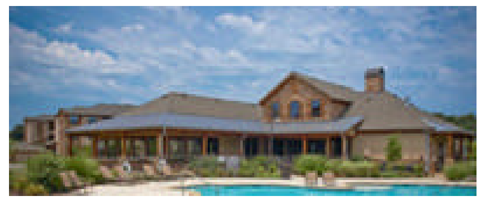
MHN MULTI-HOUSING NEWS

INDUSTRY NEWS

M. Kaplan Cos. Utilizes Creative Asset Management Tools to Achieve High Occupancy During Downturn

Published: March 13, 2009

By Erika Schnitzer, Associate Editor



Rogers, Ark.—The M. Kaplan Cos. LLC, a Houston-based owner, operator and developer of multifamily properties, recently converted its Ranch at Pinnacle Point, a 392-unit Class A apartment community in Rogers, Ark., into a corporate housing solution that enjoys a 95 percent occupancy rate.

Kaplan Acquisitions and Development, the development arm of M. Kaplan Cos., had completed the project in February 2007 and expected to see solid returns.

"At the time this property was developed, the market conditions in Northwest Arkansas were really good," notes Matthew Summers, president of management at Kaplan Management Company Inc., the property management division of M. Kaplan Companies. The area saw extensive job growth and an upswing in the single-family market, and it was an overall good area to develop assets, he says.

When the sub-prime crisis hit, however, the community was sitting at 31 percent occupancy after nine months of leasing, and the shadow market was deeply affecting apartment fundamentals.

"I took a look at the asset and the surrounding community and what the anchors were and saw it was an opportunity to use innovative ideas to conform the asset to what's there instead of trying to fit the box" of what was already there, Summers tells MHN.

Located in close proximity to the world headquarters of Wal-Mart, Ranch at Pinnacle Point, designed by Houston-based Clerkley Watkins Group, became the answer to corporate housing. As Summers explains, the community would provide corporate residents with the same amenities as a hotel while charging less, all the while allowing Kaplan to meet their pro forma rents. Furthermore, he says, the company began by renting furniture for its corporate suites, but later recognized that the return on investment took only four to five months.

"The key to the success of the idea is the infrastructure around [the property]," notes Summers, which he says includes the major area employers. This particular property, he says, "doesn't work in typical corporate suite settings for someone who comes in for two to three months. It's for something that's a little more permanent."

Currently, 45 percent of the community houses corporate residents—who work for employers with year-long leases who may transition employees during that period of time—who are offered the same amenities as more permanent residents.

The Ranch at Pinnacle Point offers one-, two- and three-bedroom units ranging in size from 654 to 1,349 sq. ft. Monthly rents range from $689 to $1,350.

Residences at the Ranch at Pinnacle Point feature black designer Maytag appliances, self-cleaning ovens, double compartment sinks, walk-in closets, oversize tubs, and in-unit washers and dryers. In addition, residents have access to storage units, carports and garages with remote access.

Community amenities include a fitness center; a pool area with a spa, private seating, gas grills and an outdoor fireplace; a game room with a billiards table; and a movie theater that has a complementary movie library and that can be reserved for private functions.

With the economic crisis looming over the country, Summers believes now is the time to embrace change. “You have to. The days of throwing out an advertisement and sitting back and waiting for traffic to walk through the door are over. You have to be aggressive in going after traffic,” he asserts. “You have to individualize your management strategy and see what the need is for the asset. If you don’t have people at the helm who know how to run the asserts, most will die on the vine.”

In distressed times, says Summers, management becomes more crucial than at any other time. “It really gives us an opportunity to do what it is we do on the management side—manage the assets and get them to produce, make them achieve what it is they are supposed to be doing.”

He also notes that smaller management companies can benefit in the downturn, as Kaplan—who currently has 5,000 units under management—is doing. “I think what you’ll start to see is a trend in multifamily management that goes toward managers that don’t have huge portfolios and can devote more time and attention to assets. ”

###