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The Drivers Behind Affordable-Housing Investment

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IRVINE, CA—Drastically shifting markets come with added risks, even when the mood is bullish; however, **affordable housing** has no such problems as an asset class, **Community Preservation Partners'** president **Anand Kannan** tells GlobeSt.com. The 12-year-old firm just passed the \$1-billion mark in total affordable-housing-community **investment**, so we sat down with Kannan to discuss why affordable-housing investment is so strong now, which investors are attracted to it and where this asset class is headed as we near the end of the current real estate cycle.

GlobeSt.com: Why is affordable-housing investment is so strong now?

Kannan: Affordable-housing investments tend to do well in most **economies**, but especially when there is volatility like we've seen in the past year. Drastically shifting markets come with added risks, even when the mood is bullish; however, affordable housing has no such problems as an asset class. Long-term vacancies are unlikely, and there are simply too few units available in the country to meet the inelastic demand for accessible homes for our lower-income residents. As an investor, you can't beat that kind of stability.

These types of investments are perfect for CPP because we can take the asset and quickly begin improving the structure, enriching the lives of those who live there and reducing the community's carbon footprint through our energy-saving programs. That's a win-win-win before the **financial** side of the equation is even calculated.

Additionally, it's one of those rare investments that actually serves a vital purpose in society. Today's investors are seeking this type of purpose-driven security that strengthens communities while still providing a healthy return.

GlobeSt.com: For what types of investors does this segment make sense?

Kannan: **Institutional investors**, such as insurance companies and investment banks, are our primary clients; however, our funds are also very popular amongst all institutions that are looking to diversify and stabilize their portfolios in an investment vehicle that gives back to the community.

This mentality extends to non-banking corporations as well. A recent affordable-housing rehabilitation we completed in Bellflower, CA, was supported by private investments from **Google, Red Stone** and **Deutsche Bank**. That's a diverse group, but they all had the same social and **economic** interests that we were able to fulfill.

Recently, we passed the \$1-billion mark in total community investment. That's a milestone we are extremely proud of because all of that money went to preserving affordability and enriching the lives of our residents.

GlobeSt.com: Where do you see investment for affordable assets heading as we near the end of this cycle?

Kannan: The fundamental supply-and-demand equation will keep affordable housing as an attractive investment over the long-term; however, we are closely watching **HUD** and the value of **Low-Income Housing Tax Credits** that drive the preservation of affordable housing. As **tax-policy** changes take hold, there are some headwinds, but we are confident in our business model. Thanks to our parent company, **WNC & Associates**, we are well-capitalized and offer a surety of closing that gives our buyers, sellers and investors confidence in doing business with **CPP**.

GlobeSt.com: What else should our readers know about affordable-housing investment?

Kannan: As demands grow on our local governments, the market is starving for such **private-public partnerships**. By injecting private and institutional money into a system that desperately needs it, we are able to offset the burden on many municipal-housing authorities that cannot afford to maintain their aging properties.