

With experience, knowledge, technology and nearly 50,000 beds under management giving them an edge in the rapidly growing student housing sector, Asset Plus is well positioned for growth

Business Services Property Management

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Michael McGrath
CEO

BIO:

Michael S. McGrath is President and Chairman of Asset Plus Corporation and Asset Campus Housing. He is responsible for all corporate planning and financial operations, in addition to overseeing all activities of the operating divisions of the company.

Michael began his professional real estate career in 1977 where he served as Vice President of Houston-based Texas Capital Management Corporation responsible for acquisi-

tions, management and leasing of multiple investment properties for a major California investment firm. His career expanded in 1984 as he invested two years in securities syndication and sales of investment real estate properties in Texas on direct participation programs such as the \$52 million dollar Hershey Resort Hotel in Corpus Christi, Texas. This experience eventually led Michael to be appointed as Senior Vice President of Houston based Asset Plus Corporation during its inception in 1986. Michael was promoted to President and Chief Executive Officer in 1988 and later acquired Asset Plus Corporation from its institutional-based owner.

Additionally, Michael serves as investor and Co-General Partner on over \$350 million in property acquisitions and developments undertaken by the investment affiliate of the company, and over the last 25 years has been involved in the analysis and operation of over a billion dollars of real estate investment properties. He is the former Founder and Chairman of Corporate Living and Relocation Services, the Founder and current Chairman of Asset Campus Housing, Inc., the Chairman of Asset Plus Corporation, and currently serves on the Board of Directors with W.E. Perry Realty Investment Funds. He is licensed with the Texas Real Estate Commission and has held Series 63 and 22 Securities Licenses with the National Association of Securities Dealer (NASD). He is a member of Houston Association of Realtors, Texas Association of Realtors and National Association of Realtors.

About Asset Plus:

Founded in 1986, Asset Plus Companies is a Houston-based real estate management firm specializing in MAXIMIZING VALUE for owners, developers and investors of conventional, student, affordable, tax credit, military and senior housing nationwide.

With a growing portfolio that includes hundreds of properties across the U.S., Asset Plus provides services that include, property management, asset management, leasing, marketing, financial analysis, construction supervision, accounting, receivership/REO, training, due diligence, acquisitions/dispositions and development.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Mr. McGrath, what is Asset Plus?

Mr. McGrath: Asset Plus is a real estate property management and development company focused in the sector of four different product types: retail, office, multifamily and student housing.

CEOCFO: Where do you have the most penetration?

Mr. McGrath: Predominantly in the southeast and southwest corridor in the United States, but our student housing division has a reaching arm to about 24 states.

CEOCFO: Would you tell us about your efforts in student housing; how you see that growing?

Mr. McGrath: The student housing sector is growing quite rapidly. We are currently the largest privately owned student-housing operator in the nation with nearly 50,000 beds under management. In student housing we refer to the number of beds at a purpose built student housing property as opposed to the number of units in the apartment world, because we offer individual leases for each bed in a floor plan. The 50,000 beds under management places us #1 in the nation privately owned and #2 in the nation when including the publically traded student housing companies.

CEOCFO: How do you operate the student housing successfully?

Mr. McGrath: I believe that the infrastructure of experienced and knowledgeable people in the sector is clearly the most important component to operating a student housing property. The managerial staff needs to be very experienced with this specific product type and understand their student-resident demographic. In order to relate best to the student residents, we tap into recruiting some of the university's current students who are seeking employment. We recruit and hire qualified students to come and work for us as leasing consultants and community assistants. Once they are trained, these staff members organize social events, study groups, recreational sports teams, charitable endeavors and much more for the residents.

CEOCFO: Do you take over facilities, do you build new facilities, or is it a mix?

Mr. McGrath: It is a mix. Predominantly, we manage for clients that are either institutional investors or private net worth individuals who have acquired student properties. We come in as the industry expert to oversee and execute a multitude of operational components including, but not limited to: property renovations, leasing and marketing, and financial analysis. We also build new facilities where we will co-invest with high net worth institutional partners and participate in the

site selection, property design and development.

CEOCFO: How do you police students that are not tidy and/or are careless with the property?

Mr. McGrath: There is a misperception that the student properties that are privatized in these university markets, is still the animal house mentality in culture, but it really is not. Candidly, many of the students that are actually leaving their home to go to university for the first time are coming out of some rather nice suburban communities with nice living conditions. When they show up on campus, traditionally many of them will end up living on campus because many universities require the freshman to live on campus. Many of the other freshmen and upperclassmen are looking for the nicest facility they can find in the area. Fortunately, we manage and build properties that are up to date with what students are seeking when

“At Asset Plus, there is a great amount of experience, knowledge, and technology, which brings much to the table for people and institutions that are interested in investing in our sector.”- Michael S. McGrath

it comes to the latest amenities and most luxurious floor plans and our properties are also within close proximity to their prospective universities.

CEOCFO: What is the Plus Factor?

Mr. McGrath: The Plus Factor is what differentiates our company from our competitors. There are 8 core values that make up the Plus Factor: Attitude, Communication, Teamwork, Adaptability, Innovation, Respect, Integrity and Accountability. It is every team member's duty to embody the following core values in order to truly deliver outstanding service to each and every client.

CEOCFO: How would someone recognize that Asset Plus is managing a particular property?

Mr. McGrath: A property would most notably be identified as an Asset Plus managed property because of our leasing and marketing initiatives as well as the professionally trained management team. We have stream-

lined many initiatives portfolio-wide to be branded with the Asset Plus set of standards including: social media efforts, standing ovations for employees that go above and beyond, resident renewal incentives and much more. We also are a forefront leader when it comes to technology; we were the first company in the student housing industry to release an iPhone app that allows students to view floor plans, photos, amenities, pay rent online and submit maintenance requests. The app shows all of the properties that we manage nationwide, therefore, if any current resident is looking to move – they can go to our app and select their destination state and find an Asset Plus property. In addition, all of our staff members are properly trained to meet every resident and clients' needs with exceptional customer service. We instill a “family” feeling at our properties where we welcome the residents to feel at home.

CEOCFO: How do you decide on properties?

Mr. McGrath: We have a very extensive research and development department that studies potential mar-

kets to determine whether a specific property type in a particular market would be successful. Our team will meet with the on campus housing executives to share their vision and local city council members to learn more about the market. The team also monitors the potential market for future growth along with barriers to entry, thus completing an overall analysis of the prospective property. I think that anyone who is considering potentially investigating in a multifamily or student housing property has to have all the necessary information pulled together: growth of the sector, employment opportunities, what is the long-term vision for the university, etc. Our company offers these services for third party clients looking to invest in real estate as well.

CEOCFO: Is most of the newer growth with the student properties?

Mr. McGrath: The majority of it is - it seems to be a very active market right now. The student housing sector

is trying to parallel itself from a growth standpoint with the multifamily sector and it is having some success.

CEO CFO: Is 'gut' instinct a part of what you do or is all about what is on paper?

Mr. McGrath: I think it is both. I have been in the business for 35 years and owned this company for 27 years. Much of it has to do with digesting all the information that comes back. You have to anticipate that not everything, which is proposed, will actually get done, because capital sources will start down the road on particular projects and then for one reason or another, pull back. Your gut has to tell you in the end, whether or not you have been down this same path before, and if it will be a repeat of something that was a failure or something that you feel will be very successful.

CEO CFO: What is the structure of Asset Plus?

Mr. McGrath: The company is a family-owned business, consisting of myself and my son Ryan. We own and partner together on a number of properties including both multifamily and student housing in different markets. Investments are typically done with private, high net worth individuals or an institutional partner who is looking to co-invest with us in a deal. The capital structure is put together with some construction lending and/or some long-term debt whether it is through Freddie Mac or Fannie Mae or a life company. The debt along with the co-invested equity makes up the capital structure.

CEO CFO: Do you have a preference for the type of deal or arrangement or is it opportunistic?

Mr. McGrath: It is opportunistic. It is identifying opportunities as they are sourced by our team and determining

where that particular sub market is from a standpoint of growth and/or the need. Because we are a large property management company with 211 properties under management, we are not forced to do investment for fee purposes. We really have a tendency of looking at many deals and cherry picking the ones that we feel are too irresistible to pass up.

CEO CFO: How do you know when it is time to cut a property loose?

Mr. McGrath: When you are looking at markets and comparing the performance of the property, there is temptation that if you are very successful in the beginning, it is best not to push the limits on that. However, much of that is really decided on continuing research from our department and the short or long-term appetite of our institutional partners. If it is a fund for a longer-term hold, then it is usually a seven to 10-year hold, but if it is a partner use to a 36-month transaction, it is at that point, we are looking to start exiting out just at the end of the second year.

CEO CFO: What has been the biggest change in the last few years of economic challenge?

Mr. McGrath: The biggest issue we have seen is smaller groups that overleveraged in deals and were not able from a financial standpoint, to stand the test of time in a downturn. I mean their capital structure looked very good at the time that a deal originated, but did not really anticipate on flat rents, very large concessions, and being able to sustain a hold period through this recent downturn that we have come through. Another thing that has been revealing over the last four to five years is how attractive a once kind of taboo student market was, to how attractive it has become now. The amenities on a student

property in many cases are as nice, if not nicer, than a class A multifamily property. The dollar volume on a student deal from a construction cost standpoint is at, or higher, than what you would spend on a multifamily deal. I think many people that have entered the student sector are very excited about that because now it has a great deal of institutional attention as institutional partners are looking for core assets for their pension fund or for their investment clients.

CEO CFO: What is ahead?

Mr. McGrath: We are starting to see a recovery. One of the things we are most excited about is there seems to be a burn-down on concessions, meaning that the concessions that you would normally offer for people on a renewal or on a new lease are starting to decrease. We are starting to see a rental increase across the board on rates for both multifamily, student, and the office sector, so we are very excited about that. We are starting to see the beginning of a recovery.

CEO CFO: Why should the business and investment community pay attention to Asset Plus?

Mr. McGrath: We are a boutique management company that is not a startup operation and has the longevity of working through two different downturns: the 1980's and of course this most recent one. At Asset Plus, there is a great amount of experience, knowledge, and technology, which brings much to the table for people and institutions that are interested in investing in our sector.



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