

JRK Closes on \$300M in Apartments, Seeks \$1B

By Bob Howard
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Broadstone Centreport

JRK's investment division, tells GlobeSt.com that the company recently closed on five properties totaling approximately 1,800 units in the Washington DC, Atlanta, and Dallas-Fort Worth markets. With its latest acquisitions, JRK now owns and operates over 42,000 apartment units throughout the US.

JRK paid approximately \$160 million for its latest five assets, using \$50 million of equity from its second institutional fund, JRK Multifamily Platform, which it raised in March this year. It financed the acquisitions with a mix of existing loan assumptions and newly originated loans by **Fannie Mae** and **Freddie Mac**.

Combined with four assets that JRK bought in late 2010 for about \$140 million, JRK has now acquired about \$300 million worth of properties and invested about \$70 million of the \$250 million in its multifamily fund. Lee says JRK is required to deploy the remainder of the capital by March of 2014, but he expects the company will invest the rest of it by the end of 2012.

Besides the Washington, Atlanta and Dallas markets, JRK has acquired apartments in Florida, Ohio and California. Lee says the company is looking mainly for cash-flowing class A and B assets and that it underwrites on the basis of existing rents, not projections. "Our philosophy is that we're paying for what is, not what is projected," he says.

Occupancy is about 96% across the portfolio of properties that JRK has acquired in its new fund. The nine complexes range from 161 to 660 units, and Lee says the company on average is looking for properties that range from about 200 to 300 units, although it owns one that is 64 units.

LOS ANGELES - **JRK Property Holdings Inc.** has acquired nine apartment complexes totaling 2,945 units in six markets and is looking for more assets across the US as it seeks to deploy a \$250 million multifamily equity fund targeting \$1 billion worth of acquisitions.

Bobby Lee, president of Los Angeles-based

On a blended basis, JRK has paid about a 7% cap rate for the properties it has acquired in JRK Multifamily Platform, but Lee expects that number will creep down toward 6% as competition increases for quality assets. Even with cap rates declining, however, he points out that the spread between caps and interest rates remains wide enough to allow for significant leverage.

Although JRK underwrites on the basis of present rents and expenses, Lee says that NOI has been improving at a number of its properties as the multifamily market improves and rents begin to rise. "We're seeing increases of 10% to 15% in rents," he says. He explains that as apartments turn over, both new tenants coming in and existing tenants who renew are willing to pay the higher rents because the overall market rents are rising, so they would have to pay comparable rents elsewhere in the market for the same quality of apartment.

As JRK continues its acquisition program, Lee says, the company expects to remain competitive against all classes of bidders. He says the properties it has acquired thus far, "were available at attractive prices because JRK committed to a due diligence and closing time of less than 30 days." He adds, "We are finding that speed and certainty is becoming more important to sellers as a growing number of transactions in the market are not getting to the finish line."

The nine assets that JRK has acquired via its new fund are: Broadstone Centreport, 452 units, 14301 Centre Station Dr., Fort Worth; Gates of Harbortown, 428 units, 2333 Lake Debra Dr., Orlando, FL; Glenbridge Manor, 274 units, 11513 Village Brook Dr., Cincinnati; Greens of Salem Run, 200 units, 5600 Salem Run Blvd., Fredericksburg, VA; Kia Ora Park, 250 units, 9300 Coit Rd., Plano, TX; Manchester Lakes, 252 units, 7131 Silver Lake Blvd., Alexandria, VA; Overlook at Berkeley Lake, 660 units, 3475 Pleasant Hill Rd., Duluth, GA; Somerset Glen, 161 units, 13380 Hillsborough Dr., La Mirada, CA; The Retreat at Cinco Ranch, 268 units, 3306 S. Fry Rd., Katy, TX.

Besides its Los Angeles headquarters, JRK Property Holdings operates seven regional offices throughout the US. JRK has owned and operated commercial properties, including multifamily complexes, since its founding in 1991 by chairman and CEO Jim Lippman. The company also owns hotel, office, industrial and storage properties. As reported by GlobeSt.com in May, JRK's hotel group has launched an effort to expand its third-party hotel management business along with its ongoing acquisition program.