

Portfolio Trends & Headwinds



OCCH

October 17, 2024



Special Analysis: 2019 thru 2023

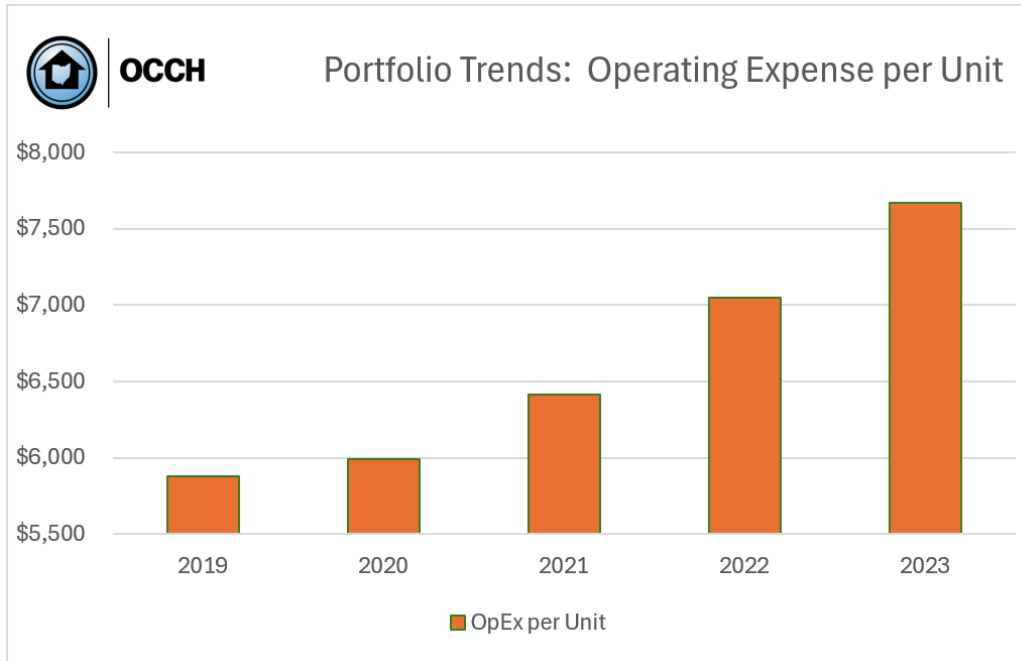
- Studied audited financials of a set pool of properties actively reporting between 2019 and 2023
- Methodology allowed for ‘same store comparison’ within the 5-year period
- Data pool included 488 properties representing 29,068 units of housing across 5 states (OH, KY, IN, PA and WV)
- Study encompassed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

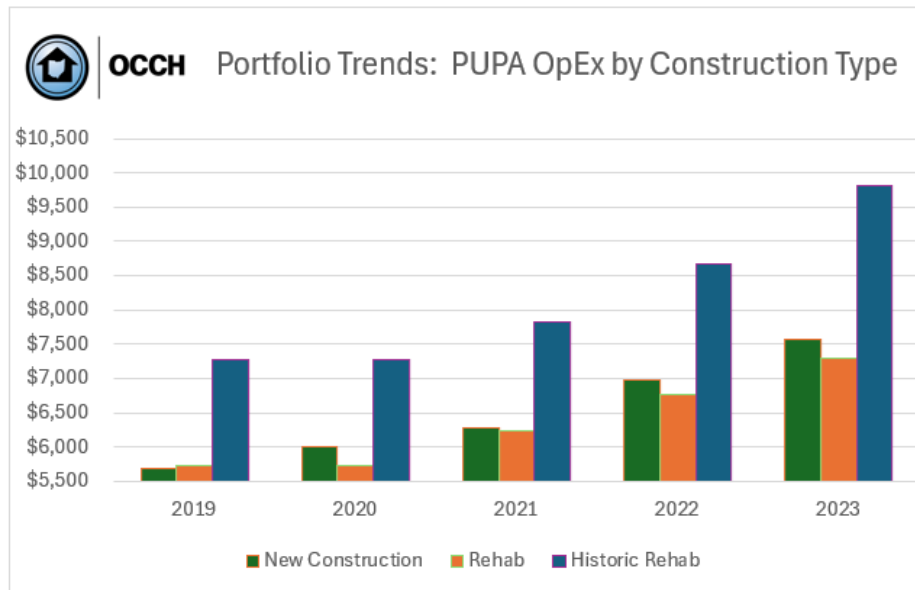
* Special Analysis: 488 properties in pool



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

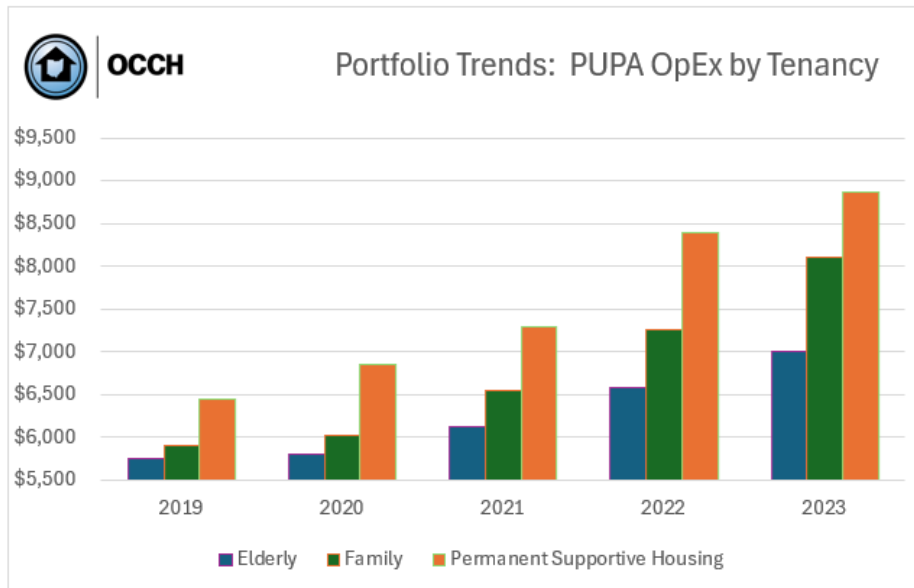


PUPA OpEx by Tenancy Type

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	
Permanent Supportiv	\$ 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

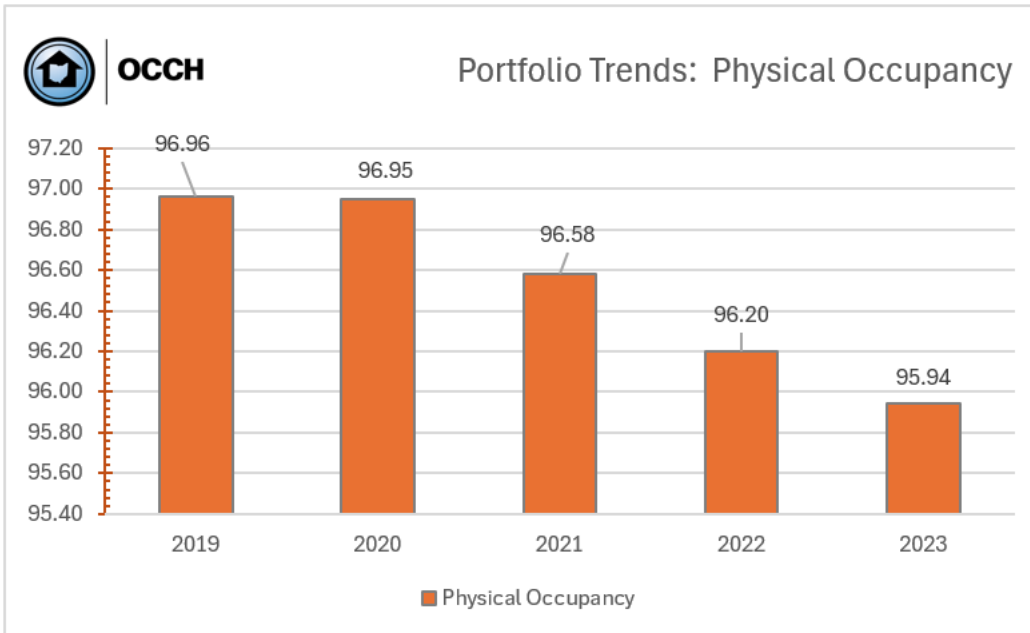


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Physical Occupancy Trends

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]

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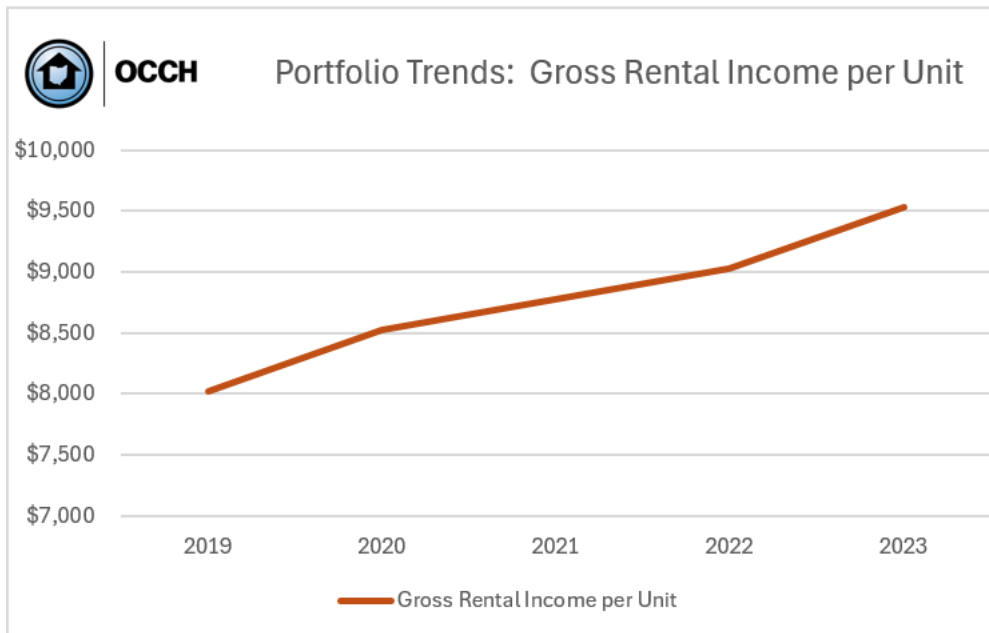
Growth in Gross Rental Income

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



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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

PORTFOLIO WIDE	2019 thru 2023		2023 Per Unit
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Gross Rental Income	8.2%	18.7%	9,528 794
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Bottom Quartile (Managing Agents)

WATCH LIST ONLY	2019 thru 2023		2023 Per Unit
	Target	Actual	
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

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Top Quartile vs Bottom Quartile

Top Quartile (Managing Agents)

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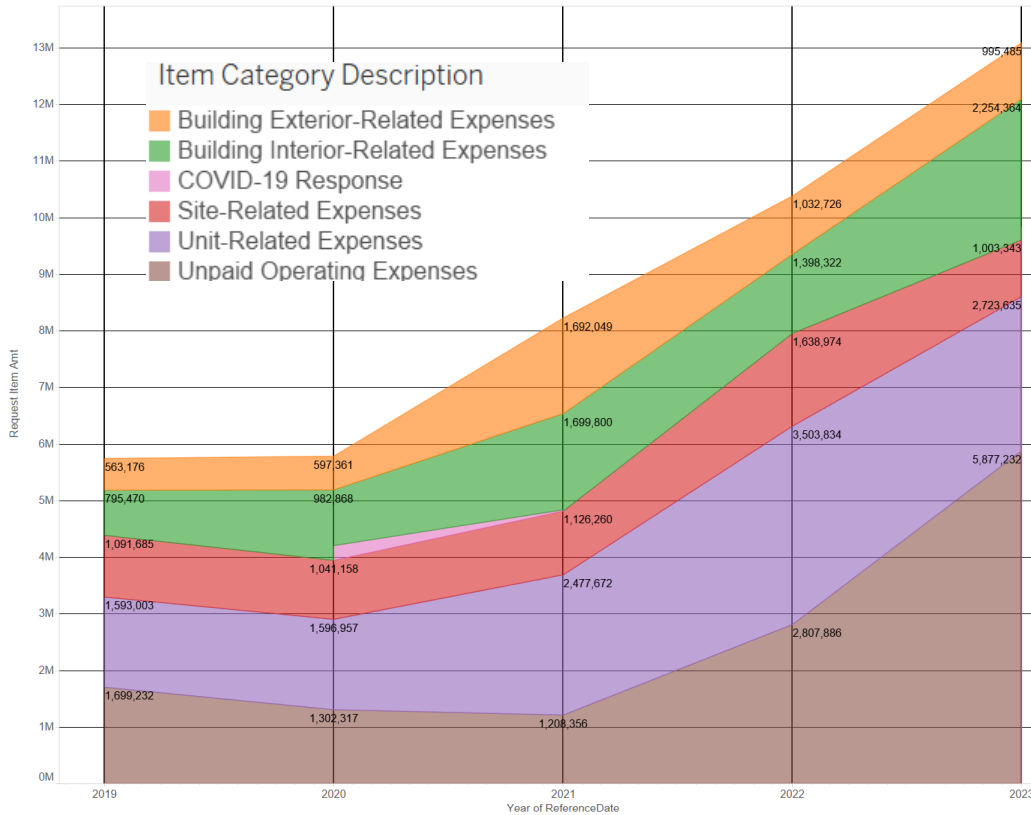
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2019 – 2023 Usage of Reserve Accounts *



- 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!





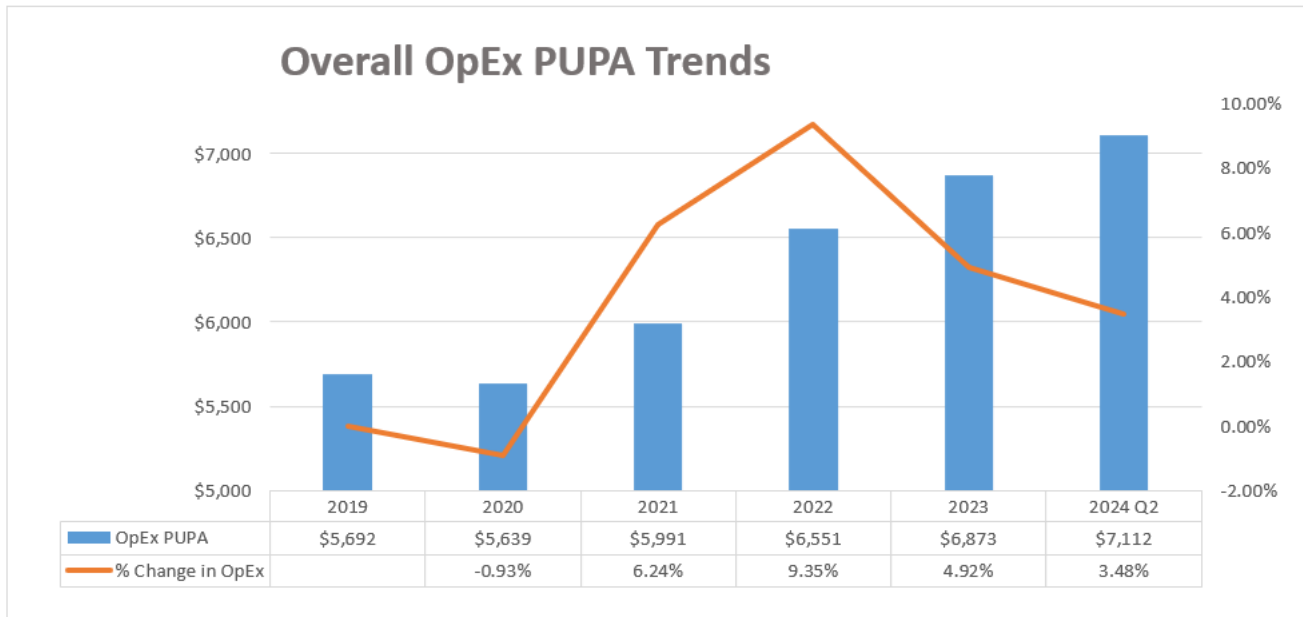
Key Takeaways

- 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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