

**ULI Chicago's "Front Stoop Series"
What About the Suburbs?
June 25, 2020**

A Conversation With:
Mark Hamilton, *Partner*, Hamilton Partners
Matt Nix, *Principal*, REVA Development Partners

On June 25th, ULI Chicago members convened for the Front Stoop Series to discuss "What about the Suburbs?" The discussion featured Mark Hamilton, *Partner*, Hamilton Partners and Matt Nix, *Principal*, REVA Development Partners. Hamilton Partners, known in Chicago for its suburban office developments, has a diversified portfolio of office, industrial, multifamily and retail in Chicago, Salt Lake City, Denver, Phoenix, Milwaukee and Raleigh Durham. REVA Development Partners specializes in suburban multifamily development, pursuing projects in Chicago and Denver.

The conversation focused on the following topics:

(1) Impact of COVID on Portfolios

- Mark described his uncertainty of April rent collections at the onset of the pandemic; however, April and May collections were strong with June trending down 1%. Mark suggested expiring PPP loans may impact tenants' ability to pay rent.
- According to Matt Nix, REVA was able to pull off an assemblage of 15 acres in Denver and found the multiple sellers / landowners to be more accommodative due to COVID. While REVA paused an equity raise for another project in Denver early on, they recently reengaged the equity markets and have also pushed forward with construction on their Glen Ellyn project.

(2) Demographic Trends

- COVID has accelerated the decisions of millennials to move to the suburbs.
- Empty nesters wanting to downsize are capitalizing on this increased demand by selling their homes. However, they are hesitant to move downtown.
- Matt Nix noted that the waiting list for his Glen Ellyn multifamily development exemplifies this shift.
- According to Jason Koehn of Albion Residential, empty nester traffic at Albion Evanston was strong before COVID but had slowed down since the pandemic began. Leasing of smaller units continues to be strong.
- Valerie Kretchmer described her recent downsize from a home in the northern suburbs to a condo in Evanston, noting that there are too few large apartments for empty nesters, who do not want to live in an 800 SF one bedroom unit.

(3) Suburban Property Sectors

- Office: Hamilton Partners is seeing interest from downtown firms to open suburban outpost locations, noting of their empty office buildings may soon be under contract as a suburban outpost for one of these firms. They are also negotiating temporary leases for small, turnkey spaces that allow firms to spread out employees beyond their existing premises.
- Industrial: well-located industrial, such as industrial parks near O'Hare, are among the best performing properties during the pandemic. While lenders and appraisers have increased cap rates for most other property sectors, industrial seems to have maintained valuations.
- Multifamily: REVA's townhomes may be a beneficiary of the pandemic. These large, direct access units may be more appreciated and limit exposure to other people. REVA's Denver project will be all townhomes with no common areas, which also reduces maintenance burden on landlords.