

Q&A with Daniel Farber, Executive VP at HLC Equity

by Alexandra Pacurar

The HLC Equity principal discusses the company's recent foray into the multifamily market, and the changes foreseen for this attractive real estate sector.

Pittsburgh—Multifamily assets have become the crown jewel of the real estate market recently, thanks to their long-term stability and growth potential. [HLC Equity \(http://www.hlcequity.com/\)](http://www.hlcequity.com/) is one of the companies that adapted to the current shifts in the industry and is now allocating significant resources to their newly opened multifamily portfolio.

Daniel Farber, executive vice president of HLC Equity, spoke with [Multi-Housing News \(https://www.multihousingnews.com/\)](https://www.multihousingnews.com/) about the company's strategy on multifamily acquisitions and the challenges in real estate investment.

MHN: Did HLC Equity change its focus from commercial real estate to multifamily? What are the reasons behind this new strategy?

Daniel Farber: Over the past 20-some years, HLC Equity has focused on investing in shopping centers and other retail real estate assets throughout the U.S. Thankfully, our retail portfolio weathered well throughout the recession and through the recovery. However, in 2014, we began to look into other real estate asset classes that we felt had growth potential over the long term. We took note of the significant demographic and behavioral shifts occurring across the U.S., many of which make multifamily all the more desirable as an asset class.

For example, renting is proving to be much more conducive to the millennial lifestyle, baby boomers are continually downsizing and looking for a more flexible lifestyle, less people are buying homes today for a wide range of reasons (bringing home ownership to a 51-year low), and today our society has a strong emphasis on community, which is something that our multifamily investments offer to our residents.

Additionally, as these significant shifts are occurring, the construction of multifamily developments is not able to keep up with demand nationwide. To put things into perspective, according to a recent Harvard study, renters account for 43 million households out of a total of 116 million, which is the highest percentage of renters since the mid-1960s. This creates a situation in which there is tremendous demand for apartment rentals, and the limited supply that is coming to market is generally priced above median rent levels.

So, while investing in the multifamily sector is by no means a replacement for our retail portfolio, we have allocated significant resources to building out our multifamily platform for the long term.

MHN: Would HLC Equity consider expanding its business horizons to new branches (e.g. construction)?

Farber: We are continually analyzing the market to try and determine whether our current strategy is exactly where we should and where we want to be. Right now, our key focus is buying and improving existing assets. However, we have a few projects that we are working on behind the scenes which could involve more construction, and may include a major development project in an up and coming neighborhood. Stay tuned...

MHN: How would you describe the multifamily market in the U.S. today in terms of trends and challenges?

Farber: We are focused on ensuring that we have well-located, walkable and transit-oriented properties with a competitive amenity package. Additionally, we aim to provide a thriving community living experience for our residents. We are constantly working on what we call "add-on" services that integrate today's modern way of living and technologies with traditional apartment communities.

From an investment standpoint, the key challenges we face are – a) a highly competitive acquisitions market that we are in for quality multifamily assets and b) buying into such a competitive market at a price that makes sense, given our expectation that the sector will not see the same exponential rent growth that it has experienced over the past few years.



Daniel Farber, Executive Vice President of HLC Equity



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