

# NABTU Capital Strategies

June 24, 2019



## AFL-CIO HOUSING INVESTMENT TRUST

Competitive Returns · Union Construction Jobs · Housing Opportunities

**Chang Suh, CFA**  
*CEO/Co-Chief Portfolio Manager*

**AFL-CIO Housing Investment Trust**

2401 Pennsylvania Avenue, NW, Suite 200

Washington, DC 20037

(202) 331-8055

**[www.aflcio-hit.com](http://www.aflcio-hit.com)**

# HIT Overview

## **Mission: Returns · Construction Jobs · Affordable Housing**

- ✓ **\$6.2 billion investment grade fixed-income portfolio.**
- ✓ The AFL-CIO Housing Investment Trust (HIT or Trust) is a mutual fund in operation since 1984 (successor to the Mortgage Investment Trust, 1965).
- ✓ 25 out of 26 consecutive years outperforming its benchmark on a gross basis, 16 of those years on a net basis.
- ✓ **100% union construction requirement.**

*HIT's net performance for the 1-, 3-, 5-, and 10-year periods ended May 31, 2019 was 6.53%, 2.29%, 2.67%, and 3.58%, respectively. The performance data quoted represents past performance and is no guarantee of future results. Periods over one year are annualized. Investment results and principal value will fluctuate so that units in the HIT, when redeemed, may be worth more or less than the original cost. The HIT's current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end is available from the HIT's website at [www.aflcio-hit.com](http://www.aflcio-hit.com). Gross performance figures do not reflect the deduction of HIT expenses. Net performance figures reflect the deduction of HIT expenses and are the performance figures investors experience in the HIT. Information about HIT expenses can be found on page 1 of the HIT's current prospectus.*

# Competitive Returns and Collateral Benefits through Directly Sourced Multifamily Investments

## The HIT seeks to offer investors:

- ✓ Competitive Returns
- ✓ High Credit Quality
- ✓ Highly Liquid Investment
- ✓ Value Added – Collateral Benefits
  - Union Construction Jobs
  - Affordable Housing
  - Economic Impact



Project 29 (Church + State)  
Cleveland, OH



Kenmore Plaza Apts.  
Chicago, IL



Heinz Lofts  
Pittsburgh, PA



1490 Southern Blvd.  
Bronx, NY

# History of the HIT

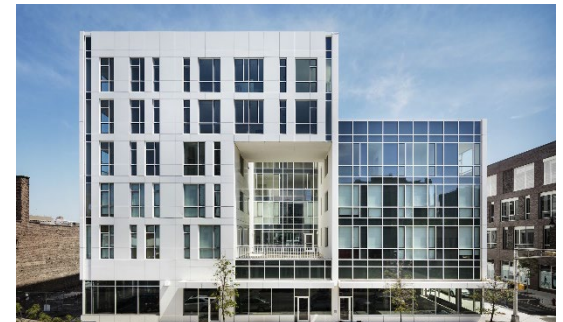
- ✓ Opened doors in 1984 (successor to the Mortgage Investment Trust, started in 1965).
- ✓ Created by the AFL-CIO Executive Council under President George Meany's leadership.
  - Established to encourage and assist development of lower income housing while creating employment for the construction trades
  - “A massive attack would be made to meet America’s tremendous unmet housing needs”, George Meany
- ✓ **100 percent union labor requirement** for all construction related investments.



Corona Del Valle  
El Paso, TX



Electchester  
Queens, NY



Teachers Village  
Newark, NJ

# Labor Policies

## Success is Measured in the Implementation

- ✓ **Documentation** – 100% union requirement laid out in loan documents, signed by General Contractor and Developer.
- ✓ **Monitoring and Enforcement** – Labor Relations Director ensures compliance and solves issues that may arise.
- ✓ **Measurement** – work hours measured and reported for every project.



# HIT's History of Impact Investing\*

- ✓ HIT invested **\$8.1 billion** nationally **since inception in 1984**
- ✓ Financed **514 projects** in **29 states and D.C.**
- ✓ **\$14.9 billion** of total development

Output	Results (1984-2019)
Total Number of Projects	514
Union Job Creation	169.2 Million Hours
Total Housing Units	110,459 (66% affordable)
Construction Job Wages	\$5.9 Billion
Total Jobs Created	180,870
Total Income Generated	\$11.8 Billion
Total Economic Impact	\$30.1 Billion
Net Investment Income Earned	\$5.1 Billion

*\*Source: Pinnacle Economics, Inc., and HIT. Job and economic impacts provided are estimates calculated using IMPLAN, an input-output model based on HIT and subsidiary Building America project data. Data current as of March 31, 2019. Economic impact data is in 2018 dollars and all other figures are nominal.*

# Investments in the Major HIT Markets\*

(1984- 2019)	New York City	Boston	Chicago	Twin Cities	Northern California	Major Markets	Nationwide
<b># of Projects</b>	66	31	50	61	23	<b>231</b>	<b>514</b>
<b>HIT Investment</b>	\$1.6 billion <sup>^</sup>	\$468.6 million <sup>^</sup>	\$638.8 million	\$942.3 million	\$439.9 million	<b>\$4.1 billion</b>	<b>\$8.1 Billion<sup>^</sup></b>
<b>Total Development Cost</b>	\$3.5 billion	\$1.3 billion	\$1.5 billion	\$1.5 billion	\$759.9 million	<b>\$8.6 billion</b>	<b>\$14.9 billion</b>
<b>Union Construction Hours</b>	19.7 million	10.8 million	17.5 million	15.3 million	10.1 million	<b>73.4 million</b>	<b>169.2 million</b>
<b>Housing Units (% affordable)</b>	38,799 (93%)	3,675 (91%)	11,727 (69%)	8,915 (49%)	4,063 (41%)	<b>67,179 (80%)</b>	<b>110,459 (66%)</b>
<b>Total Economic Impact</b>	\$3.5 billion	\$2.3 billion	\$2.8 billion	\$3.0 billion	\$1.7 billion	<b>\$13.3 billion</b>	<b>\$30.1 billion</b>

*\*Source: Pinnacle Economics, Inc., and HIT. Job and economic impact figures are estimates calculated using IMPLAN, an input-output model, based on HIT and subsidiary Building America project data. The data is current as of March 31, 2019. Economic impact data is in 2018 dollars and all other figures are nominal.*

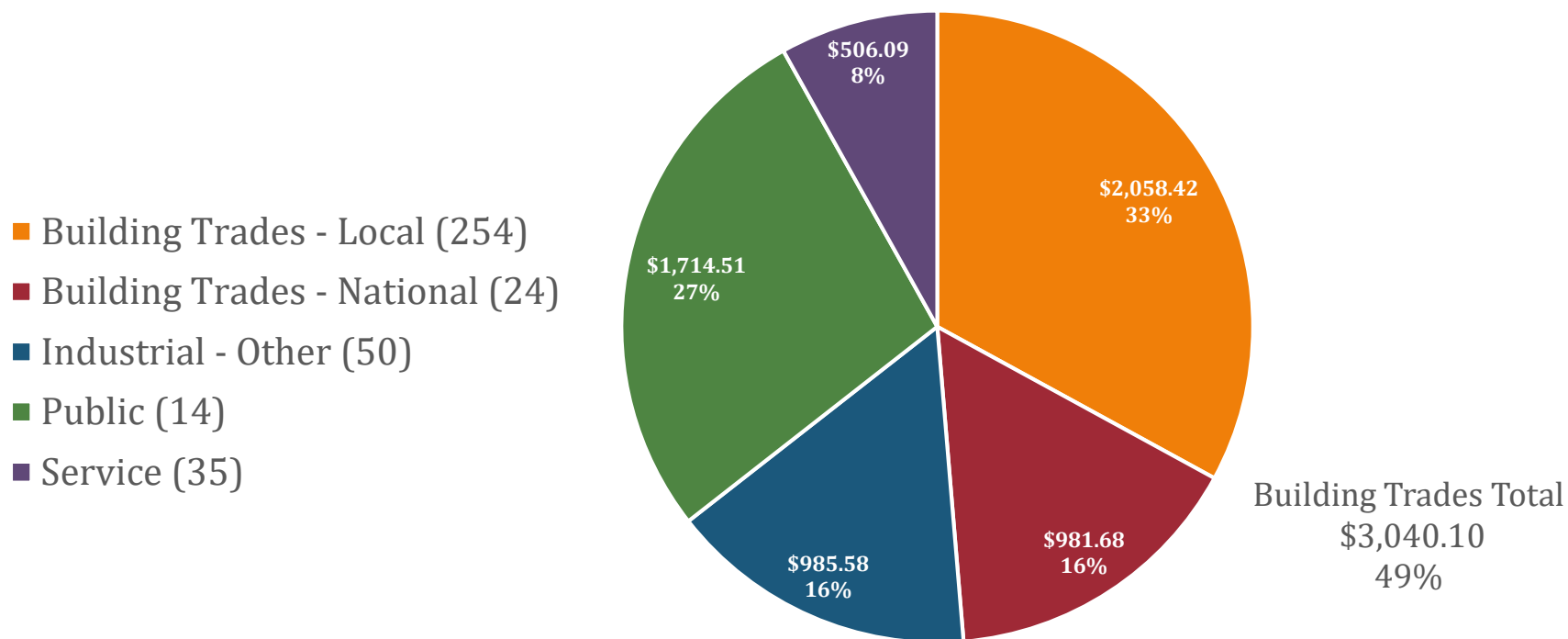
*<sup>^</sup> In addition, Building America contributed NMTC allocations as follows: \$8M in NYC, \$21M in Boston, \$133.5M Nationwide*

# Investor Profile: 377 Investors

## Investors at a Glance

(as of 5/31/2019)

\$ in Millions



# HIT Objectives and Strategy

## Objectives

- ✓ Generate competitive risk-adjusted fixed-income total returns versus the Bloomberg Barclays US Aggregate Bond Index.
- ✓ Facilitate employment for union members in the construction trades and related industries.
- ✓ Encourage the construction of housing, including affordable and workforce housing.

## Strategy

- ✓ Construct and manage a portfolio with:
  - superior credit quality
  - higher yield
  - similar interest rate risk relative to the Barclays Aggregate

## Core Competency

- ✓ Specialize in directly sourced multifamily MBS that create jobs and affordable housing.
- ✓ Multifamily MBS tend to provide an income advantage compared to other securities with comparable credit and interest rate risk.
- ✓ Offer diversification benefits to investors.

*Investors should consider the HIT's investment objectives, risks and expenses carefully before investing. A prospectus containing more complete information may be obtained from the HIT by calling the Marketing and Investor Relations Department collect at 202-331-8055 or by viewing the HIT's website at [www.aflcio-hit.com](http://www.aflcio-hit.com). The prospectus should be read carefully before investing.*

# HIT vs. Aggregate: Risk Metrics

As of May 31, 2019

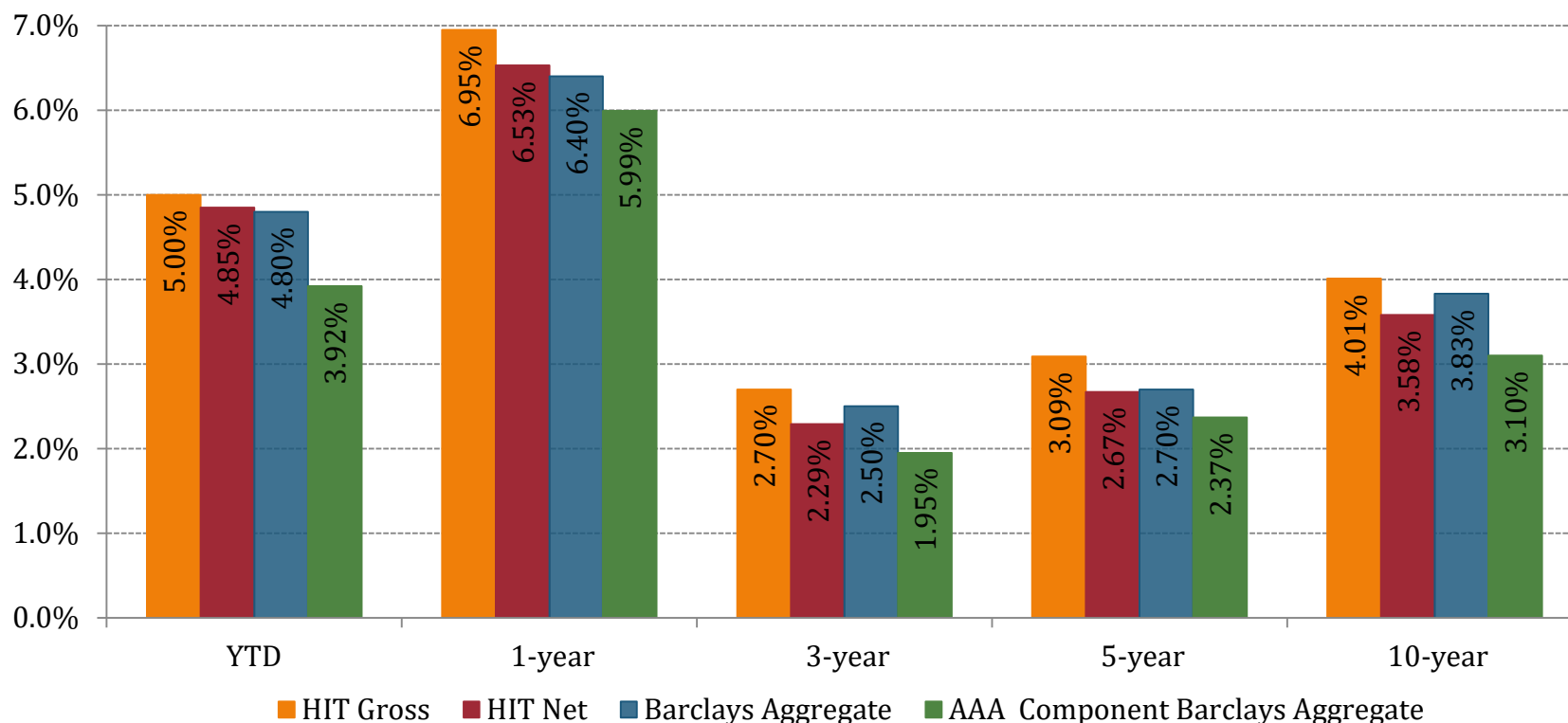
	HIT	Barclays		HIT	Barclays
<b>Higher Credit Quality</b>			<b>Lower Interest Rate Risk</b>		
U.S. Government/ Agency/AAA/Cash	96.5%	72.4%	Effective Duration	5.56	5.92
A & Below	0.1%	24.2%	Convexity	0.08	0.16
<b>Higher Yield</b>			<b>Similar Prepayment Risk</b>		
Current Yield	3.29%	3.11%	Prepayment Protection	78%	73%
Yield to Worst	2.95%	2.68%	No Prepayment Protection	22%	27%

*The calculation of the HIT yield herein represents a widely accepted portfolio characteristic based on coupon rate and current price and is not current yield or other performance data as defined by the SEC in Rule 482.*

# HIT Performance Relative to Benchmark

## Annualized Total Returns vs. Benchmark and AAA Barclays Aggregate Component

As of May 31, 2019

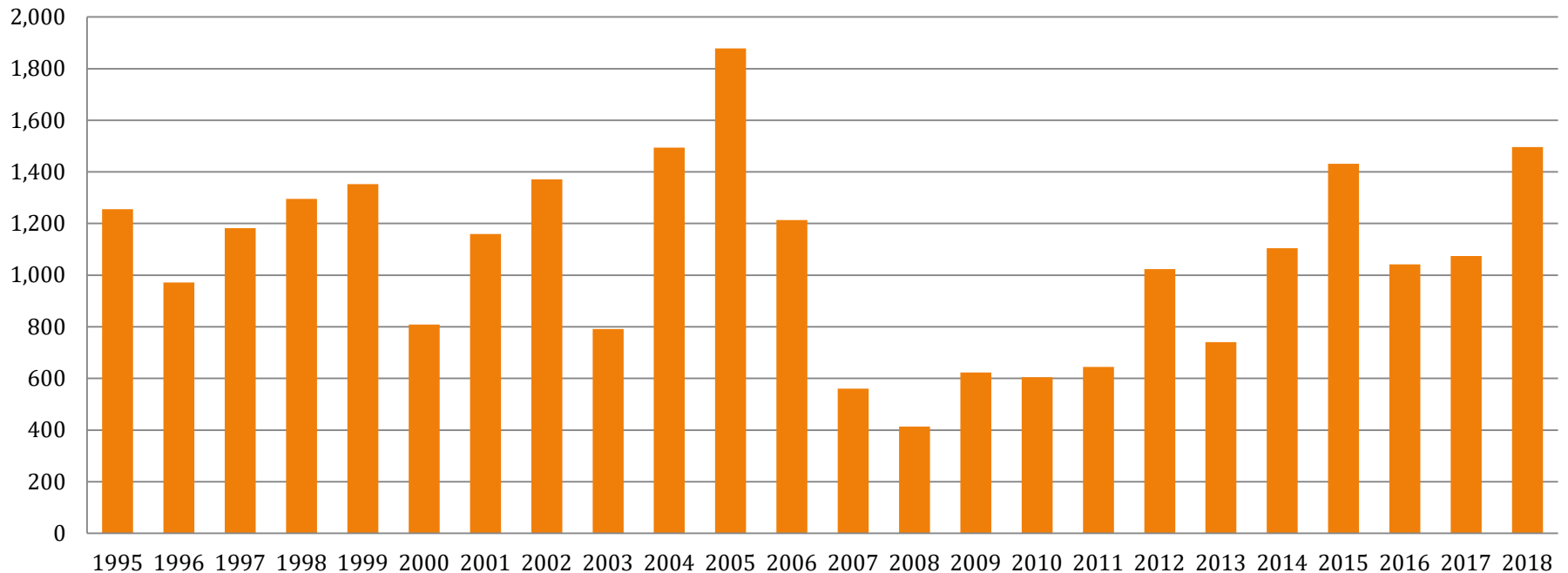


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# Increase in Household Formation

- ✓ Economic, demographic and fundamental trends continued to support the multifamily market.

**Household Formation**  
(Thousands of New Households)



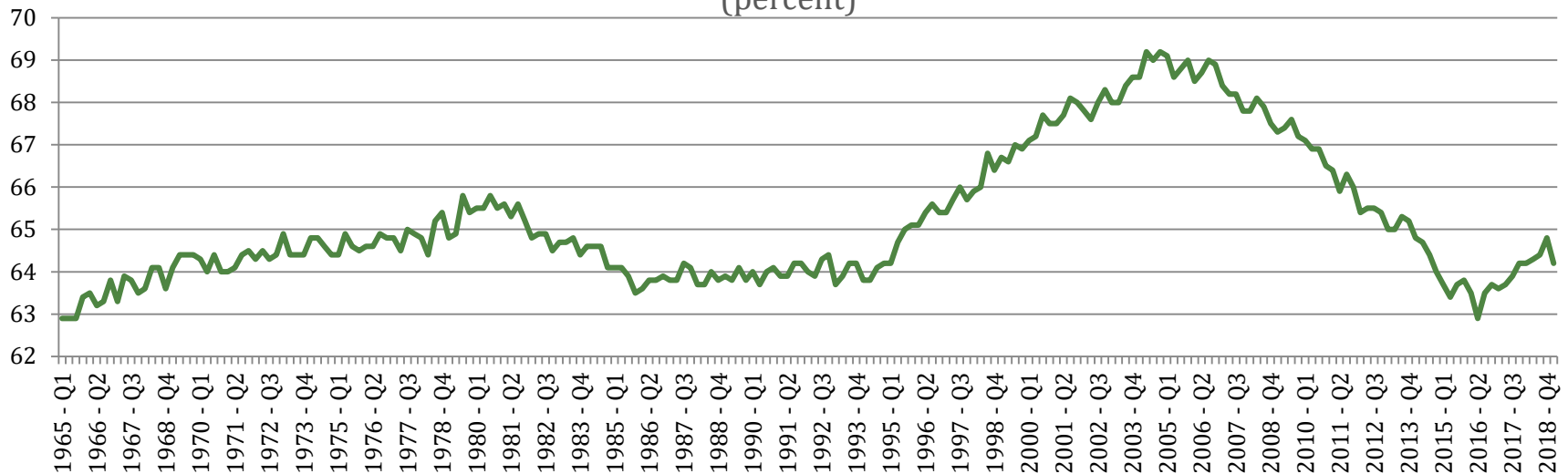
*Source: Bloomberg, Reis and Yardis Matrix; US Census Bureau and Haver Analytics (adjusted for breaks in data)*

*As of March 31, 2019, unless otherwise noted*

# Strong Demand for Multifamily Housing

- ✓ Rental vacancy rates remained below 5% nationally, despite high levels of new supply in some markets and lower net absorption in the first quarter.
- ✓ Rent growth continued to increase nationally, showing an increase of 4.4% annually in the first quarter of 2019, compared to a year earlier. U.S. commercial property prices rose 8.3% during the same period.
- ✓ Still difficult to access mortgage credit for some single family home buyers.
- ✓ There is an affordability crisis in almost every metro market.

**Historical Home Ownership Rate**  
(percent)



Source: Bloomberg, Reis; chart, US Census Bureau

As of March 31, 2019, unless otherwise noted

# Investment Opportunities for the HIT

- ✓ High demand for multifamily housing – especially affordable and workforce housing
- ✓ Increase in household formation
- ✓ Rise in rents
- ✓ Not able to live near work



Casa del Pueblo  
San Jose, CA



Charlesview Apartments  
Boston, MA



Paseo Verde  
Philadelphia, PA

# The Future of HIT under New Leadership

Renewed Commitment to:

- ✓ Lower Costs
- ✓ Add New Authorities to help generate:
  - ✓ More Impact Investing
  - ✓ More Yield



Gateway North  
Lynn, MA



North and South Constitution  
Hoboken, NJ



Zvago at Lake Superior  
Duluth, MN

# Building Trades Capital

## An Integral Partner of the HIT

	Building Trades Assets in HIT (in Millions)	Building Trades Plan Assets (in Millions)*	HIT as % of Plan Assets	HIT Project Investment (in Millions)	# of Projects Financed
<b>Nationwide</b>	<b>\$3,040.1</b>	<b>\$477,178</b>	<b>0.6%</b>	<b>\$8,121.0</b>	<b>514</b>
<b>Major Markets</b>	<b>\$1,180.0</b>	<b>\$163,281</b>	<b>0.7%</b>	<b>\$4,122.4</b>	<b>231</b>
New York City	\$210.1	\$46,386	0.5%	\$1,632.9	66
Boston	\$337.4	\$16,563	2.0%	\$468.6	31
Chicago	\$242.0	\$61,892	0.4%	\$638.8	50
Twin Cities	\$246.5	\$11,691	2.1%	\$942.3	61
Northern California	\$144.0	\$26,749	0.5%	\$439.9	23

*\* Source: Money Markets Directory*



St. Anthony Mills  
Minneapolis, MN



Lathrop Homes Phase IA  
Chicago, IL



333 Harrison Apartments  
San Francisco, CA

# HIT is a Tool for the Construction Trades

## We Welcome Your Support

*“Therefore, it is requested that ... all affiliated local unions in order that their officials acting as custodian of treasury and special purpose funds or as a Labor Trustee of a negotiated plan might have the opportunity to favorably consider (supporting the HIT)” – George Meany, 1965*

- ✓ Advocate to consultants and advisors – revisit HIT given recent changes and enhancements made to lower costs and increase construction-related investments
- ✓ Identify Potential Projects – refer future deal opportunities to the HIT
- ✓ Actively promote public policies that encourage the building of more affordable housing using building and construction trades unions