

Maalot In The Morning – Rating U.S. Real Estate Companies

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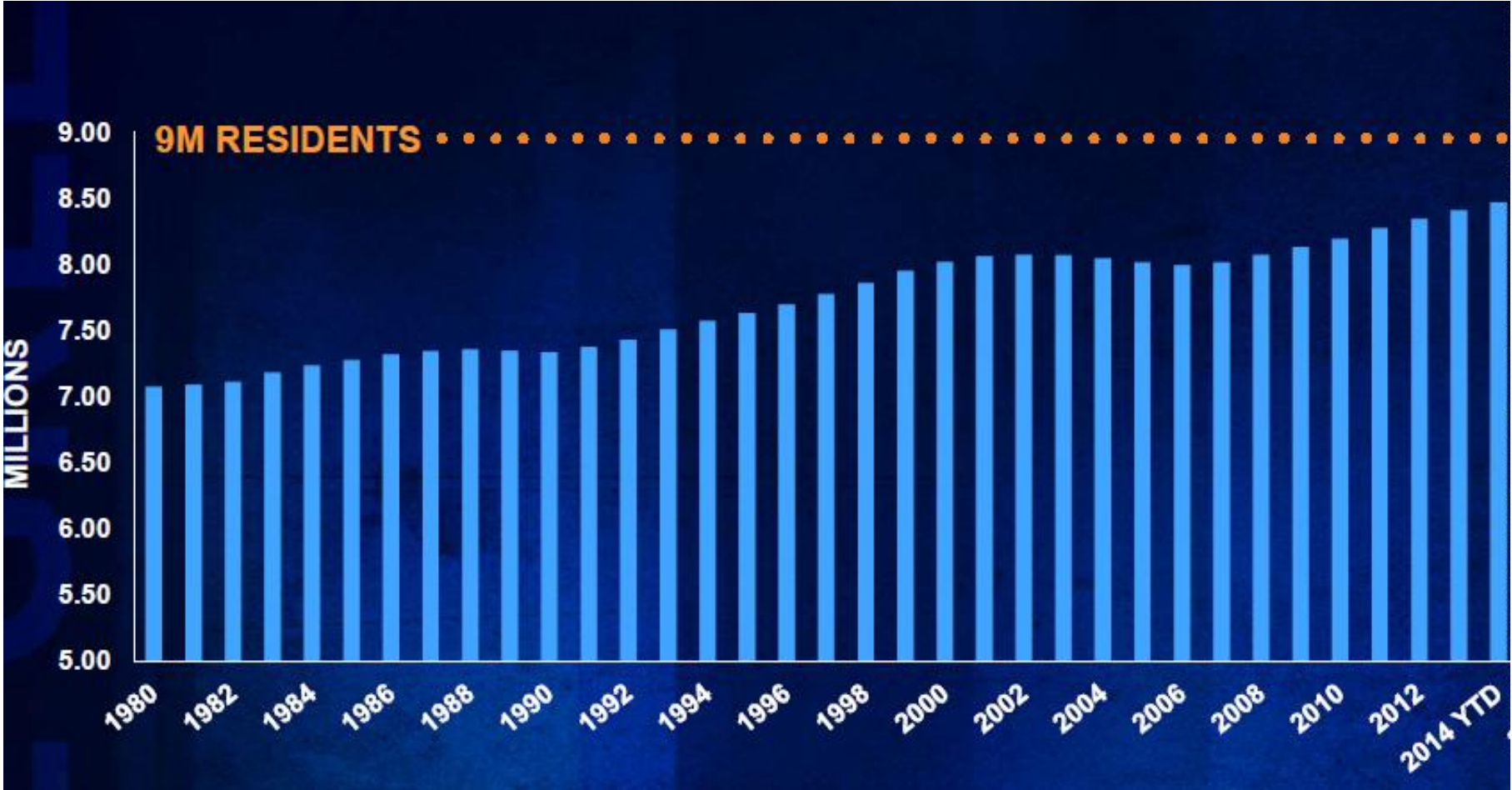
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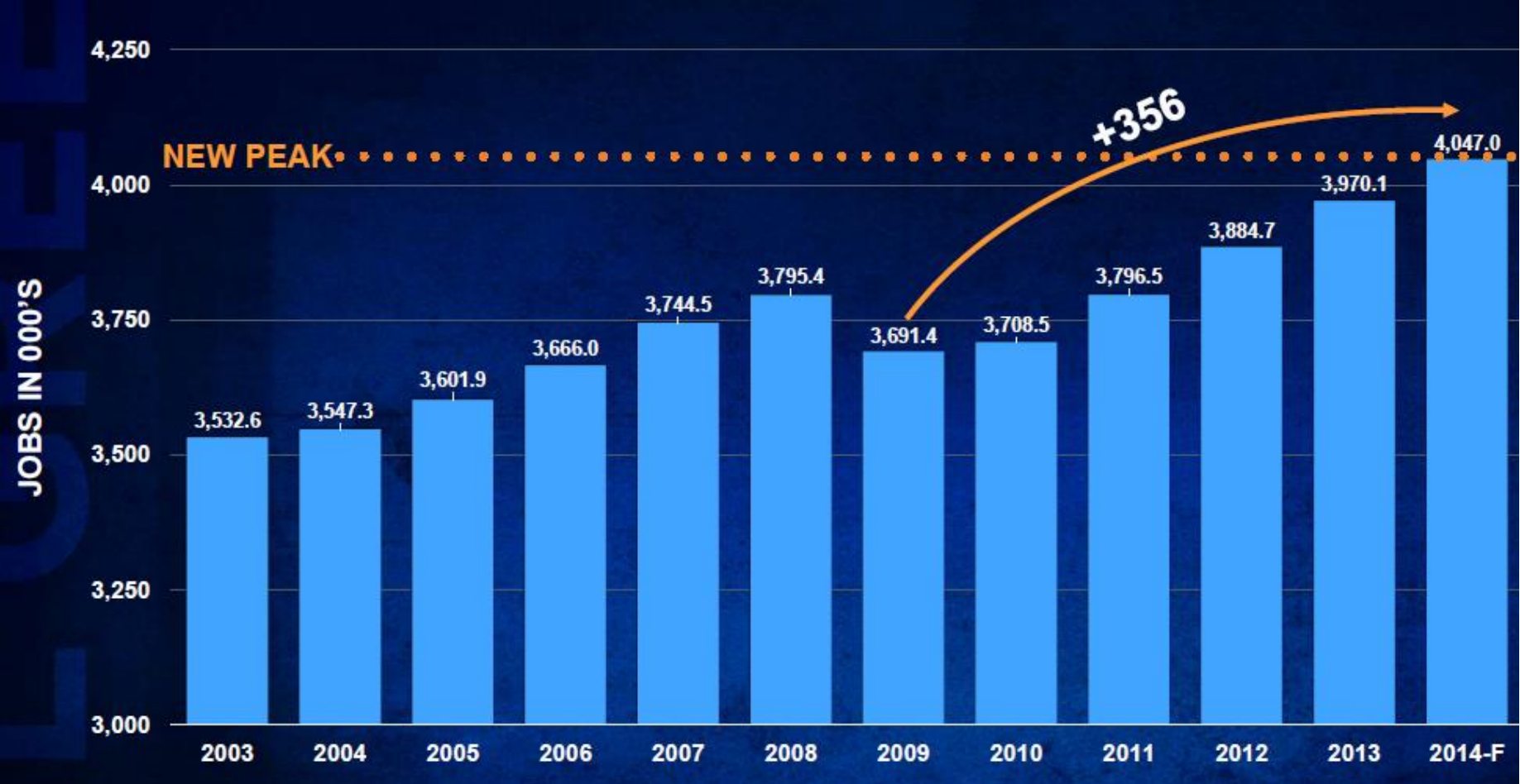
The Veins of New York City



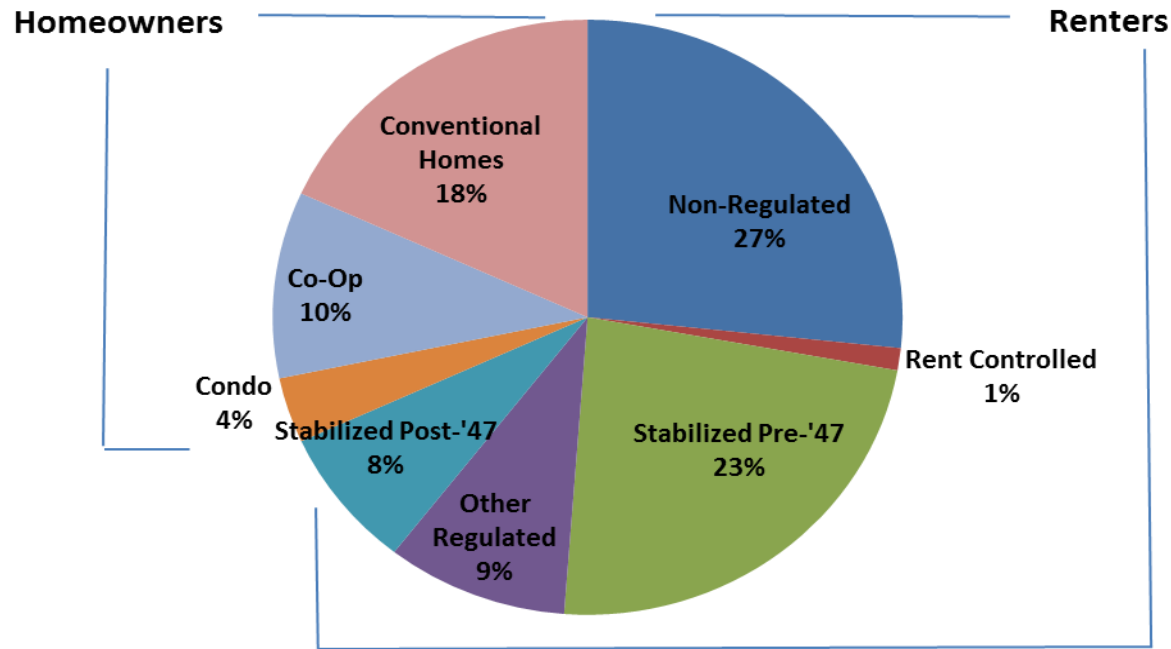
NYC Population At A Record High



NYC Employment



Apartment Distribution In NYC

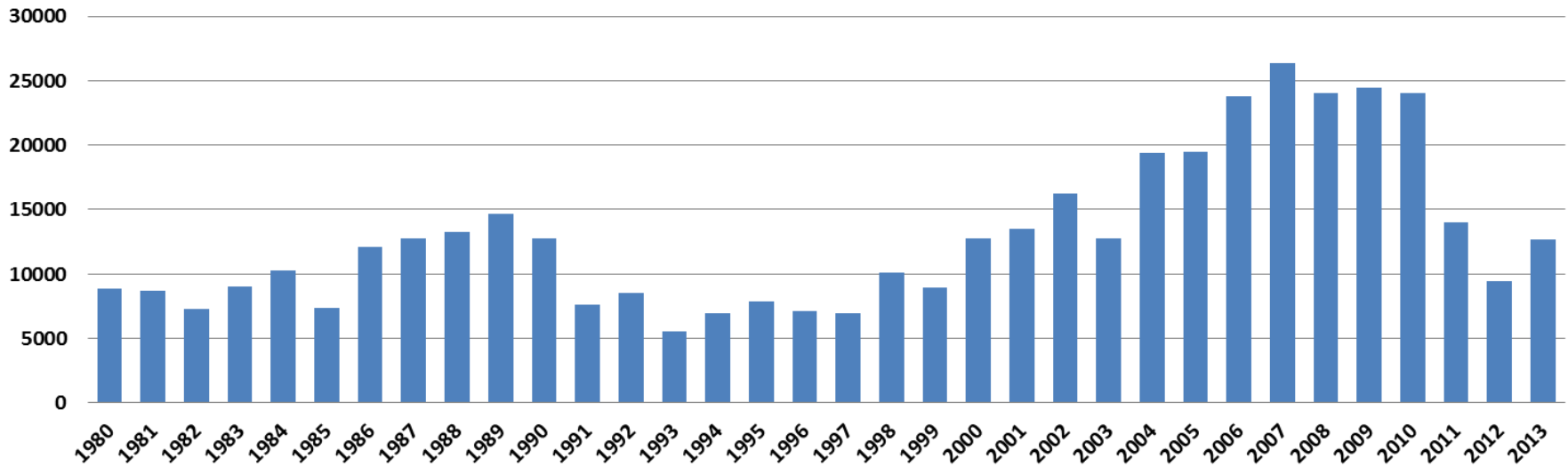


Source: U.S. Bureau of the Census, 2011 New York Housing and Vacancy Survey

- The residential rental market constitutes over 68% of the apartment inventory in NYC – almost double the average rate in the U.S.
- Unlike in most American cities, most of the apartments in NYC are rent regulated.

New Apartment Construction Fails To Match Population Growth

New Dwelling Units Completed in New York City, 1980-2013



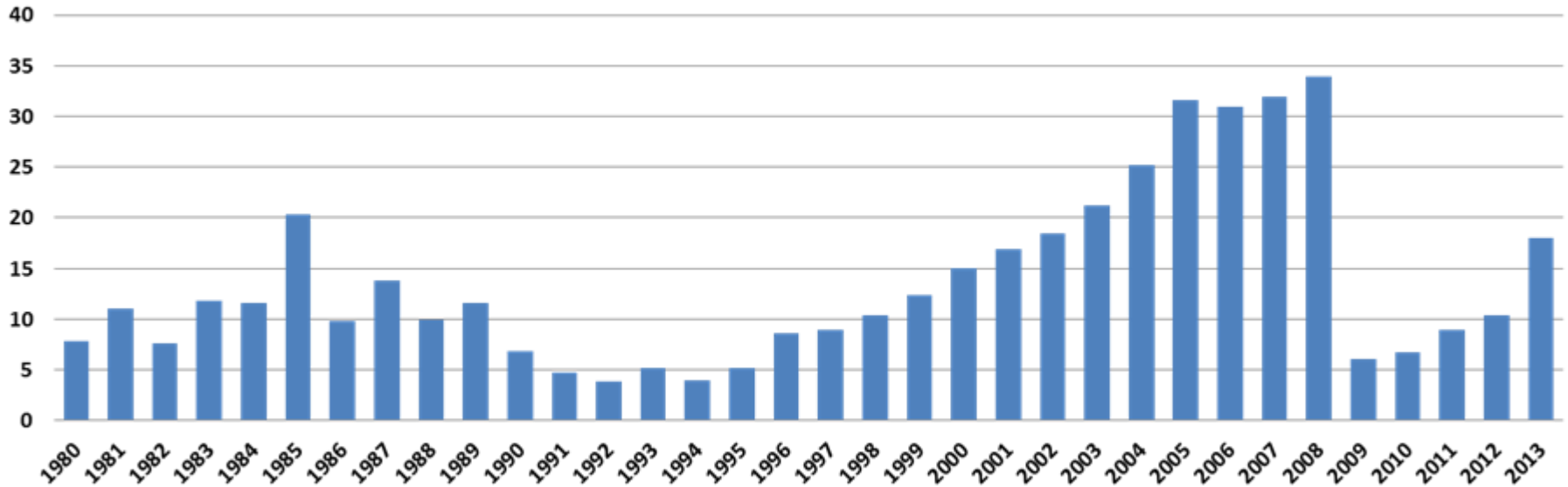
Source: U.S. Bureau of the Census, Manufacturing and Construction Division Building Permits Branch

- We estimate that the new units satisfies **only about 50% of the demand!** *

* Taking into account net growth of 77K residents per year and an average of 2-3 residents per unit.

Housing Units Permits

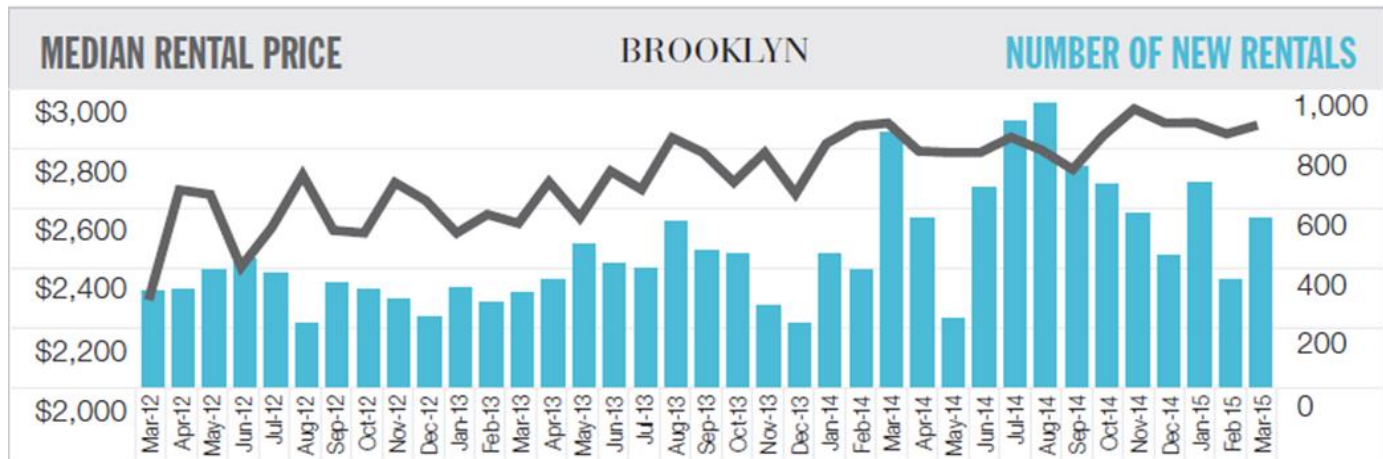
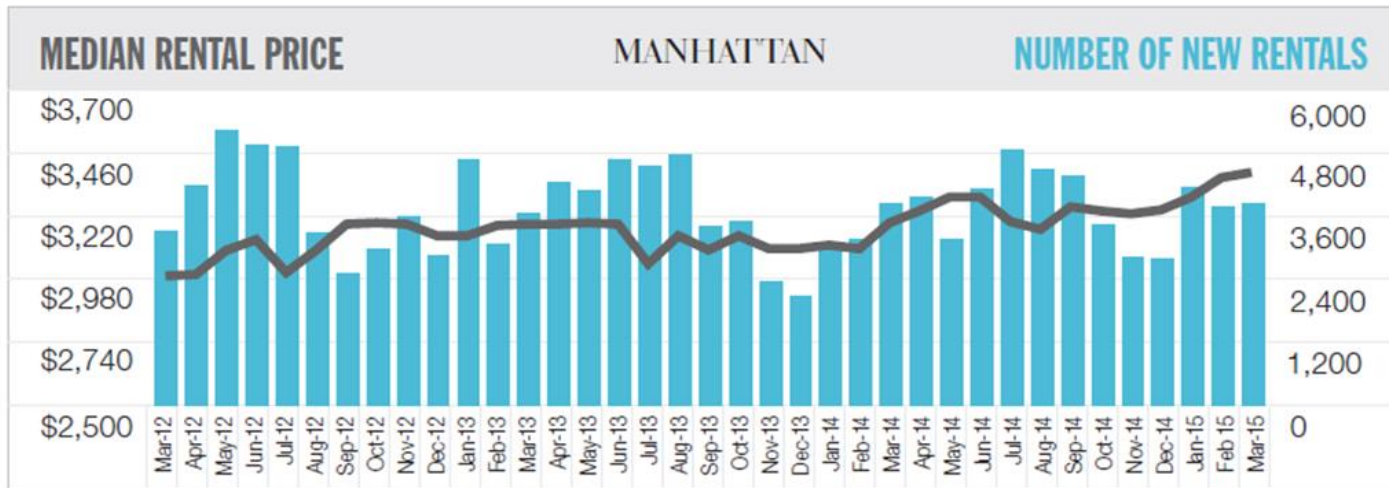
Permits Issued For Housing Units in New York City, 1980-2013



Source: U.S. Bureau of the Census, Manufacturing and Construction Division Building Permits Branch

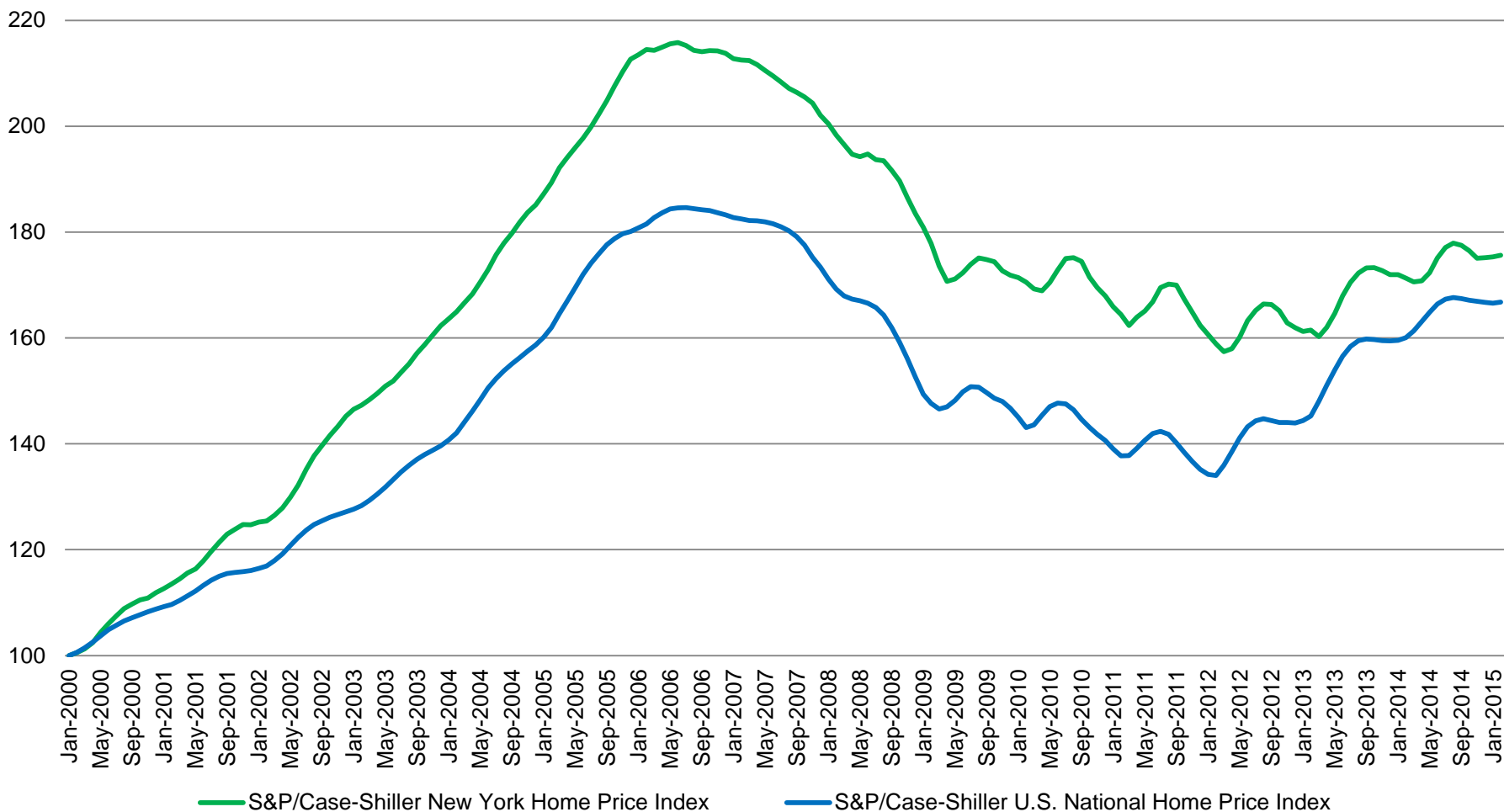
- A significant increase in the number of permits, but it is still lower than 2008 highs.
- The average number of residential units per new building is increasing.

Implications For The Residential Rental Market?

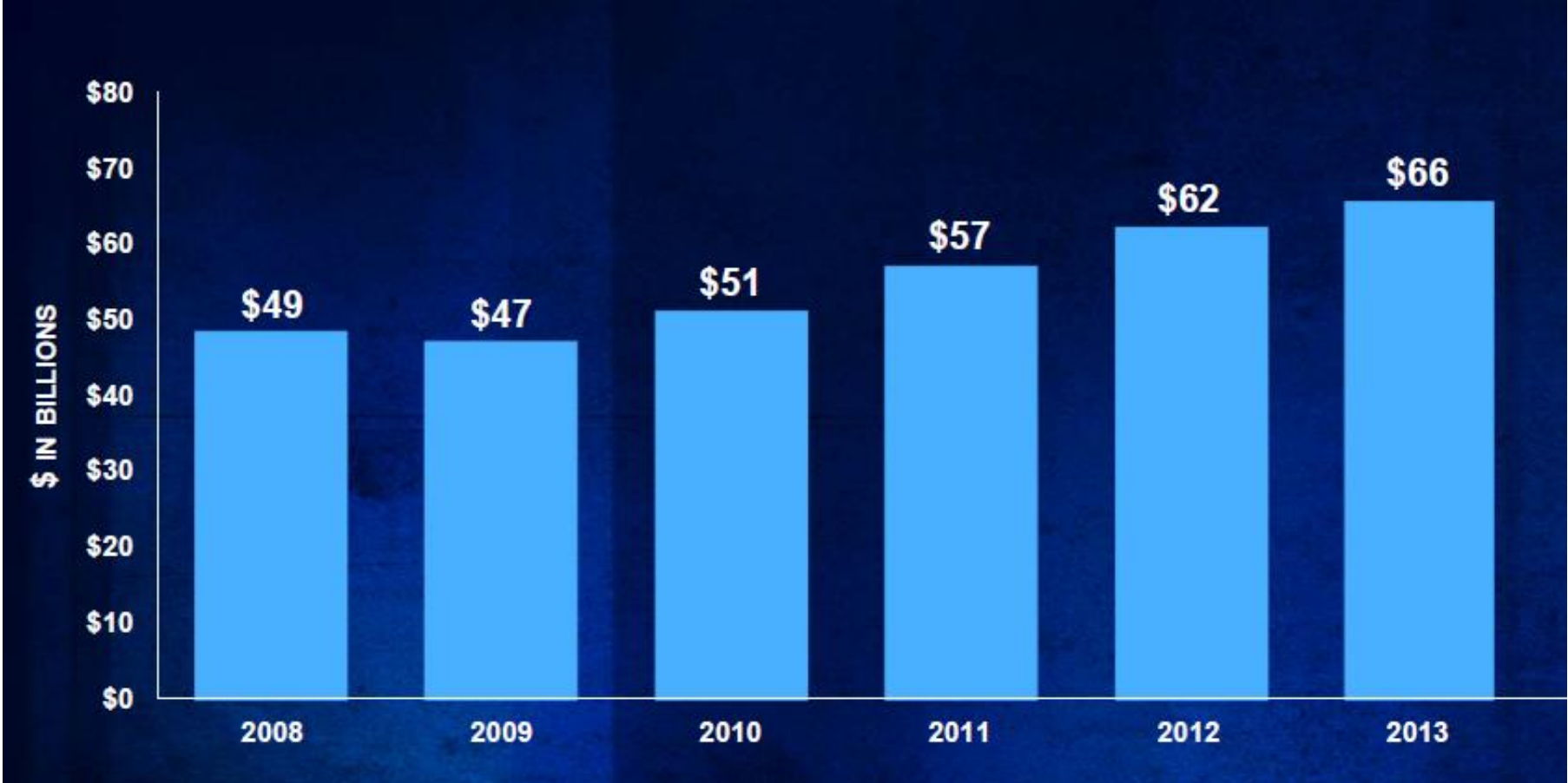


Extremely high occupancy rates over the years – 96% - 98%.

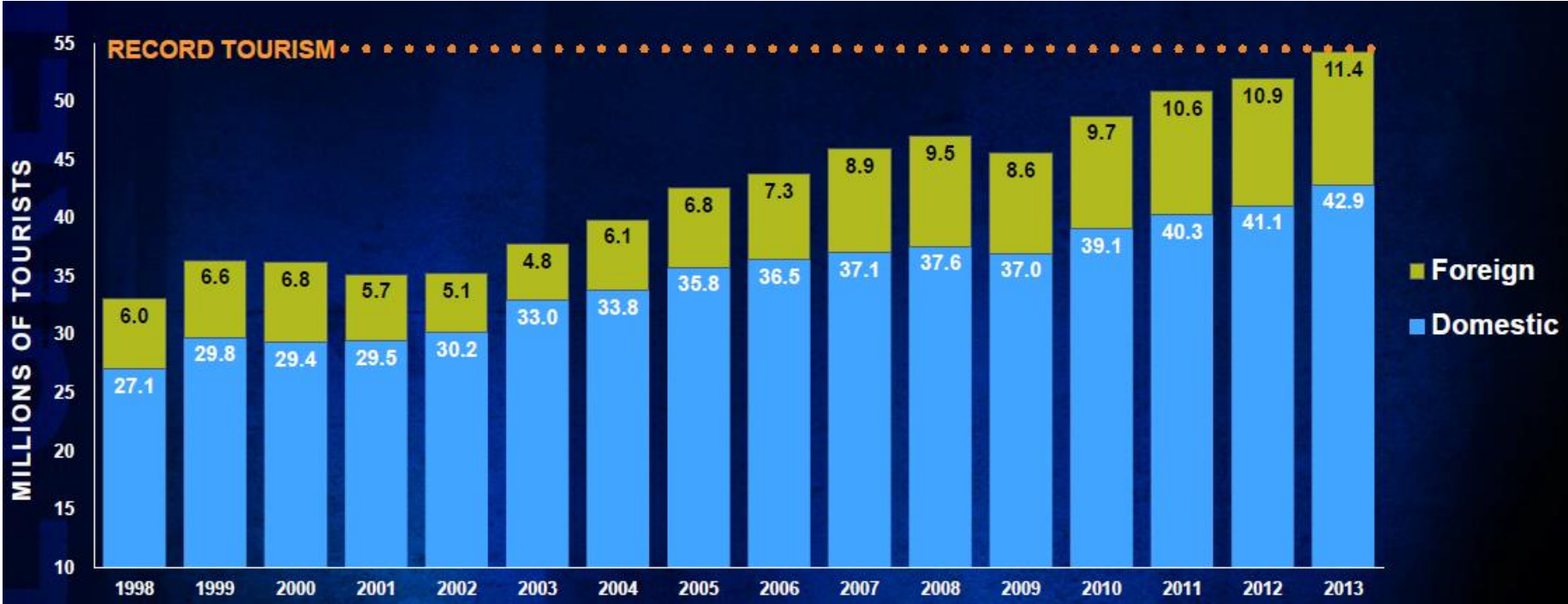
Implications For The Residential Sales Market?



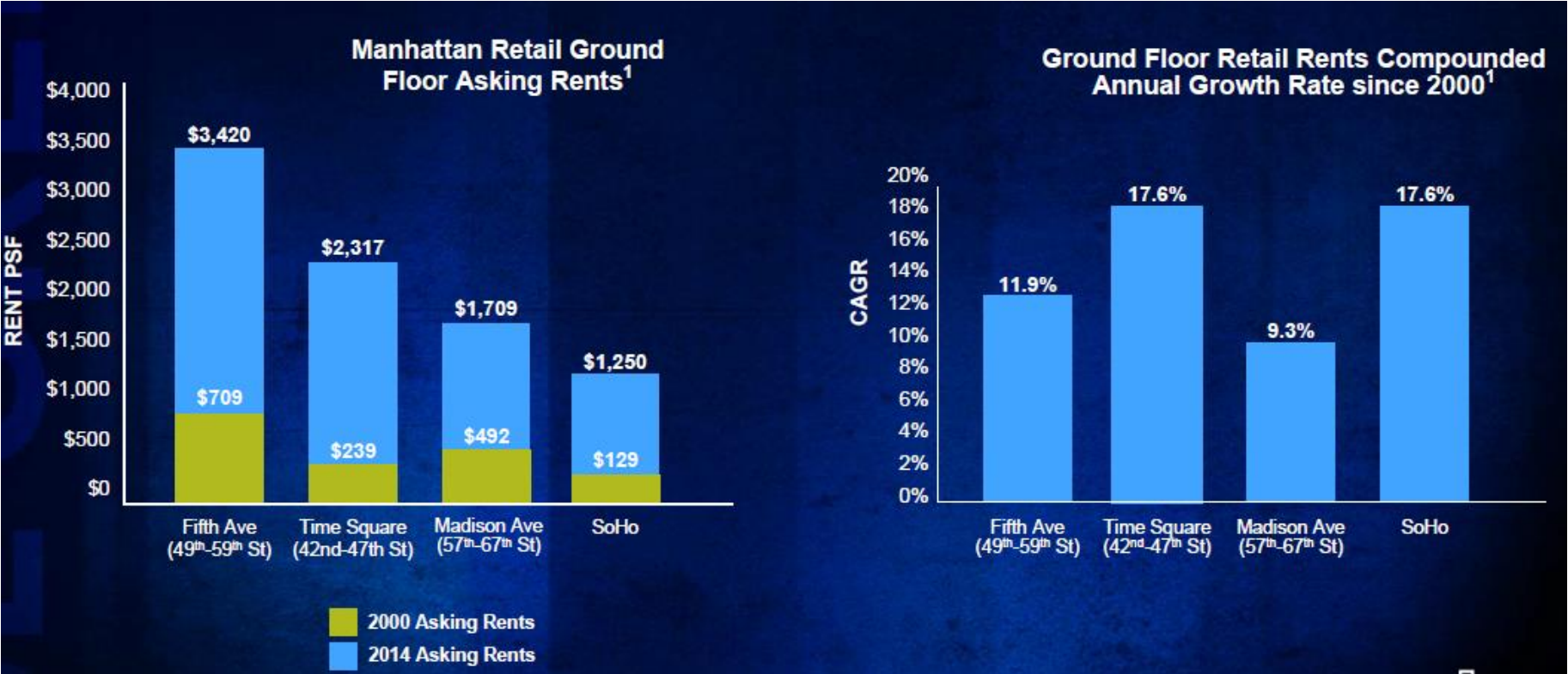
Manhattan Retail Sales



NYC Tourism



Rental Growth By Submarket



Trends in Israeli issues by U.S. companies

- So far, 9 U.S. companies have issued bonds in Israel
- A total nominal value of about NIS 5.4 billion.
- Mostly real estate companies - 7 out of 9.
- Bond proceeds mainly used for asset acquisition and for refinancing.
- Bonds are traded at large spreads over similarly-rated Israeli bonds.

Does Rating U.S. Companies Differ From Rating Other Real Estate Companies?

- The same methodology applies for all companies.
- Each company is examined according to its own business and financial characteristics.
- Recently incorporated companies – we take more conservative assumptions.

What are the Major Characteristic Risks?

- High geographic concentration, especially in NYC – very high prices and difficulty to predict the effect of a possible downturn on various asset classes and locations.
- Possibly lower-than-expected coverage ratios in the first period if acquisitions are slower than planned.
- Many companies have relatively small market shares, or the parent has contributed only a small share of its total portfolio to the issuing entity.
- Some companies hold relatively small shares in assets, which decreases their operational and financial flexibility.
- The legal structure is yet to be tested.

What are the Major Characteristic Strengths in most cases?

- U.S. Country Risk is estimated as low by S&P.
- Residential Real Estate – lower volatility.
- NYC – strong demand and material limitations on new supply.
- Stable existing portfolio.
- Long-term experience in main market.



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