

1/14/2002 - Equity Inc. tops out at \$47M

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A Birmingham investor and developer chalked up the nation's largest multifamily property purchase of 2001, paying \$47.7 million for an Orlando apartment complex with 532 upscale units.

Equity Resources Inc. president Jack Fiorella says extensive research points to his Dec. 13 acquisition as the largest of its kind in the country last year, and it easily marks the company's biggest investment to date. Jointly financed by SouthTrust Bank as the lead lender and Regions Bank, the deal grows Fiorella's apartment inventory to about 6,000 units in six states, collectively valued at \$400 million.

Fiorella bought the Towne Place at Hunter's Creek complex from the original developer, Orlando-based Epoch Management Inc., which began construction about two and a half years ago. Phase I was fully leased when the deal closed last month; Phase II was roughly 75 percent leased.

In just a few weeks, Equity has inked leases for 50 additional units, increasing occupancy to 82 percent in Phase II and 88 percent overall.

"We went in and put in new management systems and restaffed the properties," Fiorella says. "We think we'll be 94 percent leased and stabilized within 60 days."

A modern, model complex

The complex is located in west Orlando, about six miles from Walt Disney World and less than a mile from major interstates. The upscale property features a diverse set of large floor plans, an indoor basketball gym, two clubhouses, built-in surround-sound speakers and attached garages for many of the units, Fiorella says.

"It would be considered Class A in any market," he says. "It's got so many bells and whistles. Two years ago at a trade conference we attended, this was the example held up as a property being designed with a homeowner concept; it feels like a private residence. We remembered it, and we jumped on it when it was put up for sale."

Ambitious growth plans

Such deals are par for the course for Equity Resources. The company' goal is to purchase between \$250 million and \$300 million in multi-family properties in 2002 and own or manage 10,000 high-end apartment units by the end of 2002.

Fiorella says he's aligned his company with a handful of publicly traded real estate investment trusts (REITs) nationally that have committed millions in capital to Equity Resources' acquisition efforts.

"We have a very aggressive expansion plan in place," Fiorella says.

Last month's purchase also helps further Equity's expansion into fertile Florida ground, but Fiorella says he is targeting several markets in the Southwest and Southeast for additional acquisitions as well. He also plans to begin marketing the company's property oversight expertise to other owners in a third-party management arrangement.

"We're in discussions to take over the multi-family portfolios of several publicly traded companies and manage their apartments," Fiorella says. "We have the staff, systems and expertise to manage thousands more units. The efficiencies of doing that for other owners is a big advantage in our favor."

Fiorella took the entrepreneurial plunge in 1975. An Auburn University graduate who once played football with Pat Sullivan, Fiorella struck out on his own after just two years as a commercial real estate broker in Atlanta. Today, Equity Resources employs 19 people at its Birmingham headquarters and roughly 120 people across its holdings.

Fiorella says he began in the early 1990s building his current multi-family portfolio, which today includes about 1,000 apartment units locally. All of his

investments are higher-end properties.

"Everything we own is B-plus or better," Fiorella says. "My strategy is to buy and hold for a long time. I get in to stay."

Although this latest transaction is the biggest in company history, Fiorella is no stranger to big deals. In fall 2000, Equity Resources completed the ground-up development of The Parc at Cahaba River, a \$24 million, 348-unit complex located behind HealthSouth Corp.'s Grandview headquarters.

For 1999, Fiorella was recognized by the Birmingham Association of Realtors as the No. 1 producer in commercial real estate locally, completing \$39 million in development work and generating \$97 million in sales and leasing activity.

The company redeveloped the former Quail Creek apartments in Hoover and built Barrington Parc, a 96-unit apartment complex in Moody. It also owns Riverside Park apartments off U.S. Highway 280.

Fiorella's accomplishments in the commercial property arena include the development of a business and convenience center at the Moody exit off Interstate 20, where a Winn-Dixie Marketplace, a Comfort Inn and a string of restaurants call home.

Fiorella's most recent local activity was first highlighted in the June 8, 2001, edition of BBJ, which reported that Equity Resources is investing more than \$4 million to convert the former Morning Sun Villas apartments in Meadow Brook into Horizon Condominiums.

Banks like multi-family

Mike Renier, vice president of commercial real estate at SouthTrust Bank, was primary loan officer for the Orlando purchase. Incidentally, it was SouthTrust who held the property's original mortgage for Epoch.

"It's a unique, upscale project designed to look like townhouses," Renier says. "It's located in a very active area of Orlando."

Fiorella agrees that his industry is better insulated against recessions than retail, for example, but he says he nevertheless has felt the recent effects of the soft economy.

"There isn't a single industry that hasn't been affected in some way by the economy and the events of Sept. 11," Fiorella says. "But long term, I'm very bullish on our ability to stabilize and do well. And there's enough growth and

opportunity in Orlando that I think we'll be fine. I think we made an excellent buy."

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