Event Session

Closing General Session: Federal Housing Policies

Date: February 25???26, 2025

00:00:00 --> 00:00:01:	Good afternoon.
00:00:06 --> 00:00:08:	Good afternoon, everyone.
00:00:08 --> 00:00:11:	I'm Angela Kane, Chief Executive Officer of ULI, and it
00:00:11 --> 00:00:15:	is my distinct pleasure to invite you to our Housing
00:00:15 --> 00:00:19:	Opportunity Conference and welcome you from and thank you for
00:00:19 --> 00:00:21:	making time to be with us today.
00:00:23 --> 00:00:25:	You know, in my first six months as your global
00:00:25 --> 00:00:29:	CEO, I've been listening to members and learning about the
00:00:29 --> 00:00:32:	work that shapes the future of the built environment for
00:00:32 --> 00:00:32:	the better.
00:00:33 --> 00:00:37:	I'm in awe of the passion, the dedication, and the
00:00:37 --> 00:00:39:	generosity of ULI members.
00:00:39 --> 00:00:42:	It's what makes ULIULI.
00:00:42 --> 00:00:44:	So give yourselves a round of applause.
00:00:44 --> 00:00:46:	You're an amazing group of people.
00:00:46 --> 00:00:47:	My honor to serve you.
00:00:50 --> 00:00:53:	As we work together to strengthen ULI for the long
00:00:53 --> 00:00:57:	term and enhance the value, the experience and the impact
00:00:57 --> 00:01:00:	that we deliver, Members will always be at the center
00:01:00 --> 00:01:02:	of all that we do.
00:01:03 --> 00:01:07:	Among development and land issues today, few are as relevant
00:01:07 --> 00:01:09:	and pressing as housing affordability.
00:01:09 --> 00:01:13:	As you all know, nearly every city faces some form
00:01:13 --> 00:01:18:	of housing crisis, lack of affordable and workforce housing, obstacles
00:01:18 --> 00:01:23:	to new production shifts and working habits and migration patterns,
00:01:23 --> 00:01:24:	and more.

00:01:25 --> 00:01:28:	These challenges also have a ripple effect that extend beyond
00:01:28 --> 00:01:33:	housing markets into the economic, social and political spheres.
00:01:34 --> 00:01:37:	But there are no one size fit all solutions, which
00:01:37 --> 00:01:41:	is why ULI member expertise and collaboration are so vital.
00:01:42 --> 00:01:45:	They fuel the work of the Terwilliger Center to advance
00:01:45 --> 00:01:51:	innovation strategies through research, best practices, local technical assistance, and
00:01:51 --> 00:01:52:	convenings like this one.
00:01:54 --> 00:01:57:	I want to offer a special thanks to Ron Teriliger,
00:01:57 --> 00:02:01:	whose long standing generosity and leadership have enabled ULI to
00:02:02 --> 00:02:05:	have a meaningful impact in solving housing challenges.
00:02:10 --> 00:02:13:	He is celebrating his 50th year as a ULI member,
00:02:13 --> 00:02:17:	so please let's give him a huge round of applause.
00:02:21 --> 00:02:24:	We thank you for your dedication and leadership.
00:02:25 --> 00:02:28:	We all know that real estate is local, so the
00:02:28 --> 00:02:31:	most powerful engines of ULI are impact are found at
00:02:31 --> 00:02:34:	the local level with our district councils.
00:02:34 --> 00:02:39:	They engage communities, bring stakeholders together and leverage member expertise
00:02:39 --> 00:02:41:	to solve problems collaboratively.
00:02:42 --> 00:02:46:	We've seen that recently in Los Angeles, where members are
00:02:46 --> 00:02:50:	working together to share innovative ideas and best practices for
00:02:50 --> 00:02:52:	rebuilding after the wildfires.
00:02:52 --> 00:02:54:	We also see it here in Atlanta, a city I
00:02:54 --> 00:02:57:	called home for many years, a place that's very near
00:02:57 --> 00:02:58:	and dear to my heart.
00:02:59 --> 00:03:03:	I'm grateful to the entire ULI Atlanta team, including District
00:03:03 --> 00:03:08:	Council Chair Tyrone Rashall, Chair for Mission Advancement Amanda Rhine,
00:03:08 --> 00:03:12:	and Executive Director Daphne Bond Godfrey, for being wonderful host
00:03:12 --> 00:03:13:	this week.
00:03:13 --> 00:03:14:	Let's give them a round of applause.
00:03:19 --> 00:03:21:	ULI Atlanta is a model of how a District Council
00:03:22 --> 00:03:24:	can make a difference in its community.
00:03:24 --> 00:03:24:	It really is.
00:03:25 --> 00:03:28:	A little more than a year ago, at the request
00:03:28 --> 00:03:32:	of the local Housing Authority, ULI, ULI Atlanta partnered with

00:03:32 --> 00:03:36: the Terwilliger Center and the Advisory Services Program.
00:03:36 --> 00:03:40: A panel of experts from across the country offered recommendations
00:03:40 --> 00:03:43: on creating or preserving affordable housing.
00:03:44 --> 00:03:48: Atlanta Housing has since begun to enhance its strategy using
00:03:48 --> 00:03:49: those findings.
00:03:49 --> 00:03:51: So you will lie hard at work here in the
00:03:51 --> 00:03:52: heart of Atlanta.
00:03:52 --> 00:03:55: With that success story in mind, let's turn to our
00:03:55 --> 00:03:56: program today.
00:03:57 --> 00:04:00: Over the next two days, you're going to learn about
00:04:00 --> 00:04:05: cutting edge research, industry best practices, innovative policies, and transformative
00:04:05 --> 00:04:07: technologies and housing development.
00:04:08 --> 00:04:11: I hope the connections you make, the insights you gain,
00:04:11 --> 00:04:15: and the opportunities you encounter will be as valuable as
00:04:15 --> 00:04:18: you shape the future of the built environment and your
00:04:18 --> 00:04:20: own businesses and communities.
00:04:21 --> 00:04:24: I know we're all looking forward to hearing about the
00:04:24 --> 00:04:27: state of the US housing market and diving into the
00:04:27 --> 00:04:31: 2025 Housing Attainability Index with Ken Rosen and Adam Ducker.
00:04:32 --> 00:04:35: But first, I'm honored to introduce a local leader in
00:04:35 --> 00:04:36: housing policy innovation.
00:04:37 --> 00:04:41: Please welcome the City of Atlanta's Chief Policy Officer and
00:04:41 --> 00:04:43: senior advisor to the Mayor, Mr.
00:04:43 --> 00:04:44: Courtney English.
00:04:54 --> 00:04:56: All right, what's up?
00:04:56 --> 00:04:57: You alive?
00:04:58 --> 00:05:01: All new, new, new, new, new, new, new, new.
00:05:02 --> 00:05:03: This is Atlanta.
00:05:03 --> 00:05:05: We we like to have a little bit of fun.
00:05:05 --> 00:05:06: What's up y'all?
00:05:06 --> 00:05:09: All right, all right, We know it's a heady.
00:05:09 --> 00:05:12: We know it's a heady topic, but but we are
00:05:12 --> 00:05:13: going to have some fun.
00:05:13 --> 00:05:16: It's a pleasure to be with you all to bring
00:05:16 --> 00:05:19: greetings on behalf of our 61st mayor, Mayor Andre Dickens,
00:05:19 --> 00:05:22: who would be here today if it weren't for he's
00:05:22 --> 00:05:25: got a little speech later on this evening called the
00:05:25 --> 00:05:26: State of the city.
00:05:26 --> 00:05:28: So you all are stuck with me.

00:05:28 --> 00:05:29: I hope that's OK.
00:05:30 --> 00:05:31: All right, I appreciate that.
00:05:31 --> 00:05:32: A few fans.
00:05:33 --> 00:05:35: I do want to thank Angela and her for her
00:05:35 --> 00:05:36: outstanding leadership.
00:05:36 --> 00:05:38: Please give her a round of applause.
00:05:41 --> 00:05:45: Of course, we want to thank everyone at Urban, the
00:05:45 --> 00:05:50: Urban Land Institute's Terwilliger Center for Housing for selecting Atlanta
00:05:50 --> 00:05:53: as a host for this incredibly important conversation.
00:05:54 --> 00:05:56: There's 2025 Housing Opportunity Conference.
00:05:57 --> 00:05:58: We are indeed excited to have you here.
00:05:58 --> 00:06:02: It's an honor to showcase all of the important work
00:06:02 --> 00:06:05: that we're doing in the city of Atlanta that we
00:06:05 --> 00:06:08: believe is having an impact nationwide to make housing more
00:06:08 --> 00:06:12: affordable, to bring high quality neighborhoods to all folks who
00:06:12 --> 00:06:13: call this city home.
00:06:14 --> 00:06:17: The conversations that you will have over the next few
00:06:17 --> 00:06:20: days we believe will help shape the future of housing
00:06:20 --> 00:06:20: policy.
00:06:21 --> 00:06:24: And let me say this, with all of the excitement
00:06:25 --> 00:06:29: happening in Washington, DC, we believe that the notion that
00:06:30 --> 00:06:34: politics is local has never been more true and has
00:06:34 --> 00:06:36: never been more necessary.
00:06:36 --> 00:06:39: And so the conversations that you are going to have
00:06:39 --> 00:06:42: over the course of the next two days or so
00:06:42 --> 00:06:46: are critical to ensuring that citizens throughout this country have
00:06:46 --> 00:06:49: access to affordable housing in their own neighborhoods.
00:06:50 --> 00:06:51: We have been working hard.
00:06:51 --> 00:06:54: The guiding strategic focus of this mayor's administration is to
00:06:54 --> 00:06:57: make Atlanta the best place in the country to raise
00:06:57 --> 00:06:59: a child, to make this city the best place in
00:06:59 --> 00:07:00: the country to raise a child.
00:07:00 --> 00:07:03: If that's the what that's our North Star by, how
00:07:03 --> 00:07:05: we're going to do it, is to ensure that we're
00:07:05 --> 00:07:09: building a series of healthy, whole neighborhoods that are safe
00:07:09 --> 00:07:12: for folks can work their way up the economic ladder.
00:07:12 --> 00:07:17: The cornerstone of that neighborhood affordability strategy, that neighborhood strategy

00:07:17 --> 00:07:20: is ensuring access to high quality affordability.
00:07:21 --> 00:07:24: Which is exactly why I'm mayor put out a bold
00:07:24 --> 00:07:28: goal to build 20,000 units of affordable housing in an
00:07:28 --> 00:07:29: 8 year period.
00:07:30 --> 00:07:35: To date, in just three years, we've delivered 6500 units
00:07:35 --> 00:07:41: of affordable housing, 6500 units of affordable housing, with almost
00:07:42 --> 00:07:45: 5000 additional units on the way.
00:07:45 --> 00:07:48: Our mayor would say that that kind of progress is
00:07:48 --> 00:07:51: evidence of what we like to call in the city
00:07:51 --> 00:07:55: of Atlanta, Atlanta's group project where all folks pour in.
00:07:55 --> 00:07:57: So when the mayor took office, he created what we
00:07:57 --> 00:08:00: call the Atlanta, the Affordable Housing Strike Force.
00:08:00 --> 00:08:02: We're not good at naming things.
00:08:02 --> 00:08:03: They are what it sounds like.
00:08:03 --> 00:08:06: We're going to strike really hard and building affordable housing
00:08:06 --> 00:08:07: as fast as humanly as possible.
00:08:08 --> 00:08:10: All that strike force is is a combination of everybody
00:08:10 --> 00:08:14: anywhere who touches affordable housing, who has access to dirt.
00:08:14 --> 00:08:17: We're sitting in a room planning and thinking about how
00:08:17 --> 00:08:19: to get affordable housing out of the ground fast.
00:08:19 --> 00:08:22: There's some members of the Affordable Housing Strike Force in
00:08:22 --> 00:08:24: the room, Amanda Ryan, who was mentioned earlier.
00:08:24 --> 00:08:26: Raise your hand, Amanda.
00:08:26 --> 00:08:28: Hey, she's one of my heroes.
00:08:29 --> 00:08:29: Actually.
00:08:29 --> 00:08:32: I saw Dennis Richards from the Atlanta Beltline is in
00:08:33 --> 00:08:34: the room somewhere.
00:08:35 --> 00:08:36: Terry Lee will be with you.
00:08:36 --> 00:08:38: I know other folks from Invest Atlanta.
00:08:38 --> 00:08:41: And then I want to give a special shout out
00:08:41 --> 00:08:43: to someone who has a special connection to ULI.
00:08:43 --> 00:08:45: Lisa Benjamin is in the room.
00:08:45 --> 00:08:46: Where are you, Lisa?
00:08:47 --> 00:08:51: Lisa is the city's former CEO, the mayor's first CEO,
00:08:51 --> 00:08:55: and actually started off by chairing the Atlanta Affordable Housing
00:08:55 --> 00:08:57: Strike Force along with myself.
00:08:57 --> 00:08:59: And so we got a whole lot of folks doing
00:08:59 --> 00:09:01: a whole lot of good work.

00:09:01 --> 00:09:03: We're going to leverage our public assets.
00:09:03 --> 00:09:06: We have over 2000 acres of undeveloped land in this
00:09:06 --> 00:09:08: city, and we're going to build on all of them.
00:09:09 --> 00:09:11: We're building housing on top of fire stations.
00:09:11 --> 00:09:13: We're building housing in old parking lots.
00:09:13 --> 00:09:16: We're converting office space into housing.
00:09:16 --> 00:09:18: We're converting hotels and a housing.
00:09:18 --> 00:09:20: If you have a piece of dirt that you're not
00:09:20 --> 00:09:23: doing anything with, we will put housing on that too.
00:09:24 --> 00:09:26: No, raise your hand if you got some dirt.
00:09:26 --> 00:09:30: All right, listen, the point is simple.
00:09:30 --> 00:09:33: We're going to do everything we can to build affordable
00:09:33 --> 00:09:37: housing and keep our neighborhoods healthy, whole, safe, where folks
00:09:37 --> 00:09:40: have the ability to work their way up up the
00:09:40 --> 00:09:42: economic ladder and live choice filled lives.
00:09:42 --> 00:09:46: There's our guiding strategic focus in this city and we
00:09:46 --> 00:09:49: look forward to conversing with you, learning from you.
00:09:50 --> 00:09:53: And we have no shame in stealing every good idea
00:09:53 --> 00:09:55: that you all throw out.
00:09:55 --> 00:09:55: So keep them coming.
00:09:56 --> 00:09:58: I'm taking notes before I go.
00:09:58 --> 00:10:03: I do want to acknowledge or really introduce a housing
00:10:03 --> 00:10:08: legend, a trailblazer who has dedicated apparently 50 years of
00:10:09 --> 00:10:13: his life to ULI and making sure that this country
00:10:13 --> 00:10:15: is affordable for all.
00:10:15 --> 00:10:16: Mr.
00:10:16 --> 00:10:19: Ron Turruliger, I'm sorry, I always missed it.
00:10:20 --> 00:10:24: Turruliger has again laid an incredible foundation for all of
00:10:24 --> 00:10:27: us and set an incredible example for all of us
00:10:27 --> 00:10:31: to learn by, not just in Atlanta, but across the
00:10:31 --> 00:10:31: country.
00:10:32 --> 00:10:35: Ron is a former chair of the Urban Land Institute
00:10:35 --> 00:10:38: two and in 2007 he established the Turbulgar Center for
00:10:38 --> 00:10:41: Housing at ULI, with a mission to make sure everyone
00:10:41 --> 00:10:45: has an affordable home that meets their needs and the
00:10:45 --> 00:10:46: needs of their families.
00:10:46 --> 00:10:50: In addition to his work at ULI, Ron has centers
00:10:50 --> 00:10:54: at the Habitat for Humanity and the Bipartisan Policy Center
00:10:54 --> 00:10:57: where he works to develop core housing solutions.
00:10:58 --> 00:11:01: Ron has dedicated his entire career to advocating for affordable

00:11:01 --> 00:11:04: housing, and we're lucky to have him with us today.
00:11:04 --> 00:11:07: Please join me in in a warm round of applause
00:11:07 --> 00:11:09: for walking my speaker this morning, Mr.
00:11:09 --> 00:11:11: Ron Toriliga.
00:11:25 --> 00:11:28: Thank you, Angela and Courtney.
00:11:28 --> 00:11:31: Like Angela, Atlanta has been my home for a lot
00:11:31 --> 00:11:32: of years.
00:11:32 --> 00:11:36: I lived here 27 years, work with Shirley Franklin.
00:11:36 --> 00:11:40: Actually, we had Renee Glover and I shared the Affordable
00:11:40 --> 00:11:43: Workforce Housing Task Force many years ago.
00:11:44 --> 00:11:47: This challenge for housing affordability has been with us a
00:11:47 --> 00:11:48: long time.
00:11:49 --> 00:11:52: I've always called it a silent crisis.
00:11:52 --> 00:11:55: I think it's less silent now because more and more
00:11:55 --> 00:11:56: people are aware of it.
00:11:56 --> 00:12:00: But I'm pleased to be here today.
00:12:00 --> 00:12:05: And we've always opened this conference with the same general
00:12:05 --> 00:12:07: session state of the housing markets.
00:12:08 --> 00:12:12: Throughout the years, we've had different people provide analysis, but
00:12:12 --> 00:12:15: recent years we have these two great speakers who have
00:12:15 --> 00:12:17: worked with us for a while.
00:12:17 --> 00:12:19: It's a great way to kick start the conference.
00:12:20 --> 00:12:23: We're joined today by Ken Rosen and Adam Ducker.
00:12:23 --> 00:12:25: Why don't you guys come on up?
00:12:33 --> 00:12:36: Ken is chairman of the Rosen Consulting Group, a real
00:12:36 --> 00:12:39: estate market research firm, chairman of the Fisher Center for
00:12:39 --> 00:12:43: Real Estate and Urban Economics, and professor emeritus and California
00:12:43 --> 00:12:46: State chair of real estate and urban Economics, the Haas
00:12:46 --> 00:12:50: School of Business at the University of California, Berkeley.
00:12:51 --> 00:12:52: Ken has conferences every year.
00:12:52 --> 00:12:56: We were reminded that at one of his conferences, I
00:12:56 --> 00:13:00: decided this is 1993 to start a couple of real
00:13:00 --> 00:13:02: estate investment trust.
00:13:03 --> 00:13:05: Not many of you may have been working in those
00:13:05 --> 00:13:08: days, but it was a difficult recession and people couldn't
00:13:08 --> 00:13:09: refinance their debt.
00:13:09 --> 00:13:12: So a number of companies went public and I got
00:13:12 --> 00:13:15: the idea along with Chuck Berman at his conference to
00:13:15 --> 00:13:19: start Avalon Bay and Gables, which were the two Trammell

00:13:19 --> 00:13:21: Crow spin offs that became public.
00:13:24 --> 00:13:26: Ken is the trustee of the Urban Land Institute and
00:13:26 --> 00:13:29: a member of the board of directors of several nonprofit
00:13:29 --> 00:13:29: entities.
00:13:30 --> 00:13:33: Really well regarded and we're very fortunate to have you
00:13:33 --> 00:13:34: with us today, Ken.
00:13:34 --> 00:13:35: Thank you.
00:13:36 --> 00:13:40: Adam Ducker's chief's executive officer, RC Elco, and overseas the
00:13:40 --> 00:13:44: firm's real estate economics and management consulting practices.
00:13:44 --> 00:13:47: He joined RC Elco in the mid 1990s as an
00:13:47 --> 00:13:51: Associate director after Graduate School and learned the trade with
00:13:51 --> 00:13:52: firm.
00:13:53 --> 00:13:58: He is recognized subject to expert and organizational growth, capital
00:13:58 --> 00:14:03: strategy, investment analysis, market and financial analysis, and marketing the
00:14:03 --> 00:14:05: real estate assets.
00:14:05 --> 00:14:08: He also serves as a member of the ULI Center's
00:14:08 --> 00:14:09: Advisory Board.
00:14:11 --> 00:14:15: My companies today that do apartment development always use RCL
00:14:15 --> 00:14:19: code to help verify the rents my my partners sometimes
00:14:19 --> 00:14:23: aggressive the rents and absorption we might get and what
00:14:23 --> 00:14:25: the unit mix should be in.
00:14:25 --> 00:14:28: My first apartment project was built here in Atlanta in
00:14:29 --> 00:14:29: 1980.
00:14:30 --> 00:14:32: RCL Co was on the on the ground right then.
00:14:32 --> 00:14:34: So I have a long history with them and great
00:14:34 --> 00:14:35: respect for him.
00:14:36 --> 00:14:38: Thank you Adam and Ken for being here with us
00:14:38 --> 00:14:38: today.
00:14:38 --> 00:14:40: I think, Ken, you're going to start.
00:14:40 --> 00:14:41: Yeah, Thank you, Ron.
00:14:41 --> 00:14:44: I'm very fortunate to be able to come here, work
00:14:44 --> 00:14:47: with you alive for 45 years, not quite as long
00:14:47 --> 00:14:49: as Ron, but almost as long as Ron.
00:14:49 --> 00:14:52: And we're very fortunate to help him when he took
00:14:52 --> 00:14:53: those companies public.
00:14:53 --> 00:14:55: And and if you know, I had a REIT management
00:14:55 --> 00:14:57: company and we owned a lot of their stock and

00:14:57 --> 00:14:59: thank you, you made us a lot of money.
00:15:00 --> 00:15:00: Everyone in the room, Should I?
00:15:01 --> 00:15:01: Should I?
00:15:01 --> 00:15:03: Give a little introduction on how we're going to use
00:15:03 --> 00:15:03: the time, Ken.
00:15:04 --> 00:15:04: Yes.
00:15:05 --> 00:15:08: We're going to have a great opportunity to to hear
00:15:08 --> 00:15:11: from Ken, who's really going to share the slides today.
00:15:11 --> 00:15:14: And I get to be the troublemaker with the with
00:15:14 --> 00:15:15: the other microphone.
00:15:16 --> 00:15:19: So Ken is going to go through this and we're
00:15:19 --> 00:15:22: going to try to to dialogue, if you will, not
00:15:22 --> 00:15:26: surprising to anybody that maybe there's as much uncertainty difficult
00:15:26 --> 00:15:29: in reading the tea leaves as there's been in a
00:15:29 --> 00:15:30: long time.
00:15:31 --> 00:15:33: And we're going to try to do that in dialogue
00:15:33 --> 00:15:35: a little bit for the next 45 minutes or so.
00:15:35 --> 00:15:36: But Ken, I'll let you go.
00:15:37 --> 00:15:41: So I'm going to do very briefly a little introduction
00:15:41 --> 00:15:43: about our new regime in Washington.
00:15:43 --> 00:15:46: It's been I think 5 weeks now and it's created
00:15:46 --> 00:15:49: a lot of instability, a lot of uncertainty.
00:15:49 --> 00:15:51: And I'm just going to give the highlights here.
00:15:51 --> 00:15:54: And as we go through the the detailed slides on
00:15:54 --> 00:15:59: supply and demand, vacant straight and rents for apartments, for
00:15:59 --> 00:16:02: single family, for senior housing, for single for sale and
00:16:03 --> 00:16:04: for rent single family.
00:16:05 --> 00:16:08: So starting with the Department of Governmental Efficiency, I don't
00:16:08 --> 00:16:11: know if I've ever seen anything like this.
00:16:11 --> 00:16:13: The instability that is created.
00:16:14 --> 00:16:15: Every day there's something new.
00:16:15 --> 00:16:17: You wake up and what are they doing next?
00:16:19 --> 00:16:23: It's almost like they're trying to disrupt everything, which Elon
00:16:23 --> 00:16:24: Musk has done with Twitter.
00:16:24 --> 00:16:25: I'm from California.
00:16:25 --> 00:16:28: I saw what he did, fired 80% of the people.
00:16:28 --> 00:16:30: They think they can do the same thing with the
00:16:30 --> 00:16:32: several million federal workers.
00:16:32 --> 00:16:34: I think it's a mistake, but he's doing it.
00:16:35 --> 00:16:38: 75,000 people have already resigned.

00:16:38 --> 00:16:41: They tried to get them to voluntarily do that, offering
00:16:41 --> 00:16:44: a buyout, 8 more months of work and then you
00:16:44 --> 00:16:46: don't have to work and you get paid your retirement
00:16:46 --> 00:16:47: benefits.
00:16:48 --> 00:16:52: Their target is 200,000 people and he's trying everything you
00:16:52 --> 00:16:52: can.
00:16:52 --> 00:16:54: You saw over the weekend, just latest.
00:16:55 --> 00:16:56: Tell me what you did the last week.
00:16:57 --> 00:16:58: 5 bullet points or you're gone.
00:16:59 --> 00:17:01: Well, we'll see how long that goes on.
00:17:01 --> 00:17:05: So it's a big disruption and they're disrupting whole agencies,
00:17:05 --> 00:17:09: whether it be HUD, FHA, Consumer Financial Protection Bureau.
00:17:09 --> 00:17:11: So this is a big disruption.
00:17:11 --> 00:17:15: We've never seen anything like this in my lifetime.
00:17:16 --> 00:17:19: On the tariff side, is it a tool or is
00:17:19 --> 00:17:22: it something that's going to actually happen?
00:17:22 --> 00:17:25: We put tariffs on steel and aluminum already starting I
00:17:25 --> 00:17:26: think of March 4th.
00:17:27 --> 00:17:31: And he's talked about 25% tariffs and bargaining with countries
00:17:31 --> 00:17:32: around the world.
00:17:33 --> 00:17:35: Lot of people in economics don't think he's going to
00:17:35 --> 00:17:35: do it.
00:17:36 --> 00:17:36: He is.
00:17:36 --> 00:17:38: He loves tariffs.
00:17:38 --> 00:17:41: So this is going to be a big disruption to
00:17:41 --> 00:17:44: trade and the cost of building will be affected.
00:17:44 --> 00:17:47: About 30% of the components that are in a typical
00:17:47 --> 00:17:50: housing unit come from overseas or Mexico, other places.
00:17:51 --> 00:17:53: Immigration may be the biggest component of it.
00:17:54 --> 00:17:58: Whether we actually do what he's suggesting, mass deportation of
00:17:58 --> 00:18:01: a million people, they'll be a self deportation of maybe
00:18:02 --> 00:18:04: one or two million more people.
00:18:04 --> 00:18:09: But remember, immigration from abroad counts for 45% of the
00:18:09 --> 00:18:12: annual growth in US population.
00:18:12 --> 00:18:13: So we need this.
00:18:13 --> 00:18:14: It's what makes U.S.
00:18:14 --> 00:18:14: special.
00:18:15 --> 00:18:18: And again, we don't know what's going to actually happen
00:18:18 --> 00:18:21: here, but it's not looking good so far.

00:18:21 --> 00:18:24: And the housing side, you housing is so important.
00:18:24 --> 00:18:25: You all know this.
00:18:25 --> 00:18:30: Between 25 and 45% of an individual households income goes
00:18:30 --> 00:18:31: for housing.
00:18:32 --> 00:18:34: So what we produce, what we rent and what we
00:18:34 --> 00:18:36: own, it's so critical.
00:18:36 --> 00:18:39: And yet there's very little discussion of housing policy.
00:18:40 --> 00:18:44: They've talked about a large reduction in staffing at H,
00:18:44 --> 00:18:45: at HUD and FHA.
00:18:46 --> 00:18:50: They've talked about privatization of the GS, ES, Fannie Mae
00:18:50 --> 00:18:51: and Freddie.
00:18:51 --> 00:18:54: Are they going to take them private successfully?
00:18:54 --> 00:18:55: They're very important.
00:18:55 --> 00:18:58: They account for 7080% of financing for housing.
00:18:58 --> 00:18:59: So we need them.
00:19:00 --> 00:19:04: And on the positive side, the secretary of Hud's talking
00:19:04 --> 00:19:07: about expanding opportunity zones, which has led to quite a
00:19:07 --> 00:19:10: bit of production in certain locations.
00:19:11 --> 00:19:14: So housing is a big issue and monetary policy.
00:19:14 --> 00:19:17: We're going to wait for the confrontation between Powell and
00:19:17 --> 00:19:18: Trump.
00:19:18 --> 00:19:21: It's sort of happened 2 weeks ago, then it stopped.
00:19:21 --> 00:19:22: But we'll see.
00:19:22 --> 00:19:24: He wants interest rates to be much lower.
00:19:24 --> 00:19:27: We all do, but you can't do that in inflationary
00:19:27 --> 00:19:28: economy.
00:19:29 --> 00:19:31: Before you go, just a question about housing policy.
00:19:31 --> 00:19:33: We're going to spend a lot of time in the
00:19:33 --> 00:19:34: next few days on housing policy.
00:19:35 --> 00:19:37: It's the question I got the most this morning from
00:19:37 --> 00:19:39: people in the room.
00:19:39 --> 00:19:43: The president ran on a pro housing policy to some
00:19:43 --> 00:19:43: degree.
00:19:44 --> 00:19:48: Is there a chance that the housing community, this group,
00:19:48 --> 00:19:51: can kind of bend the arc a little bit around
00:19:51 --> 00:19:53: HUD, around some of that?
00:19:53 --> 00:19:54: Well, we hope so.
00:19:54 --> 00:19:56: That's what you and I is here for.
00:19:56 --> 00:20:00: We're going to come out with our five point plan
00:20:00 --> 00:20:04: after this conference that Ron will deliver to Mr.
00:20:04 --> 00:20:04: Trump.

00:20:04 --> 00:20:05: We'll see what happens.
00:20:06 --> 00:20:08: I do think, you know, he is a real estate
00:20:08 --> 00:20:10: guy, but it's real estate in a different way than
00:20:11 --> 00:20:12: many in the room have done it.
00:20:15 --> 00:20:17: So let me just mention the deregulation.
00:20:17 --> 00:20:21: The one big positive could be deregulation, that the biggest
00:20:21 --> 00:20:24: problem that we've had is a lot of local land
00:20:24 --> 00:20:25: use regulations.
00:20:25 --> 00:20:27: Rent control is another regulation we have.
00:20:28 --> 00:20:30: Is there some way that we could have some sort
00:20:30 --> 00:20:32: of national help in this area?
00:20:32 --> 00:20:34: Already communities are doing it.
00:20:34 --> 00:20:37: Many of you know about Prop 33 in California where
00:20:37 --> 00:20:40: we had a group trying to put on a statewide
00:20:40 --> 00:20:42: rent control and I decided to be the face of
00:20:42 --> 00:20:44: the opposition and we want 60 to 40.
00:20:45 --> 00:20:48: California, very liberal state, defeated statewide rent control.
00:20:49 --> 00:20:50: So it could happen.
00:20:50 --> 00:20:53: We could see Trump lead some of those things for
00:20:53 --> 00:20:55: the right people can get to him.
00:20:56 --> 00:20:58: Then let me just add a couple of more things
00:20:58 --> 00:21:00: and we'll go into detail on housing.
00:21:01 --> 00:21:05: We think we still are facing a $2 trillion deficit
00:21:05 --> 00:21:05: annually.
00:21:06 --> 00:21:08: That's where we are today, 1.9 trillion.
00:21:09 --> 00:21:12: That means it's going to be very hard for interest
00:21:12 --> 00:21:13: rates to come down.
00:21:13 --> 00:21:15: We're spending a lot more than we're taking in.
00:21:16 --> 00:21:19: And the Fed has already slowed their interest rate reduction
00:21:19 --> 00:21:19: plan.
00:21:20 --> 00:21:23: Interest rates have come back down a little bit on
00:21:23 --> 00:21:24: the 10 year bond.
00:21:24 --> 00:21:27: But my guess is the feds can be very reluctant
00:21:27 --> 00:21:29: to cut rates in the face of the big spending
00:21:29 --> 00:21:32: plans that we see coming out of Washington.
00:21:32 --> 00:21:34: And that revounds around the tax cut.
00:21:34 --> 00:21:37: The tax regime we put in place 2017 during the
00:21:38 --> 00:21:39: first Trump term.
00:21:39 --> 00:21:42: He wants to extend that and expand that.
00:21:42 --> 00:21:46: So that means, again, bigger deficits that we even have
00:21:46 --> 00:21:46: now.
00:21:46 --> 00:21:48: We don't know if we'll be successful or not at

00:21:48 --> 00:21:51: that, but there are a couple of positive things.
00:21:51 --> 00:21:54: They're going to raise the state and local income tax
00:21:54 --> 00:21:55: deduction cap.
00:21:55 --> 00:21:58: Right now you can't deduct more than $10,000 of these
00:21:58 --> 00:22:01: taxes against your income, but that's going to be at
00:22:01 --> 00:22:03: least talking about raising that.
00:22:04 --> 00:22:07: The other things I'll just talk about, we see everyday
00:22:07 --> 00:22:12: something new, how we're breaking alliances, we're supporting other things
00:22:12 --> 00:22:14: that are surprising to everybody.
00:22:14 --> 00:22:15: So we don't know.
00:22:15 --> 00:22:18: Every day I wake up, it's something exciting.
00:22:18 --> 00:22:20: I don't know if I call it exciting, but unusual
00:22:20 --> 00:22:21: happens.
00:22:22 --> 00:22:23: So let's talk about where we are.
00:22:24 --> 00:22:25: And Adam and I are going to try to give
00:22:26 --> 00:22:28: you some view of what this means for the different
00:22:28 --> 00:22:29: aspects of the housing market.
00:22:30 --> 00:22:34: The economy going into this era has been quite strong.
00:22:34 --> 00:22:39: We've had 160,000 jobs per month created this last year.
00:22:39 --> 00:22:42: Unemployment rate is at a four point 1% level, very
00:22:42 --> 00:22:42: low.
00:22:43 --> 00:22:45: And we've had pretty good GDP growth.
00:22:45 --> 00:22:48: We only have through the fourth quarter, but 2 1/2
00:22:48 --> 00:22:49: percent annual rate.
00:22:49 --> 00:22:51: So the economy has been really good.
00:22:51 --> 00:22:52: Inflation has come down.
00:22:53 --> 00:22:56: We're still in the 3% plus range on inflation, but
00:22:56 --> 00:22:59: that's down from at the peak at two years ago
00:22:59 --> 00:22:59: of 9%.
00:22:59 --> 00:23:01: So that that's a big positive.
00:23:02 --> 00:23:04: But the question is, will the new plans that have
00:23:04 --> 00:23:07: come out of Washington, are they inflationary and how much
00:23:07 --> 00:23:08: inflation?
00:23:08 --> 00:23:10: I think the Fed is going to be on hold
00:23:10 --> 00:23:11: for a while.
00:23:11 --> 00:23:13: They've cut rates three times.
00:23:13 --> 00:23:15: We're going to wait and see.
00:23:15 --> 00:23:17: I think they're going to wait and see what comes
00:23:17 --> 00:23:19: out of the fiscal policy area.
00:23:19 --> 00:23:22: But I think my worry is the long bond, the
00:23:22 --> 00:23:26: 10 year bond, which determines mortgage rates will go up,

00:23:26 --> 00:23:26: not down.
00:23:27 --> 00:23:29: Now as many of you know, in the last week
00:23:29 --> 00:23:31: it's come down dramatically.
00:23:31 --> 00:23:35: It was 4.82 weeks ago, it's down to 4.3 today.
00:23:35 --> 00:23:38: So maybe I'm wrong, maybe it'll keep on coming down,
00:23:38 --> 00:23:40: but I think the risk is on the other side.
00:23:41 --> 00:23:44: So those of you who can hedge and take advantage
00:23:44 --> 00:23:47: of this drop, we've seen, I would do that as
00:23:47 --> 00:23:48: fast as I can.
00:23:49 --> 00:23:52: So now what's going to happen?
00:23:52 --> 00:23:55: So many of you know, economists never like to give
00:23:55 --> 00:23:56: you one scenario.
00:23:57 --> 00:23:58: We'd like to hedge our bets.
00:23:58 --> 00:24:02: So the base case which we're thinking about is growth
00:24:02 --> 00:24:05: slows a little bit, but we still add 1.9 million
00:24:05 --> 00:24:06: jobs.
00:24:06 --> 00:24:09: We have the short term interest rate coming down a
00:24:09 --> 00:24:13: little bit more to 4%, but we think the long
00:24:13 --> 00:24:16: bond goes up over 5% and inflation instead of being
00:24:16 --> 00:24:20: 2 1/2 percent where it is today, actually accelerates the
00:24:20 --> 00:24:21: 3 1/2 percent.
00:24:21 --> 00:24:25: That's because of the tariffs, because of the shortage of
00:24:25 --> 00:24:27: Labor as we push people out of the country.
00:24:28 --> 00:24:29: And I think that's our base case.
00:24:30 --> 00:24:33: And then the bull case is Trump gets lucky, inflation
00:24:34 --> 00:24:35: doesn't come back up.
00:24:35 --> 00:24:39: Interest rates can remain low about where they are now
00:24:39 --> 00:24:42: and the short rate goes lower and we have stronger
00:24:42 --> 00:24:42: growth.
00:24:43 --> 00:24:45: And then the bear case is feeling that way.
00:24:45 --> 00:24:48: The last three or four days, things don't go so
00:24:48 --> 00:24:52: well that he creates chaos and he's got the agent
00:24:52 --> 00:24:53: of chaos, Elon Musk.
00:24:54 --> 00:24:57: You ever watch these programs with the Joker?
00:24:57 --> 00:25:00: Feels like the Joker, It really does.
00:25:01 --> 00:25:02: And we get a recession.
00:25:03 --> 00:25:05: But Adam, maybe you want to comment on this stuff?
00:25:05 --> 00:25:08: The question that troubles so many of us is, you
00:25:08 --> 00:25:11: know, the the first few slides suggest all kinds of
00:25:11 --> 00:25:13: reasons for uncertainty.
00:25:13 --> 00:25:15: Markets hate uncertainty.
00:25:15 --> 00:25:18: In real estate, we were pricing well into the future.

00:25:18 --> 00:25:21: I think the market is somewhere between the bull and

00:25:22 --> 00:25:22: the base case.

00:25:23 --> 00:25:28: Why is the uncertainty not pushing, you know, more energy

00:25:28 --> 00:25:33: into paralysis, which is what we often see at times

00:25:33 --> 00:25:35: of such uncertainty?

00:25:35 --> 00:25:38: I I think this is such a stark change from

00:25:38 --> 00:25:41: the way we've run policy ever, even compared to the

00:25:41 --> 00:25:42: first Trump term.

00:25:42 --> 00:25:43: What's going on?

00:25:43 --> 00:25:46: And the people who is appointed are outside of the

00:25:46 --> 00:25:46: norm.

00:25:46 --> 00:25:52: We've seen we're allied with Russia now divide the world.

00:25:52 --> 00:25:54: I mean, this is so outside of the norm.

00:25:54 --> 00:25:58: And yet we have hope because he is a business

00:25:58 --> 00:26:01: person and he's very alive and new ideas all the

00:26:01 --> 00:26:02: time.

00:26:02 --> 00:26:04: But I think we're holding our breath.

00:26:04 --> 00:26:05: Everyone's holding their breath.

00:26:05 --> 00:26:08: The stock market the last week is feeling very scared.

00:26:08 --> 00:26:09: But we don't know yet.

00:26:09 --> 00:26:13: So the uncertainty bigger than ever, which is the reason

00:26:13 --> 00:26:15: that those of us in the housing business, if we

00:26:15 --> 00:26:18: do get a break in rates like we're seeing, take

00:26:18 --> 00:26:21: advantage of it, lock in your money or hedge.

00:26:22 --> 00:26:24: I know we'll come back to rates, but Mr.

00:26:24 --> 00:26:27: English I thought made a a good point that, you

00:26:27 --> 00:26:30: know, our, our lives in many respects are so local.

00:26:31 --> 00:26:36: Are people operating, you know, locally in their real estate

00:26:36 --> 00:26:38: markets missing something to be?

00:26:39 --> 00:26:41: Well, we're going to, as you know, we're going to

00:26:41 --> 00:26:42: talk about the local markets.

00:26:42 --> 00:26:45: We've got in the housing area, some places that just

00:26:45 --> 00:26:48: build too much relative to job growth and immigration and

00:26:49 --> 00:26:51: other areas where we have shortages.

00:26:51 --> 00:26:53: So we'll talk about that, that that is very different.

00:26:54 --> 00:26:55: It's not a national scenario.

00:26:56 --> 00:26:58: But I do want to say that we think that

00:26:58 --> 00:27:02: investing in 2025 in existing assets may be the most

00:27:02 --> 00:27:05: interesting time period since the early 90s.

00:27:05 --> 00:27:10: You can buy today multifamily projects in many areas existing

00:27:10 --> 00:27:14: assets at 15 to 20% lower than replacement cost.

00:27:14 --> 00:27:18: That doesn't happen very much and I think that is
00:27:19 --> 00:27:24: effective Cap rates going up, construction costs have not come
00:27:24 --> 00:27:24: down much.
00:27:25 --> 00:27:27: So I think it could be pretty interesting if we
00:27:27 --> 00:27:30: see capitulation by sellers and debt holders.
00:27:31 --> 00:27:35: Cap rates today are 100 to 200 basis points higher
00:27:35 --> 00:27:36: than they were in 2022.
00:27:37 --> 00:27:40: So that makes me excited because one thing that could
00:27:41 --> 00:27:44: happen over the longer term may be cap rate compression,
00:27:44 --> 00:27:48: which is make money from just the change in valuation.
00:27:48 --> 00:27:52: I think property supply demand fundamentals in housing will get
00:27:52 --> 00:27:55: better and better as we move to the next two
00:27:55 --> 00:27:58: years because we've been in a very unusual situation where
00:27:58 --> 00:28:00: we built too much in a number of markets.
00:28:01 --> 00:28:05: I may even, you know, relabel your headline patients leaning
00:28:05 --> 00:28:06: into optimism.
00:28:07 --> 00:28:09: You know, one of the things and I'll I'll help
00:28:09 --> 00:28:12: myself as a non economist, one of the things that
00:28:12 --> 00:28:15: we've observed is patience wears thin and people want to
00:28:15 --> 00:28:16: do something.
00:28:16 --> 00:28:19: And I think that's the, that's that, that that's in
00:28:19 --> 00:28:21: the ether at the moment.
00:28:21 --> 00:28:24: I I feel it in the room, impatience ready to
00:28:24 --> 00:28:28: get on with it, but cost of construction loans are
00:28:29 --> 00:28:29: still high.
00:28:30 --> 00:28:32: Construction cost really haven't come down.
00:28:32 --> 00:28:37: New production of multifamily is slowing dramatically in many markets.
00:28:38 --> 00:28:40: Single family, we are already at a very low level,
00:28:40 --> 00:28:43: about 4.1 million that's way below where we have been.
00:28:45 --> 00:28:49: And for sale housing, again we're building about a million
00:28:50 --> 00:28:50: per year.
00:28:51 --> 00:28:52: That's about where we've been.
00:28:52 --> 00:28:54: So I think people are impatient.
00:28:54 --> 00:28:55: They want to put money out.
00:28:55 --> 00:28:57: There is more debt money today.
00:28:58 --> 00:29:00: I was at a recent ULI conference in New York
00:29:00 --> 00:29:03: in December at Capital Markets Conference and almost every lender
00:29:03 --> 00:29:06: wants to put out more money than they did last
00:29:06 --> 00:29:07: year, maybe twice as much.

00:29:07 --> 00:29:10: So there's more money available, spreads of compressed, but the
00:29:11 --> 00:29:13: rates are still high and that's really is the issue.
00:29:14 --> 00:29:16: So let's go briefly through economics.
00:29:16 --> 00:29:21: Just go, we've added 26,000,000 jobs since the bottom of
00:29:21 --> 00:29:25: the recession and that's a lot of new jobs.
00:29:25 --> 00:29:28: So we lost them during the Great Recession caused by
00:29:28 --> 00:29:29: COVID.
00:29:29 --> 00:29:32: We were almost 6,000,000 above where we were.
00:29:32 --> 00:29:35: So jobs are looking good on a national basis.
00:29:35 --> 00:29:37: And the box on the right hand side shows you
00:29:37 --> 00:29:38: month to month.
00:29:38 --> 00:29:40: The last three months been pretty strong.
00:29:41 --> 00:29:43: We haven't seen the first Trump month yet.
00:29:43 --> 00:29:45: That will come a week from Friday.
00:29:47 --> 00:29:50: Unemployment rate to get orange line is 4.1%.
00:29:50 --> 00:29:52: That's full employment by any measure.
00:29:54 --> 00:29:57: And again, it prepares where you are in the country.
00:29:57 --> 00:29:59: As you know, you Ally spends a lot of time
00:29:59 --> 00:30:00: with our local councils.
00:30:01 --> 00:30:04: We have a lot of differentiation, a lot of growth
00:30:04 --> 00:30:06: still in terms of jobs.
00:30:06 --> 00:30:08: This is year over year and it shows you the
00:30:08 --> 00:30:11: the strength we've had in many of our Sunbelt locations
00:30:11 --> 00:30:13: in terms of job creation.
00:30:14 --> 00:30:17: And we still see a number of older metropolitan areas
00:30:17 --> 00:30:21: lower job creation, but job creation every year is still
00:30:21 --> 00:30:21: happening.
00:30:22 --> 00:30:25: And that is really the key demand side.
00:30:25 --> 00:30:28: We could overbuild, we could have vacancy rates go up,
00:30:28 --> 00:30:29: we could have rents go down.
00:30:30 --> 00:30:33: But when you have job creation, eventually things turned out
00:30:33 --> 00:30:33: positive.
00:30:34 --> 00:30:37: And again, the what I would call the Sunbelt, which
00:30:37 --> 00:30:41: would be the mountain States and the Southeast and Southwest
00:30:41 --> 00:30:43: have a lot of job creation.
00:30:43 --> 00:30:46: A few cities on the slide there that made surprise
00:30:46 --> 00:30:46: you.
00:30:46 --> 00:30:49: New York is doing pretty well in terms of job
00:30:49 --> 00:30:50: creation.
00:30:50 --> 00:30:53: Philadelphia is doing pretty well in job creation.

00:30:53 --> 00:30:56: So that is a little bit unusual and some places

00:30:57 --> 00:31:00: that maybe we think of big job growth have actually

00:31:00 --> 00:31:04: slowed down somewhat than earlier periods.

00:31:04 --> 00:31:07: But let me highlight Indianapolis, Pittsburgh and Kansas City, not

00:31:08 --> 00:31:11: historically our sexiest markets, but we'll we'll see this when

00:31:11 --> 00:31:12: you get to some of them.

00:31:13 --> 00:31:16: The housing index data as well that you know the

00:31:16 --> 00:31:19: the growth is really taking on a pattern that's more

00:31:20 --> 00:31:23: quirky than the sort of super regional pattern that we've

00:31:23 --> 00:31:24: seen in the last.

00:31:25 --> 00:31:25: Decade, correct.

00:31:27 --> 00:31:30: One more thing to say, net in migration to the

00:31:30 --> 00:31:33: US, the last two years of the Biden term went

00:31:33 --> 00:31:35: up dramatically.

00:31:35 --> 00:31:38: We normally get about 1.2 million people legally coming into

00:31:38 --> 00:31:39: the country.

00:31:39 --> 00:31:40: That's the orange line per year.

00:31:41 --> 00:31:44: During COVID, in the last year of the Trump term,

00:31:44 --> 00:31:45: we had a lot less.

00:31:45 --> 00:31:48: And then we've had a huge number of asylum seekers

00:31:48 --> 00:31:48: come in.

00:31:49 --> 00:31:51: And that was, I think, one of the key things

00:31:51 --> 00:31:53: in the campaign that Trump was saying we got to

00:31:53 --> 00:31:55: get rid of these people, We shouldn't let them in.

00:31:56 --> 00:31:58: And so we did have an extra 4 million people

00:31:58 --> 00:31:59: come in.

00:31:59 --> 00:32:03: It shows up in population, the strongest population growth in

00:32:03 --> 00:32:03: 30 years.

00:32:04 --> 00:32:08: Now, if he's reversing that policy, not only stopping new

00:32:08 --> 00:32:11: immigration, but obviously taking people out of the country, I

00:32:12 --> 00:32:15: worried that's going to create a void of workers for

00:32:15 --> 00:32:16: construction.

00:32:16 --> 00:32:19: About 20% of construction workers are undocumented workers.

00:32:20 --> 00:32:22: The same thing is true in some of the low

00:32:22 --> 00:32:24: end jobs and retailing in other areas.

00:32:24 --> 00:32:26: So this is a a big worry that this could

00:32:26 --> 00:32:30: affect the supply of Labor and especially in our industry.

00:32:32 --> 00:32:34: So let's talk about inflation.

00:32:34 --> 00:32:38: That's both something that really caused the Fed to raise

00:32:38 --> 00:32:40: rates during this last cycle.

00:32:41 --> 00:32:43: We had a spike in inflation during COVID.

00:32:43 --> 00:32:46: We got to an annual rate of 9% a few
00:32:46 --> 00:32:49: months, but the average 7% in 2022.
00:32:49 --> 00:32:52: We had to seen that since the late 70s and
00:32:52 --> 00:32:52: early 80s.
00:32:53 --> 00:32:54: You may not remember that.
00:32:54 --> 00:32:56: Many of you may not even been born yet.
00:32:56 --> 00:32:58: That was my early career.
00:32:59 --> 00:33:01: We had a double digit inflation rate.
00:33:01 --> 00:33:02: We had a 20% prime rate.
00:33:03 --> 00:33:06: The world came almost to an end, but we're not
00:33:06 --> 00:33:06: like that.
00:33:06 --> 00:33:10: We've been for the last 40 years very low inflation
00:33:10 --> 00:33:14: rates staying in the three to 4% range, sometimes 2%
00:33:14 --> 00:33:16: during the Great Recession 0.
00:33:17 --> 00:33:19: But right now inflation is still sticky.
00:33:19 --> 00:33:21: We have labor market still strong.
00:33:22 --> 00:33:24: We have wage inflation running 4% a year.
00:33:25 --> 00:33:26: Service inflation is sticky.
00:33:27 --> 00:33:29: And I know they they're talking about housing deflation.
00:33:30 --> 00:33:33: I think except for about 1/3 of the markets, that's
00:33:33 --> 00:33:33: over.
00:33:33 --> 00:33:36: We have inflation in rents again and 2/3 of the
00:33:36 --> 00:33:38: markets and house prices as well.
00:33:39 --> 00:33:42: So this idea that housing is going to be deflationary
00:33:42 --> 00:33:45: in a few markets, that's true, But generally, it's not
00:33:45 --> 00:33:46: true.
00:33:47 --> 00:33:52: Again, wages up 4% a year and construction cost, You
00:33:52 --> 00:33:53: all know this.
00:33:53 --> 00:33:56: We had a surge during the COVID area, almost a
00:33:56 --> 00:33:58: 30% increase in construction cost.
00:33:59 --> 00:34:00: They haven't come down much.
00:34:01 --> 00:34:02: They never come down much.
00:34:02 --> 00:34:06: During the Great Recession of 2007, eight and nine, they
00:34:06 --> 00:34:07: went down about 15%.
00:34:07 --> 00:34:11: This time you might see 10/5 or 10% maybe no
00:34:11 --> 00:34:13: decline depending where you are.
00:34:14 --> 00:34:18: So we've got this elevated construction cost, which means in
00:34:18 --> 00:34:21: order to make a building work as an investment, you
00:34:21 --> 00:34:24: need rents that are going to be higher and maybe
00:34:24 --> 00:34:26: 20 or 30% higher.
00:34:26 --> 00:34:28: And that is really the key problem.
00:34:29 --> 00:34:31: Construction cost just don't come down.

00:34:31 --> 00:34:34: Some folks in this room have had a little bit

00:34:34 --> 00:34:36: more relief than the macro data here.

00:34:36 --> 00:34:38: It begins to show but but but the much hope

00:34:38 --> 00:34:40: for reset seems to have passed us.

00:34:41 --> 00:34:42: I think that's correct.

00:34:43 --> 00:34:45: Lastly, how does the consumer feel?

00:34:46 --> 00:34:50: Well, the consumer felt a little good after the Trump

00:34:50 --> 00:34:54: election, a couple of months last month, consumer confidence fell.

00:34:56 --> 00:34:58: People are upset about what they see and I think

00:34:58 --> 00:35:01: that it's still too early to know what people are

00:35:01 --> 00:35:04: going to, what's going to actually happen.

00:35:04 --> 00:35:07: But consumer confidence has got a little bit weaker recently.

00:35:08 --> 00:35:11: High income people though feel really good.

00:35:11 --> 00:35:14: The stock market correction hasn't yet set in and low

00:35:14 --> 00:35:17: and middle income households feel that's good.

00:35:17 --> 00:35:18: They're running out of cash.

00:35:20 --> 00:35:23: So now let me let's talk about what matters before

00:35:23 --> 00:35:25: we get to demographics interest rates.

00:35:25 --> 00:35:28: So the orange line is the 10 year treasury.

00:35:29 --> 00:35:31: The 10 year treasury, look at it back over time,

00:35:31 --> 00:35:33: it averaged over the long run about 5%.

00:35:34 --> 00:35:37: And then during the Great Recession we got much lower

00:35:37 --> 00:35:38: rates.

00:35:38 --> 00:35:41: We got rates that were 62 basis points at the

00:35:41 --> 00:35:42: bottom.

00:35:42 --> 00:35:44: That's the, I'm sorry, the yellow line.

00:35:45 --> 00:35:47: The orange line is the three month bill.

00:35:47 --> 00:35:50: the Fed cut rates to 0 for almost five years.

00:35:51 --> 00:35:54: So rates in the last 30 years have been very

00:35:54 --> 00:35:55: low compared to history.

00:35:56 --> 00:35:57: Now we're back up.

00:35:57 --> 00:36:00: Today, the 10 year bond is 431.

00:36:00 --> 00:36:02: So it's come down a little bit over the last

00:36:02 --> 00:36:03: couple of days.

00:36:03 --> 00:36:05: And the short rates about the same.

00:36:05 --> 00:36:09: So this is AI think of normal environment, but people

00:36:10 --> 00:36:13: still remember how low rates were over the last 20

00:36:14 --> 00:36:18: years and especially 2010 through 18 and also during COVID.

00:36:19 --> 00:36:21: Everyone's still hoping rates are going to come down a

00:36:21 --> 00:36:21: lot.

00:36:22 --> 00:36:25: I think it's a false hope because the big bunch
00:36:25 --> 00:36:27: of deficits, inflation is endemic.
00:36:28 --> 00:36:29: It's not going to be 2%.
00:36:29 --> 00:36:31: It's going to be, we think, 3 to 4%, which
00:36:31 --> 00:36:34: means it's very hard to get rates anywhere near as
00:36:34 --> 00:36:37: low as they were during the last cycle.
00:36:38 --> 00:36:41: And the Treasury bond and Treasury bill rate was inverted.
00:36:41 --> 00:36:45: That is, the Treasury bill rate was above the bond
00:36:45 --> 00:36:47: rate for the last two years.
00:36:47 --> 00:36:52: Inverted deal curves always happen during these tightening cycles.
00:36:52 --> 00:36:55: But this time we did not get the recession, but
00:36:55 --> 00:36:57: now we have a basically a flat yield curve.
00:36:57 --> 00:36:59: So it's much more normal at the moment.
00:37:01 --> 00:37:03: And what's going to happen going forward?
00:37:04 --> 00:37:07: Well, the Fed tells us every quarter and you can
00:37:07 --> 00:37:11: see the dots are each Federal Reserve Board governor, there's
00:37:11 --> 00:37:15: 12 districts and heads as well and they're talking about
00:37:15 --> 00:37:18: rates moving down to 3% over the long run.
00:37:19 --> 00:37:21: Remember the four and a quarter today, so not very
00:37:21 --> 00:37:23: much the blue curve is the market.
00:37:24 --> 00:37:26: The market expects rates to just drop a little bit
00:37:26 --> 00:37:27: more to 4%.
00:37:27 --> 00:37:30: So I know many in the audience would like to
00:37:30 --> 00:37:33: have them go back a lot lower, but they're not
00:37:33 --> 00:37:34: likely to happen.
00:37:35 --> 00:37:38: Finally, the balance sheet, the Fed has expanded its balance
00:37:38 --> 00:37:41: sheet, pushed a lot of money into the system.
00:37:41 --> 00:37:44: We used to have about a trillion dollar balance sheet
00:37:44 --> 00:37:48: during the QE one, QEQQ, E3, the Great Recession, we
00:37:48 --> 00:37:50: moved to four and a half trillion.
00:37:50 --> 00:37:52: During COVID, we moved to 9 trillion.
00:37:53 --> 00:37:54: The system was flushed with money.
00:37:54 --> 00:37:57: That's why we didn't have a very long recession.
00:37:57 --> 00:37:58: It got over very quickly.
00:37:59 --> 00:38:00: We're now we're using the balance sheet.
00:38:01 --> 00:38:02: It's a little over.
00:38:02 --> 00:38:05: I think it's about 6.7 billion trillion.
00:38:05 --> 00:38:07: I'm sorry they're reducing it, but they're going to stop
00:38:07 --> 00:38:08: doing that pretty soon.
00:38:10 --> 00:38:12: But the big wild card here is what's the budget
00:38:12 --> 00:38:13: deficit going to look like?

00:38:14 --> 00:38:17: It's about 1.9 trillion as we move from the Biden
00:38:17 --> 00:38:19: regime to the Trump regime.
00:38:19 --> 00:38:21: What's going to go happen going forward?
00:38:22 --> 00:38:26: Is Musk going to be successful at cutting spending dramatically
00:38:26 --> 00:38:28: or the tax increase is going to be bigger than
00:38:29 --> 00:38:29: expected?
00:38:29 --> 00:38:32: So we're thinking that still 2 to 2 1/2 trillion
00:38:32 --> 00:38:36: dollars of deficit and that's never done during a full
00:38:36 --> 00:38:37: employment economy.
00:38:37 --> 00:38:38: It's the wrong thing to do.
00:38:38 --> 00:38:42: It's about 6:00 to 7:00 to 8% of GDP, and
00:38:42 --> 00:38:44: that's what causes inflation.
00:38:45 --> 00:38:47: It's also causes interest rates to remain higher for longer.
00:38:48 --> 00:38:50: And so finally, what is the real interest rate?
00:38:52 --> 00:38:54: That is the interest rate that you pay after adjusting
00:38:54 --> 00:38:55: for inflation.
00:38:55 --> 00:38:59: So subtracting the inflation rate from the 10 year bond
00:38:59 --> 00:39:02: today, it's actually 1.91 and that is about the long
00:39:02 --> 00:39:03: run average.
00:39:03 --> 00:39:07: The last decade and a half, two decades, they were
00:39:07 --> 00:39:08: lower than average.
00:39:08 --> 00:39:11: They averaged about 1% and that was unusual.
00:39:12 --> 00:39:14: So I would say think about 2% being the number
00:39:14 --> 00:39:17: you're going to have to pay in real terms for
00:39:17 --> 00:39:17: your money.
00:39:19 --> 00:39:21: And then finally, let me just give our our view.
00:39:22 --> 00:39:25: The market thinks that the the yellow curve is the
00:39:25 --> 00:39:26: forward curve.
00:39:26 --> 00:39:29: The market's thinking that rates are going to stay in
00:39:29 --> 00:39:30: the 4 1/4% range.
00:39:30 --> 00:39:32: Our view is they go over 5.
00:39:32 --> 00:39:33: That's the dotted blue line.
00:39:34 --> 00:39:36: But if we get a recession, and I say if
00:39:36 --> 00:39:41: it's probably likely that the policies will at first stimulate
00:39:41 --> 00:39:44: the economy and then 'cause an overreaction.
00:39:44 --> 00:39:47: So in the next few years we probably will get
00:39:47 --> 00:39:47: one rates go down.
00:39:48 --> 00:39:50: Or just a second, if you go back for a
00:39:50 --> 00:39:53: second, Ken, I think our house view has been more
00:39:53 --> 00:39:56: consistent with what you're, what you're showing here is the
00:39:56 --> 00:39:57: base case or the forward curve.

00:39:57 --> 00:40:01: I think a lot of underwriting in the real estate
00:40:01 --> 00:40:06: industry is consistent with that for people in the room.
00:40:07 --> 00:40:10: Who are kind of trying to problematize this, you would
00:40:10 --> 00:40:14: suggest focusing on inflation and in particular the the federal
00:40:14 --> 00:40:16: deficit as the is the factor that will push us
00:40:16 --> 00:40:18: One Direction or the other.
00:40:19 --> 00:40:22: Yes, I think that we've never run these type of
00:40:22 --> 00:40:25: deficits consistently in a full employment economy.
00:40:26 --> 00:40:26: It's a mistake.
00:40:28 --> 00:40:32: Trump, remember, is a student of economics.
00:40:32 --> 00:40:33: He just doesn't care about it.
00:40:33 --> 00:40:34: He likes to borrow.
00:40:35 --> 00:40:37: His history is a real estate person more than anyone
00:40:37 --> 00:40:37: in the room.
00:40:37 --> 00:40:40: He's borrowed more than any other real estate developer and
00:40:41 --> 00:40:43: defaulted on more debt than any of you in the
00:40:43 --> 00:40:43: room.
00:40:44 --> 00:40:45: Hopefully you'll never have that happen to you.
00:40:46 --> 00:40:49: But he is not one of a balanced budget type
00:40:49 --> 00:40:49: guy.
00:40:50 --> 00:40:53: Now the Secretary of Treasury seems to understand this.
00:40:53 --> 00:40:55: The Chairman of the Federal Reserve Board does.
00:40:55 --> 00:40:59: So maybe they'll mitigate some of those policies, but we'll
00:40:59 --> 00:41:01: know a lot more in the next 3.
00:41:01 --> 00:41:04: Months and to play the bull again, even just a
00:41:04 --> 00:41:07: little bit of easing off of the of the level
00:41:07 --> 00:41:11: of deficit spending doesn't keep the sort of forward curve,
00:41:11 --> 00:41:15: you know, optimistic if that's what you would describe it
00:41:15 --> 00:41:16: as today.
00:41:16 --> 00:41:19: I think it could, but remember it's the global market
00:41:19 --> 00:41:21: that determines this.
00:41:21 --> 00:41:24: We get a lot of flow from overseas money and
00:41:24 --> 00:41:28: they're not feeling as good about our our policy today.
00:41:28 --> 00:41:31: Maybe Russia will lend us lots of money.
00:41:31 --> 00:41:31: It's possible.
00:41:32 --> 00:41:34: I wasn't at the a fire meeting last week in
00:41:34 --> 00:41:37: Washington, but a lot of people said the overseas sentiment
00:41:37 --> 00:41:39: on America was good, I thought.
00:41:39 --> 00:41:42: I thought the Overseas Investment Centre on the on the
00:41:42 --> 00:41:44: US would turn down.
00:41:45 --> 00:41:48: Well, it should and I think it will, but again,

00:41:48 --> 00:41:50: a lot of uncertainty.
00:41:52 --> 00:41:54: So maybe let's just close with one more thing before
00:41:55 --> 00:41:56: we go to multifamily.
00:41:56 --> 00:42:00: Single family inflation is here for a long longer term.
00:42:00 --> 00:42:03: This is a structural shift because of the aging population
00:42:03 --> 00:42:05: in the US, Europe, Japan and China.
00:42:05 --> 00:42:08: We're going to have a chronic labor shortage and and
00:42:08 --> 00:42:11: unless we allow a lot of immigration from abroad and
00:42:11 --> 00:42:14: that's going to be true through many of the developed
00:42:15 --> 00:42:15: economies.
00:42:16 --> 00:42:18: Also free trade is the thing of the past.
00:42:18 --> 00:42:22: We see our policies and other countries, we're in a
00:42:22 --> 00:42:25: trade, if not a war, certainly a battle.
00:42:26 --> 00:42:28: And that means we're not going to get the lowest
00:42:28 --> 00:42:28: cost goods.
00:42:29 --> 00:42:30: And trade is a good thing from a point of
00:42:30 --> 00:42:31: view of inflation.
00:42:31 --> 00:42:34: If we don't have free trade, it's going to cost
00:42:34 --> 00:42:35: more money to onshore those jobs.
00:42:37 --> 00:42:40: Also defense spending surge around the world.
00:42:40 --> 00:42:42: And of course, the deficits.
00:42:42 --> 00:42:44: I do have decarbonization on there.
00:42:44 --> 00:42:45: That might shift.
00:42:46 --> 00:42:50: Again, we're moving towards that under the Biden plan.
00:42:50 --> 00:42:53: Trump has said we're going to change all that, go
00:42:53 --> 00:42:56: back to fossil fuels, and that actually could lower the
00:42:57 --> 00:42:58: inflation rate near term.
00:42:59 --> 00:43:00: Defense spending too, maybe.
00:43:00 --> 00:43:01: We'll see.
00:43:01 --> 00:43:05: Yeah, maybe we'll have alliance with Russia.
00:43:06 --> 00:43:07: I don't think so.
00:43:07 --> 00:43:09: Anyway, let's get to real estate.
00:43:10 --> 00:43:13: So our view, we have a a cycle clock, where
00:43:13 --> 00:43:15: are the housing components of it?
00:43:16 --> 00:43:19: So first of all, CBD coastal apartments East and West
00:43:20 --> 00:43:21: Coast are improving.
00:43:21 --> 00:43:24: They have rent growth again in many, many markets.
00:43:24 --> 00:43:27: The B&C class apartments are doing better than the A
00:43:27 --> 00:43:31: apartments because the overbuilding has been in the Sunbelt and
00:43:31 --> 00:43:32: Mountain states.
00:43:33 --> 00:43:37: And so I think that housing is doing relatively well

00:43:37 --> 00:43:41: compared to other real estate classes office, you all know
00:43:41 --> 00:43:46: excess vacancy rate, again life science, all these different sectors.
00:43:46 --> 00:43:49: So other than data centers, housing is the place to
00:43:49 --> 00:43:49: put your money.
00:43:50 --> 00:43:53: Now data centers, we won't even discuss that at this
00:43:53 --> 00:43:54: event.
00:43:55 --> 00:43:57: So let's talk about what we see happening.
00:43:58 --> 00:44:00: We have overbuilt Sunbelt and mountain states.
00:44:00 --> 00:44:03: Oversupply in a number of markets will show you that
00:44:03 --> 00:44:05: the coastal markets are improving.
00:44:05 --> 00:44:08: A lot less people are moving out of apartments into
00:44:08 --> 00:44:11: for sale housing because of the high interest rates and
00:44:12 --> 00:44:15: single family rental is doing pretty well again because of
00:44:15 --> 00:44:17: the high interest rates makes it better.
00:44:18 --> 00:44:21: But we are seeing a lot of less new construction
00:44:21 --> 00:44:25: starts for a multifamily, high construction cost, lack of financing
00:44:25 --> 00:44:26: and excess supply.
00:44:28 --> 00:44:31: We are seeing also a surge in property insurance cost
00:44:31 --> 00:44:34: in Florida and California is about to has already seen
00:44:34 --> 00:44:34: it.
00:44:34 --> 00:44:36: We'll see a lot more because of the wildfires.
00:44:36 --> 00:44:40: So that's a problem for the apartment sector.
00:44:42 --> 00:44:45: We have as you know about third, a little over
00:44:45 --> 00:44:47: a third of the country of renters.
00:44:47 --> 00:44:51: We forget that a third of our population rents and
00:44:51 --> 00:44:56: the rentership rate varies dramatically averages 34% in the country.
00:44:57 --> 00:45:01: In the coastal metropolitan areas, high cost areas like New
00:45:01 --> 00:45:06: York and Northern California, we are much higher and then
00:45:06 --> 00:45:10: a lot of our Midwestern cities much more affordable.
00:45:10 --> 00:45:11: Atlanta is much more affordable.
00:45:12 --> 00:45:15: Just riding in the taxi over here, someone moved from
00:45:15 --> 00:45:19: Silicon Valley, San Francisco to Atlanta said it's half as
00:45:19 --> 00:45:22: expensive and that roughly is what our data shows.
00:45:23 --> 00:45:25: So it's definitely in a more affordable market.
00:45:26 --> 00:45:30: Affordability is actually improving because rents, a lot of the
00:45:30 --> 00:45:33: Sunbelt markets have actually gone down over the course of
00:45:33 --> 00:45:34: the last year.
00:45:35 --> 00:45:39: Again, we tracked this by market and again the rent
00:45:39 --> 00:45:42: and income ratio is what we look at.
00:45:42 --> 00:45:45: We also look at the mortgage to income ratio.

00:45:45 --> 00:45:49: And again the West and East Coast and Miami included
00:45:49 --> 00:45:53: have much higher ratios, much less affordable.
00:45:53 --> 00:45:56: And then we see many of the Sunbelt cities are
00:45:56 --> 00:46:01: much more affordable both for owner occupancy and for renters
00:46:01 --> 00:46:02: renter occupancy.
00:46:05 --> 00:46:07: But the big news here is a third of all
00:46:07 --> 00:46:10: young people are not living in an apartment.
00:46:11 --> 00:46:13: They're living with their parents.
00:46:13 --> 00:46:15: I can't under imagine this.
00:46:16 --> 00:46:19: I have a young son who finally moved out on
00:46:19 --> 00:46:20: his own.
00:46:20 --> 00:46:23: He wants to be out and we want him out.
00:46:24 --> 00:46:26: And I think this is a positive.
00:46:27 --> 00:46:29: There's a backlog of demand here.
00:46:29 --> 00:46:33: If we can help these young people transition to rental
00:46:33 --> 00:46:37: housing and since the Great Recession, it's risen from 27%
00:46:37 --> 00:46:38: to 3334%.
00:46:38 --> 00:46:41: So this is a backlog of demand that is a
00:46:41 --> 00:46:45: strength, strong positive for rental housing.
00:46:45 --> 00:46:48: Also, we have a lot of people look at the
00:46:48 --> 00:46:52: projections, 4.2 million people per year turning 18 over the
00:46:52 --> 00:46:56: next five years and that's the beginning of the independent
00:46:57 --> 00:46:57: living.
00:46:58 --> 00:47:02: We also look at the change in population by groups
00:47:02 --> 00:47:06: and the young group 20 to 34 grows more slowly
00:47:06 --> 00:47:09: in the next 5 years than it has last five
00:47:09 --> 00:47:10: years.
00:47:10 --> 00:47:13: But there's a bigger growth in the 35 to 44
00:47:13 --> 00:47:14: year old.
00:47:14 --> 00:47:17: Those are people who are staying in housing, rental housing
00:47:17 --> 00:47:18: for longer.
00:47:19 --> 00:47:21: And then of course, there's a lot of us who
00:47:21 --> 00:47:23: are going to be baby boomers.
00:47:23 --> 00:47:26: We're baby boomers are now going to say maybe it's
00:47:26 --> 00:47:27: time to retire.
00:47:27 --> 00:47:29: And that's where the big growth is coming.
00:47:29 --> 00:47:31: So senior housing, if you can do it.
00:47:32 --> 00:47:34: Maybe just to focus on that 35 to 44 year
00:47:34 --> 00:47:36: old group for a minute where you see a lot
00:47:36 --> 00:47:37: of growth in the next decade.
00:47:37 --> 00:47:40: I think you said earlier that we'll see a lot

00:47:40 --> 00:47:43: of energy in the single family rental business and certainly
00:47:43 --> 00:47:46: that kind of millennial generation in that phase of life
00:47:46 --> 00:47:49: and being electric space is helping drive that.
00:47:49 --> 00:47:52: Yes, and and the single family rental is really a
00:47:52 --> 00:47:56: real asset class today and it provides the ability to
00:47:56 --> 00:47:59: have single family like lifestyle without owning.
00:48:00 --> 00:48:03: But this is probably the most important slide of all
00:48:03 --> 00:48:03: the ones.
00:48:04 --> 00:48:07: We have a lot of household formations that is it's
00:48:07 --> 00:48:12: the baby boomers, kids forming households, either single, married, unmarried
00:48:12 --> 00:48:15: together and this is likely to continue.
00:48:16 --> 00:48:18: So it means that being in the housing industry in
00:48:18 --> 00:48:20: real estate is where you want to be from a
00:48:20 --> 00:48:21: demographic point of view.
00:48:23 --> 00:48:25: And yet new production is plunging.
00:48:26 --> 00:48:28: We built too much in many markets.
00:48:29 --> 00:48:31: Our guess is it's going to be half in 2025
00:48:31 --> 00:48:34: of what it was just two years ago.
00:48:36 --> 00:48:37: And again, we look at this by market.
00:48:39 --> 00:48:42: We are building a lot in the Sunbelt locations and
00:48:42 --> 00:48:45: we've probably still have two years supply in places like
00:48:45 --> 00:48:47: Austin and Charlotte and Phoenix.
00:48:47 --> 00:48:50: Even with good demand, we've got a lot of supply
00:48:50 --> 00:48:53: that's underway and yet the coastal markets like a San
00:48:54 --> 00:48:58: Francisco, LA and Manhattan, Chicago, they look pretty good because
00:48:58 --> 00:49:01: we're not building enough to keep pace with that demographic
00:49:01 --> 00:49:02: demand.
00:49:03 --> 00:49:04: Vacancy rates are up.
00:49:04 --> 00:49:09: The orange line is the investment grade apartments, the new
00:49:09 --> 00:49:12: stuff up to 5.7, up from a little over 2%.
00:49:12 --> 00:49:16: Workforce housing, much smaller rise in vacancy rates.
00:49:16 --> 00:49:18: But just to spend a minute on this, I think
00:49:18 --> 00:49:21: people saw the previous slide about the trending down of
00:49:21 --> 00:49:22: deliveries.
00:49:22 --> 00:49:27: You know, the absorption in 2024 was really surprisingly strong,
00:49:27 --> 00:49:30: I think surprising even amongst a lot of owners.
00:49:30 --> 00:49:33: And so the fact that you see the the vacancy
00:49:33 --> 00:49:36: turning up that little last year it wasn't the best
00:49:36 --> 00:49:40: economic year and lots of new supplies, I do think

00:49:40 --> 00:49:43: speaks to this really sort of positive transition that we
00:49:43 --> 00:49:46: found ourselves in, in there multi.
00:49:46 --> 00:49:48: Family market, I, I think we have a, a sweet
00:49:48 --> 00:49:51: spot for investments the next couple of years and I
00:49:52 --> 00:49:54: think the money debt money is going to be there
00:49:54 --> 00:49:57: and we just have to make sure the rents pencil.
00:49:59 --> 00:50:03: And this just shows you Class C apartments have actually
00:50:03 --> 00:50:07: a lower vacancy rate oftentimes because those are renters by
00:50:07 --> 00:50:08: necessity, no choice.
00:50:09 --> 00:50:12: And vacancy rates are up, but they're not anywhere near
00:50:12 --> 00:50:14: the peak they were in earlier years.
00:50:17 --> 00:50:21: We had something really unusual happening during COVID, the Orange
00:50:21 --> 00:50:25: Line, we had the biggest rent spike in American history,
00:50:25 --> 00:50:28: 10 to 1215% rent growth almost every market.
00:50:29 --> 00:50:32: And I remember at a ULI meeting about two years
00:50:32 --> 00:50:34: ago, everyone thought that was going to continue.
00:50:34 --> 00:50:38: It was a one time event as people moved out
00:50:38 --> 00:50:43: because of COVID and rent spiked dramatically.
00:50:43 --> 00:50:46: Now that's over and we're having more normal environment.
00:50:47 --> 00:50:49: And just to show you maybe Adam would comment on
00:50:49 --> 00:50:51: this, this is most recent data.
00:50:52 --> 00:50:55: Rent growth in some of the new for new tenants
00:50:55 --> 00:50:59: is actually down because of many of these Sunbelt markets
00:50:59 --> 00:51:02: after the big spike and trending downward also for the
00:51:03 --> 00:51:04: overall market.
00:51:05 --> 00:51:05: Yeah.
00:51:05 --> 00:51:08: I mean, the, the new tenant data is driven by
00:51:08 --> 00:51:11: markets with us a lot of supply chasing tenants.
00:51:11 --> 00:51:14: I think the red line, if it's red, the all
00:51:14 --> 00:51:19: tenants line speaks to I think an underappreciated phenomenon.
00:51:19 --> 00:51:22: And I know we're all here thinking about housing opportunity
00:51:22 --> 00:51:26: and worried about housing affordability, but there's lots of pricing
00:51:26 --> 00:51:28: opportunity in the rental markets.
00:51:28 --> 00:51:32: Think back to that slide on the percentage of income
00:51:32 --> 00:51:35: spent on rent in some of those markets, it was
00:51:35 --> 00:51:36: 2021%.
00:51:36 --> 00:51:40: There is untapped pricing power, which is what the market
00:51:40 --> 00:51:44: tapped into that big spike in 22 and 2023.
00:51:44 --> 00:51:46: And I don't think we should be surprised if we

00:51:47 --> 00:51:50: see that pricing power back more quickly than people guess
00:51:50 --> 00:51:51: it might.
00:51:51 --> 00:51:54: Be and this chart shows you there's more pricing power
00:51:54 --> 00:51:58: in in the affordable sector than you might expect.
00:51:58 --> 00:52:01: It is actually showing up green light is a Class
00:52:01 --> 00:52:02: C apartments.
00:52:02 --> 00:52:06: Class A apartments is where the oversupply is and that's
00:52:06 --> 00:52:08: the one that has been weakest.
00:52:09 --> 00:52:10: And here's the fundamentals.
00:52:10 --> 00:52:12: If you look at the far right that shows you
00:52:12 --> 00:52:13: change in effective rent.
00:52:14 --> 00:52:18: So look at the top of the market, Manhattan, Washington,
00:52:19 --> 00:52:24: Miami, Chicago, all growth in rents, the bottom place where
00:52:24 --> 00:52:29: we built too much, Austin, Dallas, Phoenix, Atlanta, we built
00:52:29 --> 00:52:30: too much.
00:52:30 --> 00:52:32: So effective rents are declining.
00:52:32 --> 00:52:34: The places we wrote off for dead a couple of
00:52:34 --> 00:52:36: years ago, back at the top.
00:52:36 --> 00:52:36: Exactly.
00:52:37 --> 00:52:38: It's the inverse of what happened.
00:52:39 --> 00:52:42: So I think that's important that the local market and
00:52:42 --> 00:52:44: many of you are specialists in your local markets.
00:52:45 --> 00:52:47: It's very different than the national trend.
00:52:48 --> 00:52:49: Washington DC.
00:52:49 --> 00:52:52: I'm worried about a lot though with if we do
00:52:52 --> 00:52:55: get this 200,000 jobs eliminated, that is going to be
00:52:55 --> 00:52:58: a real problem for the apartment market in that in
00:52:58 --> 00:52:59: that situation.
00:52:59 --> 00:53:00: The investment markets are worried about it, too.
00:53:00 --> 00:53:05: I mean, there's been a real freeze around DC.
00:53:06 --> 00:53:09: And this just shows you the five year change and
00:53:09 --> 00:53:11: you ask why do I show you the five year
00:53:11 --> 00:53:11: change?
00:53:11 --> 00:53:14: So even though the last year and a half rents
00:53:14 --> 00:53:17: have been weak in a lot of markets, over the
00:53:17 --> 00:53:17: five year.
00:53:17 --> 00:53:19: 4 1/2 year.
00:53:19 --> 00:53:21: Rents in the top 2/3 of the markets are up
00:53:22 --> 00:53:25: 20 to 40%, and that's really when people were talking
00:53:25 --> 00:53:26: about inflation.
00:53:26 --> 00:53:28: This is their biggest thing, and that's why the election
00:53:28 --> 00:53:29: turned out that way.

00:53:30 --> 00:53:34: Renters faced big rent increases during COVID and they didn't
00:53:34 --> 00:53:37: turn down very much as few in some markets.
00:53:37 --> 00:53:40: So people feel pressed the lower third of the population.
00:53:41 --> 00:53:44: That's why we had people voting the way they did.
00:53:44 --> 00:53:45: They feel pressed.
00:53:46 --> 00:53:49: And yes, things have evened out now, but that's not
00:53:49 --> 00:53:51: enough to reverse the situation.
00:53:52 --> 00:53:55: And you can see at the bottom of the market,
00:53:55 --> 00:53:58: my home location rents are still below where they were
00:53:58 --> 00:54:00: in 2020 in San Francisco.
00:54:00 --> 00:54:03: They're still below that today, starting to go up again,
00:54:03 --> 00:54:04: but still below that.
00:54:06 --> 00:54:09: And again, this just shows you the investor perspective.
00:54:09 --> 00:54:13: We had that big spike in return when people saw
00:54:13 --> 00:54:14: rent growth.
00:54:15 --> 00:54:19: We had a rent decline and overall decline in 2023
00:54:19 --> 00:54:23: because of cap rate increases and we have a small
00:54:23 --> 00:54:26: increment, this is neck reef data in 2024.
00:54:27 --> 00:54:29: But as I do think 2025 and 26 will be
00:54:29 --> 00:54:33: one of the best vintages to be buying things and
00:54:33 --> 00:54:36: and eventually developing things.
00:54:36 --> 00:54:38: We think it'll be back in the five to 6%
00:54:38 --> 00:54:40: range in 2025 total returns.
00:54:41 --> 00:54:41: Right.
00:54:43 --> 00:54:46: Lastly, a couple of other sectors have time for some
00:54:46 --> 00:54:46: questions.
00:54:47 --> 00:54:49: Senior housing is finally back.
00:54:49 --> 00:54:52: It took five years, but occupancy is back to where
00:54:52 --> 00:54:54: it was before COVID.
00:54:54 --> 00:54:56: It suffered dramatically during those years of COVID.
00:54:58 --> 00:55:01: I really think if you look at the demographics, we
00:55:01 --> 00:55:04: have a lot of seniors turning 75 to 85, might
00:55:04 --> 00:55:08: want something different than that single family home they've been
00:55:08 --> 00:55:08: living in.
00:55:10 --> 00:55:13: We also have Bill to rent a whole new asset
00:55:13 --> 00:55:16: class that began about a decade ago, but really a
00:55:16 --> 00:55:18: lot of new units being built.
00:55:19 --> 00:55:22: Single family, get the single family lifestyle and you rent
00:55:22 --> 00:55:22: it.
00:55:23 --> 00:55:26: And the vacancy rate's pretty tight here, 6%.
00:55:27 --> 00:55:30: And again, the rent spike happened in the single family

00:55:30 --> 00:55:31: rental market as well.

00:55:32 --> 00:55:35: Right now growing at 1 1/2% year over year.

00:55:37 --> 00:55:40: And then finally for sale housing, many of in the

00:55:40 --> 00:55:43: room do for sale housing, mortgage rates have dampened demand

00:55:43 --> 00:55:45: the last year and a half.

00:55:46 --> 00:55:49: Rates are coming down this last week, but we have

00:55:49 --> 00:55:51: a lot of units that are for sale now.

00:55:51 --> 00:55:54: So we have more listings in the Sunbelt location in

00:55:54 --> 00:55:55: a long time.

00:55:55 --> 00:55:59: Asking prices are being cut in the previously hot markets.

00:55:59 --> 00:56:03: We're building about 1.1 million single family starts.

00:56:04 --> 00:56:08: So we've big recovery from where we were in 2008,

00:56:08 --> 00:56:12: nine and 10, but still a lot less than we

00:56:12 --> 00:56:16: did during the boom 2003, 45 S single family.

00:56:16 --> 00:56:20: It's recovering, but still the levels of production are nowhere

00:56:20 --> 00:56:21: near the peak of previous periods.

00:56:23 --> 00:56:23: In California.

00:56:23 --> 00:56:26: We put it together an accessory dwelling unit law, which

00:56:26 --> 00:56:29: allows people to put an accessory dwelling unit if they

00:56:29 --> 00:56:31: have a lot that's capable of handling that.

00:56:32 --> 00:56:35: We produced 22,000 the last year and a number of

00:56:35 --> 00:56:38: other states are now setting up similar laws.

00:56:38 --> 00:56:41: So this is a way to add supply on existing

00:56:41 --> 00:56:42: land use.

00:56:42 --> 00:56:44: I know if you're seeing the same thing, Adam.

00:56:44 --> 00:56:47: You know, it's, I think it's a good example as

00:56:47 --> 00:56:51: we start policy discussions this afternoon, change in policy really

00:56:51 --> 00:56:54: can drive production of new housing, take some of the

00:56:54 --> 00:56:56: pressure off of affordability.

00:56:56 --> 00:57:00: The numbers maybe yet in California don't really translate that.

00:57:00 --> 00:57:01: But but this is impressive.

00:57:01 --> 00:57:03: I think it's real reason for optimism.

00:57:06 --> 00:57:10: Resale market still very weak, way below the previous peaks.

00:57:10 --> 00:57:12: And it is mortgage rates pure and simple.

00:57:14 --> 00:57:18: Again, you know, about 66% of households are owners and

00:57:18 --> 00:57:22: affordability, which is picking up for rental housing is getting

00:57:22 --> 00:57:26: worse for home ownership because of mortgage rates and the

00:57:26 --> 00:57:28: consistent 3 to 4% price inflation.

00:57:28 --> 00:57:32: So home ownership is really difficult for that young 25

00:57:32 --> 00:57:35: to 40 year old and we're seeing that in the
00:57:35 --> 00:57:36: marketplace.
00:57:37 --> 00:57:40: Mortgage rates are the key and that depends on the
00:57:40 --> 00:57:41: 10 year bond.
00:57:41 --> 00:57:44: The 10 year bond, if it comes down below 4%
00:57:45 --> 00:57:46: it will help.
00:57:46 --> 00:57:48: If it goes as we're expecting back to five, it's
00:57:49 --> 00:57:51: going to make it very difficult for people to qualify.
00:57:53 --> 00:57:55: And also we have a lock in effect.
00:57:56 --> 00:58:00: Almost half of all households today have a mortgage that's
00:58:00 --> 00:58:01: less than 4%.
00:58:01 --> 00:58:03: They do not want to give that up, they do
00:58:03 --> 00:58:04: not want to move.
00:58:05 --> 00:58:08: And so that is a lock in effect that's affecting
00:58:09 --> 00:58:11: the turnover rate for single family.
00:58:11 --> 00:58:11: Yeah.
00:58:11 --> 00:58:14: So to tie it back to that slide, that low
00:58:14 --> 00:58:17: level of transactions very much driven by the fact that
00:58:17 --> 00:58:20: it just doesn't make economic sense for people who own
00:58:20 --> 00:58:22: a home and have a mortgage to move.
00:58:23 --> 00:58:27: It's very difficult to do and the credit availability is
00:58:27 --> 00:58:29: still pretty tight for single family.
00:58:31 --> 00:58:34: Finally, the inventory of houses for sale is going up.
00:58:35 --> 00:58:37: It's hit the bottom and it's going up.
00:58:37 --> 00:58:40: It's nowhere near like it was during the 2008 nine
00:58:40 --> 00:58:42: recession, but going up.
00:58:42 --> 00:58:46: We tracked it by market, the Sunbelt in particular, the
00:58:46 --> 00:58:50: inventories of soaring in Florida, Las Vegas, Inland Empire.
00:58:51 --> 00:58:55: So now again that is changing the market dynamics and
00:58:55 --> 00:58:59: part of the reason the single family sales are not
00:58:59 --> 00:59:00: so strong.
00:59:01 --> 00:59:07: Finally, our best guest on appreciation is unlike the COVID.
00:59:07 --> 00:59:11: We had basically a 30% price increase two years, about
00:59:11 --> 00:59:16: 3% per year going forward, totally different than the 2008,
00:59:16 --> 00:59:17: 78910 recession.
00:59:18 --> 00:59:19: Warehouse prices plunged.
00:59:20 --> 00:59:22: We we might bet a little bit on the upside,
00:59:22 --> 00:59:24: 3 to 3 1/2 percent, but in a very similar
00:59:24 --> 00:59:24: range.
00:59:25 --> 00:59:28: And that's very unusual for a recession not to have
00:59:28 --> 00:59:29: that happen.
00:59:31 --> 00:59:32: So at that point I think.

00:59:33 --> 00:59:36: I was going to just do a shameless plug for
00:59:36 --> 00:59:42: the Dewilliger Center's Attainable Housing Index, which is being released
00:59:42 --> 00:59:43: today.
00:59:43 --> 00:59:47: With the data releases, the public data releases that came
00:59:47 --> 00:59:50: out in December, A lot of people in the room
00:59:50 --> 00:59:53: may have used this in the past.
00:59:53 --> 00:59:57: It's a set of tools that give people free and
00:59:57 --> 00:59:59: easy access to housing data.
01:00:00 --> 01:00:02: There is an Excel based tool that people can download.
01:00:02 --> 01:00:04: There's a map based tool.
01:00:04 --> 01:00:07: I'm going to just share a couple of examples from
01:00:07 --> 01:00:07: a today.
01:00:07 --> 01:00:11: We, we continue to, to partner with the center in
01:00:11 --> 01:00:13: expanding the data that's available.
01:00:13 --> 01:00:16: The historical data this year is significantly enhanced.
01:00:16 --> 01:00:19: And I'm going to give you just 4 snippets that
01:00:19 --> 01:00:22: might tie to things you spend your afternoon on.
01:00:22 --> 01:00:26: If you follow the affordable housing track this afternoon, you
01:00:26 --> 01:00:30: might spend time talking about the growing cost burden in
01:00:30 --> 01:00:31: housing in America.
01:00:31 --> 01:00:36: This is this are screenshots from the map based tool.
01:00:36 --> 01:00:38: And if you look at the 2015 map on the
01:00:38 --> 01:00:42: left, this idea of markets where people's economic ability was
01:00:42 --> 01:00:46: constrained by the cost of rental housing was purely a
01:00:46 --> 01:00:47: coastal phenomenon.
01:00:47 --> 01:00:50: And for us forward in 2023, it's in markets around
01:00:50 --> 01:00:51: the United States.
01:00:52 --> 01:00:55: If you look at those dark red places where 10/15/20
01:00:55 --> 01:00:59: percent of the households are living and cost burden and
01:00:59 --> 01:01:02: we zoom in on the Southeast markets where we never
01:01:02 --> 01:01:07: would have been describing cost burden, Birmingham, you know, Wilmington
01:01:07 --> 01:01:11: and actually you look at metro Atlanta right there in
01:01:11 --> 01:01:15: the middle of math, not just the core markets, the
01:01:15 --> 01:01:18: entire metropolitan area turning kind of red as we speak.
01:01:20 --> 01:01:24: There'll be a really well moderated panel on single family
01:01:24 --> 01:01:29: rental following this and you know, very different dynamics around
01:01:29 --> 01:01:33: the United States, places that are more affordable to rent
01:01:33 --> 01:01:37: still in light orange and yellow and places that are
01:01:37 --> 01:01:39: more expensive to own in the dark Reds.
01:01:39 --> 01:01:42: And again, you can sort of see it the map

01:01:42 --> 01:01:42: at the right.
01:01:42 --> 01:01:46: This is metropolitan Atlanta again looks at the cost to
01:01:46 --> 01:01:50: own a home ownership still reflects the patterns that we
01:01:50 --> 01:01:54: expect in America where a quadrant of the region is
01:01:54 --> 01:01:55: very expected.
01:01:55 --> 01:01:59: But look at the rental pattern deep into the suburbs.
01:01:59 --> 01:02:05: This quirky pattern that's emerging in American cities of high
01:02:05 --> 01:02:06: rental costs.
01:02:07 --> 01:02:10: I'll just tip quickly do there's a a panel of
01:02:10 --> 01:02:13: the shift in that should be really interesting on addressing
01:02:13 --> 01:02:17: the racial inequality gap radically different in markets across the
01:02:17 --> 01:02:21: United States and actually not what might be still conventional
01:02:21 --> 01:02:23: wisdom, which is that the real problem is in places
01:02:24 --> 01:02:24: like the Sunbelt.
01:02:25 --> 01:02:28: The Sunbelt actually has a relatively lower gap and the
01:02:28 --> 01:02:31: biggest gap we see is actually in the North and
01:02:31 --> 01:02:33: in the Midwest, right?
01:02:33 --> 01:02:35: So it's, it's all of our reality and and in
01:02:35 --> 01:02:37: very different ways.
01:02:37 --> 01:02:41: And then lastly, in the market rate track, there will
01:02:41 --> 01:02:45: be a lot of discussion around the relationship of production
01:02:45 --> 01:02:47: and affordability.
01:02:47 --> 01:02:49: And I think these maps are interesting.
01:02:49 --> 01:02:52: They show just the last three years and you can
01:02:52 --> 01:02:57: see how dramatically housing production activity has moved back to
01:02:57 --> 01:03:00: the suburb, not just the suburbs, but really the suburban
01:03:01 --> 01:03:01: fringe.
01:03:01 --> 01:03:05: Austin, Charlotte and Atlanta here, you know, and look at
01:03:05 --> 01:03:10: those dark counties or rather census tracts in Atlanta pushing
01:03:10 --> 01:03:12: out almost to Athens on the East.
01:03:13 --> 01:03:16: You know, just as an example of the pressures in
01:03:16 --> 01:03:19: terms of growth pattern that our regions are under.
01:03:19 --> 01:03:21: We're we're cutting into people's break time.
01:03:21 --> 01:03:24: But let's, let's take a few minutes and have some
01:03:24 --> 01:03:27: questions if we could, maybe we'll take 5 minutes and
01:03:27 --> 01:03:28: there's some microphones set up.
01:03:28 --> 01:03:33: If people want to come to the microphone, we'll take
01:03:33 --> 01:03:35: one on the left.
01:03:35 --> 01:03:41: Yeah, you mentioned that there's some possibility for good purchases

01:03:41 --> 01:03:43: of existing assets coming.
01:03:43 --> 01:03:46: Do you see it like a compression of the cap
01:03:46 --> 01:03:47: rates currently?
01:03:47 --> 01:03:50: Are there more troubled multifamily assets that are sort of
01:03:50 --> 01:03:52: on the fringe from the overbuild periods?
01:03:53 --> 01:03:57: You know, I, I think we wouldn't describe this as
01:03:57 --> 01:03:59: distressed investing by any means.
01:03:59 --> 01:04:02: And if anything, the amount of distress that has translated
01:04:02 --> 01:04:05: an opportunity has been less than we'd expected.
01:04:06 --> 01:04:09: I think really what people are buying is assets that
01:04:09 --> 01:04:13: would be more difficult or more expensive to build today
01:04:13 --> 01:04:16: than they are to buy and places which even with
01:04:16 --> 01:04:21: negative leverage, we can underwrite enough rent growth to to
01:04:21 --> 01:04:23: make that economically viable.
01:04:23 --> 01:04:25: And you know, I think there are opportunities they're, they're
01:04:25 --> 01:04:26: not easy to underwrite.
01:04:26 --> 01:04:30: I think that's the thing that's been curiously persistent.
01:04:30 --> 01:04:33: It's hard to underwrite the relative rent growth, but but
01:04:33 --> 01:04:38: the transaction activity, just even when the first quarter data
01:04:38 --> 01:04:41: comes out, I think people will be surprised at how
01:04:41 --> 01:04:44: active the markets are right now on this side.
01:04:44 --> 01:04:48: Yeah, just really quickly I was struck by going through
01:04:48 --> 01:04:50: all your slides, how so many of them depend on
01:04:50 --> 01:04:54: databases from the Bureau of Labor Statistics and US Census
01:04:54 --> 01:04:55: Bureau.
01:04:56 --> 01:04:57: So are you worried?
01:04:57 --> 01:05:01: That recent news that the government is, they say, destroying
01:05:01 --> 01:05:05: days of databases, taking them offline, getting rid of government
01:05:05 --> 01:05:08: websites that researchers and collaborators depend on.
01:05:09 --> 01:05:10: That's a good question.
01:05:10 --> 01:05:10: I can't.
01:05:10 --> 01:05:11: Quite hear it.
01:05:11 --> 01:05:11: So what's that?
01:05:11 --> 01:05:12: I didn't.
01:05:12 --> 01:05:12: Hear the question.
01:05:12 --> 01:05:16: Oh, the question is about is the availability of data
01:05:16 --> 01:05:19: itself, which is a product of the federal government at
01:05:19 --> 01:05:19: risk.
01:05:20 --> 01:05:21: I, I worry about it.

01:05:22 --> 01:05:25: I, I continue to think that these are tools that
01:05:25 --> 01:05:29: people in the business community, including those who use every
01:05:29 --> 01:05:32: day and they're such long investments, right?
01:05:32 --> 01:05:35: I mean, the Census Bureau has been interested in this
01:05:35 --> 01:05:38: tremendous period of evolution and, and what has been offered
01:05:38 --> 01:05:39: is richer and richer.
01:05:40 --> 01:05:42: I I would hate to imagine we give up on
01:05:42 --> 01:05:45: that, but like everything else, it's sensitive to the pressure.
01:05:45 --> 01:05:48: I really worry that the the cuts that are being
01:05:48 --> 01:05:52: proposed at HUD and FHA, and of course the Census
01:05:52 --> 01:05:55: Bureau as well, could make us fly more blindly.
01:05:56 --> 01:05:59: Also, people are not answering the surveys anywhere near as
01:05:59 --> 01:06:00: well as they did in the past.
01:06:00 --> 01:06:03: So we may have less good information and maybe it's
01:06:03 --> 01:06:06: going to depend on ULI and the private sector to
01:06:06 --> 01:06:07: take over some of that stuff.
01:06:08 --> 01:06:11: Yeah, there is also pressure around some of the private
01:06:11 --> 01:06:15: data sources that have been helpful to the industry.
01:06:15 --> 01:06:19: A longer discussion, but maybe for another time, maybe one
01:06:19 --> 01:06:19: more.
01:06:19 --> 01:06:22: And then, Rosie, we should tell people what's next.
01:06:22 --> 01:06:24: I think the last one in the middle and then
01:06:24 --> 01:06:26: we'll give folks a few minutes of break, please.
01:06:27 --> 01:06:28: Hi, my name is Isabel Prieto.
01:06:28 --> 01:06:30: I'm a junior at Georgia State University.
01:06:30 --> 01:06:36: And I'm exploring the integration of AI and blockchain possibilities
01:06:36 --> 01:06:40: and commercial real estate and with the rising cost of
01:06:40 --> 01:06:45: construction that presents opportunities for new technology.
01:06:45 --> 01:06:48: And I wanted to know if you could provide any
01:06:48 --> 01:06:53: insights on distributed Ledger technology and blockchain technology for getting
01:06:53 --> 01:06:55: construction materials.
01:06:56 --> 01:06:56: Good, good question.
01:06:56 --> 01:06:58: Thanks and nice to have students here.
01:06:58 --> 01:07:02: The question was about whether we really see AI, blockchain,
01:07:02 --> 01:07:06: other types of technology, you know, maybe making progress against
01:07:06 --> 01:07:08: the stubbornness of housing costs.
01:07:09 --> 01:07:09: Can you have a?

01:07:11 --> 01:07:13: So I've been doing housing research for 45 years.
01:07:13 --> 01:07:16: I started at the MIT, Harvard Joint Center for Urban
01:07:17 --> 01:07:17: Studies.
01:07:17 --> 01:07:19: They've turned out a lot of projects.
01:07:19 --> 01:07:23: There's always that hope that we would be able to
01:07:23 --> 01:07:25: do that with all different things.
01:07:25 --> 01:07:28: Hasn't happened yet, but I'm hopeful.
01:07:28 --> 01:07:30: We have manufactured housing.
01:07:30 --> 01:07:34: We have some really big plans that are happening where
01:07:34 --> 01:07:37: you can produce factory built housing for maybe a 25%
01:07:37 --> 01:07:40: lower than actually on site housing.
01:07:40 --> 01:07:43: AI I'm not sure about many of you have used
01:07:43 --> 01:07:45: Copilot or some of the other tools.
01:07:46 --> 01:07:49: I think there's more hype than reality, but I hope
01:07:49 --> 01:07:49: I'm wrong.
01:07:50 --> 01:07:53: I hope that maybe we can get the breakthrough, but
01:07:53 --> 01:07:55: unfortunately it's materials and labor.
01:07:55 --> 01:07:57: Those are really tough things.
01:07:57 --> 01:08:00: We can however affect land and I think that is
01:08:00 --> 01:08:02: what's so exciting about California.
01:08:03 --> 01:08:06: We've had a number of legislations that have allowed AD
01:08:06 --> 01:08:07: us to be built.
01:08:07 --> 01:08:11: We're now eliminating this strict single family zoning so we
01:08:11 --> 01:08:15: could build fourplexes, triplexes and I think that is probably
01:08:15 --> 01:08:19: the way we could attack housing cost more because land
01:08:19 --> 01:08:22: is between 20 and 50% of the cost of building
01:08:22 --> 01:08:23: a unit.
01:08:23 --> 01:08:25: So we can attack the land cost probably better than
01:08:25 --> 01:08:28: the other, easier than the other components, yes.
01:08:29 --> 01:08:29: Thank you so much.
01:08:29 --> 01:08:33: I'm also optimistic in 30 years in this business, I
01:08:33 --> 01:08:36: haven't seen as much focus and urgency around kind of
01:08:36 --> 01:08:39: can we actually innovate and get it done.
01:08:40 --> 01:08:43: And so I think there's there's a reason to imagine
01:08:43 --> 01:08:46: that these technologies in particular and just with sort of
01:08:46 --> 01:08:48: a level of focus on it that we really may
01:08:48 --> 01:08:49: see some.
01:08:49 --> 01:08:49: Yeah.
01:08:49 --> 01:08:51: And you and I has been a leader, yeah, in
01:08:51 --> 01:08:51: all this stuff.
01:08:51 --> 01:08:54: We thank you for doing that because it is really
01:08:54 --> 01:08:58: critical that we get our congressmen and senators and local

01:08:58 --> 01:09:02: representatives and maybe even the president to focus on this.
01:09:02 --> 01:09:05: It's 1/3 of people's expenditures.
01:09:05 --> 01:09:06: It is everything.
01:09:06 --> 01:09:09: If you get this right, it really helps a lot.
01:09:10 --> 01:09:11: A perfect note to end on.
01:09:12 --> 01:09:13: Thank you, Rosie.
01:09:19 --> 01:09:20: Thank you, Ken and Adam.
01:09:20 --> 01:09:21: That was fantastic.
01:09:21 --> 01:09:23: I hope everybody enjoyed it.
01:09:23 --> 01:09:26: Thank you, Courtney, for your welcome to Atlanta and Angela
01:09:26 --> 01:09:29: for your leadership and of course, Ron for your dedication
01:09:29 --> 01:09:30: to the Tuiliger Center.
01:09:30 --> 01:09:33: There's a break right now and then we will go
01:09:33 --> 01:09:34: into breakout sessions.
01:09:34 --> 01:09:38: So in Ballroom A, we'll have homeless to house in
01:09:38 --> 01:09:44: Ballroom B, the evolving single family rental landscape in Ballroom
01:09:44 --> 01:09:48: C, policy innovations in Ballroom D capital markets.
01:09:49 --> 01:09:52: There'll be a break after those breakout sessions and then
01:09:52 --> 01:09:55: another set of concurrent sessions before we have a networking
01:09:55 --> 01:09:56: reception.
01:09:56 --> 01:09:57: So enjoy the rest of your day.
01:09:57 --> 01:09:58: Thank you.
