

Notes from personal conversation with Austin Richardson

- He advocates just finding a good piece of land and calling up the owner.
- Offer them equity in the final project, and come up with a rough pro forma. Include in your calculations how much money it would make to sell after it's stabilized, as that will really pop their eyes out.
- Related to 3915 Highway 200
 - From his experience, near a city, a 2 bedroom actually turns over more than a 1 BR or studio.
 - Make sure we are planning for the worst case, when it comes to estimating our vacancy and rental rates.
 - Consider ordering a market study to figure out what mix of units is in most demand and ensure that we are meeting the market needs. This would also be useful in getting investors on board, but I'm not sure of the cost.
 - He'd recommend either the Gill Group or Prior and Associates Group to get the market study from.
- Regarding my long-term dreams of getting into affordable housing, he recommends calling MBOH and trying to build a connection with someone, and also MPEG.
 - Partner for the first few deals with a non-profit that does not do any development themselves.
 - Ideally a housing nonprofit.
- Could also apply for a RFP in a city looking for an affordable project.

Austin Richardson's Presentation Notes (Notes taken by Keith Miller, any mistakes, errors, or omissions are my fault)

- Costs for construction are coming back down.
- In larger markets, especially with larger construction firms, costs have dropped by 15% for projects in the next six months. Subs are getting concerned with the upcoming drop in construction projects, and this is already leading to more competitive pricing.
- This drop will be slower with smaller outfits.
- Missoula is unique because there are fewer large multifamily projects. Our labor costs will drop more slowly, as there are fewer workers, and more pent up demand for homeowner rehab projects, and new home builds, to keep companies busy.
- Interest rates will keep rising at the commercial level, Austin sees them rising another 0.5-0.75% by the end of the year.
- It will be 3-5 years before interest rates go back down near where they were
- The rental market is still very strong, as so many home buyers have been priced out of the market.
- He sees rental rates continuing to rise in Missoula, and says there would need to be a huge financial crisis for rental rates to drop.

- Austin doesn't see the construction industry ever catching up with demand, there is just such a large backlog. Around 5.5 million house deficit nationwide.
- Up to 40% of multifamily projects nationwide in the next year will be paused, due to the rise of interest rates. Multi-phase projects will be pausing as the numbers no longer pencil. For example, a large multifamily development is finishing phase 1, but will not be starting phase 2 until interest rates have stabilized.
- There are fewer lenders willing to lend on larger projects with rising interest rates.
- His number one piece of advice is to find off-market properties.
 - Either purchase the property outright, or give the owner equity in the final project in exchange for contributing the land.
 - You can get lending for up to 90% of costs, and then the land is your 10% down payment, which means you can start a project with almost zero out of pocket costs.
 - Show the owner a rough pro forma with conservative numbers. If you give specific numbers and detail the cashflow, that will change their mind more than anything else.
- His company, Summit Housing Group, avoids cities like Missoula where there are non-profits that do developments, because they are most likely to get the affordable housing dollars from the state.