Graystone Housing Impact Investors
1Q 2025 Earnings Conference Call
May 7, 2025

Presenters
Jesse Coury, Chief Financial Officer
Ken Rogozinski, Chief Executive Officer

Q&A Participants
Matthew Erdner - Jones Trading
Chris Muller - JMP Securities
Jason Stewart - Janney Montgomery Scott

Operator
Greetings, and welcome to First Quarter 2025 Earnings Call for Greystone Housing Impact Investors. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press Star 0 on your telephone keypad. A reminder, this conference is being recorded. I would now like to turn the conference over to your host, Jesse Coury. Thank you. You may begin.

Jesse Coury
Thank you. I would like to welcome everyone to the Greystone Housing Impact Investors LP, NYSE Ticker Symbol GHI, First Quarter of 2025 Earnings Conference Call. During the presentation, all participants will be in a listen-only mode. After management presents its overview of Q1 2025, you'll be invited to participate in a question and answer session. As a reminder, this conference call is being recorded.

During this conference call, comments made regarding GHI, which are not historical facts, are forward-looking statements and are subject to risks and uncertainties that could cause the actual future events or results to differ materially from these statements. Such forward-looking statements are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words like may, should, expect, plan, intend, focus and other similar terms. You are cautioned that these forward-looking statements speak only as of today's date. Changes in economic, business, competitive, regulatory and other factors could cause our actual results to differ materially from those expressed or implied by the projections or forward-looking statements made today. For more detailed information about these factors and other risks that may impact our business, please review the periodic reports and other documents filed from time-to-time by us with the Securities and Exchange Commission.

Internal projections and beliefs upon which we base our expectations may change but if they do, you will not necessarily be informed. Today's discussion will include non-GAAP measures and will be explained during this call. We want to make you aware that GHI is operating under the SEC Regulation FD and encourage you to take full advantage of the question-and-answer session.

Thank you for your participation and interest in Greystone Housing Impact Investors LP. I would now like to turn the call over to our Chief Executive Officer, Ken Rogozinski.

Ken Rogozinski
Good afternoon, everyone. Welcome to Greystone Housing Impact Investors LP's first quarter 2025 investor call. Thank you for joining. I will start with an overview of our portfolio. Jesse Coury, our Chief Financial Officer, will then present the partnership's financial results. I will wrap up with an overview of the market and our investment pipeline. Following that, we look forward to taking your questions.

As far as the performance of the investment portfolio is concerned, we have had no forbearance requests for multifamily mortgage revenue bonds and all of our borrowers are current on their principal and interest payments as of March 31, 2025. Physical occupancy on the underlying properties was at 89.5% for the stabilized mortgage revenue bond portfolio as of March 31, 2025. We continue to advance funds to borrowers under our mortgage revenue bond, governmental issuer loan and related investments during the first quarter, consistent with our funding commitments.

Our Vantage joint venture equity investments consist of interest in five properties as of today, four where construction is complete and one site being evaluated for development or sale. For those properties in their initial lease-up phase, we continue to see good leasing activity. Lease turns at the properties that have been leasing for a longer period have been driven by local submarket conditions. As we have experienced in the past, the Vantage Group as the managing member of each project owning entity will position a property for sale upon stabilization.

As previously announced, the Vantage at Tomball project was sold in January 2025. In our announcement earlier today, we noted that the Vantage at Helotes property was sold earlier this week. Jesse will go into the details but this was a unique sale where the project was acquired by a local housing authority and an affordable housing non-profit, who funded their acquisition with the proceeds of a tax-exempt bond offering.

The managing members of Vantage at Hutto and Vantage at Loveland completed refinancing of their respective construction loans in the first quarter to lower their interest rates by over 100 basis points each. We have four joint venture equity investments with the Freestone Development Group, one for a project in Colorado and three projects in Texas. One project has completed construction and has begun leasing units, two projects have commenced construction and one project has commenced site work.

Our joint venture equity investment in Valage Senior Living, Carson Valley, a 102-bed seniors housing property located in Minden, Nevada, has received its certificate of occupancy and is expected to open for business operations shortly. The project currently has lease deposits for over 70 of the property's 102 beds. Our joint venture equity investment in the Jessam at Hays Farm, a new construction 318-unit market rate multifamily property located in Huntsville, Alabama, is approaching construction completion and has begun leasing activities.

With that, I will turn things over to Jesse Coury, our CFO, to discuss the financial data for the first quarter of 2025.

Jesse Coury
Thank you, Ken. Earlier today, we reported earnings for our first quarter ended March 31. We reported GAAP net income of $3.3 million and $0.11 per unit basic and diluted. We reported cash available for distribution, or CAD, a non-GAAP measure of $7.1 million and $0.31 per unit. Our first quarter GAAP net income was significantly impacted by $3.9 million of non-cash unrealized losses on our interest rate derivatives during the quarter or approximately $0.17 per unit.

We adjust the value of our interest rate derivatives to fair value quarterly in accordance with accounting guidance and the change in fair value is reported within net income. Despite a decrease in the fair value of our interest rate derivatives, we expect this to have a minimal impact on our net cash flows as decreases in projected future swap settlement payments are expected to be offset by lower interest costs on our variable rate debt financings. Unrealized gains and losses are added back to net income to calculate CAD.

Also impacting our first quarter results was approximately $2.2 million of investment income or approximately $0.10 per unit related to preferred return received from Vantage at Loveland upon refinancing of the property's original construction loan. Our book value per unit as of March 31 on a diluted basis was $12.59, which is a decrease of $0.56 from December 31. The decrease is primarily the result of a $0.24 per unit decrease in the fair value of our mortgage revenue bond portfolio and the difference between reported GAAP net income of $0.11 per unit versus distributions declared of $0.37 per unit for the quarter.

As a reminder, we are and expect we will continue to be long-term holders of our predominantly fixed rate mortgage revenue bond investments. So, we expect changes in fair value to have no direct impact on our operating cash flows, net income or reported CAD. I will also note that our reported net book value includes our joint venture equity investments at carrying value, not fair value. They are not marked-to-market. As a result, reported net book value excludes any potential gains or additional income that may be realized upon transactional events such as debt financing, refinancings or sales of the underlying properties above our carrying value. As of market close yesterday, May 6, our closing unit price on the New York

Stock Exchange was $11.63, which is an 8% discount to our net book value per unit as of March 31.

We regularly monitor our liquidity to fund our investment commitments and to protect against potential debt deleveraging events if there are significant declines in asset values. As of March 31, we reported unrestricted cash and cash equivalents of $51.4 million, which is up significantly from $14.7 million as of December 31. The increase is due to proceeds from the sale of Vantage at Tomball in January, redemptions of GIL investments in the normal course and a $20 million Series B Preferred Unit issuance in March. We also had approximately $41.5 million of availability on our secured lines of credit as of March 31.

At our current liquidity levels, we believe that we are well positioned to fund our current financing commitments. We regularly monitor our overall exposure to potential increases in interest rates through an interest rate sensitivity analysis which we report quarterly and is included on Page 86 of our Form 10-Q. The interest rate sensitivity table shows the impact on our net interest income given various changes in market interest rates and other various management assumptions. Our base case uses the forward SOFR yield curve as of March 31 which includes market anticipated SOFR rate declines over the next 12 months.

The scenarios we present assume that there is an immediate shift in the yield curve and that we do nothing in response for 12 months. The analysis shows that an immediate 200 basis point increase in rates will result in a decrease in our net interest income and CAD of $2.4 million or approximately $0.104 per unit. Alternatively, assuming a 100 basis point decrease in rates along the curve will result in an increase in our net interest income and CAD of $1.2 million or approximately $0.052 per unit. We consider ourselves largely hedged against significant fluctuations in our net interest income from market interest rate movements in all scenarios, assuming no significant credit issues.

Our debt investment portfolio consists of mortgage revenue bonds, governmental issuer loans and property loans totaling $1.29 billion as of March 31 or 84% of our total assets. We own 85 mortgage revenue bonds that provide permanent financing for affordable multifamily, seniors and skilled nursing properties across 13 states with concentrations in California, Texas and South Carolina.

We own six governmental issuer loans that finance the construction or rehabilitation of affordable multifamily properties across four states. Such loans often have companion property loans or taxable governmental issuer loans that share the first mortgage lien. During the first quarter, we funded $60.6 million of our mortgage revenue bond, governmental issuer loan and related investment commitments and we experienced redemptions and paydowns of approximately $113 million in the normal course.

Our outstanding future funding commitments for our debt investments was approximately $52 million as of March 31, excluding those investments that we expect to transfer to our construction lending joint venture with BlackRock during 2025. These commitments will be funded over approximately 12 months and will add to our income-producing asset base. We also expect to receive redemption proceeds from our existing construction financing investments nearing maturity which will be redeployed into our remaining funding commitments.

We applied the CECL standard, or current expected credit loss, to establish credit loss reserves for our debt investments and related investment funding commitments. We reduced our allowance for credit losses by $172,000 for the first quarter due to the declining size of the portfolio of governmental issuer loan and related investments subject to CECL. We have adjusted back the impact of the provision for credit losses in calculating CAD, consistent with our historical treatment of loss allowances.

Our joint venture equity investments portfolio consisted of 11 properties as of March 31, with a reported carrying value of approximately $168 million, exclusive of one investment, Vantage at San Marcos that is reported on a consolidated basis. Our remaining funding commitments for joint venture equity investments totaled $20.7 million as of March 31. The Vantage at Tomball property was sold in January 2025 and we received proceeds of $14.2 million which is inclusive of our contributed capital and accrued preferred return. We did not report any related gain or loss in the first quarter.

As Ken previously noted, in May 2025, the Vantage at Helotes property was sold to a local housing authority and a non-profit entity and we received proceeds of $17.1 million, inclusive of our $12.5 million original cash investment in the project. We expect to report $1.8 million of investment income and a $163,000 gain on sale for this transaction in the second quarter, resulting in approximately $0.08 of net income per unit and CAD per unit.

The non-profit buyer acquired a leasehold interest in the Vantage at Helotes Property and financed their purchase by issuing tax-exempt and taxable bonds in a public offering. The partnership purchased senior tax-exempt bonds for approximately $5.5 million and subordinate tax-exempt bonds for approximately $7.3 million from this offering.

Our debt financing facilities used to lever our investments had an outstanding principal balance totaling approximately $1.06 billion as of March 31. This is down approximately $37 million from December 31. We manage and report our debt financing in four major categories on Page 80 of our Form 10-Q. Three of the four categories are designed such that our net return is generally insulated from changes in short-term interest rates. These categories account for $885 million or 83.4% of our total debt financing.

The fourth category is fixed rate assets with variable rate debt with no designated hedging which is where we are most exposed to interest rate risk in the near term. This category represents $176 million or 16.6% of our total debt financing. This category is up significantly from December 31. The vast majority of debt in this category is associated with mortgage revenue bond and governmental issuer loan investments that are scheduled to mature in the second half of 2025, for which redemption proceeds will repay the outstanding debt financings. So, we expect the unhedged period to be relatively short for most of these balances.

On the preferred capital front, we successfully issued $20 million of Series B Preferred Units to an existing preferred unit investor in March 2025. We continue to pursue additional issuances of Series B Preferred Units to new and existing investors under an active offering.

I'll now turn the call over to Ken for his update on market conditions and our investment pipeline.

Ken Rogozinski
Thanks, Jesse. The first quarter of 2025 was not kind to the U.S. municipal bond market. According to Barclays data, investment-grade tax-exempt bonds were by far the worst performing U.S. fixed income asset class during Q1 of 2025. At the time of last quarter's call in February 10-year MMD was at 3% and 30-year MMD was at 4.01%. At the end of March, those levels were at 3.26% and 4.24%, respectively which are 26 and 23 basis points higher. As of yesterday's close, 10-year MMD was at 3.33% and 30-year MMD was at 4.40%.

The 10-year muni-to-treasury ratio was currently at 77% and the 30-year muni-to-treasury ratio was currently 91%. Those levels are up from 66% and 84%, respectively, in late February, underscoring the recent underperformance of munis versus treasuries. As those current levels indicate, April was another challenging month for the muni market.

Uncertainty continues to be the common theme for muni bond investors from the impact of tariffs on the broader economy, the potential impact on the muni bond market of changes that might be included in the tax bill by the new administration and Congress to increased market volatility across asset classes, the start of the year certainly hasn't been boring. April saw some of the largest interday swings in the high-grade MMD index since the 2008 monoline bond insurer downgrades. We have not observed a significant impact on our investments from the legislative and regulatory happenings in Washington.

The federal rental assistance program most associated with our investment properties, the Section 8 rent subsidy program was specifically exempt from the broad federal funding freeze executive order issued in January. From a market technicals perspective, the market experienced elevated issuance months in January, February and March and April with roughly $170 billion of gross issuance, an average monthly rate of $42.5 billion.

Barclays forecasts another $40 billion to $44 billion of supply for May. Total fund flows for the first quarter of 2025 were positive at about $11 billion between mutual funds and ETFs. However, the month of April saw $3.6 billion of outflows. The average weekly secondary market trading volume for the past 12 months was $35 billion. The market ended the first quarter of 2025 with the Muni High-Grade Index generating a total return of negative 0.2% and the Muni High Yield Index generating a positive total return of 0.8%.

The belly of the high-grade curve underperformed again this past quarter with 5-year versus 10-year spreads reaching multiyear highs. We continue to be excited about the new construction lending joint venture with BlackRock Impact Opportunities. As we have mentioned on our past quarterly calls, we've seen a pullback in affordable housing construction lending by commercial banks as a result of the broader pressures on their commercial real estate loan portfolios. That has created a window of opportunity for us to deepen our relationships with existing sponsors and to establish new sponsor relationships as we step in to help fill that void. Having a dedicated pool of capital available to us for that purpose allows us to effectively manage that potential pipeline and to offer our clients timely transaction execution to meet their needs.

With that, Jesse and I are happy to take your questions.

Operator
Thank you. At this time, we'll be conductig a question-and-answer session. If you'd like to ask a question, please press Star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press Star 2 if you'd like to remove your question from the queue. One moment please, while we poll for questions.

Our first question comes from Matthew Erdner with JonesTrading.

Matthew Erdner
Good afternoon, guys. Thanks for taking the question. I appreciate all the color per usual in the prepared comments. But are any of the proposed shifts, I guess, from federal to state to local governments likely to affect muni credit ratings and valuations? And if you just have any thoughts around that, that would be helpful. Thank you.

Ken Rogozinski
Matt, it's Ken. I think it's still early in the process. We got the color, I think it was late last week of the administration's, I guess, what's referred to as the skinny budget with some of their high-level philosophical goals for the upcoming budgeting and appropriation process through Congress. With particular regard to the HUD budget, there are a number of proposals that were in there. Some of them echo back to the first Trump Administration and what I would view as kind of their philosophical opposition to high-level block grant programs. The skinny budget again proposed an elimination of the community development block grant program. They targeted grants for public housing authorities. But for the first time, we at least saw a glimmer of discussion around a potential change in the allocation of Section 8 funding from a federal-based program to a state-based program.

So I think we'll have to see how all of that plays out through the congressional process. As I said, a lot of these things were proposed in the Trump 1.0 administration and never made it through that process. So, I think it still remains to be seen what happens here, particularly with the slim Republican majority in the House and the sort of the potential impact that some of these things might have on either local municipalities or their programs. So, the dialogue has started but there's still a lot of road between here and where things actually end up with an appropriation bill before the start of the next fiscal year in October.

Matthew Erdner
Got it. Yes, that makes sense. Thanks for taking the question, I appreciate it.

Operator
Our next question comes from Chris Muller with Citizens JMP Securities.

Chris Muller
Thanks for taking my question. So, on the BlackRock JV, have the tariffs changed how you guys are thinking about this business in the near term given the impact on construction costs?

Ken Rogozinski
I think Chris, immediately in terms of the deals that we have in our pipeline with the BlackRock JV from the discussions that we've had with the sponsors to-date, we haven't seen any significant changes from those sponsors in terms of their pro formas based on either higher tariffs on construction materials like lumber for Canada or other sort of electrical components or things of that nature. So, at least as of right now, we haven't seen a significant impact on that. By the time sponsors get to the point where they're actually bidding their GMPs and locking in prices with their subcontractors, we may see some more real-time data on that front. But at least for now, we haven't seen any significant impact.

I think what I would mention is that two of the larger loans that we're evaluating, one is a sort of more traditional high-rise construction with concrete and steel as opposed to lumber. And the other is a rehab transaction of an existing structure where there's not significant wood framing that's going to be done as part of that. So, at least as we sit right now, looking at the pipeline, we haven't seen any significant moves in the deals that we're evaluating.

Chris Muller
And can you share a general size of that pipeline?

Jesse Coury
I'd say it's consistent. We've got roughly $83 million of the committed capital to the joint venture with BlackRock. We're trying to deploy that roughly $450 million of lending capacity and we're trying to get that capital deployed or at least committed here within the next 12 to 18 months.

Chris Muller

That's very helpful. And then you guys touched on this a little bit last quarter. But it looks like some of the gains you guys are seeing on the JV sales are lower than we saw in prior years. And you mentioned insurance costs as being a big part of that. So, should we assume going forward that the gains will be more muted than we saw historically? And are there any other factors that are impacting that aside from the insurance?

Ken Rogozinski
I think the insurance cost was really specific to the Tomball asset that we saw the sale with in January. That's located in Harris County and we did experience a significant 3.5x increase in the insurance cost there from the original pro forma underwriting there. So, that singular change in expense had a significant impact on the outcome of that sale.

For the Vantage at Helotes asset which just closed earlier this week, that's located in San Antonio. So, we didn't see that same single line item specific increase in expense that we experienced on the Tomball asset. There was a meaningful difference in the sales prices on both of those assets, I think, as reflected in the overall funds that were distributed to us at closing on both of those assets. So, it's something that we're going to continue to monitor.

It's not been -- I don't think the multifamily market from an investment perspective has quite turned the corner yet. We still see pressure on rates with the 10-year where it is. I don't think that we've seen significant movements in the market's expectation of cap rates on multifamily acquisitions. So I think kind of the headwinds that we had faced starting in late 2023 into 2024, that's led to the delayed timeline of some of these sales really hasn't left the building yet. So, we'll continue to monitor that as we evaluate the other stabilized assets in the Vantage portfolio. And of course, as always, talk to our partners and see what their thinking is with regard to the timing of those sales.

Chris Muller
Got it. Thanks for the clarification on that insurance. That's really helpful, and thanks for taking my questions.

Operator
Our next question comes from Jason Stewart with Janney Montgomery Scott.

Jason Stewart
Follow-up on Vantage. While it's certainly, I think, disappointing to see that you're not generating as much gain on sale as you historically did on those properties, your balance sheet is able to withstand that volatility. How is the partner Vantage holding up given the lower levels of profitability?

Ken Rogozinski
Well, I think from their perspective, Jason, it's really hard for us to talk about kind of their business model. It's not just gain on sale from their perspective. There are developer fees that

are built into the overall models that they earn along the way. So, it's not 100% a capital gain-driven business from their perspective. So, in terms of their time and attention and oversight of the portfolio, they're economically motivated the same way that we are and our interests are aligned in terms of maximizing the return that we collectively earn on these opportunities.

So, I don't think we have any concern at this point in time in terms of the continued partnership that we have on these assets and anything other than the alignment of our interest in being able to work productively together to earn the highest possible returns here.

Jason Stewart
Got it. Thank you, that's helpful color. And then just in terms of sort of maybe if you could give us a more real-time update on gross ROEs in the MRB and GIL business relative to where they were at 3/31, that would be super helpful.

Ken Rogozinski
I think as Jesse mentioned earlier, the hedging program that we've undertaken here has really synthetically fixed the large majority of our floating rate funding costs on some of our assets. So, when you look at that bucketing again between the floating-to-floating, the fixed-to-fixed, the fixed to synthetic fixed, there's not a lot of change in those trades over time because of that approach. So, the capital posted isn't changing significantly. The net interest margin on the individual positions isn't changing dramatically.

So, from an ROE perspective, we expect that to stay relatively constant over the investment time horizon. So, we're not seeing a lot of variability there. I think that, as Jesse mentioned in his remarks, we have the one governmental issuer and mortgage revenue bond investment where the hedge rolled off right there at the end of Q1. And given the -- what we expect to be the short runway to the conversion of perm there, we chose not to enter into a new swap at that point in time. That sponsor exercised their six-month extension with Freddie Mac on their Forward TEL commitment for the perm financing there.

So, I think given that where the swap rate was and where current spot SOFR rate is, with that change, we don't expect to see a significant change in the ROE on that one particular investment. So, at a high level, I don't think that we see the potential for a significant change on that front.

Jason Stewart
One last one for me. On the Helotes sale, of the $5.5 and $7.3 combined investment in the bonds, can you share with us how much of the total bonds that was? How much of the total bonds you issued you bought? And then maybe you could give us a sense of ROE on that transaction on a hedge basis that would help.

Ken Rogozinski

So, on the senior bonds on a face amount, those bonds were issued at an original issued discount. But on a face amount, I'd say, approximately 15% of the senior A-1 bonds. We purchased a little over $6 million of what I believe was close to $42 million face amount there. On the Series B bonds, we bought roughly 50% of that issue with the other 50% being bought by one of your traditional muni high-yield bond funds.

Jason Stewart
And if you don't mind just giving a ballpark ROE on that, maybe blended or if you want to do a senior sub, that would be fine, too.

Ken Rogozinski
Yes. We haven't finalized the terms of our leverage on that yet, Jason. That deal just closed yesterday. So, we have an idea at this point in time of where that's going to be but we don't have final details yet. So, we'd be happy to follow-up with you on that once the TOB funding has happened on those positions. But just to give you some color in terms of the gross coupon on those bonds, the Series B bonds were at 8% and the Series A-1 tax-exempt bonds were priced as 6.25% to yield 6.875%. So, I think you look at those rates and you compare them to the coupons that we've earned on our other MRB and governmental issuer loan investments, they're in that same ZIP code.

Jason Stewart
Got it. Okay, thank you.

Operator
As a reminder, if you'd like to ask a question, please press Star 1 on your telephone keypad. One moment, please, while we poll for questions. There are no further questions. I'd like to turn the call back over to Ken Rogozinski for closing comments.

Ken Rogozinski
Thank you, everyone, for joining us today. We look forward to speaking again next quarter.

Operator
This concludes today's conference. You may disconnect your lines at this time and we thank you for your participation.