

## Apartment Pros Team Up to Buy, Build

A new investment shop plans to spend \$800 million over the next three years acquiring and developing apartment properties.

Atlanta-based **Penler** was launched this month by multi-family pros **Graham Carpenter** and **Brian Metzler**. They're aiming for core-plus yields on apartment purchases and opportunistic returns on development projects. The geographic focus is on Washington and major metropolitan areas in the Southeast and Texas.

Carpenter and Metzler were colleagues for several years at Atlanta-based **Pollack Shores Real Estate**, with Carpenter running the acquisitions division and Metzler overseeing development. They recently decided to combine their expertise and launch a startup.

"I've spent the majority of my career focused on acquiring existing [properties] and Brian has spent the majority of his career developing — and we intend to do an even blend of both out of the gate," said Carpenter. "We believe this balanced approach is going to give us and our investment partners the ability to capitalize on all phases of the [real estate] cycle."

Carpenter and Metzler are both managing partners. "Our goal is to create a platform with long-term stability," said Metzler.

The firm takes its name from the second syllables of the duo's last names. Penler has a general-partnership agreement with **BSH Cos.**, an Atlanta family office that will provide most of its capital. Carpenter and Metzler plan to tap into their relationships with institutional investors to line up limited partners, and use leverage of 60-70%.

They expect to make their first purchase by midyear and kick off their inaugural building project in the fourth quarter. The focus is on properties with 200-400 units, worth \$25 million to \$100 million. In addition to Washington and Texas, target markets include Raleigh, Charlotte, Nashville, Atlanta and Central and South Florida.

For acquisitions, Penler is looking at recently built, core-plus complexes in urban and "high-quality" suburban areas. The firm will consider both single assets and portfolios, and look at off-market opportunities. It's particularly interested in apartment properties in areas where pricing has suffered from an overabundance of new supply. The shop plans to hold properties for 5-10 years and generate an internal rate of return in the low teens.

"The goal of our acquisitions platform is to provide sustainability to our overall platform so that we can opportunistically

develop when we find good opportunities," Carpenter said.

The company will bypass value-added plays because white-hot competition has sharply compressed capitalization rates. "You can't buy a value-add deal today and make any mistakes anywhere along the way without falling flat on your face," Carpenter said. "Value-added is just not our strategy or where we think the best opportunities are to focus our near-term efforts."

Penler will also invest in workforce housing where it sees fit, targeting older, well-located properties that could benefit from light modifications that, for example, would improve a "B-minus [property] to a B-plus," Carpenter said. Strong rental demand for that product niche should generate stable cashflow, he added.

On the development front, Penler is mostly eyeing attractively priced land in suburban areas. The plan is to build, stabilize and sell properties within 36 months of acquiring the land, generating yields in the high teens.

Fast-growing construction costs are one headwind, Metzler acknowledged. Penler plans to work closely with design teams to hold down costs and will focus on low- and mid-rise projects rather than high-rises. "It seems to us that the less vertical a construction project is, the easier it is to control construction costs," Metzler said.

Penler is also open to generating revenue by collecting development fees for construction projects in which it doesn't have an equity stake.

For now, Carpenter and Metzler are Penler's sole employees, but they'll look to hire a head of asset management, a development lead and a chief financial officer over the course of the year. In a few years, Carpenter said he anticipates the shop will employ about 15 people and control about two dozen properties (a portfolio of roughly 5,000-10,000 units).

Carpenter was most recently senior vice president of acquisitions at **Simpson Housing**, where he spent about two and a half years before leaving this month. Before joining the Atlanta office of that Denver-based firm, he was a managing director at Pollack Shores, where he launched and led its acquisitions division during his nine-year stint.

Metzler left Pollack Shores at yearend, after spending eight years at the firm. He was a managing director and head of multi-family development. He previously worked at **Brand Properties** of Atlanta for about two years. ❖