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A Strong Outlook for Agency Debt to Finance Multifamily Properties in the Southeast

By **Artin Anvar**

Based on recent population and employment growth, the Southeast is one of the most opportune markets for investment in market rate multifamily properties. According to recent population estimates released by the Census Bureau, from July 2016 to July 2017, Charlotte, N.C., (No. 7), Atlanta (No. 10) and Jacksonville, Fla., (No. 13) were among the 15 cities or towns with the largest population growth in the U.S.

According to ALN Apartment Data's *2019 Q1 Multifamily Review*, new multifamily properties are more evident in Georgia, Kentucky, North Carolina, South Carolina and Tennessee compared to other regions. Cities such as Atlanta, Charlotte, Raleigh/Durham, N.C., and Nashville along with some of the larger Florida cities—Orlando, Miami, Tampa and Fort Myers/Naples—have added large numbers of new multifamily units in the first quarter.

Even though the first quarter presented an elevated level in supply, the growth in multifamily stock in the Southeast has not caused rents to slow down or occupancy rates to decline. During this period, multifamily properties across the Southeast boasted average occupancies above 90 percent with strong rent growth compared to other regions. Southeastern cities such as Atlanta, Lexington and Louisville, Ky., and Memphis, Tenn. gained approximately 2 percent in rent appreciation in the first quarter.

Also, employment growth continues to expand across the Southeastern region. According to the Bureau of Labor Statistics, from April 2018 to April 2019, North Carolina, South Carolina and Tennessee employment growth increased by 1.1 percent, 1.8 percent and 2.0 percent respectively.

Investors are flocking to the current multifamily property stock in the Southeast. As a result, SunTrust sees strong investor demand for long-term agency financing to replace shorter term floating rate loans, especially in some of the high-growth Southeastern cities with newer construction. Additionally, continued roll over of agency debt in the next three years should fuel demand for new long-term agency debt to refinance the region's multifamily property supply.

Capacity for Fannie Mae, Freddie Mac and HUD loans is strong. SunTrust's agency pipeline of loans funding through the first quarter of 2020 remains robust with bridge, floating rate and long-term financing sourced across all three Agencies.

Because interest rates are still at historic lows, clients are highly incentivized to move quickly to invest in multifamily properties in select cities in the Southeast. In the first quarter of 2019, SunTrust provided a 10-year, $27.5 million Freddie Mac acquisition loan for a 327-unit multifamily property built in 1986 and located in suburban Nashville, Tenn. SunTrust also originated a 10-year, $23.2 million Fannie Mae refinancing for a newly constructed multifamily property in North Carolina during the first quarter. Additionally, SunTrust is actively originating one to three-year term bridge loans for properties leasing up, needing seasoning periods, partnership buy outs and bridge to HUD loans for newer multifamily properties and constructions loans across the Southeast. ■

Photo: Getty Images

Artin Anvar is a managing director in SunTrust Bank's commercial real estate platform. Specializing in structuring multifamily and seniors housing debt and with more than 20 years of commercial real estate finance experience, Anvar is responsible for originating SunTrust CRE loans, including HUD, Fannie Mae, Freddie Mac and bridge transactions. He is located in the Washington, D.C. office.
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