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Last Updated: February 19, 2015 09:11am ET

In Praise of Class B Value-Add MF

By [Erika Morphy](#) | Baltimore



Ridgely's Delight Apartments

BALTIMORE—Multifamily has become a tricky asset class for some. Questions continue to grow whether demand for apartments will continue; the capital markets piece of the equation is also leaving some queasy: apartment stocks hit negative territory in February, returning -1.7% to date for the month, [according](#) to the *Wall Street Journal*. Analysts are downgrading the sector, noting it is overvalued and possibly overbuilt.

So there are issues.

But there are also pockets of opportunities depending on the market, of course, but also the segment in which the apartment product is targeting.

Locally, that sweet spot appears to be value-add, Class B product in the Washington, DC/Baltimore Corridor.

Consider the recent sale of a 28-unit property in Baltimore, called **Ridgely's Delight Apartments**, located at 739 W Pratt Street, 321 S Fremont Avenue, 333 S Fremont Avenue, and 515 Warner Street. **CBRE Baltimore** arranged the sale to **Delancey Street Capital**, which focuses on the Mid-Atlantic apartment sector. The seller was RD30, LLC and the purchase price was \$2.9 million.

This is how Delancey's **Daniel Kline** describes the company's approach to the market: "We target well-located multifamily properties that are in need of rehabilitation or repositioning, are available at a discount to replacement cost, are mismanaged, require recapitalization, or have complex financial or environmental issues requiring resolution."

That spells Class B, which in Kline's opinion is the optimal asset class in which to invest because of the opportunity to buy properties below replacement cost that generate significant yield, and have a captive renter base.

Class B also continues to have tremendous downside protection when compared to Class A, he says.

If this sounds like a familiar strategy that is because it is advocated by other players in the area as well, perhaps most notably by [Transwestern's Mid-Atlantic multifamily team](#) of Dean Sigmon and Robin Williams and [Federal Capital Partners](#), to name just two examples.

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About Our Columnist



Washington, DC reporter Erika Morphy goes deep inside the DC power scene to explore the link between Capitol Hill and your assets. Erika Morphy has been a financial journalist for 20 years. She's been covering the capital markets for ALM since 2004. [Contact Erika Morphy](#).
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