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Multifamily finance in the Greater Boston area

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For the last several years Boston Proper and Greater Boston has seen a boomlet of newly constructed apartment buildings. New luxury apartment complexes have been built in the Seaport, Fenway, North Station, and Back Bay as well as other sections of the city. More rental projects have been approved for these areas as well as Chinatown, Downtown Crossing and along the Greenway. In the suburbs, 40 B projects, which provide a mix of affordable units and conventional units have been developed in many towns throughout metro-Boston. Additionally transit oriented rental complexes have been built near the Orange Line, Green Line and Red Line stations of the T. When the high barriers to entry and high cost of land and construction are considered this building activity is extraordinary. For many years the economics for apartment construction did not justify building new apartments. Lack of supply, rising rents and high demand have improved the economics. The fact that many of these units came on line during the great recession that began in 2007 (and lingers still) is also noteworthy.

Prior to 9/11 Boston was growing as a mecca for affluent Europeans and Asians to attend college and post graduate programs or work in medicine, high tech and bio-technology. Although slowed in the years following 9/11 that demand on housing in Boston continues. Many colleges have built on campus and off campus housing to meet demand. Other demands on rental housing include the desire of baby boomers to downsize and the state of the single family market, not just in Boston but nationally.

In a recently issued multifamily research report on Freddie Mac's multifamily website, four broad observations were provided in the introduction.

* Recent declines in homeownership related to economic stress and high foreclosures in the single-family housing market have benefited the multifamily market.

* The homeownership rate will drop 1-2 percentage points if the current slow recovery continues.

* The single-family rental market, a growing and distinct market from multifamily, has expanded 16% (about 3 million units) since 2007.

* Multifamily market demand is expected to be strong through 2015 primarily due to demographic trends and shift in homeownership preference.

Additionally, the report stated "the multifamily housing segment has directly benefitted from the change in the ownership rate. Over the past few years the shift of households from home owners to renters increased the demand for rental units, contributing to strong multifamily market fundamentals."

Another factor that could affect the rate of home ownership is the treatment of the deduction for home mortgage interest and local property taxes as part of the solution to "the fiscal cliff". The mortgage deduction amounts to an annual $90 billion revenue cost to the treasury and the local real estate tax deduction amounts to roughly a $20 billion cost to the treasury. Some analysts are of the opinion that if these deductions are lowered there could be a decrease in single family housing values from approximately 7% to 15%, further impacting the decision to rent or buy.

For all of the above reasons and other factors, demand for rental housing is high. Fortunately there is a robust lending environment for well located new development and stabilized older stock. M&T Realty Capital Corp., a division of M&T Bank is a Fannie Mae DUS lender, an approved Freddie Mac Lender, and an FHA MAP lender. We also have conduit, life company, mezzanine and bank loan programs. Our loan closings have grown from $860 million in 2003, approaching a projected $3 billon for 2012. Regardless of the complexity of your project we can provide solutions.

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