

## Urban Apartments Are An Opportunistic Play for One Investor

As groups will start to exit the city, Morgan Properties sees an opportunity.

By **Les Shaver** | November 30, 2020 at 07:58 AM

Apartment owner and operator Morgan Properties has been on an acquisition tear for years. Since 2012, the firm has acquired 55,000 units comprising about \$7.5 billion. Overall, it now owns about 80,000 units in 15 states.

Even with Covid-19 and an apartment transaction slowdown in the Spring and early Summer, Morgan still bought more than \$1 billion of apartments in 2020.

In September, Morgan [closed on a \\$323 million portfolio](#) acquisition of 18 communities encompassing 3,300 units in North and South Carolina, taking the company's unit count in the Carolinas to nearly 5,000 units.

Despite the uncertainty collecting rent and difficulty doing due diligence, Morgan and its equity investor still moved forward and closed the deal.

"That was a time when everything was unfolding [with COVID]," says Jonathan Morgan, president of Morgan Properties. "It was literally in April

when we were awarded the deal. Everyone in the industry was looking at it as a falling knife in some ways because they were not sure of what the investment environment would look like. We liked being contrarian. We felt this was right in our wheelhouse.”

When Morgan secured the Carolina portfolio, it received a slight discount, given the environment.

“Subsequently, there really haven’t been discounts, but that doesn’t mean that you can’t find unique opportunities,” Morgan says.

One unique opportunity may come in cities. As new projects come online and some urbanites flee to the suburbs, urban apartments could struggle.

“I think that there will be buying opportunities because you’re going to see a lot of groups that are nervous and just need to exit [cities],” Morgan says. “So we’re going to start to look at some of those urban portfolios.”

Morgan has the confidence to buy in urban areas because he thinks demand will come back.

“I think the shift to the suburbs is going to continue,” Morgan says. “But that doesn’t mean New York City won’t come back. It certainly will, and other big cities will rebound.”

Morgan will also continue “shaking a lot of trees” for off-market deals. He says some groups may be forced to sell and need to find “creative, out of the box” recapitalization opportunities.

However, Morgan is limited by the size of the deal it can complete.

“Everything that we buy lately has been a big deal,” Morgan says. “So if it isn’t 1,500 units or more, it’s not really going to get our attention. We just don’t

have the ability to do a one-off [transaction] in this environment. So it really has to be sizable. So lately that has been acquisitions of 5,000-plus units for us.”