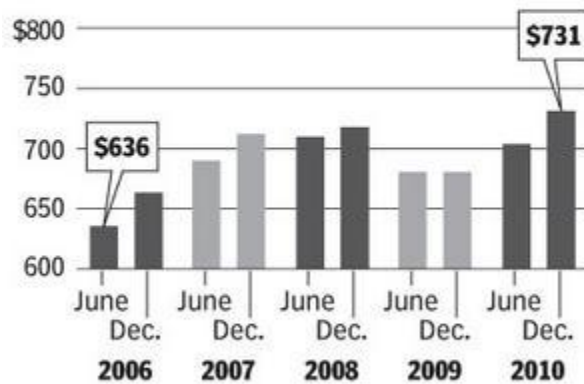


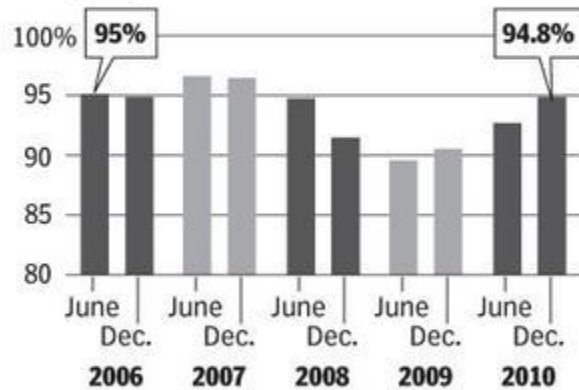
## Strengthening apartment market draws new players

Austin-based HPI is getting into the apartment market. Like other developers, it's drawn by rising occupancy rates and rents, and an improving job market.

**Average rent\***, 1-bedroom, 1-bath units



**Occupancy rate**



\* Rents are citywide averages.

Source: Capitol Market Research

Linda Scott AMERICAN-STATESMAN

## HPI, Captex forming new venture to build 1,000 apartments

By [Shonda Novak](#)

AMERICAN-STATESMAN STAFF  
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Two Austin-based companies have teamed to form a new business that plans to build 1,000 apartments in four projects over the next two to three years across Central Texas, company officials said.

The first two projects are expected to be in the Lakeline Mall area, and one could be under construction before the end of the year.

HPI Real Estate Services & Investments and Captex Development Co. have tapped apartment industry veteran Jim Norman to head the new venture, HPI Residential. The new company will specialize in multifamily development at a time when job and population growth, Austin's younger demographic, limited apartment construction and stricter mortgage lending requirements have pushed rents and occupancies higher.

Until now, HPI Real Estate has mainly been involved in the office and industrial market, developing nearly 5 million square feet in Central Texas, including San Clemente at Davenport along Loop 360 and Davis Springs Corporate Center, a mixed-use project that HPI Real Estate developed with Captex near Parmer Lane and RM 620.

Captex mostly has done residential land development, with projects including the 900-acre Canyon Creek community on RM 620. Captex also started the Forest Creek residential project in Round Rock.

The partnership comes as the region's apartment market is experiencing a resurgence. Rents rose to their highest level on record by the end of 2010 — an average of \$731 a month for the average one-bedroom and \$989 for the average two-bedroom — and leasing levels soared to an all-time high in 2010, according to Capitol Market Research, an Austin-based real estate consulting firm.

Developers Post Properties, Colonial Properties Trust and Simmons Vedder are planning to start projects soon in areas including South Austin and the Mueller development.

"The timing for multifamily development in Austin is perfect right now," Norman said. "Our focus will be on Class A (top-tier) suburban and urban properties. We hope to have our first deals well under way by year-end."

The first project could be on 22 acres at the northwest corner of Parmer Lane and Spectrum Drive, part of the Davis Springs Corporate Center project that HPI Real Estate and Captex developed, or on a 20-acre site in the same area that HPI and Captex hope to have under contract by Friday, said Fred Eppright, a partner with Captex along with John Simmons.

An application was filed Monday for a zoning change to a multifamily use for the 22 acres, he said.

HPI Residential intends to build apartments at Davis Springs even if it acquires the other site. It has an additional 25 to 30 acres on the 100-acre Davis Springs site that could be rezoned for apartments.

HPI Residential is evaluating about 20 sites for its third and fourth projects, which also could be in locations not yet on the radar, said Dick Anderson, a partner with HPI Real Estate Services.

HPI Residential is focused on suburban locations but also is interested in sites within five miles of downtown, Anderson said.

Anderson said each project would represent an investment of about \$30 million.

Eppright said HPI Residential will target the upper end of the market. Although units haven't been designed, rents can be expected to range from about \$800 to \$1,300 or \$1,400, Eppright said.

Anderson said HPI has considered entering the apartment arena several times during the past 10 years, but finding the right person was key. Until recently, "the situation had never been right" to snag Norman, who Anderson said has "great market knowledge and great product knowledge" about the apartment business, and with whom HPI Real Estate has a long history.

"We think he's as good as anybody in the country," Anderson said.

For more than 15 years, Norman was with the Spanos Corp., a large national apartment developer, where he developed more than 4,600 residential units from site acquisition and financing to construction, management and sales.

Eppright called the partnership "a very unique group of people" with a collective high level of expertise.

Captex knows the land markets, Anderson said, and HPI knows the development and financing side.

"Since we've done so many projects, we have a big stable of lenders and partners that will help us with the debt and the equity to get the projects off the ground," Anderson said.

Although financing has been constricted for major new development during the recession, Eppright said early "exploratory conversations" with lenders have been encouraging.

"They've given us their lending parameters, and we believe we can meet those parameters," Eppright said. "We feel confident enough to start spending money."

Anderson, Nelson and Eppright will be the managing partners of HPI Residential.

Real estate consultant Charles Heimsath said: "Good people. Good timing. What else needs to be said?"

**Courtesy of JB Goodwin**