

# MARKET COMMENTARY Q2:2022



## DESPITE GROWING VOLATILITY AND ECONOMIC RISKS, AFFORDABLE HOUSING REMAINS STEADFAST.

When the markets take a volatile and increasingly dark turn, like they did in the first quarter, attention naturally turns to fixed income as a potential shelter from the storm. But with inflation at multi-decade highs and interest rates rising rapidly, fixed income hasn't offered much safety. However, affordable housing debt continues to be one of the few lighthouses in the economic storm, offering relative stability and resilience as affordable housing is constantly in demand whether the economy is strong and rents are rising or **when the economy is in decline**.

To be sure, inflation, which is now running hotter than it has since 1981, translates into higher funding and operational costs for affordable housing as well as negative impacts on investment performance of long duration debt investments. But it also spurs greater need for affordable housing, as skyrocketing rents have been a recent major driver of inflation. For example, while the overall Consumer Price Index rose 8.5% in the 12 months through March 31, the jump in rents was more than 70% higher. In March, rents for apartments in multifamily properties surged 14.8% compared with the same period a year ago, according to the Yardi Matrix survey. In some metro areas like Miami, Las Vegas, and Austin, Tex., rents rose 20% or higher on a year-over-year basis.

Meanwhile, the yield curve inverted for the first time since 2019 in the first quarter. Historically, an inverted yield curve has signaled that an economic slowdown may be ahead. The growing concern about the future health of the economy has the potential to affect real incomes and reduce the ability of lower-income households to be able to afford safe and dignified housing.

The good news is that, increasingly, institutional investors understand they have a role to play to address the nation's affordable housing crisis. A new **survey** released in March by Nuveen, which is one of IMPACT's owners, found that a majority of institutional investors now believe they can impact social inequity through their investment choices without compromising returns. And community infrastructure projects and affordable housing solutions are among the biggest opportunities they see to make a positive social and economic impact. In today's uncertain economic environment, this attitude represents a meaningful and hopeful tailwind to our efforts.

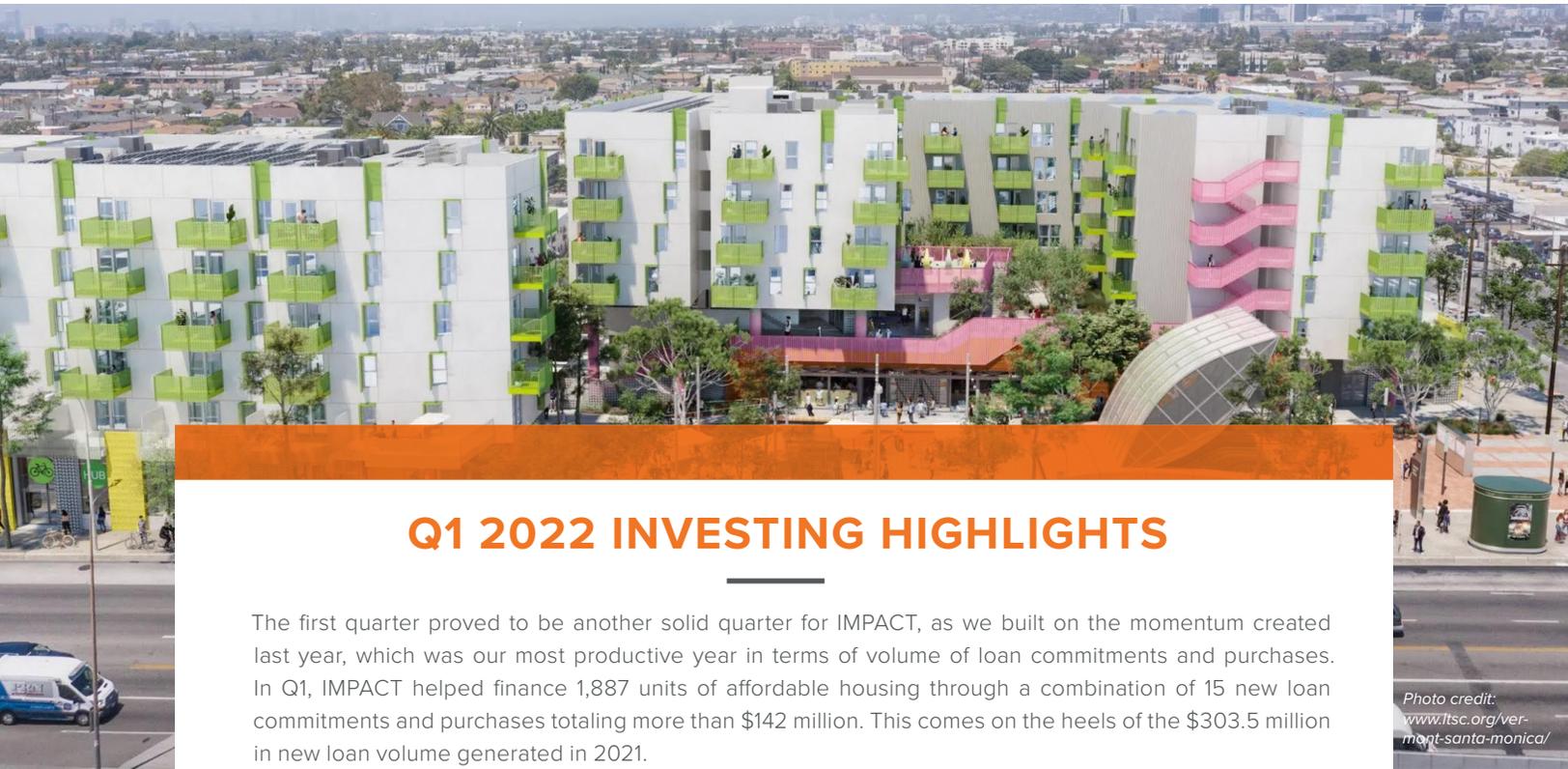
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**+14.8%**

**surge in rents for  
multifamily apartments  
compared with the  
same period a year  
ago, according to the  
Yardi Matrix survey**



*MICHAEL J. LOHMEIER*  
Chief Investment Officer



## Q1 2022 INVESTING HIGHLIGHTS

The first quarter proved to be another solid quarter for IMPACT, as we built on the momentum created last year, which was our most productive year in terms of volume of loan commitments and purchases. In Q1, IMPACT helped finance 1,887 units of affordable housing through a combination of 15 new loan commitments and purchases totaling more than \$142 million. This comes on the heels of the \$303.5 million in new loan volume generated in 2021.

Photo credit:  
www.ftsc.org/vermont-santa-monica/

### SPOTLIGHT PROPERTY:

#### SANTA MONICA AND VERMONT APARTMENTS

- This new transit-oriented project, located in the East Hollywood neighborhood of Los Angeles, is being built above the Vermont/Santa Monica Metro Station.
- It features 187 units for low-income households, which includes 94 units targeting homeless households with Section 8 contracts, 91 family units, and onsite social services.
- The ground floor of the complex will include community-serving retail and plans for a health center.
- IMPACT Financing: \$21.95 million tax-exempt loan
- Originator: Bank of America



### SPOTLIGHT PROPERTY: DOLORES TERRAVISTA



Photo credit: CoStar

- This San Antonio property includes 770-units spread out over 90 buildings.
- The property was not previously designated as affordable, but sponsor Pico-Union Housing Corp. is working to restrict units to low-income families earning 80% Area Median Income (AMI) or less.
- Amenities include pools and fitness centers.
- IMPACT Financing: 3 bridge loans totaling \$43 million
- Originator: Rose Community Capital

**SPOTLIGHT PROPERTY: VENTURA VETERANS**

Photo credit: <https://labibfunk.com/veteranhome>

- This new 122-unit project in Ventura, Calif. is dedicated to veterans.
- 66 of units will be for veterans; 54 will be reserved for special needs tenants including the formerly homeless; and 30 will be covered by a Veteran Affairs Supportive Housing subsidy contract.
- The property includes onsite social services including a community center.
- IMPACT Financing: \$8.6 million taxable loan
- Originator: Bank of America

## ADDITIONAL IMPACT UPDATES:

- IMPACT CEO Jeff Brenner describes the growing need for affordable housing and IMPACT Community Capital's role in delivering affordability at scale.

You can read his article, titled "Big Investments, Big Impact in Affordable Housing," [here](#).

- In a webinar in partnership with the ACLI, IMPACT's CIO Mike Lohmeier outlines how affordable housing plays a foundational role in creating sustainable cities and communities.

Watch the webinar [here](#).

- Melissa Radic, IMPACT's Managing Director, Investor Relations & Capital Markets, explains the role housing plays in bridging the racial wealth gap, creating diverse, sustainable, and equitable communities.

Read her blog, "Housing's Integral Role to Promote Equity & Inclusion," [here](#).

- Liz Kang, IMPACT's General Counsel, explores the questions that investors should ask as they consider impact in their investment portfolios and discusses the evolution of impact definitions.

Read her article, "Truth in Labeling: Impact in Your Investment Portfolio," [here](#).

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