



CELEBRATING  
55 YEARS

# nerej

## **M&T Realty Capital offers student housing financing**

October 07, 2009 - Financial Digest

Historically "special purpose" multifamily properties have either not qualified under conventional underwriting criteria or were "penalized" by tight underwriting requirements. Examples of "special purpose" rental housing include military housing, corporate rentals, single room occupancies (SRO'S) and student housing.

Given the significant influence of student housing in the Boston market and other major metropolitan areas, M&T Realty Capital Corp. in conjunction with FNMA, provides long term, fixed rate, non-recourse loans for properties that are occupied 20% or more by students.

Traditionally, financing student housing was problematic for a number of reasons, including: seasonality, most undergraduates go home for the Summer, unemployed occupants, many students rely on Mom and Dad to pay the rent, and issues related to maintenance, community relations, security, and management procedures. Many landlords in the Boston area have long histories of successful management of apartment buildings that are occupied primarily by students. The key to underwriting these properties is full disclosure, early in the process, of the building's student population, and any management and maintenance issues that are unique to student housing.

Paramount to this process is an examination of the unit leases. Are the leases for a full year? Do they allow sub-leasing? Are they co-signed by parents? Is the group of students a household unit? What is the acceptable method of payment? These are just a few of the questions that require lease review.

In some cases blocks of apartments are held under a master lease by a college or technical school to facilitate foreign or visiting students. None of these issues of themselves are "deal killers" but need to be reviewed and understood as part of the comprehensive underwriting process. Just as with conventional apartments the loan "sizing" will depend on the final determination of stabilized net operating income. The student rents will be compared to market rents and consideration will be given to the landlord's ability to lease in the conventional market if student demand should decrease.

Recently many of Boston's colleges and universities have built state of the art dormitory facilities to ease the housing demand for in town apartments. The loan approval process will include an appraisers complete analysis of market conditions. A complete discussion of the student housing loan product is beyond the scope of this article, however, M&T Realty Capital Corp. will respond quickly to any inquiries

M&T Realty Capital Corp. is actively seeking the opportunity to work with experienced owners and managers to provide permanent financing for student occupied properties.

Mike Killion is vice president at M&T Bank, Plainville, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540