

Parkside Place Apartments Renovation Yields Substantial Profit



321 Units in Houston, Texas
Class B Multifamily
Submarket of Pasadena

Asset Valuation Summary

Purchase Date: October 2014

Purchase Price: Confidential

Equity: \$2,150,000

NOI at Purchase: \$979,878

Average Rent: \$768.00

Sale Date: July 2017

Sale Price: Confidential

Equity Multiple: 3.6x

NOI at Sale: \$1,277,612

Average Rent: \$902.00

Acquisition

- Sourced off-market through existing broker relationship.
- Strong in-place cash flow at acquisition, but operating with below-market rents and above-average expenses.
- The most visually appealing property in the submarket, but still in need of major improvements.
- Purchased as an "all bills paid" property hindered by inefficient mechanical systems and very high utility costs.

Transformation

- Invested \$875,000 to revitalize the property through repairs and renovation.
- Improved property management and overall rental experience.
- Raised rents closer to market rates upon renewal or unit turn.
- Decreased operational costs by handling unit turn renovation in-house.
- Achieved 30% energy consumption reduction via LED retrofitting and replacing three hot water boilers.
- Renovated swimming pools and common area to be family friendly.
- Repurposed secondary clubhouse to allow tenants to host family and friends.

Realization

- Buyer was a Family Office based in Houston, TX looking to expand local presence.
- Capital improvements attracted multiple offers.
- Consistent cash flow of 15%+ throughout the investment period; distribution to investors of 15% paid quarterly.
- Equity multiple of 3.6x in 2.2 years
- Gross IRR: 67%
- Net IRR: 51%