

**ULI Chicago's "Front Stoop Series"
Multifamily: Today Vs. Tomorrow
May 28, 2020**

A Conversation With:

Jason Koehn, *President*, Albion Residential
Julie Heigl, *Assistant Vice President*, Waterton

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 development there, so the ARO might make sense.

Summary written by Amanda Friant, Investment Advisory, JLL