

Houston Business Journal - September 23, 2002

<http://houston.bizjournals.com/houston/stories/2002/09/23/newscolumn3.html>

HOUSTON BUSINESS JOURNAL

Friday, September 20, 2002

Developer discovers turnaround niche in hot multifamily market

Houston Business Journal - by [Nancy Sarnoff](#) Houston Business Journal

Keeley **Megarity** is a jack of all trades when it comes to real estate.

The 34-year-old Houstonian has developed, designed, built and financed dozens of single-family homes and townhomes in the Houston area.

Now Megarity is onto something new.

The owner of Bellaire-based Claremont Property Co. has just purchased his fourth multifamily complex in the Bayou City.

Megarity is discovering a niche in the competitive multifamily market by acquiring dilapidated apartment complexes and turning them around after significant renovations, which typically include taking the building down to its studs and improving the plumbing and wiring.

The company's latest purchase was the Landmark Apartments located at 5555 Antoine in northwest Houston.

Megarity acquired the 168-unit Class C project from New York-based Park National Capital Funding.

The apartments had previously been owned by Houston landlord Alfred Antonini.

The acquisition marks the second complex Claremont purchased that had been owned by Antonini.

The first was the Woodland Forest Apartments located at 5900 Bissonnet in southwest Houston.

The property was so run down, Megarity invested about \$5 million to retrofit the complex. He even renamed it Azalea Place to offset the project's negative association.

"We find apartments in the worst conditions and fix them up," says Megarity, who plans to buy more Class C properties in lower income submarkets.

With major renovations, the projects are brought up to Class B status.

"They're not cookie-cutter deals," says Megarity's broker Jeff Eisenhardt, of multifamily firm Hendricks & Partners.

And operating costs are lower because there are few tenant amenities.

Megarity subcontracts property management to First Choice Management Co. All of his real estate deals are financed by Builders Bank of Chicago.

Claremont also owns the 212-unit Redwood Garden Apartments near Hobby Airport. And earlier this year, the firm sold one of its first redevelopment projects, the Allen Arms Apartments on Allen Genoa, to Seibco International Inc.

Meanwhile, Megarity is looking to broaden his scope outside of Houston. He's currently looking at projects in Dallas and San Antonio.

Real estate roundup

With a number of projects on the drawing boards, local real estate observers have been anxiously waiting to see how deep the market is for high-rise living.

If Marvy Finger's newest residential project is any indication, the outlook is favorable.

As of Sept. 12, The Museum Tower — a 187-unit, 20-story apartment building located at 4899 Montrose Blvd. — was more than 50 percent leased.

Residents began moving into the new tower this month. And they're paying dearly to live in the posh high-rise.

Rents start at \$1,600 for a one-bedroom unit, and soar higher than \$3,500 for a two-bedroom apartment with a study. Penthouse apartments upwards of 4,500 square feet reach the five-figure range.

Units feature 12-foot concrete ceilings, hardwood floors and open-concept, island kitchens. Stainless steel appliances, exposed ducts and drop-down lighting fixtures give the apartments a sophisticated loft feel. The residences look more like condominiums than apartments.

The building's architect, Jeff Ryan of Jackson & Ryan Architects, chose a classic rose-colored brick for the tower's facade to reflect the style of neighboring Rice University.

Aside from The Museum Tower, at least two other high-rise projects are nearing completion.

The Hanover Co. and Simmons Vedder are both building upscale apartment towers on Post Oak Boulevard and Allen Parkway, respectively. Hanover's 1200 Post Oak is topped out and pre-leasing has begun.

Real estate broker David Cook of Cushman & Wakefield in Houston says several would-be developers are waiting to see if Houstonians embrace the high-rise apartment before starting projects of their own.

"If they fall flat, there won't be much demand," Cook notes. "But if they go well, there will be

others waiting in the wings."

- Local real estate giant MetroNational has leased nearly four acres of west Houston land to Enterprise Rent-A-Car.

The auto agency will relocate its Houston administrative and fleet services offices to a 30,000-square-foot office on the site next summer.

The property is located in Spring Shadows at Clay and Gessner.

Morris Architects is designing the building, and Anslow Bailey Construction is the general contractor.

nsarnoff@bizjournals.com 713-960-5931

All contents of this site © American City Business Journals Inc. All rights reserved.