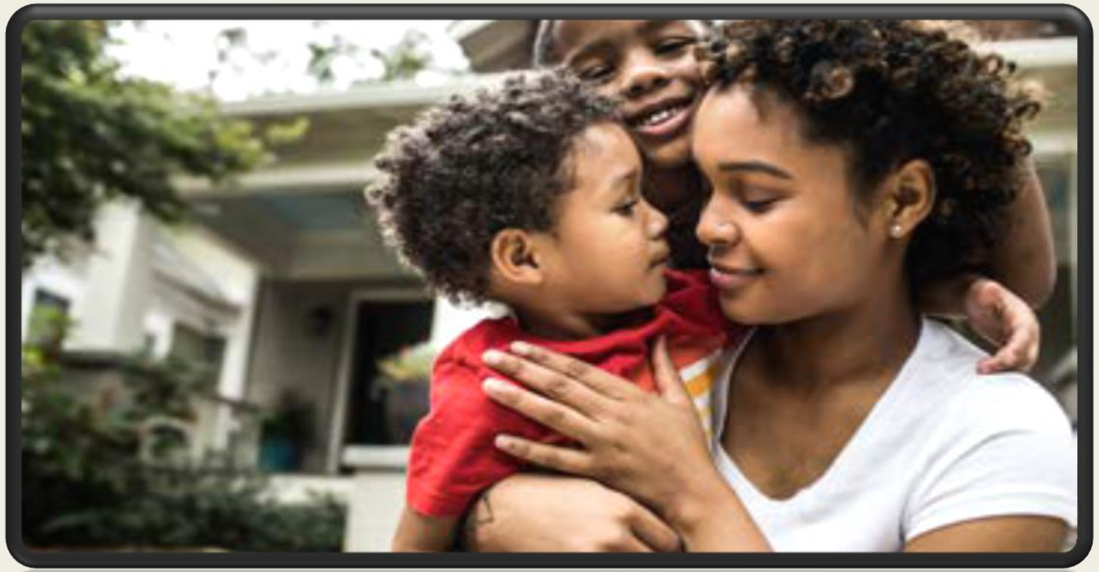
Asset Management

Low-Income Housing Tax Credit Portfolio Trends Analysis

(Year End 2022 Results + 3Q 2023)

November 2023



In September 2023 Enterprise reached a $20 billion milestone for LIHTC investment with Jordan Downs Phase S4, a 90-unit family property in Los Angeles, CA. This important property will help revitalize the Watts neighborhood.

$20B Invested in Low-Income Housing Tax Credit Developments

Developments	Residential Units
2,755	195,460

Increase the Supply of Affordable Housing

Portfolio

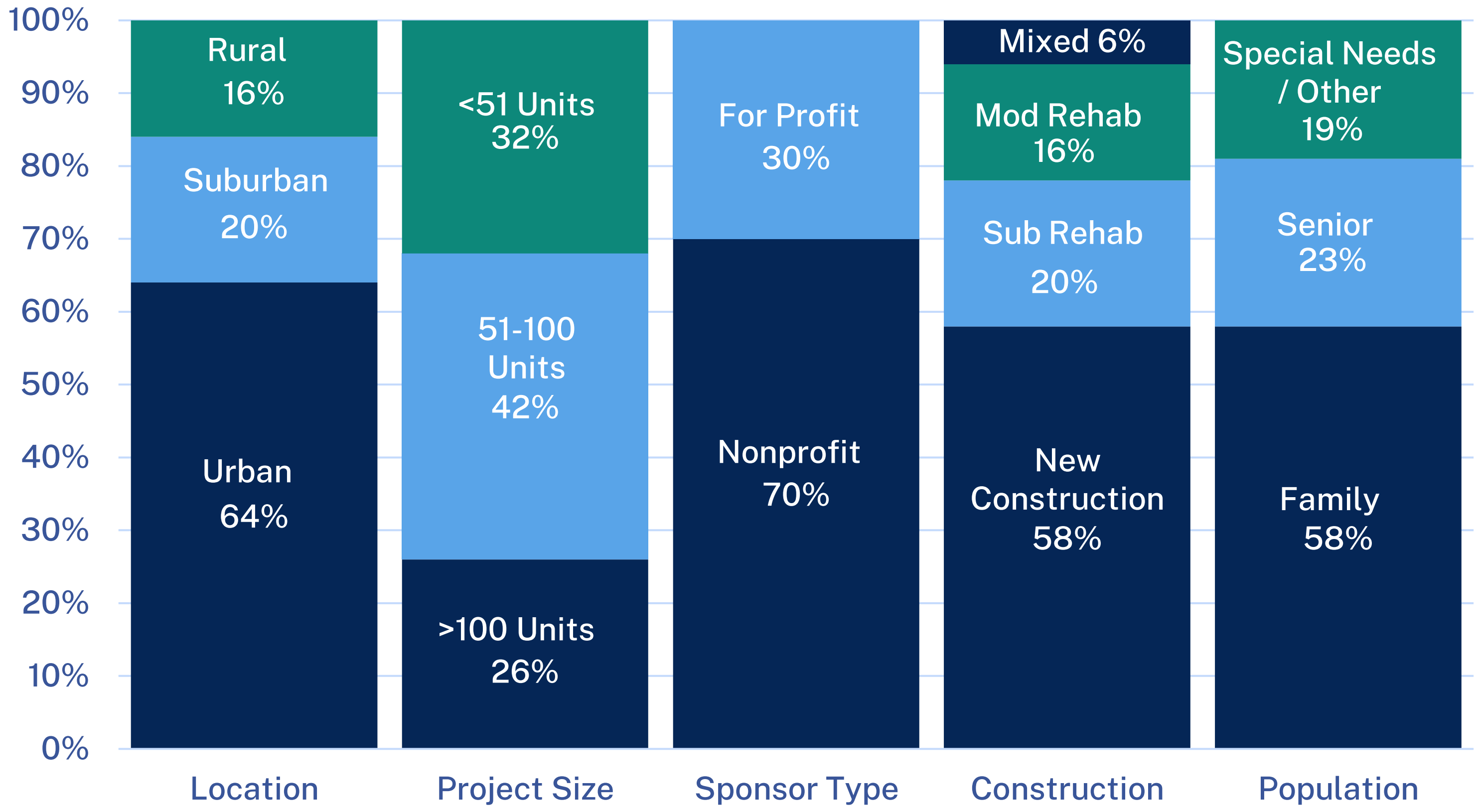
In 2022, Enterprise closed 91 projects. These projects represent more than 8,800 residential units and more than $1.7 billion of gross equity.

As of September 2023, Enterprise has transferred 1,445 projects, mostly post Year 15, representing over 82,000 total units.

The portfolio average property size is currently 84 units and $10.8 million in gross equity. For projects closed in 2022 the average size was 97 units and $19.5 million in gross equity.

Enterprise provides asset management to 1,320 LIHTC projects across 44 states, the District of Columbia and Puerto Rico. These projects represent over 115,000 total units and more than $15.3 billion in gross equity as of September 2023.

Portfolio Characteristics



Construction

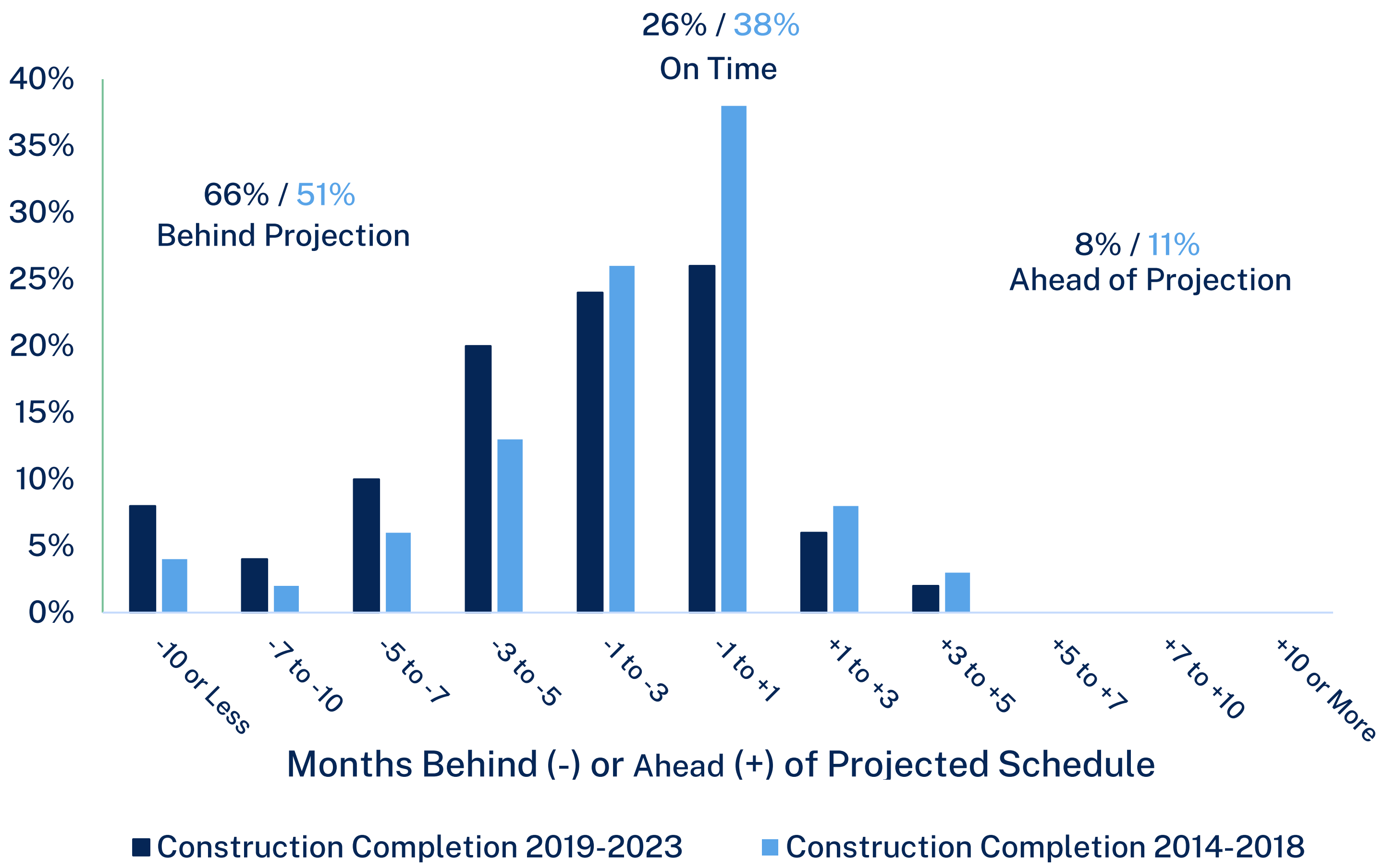
Over the last 5 years (2019-2023), the median construction duration has been 18.3 months, and only 34% of projects are considered on time or ahead of projection.

During the 5 years prior (2014-2018) the median construction duration was 15.4 months, and 49% were considered on time or ahead of projection.

Construction concerns represented 37.1% of the 3rd QTR 2023 Enterprise PPL. Overall, 33% of the projects in the construction phase were on the watchlist. Projects in construction are challenged by rising interest rates, staffing issues, weather delays, and inflationary cost increases.

CohnReznick reported in their November 2023 Affordable Housing Credit Study that industry wide 17.0% of projects in the construction phase were on the year-end 2022 watchlist.

Construction Duration



Lease-Up

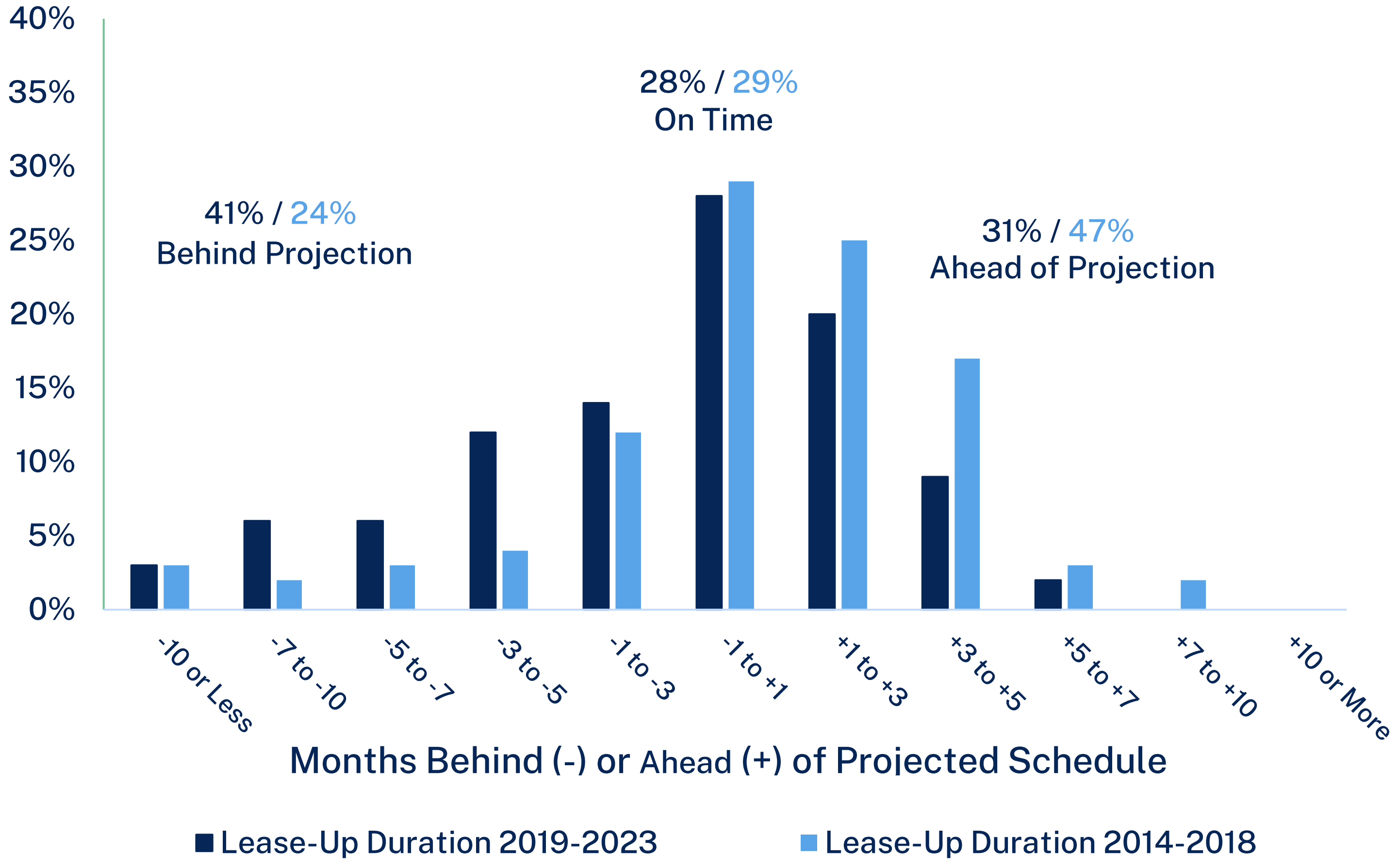
Over the last 5 years (2019-2023), the median lease-up duration has been 4.9 months, and 59% of projects are considered on time or ahead of projection.

During the 5 years prior (2014-2018) the median lease-up duration was 3.8 months, and 76% were considered on time or ahead of projection.

Lease-up concerns represented 9.8% of the 3rd QTR 2023 Enterprise PPL. Overall, 57% of the projects in the lease-up phase were on the watchlist. Many of these are lingering effects from prior construction delays.

CohnReznick reported in their November 2023 Affordable Housing Credit Study that industry wide 28.6% of projects in the lease-up phase were on the year-end 2022 watchlist.

Lease-Up Duration



% Physical Occupancy

The median physical occupancy for 2022 was 97.2% and the average was 95.8%.

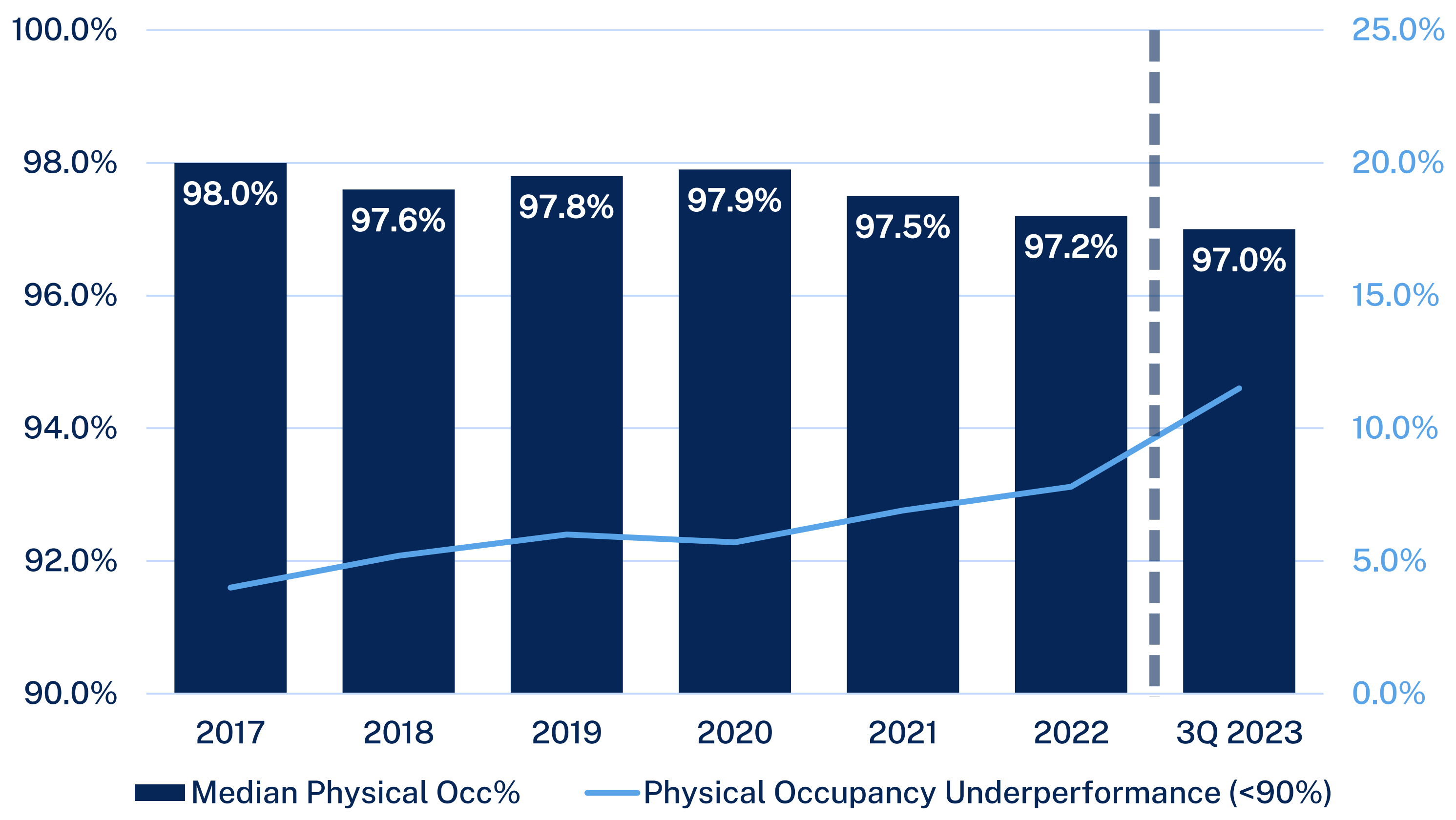
CohnReznick reported an industry wide 2022 median physical occupancy of 97.2% with 7.6% underperforming (less than 90%).

As of the 3rd QTR 2023 the median physical occupancy was 97.0%.

The median physical occupancy for projects on the year-end 2022 Project Performance List (PPL) was 94.4%. More than 23% of the stabilized watchlist had a physical occupancy less than 90%.

When measuring by equity, more than 40% of the portfolio had a 2022 physical occupancy that was between 98% and 100%. Meanwhile only 7.8% of the portfolio had a physical occupancy that was considered underperforming, or less than 90%.

Physical Occupancy %



% Economic Occupancy

The median economic occupancy for 2022 was 95.7% and the average was 93.2%.

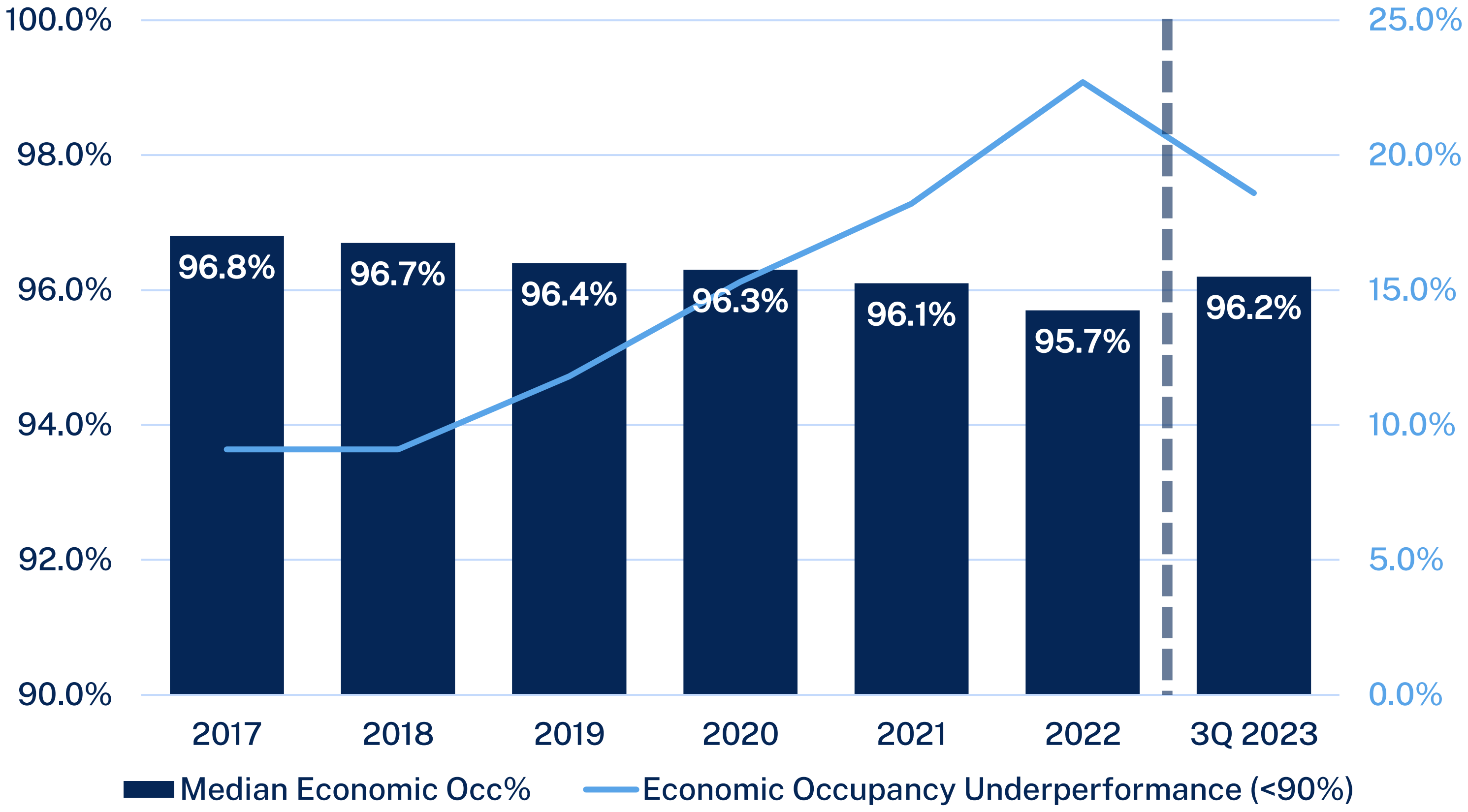
CohnReznick reported an industry wide 2022 median economic occupancy of 96.0% with 16.9% of underperforming (less than 90%).

As of the 3rd QTR 2023 the median economic occupancy was 96.2%.

The median economic occupancy for projects on the year-end 2022 Project Performance List (PPL) was 88.1%. More than 61% of the stabilized watchlist had an economic occupancy less than 90%.

When measuring by equity, 23% of the portfolio had a 2022 economic occupancy that was between 98% and 100%. Meanwhile, another 23% of the portfolio had an economic occupancy that was considered underperforming, or less than 90%.

Economic Occupancy %



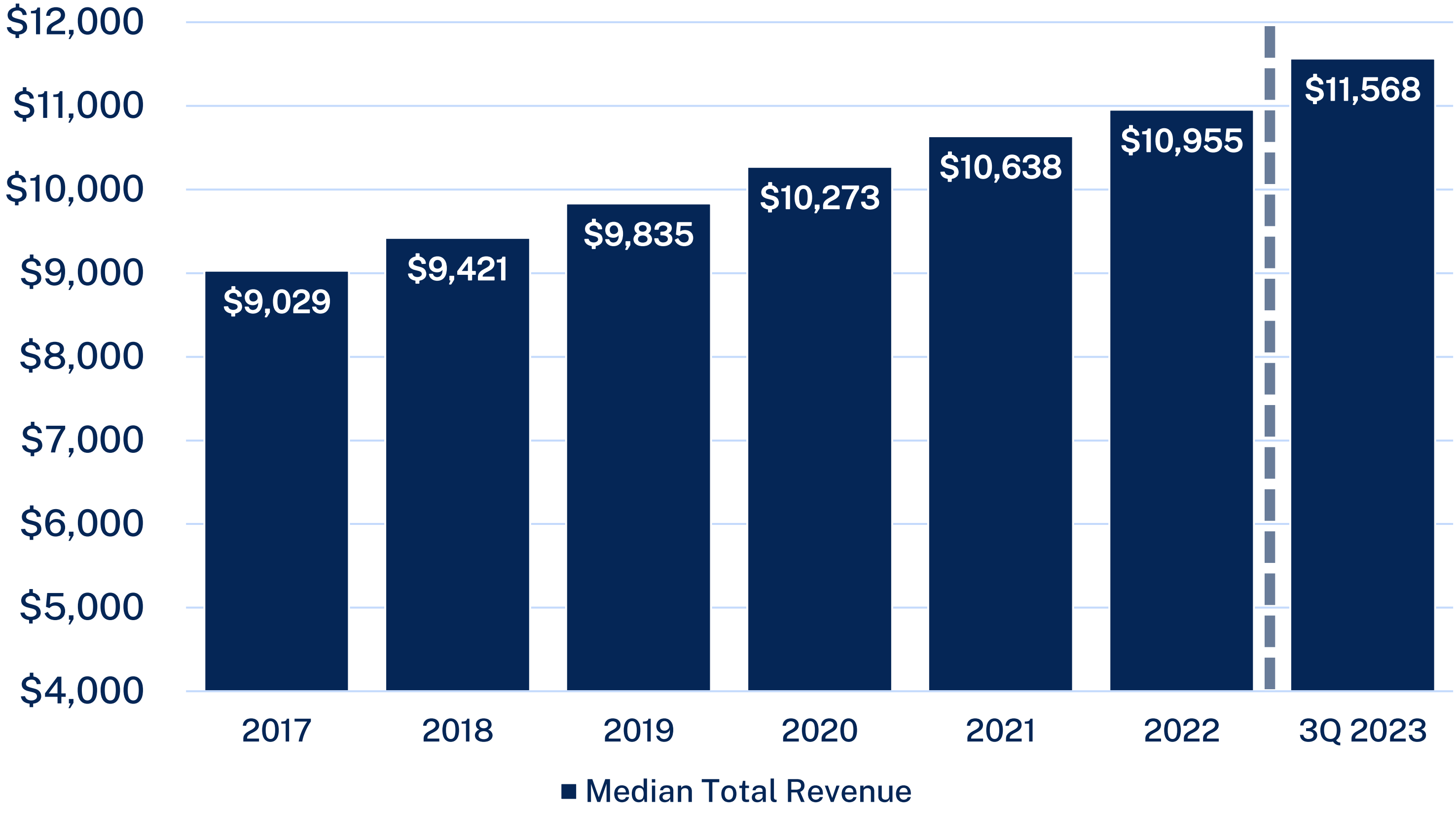
$ Revenue

CohnReznick reported an industry 2022 median total revenue of $9,774 per unit with an increase of 3.0% over 2021.

The median total revenue for projects on the year-end 2022 Project Performance List (PPL) was $10,977.

The median total revenue for 2022 was $10,955. This represents a 3.0% increase from 2021. Since 2017 the 5-year growth rate has been 3.9%. As of the 3rd QTR 2023 the annualized total revenue is $11,568.

Median Total Revenue



$ Expenses

CohnReznick reported an industry wide median operating expense per unit of $6,892 as of 2022, with an 8.2% increase over the prior year.

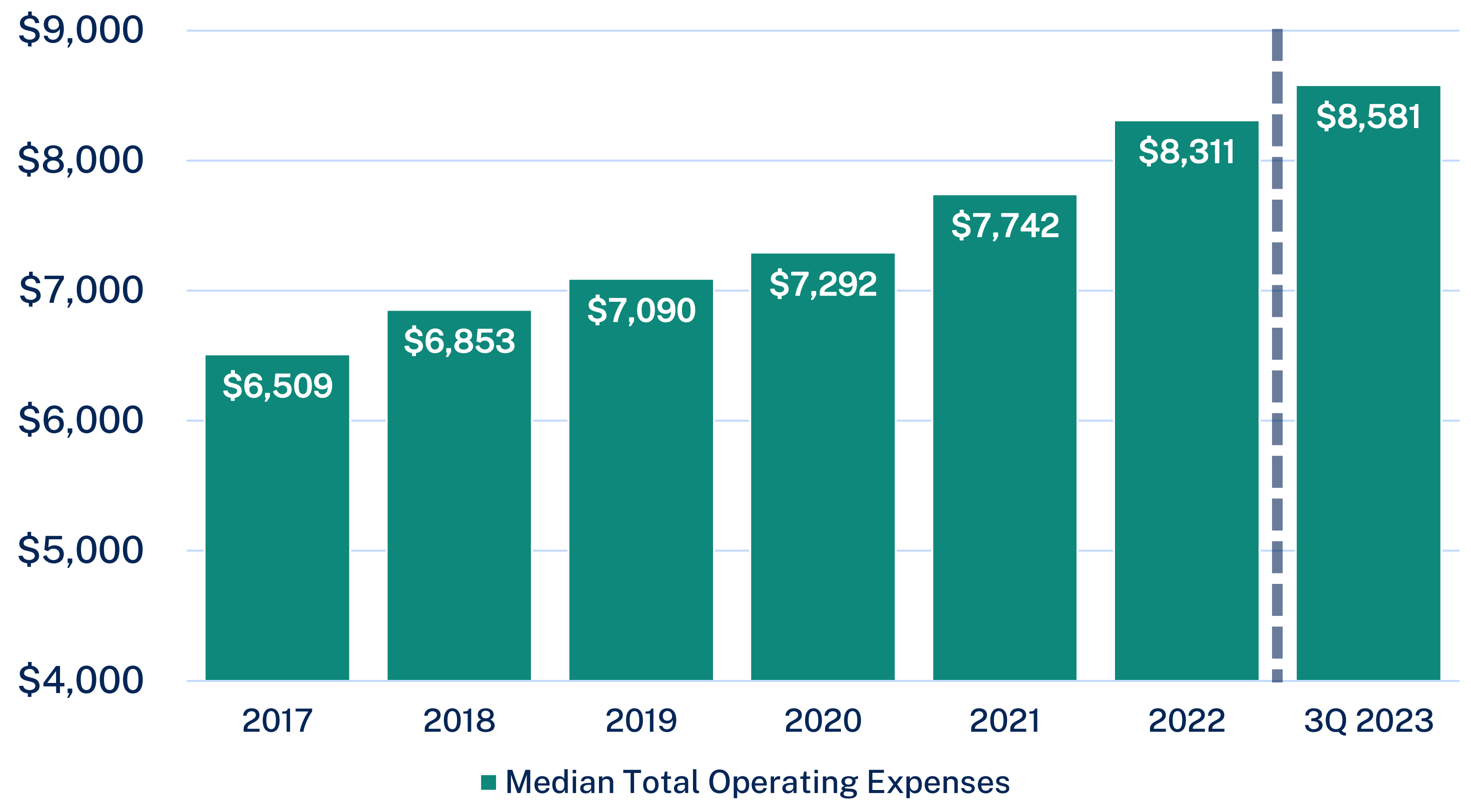
Both Enterprise and CohnReznick reported that insurance and administrative costs had the highest cost increase in 2022, respectively.

As of the 3rd QTR 2023 the annualized total operating expense for 2023 was $8,581. This projects to a 3.2% increase in 2023.

The median total operating expenses for projects on the December 2022 PPL was $9,963 per unit.

The 2022 median total operating expense was $8,311 per unit, which represents a 7.3% increase over 2021. The 5-year average growth rate of total operating expenses has been 5.0% a year since 2017.

Median Total Operating Expenses ($ per unit)



$ Expenses

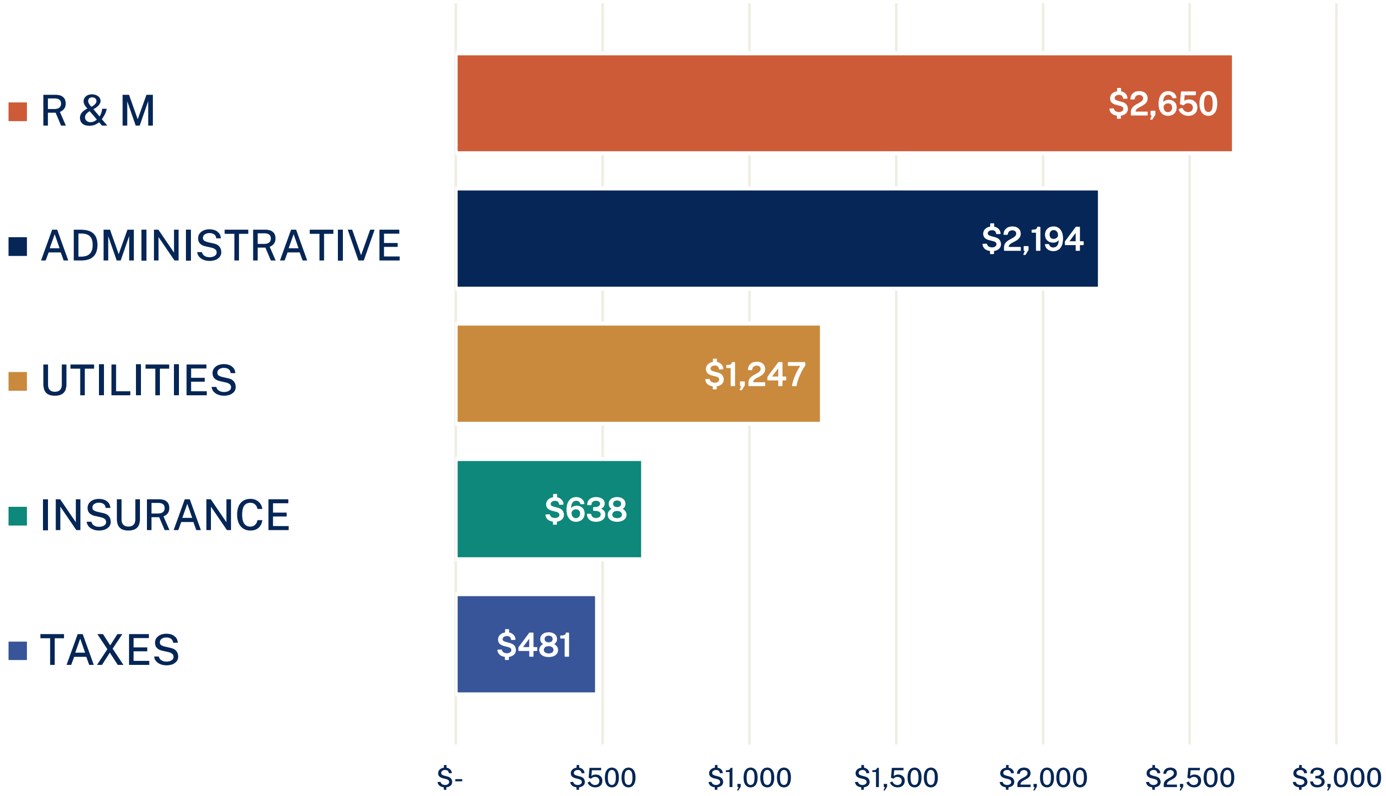
Administrative Costs had the second largest percent increase in 2022 at 9.9%. CohnReznick reported a comparable increase of 9.0% industry wide.

Over the past five years administrative costs have risen 5.5% per year on average.

Utilities increased 6.2% in 2022 and have averaged an increase of 4.2% per year since 2017.

Representing 32% of all operating expenses, Repairs and Maintenance (R&M) increased by 9.4% in 2022. This increase in R&M may be in response to deferred maintenance during the Covid-19 pandemic, when costs decreased 2.5% in 2020.

Median Operating Exp. By Category ($ per unit)



$ Insurance

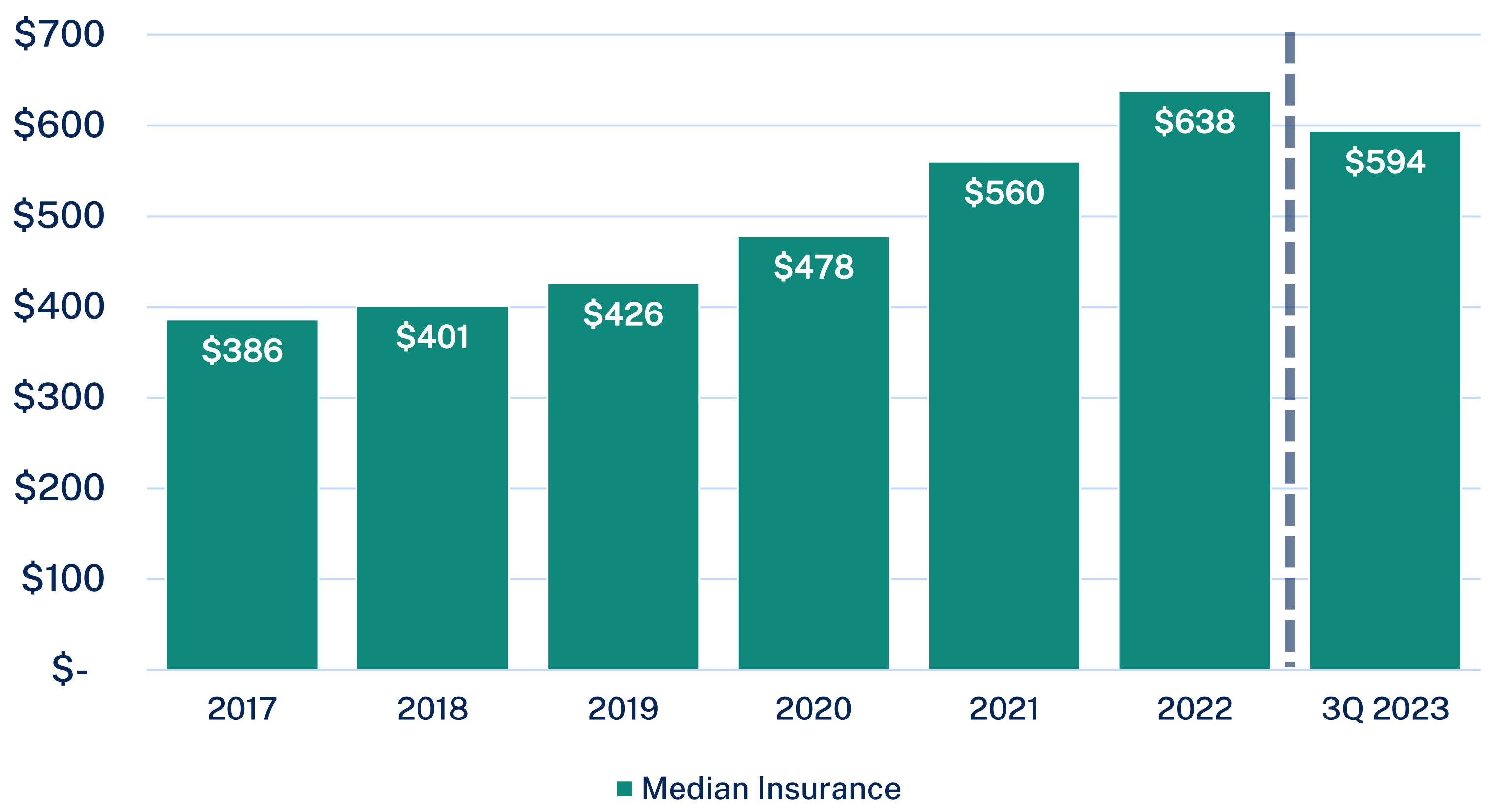
CohnReznick reported that industry wide insurance costs increases 13.4% over 2021.

Increasing insurance costs are not unique to the affordable housing portfolio, as property and casualty rates have increased nationwide across all real estate classes, in part due to extreme weather conditions. Some affordable developments are facing additional increases due to security and crime concerns from the insurers.

The median insurance expense for projects on the December 2022 PPL was $853 per unit, over 35% higher than the portfolio median.

The 2022 median insurance expense was $638 per unit, which represents a 13.9% increase over 2021. This follows an 17.2% increase the previous year. The 5-year average growth rate of insurance expense has been 10.6% a year since 2017.

Median Insurance Expense ($ per unit)



Performance

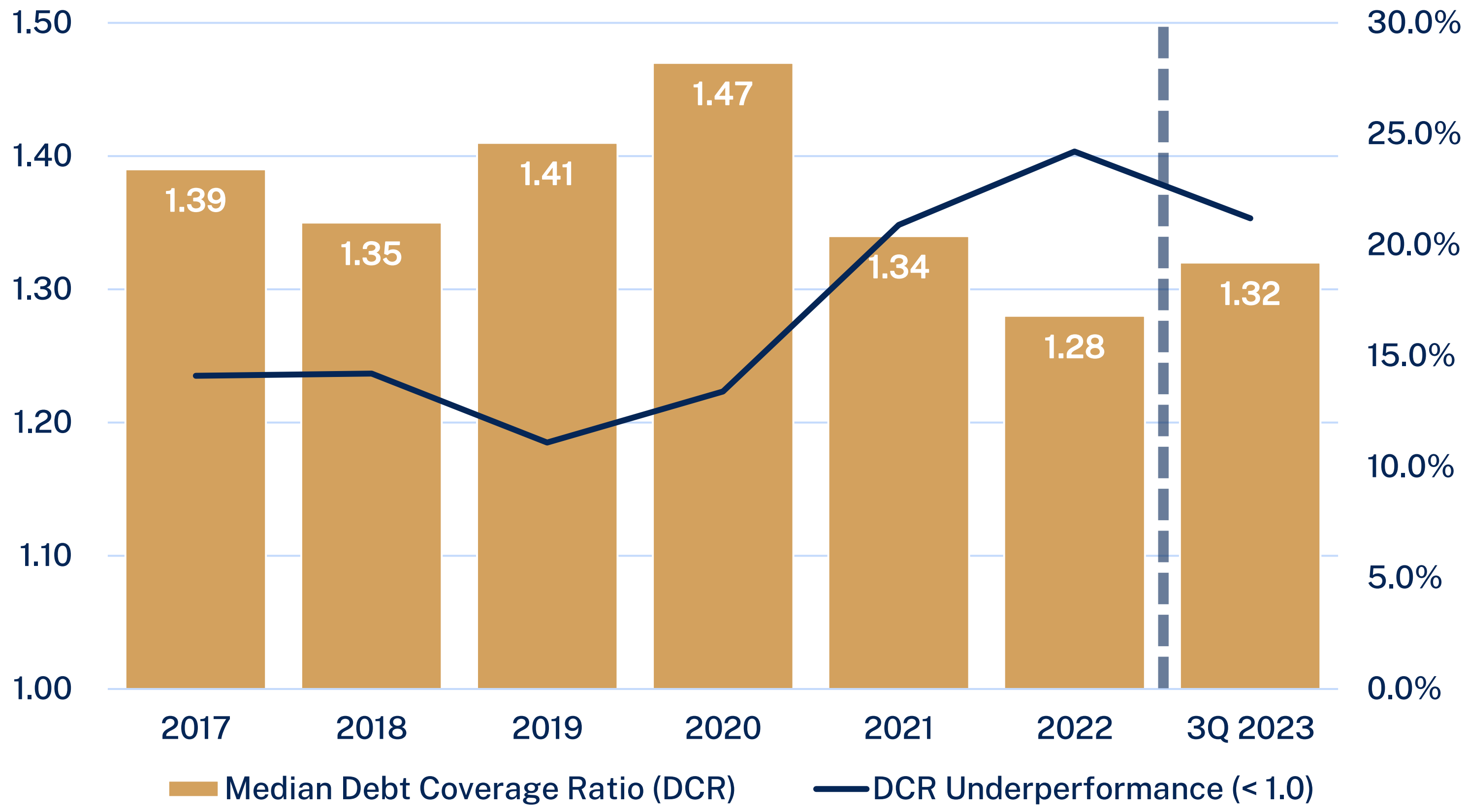
The 2022 median NOI was $2,572 per unit, which represents a 2% decline from 2021 ($2,619). A decline in occupancy, combined with an increase in operating expenses of 7.3%, not only lowered the NOI for the second straight year, but also lowered the portfolio median DCR from 1.34 to 1.28.

The median DCR for projects on the December 2022 PPL was 0.78.

Currently 74% of the projects in the portfolio have some hard, or must-pay, debt. This includes both conventional debt with private institutions and public debt with state and local government agencies.

When measuring by equity, nearly 76% of the portfolio had a debt coverage ratio (DCR) > 1 in 2022. CohnReznick reported that industry wide 78% of all LIHTC projects had a DCR > 1 in 2022 and the median debt coverage ratio was 1.38.

Median Debt Coverage Ratio



Performance

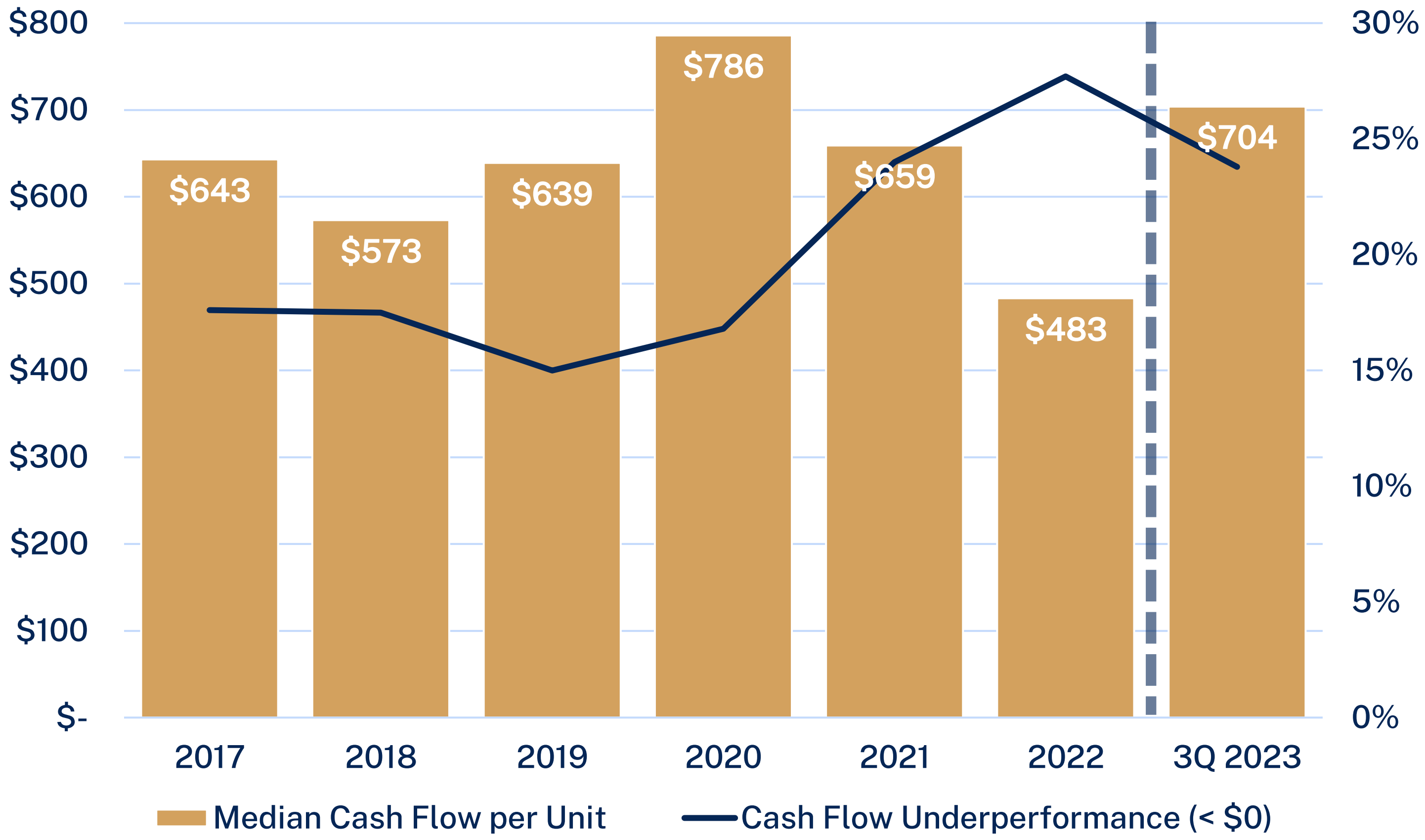
CohnReznick reported that industry wide the median cash flow per unit $709 per unit in 2022. This is a steep decline from 2021 when the median was $909 per unit.

As of the 3rd QTR 2023 the annualized cash flow per unit has increased to $704 per unit.

The median cash flow for projects on the 2022 year-end watchlist was -$678 per unit.

The 2022 median cash flow was $483 per unit, which represents a decline of 26.7% from 2021 ($659). Over 27% of the portfolio had a cash flow considered underperforming (less than $0) in 2022.

Cash Flow per Unit



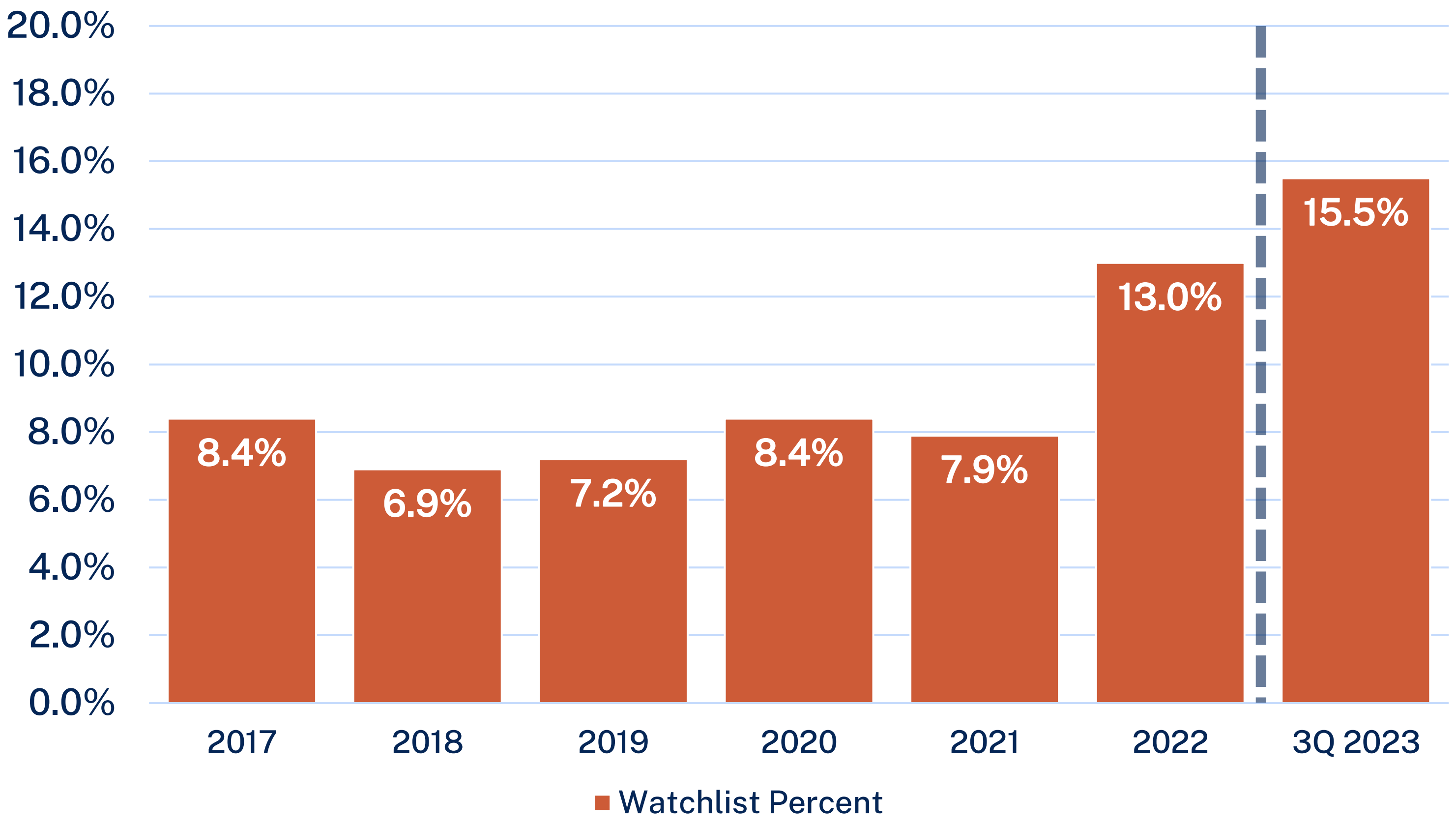
Watchlist

Construction and lease-up delays represent nearly 48% of the Enterprise watchlist. Cash flow concerns are the next largest category at 41%.

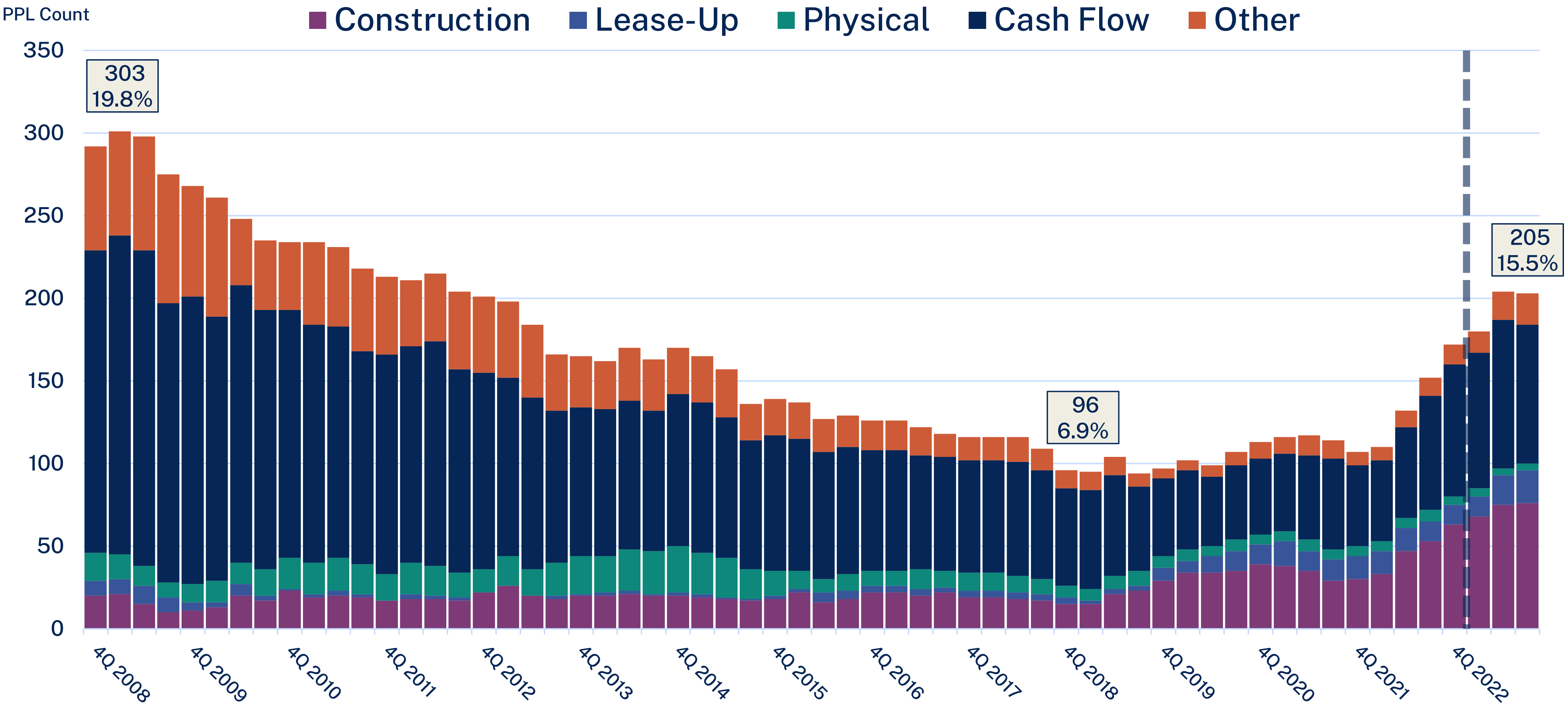
The chart on the following page tracks 15 years of Enterprise watchlist history. The watchlist hit its peak of 19.8% in 2009 during the housing recession. The Watchlist slowly improved for years until it hit a low point of 6.9% in 2018. The watchlist has since climbed to its current position of 15.5% today due to lingering construction delays and inflationary impacts.

The year-end 2022 Enterprise PPL, or "watchlist," was at 13.0%. The watchlist has since increased to 15.5% as of the 3rd QTR 2023. CohnReznick reported an industry wide watchlist rate of 14.2% as of year end 2022.

Historical Watchlist (PPL)



15 Years of Watchlist History – PPL Count by Category



Market Results 2022

CITY / MSA	STABILIZED COUNT	MEDIAN PHYSICAL OCCUPANCY	MEDIAN ECONOMIC OCCUPANCY	MEDIAN TOTAL REVENUE / UNIT	MEDIAN TOTAL OPERATING EXPENSE / UNIT
NEW YORK	195	97.7%	94.1%	$12,942	$11,175
LOA ANGELES	51	95.5%	96.8%	$12,588	$9,960
SAN FRANCISCO	43	96.3%	94.9%	$18,082	$14,423
WASHINGTON, D.C.	43	98.2%	96.8%	$15,096	$9,395
BALTIMORE	41	97.1%	95.4%	$11,287	$7,625
SEATTLE	39	97.8%	94.9%	$14,819	$9,565
PHILADELPHIA	38	94.2%	93.0%	$9,816	$8,481
DENVER	31	97.4%	95.5%	$13,729	$8,224
CLEVELAND	30	100.0%	96.8%	$9,356	$8,072
PORTLAND	27	97.0%	96.4%	$11,229	$7,906

Regional Median Occupancy Trend

The median physical occupancy for 2022 was 97.2% and the average was 95.8%. The Mid-Atlantic region had the highest physical occupancy in 2022 at 98.0%. The South Central region had the lowest occupancy results at 95.8%.

SUB-REGION	2017	2018	2019	2020	2021	2022
NORTHWEST	98.5%	98.1%	100.0%	99.2%	98.0%	97.8%
CALIFORNIA	98.3%	98.1%	99.0%	98.0%	97.5%	96.9%
SOUTHWEST	97.9%	97.6%	98.0%	98.0%	97.5%	97.5%
NORTH CENTRAL	96.8%	96.7%	96.2%	97.2%	96.5%	96.7%
SOUTH CENTRAL	96.7%	97.0%	96.1%	96.7%	96.2%	95.8%
NORTHEAST	97.5%	96.7%	97.3%	97.5%	97.2%	96.7%
NEW YORK	98.5%	98.1%	98.5%	98.1%	97.4%	97.2%
MID-ATLANTIC	98.0%	97.3%	97.4%	97.1%	97.9%	98.0%
SOUTHEAST	97.6%	96.2%	97.1%	98.1%	97.2%	95.9%
PORTFOLIO	**98.0%**	**97.6%**	**97.8%**	**97.9%**	**97.5%**	**97.2%**

Regional Median Operating Expense Trend

SUB-REGION	2017	2018	2019	2020	2021	2022	5 –YEAR ANNUAL GROWTH RATE
NORTHWEST	$5,761	$6,006	$6,282	$6,474	$6,737	$7,205	4.6%
CALIFORNIA	$7,685	$7,930	$8,289	$8,681	$9,457	$10,002	5.4%
SOUTHWEST	$5,009	$5,225	$5,442	$5,567	$5,726	$6,068	3.9%
NORTH CENTRAL	$5,199	$5,583	$5,815	$5,939	$6,577	$6,872	5.7%
SOUTH CENTRAL	$5,499	$5,558	$5,857	$6,072	$6,704	$7,174	5.5%
NORTHEAST	$7,919	$8,126	$8,338	$8,383	$8,714	$9,232	3.1%
NEW YORK	$8,416	$8,854	$9,058	$9,229	$10,109	$11,008	5.5%
MID-ATLANTIC	$6,450	$6,660	$6,764	$7,078	$7,407	$7,796	3.9%
SOUTHEAST	$5,669	$5,698	$5,983	$6,247	$6,829	$7,521	5.8%
PORTFOLIO	**$6,509**	**$6,853**	**$7,090**	**$7,292**	**$7,742**	**$8,311**	**5.0%**

The 2022 median total operating expense was $8,311 per unit, which represents a 7.3% increase over 2021. The 5-year average growth rate of total operating expenses has been 5.0% a year since 2017. The Southeast region has seen the highest five-year growth rate in operating expenses at 5.8%. During the same time-period the Northeast region has increased an average of only 3.1% per year.

Analysis Methodology

The Portfolio section includes the 1,320 projects in the Enterprise investment portfolio as of September 2023.

The Occupancy, Revenue, Expense and Performance sections include only the 1,073 projects that reached their qualified occupancy date prior to December 31, 2021. The additional third quarter 2023 results include those projects that reached qualified occupancy during 2022. The results factor in one-time revenue and expense adjustments for nonrecurring or capital-related expenditures.

The Watchlist section and the Project Performance List (PPL) refer to the quarterly review by the Asset Management team to identify projects that may be underperforming. The projects on the PPL are intensively monitored by the Asset Management team, and quarterly reports of progress are provided to Enterprise senior management and investors.

Enterprise Community Partners is a national nonprofit that exists to make a good home possible for the millions of families without one.

Home is where life happens, where plans are made and futures begin. The foundation for dignity, health, education, wealth and community. Yet rents keep going up, paychecks don't keep pace, and good homes in strong neighborhoods are increasingly out of reach. The system doesn't work. It must be changed, and it must be changed by us.

Enterprise has the breadth, scale and expertise to do it. We support community development organizations on the ground. We aggregate and invest capital for impact in homes and communities. We advance housing policy at every level of government. We build and manage communities ourselves. Everything we do is informed by the residents we serve.

Together with our partners, we focus on the greatest need – the massive shortage of affordable rental homes – to achieve three goals:

1. Increase the supply of affordable homes
2. Advance racial equity after decades of systematic racism in housing
3. Support residents and strengthen communities to be resilient to the unpredictable and make upward mobility possible

Since 1982, we have invested $64 billion and created 951,000 homes across all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. All to make home and community places of pride, power and belonging.

We are here for impact. We are here for change. Join us @enterprisecommunity.org