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WATERTON TARGETS GROUND-UP MULTIFAMILY DEVELOPMENT IN SUPPLY CONSTRAINED MARKETS

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Supply/Demand Imbalance Creates New Opportunities in Multifamily Sector

(February 16, 2022 – Chicago, IL) – [Waterton](#), a national real estate investor and operator, today announced it will diversify its investment strategy by investing in select multifamily ground-up developments, with a focus on joint venture opportunities with local/regional developers in growth markets where demand is predicted to outpace new supply. The firm will continue its 25+ year history of investing in multifamily value add opportunities while also targeting new development opportunities across the Southeastern and Southwestern United States markets.

“With our established track record in the value add space and our experience with re-developments across markets, we believe the timing is right to expand into ground-up development,” said David Schwartz, chief executive officer and chairman at Waterton. “Demand is clearly outstripping supply in certain markets and current conditions are making it more cost effective to build from the ground up – while our experience and relationships with local developers makes Waterton an attractive partner.”

The shift takes advantage of the opportunities created by an increase in renter households and a shortage of housing units (both for rent and for sale) while responding to the dynamic in select markets where pricing for existing value add properties is either approaching or exceeding replacement costs for new product.



Partnerships with well-qualified regional and local developers will benefit from Waterton’s ability to underwrite the new developments, oversee the construction process and provide asset and property management services upon completion. Waterton intends to focus on the construction of affordable (80 percent to 100 percent of area median income) garden style and mid-rise developments in well-located suburban markets and in select urban areas, allowing the firm to take advantage of strong suburban rental demand while improving supply in urban centers where starts are trending down.

“The new supply of multifamily units added in the last five years relative to the existing stock of housing shows supply is still very low in many markets,” said



Rick Hurd, chief investment officer at Waterton. “Development yields are much more pronounced today than in years past and this produces extremely attractive opportunities in select markets when compared to going in cap rates for value add deals. Our team of investment professionals, combined with our existing relationships with local and regional developers, further supports our belief that a ground-up development strategy will complement our existing value add portfolio.”

The U.S. remains significantly under-supplied in terms of all types of housing. An all-time low vacancy rate of 4.5 percent (according to CoStar) combined with land shortages and zoning restrictions that prohibit adding density in urban and suburban markets has led to a dearth of multifamily supply. When looking conservatively at the relationship of population to housing units, the U.S. housing market needs an additional two million housing units to return to historical averages, according to CoStar. More aggressive estimates have the U.S. market under-housed by five to seven million housing units.

Housing starts relative to the population have been on an overall decreasing trend since the 1970s. This decrease became particularly pronounced after the peak of the 2000’s housing bubble with housing starts as a share of the population decreasing by roughly 39 percent in the 15-year period from January 2006 to June 2021. Researchers at Freddie Mac have estimated that the current shortage of homes is close to 3.8 million, up substantially from an estimated 2.5 million in 2018.

“The undersupply of housing in the United States should continue to benefit the multifamily industry as demand is projected to outpace supply over the next five years in certain markets,” said Hurd. “And, people will increasingly seek more flexible and affordable housing options.”

About Waterton:

Waterton is a real estate investment and property management company with a focus on U.S. multifamily, senior living and hospitality properties. Founded in 1995, Waterton executes value add strategies and manages a national portfolio of properties on behalf of institutional investors, family offices and financial institutions. Waterton is privately held and is headquartered in Chicago with regional teams throughout the United States. As of September 30, 2021, Waterton’s portfolio includes approximately \$8.6 billion in real estate assets. Visit Waterton’s website: www.waterton.com.

