

REAL-ESTATE

# Sale of big North Austin apartment complex is latest sign of thriving market for rental properties

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In another sign of Central Texas' thriving apartment market, the Morgan, an apartment complex with 504 units in north Austin, has changed hands.

Archway Equities, based in Beverly Hills, Calif., and Dallas-based CAF Capital Partners announced this week that they have purchased the complex at 1801 Wells Branch Parkway. The purchase price was not disclosed.

The Morgan, which was owned by a business entity called 1801 Wells Branch LLC, is valued this year at about \$54.2 million by the Travis Central Appraisal District.

The purchase was one of the largest sales by unit count in Austin this year, the companies said. The complex was 95% leased at closing.

In her recent mid-year apartment market report, Robin Davis, who tracks the local market, said investor interest in the Austin area remains high, with sales of 22 apartment properties totaling 6,041 units closing during the second quarter.

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Archway, a privately held real estate investment group, and CAF, a private equity real estate firm, each own and operate about 1,000 apartment units in the Austin market. The two firms said the Morgan acquisition is the first time they have partnered on an investment in the Texas capital.

Archway's local holdings are among a total of 5,000 apartment units the firm owns in Austin, Dallas, Atlanta, Raleigh and Nashville.

In a news release, Archway and CAF said they have been successful in finding and closing on properties in Austin despite the competitive local market. For the Morgan, they said they "were able to preempt a full marketing process with a competitive offer and short due diligence period."

"The Morgan represented an opportunity to acquire a very functional and well-maintained value-add property with unrealized potential in a market with strong apartment fundamentals," Sean Moghavem, Archway's president, said in the release. "We plan to continue to fine-tune our portfolio building scale in markets where we have a significant presence like Austin."

Built in the mid-1980s, the Morgan's previous owners renovated about 45 percent of the units.

The new owners said they plan to renovate the rest. Interior upgrades will include vinyl plank flooring, new countertops, stainless steel appliances, Nest thermostats, new recessed lighting and upgraded bathroom and kitchen fixtures.

"When the upgrades are completed, The Morgan will be an outstanding property in a market where job growth is outpacing the inventory of quality rental housing," Jack Alexander, CAF's president, said in the release.

The Morgan is near North Austin's two major economic hubs — the Domain, often referred to as Austin's "second downtown," and Tech Ridge, with employers in the area including Fortune 500 companies such as Facebook, IBM, Indeed, Charles Schwab, Dell, General Motors and 3M.

The Morgan also is not far from Apple's existing Parmer campus, and Apple's \$1 billion new campus currently under construction that is estimated to bring an additional 15,000 jobs to the area in coming years.

### **'Exceptionally strong' demand**

While Austin's job growth was temporarily slowed by the pandemic, the pace has begun to increase as additional companies continue to migrate to Austin, Archway and CAF executives said.

Just recently, Cumby Group announced it will build more than 800 apartments along Manor Road.

In an email, Bryan Cumby, the company's founder and CEO, said he thinks "demand for homes for rent and for sale will remain exceptionally strong in Austin for the foreseeable future."

"Austin has experienced more job growth through the pandemic than it had experienced in any single year since 2004," Cumby said. "Strong job growth combined with a record low level of inventory of homes for sale have driven real demand for rental apartment homes to a new level — and that's particularly true for apartments near jobs, transit, retail and dining amenities."

The Morgan's purchase comes at a time when investors are scooping up apartment properties in Austin's strong real estate market.

At mid-year, 43 apartment projects were listed for sale, said Davis, owner of Austin Investor Interests LLC.

"Investor interest in the Austin area continues to flourish," Davis wrote. "The number of sales during the first half of 2021 was nearly double that of the same time frame last year, and overall prices were up 20%."

Of the 22 sales Davis tracked in the most recent quarter, the average ticket price was \$229,807 per apartment unit — or \$267 per square foot, Davis reported.

Two higher priced properties, the Whitley and the former Elizabeth, drove prices up, she said. Elizabeth at Presidio, now called AMLI Lakeline, sold "very near" \$300,000 per unit and the Whitley sold for more than \$400,000 per unit, Davis said.

About 60% of the sales in the second quarter were of top-tier, or Class A, properties. Those sold for an average price of \$240,190 per unit, or \$280 per square foot, Davis said.

## **Recent sales**

In June, Newmark announced the sale of the former Elizabeth complex, a 373-unit mid-rise apartment project located, like the Morgan, in the tech hub of North Austin.

The Elizabeth was sold to AMLI Residential, a national apartment developer and management company. Built in 2020, the Elizabeth was in the latter stage of its initial lease-up and was purchased for an undisclosed price.

Newmark Vice Chairman Patton Jones represented the seller, StreetLights Residential, a Dallas-based apartment developer.

"The Elizabeth, with its excellent north Austin location, was a particularly attractive opportunity for institutional and private buyers alike," Jones said in a press release.

Jones said the apartment community is near the Lakeline MetroRail Station, within four miles of Apple's future campus and near the 7700 Parmer office redevelopment, home to Google, Paypal, eBay, Deloitte, Electronic Arts and Polycom.

Along with the large concentration of tech employers, the location also is near "high-quality retail" and two future children's hospitals, he said.

Earlier this year, the Conley, a brand new 259-unit apartment community in Leander, was purchased by Beacon Real Estate Group. The seller was Stillwater Capital Investments LLC.

John Carr and Ben Fuller of Cushman & Wakefield represented Stillwater.

Fuller described the Conley as "an institutional-quality asset from a proven developer" in one of Austin's fastest-growing suburbs, adding that the complex at 665 Bagdad Road saw "fantastic leasing velocity in its first few months on the ground."

Carr said "above market rent growth" is projected in Austin's northern suburbs such as Leander, "where population growth is ranked among the top in the nation."