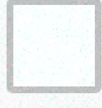
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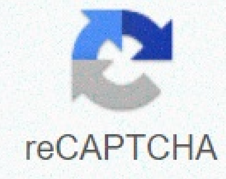
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Jrk property holdings ceo

ORLANDO - At GrandeVille River Place, a 280-unit, Class A multifamily community... Read more about LOS ANGELES —Los Angeles-based real estate investment firm JRK Property Holdings... Read more Jim Lippman is a house whisperer. Ask him and he'll tell you... Read more ABOUT JRK Property Holdings, Inc. (JRK) today announced a large multifamily property... Read more Our philosophy is that we pay for what is, not what... Read more In recent months Los Angles-based JRK Property Holdings has been... Read more Jim Lippman is a house whisperer. Ask him and he'll tell you: One of the best ways to heal an underperforming multifamily asset is to visit an asset, just stand there – and listen. Over the past 20 years, the founder, chairman and CEO of JRK Property Holdings in Los Angeles has developed a multifamily asset management cause that he says will marry in a way that is inhibited by the dominant majority of those in the industry. He argues that the added value is not plug and play, it is no longer driven by arbitrary market arbitrage priests, and financiers who cultivate their property management are not as effective as the owner/operators who roll up their sleeves and listen to the land to hear what their property tells them. Stanford and Harvard degrees are great, says Lippman, who graduated from Schenectady, N.Y.'s Union College in 1979. But you have to know real estate inside you. The properties will talk to you and tell you what they really need. Value added is not a cookie cutter cap-ex approach from one property to another. It's easy to look at the property and tell if it needs paint, but how do you know right away whether the leasing office needs to be redesigned to increase traffic flow or if the gym needs to be moved from side to side of the property? You have to stop and listen. This – and has decades of operational real estate experience; the kaader of asset managers and national and regional maintenance professionals; and a private database that tracks and compares the daily, weekly, and annual item costs per line of all the company's investments, capital expenditures, and cost centers. These so-called Green Book reports (see IAS 19, 2004). Little Green Book on page 29) is created every Friday and is available to all JRK resources and on-site executives and management team. They show where the property has been, where it is today and where it is going in real time, Lippman says. Want to know how much the property spent last Thursday per line leg compared to Benjamin Moore's primer compared to its historical average paint cost – and even the average primer cost of the portfolio? It's in the Green Paper, just after the page showing last month's leasing special market companies, transport, transport, leases and the cost of the marketing manager and the signed lease. Jrk's use of the Green Paper is just one example of a company's progress towards micromaning assets as part of a multifamily model that brings added value. Although this model is still fundamentally arbitrage-driven, it is also fuelled by a reduction in operating costs and an average return on investment target of 20 % for capital expenditure. As a result, JRK is no longer exclusively looking for a market bee. Three years ago, value-added players would put $5,000 per unit into a Class C or B contract, try to get $150 more in rent, and two years after translating 50 percent of the units, they'll translate it, explains Bobby Lee, head of the company's JRK Birchmont Advisors fund and acquisition division. We are not looking at under-market rents and rental properties in this market and we are trying to increase the occupancy rate of 80 [per cent] to 90 [per cent]. We approach the agreement on income to income, assume that we can't do better with the basics than the current owner, and hang our hats on what we can bring to the table for reducing expenses. We believe it is between 20% and 25% etc. Lee is right to a certain extent: There are indeed multifamily operators in a niche market with a particular focus on buying assets that undercut the cost of compensation, with the aim of refreshing, stabilising and reselling improved fundamentals at better cap prices. JRK is not one of them. For JRK, value added has changed as much from machining as from deformation. In fact, Lippman and his team think they can even add class A multifamily features and have intended to do just that. Their goal? More than doubles the company's national portfolio of 42,000 traditional and affordable homes in 27 states to 100,000 multifamily units by the end of 2013. Achieving the Fueled By Passion Goal requires listening to the needs and needs of many housing assets, and the JRK team's talent in it has been a long time coming. When Lippman first entered the real estate arena in the late '80s after a successful but passionless commodity and option arbitrage deal, he was attracted to the physicality of underlying assets and the potential for creative asset management compared to a clean, bare-kninged ruptured rupturing of numbers. I'm a huge New York Giants fan, and as a mediator, I'd sit there on Sundays with my belly twisting, preparing for the week ahead to the point where I couldn't even enjoy the games, enjoy my life, Lippman says. Apart from my family, I haven't found a greater passion in life than real estate. And to this day, I stress that for anyone who comes to JRK: Don't come here, You want to hit the clock. If you come here, this is going to be a part of your life. Founded in 1991, JRK was born five multifamily properties from RTC's Pool of Executive Life assets, which Lippman had managed in liquidation. With partners John McKeen [now vice president] and Jay Schulman [now CFO] and two administrative staff, the company set out to build a portfolio of multifamily, hotel and self-storage assets at an annual growth rate of 500 to 1,000 homes. Jrk was funded primarily through Lippman's personal net worth network, and by 2005 JRK had amassed a national portfolio of about 8,000 multifamily units, four hotels and a self-storage facility on Long Island. Today, these figures have swelled to 42,000 units in 27 states, plus nine office buildings, four hotels, one industrial property and 1,800 self-storage units. Although JRK was initially dependent on third-party payment managers on the ground, JRK's penchant for squeezing fixed and variable costs out of the property P&Ls, together with the growing scale and organizational depth of the company, previously shifted to the traditional owner/operator model. Ultimately, third-party managers make it possible to disconnect, says Lippman, who notes the competitive advantage of keeping your own store in mind. We believe that a large proportion of buyers and owners of multifamily assets today are financially dependent on institutions that rely on third-party managers, and we believe that failure to act on the asset leads to a margin and an understanding of the property itself. Jrk's personnel philosophy - which is heavy on asset managers and light on site - creates difficulty with traditional property management personnel designs. We have a somely unique way of looking at the staff, Lee says. We have been tracking for some time on a unit-by-unit basis how many people we need per leasing centre for traffic and lead, and we are typically able to cut staff by about 30 per cent compared to some larger RINTs using third-party property managers. These staff reductions are strongly part of JRK's on-site cost reduction

targets of 20-25%, which are usually achieved within 12 to 16 months of the acquisition, and in turn provide the company with approximately 100 basis points of cushion when bidding for the properties to be acquired. In fact, the direct value indication of acquisitions is where JRK starts the value added process – first by identifying line-by-line deductions in all expense and cost centres (see page 32 Fixing costs) and then determining where the capital expenditure of the asset is justified and what the expected return on investment from these expenses can be from the point of view of both the rent increase and the preservation and improvement of assets. We with the expectation that rents will rise, Lippman says. It's a very common approach to a project where real estate is going over the next five years – and people have been making a lot of money doing it for the last 18 years – but we're just buying assets that we think will bring instant added value. On the cap-ex side, asset improvement and value creation begins with immediate aesthetics and drills deeper into the relocation and preservation of assets. A team of six, which can consist of JRK's CEO, national maintenance staff and local asset managers, identifies, provides collateral and prioritizes all capital costs separately, and then makes a comparison to find the best bang-for-the-buck improvements. Capital renovations cost $100 per unit to $6,000 per unit. Curb attraction remains one of our first priorities, says Vice President McKee. I don't care who you are – first impression drives decisions: nice clubhouse, nice staff, fresh paint and signage, flowers. It's not magic. After focusing on restrained attraction, JRK's team then proceeds with more complex value-added investments based on their primary analysis. Depending on the asset, this may include new paint, roof and structural improvements, retreading, kitchen and bath upgrades, closet extensions, clubhouse renovations, community signs and other amenities. Budgets are frontloaded to ensure that all capital expenditure occurs in the first half of the year preceding the vital summer lease, and all budget lines are approved twice – once the budget is first adopted – and again in the context of expenditure to determine whether the funds could be better allocated to other parts of the property. Everything we do on the capital side is not seen from the perspective of invested capital unless it is the preservation of assets, Lippman says. We are looking for a return on investment of at least 20% when it comes to investing additional amounts in real estate. We don't go in and improve too much dollar returns in hopes, and we're working to complete all cap-ex entries by May or June so you can get an advantage during the prime leasing season and not wait for the next year to get a return. While JRK's reform tactics seem aggressive, Lippman says the returns are worth it. And his investors agree. Take the company's purchase last year of an AIMCO portfolio of 17 properties divided into Atlanta; Charleston, S.C. Cincinnati, Ohio; Columbus, Ohio; FORT COLLINS, Colo. and Richmond, Va. Since the deal took effect in January 2009, JRK's operational burn has helped a 21 percent NOI increase in the declining rent market. That's in one year and is almost exclusively due to savings in operational efficiencies [including reducing fixed costs, staff and rent-to-management marketing costs], Lippman says. which have been our hallmarks are exemplary. We have 35% IRR [internal rate of return] with an average hold of 10 years. People have invested with us and generally made more than four out of four their money. Most importantly, when it's risk-adjusted, we've never had a loss. Bill Powers, ceo and senior fellow at global investment firm PIMCO's portfolio management and investment strategy groups in the company's Newport Beach, Calif., has invested in real estate for 19 years and invested in JRK for the past five years. According to Powers, jrk's investment cash flow is about as close to a fixed income instrument as an investor can get, and the returns, despite the weak economy, continue to prove the JRK model. They continuously increase quality in their investments and have regularly achieved leadership power by utilizing fully integrated, vertical skills, powers says. They have made the investment out of the IRR higher than cashbacks, which is obviously added value. Moreover, they understand what they do well and do not do well and are conservative - there are no predictions that beans will grow into the sky. I have been very pleased with the results, especially during the crisis. The investment result has been excellent when something less would have been understandable. Aquisition Minded Of course, for JRK to generate such impressive returns, the company must constantly look for new properties, which has not been easy in the past year as transaction volumes in the multifamily sector plummeted to historically low levels as financial uncertainty and the gap between buyer and seller expectations widened. The removal of the REIT's debt levers through asset sales in 2007 and 2008 brought some opportunities – in particular through deals with AIMCO – but JRK has some catching up to achieve if the company is to reach Lippman's 30-month, 100,000-unit target. Cash production is unlikely to be part of that problem. Although the $200 million equity fund acquired in 2006 has been almost fully implemented (70 % for multifamily families, of which 80 % – i.e. 60 % of the total fund – will be invested in housing transactions sponsored exclusively by JRK and the rest will be used for joint ventures and hotel assets), the company is preparing for additional capital increases to meet opportunities in the takeover market. In the future, all shops will be either hotel or multifamily offers and they will all be owned and operated by JRK, Lee says. All our invested capital enters our own account. The company's next capital increase, which is currently under way, will take place mainly through JRK's historical network of approximately 100 individual investors with high net worth and around 20 institutional investors (i.e. banks and investment funds). If it seems too ambitious for this environment, think again, Lee says. We feel at any time that we have the opportunity to receive between $50 million and $100 million in equity, Lee says. Even if the fund remains confidential, the Book. JRK continues to opportunistically add funds to the portfolio that can be used for traditional cap-ex value-added pop, but the company is moving away from Cs and B classes to target class A properties among the country's top 20 mSA as its value added game evolves. Competition for these assets comes primarily from housing REIT, and JRK may well hand over the top five or six U.S. rental markets to public and institutional buyers and focus on markets that may experience short-term pain, but long-term upside from the perspective of employment and absorption. We are a private company and we do not have to follow the severity mentality. So where REIT want to dispose of assets [in non-core markets] like Atlanta and Dallas, we are buyers, Lippman says. We are buyers in any market where we believe there is long-term growth that equates gaming. We are not interested in idle tendering – we are interested in paying fair market results according to our underwriting commitment, where we feel we can reinvest the asset both on the operational and capital side or both. The determination of how and when the assets in question will be reinvested will also benefit for the JRK's seven-year agglomeration period (although the company often has assets for longer). With interest rate compression between A and B assets currently a difference of around 100 basis points, the price of acquisitions per pound, and arbitrage when cap rates return to more traditional asset class spreads, offer JRK investors a double return. In the meantime, JRK wants to increase NOI in Class A properties through a reduction in value added costs, and if market rents start to rise, then all the better. We do not expect NOI growth in manufacturing in 2010, but we budget for 10% NOI growth in the JRK portfolio, Lippman says. Over the past decade, we have seen a lot of both public and private companies that may understand brick-and-mortar but do not understand that residential properties live, breathe real estate. As long as this connection is lost, it will create [for us] significant opportunities to do added value. All the JRK has to do is listen. Article: Chris Wood on multifamily leader

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