

LOBEST.COM EXCLUSIVE: JV FIRES UP \$60M PLAN FOR 1,948 TEXAS APARTMENTS

By Connie Gore
June 17, 2005



DALLAS—Using an off-market deal to launch the play, a joint venture partnership has seized control of 1,948 apartments in six properties in Dallas and Austin, buying a defaulted note from a national non-recourse lender and grabbing all titles within 30 days. The JV is backing the repositioning plan with a \$60-million acquisition and renovation loan.

Diversified Capital of Lakewood, NJ and Westdale Asset Management of Dallas are pulling together to turn around a late 1970s-era, class B portfolio. Bruce Stern, Diversified Capital's vice president of business development, tells GlobeSt.com that the JV--Westdale Two Cities Partners LP--took shape when he approached Westdale's Tab Werner about managing the portfolio when the acquisition chance fell into his hands. "They told us they liked this deal so much that they'd like to invest with us," Stern says.

The Austin properties, totaling 1,032 units, are Indian Creek at 7630 Wood Hollow Dr., Greystone Park at 3543 Greystone Dr. and Pointe at Woodhollow at 7117 Wood Hollow Dr.--bought with a 70% occupancy and now up five to 10 points, Stern says. The Dallas package, with 916 units, consists of Prestonwood Springs at 5930 Arapaho Rd., Montfort Crossing at 5580 Harvest Hill Rd. and Valley Oaks at 7373 Valley View Lane--acquired at 60% occupancy and immediately nudged three points. The Austin units average 710 sf and the Dallas apartments, 675 sf.

Joseph G. Beard, Westdale president, says the JV's "confident" that the planned upgrades "will lead to a dramatic increase in occupancy as well as increased tenant satisfaction levels." Stern estimates the complexes are 20% below market averages.

The transaction marks a multifamily market re-entry for Diversified, which has repositioned several Dallas-area office buildings in the past two years. The investment group has owned multifamily properties in Miami and New York, but they're long gone from the portfolio. "We were sitting on the sidelines looking for a good opportunity in the multifamily world," Stern says. "When this came up, we decided to jump on the opportunity. These are market-rent properties in great locations, solid class B properties in strong, strong locations. That was the attraction for us."

The JV partnership secured a \$60-million renovation and acquisition loan from GE Commercial Finance-Real Estate. GE's managing director Bruce Wheelless arranged the financing, which includes a \$10-million line of credit earmarked for capital improvements.

The Austin renovations began immediately and should wrap up in three months. In Dallas, deferred maintenance has begun, but full-blown renovations are on the backburner until Stern decides if he's going to do some one-off flips in as-is condition to a couple buyers who've surfaced from a quiet marketing. "There are some synergies for some local players on the Dallas portfolio," he says, envisioning a three- to five-year hold for the balance of the portfolio. "We're value-added players. These are value-added properties." The decision, he says, will be made in the coming weeks.