

Exclusive

Don't Be Afraid Of Affordable Housing

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NEW YORK CITY—The asset class is nothing to get intimidated over, and ultimately provides great value to buyers, expert investor Heidi Burkhart, president, Dane Professional Consulting Group tells GlobeSt.com in this EXCLUSIVE story.



Burkhart: "I see affordable housing as one of the most stable and opportunistic sectors in which to invest."

NEW YORK CITY—For those inexperienced with it, investing in affordable housing appears to be more trouble than it's worth. But as Heidi Burkhart, president, Dane Professional Consulting Group—an expert in the field—tells GlobeSt.com in this **EXCLUSIVE** story, there are ways to tackle the burden, and the work is most definitely worth the effort.

GlobeSt.com: Why is affordable housing a good sector to invest in?

Heidi Burkhart, Dane PCG: I know many people are scared by the nuisances in working through agency matters, financing and management, yet I see affordable housing as one of the most stable and opportunistic sectors in which to invest. Government money funds much of your income. The argument from some is, 'What happens if this funding from the government stops?' My argument back is, 'I do not think the federal government will want the backlash of several hundreds of thousands of families being homeless.'

Affordable housing provides homes to many Americans subsidized by the government, resulting in a stable, growth core asset. I find it somewhat comparable to a NNN-leased asset, but it's a much stronger option in certain markets.

GlobeSt.com: What markets are particularly good, or bad to invest in, and why?

Burkhart: All markets are good, especially project-based Section 8 properties. At Dane we look at all markets, and the potential for a value-add acquisition, mainly seen in an asset turnaround situation or a stable growth asset. Markets with low Area Median Incomes are not as sexy to investors, but we still see great opportunity for such assets.

The real estate and the housing company (i.e. LLC) that own the real estate are usually encumbered by a lot of restrictions, contracts, regulations, mortgages, etc. It ultimately boils down to, what are the contracts, restrictions and regulations imposed on the

'company' you are buying? What is the upside in rents? Are you able to renew a HAP contract? Or are you looking at small increases through OCAF (Operational Cost Adjustment Factor)?

Will rents have to stay well below market due to LIHTC (Low-Income Housing Tax Credit) restrictions—if so, for how much longer? How does the mortgage affect the housing company that owns the real estate? Are rents restricted for perpetuity? Or are they ending in a few years to make the acquisition a nice estate hold? All of these questions are what make an acquisition good or bad—they are not necessarily affected by the market where the asset is located.

GlobeSt.com: Which presidential candidate do you think could be better for the development of affordable housing, and why?

Burkhart: No matter who wins, the public will need to be louder to have the government invest more in housing. For the majority of the US population, rent is at least half a family's monthly expenses. In places like NYC, I would argue rent is over 75% of a family's monthly expenses, if not more.

Wages won't increase to cover this spread the way they would need to and rents will continue to rise as supply and demand have a large disconnect. Plus living costs, with the help of inflation, will continue to increase. Even in a depression, I don't believe costs will decrease much.

The American people need to exercise their voice and unite to demand more funding be put toward affordable housing.

GlobeSt.com: What do you see ahead for affordable housing?

Burkhart: With the income gap getting bigger in America, I see affordable housing becoming more the luxury than the necessity. In other words, there is already a scarcity of affordable housing and it's diminishing every year. Those who are in affordable housing and/or receiving government assistance are the lucky ones. So many are in need of affordable housing but are unable to find options and are put on long waiting lists.

I am heavily concerned with the scarcity and very excited to be working on some large developments in NYC to create new rental affordable housing options for all income levels. Additionally, I hope to eventually work with companies like Facebook, Google, and Uber to have offices in more pioneering locations. It creates economic development by increasing employment rates, brings businesses closer to the larger commuting workforce, enhances standards of living, attracts smaller and larger businesses to the area, and creates sustainable growth for neighborhoods.

Steady gains in the US economy have resulted in net positives for the multifamily sector—will this wave continue for the foreseeable future? What's driving development and capital flows? [Join us at RealShare Apartments on October 19 & 20 for impactful information from the leaders in the National multifamily space. \[Learn more.\]\(#\)](#)



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Rayna Katz is a seasoned business journalist whose extensive experience includes coverage of the lodging sector, travel and the culinary space. She was most recently content director for a business-to-business publisher, overseeing four publications. While at Meeting News, a travel trade publication, she received a Best Reporting award for a story on meeting cancellations in New Orleans during Hurricane Katrina.