



Multifamily Office-to-Residential Conversions: A New Push from the Biden Administration

The Biden administration is taking steps to address the nation's affordable housing crisis by encouraging office-to-residential conversions. On Friday, the administration released a 54-page guidebook outlining how the federal government can help facilitate these conversions.



The guidebook lays out several existing and new opportunities, including:

- **Land disposition deals:** The Department of Transportation has cleared the way for local transit agencies to make land available at no cost to local governments and non-profit and for-profit developers seeking to develop affordable housing. Some of this land may have existing commercial space that is ripe for conversion.
- **Federal property sales:** The General Services Administration, in partnership with the Office of Management and Budget, has begun to identify federal properties that it could sell, and will create a public list of these opportunities.
- **Federal loans, grants, tax credits, and technical assistance programs:** There are a number of federal programs that can help with office-to-residential conversion projects, including the Department of Housing and Urban Development's Community Development Block Grant program and the Department of Energy's tax incentives for energy-efficiency improvements.

The guidebook also highlights a number of zero-emission building opportunities, such as tax credits for using and creating clean energy in buildings and affordable financing to support these projects.



Roughly 15% of the office space in the 105 largest cities in the country is eligible for conversion, according to a National Bureau of Economic Research report. Cities like New York, D.C., San Francisco, and Boston have already started focusing on revitalizing their business districts through these conversions.

In response to the White House's announcement, Mortgage Bankers Association CEO Bob Broeksmit released a statement saying that the association supports the initiative.

"Housing providers are grappling with higher interest rates and rising labor and construction costs at a time when our nation's housing supply remains inadequate," Broeksmit said. "The initiatives announced today should help facilitate more commercial-to-residential projects. We encourage state and local governments to ensure zoning laws, tax credits, and subsidies are aligned to take full advantage of these programs."

Evergreen Capital Insights

The Biden administration's push for office-to-residential conversions presents a new frontier for Evergreen Capital. While immediate returns might be slow due to potential regulatory hurdles and project complexities, the initiative holds long-term promise.

Consider these strategic options:

- **Invest in pilot projects:** Partner with experienced developers and municipalities in cities embracing conversions to gain an early foothold and build expertise.
- **Focus on value-added opportunities:** Identify underutilized or distressed office buildings in high-demand areas with supportive local policies for conversion.
- **Leverage government incentives:** Utilize available federal loans, grants, and tax credits to optimize project feasibility and enhance returns.
- **Prioritize sustainability:** Integrate zero-emission building strategies to align with the administration's focus and unlock additional incentives.
- **Maintain flexibility:** Monitor emerging regulations and adapt strategies as the conversion landscape evolves.

By actively engaging in this emerging trend with a data-driven, value-conscious approach, Evergreen Capital can capitalize on the potential of office-to-residential conversions while contributing to the administration's affordable housing goals. Remember, early adopters with a patient and opportunistic mindset stand to reap the long-term rewards in this promising new market.



2 Arizona Cities Top the List of Best Places for Renters



According to Forbes Advisor, Chandler and Gilbert, Arizona, ranked No. 1 and 2 as the best-suited cities for renters out of 96 of the most populated U.S. cities.

Crunching the data across 23 metrics for the 96 most populated U.S. cities, Forbes Advisor has uncovered a list of the best cities suited for renters.

Considering rental prices, sizes, affordability, crime, amenities, and neighborhood features, Chandler, Arizona, came in as No. 1, followed by Gilbert. The overall Phoenix metro stands out as a top region with two additional cities in the top 15—Scottsdale and Glendale.

Across the 96 most populated cities, the average rental price for one- and two-bedroom apartments is \$1,301 and \$1,590, respectively, with an average size of 688 square feet for a one-bedroom apartment and 979 square feet for a two-bedroom apartment.

The top 10 cities best suited for renters include:

- Chandler, Arizona
- Gilbert, Arizona
- Henderson, Nevada
- Plano, Texas
- Austin, Texas
- Minneapolis
- Lincoln, Nebraska
- Washington, D.C.
- Denver
- Las Vegas

Most of the cities on the top 15 are pet-friendly with Plano at No. 4, which has the highest share (95.32%) of pet-friendly rentals, and Boise, Idaho, at No. 11 with the highest availability of dog parks.

In terms of weather, both warm and cold environments are represented in the top 10 with Arizona being the 10th warmest state in the nation and Texas being the fourth, while Minnesota is the fourth coldest state and Colorado is the 10th, according to Forbes Advisor.

The study found that the cheapest rent isn't an easy way into the top 10 list. While Cleveland (ranking 39th overall) has the most affordable rent for both one- and two-bedroom units, its lower median household income and higher crime and unemployment rate hinder its chances.



Multifamily Operators Report Increased Renter Expectations

A recent report from Zego found that 75% of multifamily operators believe renter expectations have increased in the past year. The top priority for renters is a tech-enabled lifestyle, followed by better amenities, better community technology, and added concierge services.

The report also found that the most important aspects of the resident experience for 2023 are:

- Technology-enabled lifestyle
- Management communication/responsiveness
- Physical amenities
- Community appearance/cleanliness
- Convenience-based amenities
- Relationship with on-site staff
- A sense of community

The top challenges for multifamily operators this year are:

- Keeping property visually appealing and modernized
- Managing repairs and maintenance
- Communicating effectively with residents
- Providing good customer service
- Measuring resident satisfaction
- Facilitating smooth move-in and out
- Understanding the needs of residents
- Outdated or insufficient property technology
- Hosting resident events
- Staff shortages

Despite these challenges, 72% of respondents believe that resident retention will increase in 2023, while 24% believe it will stay the same. Current retention rates sit at 56%, down a percentage point from last year's report, but up 2 percentage points from 2021.

The report also found a correlation between staff turnover and resident turnover. Companies with higher levels of staff turnover also experienced above-average resident turnover. For companies with turnover less than 20%, communities saw a 60% retention rate compared with 54% for companies with a staff turnover greater than 20%.

This report highlights the importance of focusing on the resident experience in order to attract and retain tenants. Multifamily operators can do this by investing in technology, improving communication, and providing excellent customer service.