

# Crittenden Real Estate Buyers™

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## Turnaround Specialists Refine Acquisition Strategies

Don't be surprised if private turnaround investors refine their purchase strategies to include a narrower range of Class B and Class C properties. Much of the action will involve properties in small towns and second tier metro markets. Equity Resources has already shifted away from the acquisition, rehab and repositioning of tattered complexes in the Southeast to focus on stabilized properties in solid physical condition. Aspen Square Management will zero in on 100- to 200-unit complexes built during the 1970s in smaller markets across the country. The Massachusetts-based investor recently closed an all-cash deal for a 132-unit complex in Lufkin, Texas. The acquisition marked its first purchase of 1999.

Equity Resources want to spend \$100M on apartment acquisitions this year. The firm closed about \$74M of acquisitions in 1998. Equity Resources spent \$15T to \$20T per unit on renovations to newly-acquired properties before opting to concentrate on higher quality properties. Birmingham, AL-based Equity Resources has 912 units under contract in its home market and Austin, Texas. These deals will total just over \$50M and are scheduled to close later this month.

Equity Resources most recently paid \$9.6M to buy the 184-unit Morning Sun Villas complex in the Shelby County suburbs south of Birmingham. Company execs based their pursuit of the \$52,173 per unit deal on the Class B property's Class A location in the mixed-use Meadowbrook community. The 12-year-old Morning Sun Villas was 98% leased at closing. Equity Resources got a 9.25% cap rate based on existing income. But the buyer expects its yield to rise another quarter point after it installs new management. Current rents range from \$580 to \$885 per month. Annual turnover runs higher than 50%. In-unit amenities include fireplaces and sunrooms. Common amenities include a swimming pool, two tennis courts and a fitness center.

Aspen Square Management sets no minimum or maximum acquisition prices. But it will be most aggressive on deals for Class C- or better properties in solid working class and/or middle class neighborhoods in which Class B properties account for most of the multifamily housing stock. Aspen Square currently owns about 16,000 units in 22 states. Core markets include Texas, California, and

Florida. The Lufkin acquisition brought Aspen Square's Texas holdings to 2,000 units. Aspen Square made its first entry into the Syracuse, NY, market last year. Equity Resources' portfolio includes about 20 complexes with some 4,000 units in Birmingham and Montgomery, AL.; Chattanooga, Memphis and Jackson, Tenn.; Orlando, Fla; and Jackson, Miss.

<b>Company/Address Contact</b>	<b>Property Type</b>	<b>Buying Criteria</b>
Equity Resources 1950 Stonegate Dr., Ste. 250 Birmingham, AL 35242 Jack Fiorella (205) 969-1131 Fax: (205) 969-1303	Apartments	Owns 4,000 units in Alabama, Florida and Tennessee. Plans to spend \$100M this year on apartment acquisitions. The company spent \$74M on acquisitions during 1998.