

The Journal Record<http://journalrecord.com>

Lot Lines: Don't blame market for bad decisions

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Published: April 15th, 2010



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There are a number of challenges facing Oklahoma City apartment owners, especially in light of the downturn in the market and changes in the credit markets. While these challenges have contributed to the growing number of distressed apartment assets in the metro area, many of the problems facing local apartment owners can be attributed to some their own bad decisions.

One of the best lessons that can be learned from California-based Accord Interest LLC's successful renovation of the 800-unit Isola Bella Apartments in northwest Oklahoma City is the fact that they attributed their success to being extremely hands-on with the property. Because they closely oversaw every detail that pertained not only to the renovation of the property, but to the property's daily operations as well, Accord was able to take a property that languished

for nearly two decades and turn it back into the vibrant community it once was. The secret to Isola Bella's success sounds simple, but unfortunately there are many apartment owners who are not paying attention.

Granted, most of the properties that have been foreclosed on thus far have consisted of properties with owners who paid too much and were overleveraged; however, most of these owners were also not very involved with their properties either. This is evidenced in how these properties have fallen into disrepair. In fact, some properties have fallen into such disrepair that portions of them are almost uninhabitable by tenants. City officials are growing tired of this situation and have made it known they want something done with these deteriorating properties.

In talking with local apartment experts, the mind-set of some of these out-of-state investors was to try and flip their Oklahoma City apartment holdings to make a quick profit without having to reinvest much into their properties. What they did not realize is that Oklahoma City is typically not a market where commercial properties are flipped for dramatic profits. Oklahoma City is best suited to investors who have more of a long-term ownership strategy.

The success of Isola Bella also shows that apartment owners must reinvest in their properties, especially those properties that are 30 years old or older. Not all properties will require \$32 million to renovate like Isola Bella did, but the principle is still the same in that these 1970s' vintage properties that are showing their age must be upgraded if they are to survive in attracting tenants.

The good news is that Accord is not totally alone and there are some out-of-state owners who are doing a phenomenal job of retrofitting older Oklahoma City apartment properties. Michael Soraya, who also hails from California, has acquired more than 1,000 units in the metro area and is activity retrofitting many of these properties. Like Accord, Soraya's group is renovating properties in troubled areas of northwest Oklahoma City and is making a difference in improving not only their apartment complexes, but the overall viability of the surrounding communities.

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