



Appraisal Forum 2Q25





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Appraisal Team



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Gabrielle Riedy

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Arnold Vieyra

Senior Appraiser

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Kevin Walsh

Senior Appraiser

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The MF Appraisal team members all have MAI and AI-GRS membership designations from the Appraisal Institute



Multifamily Business Update



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Ian Ouwerkerk

Senior Vice President

Multifamily Underwriting & Credit



How We Serve the Housing Market



Liquidity: We keep mortgage money flowing through the housing market in all communities throughout the United States and its territories.



Stability: Our support for the housing market in all economic environments helps families rent, buy and keep homes they can afford.



Affordability: We are committed to creating a more affordable and sustainable housing finance system. We are also working on ways to address the lack of affordable housing supply by incentivizing creation, preservation and rehabilitation.



USPAP 101

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Justin Slack, MAI, AI-GRS, AI-RRS

Chief Appraiser, WaFd Bank

AQB-Certified USPAP Instructor



Session Topics

- Understanding the Uniform Standards of Professional Appraisal Practice (USPAP)
- Defining the Concept of an Appraisal
- Role of Appraisers in Assisting Lenders: Capabilities and Limitations



Appraiser-Lender Relationships



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Christopher Alfaro, MAI, AI-GRS

Director

Multifamily Appraisals



Session Topics

- Lender-Appraiser Communication Overview
- Guidelines for Effective Communication between Lenders and Appraisers
- Applied Case Study Analyses



Lender-Appraiser Communication Overview

- The appraisal does not need to match the underwriting.
- Thoroughly read and understand the appraisal before initiating questions.
- Ask for clarifications rather than telling the appraiser.
- The research, data and analyses in the appraisal report are being critiqued, not the appraiser.
- Be open/flexible to considering additional market data.
- Recognize that the appraisal is both an art and a science.
- Each side has a unique perspective – "seek to understand before seeking to be understood".



Appraiser Independence

Acceptable

- Sharing General Comparable or Market Data
 - Examples:
 - Requesting all recent sales that have occurred in the subject submarket over the last 6 months
 - Asking for general price per unit ranges or capitalization rate ranges in a given market
 - Inquiring what a typical management fee is for a LIHTC property in New Orleans
 - Asking what the typical reassessment range is in Broward County, Florida
- Providing Valuation Guidance
 - Example: Explanation for how taxes are assessed in Cook County, Illinois

Not Acceptable

- Sharing Comparable Data for a Specific Property
 - Examples:
 - Describing or identifying the subject property and requesting comparables that are “similar”
 - Asking the appraiser for an anticipated range in value (i.e., \$/Unit)
 - Asking the appraiser for a capitalization rate, capitalization rate range, market rent or expenses for a specific property
- Sharing Loan Information
 - Examples: Targeted loan amount, desired appraised value, LTV, DCR, Optigo lender’s expense conclusions or income conclusions, escrows required to mitigate lease-up risk



Appraiser Independence

Acceptable

- Sharing the Purchase and Sale Agreement
- Sharing the Borrower's Budget
- Sharing or Understanding Comparable Data
 - Examples:
 - Asking the appraiser if they considered XYZ sale in their analysis
 - Asking the appraiser if they have more recent expense comparables
 - Providing the appraiser with expense comparables from other borrower-owned properties and asking if the appraiser would consider the information in their analysis
- Requesting Additional Support/Challenging Appraiser's Conclusions
 - Example: Providing details on specific historical expense items (e.g., water leak caused the water/sewer expenses to spike one month, suggesting the projected expense should be lower than the T-12)

Not Acceptable

- Sharing Loan Information
 - Examples: Targeted loan amount, desired appraised value, LTV, DCR, Optigo lender's expense conclusions or income conclusions, escrows required to mitigate lease-up risk
- Requiring Specific Comparable Data
 - Example: Requesting or requiring the appraiser to use specific sale, rent or expense comparables in their analysis
- Directing Appraiser's Conclusions
 - Examples: Requesting that the appraiser find the lowest possible expense comparables or to change their conclusions without support



Applied Case Study Analyses: Case Study #1



Lender to Appraiser

"Given range of expense comps, could management fee be revised slightly lower to 2.0% from 2.75% because it's within the range of the comps?"



Applied Case Study Analyses: Case Study #1



Lender to Appraiser

"Given range of expense comps, could management fee be revised slightly lower to 2.0% from 2.75% because it's within the range of the comps?"



Lender to Appraiser – Appropriate Request

Hello, the historical expense for this line item has been 1.9% to 2.3% over the last three years. Can you please provide additional discussion on the rationale behind your management expense conclusion of 2.75%? I have attached a recently executed, non-sponsor affiliated, management contract showing a management expense of 2.0% for consideration.



Applied Case Study Analyses: Case Study #2



Lender to Appraiser

"We are looking to refinance a property in Brooklyn, New York, built in 1970, with 14 units. Can you please tell me what the capitalization rate would be?"



Appraiser to Lender

"I think the capitalization rate would be 5.0% for that property"



Applied Case Study Analyses: Case Study #2



Lender to Appraiser

"We are looking to refinance a property in Brooklyn, New York, built in 1970, with 14 units. Can you please tell me what the capitalization rate would be?"



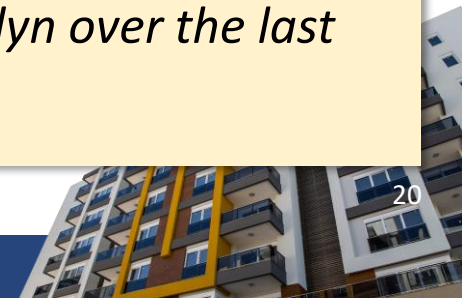
Appraiser to Lender – Appropriate Response

Without performing a market analysis, a site inspection, reviewing the operating statements, etc., I cannot opine on a specific capitalization rate for this property. However, I'd be happy to send you some detailed comparable data sheets if you send me the parameters for the search.



Lender to Appraiser – Appropriate Response

That would be great. Could you please send me data sheets for all sales in Brooklyn over the last year, for properties built between 1950 and 1990, with up to 50 units.



Applied Case Study Analyses: Case Study #3



Lender to Appraiser

"Is there any way you would consider lowering your capitalization rate down to 7.0%, which would bring our value to \$2,200,000 or \$127,000 per unit?"



Applied Case Study Analyses: Case Study #3



Lender to Appraiser

"Is there any way you would consider lowering your capitalization rate down to 7.0%, which would bring our value to \$2,200,000 or \$127,000 per unit?"



Lender to Appraiser – Appropriate Request

Can you please provide additional discussion detailing the rationale behind your capitalization rate conclusion of 7.0%? I have attached three comparable sales that we recently financed prior to the effective date of value, located within 5 miles of the subject. I was hoping you could clarify if they were considered in your analysis and if so, why they were excluded from the appraisal report.



Applied Case Study Analyses: Case Study #4



Lender to Appraiser

"How firm are you on your management fee conclusion?"



Appraiser to Lender

"Since it won't change my As-Is Market Value conclusion, I can lower the management fee expense to 2.5% and raise the capitalization rate 25 basis points."



Applied Case Study Analyses: Case Study #4



Lender to Appraiser

"How firm are you on your management fee conclusion?"



Appraiser to Lender – Appropriate Response

The management fee conclusion is consistent with the historical operations of the property and well supported by the expense comparables in the appraisal report. However, if you have additional market data for consideration, I'd be happy to review the data.



Appraisal Revision Summary Template

Multifamily Seller/Service Guide (Guide) section 60.10

Effective Date: Mortgage loans under Seller Application on or after June 2, 2025

- Required if one or more of the following criteria is met:
 - More than a 2% increase in value between Version A and Version B and/or Version B and Version C of the Appraisal
 - Change to the income approach (e.g., changes to income, rent comparables, vacancy, expense(s), expense comparables and/or capitalization rates)
 - Change to the sales comparison approach (i.e., adding or removing sales comparables and/or changes to the adjustment grid)

Version A: Initial Appraisal delivered to the seller/servicer



Version B: Appraisal delivered in the full underwriting package to Freddie Mac



Version C: Final Appraisal accepted by Freddie Mac



Appraisal Revision Summary Template

Examples of when the Summary is **NOT** required:

- Changes in:
 - Address
 - Property name
 - Legal description
- Certain physical characteristic changes
 - Excluding: unit mix, number of units, unit size, etc.



Inclusion of missing or additional addenda items

Examples of when the Summary **IS** required:

- Changes in:
 - Capitalization rate analysis and/or conclusion
 - Any pro forma expense line item
 - Any rent or other income conclusions
 - Tax analysis
 - Sale comparable adjustments and/or reconciliation
 - Final reconciliation

Adding or removing rent, expense, tax, cost and/or sales comparables



Appraisal Revision Summary Template Example

Appraisal Version	Initial Appraisal Submitted to Seller/Servicer	Appraisal Submitted to Freddie Mac in Full Underwriting Package	Final Accepted Appraisal by Freddie Mac
Report Date:	1/15/2025	1/23/2025	2/20/2025
Effective Date:	1/6/2025	1/6/2025	1/6/2025
Value Type:	As Is	As Is	As Is
Value:	\$45,500,000	\$45,650,000	\$44,000,000
Changes and Supporting Details:		<p>The utility expense was lowered from \$400/unit to \$350/unit, because the appraiser was notified that there was a leak in August 2024 that resulted in an abnormally high water bill and a higher than typical utility expense in the T-12.</p> <p>The leak was repaired in September 2024.</p> <p>The appraiser confirmed that the leak was repaired and was provided with the water bills from three months prior to the leak and three months after the leak. There was a decline in the water bill for the months following the repair of the leak.</p>	<p>The appraisal was missing a local market participant capitalization rate survey. The updated report includes the survey.</p> <p>The appraiser considered this additional data in their capitalization rate conclusion and increased the capitalization rate from 6.50% to 6.75%, resulting in a decrease in value.</p>



Fireside Chat: Freddie Mac Appraisals



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Moderator



Chris Alfaro, MAI, AI-GRS

Director

Multifamily Appraisals

Panelists



Avani Dorawala

Senior Manager

Multifamily Fraud &
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Justin Slack, MAI, AI-GRS, AI-RRS

Chief Appraiser, WaFd Bank

AQB-Certified USPAP Instructor



Ryan Lillestolen

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Risk Distribution & Credit



Affordable Housing

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Affordable Housing

- Analyzing the As-Is Market Value
- Availability of Affordable Sales Comparables
- Adjusting Affordable Sales Comparables
- Supporting Conclusions with Relevant Data



Property Taxes

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Property Taxes

- Tax Assessment Process
- Post-Sale Reassessment Risk
- Stabilized Tax Liability



Example

Tax Reassessment Analysis							
Property Address	Sale Date	Recorded Price	Assessed Value Prior to Sale	Assessed Value After Sale	Pre Sale Ratio	Post Sale Ratio	% Tax Increase
Tower 214	1/1/2023	\$75,000,000	\$60,750,000	\$67,600,000	81%	90%	11%
Townhomes on the Park	3/1/2024	\$25,000,000	\$14,950,000	\$19,550,000	60%	78%	31%
Beacon Apartments	4/1/2024	\$130,000,000	\$98,975,000	\$119,325,000	76%	92%	21%
Village of Berkshires	7/9/2023	\$68,410,250	\$37,101,900	\$52,854,125	54%	77%	42%
Greenwich Choice	8/1/2024	\$42,750,000	\$23,963,000	\$37,694,100	56%	88%	57%
North Hills	1/1/2024	\$93,650,000	\$76,280,800	\$87,978,400	81%	94%	15%
Red Run Apartments	3/2/2024	\$21,750,000	\$11,807,500	\$17,224,100	54%	79%	46%
Green Pasture Living	9/1/2023	\$164,000,000	\$100,053,000	\$129,424,800	61%	79%	29%
Village of Avana	6/1/2023	\$49,100,000	\$24,097,800	\$46,510,200	49%	95%	93%
456 River Run	9/1/2024	\$64,000,000	\$25,655,100	\$52,458,789	40%	82%	104%
The Lincoln	12/1/2023	\$115,500,000	\$95,830,500	\$104,989,200	83%	91%	10%
				Low	40%	77%	10%
				High	83%	95%	104%
				Average	63%	86%	42%



Capitalization Rates

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Capitalization Rates

- Detailing the Basis of the Capitalization Rates
- "Actual" and "Pro Forma" Capitalization Rates
- Upside Potential



Market Extraction Method

	SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6
Address	930 Simms Ave.	1400 Branch Ave.	750 Dale St.	975 Preston Rd.	5215 Jones St.	1900 W. 9th St.	640 Appple Ave.
City	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles
State	CA	CA	CA	CA	CA	CA	CA
NRA (SF)	105,000	120,500	57,000	52,100	92,750	260,700	106,500
Units	125	140	75	68	100	265	125
Year Built/Ren	1985	1990	1975	1970	2010	2015	1960/2000
Average SF/Unit	840	861	760	766	928	984	852
Sale Date	---	8/10/2024	1/20/2025	3/20/2025	11/12/2024	6/12/2025	3/4/2025
Sale Price	---	\$60,000,000	\$27,550,000	\$27,583,000	\$41,250,000	\$97,750,000	\$43,000,000
Price/Unit	---	\$428,571	\$367,333	\$405,632	\$412,500	\$368,868	\$344,000
NOI/Unit	\$17,565	\$20,357	\$13,102	\$15,287	\$18,636	\$11,960	\$14,461
GRM	---	12.58	17.78	14.59	15.05	16.96	15.25
Occupancy	95%	94%	92%	99%	96%	100%	92%
Capitalization Rate		4.75%	3.57%	3.77%	4.52%	3.24%	4.20%
Low		3.24%					
High		4.75%					
Average		4.01%					
Capitalization Rate				Indicated Value of Subject			
				NOI	\$2,195,625	\$2,195,625	\$2,195,625
				Cap Rate	3.75%	4.00%	4.75%
				Rounded (\$100K)	\$58,600,000	\$54,900,000	\$46,200,000
				Δ%		-6.31%	-21.16%
				Δ\$		-\$3,700,000	-\$12,400,000



Market Extraction Method

	SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6
Address	930 Simms Ave.	1400 Branch Ave.	750 Dale St.	975 Preston Rd.	5215 Jones St.	1900 W. 9th St.	640 Appple Ave.
City	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles	Los Angeles
State	CA	CA	CA	CA	CA	CA	CA
NRA (SF)	105,000	120,500	57,000	52,100	92,750	260,700	106,500
Units	125	140	75	68	100	265	125
Year Built/Ren	1985	1990	1975	1970	2010	2015	1960/2000
Average SF/Unit	840	861	760	766	928	984	852
Sale Date	---	8/10/2024	1/20/2025	3/20/2025	11/12/2024	6/12/2025	3/4/2025
Sale Price	---	\$60,000,000	\$27,550,000	\$27,583,000	\$41,250,000	\$97,750,000	\$43,000,000
Price/Unit	---	\$428,571	\$367,333	\$405,632	\$412,500	\$368,868	\$344,000
NOI/Unit	\$17,565	\$20,357	\$13,102	\$15,287	\$18,636	\$11,960	\$14,461
GRM	---	12.58	17.78	14.59	15.05	16.96	15.25
Below Market Rent	5.0%	0.0%	15.0%	25.0%	5.0%	35.0%	7.0%
Occupancy	95%	94%	92%	99%	96%	100%	92%
Actual Capitalization Rate		4.75%	3.57%	3.77%	4.52%	3.24%	4.20%
Pro Forma Capitalization		4.75%	4.41%	5.48%	4.85%	5.31%	4.66%
Spread (Bps)		0	84	171	33	206	46
		Actual Capitalization Rate	Pro Forma Capitalization Rate	Indicated Value of Subject			Conclude Rate 4.50%
Low		3.24%	4.41%				Δ 3.75% to 4.50%
High		4.75%	5.48%				
Average		4.01%	4.91%				
				NOI	\$2,195,625	\$2,195,625	\$2,195,625
				Cap Rate	3.75%	4.00%	4.50%
				Rounded (\$100K)	\$58,600,000	\$54,900,000	\$48,800,000
				Δ%		-6.31%	-16.72%
				Δ\$		-\$3,700,000	-\$9,800,000



IMPROVED SALE COMPARABLE No. 1



Property	May Apartments		
Address	1010 Montgomery Road, Brooklyn, NY		
Tax ID	Block 1000, Lot 123		
Subtype	Market Rate		
Year Built	1900	Rentable Area (SF)	8,400
Renovated	2015	Condition	Average
Buildings	1	Quality	Average
Floors	3	Investment Class	C
Construction Class	C	Land (ac)	0.085
Total Units	12	Occupancy	100%
Amenities	In-Unit W/D	Average SF/Unit	700
GBA (SF)	8,800		

Transaction Summary

Transaction Type	Recorded Sale	Date	6/25/2025
Buyer	Gabe 2, LLC	Sale Price	\$1,750,000
Seller	John Adams	Sale Price per Unit	\$145,833
Deed Reference	12000-5078	EGIM	N/A
Ownership Interest	Leased Fee	Capitalization Rate	6.50%
Financing	Cash to Seller		
Verified With	Reliable Third Party		

Building Amenities

In-Unit W/D

Financial Analysis

Revenue Type	Actual
Period Ending	12/31/2024
Occupancy	100%
Effective Gross Income	N/A
Operating Expenses	N/A
Operating Expense	N/A
Net Operating Income	\$113,750
NOI/Unit	\$9,479

Remarks

The subject is a class C multifamily property in Brooklyn, NY. The subject includes seven, 1-bedroom units and five, 2-bedroom units with an average square footage of 700 SF. Although requested, we did not receive an offering memorandum.



IMPROVED SALE COMPARABLE No. 1



Property	May Apartments		
Address	1010 Montgomery Road, Brooklyn, NY		
Tax ID	Block 1000, Lot 123		
Subtype	Market Rate		
Year Built	1900	Rentable Area (SF)	8,400
Renovated	2015	Condition	Average
Buildings	1	Quality	Average
Floors	3	Investment Class	C
Construction Class	C	Land (ac)	0.085
Total Units	12	Occupancy	100%
Amenities	In-Unit W/D	Average SF/Unit	700
GBA (SF)	8,800		

Transaction Summary

Transaction Type	Recorded Sale	Date	6/25/2025
Buyer	Gabe 2, LLC	Sale Price	\$1,750,000
Seller	John Adams	Sale Price per Unit	\$145,833
Deed Reference	12000-5078	EGIM	7.11
Ownership Interest	Leased Fee	Capitalization Rate	6.24% Actual
Financing	Cash to Seller	Capitalization Rate	7.70% Pro Forma
Verified With	John Smith (Acme Brokers) 718-555-5555		

Building Amenities

In-Unit W/D

Financial Analysis

Revenue Type	Actual	Pro Forma
Period Ending	12/31/2024	12/31/2024
Occupancy	100%	100%
Effective Gross Income	\$245,966	\$290,240
Operating Expenses	\$136,757	\$155,569
Operating Expense	55.6%	53.6%
Net Operating Income	\$109,209	\$134,671
NOI/Unit	\$9,101	\$11,223

Remarks

The subject is a class C multifamily property in Brooklyn, NY. The subject includes seven, 1-bedroom units and five, 2-bedroom units with an average square footage of 700 SF. According to the broker, there was four offers around \$1.6MM and \$1.7MM. The strongest buyer was selected. There were no concessions or credits and the property was in average to good condition. We were provided an offering memorandum which indicated actual rents and expenses. This property has approximately 18% upside potential. The operating expenses above include a 5% management fee and \$300/unit in reserves. The pro forma cap rate analysis is based on the 18% upside potential.



Thank You!



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