



Industry Speak

Deborah Parker sits down and talks shop with 2006 Owner-Management Executive of the Year David Jones.

By **Mark Hiebert**, HAA Staff

David Jones, Southhampton Management, was honored as the Owner/Management Executive of the Year at the 2006 Industry Achievement Awards. ABODE asked friend and fellow board member Deborah Parker, Creekstone Management, to lead a conversation with Jones about his experience in the apartment industry, what it means to be a leader and the fun of raising Irish Dexter cattle and other exotic animals.

Deborah Parker: We can always start with the standard question: How did you get started in the industry? You told me this one time, a long time ago when we used to work together.

David Jones: Well, I started with JMB, which was based out of Chicago. I started with them in 1981 formally, but the way I found out about them and got into property management was that I did statistical analysis as an

internship project in Arizona, at Arizona State University. After that I interviewed with them, went to work for them and was transferred to Houston. I was with JMB for 17 years.

DP: What were you doing for the internship?

DJ: It was market analysis. We were working on actual projects – mine was an open-air mall concept in Scottsdale, Ariz. – and trying to figure why it was failing. It was 110 degrees and an open-air mall: That isn't going to work without air conditioning.

Most of my interviews after college were with oil industry companies – Shell, Exxon. My degree was in marketing, but really it was all business. It's like you specialize in one, but really, it's everything business-related and about running businesses. I really thought I would go into a bigger, more corporate setting, which multifamily isn't at all. It's one of those

industries that, once you get in it, you never get out.

DP: You weren't here in Houston the whole time? You were in Florida?

DJ: Really, I was based here. I was here until 1992, and then I commuted to Florida for three years. From 1995 to 1997 I opened up the regional office down there. I was in a corporate apartment – I never really left Houston – I still had my houses here, still had my animals. I was home once a month through that period.

DP: You've done the animals your whole life, even when you were a kid, right?

DJ: I grew up in Iowa, on a farm with livestock and crops, but when I moved to Houston, as soon as I got out of the city and didn't have enough land to do full-sized animals we started with the miniature horses. It's just grown out of that.

DP: You have the farm – the David Jones farm! What are some of the other animals you are raising right now?

DJ: Well, our big focus right now is Irish Dexter cattle. We keep 50 to 60 head. For small acreage, that's a lot of cows, but they're a small breed. The cows are 36 inches to 40 inches tall. The bulls are 38 to 44 inches tall, so it takes a lot less land.

We have miniature donkeys as well, and we have animals that are really more just pets. We have monkeys. We have coatimundi, which are South American

raccoons, and we have always had parrots, peacocks and pheasants and exotic birds.

We've done the emus and rheas when that was the boom market, and got out before that was a total crash. We did the borer goats when that was big, hot, up-and-coming. Never made any money on that; that was the worst investment we ever did.

DP: So all your animals are your hobby, not your full-time job?

DJ: Definitely.

DP: Starting in the industry, watching it grow and change, whom did you look to as a mentor?

DJ: Because I was there so long, I guess really the the long-term JMB people. Here, locally in Houston, it was Doug Hause. He's with Kennedy Wilson, which has evolved through acquisitions – it was JMB, then it was purchased by Heitman Financial, which was then purchased by Kennedy Wilson.

I think we have very similar styles. We're very laid-back – the entire JMB organization was. Really, the focus was on people, on retaining people, on building people, on building an organization with the employees. Obviously, eventually that reaches out into the residents and everything else, but that group of people have always been really loyal, long-term friends, and that same personality travels over to the employees.

DP: Looking ahead, where do you want to take Southhampton now?

DJ: We have new construction going on, so we will continue to do that. We are actually geared up a little bit more than we have been in the past. We'll continue to do development and hopefully maintain management of the majority of those properties over the next few years. For about the last year we have been trying to begin getting out there and to expand our fee-management base.

We have actually been fee-managing the



DLF portfolio that just sold in its entirety for several years. The final percentage of units that were owned by Sueba were sold out to DLF. In many of those deals, like the Montecito, Sueba didn't retain ownership from the beginning, so when that sold to DLF when it was built, technically, that was pure fee-management. Because it was always Sueba, always our staff, there was never a perception of a change – there was never the perception of a sale.

Everybody saw DLF as an extension of Sueba, and it's not – it's totally separate and has nothing to do with Sueba except for the fact that they also are German-based, which is part of what drove that perception. We never marketed those properties to other people.

“Surround yourself with good people, build your organization out of good people and you will be successful.” — David Jones

When we built one it rolled into a DLF investment. There was no perception of a public sale, and there never was a perception of a break in management. We continually talk to people, and they say, “I never would have thought that Sueba/Southhampton would do fee-management.” Really, we always have.

DP: In terms of the shift in marketing the fee management service, what is the challenge in raising awareness?

DJ: I think one of the biggest challenges is that a lot of fee-management is portfolio driven. We can do the Gulf Coast, we can do Texas, we can do Louisiana pretty easily out of here, but we would be hard-pressed to do Seattle. If someone buys a portfolio of three or four deals, the challenge is to be willing to look at you for a smaller portion.

I think the challenge is getting owners to

understand the difference, what we bring to the table. We have very low supervisor-to-number of units/number of properties ratios compared to what I would call the traditional fee-management company, and I see us keeping that. I don't intend to make Southhampton the biggest national fee-management company. We're marketing ourselves as a boutique-style management company.

DP: How do you like the Houston market?

DJ: You know, Houston is always going to have its ups and downs. It cycles in its overbuilding. We've always corrected pretty quickly, too. The last two years we had some downturns, we had concessions and we had some overbuilding, but overall it has pretty well corrected itself. We stopped concessions in the Galleria last fall, around August, pre-Katrina.

DP: Why has Sueba always been attracted to Houston? You've built some stuff in Phoenix? Is it just the way you look at the market? Why haven't you expanded to other states?

DJ: It's not just market-driven. There are definitely other markets we would go into. It's just that while we've always looked at scattered deals, we've never gotten comfortable with

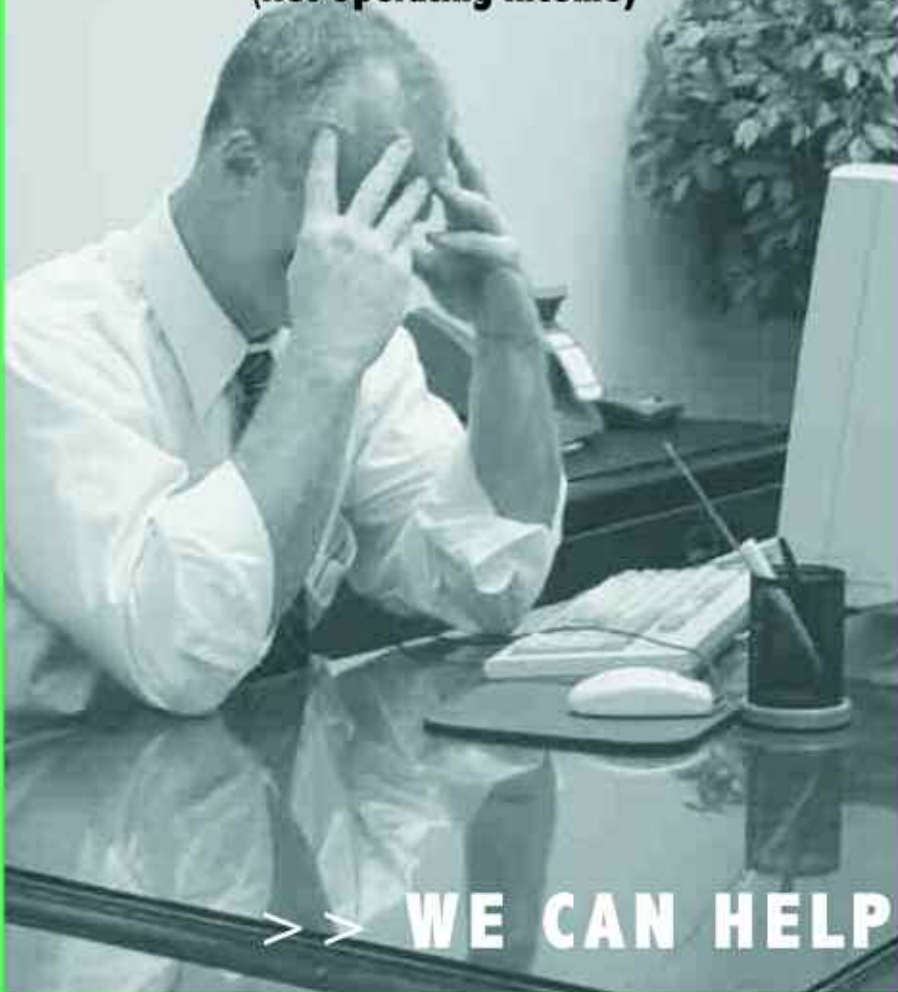
them. We know these markets – we know the Med Center, we know the Galleria, we know Eldridge. We're expanding into the 249 area. We get entrenched in those markets and we understand them, and that allows us to sell it to our development partner and to the ultimate buyer, whether it's a German investment group or a company like Creekstone. It gives us something tangible to sell.

DP: In all the years that you have been in the business, what are some of the most successful changes that you have seen in the industry?

DJ: There's been a huge shift in the quality of the product that is being built. There are a lot of good developers out there, and the products that they are producing are so far superior to what they used to be. The stuff that was built in the 1970s and the early 1980s wasn't built to

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last 20 or 30 years. They've gone through multiple rehabs, but really the apartment industry has developed into offering the resident a lifestyle. The old development days it was more about cranking out apartments, and apartments were white boxes. There was no name branding, there was no striving to improve or to build the relationship with the residents. It was pure rental. Build 'em, crank 'em out. They were just like cookie-cutters.

Over the last 10 years there has been a big shift in the size, the locations and the amenities. That hasn't been driven here by the condo market. I suppose some properties, some locations, it had an effect because if they had a great location, they would think that down the road this is a possible conversion. That started happening here in Houston, but I don't think that is what prompted people to start building the current quality of product.

DP: What about your involvement with HAA – how has that changed over the years?

DJ: You know, a little bit historically, but really, a dramatically different level when I got to Sueba, and it's just because the firms that I was with prior, they as a group weren't active. We always participated, we were always members, but we were not active in committees, and really I made that change immediately on getting to Sueba. Prior to that it was always outside my control. It wasn't lack of desire, it was just the culture of the company that I was employed in.

DP: If you could give some advice for future industry leaders and taking the apartment business in whatever direction it will go, what advice would you say?

DJ: It's just a people business, and I think anybody in this industry realizes that, from our employees to our vendors to our residents. Surround yourself with good people, build your organization out of good people and you will be successful, but you have to take the time to focus on that.

DP: What has been your greatest professional challenge to date?

DJ: You mean like all-time? Certainly the sale that we've just gone through ranks up there pretty high. I guess the biggest one was giving up the security and the seniority after being with JMB for 17 years but weighing that with quality of life, not wanting to travel any more. It was really the point that I had to decide either I'm staying in Florida forever and make a total, committed change, or make the break, start over, and make Houston definitely a permanent choice, which is what I did. 🐶