



**CASE STUDY**

## SMALL DEVELOPMENT



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### ABOUT

Sometimes small development can pay off big.

Curry Real Estate Services manages, leases and sells multi-family and commercial real estate throughout the greater Kansas City metropolitan area, all with an eye to maximizing a property's performance for the owner and the work or living experience for the tenant/resident.

While we frequently read about multi-million dollar, sometimes billion-dollar, development projects in our communities, we rarely hear about the smaller projects that meet a need while delivering the financial return that owners, and their bankers, require. Curry worked with long-time client, Hawley Realty Company, on one such small development project.

In 2015, Hawley Realty purchased a 56-unit, multi-family property located in Paola, Kansas, a hidden gem of a city less than an hour south of Kansas City, Missouri. After a year of owning this property, the owner and Curry explored the feasibility of a small expansion.

Their analysis showed that occupancy rates and returns, multi-family demand trends, availability of vacant ground onsite, as well as other property and community needs could be met by adding to the apartment complex.

That groundwork led to a \$2.5 million expansion of Prairie Place Apartments. The expansion added 17 pet-friendly apartments, each with a garage, fireplace, laundry and more and includes a multi-purpose building that serves as a central gathering place for the community, houses a leasing office and provides space for a maintenance shop.

### CHALLENGES & SOLUTIONS

**Feasibility.** Feasibility can be challenging for any real estate development but can be particularly acute for smaller projects. After a year of working with Hawley Realty on its Prairie Place property, Curry and the owner came together on findings that suggested strong prospects for expansion:

- It had high occupancy, consistently 95 percent in the previous year.
- Paola-area rental rates were healthy, in some case better than those in Kansas City.
- No changes were required as to zoning.

- The apartment complex was designed in a quadrant format and had a fourth quadrant that was vacant ground.
- There was room for a small multi-purpose building.
- Economies of scale indicated that the property could add more units without increasing overhead.

**Experience.** Hawley and Curry built a strong team of professionals who shared in the owner's goals and leveraged their deep experience to deliver a quality result. Crucial to the good outcome was the involvement of Roger Neighbors and his son, Ryan, of the family-owned Neighbors Construction. A long-time player in multi-family development, Neighbors took the opportunity with this project to showcase its ability to build and deliver an exceptional project on a smaller scale that performs aesthetically and functionally for the tenant and financially for the owner.

**Cost Management.** The team was able to value engineer architectural plans that had initially exceeded budget. Aligning all the players so that elements such as design, construction, permitting and financing flow seamlessly along a preset timeline is a common challenge on projects of any size.

Increasingly, developers are going to the design/build model in which one entity – the design-build team – works under a single contract with the project owner – one entity, one contract, one united flow from initial concept through completion.

For this project, the apartment units were slightly smaller and priced slightly higher than existing units. However, the rates were competitive in the market and the units, built like patio homes each with a single-car garage, were designed to meet the evolving requirements of the emerging rental population. Ultimately, the design and pricing enabled a quality end product that met financing requirements.

### RESULTS

Nearly 40 percent leased prior to completion, the newest additions to Prairie Place Apartments opened with 17 apartments in three buildings – six 1,177-square-foot, two-bedroom, two-story units; and 11 723-square-foot, one-bedroom units. The project also included a community building featuring a club room, leasing office and maintenance shop.

The addition was fully leased within six months of opening with rates at a slight premium. It is delivering a healthy cash flow with a refinancing agreement that enabled savings of \$1,500 th in interest payments 0 per mon while making monthly \$15,000 reduction in principal on the construction loan.

Outer ring suburbs and tertiary markets around major metropolitan areas are ripe for this kind of successful, small development. With the right market conditions and development team, this kind of small development success is available to any community.



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