







Mid-America realized a 20 percent ROI on Runaway Bay.

He said the benefits of this supply-and-demand change created a superior opportunity to reposition Runaway Bay.

“At the time of our decision, it was evident that many of our competitors were ‘going condo’ and the developments coming out of the ground in our market were predominantly condominiums,” he said.

### First-Class Cash

Mid-America chose to upgrade the B-class Runaway Bay community, moving it up in class by renovating every apartment fully, providing new countertops, plumbing, lighting, flooring, paint and appliances.

Nischwitz said Mid-America spent approximately \$8,000 per one- and two-bedroom apartment and raised the rent approximately \$20 for every \$1,000 that was invested in renovations.

### Top-Performing REITS: Q1 2008

Mid-America was among the three best performing REITS during Q1 2008. Following are the top three:

1. UDR 25.7%
2. Mid-America 18.3%
3. Essex Property Trust 18.0%

Rents are now approximately \$920 to \$950 per unit.

Upgrades involve brushed nickel and stainless steel fixtures and appliances. He said Mid-America typically uses granite countertops in its communities, but is careful during its installation. Although granite is not as expensive as some might think—it costs about 30 percent more than Formica—delivery delays sometimes occur.

He said Mid-America chose environmentally friendly products such as recycled carpet and eco-friendly paint, and worked with vendors to make sure the materials met such preferred standards. The company also installed Energy Star appliances.

“We find that some residents are willing to pay more to be able to say that their apartments are ‘green,’ ” Nischwitz said.

He said that instead of the more costly hardwood flooring, Mid-America used a composite wood plank flooring that resembles hardwood. “It’s thin and has a rubber composite,” Nischwitz said. “You glue it down. It looks and feels just like wood, and with a 10-year warranty, it lasts longer than vinyl flooring.”

Nischwitz said one of the hot, trendy colors remains a warm tan. “And when you paint a white trim crown molding around the apartment, it really gives it the look of a custom home,” he said.



A bathroom in a Runaway Bay apartment before (left) and after (right) renovation.

Photo: Jeffrey Jacobs Photography



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For tips on everything related to property management, from renovations and upgrades to advertising, hiring and maintenance, check out NAA Region 2 VP Mike Beirne's book, "The Property Management Tool Kit." To order, visit the NAA Bookstore online at [www.naahq.org/](http://www.naahq.org/) bookstore or contact NAA Office Manager Debbie Bilotta at [debbie@naahq.org](mailto:debbie@naahq.org).

### Accelerated Forced Renovation

Nischwitz said renovating an apartment took an average of seven days, and the entire community was upgraded in 15 months. "We called it an accelerated forced renovation, meaning that we renovated all apartments when their leases expired," Nischwitz said.

The full-scale renovation began in early 2006. Residents were invited by the community team to walk the newly renovated models more than 60 days ahead of when their leases expired.

"This gave them an idea of the overall upgrades and showed them individually how these improvements would affect their rental rates," Nischwitz said. "Each resident was given a month to make a decision to either sign a new lease or to make arrangements to move from the community."

During the transition period, Runaway Bay residents were able to choose to move to one of the fully upgraded residences at the community or make other living arrangements for about seven days while the renovations took place. In return for this inconvenience, residents received a 30-day rent concession upon returning to their newly renovated apartments.

The project was completed in 15 months and roughly 30 percent of existing residents accepted the new rates and upgrades. "When you consider that the average turnover in this market is 60 percent, we likely lost fewer than 25 residents [12 percent of 208 apartments] because of the accelerated project," Nischwitz said. "We firmly believe that the timing to complete this renovation couldn't have been better with many of our competitors pulling out of the rental pool and few new residents being added."

Nischwitz said executing an accelerated forced renovation requires a tremendous amount of transparent communication between the community team, production team, corporate support and, most importantly, current residents.

"The results of this project continue to shine," Nischwitz said. "Our average rent per unit is up 16 percent, occupancy is at 97.6 percent and expenses in repair and maintenance (generally reflective of turn cost items) are 20 percent below our 2005 averages."

Nischwitz said this same reposition strategy also is in play in other markets where Mid-America has a presence, such as Hampton, Va., and Austin, Texas.

"These are both wonderful, strong markets," Nischwitz said. In the case of Hampton, located in the far southeast corner of the state, there are a lot of military families—especially officers—seeking housing.

"Hampton is a place where the price point to move into a house is well above what a resident can get comparably in a rental apartment," Nischwitz said. "So, given the housing market conditions, people are choosing to rent." ■

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### Renovation Information

**THE NEWS:** Mid-America was able to secure a 20 percent return when it renovated and upgraded Runaway Bay from a B-class to an A-class community.

**THE PAYBACK:** The firm spent \$8,000 per apartment and raised rent by \$20 for every \$1,000 invested.

**THE TIMEFRAME:** Each apartment took about seven days, and the entire community was finished in 15 months.