Real Estate Finance Intelligence
Incorporating Real Estate Finance & Investment

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Paul Daneshrad

StarPoint Properties, a Los Angeles-based apartment investor, believes that the multifamily sector is heading for a correction in the next two or three years. **Paul Daneshrad**, ceo, says there is too much euphoria and too much dependence on future rental growth and low interest rates. “We expect the market to adjust and have in our base line forecast for a moderate recession in the next 12-24 months,” he told *REFI*.

The company owns and manages a portfolio of more than four million square feet that is valued at about $450 million.

REFI: StarPoint is a specialist in the apartment sector and has been for a long time. What do you like about that sector?

PD: I like the price elasticity of demand, which is much different than the other property types. I think the demographic trends are the strongest of all the property types and the value-added component of multifamily has the best arbitrage, leverage and over all returns.

I also personally enjoy the left brain and right brain characteristics of the business – I like the financial and analytical side of the business as well as the creative side.

REFI: What geographic areas are you concentrated in, if any, and why?

PD: Right now we are rather defensive and waiting for a market correction that we expect in the next 12-36 months. So we are only in Southern California and Utah. Even in these markets, we are very selective. We think there is too much euphoria.

REFI: How will this perception affect your investment pace?

PD: It will be much lower. With apartments trading in the 4-5% cap range, we think this is euphoric and too dependent on future rental growth and low interest rates to be sustainable. We expect the

market to adjust and have in our base line forecast for a moderate recession in the next 12-24 months. Hence, we have are defensive this year and expect our transaction volume to be low.

REFI: What kind of apartments do you focus on?

PD: We are focused on value-added assets that are B quality in class and location. We like to stay between 100-400 units for operating efficiency. We like properties in strong primary and secondary markets where the supply and demand fundamentals are positive. We gravitate towards areas that have stronger job formation and migration patterns.

REFI: The apartment sector has seen a lot of interest as single-family home ownership has dropped. How has this affected your business plans?

PD: We have seen an improvement in operating fundamentals as a result. We believe this has added 3-4% in rents and 200 basis points in occupancy.

REFI: Do you work with partners?

PD: We work with both institutional and private partners.

REFI: When buying a property, what is your typical LTV?

PD: We use leverage of 70-75% and finance acquisitions via agency or MBS debt.