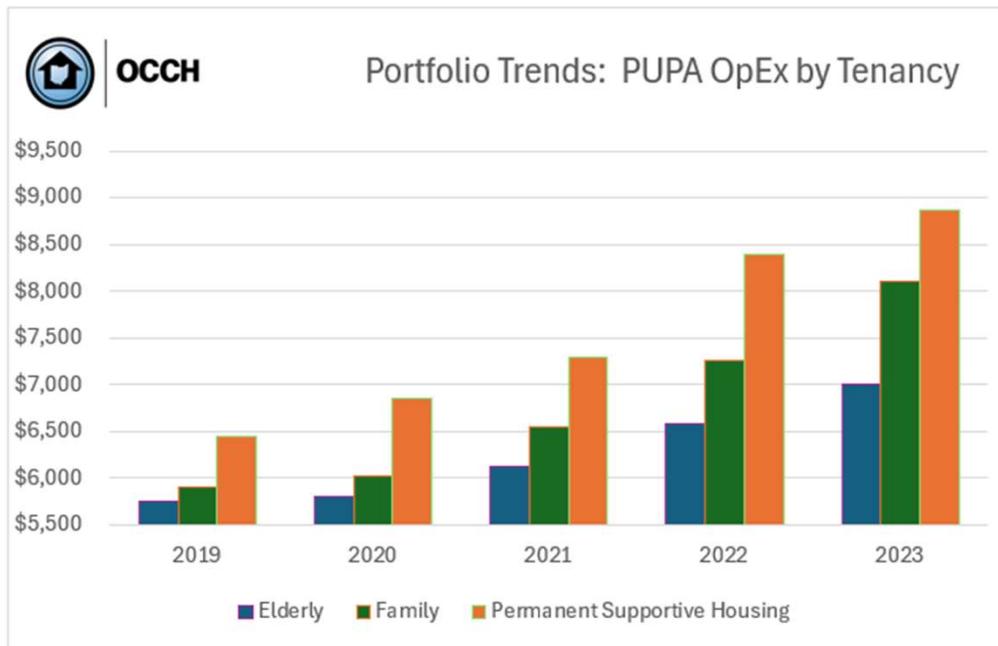
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PUPA OpEx by Tenancy Type

OpEx by Tenancy Type PUPA

	2019	2020	2021	2022	2023	
Elderly	\$ 5,751	\$ 5,811	\$ 6,118	\$ 6,576	\$ 6,998	
Family	\$ 5,902	\$ 6,016	\$ 6,547	\$ 7,259	\$ 8,099	
Permanen	\$ 6,452	\$ 6,853	\$ 7,286	\$ 8,391	\$ 8,864	
Elderly		1.0%	5.3%	7.5%	6.4%	21.7% increase from 2019
Family		1.9%	8.8%	10.9%	11.6%	37.2% increase from 2019
Permanent Supportiv		6.2%	6.3%	15.2%	5.6%	37.4% increase from 2019

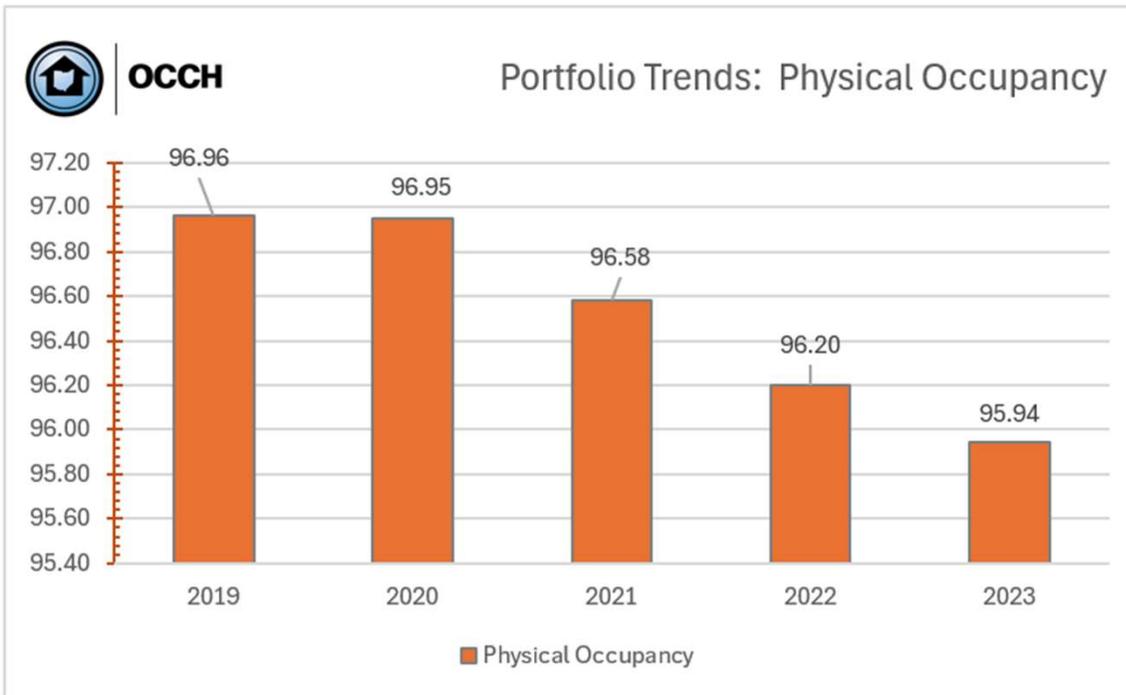
- Elderly properties continue to have lower OpEx compared to family
 - Less turnover
 - Fewer occupants
- Supportive Housing remains most expense segment for OpEx
 - Property usually pays all utilities
 - Cost of services sometimes included in budget



* Special Analysis: 488 properties in pool

Physical Occupancy Trends

ALL 488 PROPERTIES



NOTE: Full OCCH portfolio achieved historic low vacancy rate of 2.96% in June 2020

- Portfolio-wide yearly occupancy level near all time high in 2019
- Steady decline in occupancy since 2020 resulted in 13-year low in December 2023
- 21 of 90 managing agents (23%) showed improved performance within their portfolios between 2019 and 2023 [labelled this cohort **Top Quartile** in other charts]

* Special Analysis: 488 properties in pool

Historic Increases to Income Limits!

2023 Key Outcomes

- HUD capped limits at 5.92% over 2022
- ALL counties where OCCH currently operates were increased
- Most OCCH counties increased an average of 5.7%
- Limits released 5/15/2023

2024 Key Outcomes

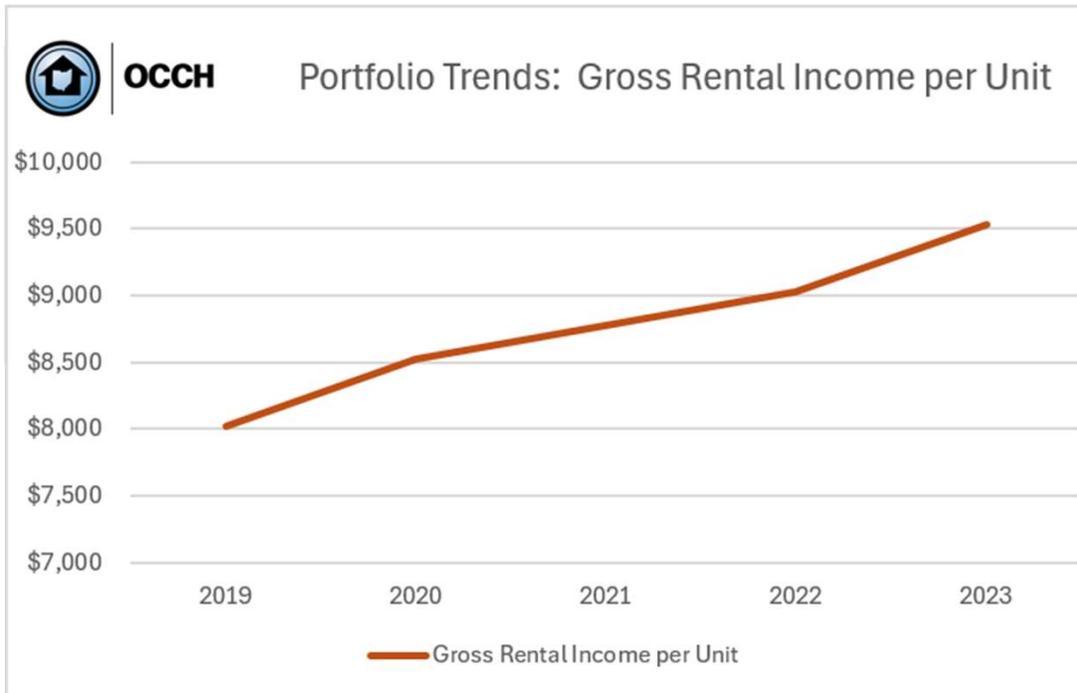
- HUD capped increases since 2010 to 5% or 2X change in national median income (*2024 cap could have been 14.8%*)
- For 2024, HUD instituted a “cap on the cap” at a 10% increase
- National average increase was 6%; OH and KY average was approx. 4.6%
- Limits released 4/1/2024

Growth in Gross Rental Income

ALL 488 PROPERTIES

Gross Rental Income per Unit

2019	2020	2021	2022	2023	
\$ 8,025	\$ 8,529	\$ 8,776	\$ 9,024	\$ 9,528	
\$ 669	\$ 711	\$ 731	\$ 752	\$ 794	monthly rent
	6.3%	2.9%	2.8%	5.6%	annual increase
				18.7%	increase from 2019



- 18.7% growth in GRI (compared to proforma expectations of 8.2%, assuming 2% annual escalation factor)
- Average rent in 2019 was \$669/month compared to \$794/month in 2023
- 2023 average rents for for-profit companies was \$801/month
- 2023 average rents for not-for-profit companies was \$780/month

* Special Analysis: 488 properties in pool

Full Portfolio vs Top Quartile

Full Cohort

PORTFOLIO WIDE	2019 thru 2023		2023
	Target	Actual	Per Unit
Gross Rental Income	8.2%	18.7%	9,528 794
OVERALL OpEx	12.6%	30.5%	7,674
Real Estate Taxes	12.6%	10.9%	540
Property Insurance	12.6%	83.3%	567
Water/Sewer	12.6%	31.7%	617
Maintenance	12.6%	38.7%	2,558
Administrative	12.6%	22.4%	1,544
Bad Debt	12.6%	161.7%	173
Tenant Receivables	12.6%	275.5%	250
Median DCR - IE / Cash Flow		1.28	545
Physical Occupancy			95.9%

Top Quartile (Managing Agents)

IMPROVED OCCUPANCY	2019 thru 2023		2023
	Target	Actual	Per Unit
91 properties / 4,588 units			
Gross Rental Income	8.20%	13.0%	8,433 703
OpEx for 21 agents	12.6%	18.8%	6,733
Real Estate Taxes	12.6%	3.1%	510
Property Insurance	12.6%	65.7%	462
Water/Sewer	12.6%	21.7%	535
Maintenance	12.6%	22.2%	2,206
Administrative	12.6%	20.6%	1,485
Bad Debt	12.6%	66.7%	93
Tenant Receivables	12.6%	48.6%	110
Median DCR - IE / Cash Flow		1.64	967
Physical Occupancy			96.6%

Observations: More stability with staffing / thoughtful execution of work / larger scale operations

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Full Portfolio vs Bottom Quartile

Full Cohort

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Bottom Quartile (Managing Agents)

WATCH LIST ONLY	2019 thru 2023		2023
	Target	Actual	Per Unit
Gross Rental Income	8.2%	13.8%	9,618 802
OVERALL OpEx	12.6%	35.5%	8,660
Real Estate Taxes	12.6%	30.0%	554
Property Insurance	12.6%	84.4%	640
Water/Sewer	12.6%	31.7%	773
Maintenance	12.6%	41.3%	3,010
Administrative	12.6%	21.4%	1,727
Bad Debt	12.6%	230.8%	307
Tenant Receivables	12.6%	346.7%	426
Median DCR - IE / Cash Flow		0.80	-775
Physical Occupancy			94.3%

Observations: Significant staffing issues / perpetual turmoil / nothing being properly administered

Top Quartile vs Bottom Quartile

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Sensitivity Analysis: Actual vs Proforma

BASELINE MODEL (4.4% rents / 6.9% OpEx)

50 Units		2019	2020	2021	2022	2023
Rent Monthly		669	698	729	761	794
Annual		8,028	8,380	8,748	9,132	9,533
		401,400	419,021	437,417	456,619	476,665
Vacancy		(12,203)	(12,780)	(14,960)	(17,352)	(19,353)
OpEx Annual		5,879	6,284	6,717	7,179	7,674
		293,950	314,194	335,833	358,962	383,683
350 RR Annual		17,500	18,025	18,566	19,123	19,696
NOI		77,747	74,022	68,058	61,183	53,932
Debt		42,000	42,000	42,000	42,000	42,000
DCR		1.85	1.76	1.62	1.46	1.28

PROFORMA EXPECTATIONS (2% rents / 3% OpEx)

50 Units		2019	2020	2021	2022	2023
Rent Monthly		669	682	696	710	724
Annual		8,028	8,189	8,352	8,519	8,690
		401,400	409,428	417,617	425,969	434,488
Vacancy		(12,203)	(12,488)	(14,282)	(16,187)	(17,640)
OpEx Annual		5,879	6,055	6,237	6,424	6,617
		293,950	302,769	311,852	321,207	330,843
350 RR Annual		17,500	18,025	18,566	19,123	19,696
NOI		77,747	76,147	72,917	69,452	66,308
Debt		42,000	42,000	42,000	42,000	42,000
DCR		1.85	1.81	1.74	1.65	1.58

Observations:

- Actual (i.e., Baseline) income was \$42,177 higher versus proforma expectations (assuming 2% escalation from 2019) -- \$844/PUPA (\$70/month per unit)
- Actual (i.e., Baseline) expenses were \$52,840 higher than proforma expectations (assuming 3% escalation from 2019) -- \$1,057/unit

Sensitivity Analysis: 2% Rents vs Actual OpEx

BASELINE MODEL (4.4% rents / 6.9% OpEx)

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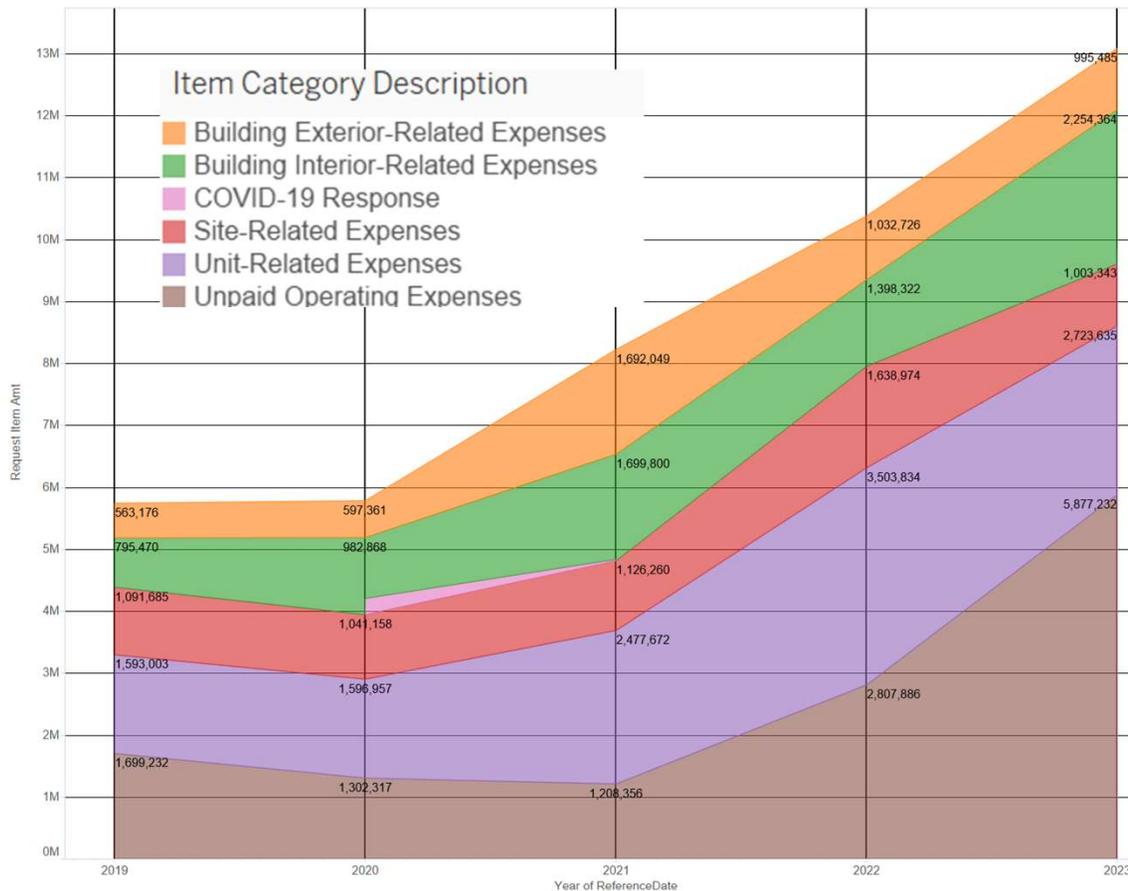
PROFORMA RENTS (2%) / ACTUAL OpEx (6.9%)

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NOI		77,747	64,721	48,935	31,698	13,468
Debt		42,000	42,000	42,000	42,000	42,000
DCR		1.85	1.54	1.17	0.75	0.32

Observations:

- 2% income increases with actual (i.e., Baseline) OpEx (6.9% annual increases) would have been catastrophic for portfolio

2019 – 2023 Usage of Reserve Accounts *



- OCCH monitors 1,500+ reserve accounts totaling ~\$226M
- Portfolio-wide reserve withdrawals grew from \$5.7M in 2019 to \$12.8M in 2023
- Operating Reserve withdrawals up 246%

* Full portfolio

Subsidized Properties Underperformed

- 79.3% of WL properties YE 2023 were subsidized compared to 53.5% in 2019
- Between 2019 and 2023, GRI across all subsidized WL properties increased 13.3% versus 16.4% for WL non-subsidized properties
 - OpEx for Watch List properties were up 34.2%
- GRI across all NON-WL properties increased 20.6%
 - OpEx for Non-Watch List properties increased 26.3%

Portfolio Performance Headwinds

- Staffing crisis having a profound impact on portfolio performance
 - New hires demanding **higher salaries**
 - Forcing **outsourcing** of maintenance (very expensive)
 - **High vacancy** resulting from inadequate staff to turn units / process files
 - **High receivables / bad debt** resulting from lack of site management knocking on doors
- Significant increases in insurance costs
 - Deductible increases
 - Premium increases
 - Reduced levels of coverage requiring E&S policies
- General inflationary pressures
 - Everything costing more!

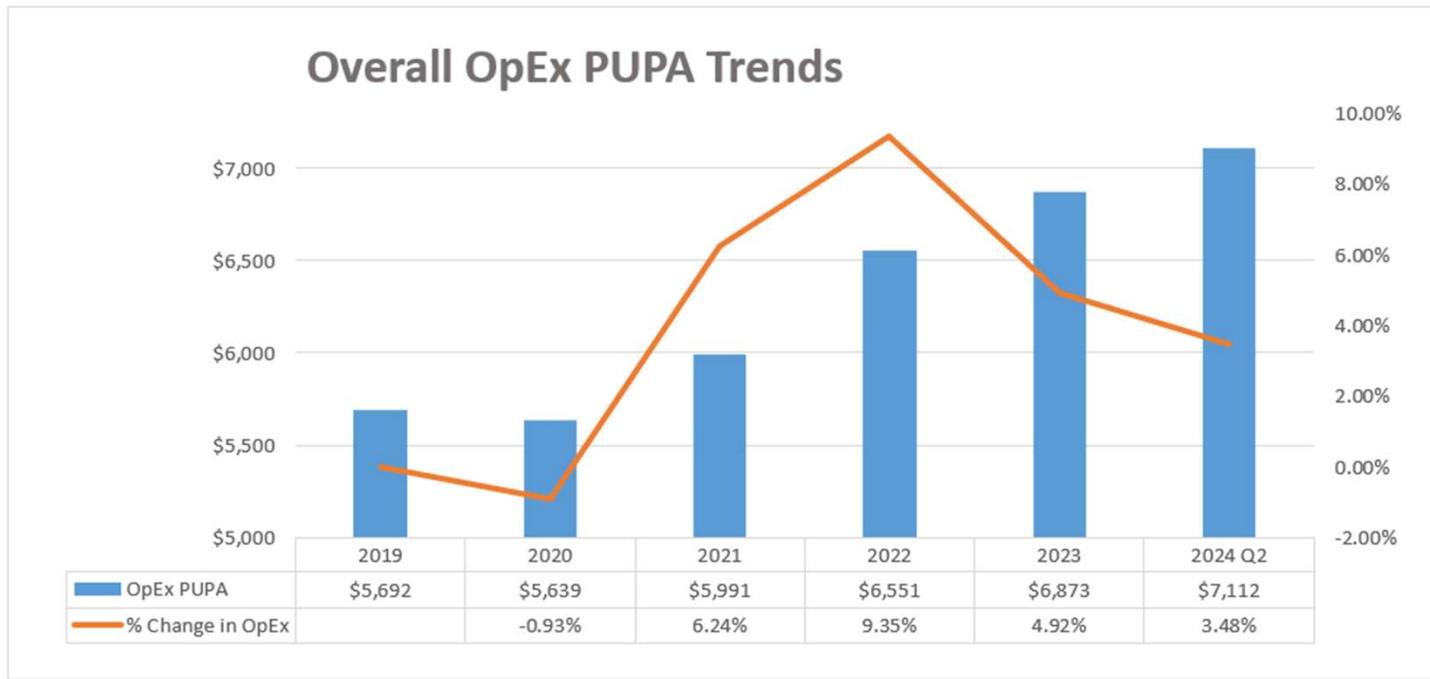


Key Takeaways

- Stable, highly skilled staff is critical to success
- Must maximize rents to keep pace with increased expenses
- Management must employ all best practices related to strong portfolio management
 - Actively monitor and combat inappropriate real estate valuations
 - Update SoVs when shopping insurance / robust risk management protocols / thoughtful claims management / tell a great story to carrier
 - Proactively monitor and reduce utility consumption
 - Fast turn times / minimize outsourcing / increase revenue
 - Strategic procurement of all goods, services and contracts

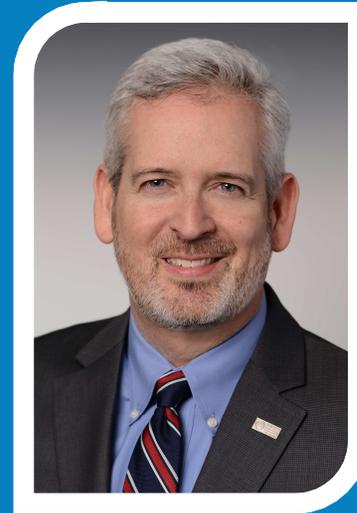
Encouraging News in 2024 Q2....

- OpEx trends are normalizing / levelling off
 - 2024 only up 3.48% (thru Q2)



* Full portfolio

Thank you!



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