

Revealed! Trade Secrets Of A Twin Cities Master Apartment Building Renovator!

By Doug Hovelson

We pick up the trail in Brooklyn Center, heading south on Camden Avenue North, hard by the concrete maze where two major highways – I-94 and Highway 252 – twist away from each other. Here we are at the Melrose Gates apartments, a 200-unit apartment complex located just behind the Regal Brooklyn Center Stadium 20 movie theaters. It's early on a February morning, and we are on our way to see Jim Soderberg. Our mission: to pry loose from Soderberg the secrets to his success as a master apartment building renovator.

The main office of the apartment complex doubles as the headquarters for Soderberg Apartment Specialists, and it's there that we are greeted by the man himself. No sooner are we seated in his spacious, glass-walled office than it's time to get a move on again. "Let's go look at some of the properties," Soderberg says. He is a man of action, we surmise from this sudden undertaking. Off we go, hurtling through the streets of Brooklyn Center – a city we are not that well-acquainted with – to visit Granite Peaks, his latest work-in-progress.

It's a 54-unit apartment complex that he closed on just a few weeks back – on December 23, 2011, to be exact. (Closing dates are also a crucial ingredient to the Soderberg success story, we are to learn.) So badly bedbug infested was the property when he bought it that his first big move was to order up a bedbug killing service. The bedbug beaters came in on the Friday after he closed, and by Monday all the bed bugs were gone. Also on their way out by then were many of the tenants. As is his custom when taking ownership of a new property, especially one with something of a troubled recent history as was the case at Granite Peaks, Soderberg gave notice to all of the existing tenants. The good ones, he noted, could reapply in accordance with the new leasing terms he was establishing. The bad apples, they were free to roll on down the road.

It's the big bang theory of starting off a major apartment complex renovation, and it's one of the critical secrets to Soderberg's success. Make a big splash from day one. Out with the old, in with the new – immediately and post-haste. It shows people that the new owner means business, and establishes that the aim is to transform the property into something fresh and more appealing. It's something Soderberg has practiced throughout the near quarter of a century that he's been in the apartment renovation business, and it's served him well. "We go in in force," he says.

By "in force," he means with maximum impact. Sometimes it's more akin to the Marines showing up in full battle gear, ready to engage with the enemy.

Thick Skin – Even A Bullet-Proof Vest – A Business Asset

Apartment renovation is a lucrative business, as evidenced by the success of entrepreneurs such as Soderberg. But sometimes it takes more than a hard scrubbing to clean away the grime that can accumulate at older buildings over the course of decades. More than once, Soderberg has taken control of properties that are overrun with criminal activity. Such was the case at Melrose Place, a complex so crime-ridden in the mid-1990s that many people cautioned him against buying it. "Our critics said that the task was too enormous, and that the prostitutes, gangs and drug dealers would never give up the apartments," he recalls. Even the police were skeptical, he says, although they did loan him a bullet-proof vest to wear when he was on site during the renovation. (The vest worked well -- "no holes," Soderberg quips today.)

Telling him he can't do something, that's like waving a red flag at him, he says. Defying his critics, he embarked on a virtual one-man mission to clean up not just the apartment complex but – by extension – the city of Brooklyn Center as well. He started off in typical full bore fashion, arriving on the Monday after he purchased the property with a fleet of large dumpsters, deposited on the grounds in anticipation of the tons of scrap and debris that would be hauled out of the derelict buildings. He also began posting new rules of tenant conduct throughout the building, with the intention of showing the "bad guys" that there was a new sheriff on the premises. By Friday of that week, he made clear his intention to fully clean house. All tenants were given their notice. The property was getting an extreme makeover, and the expectation was that the new tenants would be law-abiding citizens who paid their rents on time.

It worked. The criminal element got the message and took flight. Just to make sure that no one misunderstood, Soderberg had all the first floor balconies – which gave out onto the surrounding yards – screened in. That eliminated the surreptitious foot traffic that drug-dealing and other nefarious enterprises depended on. He also encircled the property with a wooden fence, thereby imposing another barrier between the lawless outsiders who might seek to slip unnoticed onto the grounds. Nearby neighbors were delighted with this turn of events as well, since they no longer had to worry

about sinister individuals traipsing through their yards on the way to the nearby crime center.

Importantly, he renamed the property as well. Timberridge Apartments it was, Melrose Gates it became, a nod to the hottest TV show of the day, Melrose Place. That was sure to capture the attention of the more upscale, young professional crowd of renters that Soderberg deemed necessary in order to complete the successful transformation of the project.

It was a formula that Soderberg would use again, to varying degrees, for all of his future projects. And indeed, he had already had some success at turning around a troubled property when he took over a rundown, crime-ridden apartment building in south Minneapolis earlier in the decade of the 1990s. There, after throwing out the bad guys, he renamed the building Uptown Square. It was a bit of a stretch – the building was located at West 29th Street and Bryant Avenue South, some blocks distant from the actual hub of the Uptown district. But by borrowing on the Uptown cache, he positioned the building as a desirable landing spot for the young hipsters who flocked to the trendy south Minneapolis neighborhood.

What's In A Name? Just About Everything

Again, just this past year, Soderberg engaged in some creative re-branding activity when he renamed his only-just-purchased Village Terrace apartments in Golden Valley the West End Apartments. Associating the property with the increasingly popular West End shopping and entertainment district along the I-394 corridor in St. Louis Park and Golden Valley, couldn't hurt from a marketing standpoint, he reasoned. In fact, the West End Apartments proved to be one of his most stunning successes to date. Within a matter of months after taking over the complex, it was fully occupied – at

rents far higher than what the previous owner charged. That was after a trademark Soderberg renovation job, of course. Out with the old, in with the new. All new laminated wood flooring in the apartments, new granite counter tops, stainless steel appliances and cabinetry in the kitchens, new exterior siding – a full bore makeover, completed in near-record time and heavily marketed on the Internet.

“We really added a lot of value to it (the West End Apartments) in a short period of time, Soderberg says. “And we got the rents up, by 200 percent, and we can still raise them higher.” Renters are happy to be able to move into condo quality apartments, located just minutes away from the West End district and its allures, at prices that are well below what it would cost to move into newly constructed buildings.

Investors were exuberant as well. They're looking at having their capital returned to them in full within 12 to 14 months of investing in the West End Apartments, he says. More typically, investors might expect to recoup their capital over eight to 12 years, he adds.

Granite and stainless. Soderberg repeated those words like a mantra of success as he escorted this reporter from one property to another. He insists that all of his renovations include granite counter tops and stainless steel sinks and appliances throughout the kitchens. The appearance of the kitchen is the difference-maker, when it comes to attracting the young professionals to whom he markets his apartments.

“For renovations, the kitchen is everything,” he avers. People expect the other rooms of an apartment to be more or less comparable, from building to building, he says. But the kitchens, when they see the granite and stainless – oh, and don't forget the roomy double-dip stainless steel sinks that are also standard in some of his renovations – they see something to

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love.

“The kitchen is what people like to show off,” Soderberg says. So he makes a near-fetish out of getting the kitchens just so, to the point that he's become a major customer for granite imported from China. “We have the granite pre-cut in China, and shipped by container to us,” he says. The granite arrives at Quick Kitchens in Edina, a company owned and operated by Soderberg's brother, 90 percent finished. Local tradesmen apply the final 10 percent finish work to the stone – which, in a real nod to the global economy, is first quarried in places like India and South America and then shipped to Chinese manufacturers – before it's ready to be installed in finer apartment kitchens throughout the Twin Cities.

Quick Kitchens is no captive to the Soderberg empire, but sells its prod-

ucts to all comers in the wholesale kitchens trade locally. “We kind of let the cat out of the bag there,” Soderberg notes with a hint of regret. “But it's my brother's company, after all.” Ready access to relatively inexpensive granite surfaces has been a key competitive edge for Soderberg. When he first started imposing his all granite-and-stainless rules for renovated kitchens, he paid around \$28 per square foot for it. Now, thanks to his Chinese connections, he can purchase counter top-ready granite in bulk for about the same cost as Formica counter top material. Granite, of course, has the twin advantages of being virtually mar-proof and lasting for 50 years.

So there we have it, the trade secrets of the master renovator, spilled at last. Well, somewhat. There is more to the Soderberg success story, of course. We haven't even touched on his

commitment to having great front line people managing his apartment properties. Nor have we said much of his belief in the transformative nature of technology as a tool for both marketing apartments in a digital age, and as a networking tool. He is a supreme networker himself, both online – his 5,000 Facebook friends are the maximum allowed by the social media network – and offline, where he is in constant contact with an array of real estate brokers, investors and multi-family housing owners in search of new deals.

We haven't talked at all about his belief that this is the golden age for apartment building owners and, especially renovators. “Demographics are in our favor,” he says, noting that the average age of a renter in the Twin Cities is 26 years old – and there is a veritable boomlet of people aged 14-24 years headed for the rental pipeline over the

next few years.

But we have remarked on his belief in the need for speed, when it comes to successful apartment renovation on a large scale. Speed to completion serves not only to limit the fallow period when apartment sit vacant during renovation, but it also draws positive attention to the project itself. “People see that something big is happening, and they get excited about it themselves,” he says. It's contagious, especially when a property has been seen as a “problem” for a while. Big, abrupt change gets their attention. “People don't really believe it's changing otherwise,” he says.

So we will leave you with this final thought on the renovator's craft from Soderberg. “I always look for problem properties,” he says. “In fact, if it doesn't have problems, I probably paid too much.”