

A look ahead: Our positive outlook for affordable housing remains intact

Heading into the year, we were encouraged by the constructive environment for addressing the affordable housing crisis. We remain optimistic.

To be sure, 2021 had an anxious start, as long-term interest rates shot higher in the first quarter amid inflation fears. Yet concerns over an overheated post-pandemic recovery, sparked by the one-two punch of fiscal and monetary stimulus, moderated after inflation reports were largely benign. The core CPI, for comparison, rose just 1.6% over the past 12 months.¹ We're still monitoring recent upticks in lumber, steel, and other building costs, which have a material impact on the financing of our properties.

- As the financial markets began to worry that the post-pandemic recovery could overheat, yields on 10-Year Treasuries nearly doubled at the start of the year — from 0.93% to 1.74% by the end of March.² Such swift moves tend to raise red flags, as higher yields negatively affect the market price for affordable housing debt.
- But by the end of the first quarter, the yield on 10-Year Treasuries stabilized, and by late April it fell to 1.58% as the CPI showed only modest gains over the past 12 months.
- Meanwhile, MBS yield spreads tightened in the first quarter, indicating greater investor appetite to invest in housing debt.³



Michael Lohmeier,
Chief Investment Officer



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¹ Bureau of Labor Statistics, Consumer Price Index — March 2021

² Federal Reserve Bank of St. Louis, 10-Year Treasury Constant Maturity Rate.

³ Bloomberg Barclays US MBS Index

We remain optimistic that efforts to create and preserve affordable housing are gaining momentum as the business and investment communities increasingly recognize how housing cost burdens are affecting low- and middle-income workers.

Policymakers are also becoming more aware of housing issues. The housing needs of low- and middle-income renters, for instance, were included in both COVID stimulus packages that were passed in recent months.⁴ Moreover, more than \$200 billion of the Biden administration's \$2 trillion infrastructure proposal addresses housing. Among the proposals being discussed:

- Targeted tax credits, grants, and rental assistance to preserve more than 1 million affordable housing units in underserved communities nationwide.
- A competitive grant program that awards funding to jurisdictions that take steps to eliminate exclusionary zoning laws such as prohibitions on multifamily housing.
- Building and rehabilitating more than 500,000 homes for low- and middle-income homebuyers using \$20 billion in tax credits over the next five years.

These proposals indicate an increased focus by policymakers at the federal level, which fuel our optimistic outlook. The impact of these developments will affect 2021, but importantly should provide more investment opportunities for institutions looking for impact in their investment portfolios for years to come.

Q1 2021 IMPACT Community Capital investing highlights*

As the rollout of COVID vaccines accelerated in the first quarter, attention has started to shift to repairing the economy. Toward that end, IMPACT is proud to have financed 412 units of affordable housing through a combination of five new loan commitments and one loan purchase totaling more than \$30 million. At IMPACT, we believe increasing access to affordable housing is an essential ingredient not just for improving the financial well-being of workers, but also strengthening the economy, transforming communities, and boosting businesses that depend on a healthy consumer base and labor pool to thrive.

IMPACT's efforts in the first quarter build on the momentum established in 2020, when IMPACT's efforts amid the COVID-induced economic downturn supported the creation of 4,970 affordable multi-family rental units, thanks to 19 loan purchases and 46 new commitments totaling more than \$250 million.

⁴ National Low Income Housing Coalition, nlihc.org/coronavirus-and-housing-homelessness/covid-package-and-housing-provisions

*Past performance is not indicative of future results. Investors are subject to loss.

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Spotlight: Normandie Lofts



- Through our short-term loan strategy, IMPACT is helping create new affordable housing in this 50-unit multifamily property in the Koreatown neighborhood of Los Angeles, home to a diverse mix of Asian, Latino, Black and white families.
- 25 of the building's 50 units are designated for the formerly homeless, with a long-term goal to eventually designate 100% of the units to formerly homeless tenants.
- An agreement is in place to restrict 90% of the tenants to no more than 80% AMI.
- Originator: Rose Community Capital

Spotlight: West Park Apartments

- Located roughly a mile from downtown Lafayette, La., this 120-unit, new-construction development targets families in a mostly residential neighborhood.
- The property, which sits about 30 miles away from the Gulf of Mexico, is being built with the help of community development block grants for disaster resilience. Last year, more than 252,000 multifamily residences were at risk of storm surges throughout the U.S., according to CoreLogic, with an estimated reconstruction value of \$95 billion.
- Originator: Churchill Mortgage Investments

Spotlight: Madison Square Apartments

- Located in Cape Coral, Fla., this 82-unit, new construction building will target seniors.
- Nine of the units will be reserved for residents at 30% of AMI, while the remaining 73 units will target families at 60% of AMI.
- Originator: Wells Fargo

412

Affordable Multi-Family
Rental Units Financed

6

New loan purchases and
forward commitments

Commitments
totaling more than

\$30M

For further insights:

- On May 5, IMPACT will be participating in Phenix Capital’s webinar on “[Impact Investing Response for the Affordable Housing Crisis in the U.S.](#)”
- IMPACT CIO Michael Lohmeier participated in “[Investing for Racial, Economic, and Financial Impact](#),” a webinar co-hosted by IMPACT and the American Council of Life Insurers on April 21.
- IMPACT’s [Women’s History Month video](#), featuring Melissa Radic, Director of Investor Relations and Capital Markets, discussing how women are disproportionately affected by the housing cost burden and how IMPACT is working to create and preserve affordable housing for women.
- IMPACT’s statement on violence against the AAPI Community. The recent violence against Asian American Pacific Islanders is horrific and must stop. Please read our statement from the collective voice of IMPACT Community Capital: [IMPACT AAPI Statement](#). IMPACT actively supports opportunities for greater understanding among people of all backgrounds, with the goal of truly transforming communities to support one another.



PHENIX WEBINAR

5 MAY 2021
11:00 ET
17:00 CET

Impact Investing Response for the Affordable Housing Crisis in the US

FEATURING:

   

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