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ENIXX

2024

**Bending the Curve
of Increasing
Operating Costs**



PANELISTS

DISCUSSION LEADER

Darrell Beavers, Housing Development Director | Oklahoma Housing Finance Agency

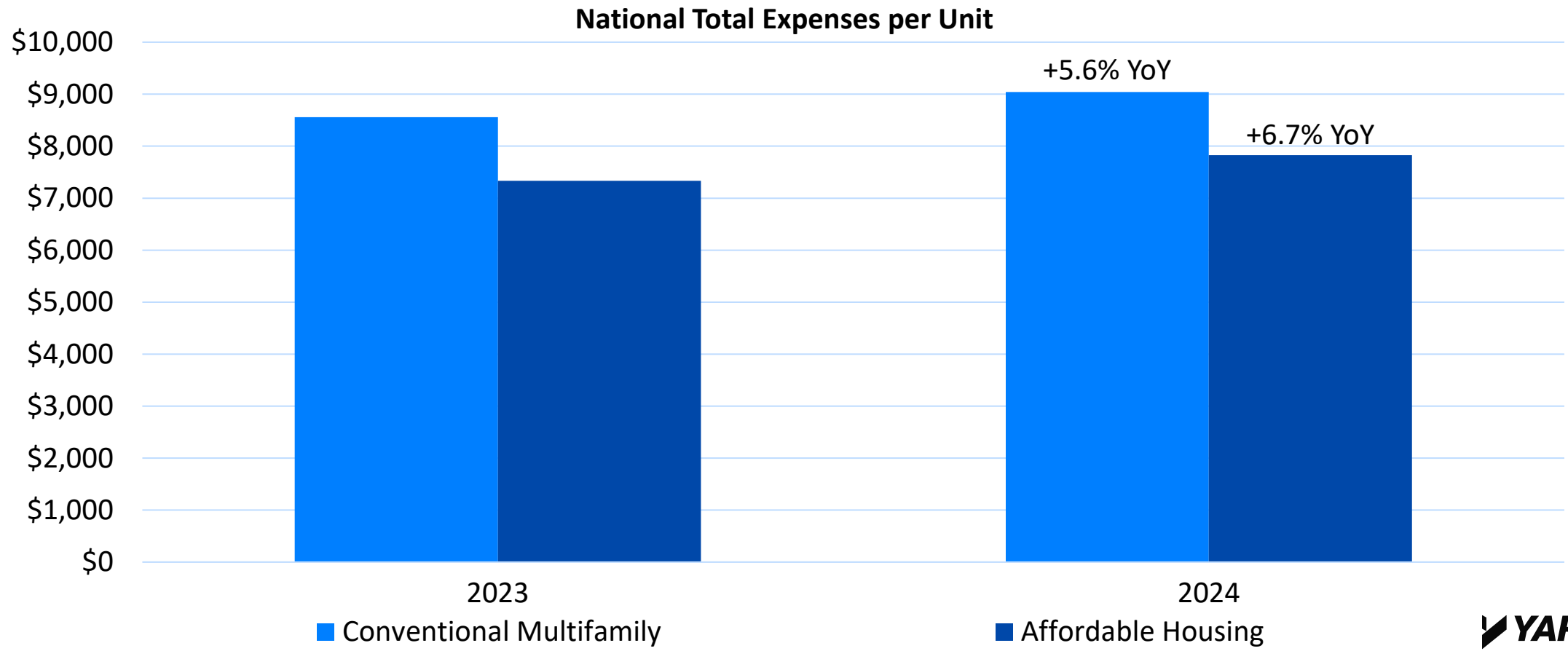
SPEAKERS

Thom Amdur, Senior Vice President, Policy and Impact | Lincoln Avenue Communities

Paul Fiorilla, Associate Director | Yardi

Robert Salem, Principal and Vice President | CMR Risk & Insurance Services, Inc.

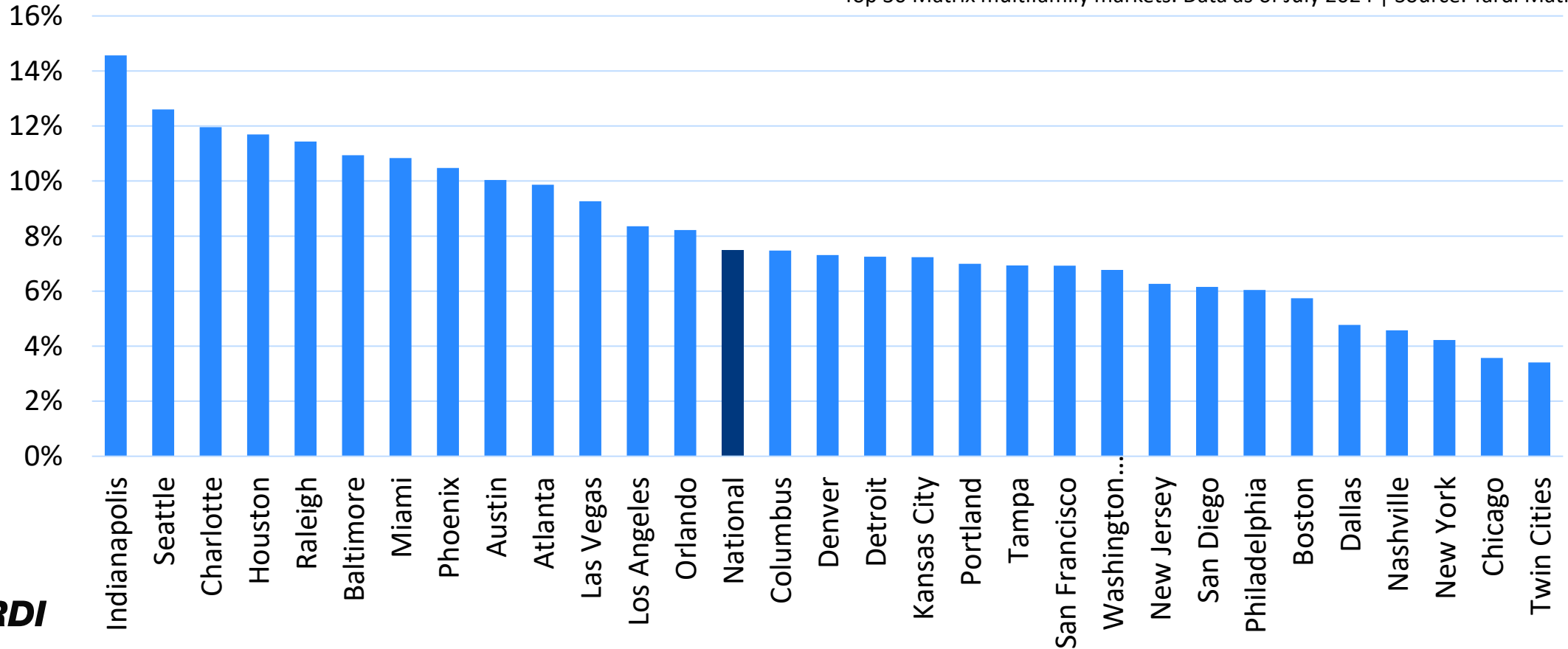
TOTAL EXPENSES PER UNIT



EXPENSE TRENDS: AFFORDABLE HOUSING

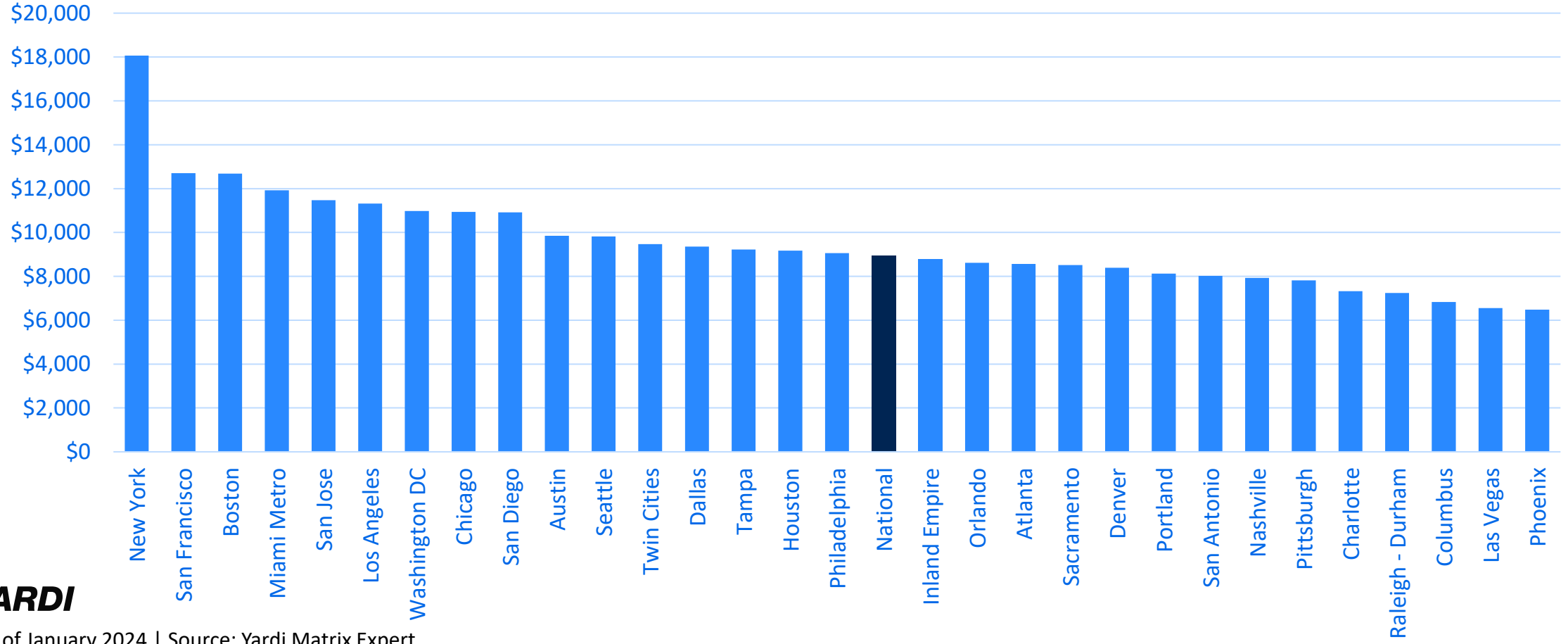
YoY % Change in Total Operating Expense per Unit: Affordable Housing

Top 30 Matrix multifamily markets. Data as of July 2024 | Source: Yardi Matrix Expert



EXPENSES HIGHER IN GATEWAY MARKETS

Total Annual Operating Expense Per All Units (Conventional and Affordable) by Metro

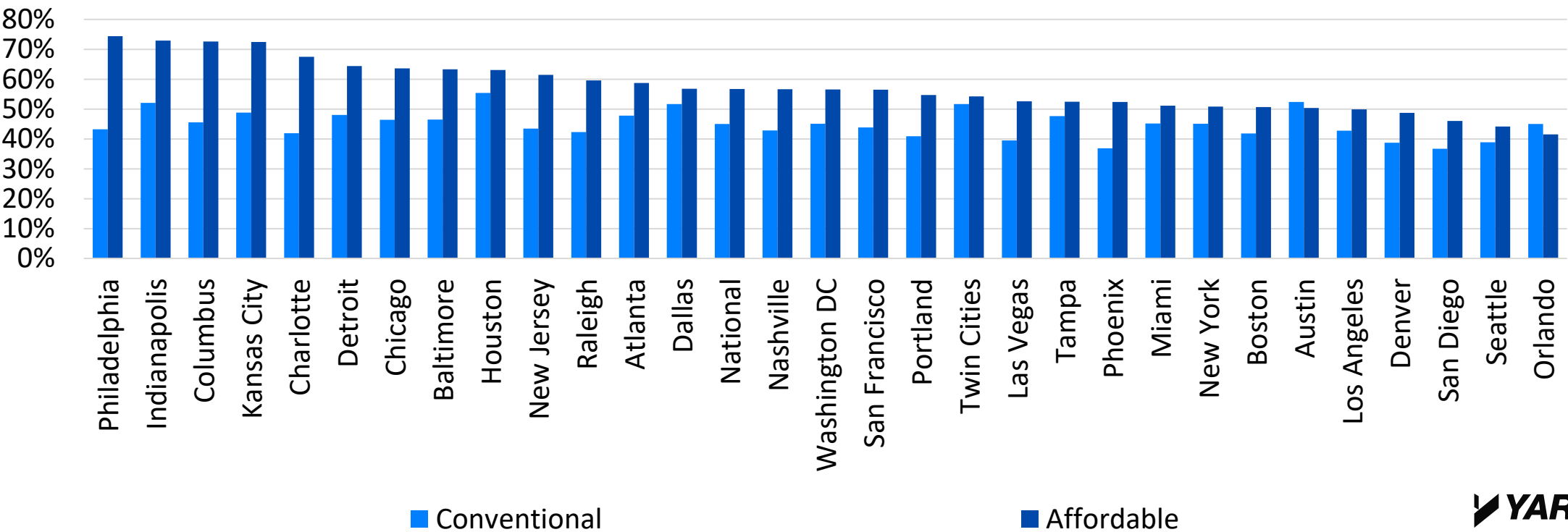


Data as of January 2024 | Source: Yardi Matrix Expert

NCSHA Annual Conference & Showplace

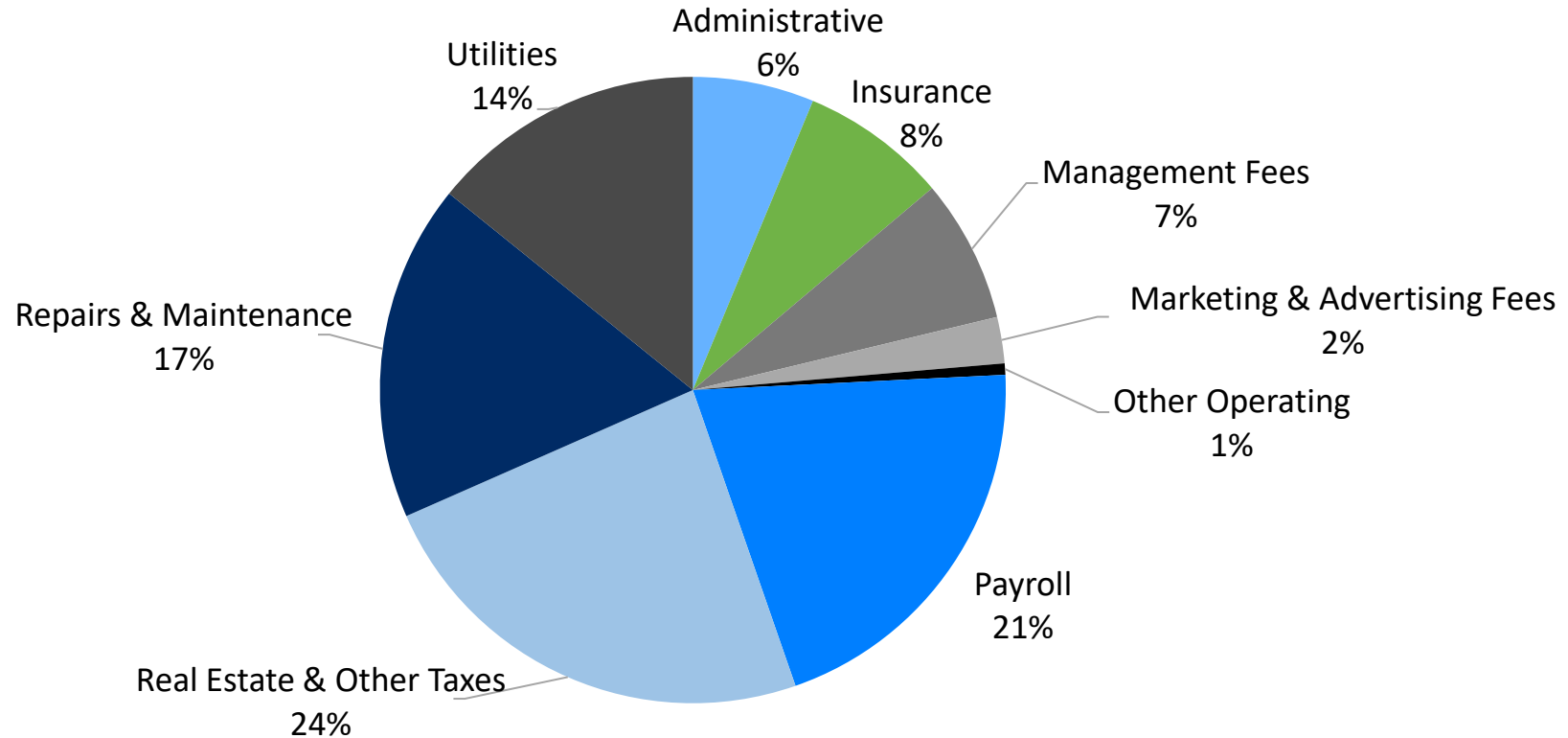
HIGHER EXPENSES IN AFFORDABLE HOUSING THAN MARKET RATE IN MOST MARKETS

Total Operating Expenses as a Percent of Total Income



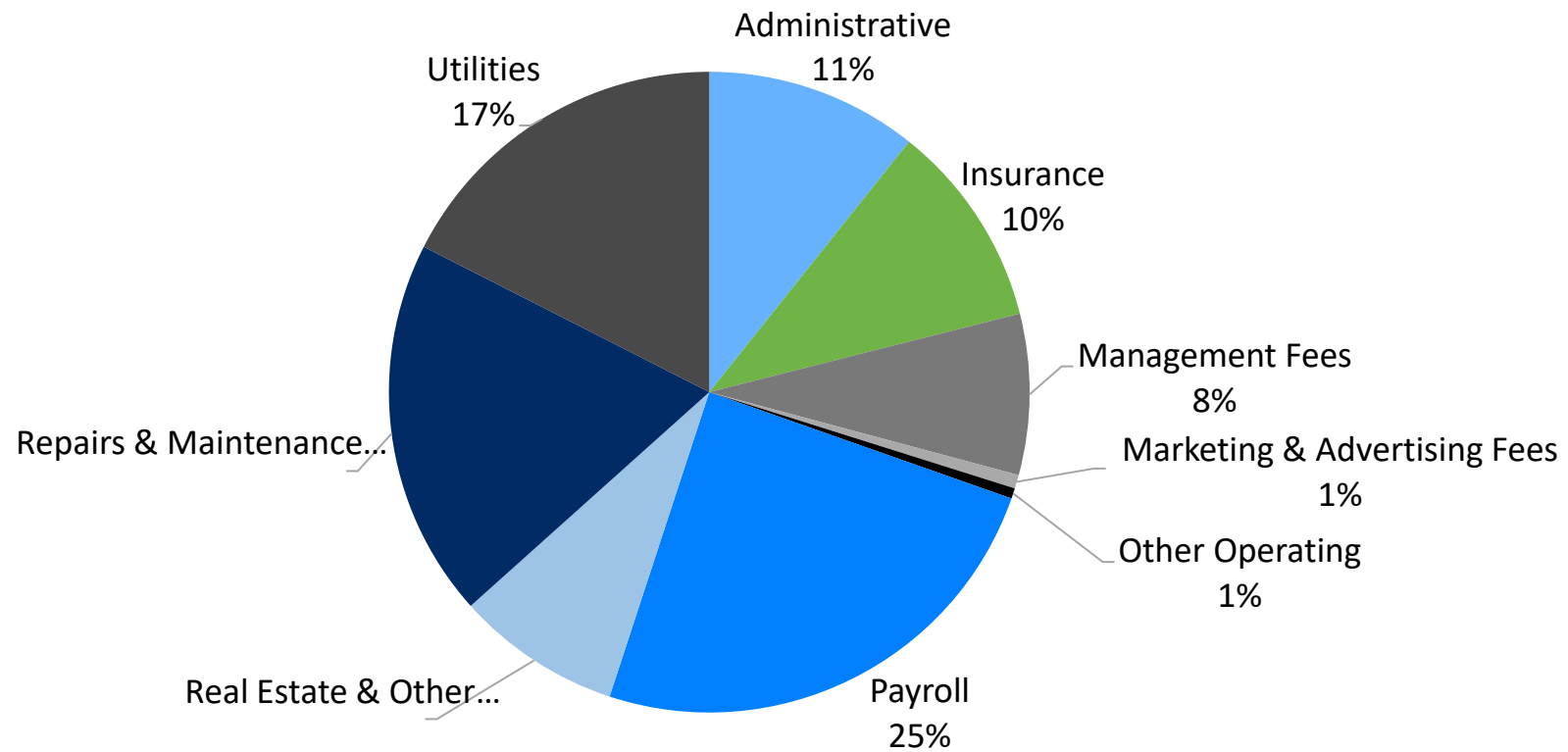
EXPENSES IN CONVENTIONAL MULTIFAMILY

**Total Expenses per Unit by Category:
Conventional Multifamily**

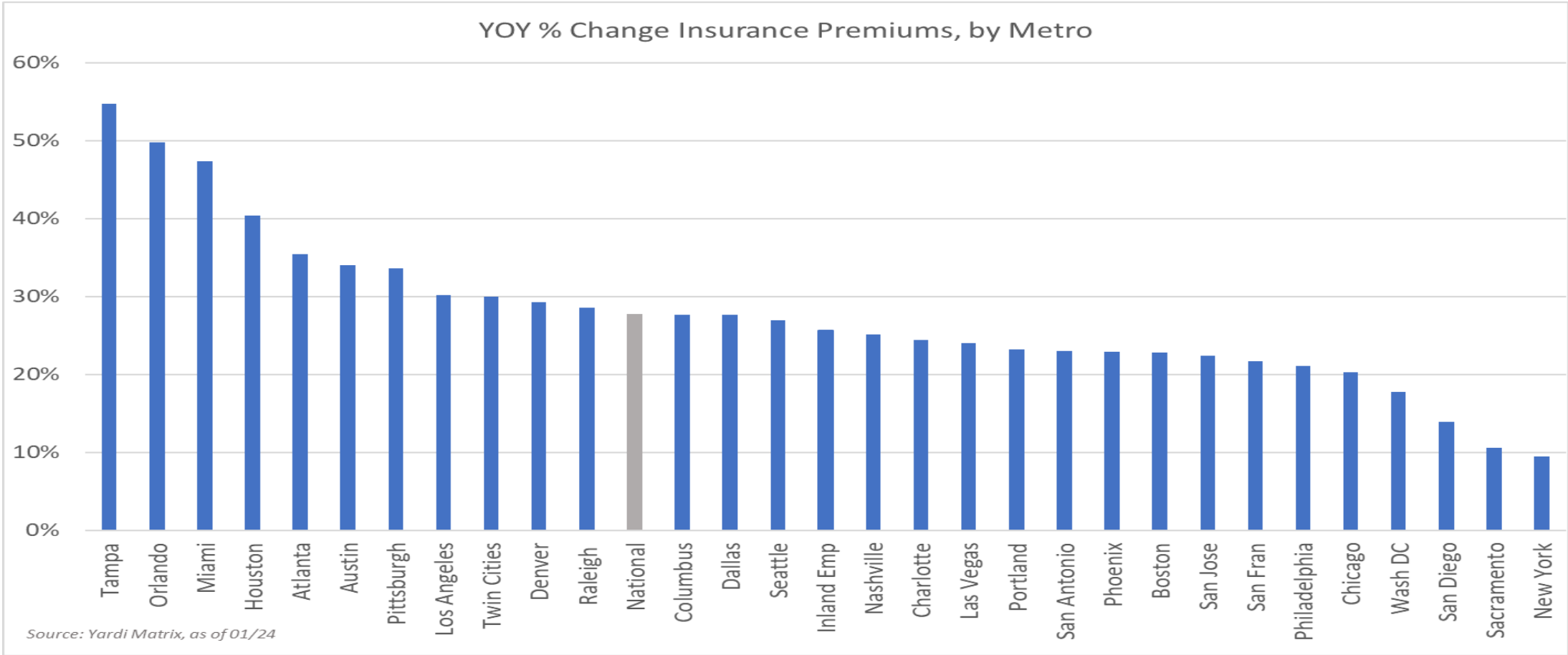


EXPENSES IN AFFORDABLE HOUSING

**Total Expenses per Unit by Category:
Affordable Housing**



INSURANCE RATES ON THE RISE











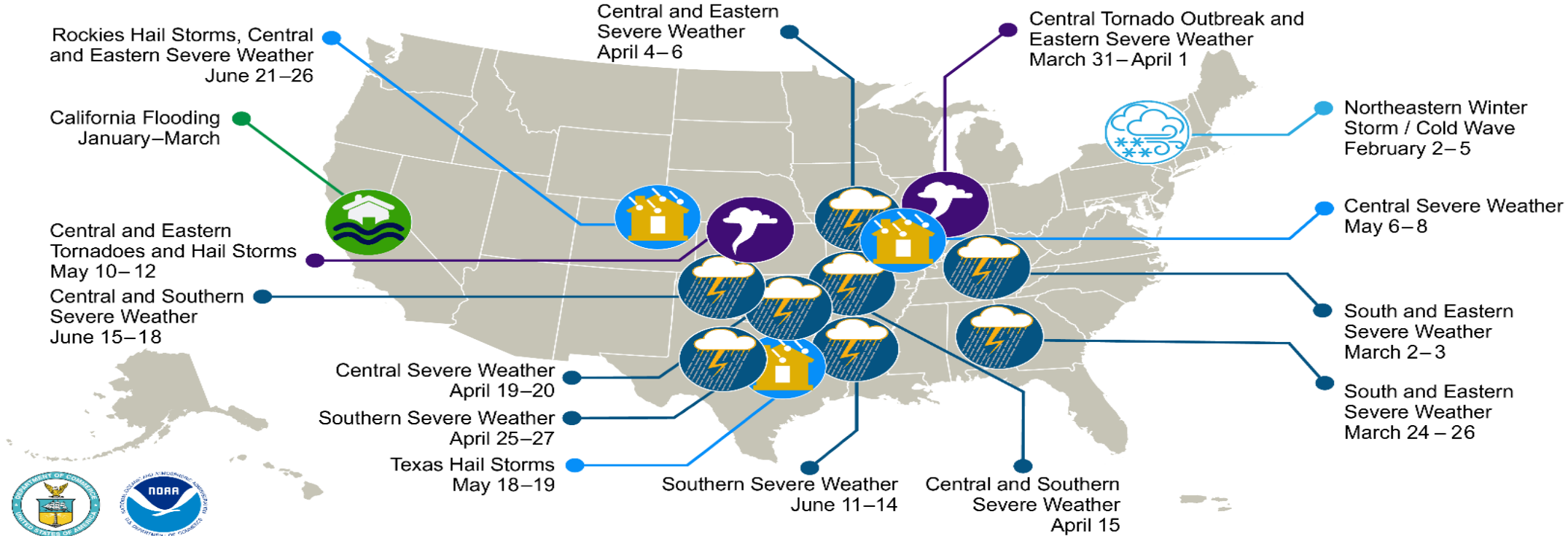
WHAT CAUSED THE INCREASES?

- 2017 & 2018 catastrophic losses – Over \$25B in total
- 2021 had multiple \$1B plus losses – Over \$30B in total
 - Wildfires, Tornadoes, and Convection Storms (i.e., Hail/Floods)
- 2023 accounted for \$65B in losses!
 - CA Flooding, Tornadoes, Maui Fire, and Convection Storms (i.e., Hail/Floods/Winter Storms)
- Brush/wildfire changes – scores 50 & above
- Social Inflation
- No carrier competition
- Surplus Lines Carriers vs. Direct Admitted Carriers
- Less capacity - While carriers require higher building values
- Type of Project – LIHTC 42, Section 8, Supportive Housing, Senior, etc.

2023 CATASTROPHIC EVENTS

U.S. 2023 Billion-Dollar Weather and Climate Disasters

-  Drought/Heat Wave
-  Flooding
-  Hail
-  Hurricane
-  Severe Weather
-  Tornado Outbreak
-  Wildfire
-  Winter Storm/Cold Wave



This map denotes the approximate location for each of the 15 separate billion-dollar weather and climate disasters that impacted the United States through July 2023.

RISK MANAGEMENT PROTOCOLS

- Consider installation of monitoring heat and moisture sensing devices
- Implement 24/7 monitoring cameras
- Fire Panels – are they older models (Federal Pacific/Zinsco/Challenger)?
- Elderly Projects – pull cords vs. pendants, any medical or shuttle services?
- Supportive Housing – consider larger drains in all units (WATER!)
- Consider tenant liability program at sites
- Review 3rd party manager protocols and hiring practices
- Review maintenance procedures and inspection manuals
- Incident reporting protocols
- Automatic Stove/Microwave Shut-Off
- Water Sensors

GET AHEAD OF THE HARD MARKET

- Have a monthly or quarterly call with your Insurance Broker
- Start renewal conversations 180 days out
 - Get updated every 30 days to budget accordingly
 - Try and get incumbent carrier to offer early renewal
- Review alternative property deductible aggregate programs
- Implement a self-insured retention casualty program
- Negotiate insurance requirements early
- Master package or break up portfolio?

WILL HARD MARKET CONTINUE?

- **YES & NO**
- Starting to see some rate relief
- Expect rates and building values to continue to rise
 - 8% to 15% on rate for best risks
 - 25% to 40% on harder risks or projects with claim history

