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MFE

MULTIFAMILY EXECUTIVE

INSIDE

Our 2022
Hall of Fame
inductee and
Rising Star

Executive of the Year
David Schwartz has
successfully drawn
attention and
resources to the
industry

Strong Voice



BY
LYDIA
LEE

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TRUGLIA

Higher Ground

MFE Executive of the Year
David Schwartz has grown
Waterton and been a voice
for the multifamily industry





Midway through the pandemic, in September 2021, David Schwartz, then-chair of the National Multifamily Housing Council (NMHC), asked the House Committee on Financial Services to unclog the bureaucracy that was holding up nearly \$50 billion in federal emergency rental assistance program (ERAP) funds.

"Without action to improve disbursement of ERAP funds and increase participation in the program, renters are faced with further uncertainty and a mounting debt cliff, while rental property owners move closer to foreclosure, bankruptcy, or a forced sale of the property," he said in prepared remarks. As NMHC chair, Schwartz had previously advocated for the funds during numerous meetings with members of Congress and supported the launch of NMHC's rent payment tracker, which helped make the case for federal assistance.

Schwartz was the proverbial right guy in the right place at the right time, according to Doug Bibby, longtime president of NMHC. "He was the perfect leader for the unprecedented challenges thrown our way and a valued counselor to his peers in the business," says Bibby.

Schwartz is the co-founder and CEO of Waterton, a Chicago-based real estate investment and property management company with \$9.3 billion in primarily multifamily housing. For his proven leadership in a time of crisis, Schwartz has been named MFE's Executive of the Year.

Described as warm and supportive by staff, Schwartz's interest in home improvement started early. As a teenager living in the Highland Park suburb of Chicago, he started a side business washing windows, which expanded to house painting; he also cleaned pools and blacktopped driveways. Inspired by a geologist cousin who traveled to remote parts of the world looking for oil, Schwartz entered the University of Colorado Boulder in 1982 as a geology major. But after nearly failing his first midterm, he decided to change course.

Thanks to a legendary economics professor, Dr. Reuben Zubrow, Schwartz discovered he had a natural aptitude for finance. Money was tight, so he returned to his home state and continued to study economics at the University of Illinois Urbana-Champaign. There, he learned about the real estate syndication business, which had taken off in the early '80s.

"This business where you're acquiring physical assets or building or improving them just resonated with me," he says. He applied for an internship at big-name real estate investment companies, including JMB and Heitman, but was unable to even land an interview.

However, Schwartz did get a call from a newer startup. Greg Mutz, who had launched AMLI in 1980, invited him over for dinner at his home in Chicago. At the end of the evening, Mutz gave Schwartz his break.

"He said, 'Well, Schwartz-y, you don't have much of a resume here, but I'm going to take an extremely small bet on you. I'm going to give you an internship over your holiday break and send you down to Atlanta, and you're just going to do what they tell you to do,'" recalls Schwartz, who extended his break and spent nearly six weeks driving a Bobcat skid-steer loader on a construction site. "I was enthralled," he says.

After graduating in 1986, he started working for AMLI, initially in office brokerage and then in apartment acquisitions. He loved traveling to suss out apartment buildings in Austin and Dallas and negotiating deals, including a highly structured acquisition of the company's first high-rise, a Park Sheraton in Chicago. "What I was doing there in the '80s is exactly what I'm doing now," says Schwartz.



In 1990, after taking night classes to get an MBA at the University of Chicago Booth, Schwartz joined Equity Group Investments (EGI) during one of the most difficult periods in commercial real estate. "I came in really to troubleshoot," recalls Schwartz. "Pretty much every asset had loan maturities and debt problems that involved all sorts of loan renegotiations. It was very hard to finance anything during that period, and values were going down. I probably learned more as an asset manager than doing anything else in my career."

- 1 Originally built in 2016 and acquired by Waterton in 2019, the 147-unit Aventine is located in the San Francisco Bay Area.
- 2 David Schwartz provides opening remarks at the 2021 National Multifamily Housing Council's OPTECH Conference and Exposition.

AT A GLANCE

DAVID SCHWARTZ

COMPANY
Waterton

TITLE
CEO and Chairman

AGE
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HISTORICAL FIGURE
I'D LIKE TO MEET

Winston Churchill. He was an interesting leader who made a lot of dastardly mistakes, which should have killed his career. But he survived and came out stronger because of all the things he learned. And he had a great sense of humor.

ROLE MODEL

I aspire to be like Bob Iger, the former CEO of Disney. He has the ability to create personal relationships with critical people outside his business, as well as having the internal leadership characteristics. I think good leaders are great at being on the inside and the outside. You have to grow most companies and create scale, so being good at both is really important.

IF I COULD FIX ONE
INDUSTRYWIDE ISSUE,
IT WOULD BE:

Rent control. It does the opposite of what the intended effect is. If you want rental housing prices to go down, you need a lot more supply. I wish I could wave a magic wand and convince every local and national politician how bad an idea it is.

Top: Courtesy, Waterton; Bottom: Courtesy, National Multifamily Housing Council



But it was also the time when Sam Zell, the founder of EGI, famously found a way out of adversity and created the modern REIT. Soon Schwartz was back in acquisitions, helping to find more assets to put into Equity Residential, which went public in 1993. "We bought 6,000 units from a new startup company called Starwood Capital. We were buying at scale from all these mini-Starwoods—young, crafty investors. They'd buy a very distressed property, and they'd all do the same thing: seal-coat the parking lot, paint the property, fix up the clubhouse, lease it up, and then they'd sell it to me. I wanted to be those guys. There was such a wholesale-to-retail spread [between the two prices]."

Schwartz pitched his vision of a national value-add company at a time when the field was very shallow to Peter Vilim, his one-time boss at AMLI. They launched Waterton in 1995 as a "lean and mean" business that would buy multifamily properties and fix and sell them, outsourcing the renovations and property management. Waterton's first acquisition, a 342-unit apartment complex in Austin, Texas, was done with backing from real estate magnate Penny Pritzker. Pritzker Realty Group subsequently teamed up with Waterton to establish a \$30 million discretionary fund, and the company was off and running.

The "fix and flip" model quickly evolved into "buy and hold," and today Waterton is vertically integrated, handling design and construction as well as property management. It has expanded into senior living and single-family rental homes, and also owns four hotels. Its expertise in hospitality has inspired it to take a similarly customer-centric approach to property management; Schwartz envisions a loyalty program for apartment dwellers akin to Marriott's Bonvoy. The privately owned company recently sold a minority stake to New York City-based Almanac Realty Investors, which should allow it to invest in larger deals.

While about 180 people now work at corporate headquarters, Schwartz continues a tradition of holding office hours every Monday at 11 a.m., during which time even the most junior associate can drop by and review transactions with him.



“If you look at firms our size, I don't think it's common to have that kind of access to the CEO.”

† The 736-unit Terracina in Ontario, California, was acquired by Waterton in 2022 and rebranded upon acquisition as Citrine Hills.

"If you look at firms of our size, I don't think it's common to have that kind of access to the CEO," says Erin Ankin, managing partner and general counsel at Waterton. "It's pretty extraordinary for someone who is just starting their career."

Whether he's mentoring employees, describing the onerous application process for emergency funds to House Committee on Financial Services chair Maxine Waters, or advising his synagogue's rabbi on how to attract more customers, Schwartz's passion for making things better is palpable. It's an attitude reflected in Waterton's motto: "Find the good and leave it better." NFE

Courtesy: Waterton