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**CONTACT:** Corporate Communications  
512.651.0513 xt 904  
info@theppagroup.com

## **Older Dallas complexes get new leases on life**

Investors target aged apartments for renovations 12:16 AM CST on Friday,  
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By **STEVE BROWN** / The Dallas Morning News [stevebrown@dallasnews.com](mailto:stevebrown@dallasnews.com)

Investor Monte Lee-Wen is buying his fifth Dallas-Fort Worth-area apartment community this week.



Photos by MILTON HINNANT/DMN

The 205-unit Arlington project was built in the 1970s and is showing its age. "We have six units down [conditions too bad to rent], and it needs roof work and repairs on the parking lot," said Mr. Lee-Wen, who's based in Austin. Still, he's excited about the deal. "We are paying \$26,000 a unit, and there is definitely some upside there." With fix-ups and hands-on management, Mr. Lee-Wen's PPA Group hopes to bump up the income from the project. "It's definitely a good time to be buying apartments like these," he said.

Indeed, with a slump in the home purchasing market, investors are targeting older apartments that they hope will bring profits from increased monthly rents and eventual resale.

"Demographics certainly suggest this is a good play in the industry as we move ahead," said Greg Willett, vice president with apartment analyst M/PF YieldStar Inc. "We do see some pretty significant potential added value in these markets. "And they are certainly not played out."

Indeed, more than 300,000 D-FW area apartments were built in the 1980s and 1970s. On average, these properties rent for close to \$600 a month. Compare that to the newest rental units, which cost \$1,000 or more. Renters in the older apartments tend to be young occupants who can't afford expensive urban locations, and ethnic minorities and immigrants, Mr. Willett said.

He said most investors are looking for these types of apartments in the close-in suburbs.

"They are not the downtown urban core or the far-flung suburbs – they are in between," he said. "These opportunities seem to be more common in more neighborhoods in Dallas-Fort Worth than in the rest of the state."

Mr. Willett points to markets including Richardson, Garland and Mesquite as places investors are targeting. California-based Bascom Group hasn't had trouble finding bargain buys in the Dallas apartment market. The company has almost 7,500 apartments in North Texas.

Many of them are deals like the 650-unit Stoney Creek complex in northeast Dallas. Built in the 1980s, the complex was only about 50 percent occupied when Bascom bought it two years ago.

"This particular property had the worst reputation in the neighborhood," said Bascom's regional director Ryan Akins. "It had really bad crime problems.

"We viewed that as an upside," Mr. Akins said. "We love deals like that."

A remodel and tighter tenant screening pulled the complex – renamed Montecito Creek – out of its slump and pushed occupancy rates to a current 90 percent.

"We have two more deals under contract now and are getting close on another," Mr. Akins said. "But in Dallas in particular, there is a lot more competition for distressed apartments than there was when we got here two and a half years ago."

Investor Lee-Wen said there is lots of competition from West Coast investors looking for Texas apartment deals.

"Private investors like older apartments because of the prices," he said. "We've definitely seen the prices go up in the last couple of years."

Most of the apartments his firm acquires are priced at less than \$30,000 a unit.

"We've bought some of the properties from the high teens to the mid-20s," Mr. Lee-Wen said. "We like to buy 1970s and 1980s buildings, and there are definitely a lot of lookers out there."

The buzz about the downturn in home buying has made investors even more keen to acquire such rental units. It may be overstated, Mr. Willett said.

"We actually think the demand next year will be about the same for all the Texas markets," he said. That's certainly good enough for brokers.

"Value-added purchases have been the name of the game for the last few years," said Will Balthrope, senior director with Marcus & Millichap.

"Some investors still want those 1980s brick and wood siding projects that are everywhere in Dallas."

With the demolition of thousands of older apartments in the Dallas area, demand from both renters and investors has stayed strong.

"Dallas leads the nation in teardowns," Mr. Balthrope said. "Most of those are occurring in the most desirable parts of town." The teardowns are good news for some landlords. "It takes competition out of the market," Mr. Akins said.