

## Case Study: ARIUM Westheimer and ARIUM Westheimer Villas



LOCATION  
**HOUSTON, TX**

ACQUIRED  
**MARCH 2013**

NO. OF UNITS  
**660**

YEAR BUILT  
**2006/2009**

### MARKET SUMMARY

Over the last decade, Houston has grown to become the fourth largest metro economy in the country. The city's economic development team has been able to effectively execute a strategy of business and industry diversification to reduce the reliance on the energy sector for job growth. This effort is most evident in Houston's leading position in healthcare and wholesale trade along with its port becoming the preeminent export gateway in the U.S. The outsized job growth created the perfect environment for investment in multifamily housing as renter demand grows.

### INVESTMENT THESIS

ARIUM Westheimer and ARIUM Westheimer Villas are examples of investments that were sourced through Carroll's extensive off-market network allowing the firm to protect principal by acquiring assets below replacement cost. When Carroll purchased the two adjacent properties, the acquisitions team saw an opportunity to capture value through organic rent growth stemming from the properties' close proximity to the market's employment drivers. The communities are located within a block of the southern boundary of Houston's Energy Corridor, which contains more than 18 million square feet of office space, 1.4 million square feet of retail and 1.4 million square feet of industrial. Additionally, the communities were built in 2009 and 2006, respectively, with impeccable construction standards featuring attractive stone accents, market leading design, high-end finish levels and extensive amenity packages; however, an opportunity existed to further grow rents by improving the external features of the communities to bring the property fully in-line with its competitive set.

### INVESTMENT OUTCOME

Upon acquisition, Carroll leveraged its construction management capabilities to implement club house redesigns and upgrade the amenities provided to residents. Along with improving the physical asset, Carroll Management Group streamlined operations to more effectively control expenses and employed a comprehensive marketing strategy to increase resident retention while also growing rents. In less than two years, the operations team grew net income at the property by 12% while also improving occupancy from 93% at acquisition to 95% at disposition. The properties were sold in December of 2014 to an institutional buyer completing a successful investment. The investment produced a 50% internal rate of return and 2x equity multiple. These metrics validate the firm's disciplined investment process and ability to execute the customized business plan created for each investment. ARIUM Westheimer and ARIUM Westheimer Villas were both part of Carroll Co-Invest Fund II, LP.