On May 28th, ULI Chicago members convened for the Front Stoop Series to discuss “Multifamily: Today Vs. Tomorrow.” The discussion was led by Jason Koehn, President, Albion Residential, and Julie Heigl, Assistant Vice President, Waterton. Albion Residential is a Chicago-based developer and owner of properties from Minneapolis to Pittsburgh. Waterton is a Chicago-based owner of ~20,000 residential units (typically value-add projects) across the country with small hospitality and senior living portfolios.

Jason led the conversation with a recap of current projects that recently completed, Albion Oak Park and Albion Evanston, and pipeline projects, Albion Highland Park and a planned project in Nashville. Both Jason and Julie agreed that being in multifamily, a necessity sector, during the pandemic has been a blessing as both companies have seen multifamily rent collections of 95%+ since the lockdown.

Highlights of the discussion, including points from the attendees, are as follows:

- **Savings ("COVID Discount") in the construction sector:**
  - Construction companies have a short-term view and want a backlog of projects, so there will be a discount for the next few months, especially in non-union states.
  - Union markets: the election will be the most impactful as labor wages are set years in advance with annual growth of 3-4% already set.
  - Non-union markets: Nashville and Denver will have bigger price fluctuations.
  - Hard costs will decrease slightly in the near-term but will generally remain flat even considering supply chain disruption. The price increases from the tariff war were thought to be opportunistic and arbitrary.

- **Design changes from COVID:**
  - "Developers have to design a building for 100 years."
  - Albion is going to accommodate touchless features, better air systems, etc. when they make sense, but generally they are pushing back on architectural changes e.g. adding balconies at $20k is too expensive as rents will be beyond an affordable price point.
  - Waterton is staging models with a work-from-home set up (e.g. desk, alcove, den, etc.).

- **Management upside from COVID**
  - Virtual leasing has been very successful with millennials and Gen Z; one-bedrooms are easiest to rent. Virtual leasing will continue to be in use.
  - Owners are picking up fantastic multifamily talent, especially concierges and maintenance techs, from the hotel industry and at a lower cost. Admits to overpaying mediocre talent previously.
  - Costs from COVID are modest one-time expenses and are being offset from the payroll standpoint, e.g. fewer maintenance requests, no overtime, online leasing, etc.

- **Alderman’s reversal of ban on multifamily in north Fulton Market (20% ARO requirement)**
  - Positive opinions all around as land cost might decrease if bidders from the hotel and office industry are hesitant to develop there, so the ARO might make sense.

*Summary written by Amanda Friant, Investment Advisory, JLL*