



Driving Value in
**Multifamily
Housing Audits**

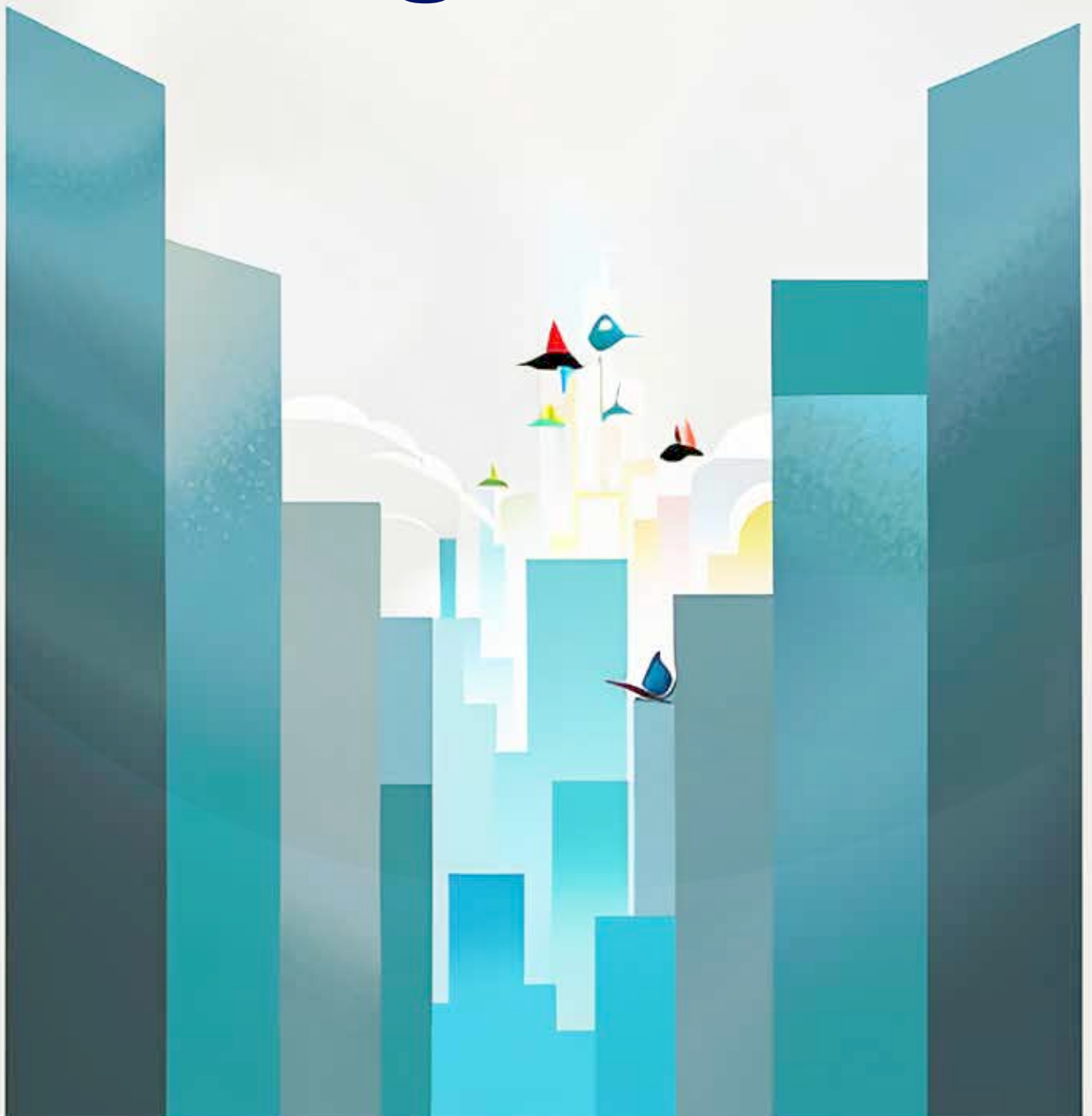


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Real Estate Industry Update

Industry Outlook

The gap between buying and renting remains wide in 2025. High home prices and mortgage rates discourage potential buyers—about 80% of current homeowners hold mortgages below 5% and are unlikely to sell.

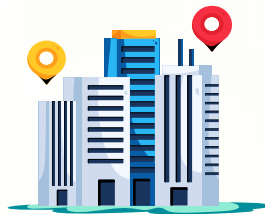
Vacancy rates in the Midwest, Northeast, and several gateway markets are lower compared to the high-supply Sun Belt and Mountain regions, which may see a lag in fundamentals until 2026. Overall, declining construction, rising occupancies, and accelerating rent growth are expected across all regions.

The industrial market is set to rebound in 2025 as demand returns to pre-pandemic levels. Companies will focus on long-term strategies to improve warehouse efficiency and supply chain resiliency.

The office market is transitioning into a new cycle, with stabilization driven by steady office attendance and a soft landing for the economy.

However, challenges remain with suboptimal job growth, a significant amount of sublease space, and high vacancies in less desirable office properties

Multifamily



Industrial



Commercial



Pierag's Point of View

Clients operating multifamily assets may expect consistent demand for rental units, supporting relatively predictable cash flows.

Monitoring construction delays and occupancy trends is vital. Clients should ensure their budgeting and risk assessments account for regional market dynamics.

Clients may take advantage of the outsourcing trend by focusing on properties favored by third party logistic providers, which may offer stronger rental growth.

For older industrial buildings facing higher vacancies, clients should evaluate divestiture or redevelopment opportunities to optimize portfolio performance.

Clients with high-quality, well-located office spaces may expect improved tenant demand, higher rents, and reduced concessions.

Clients must differentiate their offerings by investing in properties with superior amenities and location advantages to remain competitive amid shifting market dynamics.



Key Sub-Sectors of a Comprehensive **Real Estate Portfolio**

A real estate portfolio encompasses a variety of industries that cater to different aspects of property development, management, and services, including the following:



Real Estate Investment Trust

Entities that own, manage, or finance income-producing real estate. They raise capital by issuing shares to investors.



Multi- Family Housing

Multi-family housing consists of residential properties that are designed to include multiple separate units.



Commercial Real Estate

Entities that own, manage, or finance income-producing real estate. They raise capital by issuing shares to investors.



Industrial Real Estate

Properties specifically designed and built for industrial use—such as manufacturing facilities, warehouses and distribution centers etc. These assets also generate income through long-term leases, serving as essential infrastructure for production, storage, and logistics operations.



Compliance Audit

Audits of multi-family property entities subject to US Department of Housing & Development (HUD) regulation require a review of internal controls over compliance with HUD requirements.



Regulatory Update

On January 6, 2025, HUD issued its final rule revising the HOME Investment Partnerships Program regulations, effective February 5, 2025. This rule streamlines and updates requirements to better align the HOME program with other Federal housing initiatives while incorporating recent statutory amendments.

Key updates include:



Enhanced Tenant Protections:

The rule mandates uniform tenant protection addendums to be appended to leases for HOME-assisted rental units, ensuring that tenants receive clear, standardized protections against sudden rent increases and lease term modifications.



Income Determination Safe Harbor Expansion:

HUD has expanded safe harbor provisions to allow participating jurisdictions to accept income statements from other public assistance programs—such as TANF, Medicaid, and LIHTC—thereby reducing administrative burdens and promoting consistency in income eligibility assessments.



Clarifications in Definitions and Cost Eligibility:

The final rule introduces technical revisions across definitions—such as replacing “dwelling” with “housing” and standardizing “single family housing”—and broadens the range of pre-commitment soft costs (including legal fees, filing fees for zoning, and other lender-required costs) that may be reimbursed.



Transitional Provisions:

To assist with implementation, the rule provides transitional relief for projects with HOME funds committed prior to February 5, 2025, allowing continued compliance with previous regulatory frameworks for up to one year.



Streamlining of Administrative Processes:

The revisions also focus on reducing regulatory complexity by updating citations and clarifying the roles of Community Housing Development Organizations (CHDOs) and community land trusts in affordable housing development, thereby fostering stronger partnerships among local governments, nonprofits, and the private sector.



Why Robust Multifamily Housing Audits Matter

According to recent research from Freddie Mac's Multifamily Market Insights, U.S. multifamily housing assets are valued more than \$3.4 trillion. This immense market size—driven by high rental demand amid soaring home prices and elevated mortgage rates—underscores the critical importance of specialized multifamily housing audits.

In a sector where billions of dollars are at stake, these audits serve as a cornerstone for verifying financial integrity, ensuring compliance with regulatory standards, and fostering investor confidence.

In today's complex and dynamic real estate environment, multifamily housing assets have become a pivotal element of the overall real estate market.

As demographic shifts and affordability challenges drive an increasing number of households toward rental living, operators face multifaceted financial and operational challenges—from intricate lease structures and evolving regulatory requirements to the need for precise asset valuation.

A robust multifamily housing audit is not just about compliance; it is a strategic tool that enhances transparency, mitigates risk, and ultimately drives value for stakeholders.

In the sections that follow, we outline the key audit considerations that our firm employs to ensure that our clients receive deep, actionable insights tailored to the unique characteristics of the multifamily sector.



Our Key Audit Considerations for Multifamily Housing Audits



Centralized Planning

Adoption of a centralized planning model, when risk assessment and control environment across a portfolio of properties under a single property management entity are homogenous.

This approach leverages a single, comprehensive planning binder for all properties, ensuring consistency, reducing duplication of effort, and enhancing audit efficiency.



Casualty Loss Evaluation

Review of casualty losses arising from natural calamities such as hurricanes, floods, earthquakes, and wildfires in terms of assessing whether damages resulting from these events are accurately quantified and properly recorded in the financial statements. This includes reviewing repair and restoration estimates, verifying that insurance recoveries are correctly recognized.



Purchase Price Allocation

Testing of Purchase Price Allocation (PPA) involves ensuring that the purchase price is appropriately allocated among tangible assets, intangible assets, and liabilities acquired. Our procedures include verifying the allocation by reviewing the valuation report and our in-house cost segregation studies.



HUD Properties

- Reporting on
 1. Internal Financial Controls over Financial Reporting
 2. Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With GAS
 3. Compliance for the Major Federal Program
 4. Internal Control Over Compliance Required by the Uniform Guidance
- Ensuring adherence to Housing and Urban Development (HUD) requirements, Eligibility testing, review of HUD financial statements and supplementary schedule.



Restricted Reserves

Evaluation of the maintenance of minimum reserve balances and adherence to deposit requirements stipulated in governing agreements. Our assessment ensures that restricted reserves not only comply with contractual terms but also provide a reliable liquidity buffer in alignment with governing arrangement guidelines.



Debt Modification and Extinguishment

Evaluate refinancing transactions to determine whether changes in debt terms are appropriately classified as modifications or as extinguishments. This involves a detailed review of the contractual terms, comparison of new versus original debt agreements, and assessment of the resulting financial impact—such as recognition of gains or losses—ensuring compliance with relevant accounting standards and accurate reflection in the financial statements.





Our Key Audit Considerations for Multifamily Housing Audits



Rental Income & Vacancy Metrics

Evaluation of the reconciliation of rental income against rent rolls and actual cash receipts, along with an analysis of occupancy and vacancy trends against market benchmarks.



Distributions to Owners

Our approach for distributions to owners emphasizes a thorough validation of surplus cash flow and waterfall calculations to ensure that all disbursements conform to the contractual provisions in the Partnership Agreement.



Lower Income Housing Tax Credits (LIHTC)

Validating whether LIHTC reservation is accurately recorded in the financial statements and that the Project's compliance with these statutory requirements is thoroughly monitored over the required 15-year period.



Related Party Transaction

Evaluate asset management, property management fees, incentive fees, developer fees etc. charged by related parties by benchmarking them against the specific contractual provisions.



Transition testing

Testing of transitioning in terms of appropriate accounting treatment for the properties that were first constructed/developed and then placed into service.



Impairment and Going Concern Considerations

Evaluation of multifamily housing assets to identify indicators of impairment and to assess the entity's ability to continue as a going concern. The audit procedures include analyzing trends in rental income, occupancy rates, and bad debt allowances, and assessing any market decline in property values or consistent cash losses stemming from operational challenges. This comprehensive evaluation not only ensures that asset values accurately reflect current economic realities but also reinforces stakeholder confidence by providing transparent and timely disclosure of potential financial vulnerabilities.





Our Key Differentiators

Deep Industry Credentials

Leveraging extensive experience in this sector, providing clients with the benefits of lessons learned and innovative solutions drawn from numerous engagements.

Specialist Multi-Disciplinary Team

Our team blends industry veterans with technical specialists to deliver high-quality, tailored audit services, ensuring both a deep understanding of the external /internal environment and technical rigor.

Seamless Client Integration & Strategic Collaboration

We will bring value beyond audit by leveraging on the extensive industry experience of serving some of the largest companies in the sector. This means we bring you the benefits of lessons learned from several engagements that will help address your needs and challenges as you grow.

Innovative Solutions that Deliver Tangible Value

We move beyond mere compliance by proactively identifying opportunities for cost savings, operational efficiencies, and strategic enhancements. Our innovative mindset transforms audit findings into actionable recommendations that create real business value.

Future-Proofing with a Sharp Risk Focus

Future-proofing mindset help clients anticipate and prepare for upcoming changes in regulations, market trends, and financial reporting standards with sharp risk focus direction.

Collaborative Advisory Role

Acting as your trusted partner, we engage in proactive communication and ongoing advisory services, providing well-reasoned insights and prompt resolution of technical accounting matters that meet rigorous regulatory standards.

Holistic Ownership & Standardization Excellence

Our teaming model guarantees complete responsibility for the entire engagement—from meticulous planning through to final reporting—using standardized best practices to ensure consistency, reliability, and transparency in every audit.



Pierag Consulting

Pierag Consulting was founded in February 2021 by Abhishek Gupta, Thomas Raffa and Pierian Services as a unique business model to serve clients globally by blending domestic proficiency with global expertise. Since then, we have been serving prominent clients across the US, SEA, India and UK in the field of Audit & Assurance, Accounting Advisory, Business Risk and Technology Risk Advisory Services.

With more than 300+ team members operating out of our offices in Gurugram, Jaipur, Chandigarh and Bengaluru, we are fueled by our purpose of 'Inspiring people to do things that inspires them' and our values of 'Excellence, Equity & Empathy'.

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