

Rosewood Property Co. CEO: Limited Leverage, Right Assets Are Coronavirus Hedging Tools

April 23, 2020 | Kerri Panchuk, Bisnow Dallas-Fort Worth

It has been a year since **Rick Perdue** took the reins at **Rosewood Property Co.** as CEO. He could never have predicted then the situation he would be steering the Dallas-based company through now, but he said the investment decisions Rosewood has made along the way should position it well during this downturn.



“It all starts with leverage,” Perdue said. “We have been incredibly conservative and judicious [when it comes to] our leverage. We are at less than 50% leverage across our portfolios.”

Another layer of security Perdue leans on is Rosewood's commercial real estate asset investment profile. Rosewood spreads its risk across three core products: industrial, storage and multifamily, with only limited exposure to office.

“Our three product types — industrial, storage and multifamily — appear to be the three product types that are holding up better out of all of them,” Perdue said.

On the industrial side of the equation, Perdue hasn't noticed any significant disruption in demand, late payments or other issues. On the storage side, the firm benefited somewhat from college students having to quickly offload home furnishings when their dorms were closed over coronavirus concerns.

In the multifamily space, Perdue reported a normal rent collection rate of 92% in April, leaving the firm to question if May will bring similar good news or if its renters will be struggling.

“We are waiting to see. Everybody is waiting to see,” the CEO said.

As far as office properties, Perdue said the [Heritage Creekside](#) office development his team is working on with [Cawley Partners](#) in [Plano](#) has not been impacted by the virus at all. The property is still in the design phase and has room to pivot to any new configurations required to meet the "new normal" office demands that could come into vogue after the coronavirus crisis.

Perdue is confident industrial and multifamily will plug along when everything reopens, but he does view office as somewhat of an outlier.

“My guess is that office will probably be affected more than people realize and that’s to be determined,” he said.

Going forward, there may be a rush to newer office product that can easily be configured into spaces that will allow for easier social distancing and staggered work shifts.

Perdue is not sure what this future looks like exactly, but he is confident products still in the design phase can find that sweet spot in terms of what is currently offered and what will be in demand down the road.

“We are fortunate,” he said. “In our design, we have a lot of load density value office at [Heritage Creek Side](#) ... [and that] will be in demand as we get out of this.”

Along with rethinking the spaces themselves, Perdue said there have been many conversations about how to handle elevator services, staggering start times and building cleaning measures.

Overall, he is confident in the DFW and Texas economy.

“We will get through this,” he said. “We have been through so many different things through the years I would never bet against the American economy. All of the trends that have led to the boom of Texas over the last 10 years, I think all of those trends will continue and possibly even escalate.”

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