

Professional Development Services Apartment Community Repositioning

Thinning profit margins in the apartment rental market caused by increasing expectations of government as to what an apartment community should provide its resident population, compounded by the soaring cost of operation have placed many apartment property owners into serious financial distress. Apartment communities that not too long ago had positive cash flow are now producing negative numbers. Owners of these communities are looking for answers and many have found a viable solution in apartment community repositioning.

Repositioning an apartment community is a multi-step process requiring the simultaneous implementation of near, mid and long term goals. Through apartment community repositioning a “C” property is

transformed into a “B” property and a “B” property into an “A” property. This transformation allows owners to attract a different rental customer who is willing and capable of paying higher lease rates. Although there is a need for capital infusion for this transformation to take place, the payback can be realized quickly; in some cases in as little as 24 – 36 months.

Apartment community repositioning takes time, patience and skill. It is possible for a hands-on owner to make the changes necessary to reposition a property but unless an owner is willing to put the hours needed to effectively implement a transition it should be left up to a professional who specialized in this process. Many property management companies claim to be able to effect these changes but

few have the depth of knowledge or staff necessary to efficiently and cost effectively move an apartment community through the repositioning process. However, firms that specialize in the development and redevelopment of apartment communities do possess the skill set necessary to reposition properties.

One such firm is Katchen Company a boutique real estate firm providing development and redevelopment services in such markets as Denver, Chicago and Miami Beach. The firm specialized in apartment, retail, office, industrial and flex projects as a Developer for their own real estate investment groups and Fee Developer for third party investments groups.

Repositioning an apartment commu-

Property Management

- Retail
- Office
- Apartments
- Warehouse
- Industrial
- Flex

Brokerage

- Seller Representation
- Buyer Representation
- Lessor Representation
- Lessee Representation

Fee Development

- New Construction
- Remodel

Construction Oversight

- New Construction
- Remodel

Maintenance Services

- Porter Services
- General Repairs

Consulting

JV Participation

nity is a multi-step process requiring the simultaneous implementation of near, mid and long term goals. The near term objective is to quickly stabilize the downward economic spiral through cost reductions and increased revenue, while implementing mid-term goals such as rebuilding the failing physical structure and long term goals of attracting a more affluent customer base.

Near Term Goals

The near term goals of reducing costs and increasing revenue are always highlighted in any strategic plan to turn around an ailing business. Although it sounds logical in concept and appears easy to implement, every year thousands of businesses go into bankruptcy court having failed to effectively implement these changes.

Staff

Skilled staff both at the operations and local level are important to the success of any apartment community but especially so when repositioning a property. At the operations level the staff must have the ability to evaluate current expenditure of the community to determine where expenses can be cut and controlled. At the local level on-site staff must make prudent decisions when ordering materials and services to minimize the overall cost of make readies and work order requests from current residents.

Control

Lack of control at an apartment community causes a myriad of management issues. Control starts

with having an accurate rent roll indicating who resides in each housing unit and is supported with a resident folder containing the application, back ground check, current lease, move in/ move out report and maintenance log. Control continues with the equal enforcement of the lease provisions and community rules. Control is complete when management has control of keys and limits access to the property to residents and authorized guests.

Retention

One of the best ways to reduce cost and increase revenue of an apartment community is to retain residents. Turnover is a very major cost in an apartment community's operation involving advertising dollars, leasing commissions, maintenance payroll and vendors fees. It will cost an owner far less to make needed repairs through a preventative maintenance program than replacing a current resident with a new one at the end of their lease. However, not all residents are created equal and there are times when it is better to allow a resident to leave rather than renewing their lease. This is vitally important for an owner to be aware of when repositioning a property as residents who qualified previously may not be able to qualify under the standards established for repositioning.

Mid Term Goals

Mid-term goals to rebuild the failing physical structure must not be delayed while waiting for the property's cash flow to improve from cost reductions and increased revenue. Physical repairs must

start immediately upon committing to reposition the property and will require that capital funds be set aside to finance this endeavor. Remember, the property is negatively cash flowing so you will not only need to fund repairs you will also need to fund on-going operations. Budgeting funds for at least the next 18 – 24 months operations is imperative for a repositioning to succeed.

Long Term Goals

The most challenging goal in repositioning an apartment community is attracting a more affluent customer base. While the property's physical appearance may help bring prospects to your leasing office, the reputation of the property within the community will play an important roll in attracting a more affluent resident.

Marketing

While signs and banners on the property may attract prospective residents driving by it is necessary to place advertisements in publications and on the internet to reach a broader market base. Additionally, brochures and flyers prominently displayed at the property entrance and in local area retail establishments is an economical approach to grass root marketing. However, the most effective approach happens to be one-to-one networking with local employers, religious organizations and public/private housing authorities.

Neighbor Cooperation

It will be very difficult to reposition an apartment community without the direct support of the neighbors

around the property. A large percentage of prospective applicants drive by a property they are considering prior to setting an appointment for a showing. If properties in the neighborhood are showing signs of distress it may adversely impact the ability to reposition the property. It can be highly productive to meet with neighboring owners individually and share the vision for the immediate neighborhood and the community as a whole. Enlisting their support and desire to participate by repositioning their property will make the task of attracting a new customer base easier.

make the process proceed effectively and efficiently.

If apartment community repositioning sounds like the appropriate solution for your community you owe it to yourself to give Katchen Company a call and see how the company has gotten the reputation for “*Building Value In Real Estate*”.

Public Sector Cooperation

Quite often a neighborhood has to be repositioned at the same time the property is being repositioned. The reputation of a neighborhood can affect an apartment community’s ability to attract their targeted applicant. However, working with the local municipality can help to “clean up” a neighborhood and improve the neighborhood’s reputation within the community. Working with local law enforcement, zoning and economic development to effect change through a cooperative effect is a win-win for the apartment community and the neighborhood.

While repositioning an apartment community isn’t without its challenges, the rewards certainly outweigh the investment of capital needed to complete the process. Owners with the patience and resources can gain increased cash flow during the hold period and a higher sales price when exiting property ownership. Enlisting the help of qualified professionals can