



## Sun Belt living: The multifamily opportunity

A conversation with **Joe Lubeck**, CEO & founder of American Landmark.

### Multifamily seems to be a saturated investment market. What are you doing to navigate this cycle?

We are heading into a cycle where, for the next five years, there will be a reduction of new deliveries of multifamily. At the same time, there's clearly a need for housing, and particularly apartments. Fueling the apartment demand is the high barrier to homeownership coupled with this desire for flexible, non-committal, low-maintenance living. What's critical is that you learn to be nimble and adaptable, and you predict as best you can, while retaining your business fundamentals, which for us is low leverage, fair pricing and great service.

You also need to realize that just because an MSA is considered overbuilt or overpriced, there likely are still subregions within the MSA that are underbuilt. We would be looking to invest in those underbuilt submarkets. We tend to follow what I call "donut theory." We usually don't want to be in the CBDs because they're typically big, expensive high rises at very high prices with significant buying competition. If you go too far out, however, you don't benefit from that convenient access to the job centers. We like to be in the areas that I call the donut, i.e., the infill inner suburbs, which are typically not as saturated with new product as the CBDs that are getting all the headlines.

Knowing that the market in general will always have its ups and downs, we have always been very purposeful about where we invest. I always believed the best place to invest was in business- and tax-friendly states with job and population growth, and the best sector was market-rate, mid-market multifamily. People will always need a place to live. Sunshine is always a plus. That was my personal preference, having grown up in the snow and the cold of Philadelphia. Finding investment opportunities that met those parameters resulted in Landmark being one of the early movers in the Sun Belt. When you are intentional in developing and executing a consistent strategy, the changing cycles don't impact you as much as they might others.

We are also able to withstand various cycles because we are a low-levered company. Corporately, we could max out at 65 percent, but today our leverage stands at 55 percent to 60 percent. That means that we can better sustain the cycles in a more predictable manner with less downside.

### How do you set yourself apart from your competitors?

Customer service – we provide outstanding service under our "Landmark 360" guarantees and fair prices to our residents, which means we have less turnover than many other managers. We provide a clear career path for our employees, which means we have a tenured, experienced team. And – maybe most importantly – we are a vertically integrated owner-operator, which means we can be faster and nimbler than most other big managers, and we are completely aligned with boots on the ground in all of our target markets. We have that "which side of the street" intel that you can't get from allocators.



**Interview with:**  
**Joe Lubeck**  
Founder & CEO  
American Landmark

**American Landmark**

**1996**  
FOUNDING

**\$7.4 billion**  
GROSS AUM

**34,000**  
UNITS SPREAD  
ACROSS THE SUN BELT

American Landmark is an owner-operator of mid-priced multifamily real estate in the Sun Belt. The team diligently sources, underwrites, renovates, and operates, with a focus on growing NOI.

### Can you tell me why you believe being vertically integrated is a competitive advantage?

As we go through cycles, we can adapt quicker, make decisions quicker, and push decision-making further down because we don't need to run everything up chains of command. We don't need to get approval from a big corporation that is working for 26 different owners. For example, although we normally see about 52 percent to 55 percent renewals, we're targeting 65 percent in today's competitive lease-up climate. Why? If we can get incremental rent increases, we're able to secure a good, solid, qualified resident with no turn costs, which is more cost effective than trying to pull in new tenants. When the time comes that we see less competition, we can quickly pivot to focus on new leases. That's one of the ways that we challenge the overbuilding and stay ahead of competitors.

This efficient decision-making also allows us to adopt new technology and roll it out across all our properties quickly. Nearly all managers went cashless and paperless during COVID, as well as offering self-guided virtual and drone tours. We had already been offering those options. This is part of our best-in-class resident service, which we can implement because we manage the properties ourselves.

### What are other advantages of being vertically integrated?

Being vertically integrated gives us complete alignment between the stakeholders – residents, investors, myself and the team. There's no conflict of interest and everybody benefits when the business achieves its goals. Because at the end of the day, it's about providing great living environments for the residents and great careers for the team members, as well as providing predictable cash flow, NOI growth, and a positive realization upon sale for the investors. Vertical integration keeps the team working collaboratively toward a common goal.

## You mention another of your advantages is being an experienced team. How do you grow a long-term team?

We give our employees a path for a real career, not just a job. We encourage our people to grow, to get certifications paid for by Landmark and to move up in the company. To this end, we operate Landmark University, where people don't just take online classes from a third-party like most training groups do, but rather attend a full-time university with a dedicated training team.

In addition, we show that we value our employees by respecting their intelligence and skills. For example, when we sell a property, we'll often pay to keep the team on the bench until we acquire another property for them to manage. As a result of our focus on providing career opportunities, a significant portion of our team members have been with us for 10 to 20 years, which is very unusual in this industry. Investing in the team is probably one of the most important investments we can make. If we properly incentivize, train and keep the best talent that we can, we can get the best results.

## Do you provide management services to others?

No. We pass over that opportunity because we're not about making money from fees. We're about maximizing the total return for the investors and providing great opportunities for the team members. Being able to have people dedicated to the success of our own properties is going to provide for a better return and more stability, as well as a more nimble and interactive effort to ensure those things.

## How are you controlling for rising costs?

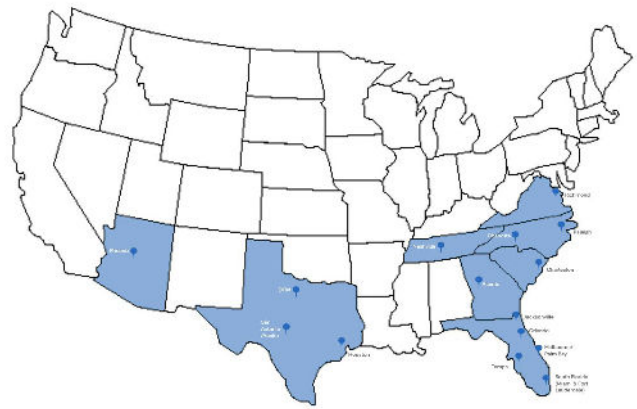
Like most managers, we look for efficiencies where we can. Having all our properties under one management system helps in that regard. But, we also have a couple of additional things we do. Most people say that insurance fees and real estate taxes are uncontrollable. However, we have a national program to negotiate our real estate taxes, where we're usually at least somewhat successful. On the insurance side, we created our own captive insurer for a first-loss position, which we can amortize over our 40,000 units. By doing that, we're probably saving 40 percent on our insurance compared to our competitors.

In terms of other costs, we will typically, as a general partner, pre-buy large volumes of materials. When everyone was struggling because they couldn't get appliances at the end of COVID, we had no issue. We already had them locked in for three years, with the manufacturer warehousing the units until we needed them. When they are needed, we deliver them to the individual properties at no markup. We don't make that a profit center. We have no ancillary profit centers, no "side pockets." We just bid everything most cost-effectively.

## Are you looking to expand into new markets?

We've probably missed some opportunities by not expanding to new markets. We passed on the Midwest, and now people are talking about the Midwest. We passed on Colorado five years ago. That said, we believe we're best-in-class in the markets we're

## American Landmark Target Markets



in. We've been in the same 15 markets for almost 30 years. We have boots on the ground and grassroots knowledge in those markets. We know every street corner. So, we're not saying, "I want to buy in Jacksonville." We're saying, "I want South Side Jacksonville." We also have a competitive advantage because everyone knows us as a solid, predictable cash buyer in those markets. As long as we continue to see job growth and population growth in the 15 markets that we're in, we're sticking with those. We're a Sun Belt value-added specialist, and we're the best in class at what we do. We don't want to have a learning curve in a new market with someone else's money when we have a high level of confidence in the markets we know really well.


## It's not an easy transition from operator to fund manager. How did you do it?

It's not easy, but it's easier if you've essentially been acting like an institutional manager before making the move. We spent the first 20 years of our corporate life as an institutional programmatic partner and then as a REIT – Landmark Apartment Trust. In 2016 we made the move to being a fund manager after selling the REIT and its nearly 24,000 units for about \$1.9 billion.

Being a fund manager is people centric. It means having the right people in the right place. The fact that my executive team has been with me for 10 to 20 years made the transition smoother. It meant we could focus our attention on building up other areas of the business. For example, to be closer to investors, we built out an institutional capital markets team and added capital markets offices in New York, Tel Aviv and Dubai. And we continue to grow and add new institutional team members to improve our fund management while complementing our operations experts.

We've raised four closed-end commingled funds and have seen our investor mix grow to about 70 percent institutional. We think this speaks well to the professionalism of our investor relations and investment teams, our transparency and institutional quality reporting. We believe this will allow us to continue to provide outstanding service to our residents, long-term careers to our employees and attractive returns to our investors for many years to come.

For more information about American Landmark:

 (646) 989-7246

 [dbt@alapt.com](mailto:dbt@alapt.com)

 [www.alapt.com](http://www.alapt.com)

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