



# DALTON MANAGEMENT, INC.

## Winter 2013 Investment Update

Multi-Family rentals continue to be the most sought after real estate investments. Lack of new construction in most areas and historically low mortgage rates drive this demand. The article, "Investing in a Tight Market" shows Dalton's ability to find great investments for our clients. The piece on rebranding is one of our marketing successes in an area where there is competition from new apartment construction. "Meet Bob Alverson" is an example of loyal employees' contribution to investor profits. And "Small Changes = Big Impact" illustrates how Dalton strives for a win-win for our investors and our residents.

*Regards, Dale Denson*

## Investing in a Tight Market

*by Brad Denson*

High barriers to entry make Corvallis one of the best apartment markets on the west coast. Apartments rarely change hands with strong investor demand. Corvallis is a medium sized town of 55,055 residents and home to Oregon State University. The vacancy rate in Corvallis has averaged below 3% for the last five years.

New construction of multi-family housing is met with heated opposition from the various neighborhood associations. Parking and noise violations are the biggest complaints. Add to that the local ordinances, which cap the number of unrelated adults who can live in a single residence (with some exceptions) at five, and land annexation done by referendum. Zoning changes require approval of both the city council and the Planning Department.

As of Fall Term 2013, OSU enrollment increased to 27,925 up by 5.8% from last year. This was the first year for incoming freshman to live on campus during their time at Oregon State University. The campus paper, The Daily Barometer, recently reported many students were temporarily housed in converted student lounges. Already cramped double dorm rooms were converted to three bedroom occupancy.

On-campus housing is available to incoming freshman and transfer students. However, on-campus housing can only accommodate approximately 4,200 students or about 22% of the full time undergraduate population. The rest of students live off campus. The off-campus hous-

ing is mostly comprised of older apartments and single family homes.

The lack of vacant zoned multi-family land adjacent to OSU makes it difficult for developers to meet the demand for additional student housing. This fall the Corvallis Planning Commission turned down the 900-bed Witham Hill Oaks student housing plan located across from the OSU Dairy Center. This project was backed by a major national student housing developer but strong local opposition brought the project down. *The Corvallis Gazette Times* reported this was the fourth major Planning Commission decision in recent months in which development projects had been rejected.

In order to ease the student housing shortage, the trend has been to construct four and five bedroom townhomes, mostly by local and re-

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*The Park at Fifth Street*



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# Investing in a Tight Market

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gional builders. These developments are accomplished by acquiring a series of older single family homes and implementing a demolition/redevelopment strategy. These townhomes, which are leased primarily to students, are not operated as traditional student housing properties. For the most part, they are not leased by-the-bed, do not come furnished, and do not include utilities in the rent. Students typically band together to share a townhome.

In response to the surge in townhome development, local citizens put pressure on the City to increase the parking requirement from 2.5 spaces for a 5 bedroom unit to 3.5 spaces for a 4 bedroom unit and 4.5 spaces for a 5 bedroom townhome. These new requirements have all but eliminated new townhome construction.

In November of 2012, the citizens approved the annexation of 33 acres near campus for student housing. This project may begin in 2014, and wet land issues have delayed construction. One new project is in lease up this year, The Union—a \$10M 68-unit project near campus. The Union is a high end project with individual bedrooms renting for \$635. Students share their unit with other students, which gives rise to roommate conflicts, so this is not the housing of choice for many. Meeting the needs for new housing has been

very frustrating for builders and given rise to nontraditional apartments.

We are excited to announce that Dalton broke into this tight market in September of this year. We have purchased The Park at Fifth Street, an 84-unit community in downtown Corvallis. This is a major renovation project which will receive over \$2M in exterior and interior renovations. The bulk of which is scheduled to be completed in the late spring to secure reservations for the 2014/2015 academic year and take advantage of the high demand.



*The Park at Fifth Street in Corvallis, Oregon*

## Meet Bob Alverson

A long time Dalton Management employee.

***Q: How did you get into property management?***

Bob: I was friends with Connie Ford, who was the property manager at Markana Apartments, where I lived at the time. It was a busy time for her. Without much notice, her sister, who was helping her out, quit on her. I stepped in to help her out and the rest is history.

***How long have you been with Dalton?***

This February, it will be 10 yrs.

***What do you like best about working at Dalton?***

It's like a big family here. Teamwork is emphasized and they respect and take pride in their people. All of this makes it a great and fun place to work.

***Can you summarize the various jobs you've had with us?***

I've worn a lot of different hats—leasing, maintenance, or whatever needed to be done—wherever I can help out the team.

***Tell us about your 9-5 job outside of Dalton.***

I work at Bonita Pioneer Company. They make stock and custom shopping bags. I've been there for 20 years—long enough to be known as “Bob the Bagman.”

***What do you do for fun?***

I recently bought a Harley and riding it is currently my favorite thing to do. But, I also like the company of good people and I enjoy reading.



*Bob on a Dalton Fishing Trip*

# Why Rebranding was the Next Step

by Brad Denson

The primary goal of an apartment name change is to help reposition the property in the marketplace. Jadwin Village Apartments, built in the 1970s, were in need of a new image and a new name to promote it.

Dalton Management purchased the 180-unit apartments in January, 2012. At the time, rents were approximately 20% below market and the tenant profile needed improving. We had budgeted approximately \$350,000 in interior improvements when we bought the property.

Over the last 12 months, as the apartments turned over, we made numerous improvements. New floor coverings, countertops, plumbing fixtures, appliances, lighting, and door hardware not only increased revenue, but allowed us to elevate the resident profile.

Besides the interior improvements, we painted all of the exterior doors, mounted new door hardware, installed new outdoor lights, and concealed the trash bins behind new enclosures. We have worked hard to enforce common area rules so the outside patios and grounds

look tidy and organized. We have made major repairs to the sidewalks and annually paint the curbs and re-stripe the parking lot. We have one employee who works full time maintaining the landscaping. All of these improvements have contributed to make the property look outstanding.

All of these changes have made substantial improvements in profitability. Our next step was to re-brand the property to overcome any lingering negative perception associated with the old name. The new name is Maple Ridge Apartment Homes. As part of the re-branding, we have developed a new logo for marketing materials including brochures, stationary, and business cards. A new monument sign has also been installed.



Our goal is to demonstrate through our name change that we have created an improved resident living experience. We are also signaling to the community at large that we have improved the overall neighborhood with our affordable, upgraded apartments and beautiful grounds.



*The new Maple Ridge logo (right) is featured on all marketing material as well as the new monument sign (below right). Pictured below are the updated kitchens and bathrooms—just a few of the completed interior renovations.*



# Small Changes = Big Impact

Part 2 by Neil Shah

Many of the interior features of Lakeview Park Apartments in Portland are from the 1980s. Although sometimes retro is “in”, it doesn’t apply here. The property already boasts exactly what you’d expect from the name, it does in fact have an actual “lake view”. Something not often reflected by property names. So, perhaps this is a great opportunity to renovate these apartments to further compliment such a beautiful view.

Yes, everything works and it’s just fine to go with an “if it ain’t broke don’t fix it” approach, and be able to charge a basic rent for a resident who would like a place to meet their basic needs for a year or two. However, why not go with

“a little (more) goes a long way” approach instead? For not too much more than a cosmetic update, we can renovate the units to increase their appeal, and we’re confident this will result in \$100 monthly rent increases and a longer term resident.

Here are our thoughts: By replacing carpet in the living room with wood grain vinyl flooring, adding two-toned paint with accent walls, and updating hardware and fixtures throughout, Lakeview has the potential to attract more financially stable residents who are willing to pay more to call this place their home for many years. Throw in a fantastic view, and now we’ve got a great place to live.



The view of the lake at Lakeview Park Apartments.



The wood grain vinyl and two-toned paint gives the entire front area a more modern feel. Vinyl flooring extended into the bathroom, new shower doors, neutral tone tile, contemporary lighting, and updated medicine cabinet gave the bathroom a much needed face-lift.

Cost per unit:	Renovation:
\$169.65	Updated lighting fixtures
\$318.57	Updated hardware & medicine cabinets
\$920.00	Tile surround & labor
\$248.00	Shower doors
\$604.90	2-toned paint with accent walls (labor & material)
\$250.00	Vinyl wood grain with new base and bedroom carpet (more than replacing carpet only)
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\$2,511.12	Total cost per unit

Rent increase \$100 more per month x 12 = \$1,200  
Amount of time to break even = 25.5 months

Increase in value at 6.5% Capitalization Rate = \$18,500/unit (\$1200/.065)

## Meet Neil Shah

He’s not only the assistant to Dalton Management’s Regional Property Manager, Rebecca Cook, he is also our core demographic. In early August, he and his wife moved to Portland. When asked what he was looking for in an apartment home, he replied, “We were looking for something new, beautiful, sleek, and modern. A nice place that we could be happy with for more than just a couple of years.” Lakeview has all of that, and with an amazing view to boot.