





# Renovation **REALITIES**

## *Walking the Fine Line Between Supply & Demand*

*BY MARLENA DeFALCO*

**Haley Real Estate Group, an Omaha, Neb.-based investment firm, launched an \$8 million renovation plan for Park Place Apartments, a four-story mid-rise apartment community in Oklahoma City, Okla., in January.**

**D**EI Communities, Haley's affiliated property management company, is overseeing the renovation process and day-to-day operations of the community. The companies have agreed to share their renovation reality with *units* Magazine in a three-part series where they will reveal the ins and outs, successes and challenges, and final outcome of this massive 18-month apartment renovation and repositioning project.

### **Looking Back, Moving Forward**

In the previous *Renovation Realities*, DEI Communities discussed their fast-tracked construction on the repositioning of Park Place, now known as The Capitol on 28th, from a dilapidated Section 8 community to a modern, market-rate property. Executives shared the details of a well-executed and generous resident relocation incentive program, bringing the community to full vacancy in a mere 10 weeks. Combined with dedicated buy-in from all contractors and subcontractors, the fast-tracked project was slated for completion more than nine months ahead of schedule.

One obstacle DEI didn't anticipate affecting the overall construction timeline was the stained concrete floors throughout the living room, kitchen and bathrooms of each unit. The process was far more in-depth than anticipated, requiring significant time to repair cracks in the



(Above) It's almost hard to believe this is the same pool. (Opposite) Renovations continue at The Capitol on 28th, with the targeted completion of March 2014—four months ahead of schedule.

flooring and, in some cases, twice as long than typically required to ensure a proper stain. Originally, DEI projected 56 units would be available for lease in July, but the delay from the labor-intensive concrete floors has again adjusted the timeline. “The building is almost 40 years old, so we were dealing with concrete that was also 40 years old,” says Troy Arnold, Regional Manager for DEI.

“Because we wanted to maintain a certain urban feel to the community, one in which the concrete floors were a key design element, we needed to make a hard decision,” Arnold says. “Were we going to significantly slow down progress to have these amazing floors or were we going to try to stay on the fast track?”

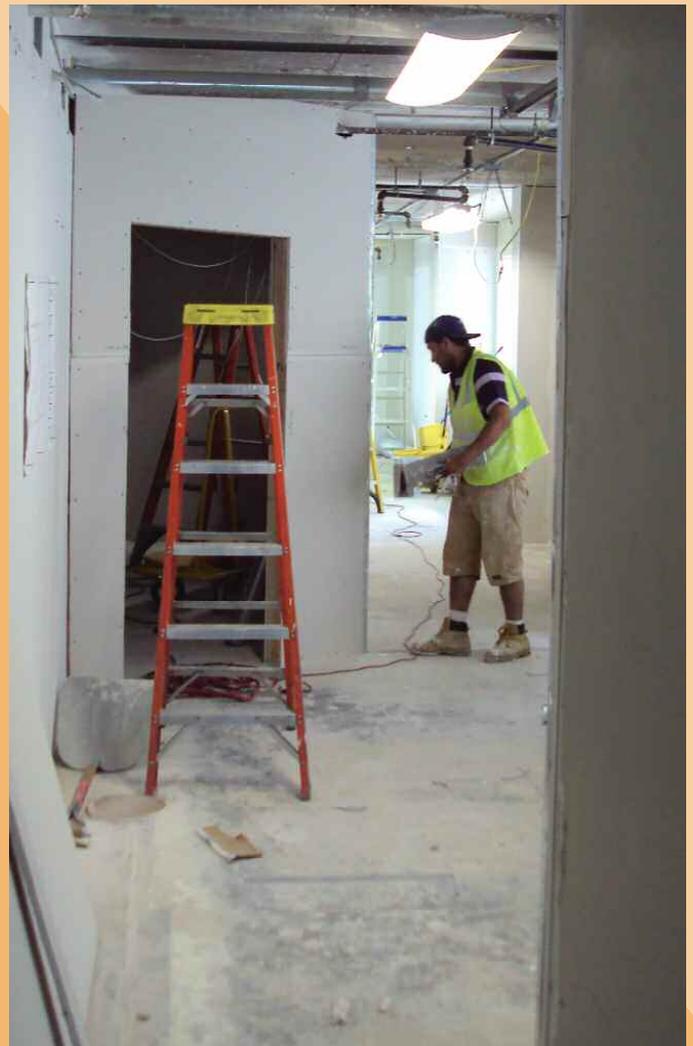
DEI executives ultimately elected for a compromise. The first two buildings of the construction plan would have the stained concrete flooring while the final two buildings would have an equally appealing—though much easier to install—laminated wood floor.

“Sometimes you just have to punt,” says Doug Hastings, Senior Vice President, Property Management for DEI. “We would have loved to keep the concrete floors in the pipeline for the entire property but from an operations, financial and construction standpoint, it no longer made sense.” With these changes made to the construction timeline, The Capitol on 28th is now

slated for completion March 2014, four months ahead of the original deadline.

### Managing Construction & Occupancy

The high demand from prospective residents has also added fuel to the construction fire and DEI’s need to complete the



### About This Series

This is the third in a three-part series that explains the critical steps of community renovations. Part I appeared on pg. 54 of the May 2013 edition. Part II can be found on pg. 50 of the August 2013 issue.





project sooner rather than later. In fact, renter interest prompted the development of a marketing program leveraging multiple communication channels including a community website and blog, as well as Facebook, Twitter and Pinterest pages. With this activity alone The Capitol on 28th pre-leased seven units without a leasing office or a model unit open, a trajectory that enabled the community to fill 14 units with residents on opening day. Currently, the property has 27 of 42 apartments occupied with 14 more that came online in October. Of those additional apartments, five have already pre-leased.

Now the firm is challenged with managing ongoing construction while maintaining a high quality of living for in-place residents. “We made a very concerted effort to get the majority of the heavy labor completed before any residents moved in,” says Kristi Anglin, Community Manager for The Capitol on 28th. “Once we had residents on site, we have made sure to maintain ongoing and detailed communications with them on what construction may be happening in their building and on what day.”

With residents in close proximity to construction, DEI and property management have been diligent in making sure

residents don't feel like they are living in a work zone or are otherwise inconvenienced by the process. To that end, the firm erected temporary fencing in its parking lot for any and all construction traffic, including parking for laborers.

It was this proactive and common-sense approach to managing construction and occupancy that has ensured resident satisfaction. Anglin reports only a single resident complaint about the construction noise. “Ironically, the loudest part of the interior construction has been installing the carpet tack strip to the concrete,” she says. “That was our one complaint; otherwise, residents have been positive and happy.”

## Balancing Supply & Demand

As the community continues to move forward with more and more units coming online, Anglin and her team are charged with finding that balance between supply and demand. “We maintain pretty extensive call and wait lists,” she says. “It is far more than a simple lease-up or even a more complicated lease expiration management. We are always looking for the best way to pre-lease units to match what a prospect is looking for.”

While some would assume unit availability contingent on an ever-changing construction timeline would hinder demand, the firm is experiencing quite the opposite. “It was originally projected that we could charge \$1.24 per square foot,” Arnold says. “We are now seeing prices around \$1.31 per square foot, which we believe is largely based on demand and the high caliber of units we are bringing to market.” To date, the most popular unit has been the micro-unit with its simple amenities and pricing attractive to the community's target demographic—medical students and the more than 20,000 government, education and biotechnology employees in the area.

“We were worried people would stay away because of what the property used to be,” Arnold says. “But there is no longer a connection to the past, which is a really nice opportunity for us and The Capitol on 28th.” So what's next for this budding urban community? Grand opening is still scheduled for Nov. 14, 2013, with targeted completion in March 2014.

Still ahead of schedule. ■■■



*Marlena DeFalco is Account Director for Denver-based LinnellTaylor Marketing.*