

MARKET COMMENTARY Q1:2022



A LOOK AHEAD: 2021 WAS OUR BEST YEAR FOR LOAN ACTIVITY. We remain optimistic for 2022.

To understand why we're optimistic about the outlook for affordable housing this year, in the face of some challenging developments in the markets and the economy, it's important to remember what transpired last year.

Growing interest among institutional investors to bring about positive social change to underserved communities coincided with ongoing economic disruptions caused by COVID-19, casting a spotlight on social, racial, and economic inequity. That, in turn, focused unprecedented attention on affordable housing, which is increasingly viewed as an investment that can address these issues while transforming communities and businesses for the better. Nearly half of Americans believe that the availability of affordable housing is now a major problem, according to a survey released in December by the Pew Research Center. That represents a 10-percentage point jump from 2018 and outpaces concerns over drug addition, crime, and the economic and health impacts of COVID-19, the Pew survey showed.

At the same time, the new normal is looking a lot like the old normal of the pre-Covid years, underscoring the glaring

needs in this space. As the economy reopened last year, rents shot back up at a record pace, returning focus back to questions over affordability. Nationally, rents for units in multifamily properties rose 13.5% in 2021, according to the Yardi Matrix survey, more than double the increase seen in any previous year ever measured by Matrix. In several key markets, including Phoenix, Tampa, Las Vegas, and Austin, rents climbed more than 20% on a year-over-year basis in 2021 according to the survey.

Against this backdrop of heightened awareness and demand, we believe momentum to develop and preserve affordable housing is as strong as it's ever been. However, the upcoming year will not be without its challenges. Rising inflation and interest rates represent a headwind for the development of affordable housing, making developments more difficult to underwrite given the increased cost of financing. Additionally, rising interest rates threaten to push valuations of our existing portfolios lower. Despite these headwinds, we expect deal volume and property level performance to remain strong, providing investors with low volatility and stable yields in 2022.

+13.5%

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Yardi Matrix survey**



MICHAEL J. LOHMEIER
Chief Investment Officer



Q4 2021 INVESTING HIGHLIGHTS

Looking back, 2021 was our best year ever—in more ways than one. We enjoyed strong cash flows at the property level, strong investment returns, and record deal activity. That was capped off with a record fourth quarter, in which IMPACT enjoyed higher loan volume than in any quarter in our history. In Q4, IMPACT helped finance 2,667 units of affordable housing through a combination of 25 new loan commitments and purchases totaling more than \$201 million. Over the entire year, IMPACT generated \$303.5 million in new loan volume, eclipsing the previous record of \$218 million in 2020.

*Photo credit:
Alpha Supported
Living Services*

SPOTLIGHT PROPERTY: SHORELINE

- New seven-story property is located north of Seattle in King County, the wealthiest county in Washington state
- It features 250 units ranging from studios to four-bedroom apartments for families at 50% and 60% of Area Median Income (AMI)
- The development includes a community center to host services including those of Alpha Supported Living Services, a nonprofit that provides support to adults and children with developmental disabilities
- IMPACT Financing: \$47.4 million tax-exempt permanent loan
- Originator: Bank of America

**2,667
UNITS**

In Q4, IMPACT helped finance 2,667 units of affordable housing

SPOTLIGHT PROPERTY: LORENA PLAZA



Photo credit: A Community of Friends

- New, mixed-use development in Los Angeles, is sponsored by A Community of Friends, a mission-focused nonprofit developer
- The development will support units for 49 families
- 32 of the units will be covered by a Section 8 contract
- 24 of the units will target homeless or near homeless tenants while 24 will be reserved for veterans
- The development includes onsite support services provided to tenants by the LA County Department of Health Services
- IMPACT Financing: \$6.2 million taxable permanent loans
- Originator: Bank of America

SPOTLIGHT PROPERTY: CLARION PARK


Photo credit: Clarion Park Apartments

- 220-unit development, based in Olathe, Kansas, roughly 30 minutes southwest from Kansas City
- The apartments are located near Johnson County Community College, Frontier Park, and Stagecoach Park
- IMPACT Financing: \$27.2 million bridge loan
- Originator: Rose Community Capital

ADDITIONAL IMPACT UPDATES:

- On Dec. 9, IMPACT published its inaugural annual impact report. 2021 Impact Report: Building Opportunity details our investment thesis, impact measurement methodology, and how our investments have affected tenants and investors over the company's 20-year history.

Download the full report here: [Impact Report](#)

- In the latest installment of IMPACT's video series, CEO Jeff Brenner shares highlights of our 2021 Impact Report, including our efforts to transform communities through affordable housing that includes important services such as adult education, health and wellness resources, and after-school programs.

Watch the video here: [Impact Video Series](#)

- IMPACT CEO Jeff Brenner spoke with [FundFire](#) on the growing demand for affordable housing strategies among institutional investors. In the article, published Dec. 1, Brenner discussed the unique challenges and opportunities of affordable housing.

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