



Rent Growth Rate Data Q&A

1. Why is Fannie Mae providing rent growth rate data?

Analyzing refinance risk is a key element of credit underwriting when reviewing Multifamily transactions. Two key components used to calculate the refinance risk analysis are rent growth and expense growth. The current Multifamily Selling and Servicing Guide (“Guide”) requires a Base Assumption Refinance Interest Rate (“Base Exit”) to be calculated whereby a 2% income growth and 3% expense growth are applied per year starting in year 2 during the Mortgage Loan term in order to assess the maximum interest rate that could be supported based on the UPB required, DSCR and projected NCF for the first year following the Mortgage Loan Maturity Date (*refer to Part II, Chapter 2, Section 203 – Refinance Risk analysis of Guide for complete requirements*).

This rent growth data provided will replace the 2% income growth requirement in the Refinance Risk Analysis section of the Guide at a future date targeting Q2 2022.

Fannie Mae is providing this data for informational purposes at this time until further refinance risk analysis requirements are revised in the Guide. This allows Lenders the opportunity to assess and understand the data and provide any feedback and/or suggestions to Fannie Mae until the rent growth rates become effective.

2. How is this data being provided? What rent growth data is being provided?

Fannie Mae is providing rent growth data in an Excel spreadsheet that is available in DUS Gateway. The data provided in this document is meant to approximate rent growth rates based on the submarket where the Property is located as defined by REIS.

The rent growth rates are based on several assumptions, and may not be reflective of actual growth rates in the submarket; however, they are intended to provide a more accurate assessment of refinance risk as the data:

- reflects current market conditions;
- considers the cyclical nature of the multifamily real estate market; and
- differentiates submarket performance.

The rent growth rates are Fannie Mae confidential and proprietary information. They are subject to change without notice. These may not be shared with anyone outside of Lender’s organization.

3. Can Lenders start using the rent growth data to satisfy the Refinance Risk Analysis requirements in Section 203, Part II – The Property, Chapter 2 – Valuation and Income in the Guide?

No. This data is for informational purposes only and must not be utilized to calculate the Base Exit (also known as the Standard Exit Refinance Rate in DUS Gateway) as required in the Guide (collectively known as the Base Exit). The Guide currently requires a 2% income growth to be applied in the analysis.

Lenders may utilize the rent growth data as guidance for the Alternative Assumptions (also known as the Expected Exit Refinance Rate in DUS Gateway), as required in the Guide (collectively known as the Alternative Exit).

This rent growth data will be required to be utilized for the Base Exit requirements in the Guide at a future date targeting Q2 2022.



4. What Property types and Mortgage Loans is this rent growth data applicable to?

This rent growth data is applicable to any Mortgage Loans (including Supplemental Mortgage Loans) secured by Conventional, Manufactured Housing Communities, Military Housing or Cooperative Properties.

Seniors Housing, Structured Transactions, Multifamily Affordable Housing (MAH), Student/Dedicated Student Housing and Mortgage Loans secured by multiple Properties are excluded from this rent growth data and should follow the existing guide requirements for that property type

5. Why is this rent growth data not available for MAH, Seniors Housing and Student/Dedicated Student Housing?

This rent growth data has been derived by conventional property operations and do not support the unique characteristics of these other Property types. When the Guide is revised in Q2 2022 with the new requirements, these Property types will continue to require a 2% income growth for the Base Exit calculation. Alternative Exits may continue to be calculated.

6. Why is the rent growth data not available for multiple Properties that are secured by one Mortgage Loan or Structured Transactions?

Since these Mortgage Loans tend to have properties located in different submarkets, this further complicates the refinance risk analysis with different rent growths under one loan. When the Guide is revised in Q2 2022 with the new requirements, these Mortgage Loans will continue to require a 2% income growth for the Base Exit calculation. Alternative Exits may continue to be calculated.

7. Can I use this rent growth data for Assumptions/Transfers?

No

8. How is this rent growth data document accessed?

In DUS Gateway, under the Useful Links tab, users will click on “Growth Rate Projections”.



Useful Links

- Multifamily Home Page
- DUS Navigate
- Lender Notifications
- Loan Docs
- Multifamily Guide Forms
- Allregs
- DUS Gateway Job Aids
- REIS
- C&D
- Regional Credit Under...
- Contacts
- Growth Rate Projections**

- Upon clicking on that, a new tab will open in the browser

Growth Rate Projections

To view growth rate projections, download the file below and view projections for the relevant submarket.

Growth rates are Fannie Mae confidential and proprietary information. They are based on a number of assumptions, and may not reflect actual growth rates in the submarket. They are subject to change without notice. Fannie Mae is providing this data for informational purposes only and these growth rates must not be used for underwriting at this time. Lenders must continue to complete the refinance risk analysis as required in the Multifamily Selling and Servicing Guide.

Growth Rate Projections as of 11.22.2005.xls [Download File](#)

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All Mortgage loans to be delivered to Fannie Mae Multifamily Mortgage Business must be underwritten in conformance with the Multifamily Selling and Servicing Guide ("Guide") and the Multifamily Underwriting Standards (Form 4560). If a Mortgage Loan is designated as Pre-review in the Guide or Multifamily Underwriting Standards, then the Lender must submit the deal and all associated documents to the Fannie Mae Deal Team for review and approval.

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- Users will click on “Download File”. In the third tab of the file are all submarkets as defined by REIS with the rent growth data, if available. To determine the submarket where the Property is located, a property address search is required in REIS to find the applicable submarket.
- Once you have determined the submarket, then search for it in the submarket column on the third tab labeled “Submarket Growth”. **Refer to Question 9.**
- If there is no submarket rent growth data available, users will be required to use the rent growth caps that are provided in the second tab labeled “Market Category”. **Refer to Question 13 for further details.**
- If Users do not have access to REIS, a fourth tab labeled “Zip Code” is included to search by and identify the correct submarket. **Refer to Question 14 for further details.**
- *Caps have been incorporated into the Excel spreadsheet with no further adjustments necessary.*

9. How do I determine which submarket is applicable to where the Property is located?

This Excel file on the third tab lists all submarkets as defined by REIS with the rent growth data if available. To determine the submarket where the Property is located, a property address search is required in REIS in order to find the applicable submarket. Once you have the name you can search it in the submarket column on the third tab.

This will require a temporary extra step, however, once this rent growth data is required in the Guide, DUS Gateway will have a user-friendly search feature whereby this REIS submarket step would not be required after the release in Q2 2022

10. How is the rent growth data in the document applied to the refinance risk analysis?

For example, if a property is located in the Haight Ashbury/Western Addition submarket of San Francisco as shown in the excerpt below from the rent growth data document, Year 1 rent growth data will always show zero (regardless of submarket). Year 1 in the refinance risk analysis always equals the Underwritten Net Cashflow as required in the Guide.

Income increases starting in year 2 and beyond. Therefore, in Year 2 of the analysis increase the Gross Potential Rents (GPR) and other income by 3.459%. In Year 3 increase income and other income by 3.344% and then repeat this until Year 6, then continue to use the same rent growth in Year 6 through the year after the Maturity Date (e.g., use the 3% income growth through year 11 for a Mortgage Loan with a 10-year term).

Market	SubMarket	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and beyond
San Francisco	Haight Ashbury/Western Addition	0.000	3.459	3.344	3.229	3.115	3.000

11. Do the rent growth rates apply to both the GPR and other income?

Yes

12. What if the rent growth data in a certain submarket seem too high?

The rent growth data does have maximum rent growth rates built into the rent growth data in tab 3 of the file to mitigate this risk. The maximums are based on market segments as defined in the Underwriting Standards (Form 4660) for where the Property is located as follows:

Market Segment (Form 4660)	Maximum Rent Growth Rate
Strong Markets	4.00%
Eligible MSAs	3.50%



Nationwide Markets	3.00%
Pre-Review Markets	2.50%

If the rent growth is at the maximum level, the lender may adjust the rent growth downward to a lower growth rate for an Alternative Exit, if they feel it is prudent. Lender may NOT adjust the rent growth above these maximums for the Base Exit.

13. What if the submarket where the Property is located is not found on the third tab of the rent growth data file?

If the submarket for where the Property is located is not listed on the third tab of the file, this means there is no rent growth data available due to the tertiary nature of the submarket or limited data available to derive rent growth rates. If that is the case, then the applicable rent growth rates, found on the second tab, should be utilized which are based on the market segment for where the property is located as defined in the Form 4660.

For example, if the Property is located in the Johnson County submarket of Indianapolis as defined by REIS and is not listed on tab 3, then refer to the second tab of the rent growth file. Since Indianapolis is a Pre-Review Market, 2% rent growth would be utilized in Year 2 and beyond.

Market Category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and beyond
Strong	0.000	3.000	3.000	3.000	3.000	3.000
Eligible	0.000	3.000	3.000	3.000	3.000	3.000
Nationwide	0.000	3.000	3.000	3.000	3.000	3.000
Pre-Review	0.000	2.000	2.000	2.000	2.000	2.000

14. What if I don't have access to REIS? How can I locate the correct submarket for the Property?

If users do not have access to REIS, then the fourth tab labeled "Zip Code" should be used in the file.

For example, if the Property is in zip code 75056, then users would search for that zip code in the fourth tab and use rent growth provided.

If your zip code search results in:

- multiple submarkets and the rent growth data is the same for all submarkets for all years, you can proceed with using them;
- not found, then **refer to question 13 for further details**;
- a submarket with blank data, non-submarket or multiple submarkets with differing data, please email the property address in its entirety to multifamily_rent_growth@fanniemae.com, and submarket name will be emailed to you to search in the "Submarket Growth" tab.

NOTE, if you HAVE REIS, it is highly recommended you do not use the zip code tab, as the submarket tab will provide more accurate data matches resulting in less time requesting the information from Fannie Mae.

15. Why do rent growth rates in certain submarkets decline down to a certain percentage in Year 6 and then remain at the level thereafter?

Since Strong Markets and Eligible MSAs tend to have stronger rent growths and Fannie Mae cannot predict rent growths into the future, the rent growth declines down to the Nationwide market maximum rent growth rate of 3.00%.



For Pre-Review Markets, since Fannie Mae cannot predict future rent growths and given overall credit concerns with Pre-Review Markets, they decline down to 2%.

16. Why do some rent growth rates in certain submarkets remain flat?

Some submarkets have rents below the Nationwide or Pre-Review rent growth rates, as a result then that rent growth rate will be constant for Year 2 and beyond for the refinance risk analysis.

For example, the Beverly Hills/W Hollywood/Park La Brea in Los Angeles has a Year 2 rent growth of 2.882%. Since it is below the Nationwide percentage of 3%, the 2.882% will be constant for Year 2 and beyond.

Market	SubMarket	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and beyond
Los Angeles	Beverly Hills/W Hollywood/Park La Brea	0.000	2.882	2.882	2.882	2.882	2.882

Another example is Central New Orleans, which has a Year 2 rent growth of 1.554%. Since this submarket is in a Pre-Review Market and below the Pre-Review percentage of 2.00%, the 1.554% will be constant for Year 2 and beyond.

Market	SubMarket	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and beyond
New Orleans	Central New Orleans	0.000	1.554	1.554	1.554	1.554	1.554

17. Is Fannie Mae changing the 3% expense growth percentage as part of the revisions to the refinance risk analysis requirements in the future Guide release?

No, Fannie Mae is currently focused in revising the income growth requirements and may focus on expense growth requirements in the future.

18. Can I use this information on previously quoted and under application transactions?

No. This approach may only be used on Active transactions that have not yet been quoted as of January 17, 2022.

19. If I have questions on the rent growth data, who do I contact?

Please email multifamily_rent_growth@fanniemae.com.