Multifamily Sustainable Practices with Stoneweg

Duration	00:38:28
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Corey Aber [00:00:00] Multifamily property owners today have a lot of responsibilities, and these responsibilities have evolved over time. In many ways, they're not just property owners, but they're stewards of both the community and a key resource in this country. The housing stock, which fingers crossed, will be around for a long time.

Luba Kim-Reynolds [00:00:17] We are seeing business models evolve to meet those responsibilities, with a focus on both resident opportunities and climate responsibility. Sometimes it's hard to see that in the data, though, especially in today's market with fewer transactions happening, and then green loans and bond executions down.

Corey Aber [00:00:35] But I suspect there's something going on beyond the numbers. And yes, multifamily properties have historically been relatively inefficient, and the rental housing stock is generally considered a significant source of emissions, but this housing has been around for a really long time and was often built around older systems. But improvements are being made. Many owners today take this responsibility seriously. We know that anecdotally and anecdotes add up.

Today we're going to learn more about how one owner has made both addressing property efficiency and resident opportunity central to their workforce housing strategy and what they're doing to make a measurable difference. Hello and welcome to this episode of the Freddie Mac Multifamily Podcast. I'm Corey Aber.

Luba Kim-Reynolds [00:01:22] And I'm Luba Kim-Reynolds. Thomas Stanchak has been in various Asset Management positions at Stoneweg Company, one of our Impact Sponsors. In 2020, he started overseeing the company's ESG strategy and implementation of various energy-efficient and innovative practices. He introduced water-use conservation, LED retrofits and effective recycling methods that would not only incorporate sustainability, but also provide key value-add for residents.

Corey Aber [00:01:53] We’re especially excited to have Tom here today as Stoneweg is one of our Impact Sponsors, which is a Freddie Mac designation that recognizes those property owners who drive meaningful change within the multifamily industry.

Luba Kim-Reynolds [00:02:03] Welcome, Tom. Really great to have you here.

Thomas Stanchak [00:02:07] Hi, Luba. Hi, Corey. I am super excited to be here.

Luba Kim-Reynolds [00:02:10] Tom, maybe before we start talking about the sustainability, you can give us a little bit of an overview about Stoneweg and your responsibilities there.

Thomas Stanchak [00:02:19] Sure, happy to. Stoneweg is a global group. So, we focus on real estate investments in Europe as well as in the U.S. So combined, our presence across the two continents, with equity coming globally, is about [$]7 billion. In the U.S., we focus specifically on multifamily and a subsection of that is primarily workforce or naturally occurring affordable housing. We've been doing this, since 2016. Patrick Richards started the Stoneweg U.S. group then with a small portfolio. And we've grown, from a few thousand units to, I think today our AUM [assets under management] is a little over 2 billion. We have about 13,000 units across currently 13 states. And we purchase and acquire existing multifamily communities but also we've begun to do ground-up development.

Luba Kim-Reynolds [00:03:25] Great. This is very impressive. So, let's actually start our conversation with setting the stage. What are the first steps to implementing a sustainability strategy across a portfolio? What does it entail?

Thomas Stanchak [00:03:37] Sure. So, what I can, you know, the advice from my experience is, you know, what the world needs is a lot of beginners. And, you know, we don't need to have the expectation that, you know, they should become experts immediately. I really think that there's an opportunity to really just kind of look at the way your business model works and try to find the meaningful and invaluable intersections with sustainability and kind of good stewardship. I really think that you want to appeal broadly. So, you know, what I, what I want to avoid is this conversation of leading into, like, niche green sort of strategies. And I really think that it needs to be kind of transformed where this is just kind of table stakes. Where, you know, really paying close attention to your investments and how they operate, but also appreciating sort of like the the chain of how real estate investments, really the things that you're implementing today in terms of your capital plan or your operations plan, how you support residents, how you maintain your buildings, how you drive performance can be carried on and kind of transferred from owner to owner.

Corey Aber [00:05:01] Tom, that point you made about like needing a lot of beginners really resonates. And thinking about this, I mean, it sounds like you think about this from a very practical standpoint as well, right? There's the mission behind it. But, but also just as you said, like sort of the fundamental like best practice that you do. So, what are some things that really stood out to you — as you've worked in this space for a while — that are some of those like common sense best practices that have a big impact?

Thomas Stanchak [00:05:26] So, you know, I'll take the example of water. And, you know, Freddie Mac has done a great job of really supporting and urging real estate investment investors, particularly to look at their water consumption. Because if you think about it, you know, like on your income statement on the top line, you know, a lot of multifamily investors will default to, well, we're recovering this expense. But if the expense isn't really understood and it's really not managed properly, what's happening is is that you're kind of growing a margin between what your expenses and what you're recovering. So, you're, you know, financially, you know, you're less efficient. But then also this sort of, you know, myopic approach to like water expenses and water efficiency, fundamentally what that does if it's not really regulated and you don't really look at this in the context of what is efficient, you're driving down potential rents. You know, what you're doing is like you're you're sort of increasing the expense burden for water and, you know, really not paying attention to the efficiency of your investment. And then also this translates into, you know, really lost opportunity to, you know, really, create value.

Luba Kim-Reynolds [00:06:50] I'm really glad that you mentioned water. It's definitely something I like to talk a lot about. But let's talk about energy for a bit. At multifamily, we know that most of electricity bills are usually being paid by tenants, certain parts by the sponsor, the borrower. But how do you deal with this challenge when it's paid by the tenants? How you can get this data? How can you also analyze the data if we cannot really control the behavior of the tenants?

Thomas Stanchak [00:07:18] So, it's kind of a complex question so we can start to unpack it with: You really need to put in a system to collect this data if you're going to do this sort of portfolio analysis and, you know, the sort of opportunistic way that we look at building performance at scale. So first you need to just kind of begin by paying attention to your own utility expenses and beginning to, you know, use a system to, to organize and to collate and analyze. And, you know, I think the ENERGY STAR® Portfolio Manager® system is probably considered first class. You know, it's well known throughout the world and recognized as kind of the standard for building performance systems — and it's free. So, you know, the the expense threshold to begin to like look at performance there, it's very low. And again, it, it is very welcoming towards beginners. They're constantly, the ENERGY STAR team is constantly putting out, you know, education materials on a regular basis to get — to meet people where they're at and to get them started. And I think that that's really something that is too often overlooked, as immediately maybe the pushback might be, well, it's expensive to do these sorts of things. And what I can say is you can get started for free, you just need to kind of, you know, be willing to be be a beginner and you need to be willing to kind of look at this over time, because that's another part of the, I think, the issue with getting started with sustainability is that it really does take an investment of time to really build up a, an understanding of, you know, what, what your current state is, and then really start to look at, what can I do to to optimize performance. And this is a realization that I came to in 2020. I started in 2020. And really it took a couple of years for me to really begin to kind of have a very nuanced understanding of where we can begin to implement practices and measures that really are going to be sort of a non-zero-sum game that basically support residents, support building performance, support the, you know, the investors, goals with the, performance of their real estate. I mean, really, this is a kind of strategic thinking that you can get to once you commit kind of the proper amount of time and resources to really understanding this aspect of real estate investment.

Corey Aber [00:10:03] So Tom, when you all acquire a new property and you're kind of looking at what needs to be done yet, how do you think about that? And, you know, are there some things that stand out, like you kind of look at the property and like, I know it's going to need these two or three things, or do you have to be a little bit more nuanced about it?

Thomas Stanchak [00:10:19] So, I can tell you that a seller providing me with useful building performance data is is basically nonexistent. And I really think that that is an opportunity today. What, how I'm looking at how we begin to approach investments is a couple weeks ago, I was on a plane coming back from some meetings, and I was watching a PBS episode on my iPad. And they introduced this concept called Cathedral Thinking, which I thought was just how my mind works. I began to look this up and read more about it. But fundamentally, what's described here is that, you know, in the Middle Ages, you know, in places like London with Westminster Abbey or, you know, with, in Paris with Notre Dame, the architects that came up with these cathedrals, they never saw them built. They just really kind of laid the foundation and laid the plans. And then it took sometimes several decades or even hundreds of years to to really see these things through to fruition. And I think that that is an understanding that real estate investors need to kind of appreciate in the context of decarbonization, is that when you use words like zero, it becomes this like very high bar that, you know, kind of anything less than kind of perfect performance is falling short. And really, I think that the genuine trend towards, you know, decarbonization or zero emissions economy, it's going to take decades and it's not going to be kind of like a smooth, simple curve. It's going to be complicated. People are going to make mistakes. There are a number of things outside of building performance, like you said, resident use or the weather that can affect, so there's a lot of externalities. But what I can say is that, you know, sort of a patient commitment to a plan over the long term is really what I'm trying to introduce.

So, we start with building a model of building performance, and we understand its energy use, we understand its energy sources, we understand what grid it's connected to. And then you kind of begin to look at this big picture in terms of energy use, intensity, and in the context of its vintage, in the context of the location and the climate it's in. And then you can begin to kind of look at and take like big sort of blocks and then begin to kind of back them in and mold them into a means of investment that will drive performance of the real estate and make it in some ways more core. So, I think that this is another way that I describe kind of building this model and turning it into an actionable plan for investment is that ultimately what I want to do is incrementally decarbonize multifamily real estate and then hand off a net zero plan and still, like, you know, consistent with this idea of Cathedral Thinking where I can deliver meaningful and valuable building performance data. I can deliver a, you know, a book of building mechanical system upgrades and, you know, combine them with the warranties and that sort of thing. I think that this is just kind of a lost opportunity because maybe of the complexity, it's just overlooked. But I really think what's happening is that real estate owners are leaving a lot of value on the table, that it's only being picked up by a few operators. But what I'm hoping is that by doing this and by advocating for it, you know, it'll become more appreciated, adopted and valuable in the marketplace where people will start to trade on this kind of intellectual property of decarbonization plan over time as well as, you know, kind of everything else that has to do with multifamily real estate investing.

Corey Aber [00:14:22] So, Tom, I really like the point about Cathedral Thinking, and that kind of reminds me of like one of my favorite songs, "Just Passing Through" by Leonard Cohen. It's sort of this, the same, same thinking of, like, you know, we're only here for a little while, but somehow we managed to think beyond ourselves and, you know, do what's right, even if we may not see the the results of it.

Thomas Stanchak [00:14:40] Yeah.

Corey Aber [00:14:41] You know what you describe there, you know, really fascinating. I think it's a great way to think about, you know, all of our place in this industry. You know, we talked, you talked about some of the, the ways you think about that, that plan. Let's think about how you finance that plan too, you know, what are the things that that you look for. Is this, like, relatively straightforward to do under just the, you know, typical loan offerings that, that you're looking at in the market, or do you need something special to do this?

Thomas Stanchak [00:15:12] So what I can say is that we accomplish much of this work in the traditional way of real estate investing. So historically, you know, we tend to be low leverage. So, you know, we do things in the right proportion that, you know, no matter the economic conditions like today, with what's happening with Treasury and interest rates, you know, we don't set ourselves to be, up to be exposed to this kind of distress that'll happen with maybe less sophisticated or less long-term investors. But, so how we capitalize these sorts of things are very consistent with the traditional way of doing it.

So, you know, number one, the the goal is not to, you know, redevelop or, you know, retrofit or build a ground-up building that doesn't cast a shadow. The goal is to put together a practical plan that can be implemented over the course of decades, and then really focus on what you can do today to make those incremental improvements that will accumulate in time through future ownership periods by, you know, third parties and peers in the marketplace, that they can begin to build on this. So, I think that sort of putting things in the right size means where do I need to be in the next five, seven, 10 years? And work your way back from that. And then all of a sudden, kind of like the proportion of this becomes more manageable, and then you can look at, well, I'm already doing, you know, a number of HVAC replacements, for example. Can I do this in a programmatic way where I really do a building inventory of the condition of equipment, and then I can begin to to be more proactive about the replacement of this equipment, more thoughtful about the specificity of it, and then actually use it to drive building performance.

This is an example of just kind of aligning something that you're already budgeting for today, something that's already occurring today, but just being more organized about it. Because if you sit and think about the alternative and how it's traditionally done is that essentially, you know, these sorts of HVAC systems and, you know, multifamily units, they go out and then it creates sort of like this discord and this kind of like dynamic where the occupant — the resident there — becomes kind of like, you know, sending an urgent message to the property manager, and because of the urgency it creates this sort of dynamic where they're just trying to grab whatever is the closest, whatever is going to kind of like appease everyone. And it's often the least efficient, most expensive, lowest common denominator. And I really think that if you take a programmatic approach and really kind of build a vertical of operations around being proactive about maintaining and replacing this equipment, what you end up with is kind of a smoother, less friction-prone environment. And while friction can be something that that really, you know, kind of like hones your skills, it can also be extremely expensive and inefficient.

So, this is an example of just taking your normal budgets and your normal way of doing business, but thinking about how how I can make the experience better, how I can get better control over what's happening at the property level and how that relates to kind of, again, my rent roll and my income statement and how I can basically use this as a lever to, I would say, optimize your expense margins and then also make sure that you're, you know, that you're benefiting from really the the resident experience and reducing your economic vacancy overall. I just, I think that it relates fundamentally to, to service and to thinking about how I can do this better. And I think that this is a really powerful question to ask is not, you know, how can I do the least, but how can I do this better? And really kind of discriminating, is there a way to get more value out of the the money I'm already spending, but just to do it in a more thoughtful and and organized way.

Luba Kim-Reynolds [00:19:37] All right, so let's actually shift the focus to physical resiliency for a bit. Something you said in your previous answer was a patient commitment when it relates to sustainability. But I feel like when we're talking about the physical resiliency and risk side, there is no patience here anymore, right? Different climate events are happening everywhere and increasing in certain areas. So, really curious how you guys think about when it relates to climate risk as well as any mitigations that you put in place to mitigate that risk?

Thomas Stanchak [00:20:10] Sure. So, you know, I think that in the last couple of years, it, you know, insurance has, has really kind of like begun to wake up a lot of real estate investors in terms of, you know, you're seeing a significant increase in your premiums, really combined with a lot of other things. But, you know, fundamentally, as soon as you start hitting values through insurance, premium expense increases, really this whole kind of like wake up real estate investors, and they can begin to think about, oh, I guess this has become a material issue.

And what I can say is that how insurance premiums kind of relate to this is that they're backward looking. So, we've seen the increase in sort of, damaging, physical climate events, hazardous events, tropical storms and tornadoes, and kind of like heat stress and this sort of thing, begin to kind of like become more and more frequent. But what's happened to real estate insurance premiums is really kind of like the result of this occurring in the short term. It's — the premiums are not forward looking. They're not looking at kind of like the next decade or two decades.

So how I look at it for the existing portfolio and building a strategy is looking at the physical climate hazards in a location and then looking at the change over time under different, warming scenarios. So, if you look at this, not just what is the hazard, but what is the change in the hazard. So, you know, in a 100-point scale, if you have a 50-point hazard today for tropical storms, but it turns into 100 in a decade, basically, this is doubling the likelihood that this is going to kind of become a, a more significant exposure to the piece of real estate. And that's kind of where you need to clean, kind of what actions do I need to take? Is this something that I can address through making the property more resilient? Or is this something I need to address through kind of, hedging my, my exposure and kind of growing the portfolio to make sure that, you know, you distribute risk? Because, you know, no location is really going to be without any existing, you know, hazards and risks, but it's really kind of looking at it, quantifying it. And what I do and the advice I give to, to our team is to look at the change in risk over time. And if these hazards are becoming more likely in the future, this is, something that really we really need to approach with a thoughtful plan, kind of trusting that there will be insurance available, trusting that, you know, going forward and kind of blindly just assuming that it will be, kind of business as usual, I think is a proposition that I doubt, you know, your investors would be very comfortable with. I think that they're demanding, sponsors and GPs [General Partners] and that sort of thing to begin to really look at, you know, how are you quantifying this and how are you managing this exposure? And I think that this will begin to be more and more of a differentiator.

Corey Aber [00:23:38] So that's really interesting point. I think, you know, one of the things that that I see, when you talk to people across the industry and, and think about all the different climate models that are out there and, you know, there is some margin of error, right? They're, they're, they're future looking, and, you know, you might look at two different models and get different results. But it sounds like what what you're saying is like, it's not about the precision of those results, it's about the direction of those…

Thomas Stanchak [00:24:01] Yeah, exactly.

Corey Aber [00:24:01] …those models that gives you an indication of how to think about it.

Thomas Stanchak [00:24:04] And, you know, the thing is, is that this isn't like, you know, the models are giving you an idea of where things are headed and they're giving you a direction. There are a number of people that think that these models are actually likely too conservative. And, you know, if you look at what's happened in the last year with global temperatures and how basically this heat has been retained by the by the ocean on the Earth, and, you know, it's it's anecdotal evidence that maybe even the impacts of warming have been underestimated.

Luba Kim-Reynolds [00:24:42] Wow. Well, to bring it all together — sustainability, efficiency, resiliency — are there any cool technology on the property level that you guys kind of thinking about? I know, trade secrets here, so, but maybe if you can give us just a little bit of a snippet. What are you guys doing?

Thomas Stanchak [00:25:02] So, Luba, unfortunately or fortunately I guess for others, I'm terrible at keeping secrets. And I really don't think that it's in our best interest to kind of not share our experience. I think that collaboration is probably like a, a really often too ignored and underestimated resource. And there is a shared benefit with making sustainable real estate more of a commodity. I think, you know, mentioned earlier that, you know, this is, fundamentally it needs to stop becoming a niche sort of way of investing, and really it needs to become table stakes, and it needs to become the way of investing.

And you see this — I have regular conversations with, you know, pension funds and large real estate, institutional real estate investors, and this is now become table stakes for them, and they're they're kind of waiting for sponsors to catch up. And it's going to become very much a differentiator in the marketplace that it's no longer going to be sort of a a special offering that you can add on or that sort of thing. It needs to be central to your thesis for real estate investing, because it's just so obvious that it's an opportunity to, you know, manage outcomes, to kind of get to a point of capturing that sort of unrealized value and stop leaving it on the table. I think that institutional real estate investors really understand this now, and it's really more beginning to kind of take root in the the sponsor and GP world of real estate investing, and particularly in U.S. multifamily.

So, technology-wise, what I can say is that I kind of employ a, a strategy to really embrace technology because I believe that after sort of, you know, decades and decades of kind of this promise that it would bring kind of low-cost, high-impact services and means of, of controls to, existing in, real estate — that promise is now being delivered. I've employed kind of like relatively inexpensive systems that just do kind of like thermostatic and kind of peripheral device. So, you got thermostats and you've got sensors and you've got sensors that do occupancy, sensors that do humidity, sensors that do motion, sensors — you know, a number of these. And they all kind of like collaborate in a very much out-of-the-box way where we purchase this for our communities to put into common areas. The cost is a few thousand dollars. The ROI [Return on Investment] on these have been, you know, between six months and 24 months. I mean, just kind of like sort of amazing results. And then, you know, it begins to kind of like create — it's a very sort of, low-cost, high-impact way of being able to introduce technology into an existing community to kind of a site staff that may not have this experience and kind of demonstrate for them that this can be done at scale. This can be done in a way that is approachable and accessible to people, maybe that don't have the skill set, but can learn the skill set. They can build on it.

And the result is, is that your operating expenses go down, the value of the property goes up. You know, these are all kind of, it's a virtuous and positive feedback loop that I'm trying to introduce more and more to, just the way we do business. And it starts with being willing to be experimental, to be willing to pay attention to what's happening at the properties that you invest in, and be engaged with the people that are doing the day-to-day work. But it's also not just about building performance. It's about paying attention to the quality of work and how good of a steward you are and your managers are that run your sites to make sure that you're not sort of creating a value-add opportunity for someone else. If you're sort of approaching your real estate investment at that lowest common denominator, what you're ultimately doing is creating a value-add opportunity for someone else. And that's really kind of antithetical to our whole approach.

Corey Aber [00:29:25] Yeah, that makes a lot of sense. You know, when you work with the the property management staff across your your portfolio, how do they receive some of these ideas?

Thomas Stanchak [00:29:34] So, you know, I've, I've kind of seen it all. You know, I've been at it a long time. And I can tell you more often than not people have a desire to want to engage. They want to learn something new. They, they want to be involved. So, you have to kind of employ that strategy of introducing the subject, taking the time to have kind of like, virtual face-to-face conversation about your goals and, you know, what's included in it. If you're using a third party, bring the third party in, show them the face of the owner, show them the face of the the site staff, and make sure that, it's well understood that these sorts of things, that the success of this is important. It's taken for granted sometimes. Well, you know, we put it in our budget, but it's more than just kind of like going through the motions of completing a, you know, a budget plan for the year. I really kind of demonstrate to them that, you know, it's important that we have kind of like an authentic sort of experience where, you know, we come away either, you know, saying, hey, this was successful and that, you know, we should do more of this, or, you know, what went wrong here and how can we fix it? I really think that every time I engage with site staff, I actually learn something about what I'm trying to do.

Corey Aber [00:30:57] So Tom, I want to connect a lot of what we've talked about from a sustainability perspective for resilience, efficiency, to another key part of your strategy, which is the resident side. So how do you see these two things as being related?

Thomas Stanchak [00:31:10] You know, I think that the quality of your rent roll. So, I look at it kind of like — I think we all remember sort of, you know, intro biology classes where you understand that the building blocks of life are a cell — and every lease, you know, in a rent roll is a cell of the, the life of a property. And I kind of approach it with this sort of mindset is that you want to make sure that you're serving kind of this organism well and that it can thrive. And I think ultimately, you know, the the sort of historical approach to, to multifamily investment has been kind of a lowest denom-, lowest common denominator approach. And then also sort of a wealth extraction approach where you're really looking to grow the bottom, you've growing the top line as much as you can at the expense of anything else. And I — it's extremely shortsighted. And I think that kind of the time of this sort of approach is really kind of, it’s past. I don't think that it's something that will work anymore. I just, I look at what's happening with technology and the climate and, finance and, and what the desires are from real estate investors today at a, like an institutional level. And I think that this approach is just not workable anymore. And I think that, really, you need to make your approach centered around people and the people that choose to call your communities home and try to promote a good quality experience. And I can tell you that I regularly kind of like engage with investors, and then I'll get questionnaires. And the question will be, “Does — do your residents care about sustainability?” And then the property manager will say, No. They'll say residents don't care about it, so, we don't need to do anything.

But what I can tell you is that we regularly and routinely go through a process of doing surveys, and we ask residents a number of questions. But, you know, does, sustainability mean something to you in context of choosing where to live? And what I can tell you is that the evidence — and we've been doing this for years — is the evidence is, across a large workforce housing, meaning like, let's call it 60 to 120% of AMI [area median income], the vast majority — meaning almost 60% of residents will say that this is high or very high priority for them. Now, that doesn't mean that they're saying they want to pay more money for it. They're not saying that, you know, they're, they're going to kind of compromise a number of things in order to kind of make the property more sustainable. So, what you have to do is you have to find opportunities to make it make it accessible, make it, make it something that is possible with existing resources and that includes financial resources. But you need to embrace the idea that they do care about it and the ones that say that they don't care — so like very low or very, very low interest in this — this is basically, let's call it, you know, hovers somewhere between 4 and 8% of residents. And I have this trend going back for years. And it's fairly flat too, I mean, it's it's it's sort of an anomaly and a misunderstanding and maybe counterintuitive.

People do care about this and they do want to be engaged with it. And it does make a difference. Then they they share, you know, they share this community with other residents, and they and they share this community, you know, basically this experience here. And they, they want, they want to find a way to do better. I think that there's, unfortunately, there is a, you know, too much of a misunderstanding that, I think that kind of fast and efficient versus kind of patient and sort of thoughtful are kind of in competition. And I really don't think there is any competition. I think that this sort of, you know approach to kind of just seeing how fast you can grow your rents is, it's just, it's something that won't work in the U.S. dynamic anymore, in the real estate dynamic and multifamily.

Luba Kim-Reynolds [00:35:37] Tom, it has been a fantastic discussion, and the last thing I wanted to ask you: What is next with sustainability? What is the focus?

Thomas Stanchak [00:35:46] You know, what I can tell you is that, our overarching focus is decarbonization, primarily focused on building operations, and putting this into a long-term plan, making it part of just — part of the way we do business with our existing budget. It's not an additional budget or a special budget or, you know, it's just part of our budget. And thinking about every dollar as an investment.

This year, we're going to be releasing our first comprehensive carbon accounting for all of our properties at the asset level, all the way up through the fund. And then we're actually doing one for us as a sponsor. And what I can say is that I invested time and had to engage with the sites across our portfolio and with our finance people and kind of really understanding kind of all the inputs and outputs, because this included kind of all categories of Scope Three that aren't really traditionally looked at by real estate investors in terms of building performance. And what I've come to realize is that really carbon intensity is often very much a function of of expenses. And if you can look, if you if you take the time to really look at it, this context, what it means is that thoughtful and efficient investment is a way to decarbonize. And this is an opportunity to basically improve your margins, grow the value of your portfolio. And it's consistent with, kind of cutting out the waste, meaning, you know, am I doing, you know, am I treating my mechanical systems like something disposable, or am I really investing in the real estate improvements and making it a durable investment? And I think that when you start to discriminate between the two and you take the time to try to, like, find the opportunity there, what you're doing is you're doing the job the investors hired you for.

Corey Aber [00:37:51] Tom, thank you so much for for being on the show. And it's been really, really helpful, really thoughtful. And, you know, I appreciate the focus on, on both patience, patience and thoughtfulness and the ability to do things in the near term. Really great example. So, thank you again.

Thomas Stanchak [00:38:08] My pleasure, Corey. Thank you, Luba.

Luba Kim-Reynolds [00:38:10] Thank you.

Corey Aber [00:38:12] To listen to more and keep up with the latest episodes be sure to subscribe wherever you get your podcasts and check out our website mf.freddiemac.com/research for the full catalog of podcast episodes and original Freddie Mac research.