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Tracking the Rise of Adaptive Reuse Multifamily Trends

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Josh Boling

ATLANTA—Adaptive reuse is certainly nothing new in **commercial real estate**. But it's a darling concept among **multifamily** developers in this season.

GlobeSt.com caught up with **Audubon Communities'** vice president of construction **Josh Boling** to get a pulse on the trends—and the growing reasons behind

them. He oversees projects in Atlanta, Baton Rouge and other locations in Georgia that are predominantly adaptive reuse.

GlobeSt.com: How has the apartment market changed in recent years? Have there been any milestones in its evolution?

Boling: We've seen a dramatic evolution in the **apartment** market in recent years. The biggest shift has been a change in focus from building new properties to renovating older communities in great locations.

This is in part because the return on renovations is increasingly attractive to investors, while new properties' expenses are making them less profitable. With an attractive market throughout the country, we've also seen increased competition for acquisitions, driving up the cost per unit.

To compensate, Audubon invests resources to reduce property expenses by creating efficiencies operationally and establishing defined processes to lower maintenance costs, instead of focusing solely on value-add initiatives.

GlobeSt.com: Can you explain how adaptive reuse works and why it's appealing to developers and tenants?

Boling: Adaptive reuse is the process of transforming existing buildings into modern structures, whether for **multifamily**, hospitality, **retail**, et cetera. Audubon focuses on **multifamily**, specifically in submarkets where there is low occupancy of 60 to 70%. These older properties are in excellent locations that have had little capital invested to upgrade their facilities, such as unit interior finishes, building exteriors and amenities.

With adaptive reuse, we can offer residents and investors attractive options in markets where the cost of living isn't quite as high as urban markets. Developers love these types of projects. There is a tremendous opportunity for returns based on increased income and overall value of the assets.

GlobeSt.com: Class A assets are in high demand and there's a lot of inventory in vacant structures, which are a blight on communities. That being said, many developers are choosing adaptive reuse over building from scratch. Why is that?

Boling: Many potential adaptive reuse properties are in locations where land is scarce or simply too expensive to justify a ground-up development. In addition, these properties have already been through the entitlement process, which can speed up development.

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