

Morgan Properties set for opportunistic growth in 2020

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[Samantha Rowan](#)

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Morgan Properties, which was the most active acquirer of US multifamily properties in 2019, expects to expand its portfolio of more than 70,000 units on a selective basis in 2020. The company is interested in pursuing deals of a minimum of 500 units in its target metros but is also treading cautiously in a late-cycle market where buyer demand for apartment properties is well outstripping potential opportunities, according to **Jason Morgan**, principal.

“As we continue one of the longest cycles in our country’s history, each year becomes harder to invest capital into interesting opportunities. We can all agree that we’re closer to the end of the cycle than the beginning,” Morgan told *REFI US*. “That said, from our perspective, there is no better asset class as a late-inning hedge given the fundamentals of the multifamily sector. It’s an asset class that is more resilient to a market recession and we continue to believe in its fundamentals, especially given the low interest rate environment that we’re seeing today.”

The company has acquired more than 50,000 units at a cost of roughly \$7bn since 2012 and has carved out a significant platform through which it invests in the b-pieces of **Freddie Mac** K Series securitizations. Indeed, Morgan Properties has acquired nine Freddie Mac b-pieces since 2017 and will continue to be active in this part of the market. “We invest in multifamily equity and fixed income transactions, and can go across the capital stack. We view ourselves as a best-in-class multifamily specialist and have the flexibility and expertise to have a view on most investment opportunities in the sector,” Morgan said.

At this point, Morgan Properties is the largest apartment owner in Pennsylvania, Maryland, and New York and is one of the largest owners in New Jersey. “Markets we continue to be interested in include Maryland, suburban Philadelphia, Nashville, Pittsburgh and parts of Virginia,” Morgan said. “We’re also interested in exploring some newer markets for us like Kansas City, Houston and Austin.”

The company hasn’t changed its approach to acquisitions but is digging deeper into its proprietary data analytics when it evaluates deals. “This helps us to identify better opportunities than our competitors,” Morgan said. Additionally, having a portfolio with strong geographic concentrations and economies of scale makes it easier for a new acquisition to be brought into the fold, he added.

Morgan Properties targets one-off transactions or portfolio deals that range in size from 500 units to a few thousand. “We find that the competitive landscape is a little smaller when you’re pursuing larger portfolios that require a larger equity check,” Morgan said. “It’s also challenging for most groups to integrate a 5-10,000-unit portfolio into their operating platform without skipping a beat. This is what Morgan Properties excels at and has made us successful since the company was founded.”

Historically, the company has been a long-term holder of real estate and plans to continue that in the coming years. “Being a long-term holder is a key core competency of ours. If you have the flexibility to hold long-term and have the right capital plan, you can be extremely successful regardless of what inning

we are in. We're interested in fixing a property, improving its performance and holding for the long-term for the benefit of our residents, investors and employees," Morgan said.



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