

# Hunt in the News

## NEWS

### LYND Uses the Pandemic as an Opportunity to Innovate

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A. David Lynd, CEO of the LYND Company, is a great believer in consistency and process. “We have established time-tested procedures and guidelines governing every aspect of our operations that we apply uniformly across our communities,” he says. “Our confidence in them gives us the freedom pursue opportunities wherever we find them.” Today, LYND owns and manages more than 25,000 units across 65 metropolitan areas in 19 states. Its most recent acquisitions include properties in Virginia Beach, Jacksonville, Little Rock, Austin, and Houston — and, despite the pandemic, Lynd continues his pursuit of the next deal.

This discipline is also the key to its successful value-added strategy, which it has applied to high rises as well as garden apartments. For instance, with financing from Hunt Real Estate Capital, LYND purchased the 266-unit Mayflower Apartments at the end of 2019, the only high-rise waterfront property in Virginia Beach. LYND is investing \$4.6 million to improve common areas and individual units “We follow a disciplined process of identifying and evaluating attractive properties that are undervalued,” declares Lynd. “We then craft tailored plans to unlock the value in both rents and occupancies.”

Lynd sat down with Hunt Real Estate Capital to discuss how the company’s uniform approach to management has served the company well in the face of the COVID-19 pandemic and how it is using the occasion to innovate and seek new opportunities.

**Like most multifamily companies, I assume that you entered January feeling optimistic about the year.**

That’s right. People know that we are very aggressive and push very hard, so we see a tremendous amount of deal flow. Before COVID, we had \$550 million of product under contract. When we started hearing about the disease, my initial impression was that it was overhyped and that it would be contained locally like SARS or MERS. But it soon dawned on me that we had a crisis on our hands.

I have gone through many cycles starting with the tech bust in the late 1990s and that context proved helpful. At the same time, there are aspects to this crisis — the fact that it is being driven by a deadly disease — that make it different from any experience I’ve had before. For the first few months, equity disappeared, but during the last few weeks it has started to come back. Everyone is so well capitalized, and they have to put it out and create opportunities. We have also been surprised to find that we are doing well. Like we will end up salvaging about half of that \$550 million.



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## How have your rents held up?

So far, we're doing very well. Knowing the ability to pay is going to be a concern, we took a deep dive into our rent rolls, something we hadn't done on this scale before, to gain a comprehensive picture of our exposure. We wanted to have a better handle on where our residents worked, whether they were in a sector that was likely to be hard hit by the pandemic, and whether they are getting unemployment or rental assistance. We trained our property managers to educate tenants about their options. We had people helping them fill out hardship forms and applying for aid. We also partnered with local food trucks and restaurants to offer residents discounted meals.

At the same time, we wanted to do something to lift everyone's spirits. We organized a door decorating contest at each of our communities, offering two months free rent as a first prize. The creativity people demonstrated was amazing. We then took all the community winners and had a competition for a grand prize — six months of free rent.

As it turned out, our choice couldn't have been more meaningful. The winner, who lived in a Houston community, lost her mom to COVID as well as her job in the same week. I think we all felt that we chance up choosing the person who would benefit most from the contest.

## It sounds like you saw the pandemic as an opportunity to innovate. Are there other examples you can give?

Sure. Making arrangements for prospective tenants to visit vacant apartments can be difficult under any circumstances. A lot of companies address the issue by posting virtual tours, but there is really nothing like being in the actual space.

We started an initiative we are calling LYND Timeless Tours that sidesteps the scheduling problem completely. Prospective tenants can go online and reserve a time for their tour that works for them. We then send them a code they can use to enter the unit. Once inside, they scan a QR code and the audio tour begins. When they leave, the passcode expires, and the door locks behind them.

We piloted the program in eight communities, and we've gotten great feedback. People like the ability to take their time and really check out the apartment without feeling any pressure from a leasing agent. The program has been live for about eight months, and about one-third of our showings are Timeless Tours.

The program, of course, works particularly well during the pandemic. We have treated all our apartments with a long-lasting antimicrobial, antiviral spray, so it is safe to enter. And prospective residents don't have to worry about social distancing with a stranger. But it's possible that these unaccompanied tours will catch on, and they will become standard practice even after the pandemic is over.

## You mentioned that you're treating your communities with a long-lasting disinfectant. Can you tell us a little more about it?

Consistent with our philosophy, our approach was to find a solution that we could apply across all our communities that could, at the same time, be implemented locally. We are using a system that disinfects and repels germs including viruses for several weeks after it is applied. Our pest control company is rolling it out across our communities, in common areas as well as vacant and occupied apartments. We have posted a QR code on each apartment door so that residents can check to see how much protection they have left.

At the same time, we are enforcing social distancing and mask wearing in all our communities and have developed a number of protocols for staff. Our maintenance people, for instance, wash their hands before going into a unit, don a mask and gloves, and then wash their hands again after they leave.

## You follow a value-added strategy. Have you been able to keep up the pace of rehabs during the pandemic?

We had six acquisition rehabs underway on 2,148 units when the pandemic started, committing between \$10,000 and \$15,000 to each unit as they turned over. The conventional wisdom was to halt the rehabs, marshal our resources, and don't do anything that might jeopardize occupancies. Having been through downturns before, I decided to pause just for a moment and take stock of what was actually happening on the ground.

What I learned was that prospective tenants wanted the nicest upgrades we had, not the cheapest units. They had come to the conclusion that they were going to be working from home from the foreseeable future and that they could take the money they would normally spend eating out or taking a nice vacation and use it to rent a nicer, larger apartment. This insight spurred us to resume renovating, repositioning our communities, and even looking for new opportunities.

**In these circumstances, what sort of support do you need from your lenders?**



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During good times and bad, we are looking for lenders with the confidence to spell out their requirements — for instance, for reserves — and stick to them. As long as I know what the rules are, I can maneuver. What I don't want is a lender that is always changing its requirements. We are also looking for lenders who can provide options. That includes balance sheet lending, GSE lending, and HUD financing.

Hunt meets both of these requirements. Marc Suarez at Hunt understands his business, he knows what the firm can do for us, and he makes sure it gets done. In addition, Hunt offers both balance sheet and agency finance. Working over Thanksgiving and Christmas last year, Marc secured us a \$45 million bridge loan in just 35 days that we're using us rehab our three San Antonio properties. Once we complete the renovations, we will place permanent debt on the portfolio. This combination of certainty and speed of execution is always important, but it is more critical than ever now.

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Hunt Real Estate Capital, a division of ORIX Real Estate Capital, is a leader in financing commercial real estate throughout the U.S. The Company finances all types of commercial real estate: multifamily properties (including small balance), affordable housing, office, retail, manufactured housing, healthcare/senior living, industrial and self-storage facilities. It offers Fannie Mae, Freddie Mac and FHA in addition to its own proprietary loan products. Since its inception, the Company has structured more than \$37 billion of loans and today maintains a servicing portfolio of more than \$17.6 billion.

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