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A Conversation With

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For Bob Hanson, it was either collect rent from tenants or get hit by 220-pound linebackers. After an impressive athletic career, including setting the state record in the 440-yard dash at East High School that stood for decades, Hanson chose property management.

His company, Weigand-Omega, has for years been the city's largest manager of apartments and other commercial property.

Hanson got into property management in the early 1970s with Jack DeBoer, then one of the nation's largest apartment developers.

After DeBoer's company crashed in the early '70s, Hanson worked for another national property management company, where one day he assumed control of 46,000 apartments caught in bankruptcy.

Hanson founded Weigand-Omega in 1976. Today it manages 2,644 apartments in Wichita and 3,820 overall. It also manages 3 million square feet of commercial space, mostly in Kansas.

Hanson, 62, and his wife, Bonnie, have two adult sons.

You are often hired when the property is in trouble. Do owners say, "We've got this problem. Can you to handle it for us?"

"They usually don't say.... But we never agree to manage something without going and looking at it first. We make sure that we manage for good, quality owners. It doesn't necessarily have to be great quality property, but it has to be the best that it can be. They can't allow there to be deferred maintenance and these kinds of things, because that's our reputation."

Wichita is seeing a lot of out-of-town investment money, but these investors need someone to manage the property. Are you getting a lot of calls?

"Our last three new pieces of business have come from out-of-state buyers and one of them never saw the property."

What kind of cap rates are investors getting in Wichita now?

"In Wichita, it's gone up. It used to be 10.5 (percent) and 11, and then it was 10 and now there are probably deals being done at 9 or even lower. The higher the quality of the property, the more institutional demand there is there for that property."

Will developers start building more apartments in the near future?

"We will have to get 97 and 98 percent (occupancy) before people look to build conventional (apartments). For now, they'll come in with Section 42 deals."

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What are Section 42 apartments?

"Section 42 is a tax credit program where the investor comes in and buys tax credits over a 10-year period and that buys the mortgage down to make (development) more affordable."

Why are these are the only ones being built now?

"Wichita is an awkward situation because (HUD) came out last week and said we were the second-most affordable housing market in the nation, so the rate for new conventional apartments has to be so much higher than what the current market is that you can't come in and build conventional apartments or very many of them. (With conventional construction) you're up around a \$1 to \$1.25 a square foot (per month rent) with all the amenities and most market rates are 60 cents or 70 cents a square foot."

There has been some criticism of some of these Section 42 apartment projects as "subsidized" apartments.

"They aren't necessarily subsidized. There's a subsidy in the financing is what it amounts to. In most cases, they're at least B, B-plus quality. They're not cheap."

What other trends do you see in the Wichita market?

"The aircraft plants seem to be ramping up and all the little manufacturing shops that support that activity are having to ramp up. So we are seeing a general increase in population size. In the next couple years, that will be pretty good for apartments."

Do you foresee more development from all that out-of-state investment money?

"Probably, to some degree. The (stock) market is in a state of flux right now. There is an awful lot of money out there looking for investments and returns are, right now, higher on real estate and it's more stable. Some of the large financial institutions are changing the percentage they feel they want to invest in real estate."

Has Wichita's apartment market fully recovered from the 2001-04 downturn?

"Before 9/11, occupancy was 95 percent. Things were looking rosy; rates were increasing. The second 9/11 hit, the Wichita apartment market just fell into the tank. Occupancy went down to 85 percent, rent increases didn't happen and in many cases went down; with incentives they definitely went down."

How badly did it affect you?

"Occupancy alone went from 95 percent to 85, which is more than 10 percent, more like 11, plus all that 'one month free rent,' so another cut there. Realistically, (revenue from apartment management) dropped almost 20 percent."

This must be a good time to be in property management.

"Any time rents and occupancy is moving up our income is greater. That's really as it should be because our interests are the same as the owners': to get income up."

Dan Voorhis

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