



## THE GREATEST CONTRIBUTING FACTOR IN INCREASING THE VALUE OF A MULTIFAMILY ASSET

*An interview with Autumn Sorrow Stout, Director of Asset Management by Leslie Mizerak, PCC, SPHR*

### INTERVIEW

Multifamily asset values are soaring in the current high-demand marketplace across the US. Experienced asset management professionals realize this is no time to take success for granted. Ms. Sorrow Stout shares her highly experienced insight on how to attain and maintain the highest value, net operating income and return on investment.



Autumn Sorrow Stout is the Director of Asset Management for Abacus Capital Group. She joined Abacus in 2006 in the New York and Charlotte regions and she is responsible for all Abacus assets on the East Coast.

**W**hat do you think is the greatest contributing factor in increasing the value of a Multifamily asset today?

Without a doubt, it comes down to the rent, which is why we are all here. It's about how much someone is willing to pay for the product that you give them? If you have a 200 unit asset, and do a \$5.00 bump or certainly a \$50.00 increase on each unit, it can tremendously increase the value for that asset. Expenses are definitely important, but the revenue is really what drives the value for any asset.

I would also say Occupancy. I always joke: Occupancy cures all. So, not only does this go back to the revenue side, but this goes a little bit into the expenses side as well. But, if you are highly occupied, it is easier to manage your turn cost. You're not



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spending as much on marketing. You're full, so you're not having to claw and try to fight to get it back up from 90%. You're at 95% so you can push and test those rents, which goes back to my first point – that is the best way to maximize value at any asset.

**TODAY'S SPECIAL GUEST**

## How are occupancy rates in the market looking to you?

Our portfolio is doing really, really well. The industry is having another very strong year, coming off of many strong years. I would say the average is 95% (depending certainly on the sub-market). The East Coast, which is where I focus - concentrating on Detroit, Atlanta, Raleigh, Charlotte and a bunch of Florida markets, I see 95% and creeping up to 96% in some markets.

## Is there any contributing factor that you think is keeping occupancy rates high?

Yes. Certainly demand. At Abacus, we have two different groups that we focus on: Core assets and Value-add. Definitely seeing continued demand in the core assets but with the value-add side especially, there's a lot of slide at the top of the market because people are looking for great values at a great location. So we've been focusing our initiatives and our focus of which properties to purchase to make sure it's a good quality asset that we can bring up: improve the immunities and make sure we do a nice, clean turn with a couple of upgrades. Just have a nice well-managed, well-maintained "B" asset in a location. I think there will always be demand for that type of real estate.

## What makes a well-maintained asset and a strong occupancy rate? Does that allow you to keep your rent rates where you'd like them to be or get them to where you'd like them to be?

Yes. We've been quite surprised with some of the rent growth that we've seen in certain markets. We also like to focus a lot of our dollars on to highly "amenitized" assets and really making our amenities extremely luxurious so people want to be there and then just again, making a nice clean turn in the units. So we give them luxury units that they would find in a top, brand new asset but not paying the \$600 more in rent. We are squeezing that gap from that \$600 gap at the top of the market - it used to be \$600 and now it is \$400, which has meant big increases for us and I think there is still room to run.

## How has the method of apartment leasing changed in the last 5 years? What changes have you noticed?

I would assume that most people would answer this the same, but it's been without a doubt the push to online leasing and paper. It's been a huge driver. I know that we started three or four years ago doing the online leasing route, where you truly do the application and

everything online. Basically, if someone would walk in the door, we would give them an iPad to fill it out. Getting rid of all of the paper guest cards - I think it's easier on the prospects. They have everything they need from when they walked in the door, so hopefully they will lease with us. It's also easier for us to manage and kind of see what's really going on and who's walking in the door because they are filling out the data themselves. Also the tracking that comes with it, giving us a very clear

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picture of where our traffic is coming from instead of just a drive by. If we have "x" amount of leads, I can see that it came directly to our online leasing from Apartments.com or from our own property website, etc.

## It sounds like you are taking full advantage of data analytics - a key buzz word these days.

Yes. It's definitely the future and I'm curious to see where else we can go.



*You've got two seconds to make an impression. They are 60% sold before they even walk in your front door.*

**I**f you could send a message to every leasing professional, what would it be? It can be something that someone told you earlier in your career or something you wish someone would have told you.

I think the #1 thing is to know your market. And surprisingly, I think only 10% of the leasing agents do this, but on a daily basis – knowing the product that they are showing every day, where it fits in the marketplace. From your one bedroom compared to the other one bedroom down the street. Or even the high-end market. Understanding where the top of that market is and where the bottom is and just having a really good understanding of the finishes, whether or not a washer and dryer is included with your competitors and that kind of goes back to my original point – what is the #1 maximizer for value in apartments? It's the rent. Too often, if the occupancy is not there, what the leasing agents and managers at regional do is drop the rent, which is not...sometimes when you dig down and get them to look at the marketplace and

understand where we are sitting where we are, well the answer is usually to not drop the rent. Maybe it's something else. Maybe it's just the market at that moment, just be patient, we're in the 4<sup>th</sup> quarter and it's going to be fine in a couple of months. Maybe it's our own personal lease expiration matrix. But just having a really, really good understanding, and not just once when they first start, it's something they need to do regularly – keep track of what's going on with your market. And make friends with the other communities.

**B**uilding on that, what's a good way for a new professional in this space to get to know their market? You mentioned getting to know people at other communities. Are there other things they should be doing as well to make sure they know their market?

It would be getting out there and shopping themselves. Checking out their websites, find out if they're doing upgrades, upgrading the entire community. The only way to find that out is to regularly check and to physically go there and see. The same prospect that is walking in their door is walking in their competitors' door as well, so you need to understand exactly where you differentiate and what value you bring versus what value they bring.

**H**ave you heard the term "online is the new front door."

**What does it mean to you?**

It goes back to this whole new world – it's all about being online. You'll get a few people that are driving by and see something (there's still value there), but I think the big change is that when I go and I'm looking in whatever city I always put "apartments in Denver" or "apartments in Charlotte". I Google it and can see what pops up and it kind of starts there.

Whose got the best SEO to get you to that spot and then once they click on it, if it doesn't refresh quick enough or if it looks too complicated or if that first photo doesn't hook them, they are on to the next one. That's kind of that new "front door". It is so important. You've got two seconds to make an impression. You get that first chance, it's no longer them walking in to your community. They are 60% sold before they even walk in your front door. The only way you do that is by having a great online presence.

**S**o, convenience, ease of use and how the online features look.

**Is that what I'm hearing?**

Yep, it's all about the image you want to project.