

Equity Is in Good Shape, But Debt Is Still Suffering

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Ryan Dearborn, New CEO of Wood Partners

By Anuradha Kher, Online News Editor

Houston—Ryan Dearborn was recently promoted to the position of CEO at Wood Partners. He will now be responsible for the firm's overall operations and performance. Previously, Dearborn served as president of Wood's west division, with oversight of the multifamily development operations of Wood Partners in Texas, Colorado, Arizona, Utah, Nevada, California, Oregon and Washington. In

addition to Dearborn's promotion, Joseph Keough the current Chief Financial Officer of the company was given the additional title of COO.

Dearborn has been with Wood Partners since 1998 when he joined as a director in development. He talks to MHN about the changes at Wood Partners, where the company is building and the state of multifamily financing.

MHN: Why the big changes at once and at this time?

Dearborn: We had a secession plan in place for quite a few years now. The CEO wanted to step down at this time because there is not much activity going on on the development side. This is a good time to make this transition. We feel like we have bottomed, we've spent the last couple of years playing defense, cleaning up our balance sheets and de-leveraging, like everyone else. We are now seeing markets bottom out and in some cases pick up a little, we are also seeing some of our capital sources coming back to the market and considering acquisitions and new developments. So this is a good time for these changes. These are big changes but it's something that we have been progressing toward over the last few years so maybe it looks bigger from the outside than the inside.

MHN: How would you best describe the state of the multifamily industry right now?

Dearborn: I would not say it is recovering as yet. The supply hasn't been there for the last 18 months and isn't likely to be there for the next 18 months, so as the economy gets better we will see the multifamily industry getting better. We haven't seen it taking shape yet, but will in the second half of 2010.

MHN: What is the state of financing?

Dearborn: There appears to be abundant equity capital out there. There is a lot of money raised to acquire distressed assets, money that has been on the sidelines for developments and acquisitions which is waiting for the bottom to happen. There has been a dramatic change over the last six to eight months with cap rates falling and more capital seeking multifamily. Still the equity side is looking more favorable but the debt side is difficult to find, especially for new developments. On the permanent side, the GSEs have been actively lending. Beyond that it is pretty sparse. There are some signs of life companies on the debt side

MHN: How does Wood Partners approach financing?

Dearborn: Historically, we have financed our deals at the local levels we have our local offices sharing information on financing sources whether it is debt or equity. That capital raising effort has occurred more locally than from a more central spot. But going forward, we are going to centralize our financing efforts much more than it has been in the past.

MHN: What are the goals for the company?

Dearborn: We have very modest development goals. We expect to start construction on two in Boston, one in D.C., one in Atlanta, one in Denver and one in Oakland. There are also two or three bond and/or tax credit projects in Texas and another state. We plan to build approximately 2000 units in 2010 and hope to acquire one to two properties by the end of year. So it is certainly not the level we had two-three years ago but I think 2000 in 2010 is still likely to be a top 10 level for developers in the country.

MHN: Do these developments face any competition from distressed or foreclosed properties on those areas?

Dearborn: Every market has some level of distress and you are really seeing it in rents and concessions but in terms of foreclosures in multifamily, there hasn't been a big impact for us. Of course, foreclosures of single-family properties affects values and creates concern in the market. In the markets that we are building in, there isn't much competition from new developments and in fact we are seeing modest upticks in those markets. Also there is a high barrier to entry in these markets, so we aren't worried about a lot of new projects coming online.

MHN: Will there be big changes in the way the company works?

Dearborn: There will be strategic changes to the direction of the company because of these changes, and eventually the goal is to turn the direction of the battleship. We have been playing defense—it has really been our mindset in the past one or two years, but now we want to start playing offense.