Converting CRE to Apartments: Strategic Opportunity and Lessons Learned

A joint research project of NMHC and the Urban Land Institute
Overview

• Jointly funded by NMHC and ULI’s Terwilliger Center for Housing
• Led by Anita Kramer, ULI Capital Markets
• Focus:
  • Converted CRE Target Properties; emphasis on recent conversions (last 2 years) and then relatively recent (2014 or later)
• Practitioner-Oriented Research (and Panel)
  • Steve Foutch, CEO – Foutch Brothers
  • Elizabeth Godesky, Lowe
  • Michael A. Spotts, ULI Terwilliger Center (moderator)
The Big Picture

- *Emerging Trends 2021*: Uncertainty/weakness in the office market, supply shortages in the multifamily market (especially in high-growth regions)

- Preliminary findings:
  - Modern building conversions are mainstream, financially feasible development options
  - Residential conversions are “not for the faint of heart”
  - It’s not just about the developer – seller motivation is a critical factor

“All CRE conversions are driven by the strength of MF demand in their market and the decline of a particular CRE asset (actual and/or relative decline), but the ‘what’ and ‘how’ that went into each conversion is never the same.”
Foutch Brothers
Lowe