

# From Hotel to Multifamily

OPPORTUNITY, TRANSFORMATION AND  
VALUE IN BALTIMORE COUNTY



**W&D** | INVESTMENT  
PARTNERS

## CASE STUDY

**Asset Class:** Extended Stay Hotel  
to Multifamily Conversion

**Location:** Baltimore, Maryland

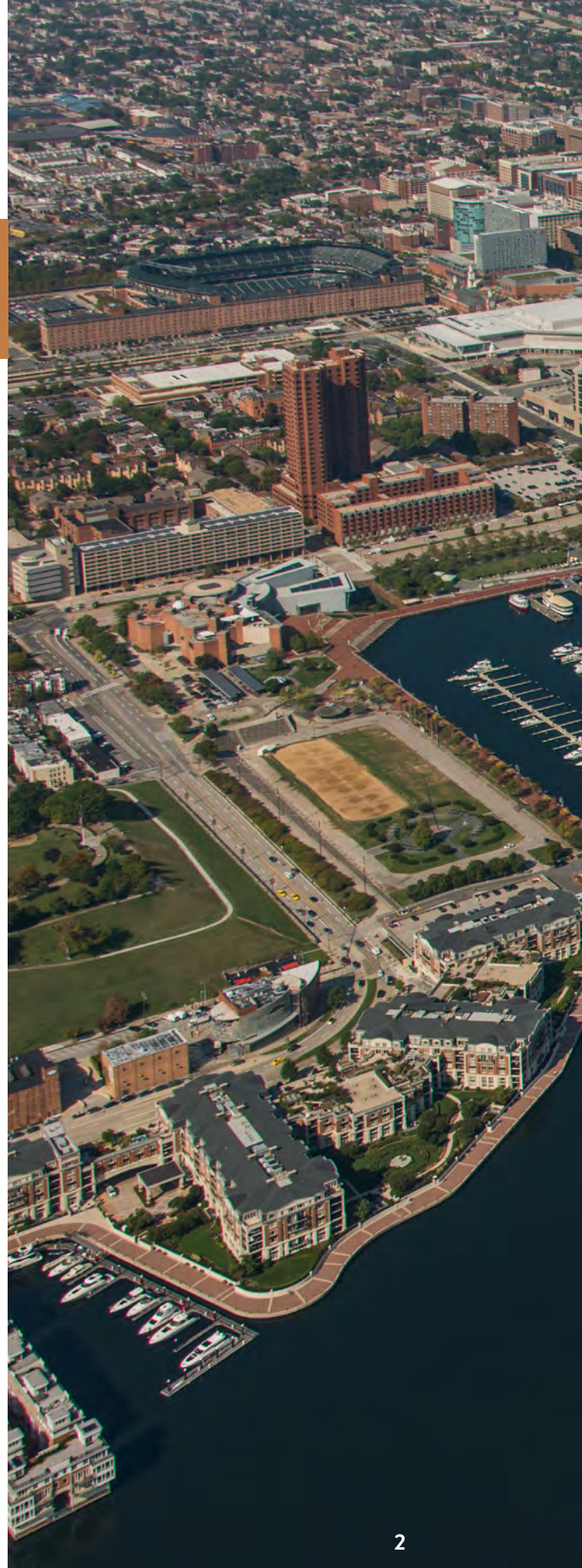
**Investment:** \$4.8 Million  
Opportunistic Joint Venture Equity



# The Opportunity

Middle market commercial real estate is typically defined as properties valued at less than \$100 million. These properties account for the majority of the commercial real estate (CRE) market; however, most institutional capital competes for larger transactions. The result is a highly fragmented but compelling middle market sector and, in this instance, a hotel to multifamily conversion.

Converting hotel stock, particularly extended stay properties, is a resourceful way to meet the demand for rental housing while generating attractive returns. A successful conversion is easier said than done.







## BALTIMORE, MD



Navigating due diligence, valuation, renovations, remarketing and more requires an in-depth understanding of both the hotel and multifamily sectors.

In addition, it's important to understand what will attract renters, including things such as:

- **Neighborhood dynamics**
- **Resident demographics**
- **A strong job market**
- **In-demand school systems**
- **Proximity to a vibrant city center**

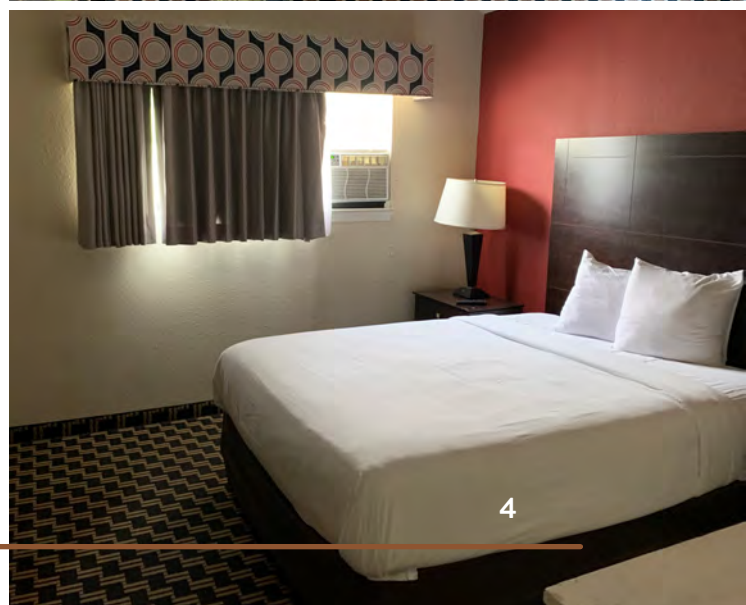
One of Walker & Dunlop Investment Partners' (WDIP) longtime repeat sponsors, Blue Ocean Investments,

approached us with this opportunistic joint venture deal. Hunt Valley is home to an amenity-rich town center and numerous technology, financial services, engineering, and corporate employers, yet the area has very little available rental housing. Two of Blue Oceans Investments executives lived within 10 miles of the 96-unit garden-style Quality Suites and saw the potential of a hotel conversion.

## The Solution

WDIP and Blue Ocean Investments drew upon Walker & Dunlop's extensive proprietary data and market knowledge to evaluate and confirm that the opportunity benefited from advantageous market conditions and a purchase price below other extended stay and multifamily property sales in the area. The deal became the first in WDIP's Fund VI, with WDIP committing \$4.8 million in JV equity toward a total capitalization of \$13.185 million.

It would be a turnkey conversion under the following business plan: Acquire the property for \$7.0 million, or \$73,000 per unit, and spend \$3.5 million, or \$36,000 per unit, on capital improvements. The goal: rebrand, reposition within two years, and stabilize the product to achieve at least 85% occupancy at \$1,650 per unit gross rents.







Within 17 months all units were renovated with the property achieving 92% occupancy and \$1,792 average rents.

We engaged an extensive network of specialized local operators to bring the plan to life. One important first step was zoning, a pre-requisite for agency financing, 12-month lease terms and more favorable exit pricing. To secure a zoning change from hotel to multifamily, WDIP and our sponsor filed for the proper variances and met with local officials and members of the community to share business renderings and the plans for the property.

With zoning secured, we turned our attention to the property itself, addressing long-needed repairs and maintenance and setting up property operations, from staffing to analysis of the tenant base. Then came the transformation itself: new branding and marketing concurrent with the renovations themselves. While the hotel, built in 1988, required significant updating, multifamily-quality floor plans and amenities provided a solid foundation for a property that would attract tenants at the rents and occupancy targets in the business plan.



# The Results

Within 17 months after the deal's inception, **TRELLIS HUNT VALLEY** Apartments was transformed and stabilized, complete with appealing modern living spaces, an on-site dog park, electric vehicle charging stations and more. WDIP successfully exited the investment in month 21 and has since partnered on two additional hotel conversion investments with Blue Ocean.

Hotel conversion opportunities exist across the United States, and this case study is just one example of how the right mix of market knowledge, on-the-ground resources and partners bring them to life—with attractive returns. WDIP helps clients find the best projects and navigate challenges through our proprietary data, sponsor relationships and expertise at every stage of the development lifecycle.

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# About Walker & Dunlop Investment Partners

Walker & Dunlop Investment Partners (“WDIP”) is an alternative investment manager that provides capital solutions to middle market commercial real estate sponsors, investing on behalf of insurance companies, public pension funds, endowments, foundations, family offices, and high-net worth individuals. WDIP partners with sponsors whose transactions are in need of financing but are under-served by institutional capital. The Denver-based firm’s investment vehicles focus on opportunistic, value-add and income-oriented commercial real estate strategies. WDIP was founded in 2006.

**Interested in learning more about our investment services? Check out our comprehensive guide to middle market investing. To stay on top of the latest industry news and insights, subscribe to our mailing list.**

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