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Doing it the Wright way

Royce Wright, inducted into the Tulsa Apartment Association’s Hall of Fame, stands with his son, Greg Wright. COURTESY PHOTO

Faith, family guide property managers through hard times to success

BY KIRBY LEE DAVIS
THE JOURNAL RECORD

TULSA – Royce Wright entered the apartment industry enamored by the thought of building and filling cultural landmarks. But before his first projects even got off the ground, this son of a Nazarene minister found himself tossed out onto the street.

With nearly every new position he tried over the next decade – and there were a bunch of them along a path that uprooted his family several times – Wright hit stumbling blocks and detours that could break the souls of most people. He endured criticism for not putting his career first. He watched his own firms struggle and fail. He strived to find work, only to see it blow away.

But Wright remained faithful to his God, as did his family, striding through decades of hardship until finally, with his son Greg at his side, their multifamily property management firm Capital Assets achieved what to some observers might seem like overnight success, rising in less than five years to 6,255 apartment units spread across three states.

To Bob Jack, that journey illustrates God’s biblical promise in *Jeremiah 29:11*:

EXECUTIVESESSION
The Journal Record

“For I know the plans I have for you,” said the Lord in this New International Version quote, “plans to prosper you and not to harm you, plans to give you hope and a future.”

“There are few individuals I can really say have the integrity, the honesty, the loyalty of that guy and his son,” said Jack, senior vice president over Manhattan Construction’s Tulsa division. “Royce seems like he can always balance his life. It’s just amazing.”

Brokers Darla Knight and Aaron Hargrove seconded that, noting the emerging role Greg played in helping his father lead the three-decade-old firm.

“He has just developed into an incredible leader,” longtime family friend and co-worker Gary Krisman said of Greg, 39. “His knowledge of the industry and his experience at his age … I mean, the sky’s the limit for Greg. He’s going to be one of the very, very successful young operators.”

As father and son, best friends and team leaders, Krisman said their firm foundation in Jesus Christ provided success – in the form of love and security – even in the hardest times, which included Royce’s two heart attacks over the last decade.

“My whole life really revolves around my faith in God,” said Royce, 68, “because He’s the provider. He is the one that owns everything, according to the scriptures, and I’m the steward of what He gives me to work with. I think over the years we’ve grown as a business because I believe we’ve been good stewards of what He’s given us.”

Royce learned those truths through his parents.

A family under God

Royce entered the world July 18, 1943, at Jacksonville, Texas, the first of two sons born to Ralph and Ruby Wright. Though destined to become a minister, Ralph sold insurance while his wife stayed home with the children. His parents would lead Royce and younger brother Roland into the faith. Like his father, Royce also developed into a dynamic singer, growing into a music ministry role while Ralph became an ordained Nazarene minister.

“I have great memories of childhood,” Royce said. “I had a very loving family. My parents were very supportive of everything I was involved in.”

That proved especially important through their frequent moves across eastern Texas.

“Going to 10 different schools was a very difficult experience for a young guy,” Royce said. “Kids don’t like new situations, and I had to deal with that over and over again, until it finally helped me see the public, helped me learn to communicate in any situation. So in later life it was a real asset to me.”

In 1958 they settled in Bay City, Texas, a small town 80 miles from Houston. There Ralph took up the cloth, earning his seminary degree while leading the Bay City Nazarene Church. Royce graduated from Bay City High School, a star in basketball as well as choir.

“I actually didn’t get to play organized sports until we moved to Bay City, because living in Houston in my junior high years, my parents wouldn’t allow me to do that, because you would get home after dark,” he said. “They didn’t want me riding around after dark even in the 1950s. It was dangerous.”

Although he entertained a number of collegiate options, Royce followed his parents’ lead and attended Southern Nazarene University in Bethany.

“That’s where I met my Oklahoma bride,” he said of the former Argentia Riddle.

“First of all, she was beautiful,” Royce said. “I remember us in the student union building as freshmen. We were sitting around, picking our top five girls that we would like to date, and she was in my top five my first semester of my freshman year. But she was getting the rush from a lot of upperclassmen boys. Us freshmen were not in the race at that point.”

By their sophomore year, Royce won his chance to ask her out. They tied the knot their senior year.

“That was Argentia’s idea,” he said with a smile. “It wasn’t my idea because I knew it was going to be difficult. Working and going to school turned out to be very difficult. I did not graduate until ’66 because I had to take fewer hours.”

Royce Wright and his son, Greg Wright, at a Dallas Cowboys football game. COURTESY PHOTO

Multifamily turbulence

Unlike his father, Royce did not feel led into full-time ministry (although Jack noted Royce's lifetime commitment to worship music and Bible teaching). Having worked while a student for Armco Steel and the U.S. Postal Service, Royce had a taste for the private sector.

Soon deciding his teaching vocation would not meet his family needs, the bachelor of arts graduate took a job selling copiers in Houston. A sales pitch to potential customer Gulf Investors evolved into a three-part job interview with Vernon Grove, a real estate developer seeking a salesman to manage and fill a series of apartment complexes planned by their new company.

"'I don't know anything about it,'" Royce said he told Grove. "He said, 'You'll learn. Because,' he said, 'everything is under warranty. You'll learn about maintenance. It's a common-sense business.'"

Seeing a stronger foundation for Argentia and their 1-year-old daughter Robyn, Royce took that 1968 offer. But weather-related construction delays and rising interest rates soon forced Gulf Investors to jettison its four properties. The new owners ousted all employees, leaving Royce without a job.

Undeterred, Royce decided to stay in the apartment industry but in a new setting – his wife's hometown, Tulsa.

"I love Tulsa," said Wright, who disliked Houston's size and out-of-control nature. "Having gone back and forth from here in the early years of our marriage, I just thought it was a good place to go, raise a family and start over."

But Tulsa's smaller size left him with fewer job opportunities. It took Wright a year before Lincoln Property Co. hired him as its first Oklahoma apartment manager. After the company sent him to Dallas to learn corporate strategies, Royce returned to Tulsa with a business philosophy that fit his spiritual foundation.

"I would say they've had the biggest influence on the way I manage, the way our company operates," he said. "They understood the employees were the lifeblood of the company. Making them want to stay, making them part of the company, was a very big key to their success. That's how we try to operate today. That's why we have a lot of long-term employees in our company."

Knight said she considers that Capital Assets' greatest asset.

"I kind of worked opposite of Capital," said Knight, who managed several Tulsa apartments before joining the Norman multifamily brokerage Commercial Realty Resource Co. "I was fortunate enough to have nicer assets, but despite that, when I came to interview people, to try and get good employees, you could never take Capital Assets' employees.

"For as long as I can remember, Capital had a really long employee retention that frankly most companies struggled with," she said. "It's almost like they created a family. Those people click with them and they bond with them."

Royce stayed with Lincoln for three years while helping raise a second daughter, Rachelle, born in 1970. Differences with a Lincoln partner then led Wright to form his own company, Management Consultants.

"We had totally different philosophies of life," he said. "He did not like it because I was not in the office on Saturday and Sunday, six to seven days a week like he was, ignoring his family. I told him I was not going to do that.

"His philosophy was, and this was his quote, he asked me if I wanted to be a millionaire," Royce said. "I said, 'Who doesn't? Everybody would like to be a millionaire.' 'Well, are you willing to pay the price to be a millionaire?' I said, 'Well, it depends on what the price is.' He said, 'Well, for example, if I lose my family, I am going to be a millionaire. Whatever it takes.' I said, 'I'm not willing to pay that price.'"

Starting his own firm represented another gutsy move. Family expenses were heightened with Greg's birth in 1972.

"I never really had any dreams of doing that at that time," Royce said. "I was probably too young to even be thinking about that. But it was something I felt like that I wanted to do."

The new firm soon grew to manage 10 Tulsa properties, but six fell under one unstable ownership group.

"When they went under in '74, '75, that took us under," Royce said. "We lost 60 percent of our portfolio overnight."

That started a chain of frustrating job swings. For over a year he worked alongside two of Tulsa's emerging real estate titans, Roger Hardesty and Mike Case, with Wright helping manage and fill Hardesty's growing apartment portfolio. He then took a job opening a Houston office for McKinley Properties.

"That was one of the dark ages in Greg's childhood," Royce said. "We went from living in a 3,000-square-foot home to a four-bedroom apartment in Houston."

His son took a different tack.

"As children we never knew the pressures that were going on in the family," said Greg. "We had a fun childhood. We grew up in Broken Arrow and played sports and went to church and had friends. We never really experienced any ups and downs.

"The only thing I remember being a down, Mom and Dad had purchased a newer, bigger house than we had ever had," Greg said. "When one of the job switches happened, we had to move from that home, which was disappointing for the kids, but we didn't know the stresses that were involved. And that's what I appreciated from Mom and Dad. We never felt stressed. It goes back to faith, to Jesus as our savior. They trusted in Him to provide through the ups and the downs."

In less than a year the McKinley project ran into its own financial problems, so Royce moved his family back to Tulsa to take over a troubled apartment block. In his first year, Wright cut its losses in half.

"The second year I presented my budget, which was to lose between $80,000 and $90,000, and they were not happy," he said. "They wanted a zero-loss budget. I said, 'Guys, going from $540,000 to $280,000 was easy. Going from $280,000 to $80,000 is going to be miraculous. I've given you a very fair budget.'

"They decided the way to get to zero was to let me go and cut my salary," said Wright, recalling that 1979 move. "Here I was, unemployed. That's when we started Capital Assets."

Steady through the chaos

To craft his new firm, Wright mixed elements from the Lincoln model with things he appreciated of McKinley and others. For greater cash flow, he broadened his platform to managing office or retail properties.

"A lot of companies adapted by ramping up their third-party management," said David Forrest, the CB Richard Ellis of Oklahoma first vice president overseeing Tulsa's multifamily sector. "That's how they survived through that time frame. It would have been painful, though."

Starting with just a two-week severance check, Royce said his faith, family support, and ethical stubbornness sustained him.

"I never really felt that I was prone to depression or anything like that because you didn't have time to give in to that nonsense," said Wright. "You didn't have time to think about it."

His wife remained an anchor in more ways than one.

"She was telling me I was too heavenly minded to be any earthly good," Royce said with a smile. "She was right."

Wright had less than two years to get Capital Assets established before the Penn Square Bank debacle wrecked havoc on Oklahoma's oil industry. Many of its resources extended into expensive deep-drilling projects that couldn't sustain themselves under falling energy futures prices.

"It was a horrible time to be in business, really, trying to keep the doors open and pay the people that deserved to be paid," said Royce. "All of a sudden the oil rigs stopped. It was almost like an instantaneous hitting a brick wall in this economy. Normally you peak and you go downhill. This was immediate. You knew you were in trouble. That's when virtually every property in town went under, because nobody could make mortgage properties anymore."

As bad as that was, it foreshadowed an even bigger problem. Before the state could shake off Penn Square Bank's ripple effects, crude oil futures plunged below $10 a barrel not once, but twice over the next four years.

Caught in a near depression that overturned its financial, real estate, energy and agricultural sectors, Oklahoma would endure more than 400 bank failures, followed into the early 1990s by the collapse of nearly every savings and loan. From those bleak times, Oklahoma's strained economy crawled into the Gulf War recession, the promise of the technology bubble, and the realities of that millennium bust and the 9/11 recession.

"Everybody in this industry scrambled just to keep food on the table," said Krisman, who joined Capital Assets in 1988 to head its leasing program. "Those were horrible times."

At that time Krisman estimated Capital Assets oversaw some 300,000 square feet of office space with its 1,500-

Standing on principle

"When properties struggle and they don't have money to do a lot of things, a lot of owners will ask a property manager to fudge here or fudge there or maybe not be honest in their financial reporting, because if they are, it's going to hurt this particular owner with this lender or something," Krisman said.

"I know many times Royce was asked if in effect they would cook the books a little, and he would never do it," Krisman said. "Never. I think there were a couple of times he just resigned the account, which was really painful because we needed money, but the principle was always, we have to do the right thing.

"And to this very day, when there's a question in business, if Royce and Greg even think that they have some responsibility to pay something – although looking at the letter of the documents and the way the deal went, they can say, 'No, we really don't have to pay it' – they'll pay it just because if it's a gray area. They don't want any question of their integrity or ethics. It makes them sleep at night. It makes everybody sleep at night, knowing that you did the right thing."

plus multifamily units.

"We were trying to manage anything at that point there was to manage," Royce said. "We were managing mini-storages, strip shopping centers, anything that we could get our hands on to manage.

"It's an absolute miracle that we survived," he said. "To this day it does not make sense economically. I worked a lot of 70- and 80-hour weeks through those times. There was no profit."

Although the software package Lotus 1-2-3 was to prove the computer industry's first killer app, Wright said accounting and property management remained largely a manual operation through the '80s, further exasperating their financial problems.

"We would be so far behind on paying our bills because the owners had no money to pay their properties," Royce said. "I was never a great accountant myself. I told Greg that if you're going to go to college and you get into this business, you have got to go into accounting basics."

Two positives emerged from that turbulence. First, Greg earned that degree from Baylor University in 1995 and came back to work with his father. Second, in 1999 Royce formed a brokerage venture with Krisman and longtime Tulsa office executive Ken Tooman, called Tooman Partners.

Coming home

Emerging from Tulsa's Memorial High School in 1990, Greg headed off to Baylor to graduate with a business degree in December 1994. He had numerous career opportunities, including an offer from Trammell Crow in Dallas. His father wanted him to come home, but couldn't afford to pay Greg a salary.

"I was just praying he would make the right decision," Royce said. "That's a tough decision, when you're 21, 22 years old, and you can take a job in Dallas for $21,000, $22,000 a year or come home and work for nothing a year. He took some counseling."

For Greg, who saw his fellow graduates establishing independence through new jobs, the thought of returning home troubled him. But against that, Greg had his father's example to look to.

"It was a humbling experience," he said. "Working for free's never fun, especially when you go to college and think you know everything.

"But I felt that for my spiritual life, just personal growth, I felt that even though I was going to come home and not get paid, the best decision was for me to come back to Tulsa, join the family business and see how I could learn that way."

Greg already had a strong background in Capital Assets, having worked his teen and college summers at various apartment maintenance tasks. So had his sisters. Even Argentia had served the family firm during the hard times.

"She was the only secretary I could afford," said Royce with a smile.

The difference came with Greg's application of that knowledge, for he was the only one to advance in the company.

"It actually proved very valuable later on, knowing how to relate to on-site staff, the demands they go through," he said. "I understand the stress, the things they deal with regularly."

That parallels the blessings of Tooman Partners.

Its brokerage outlet promised to open doors for Capital Assets, both in garnering financial partners for property acquisitions and in managing offices and other commercial properties outside the multifamily sector. The latter never materialized, with Capital Assets establishing itself ever more firmly as an apartment management company. But the Wrights did broaden their financial options.

Achieving goals

Through the 1980s and '90s, Royce tried repeatedly to improve his portfolio's stability through company-owned properties.

"You're only as good a management company as your owner allows you to be," Greg said. "As a management company, your goal is to take care of the residents and to have good curb appeal, which costs money. For your client (the owner or partners), that may not always be your goal. Your goal may be that they want to make more distributions."

Capital Assets strives to work with partnerships willing to invest in property improvements, providing more stability for both tenants and employees. That in turn heightens the portfolio's performance, providing solid returns for the partners.

"When times are difficult, it was hard to be a good management company, to take care of the property, take care of the residents and pay your local vendors," Greg said. "They don't know the owner from California. They know Capital Assets from Tulsa and they're looking for you to pay the bills, to take care of them. Which is fair."

Just forming partnerships became quite difficult after Penn Square. Each one required numerous investors, making the resulting partnerships both difficult to compile and to please.

"We were dead in the water," Krisman said. "There were no banks that could loan any money for any projects to be built or any acquisitions. If you'd been in this business and you owned anything, you were probably tainted and therefore you couldn't borrow money to buy anything."

The '90s brought some increased activity through various investors, such as Tulsa's Gary Richardson, but the breakthrough for Capital Assets came with the new century.

Royce saw the turnaround in the 2001 acquisition of south Tulsa's 220-unit Pheasant Run Apartments.

It represented a unique milestone, for with that property Capital Assets first demonstrated its ability to profitably change out the outdated chiller and boiler systems that plague many of Oklahoma's older, all-bills-paid multifamily complexes. The Wrights would repeat that at six other sites over the next decade, making them cheaper and more efficient for the tenants, more profitable for the owners.

"No one else to my knowledge has tried it," said Hargrove, a partner with the Phoenix-based multifamily brokerage Hendricks and Partners. "It's not easy."

For his part, Greg looked three years beyond Pheasant Run to when Dallas investor Scott Fowler helped Capital Assets complete a four-property deal that more than doubled their units managed, from 1,200 to 2,600.

"That gave us the platform to continue to go out and raise additional equity," Greg said.

The following year Todd McNeill with New York's Metropolitan Capital Advisors helped Capital Assets acquire Tulsa's Silver Creek Apartments. The flow of equity heightened.

"Then we started going to a number of deals, two to four deals a year," Greg said.

Capital Assets broadened its Oklahoma City and Tulsa portfolios while entering the Dallas/Fort Worth and Arkansas markets. Their company actually completed deals while other firms struggled just to get the foot in the door of lenders overwhelmed by the 2008 financial meltdown.

"For a lot of multifamily operators in Tulsa, it wasn't that bad," Greg said of the recession years, noting the sector's fairly steady improvement in occupancy rates and most rental rates.

As for transactions, Capital Assets alone completed seven. While returns didn't always hit budgeted projections, Greg said they beat Wall Street's performance with solid distributions.

"They were actually some of our best years ever," Royce said.

Going forward

With more than 6,000 units under management, Greg said Capital Assets has reached another crossroads. Raising its portfolio would require another level of corporate staff and raise expenses, but it also could create more opportunities and improve their operating synergies.

"Profit-wise and staff-wise and synergy-wise, it's a good size," Royce said of their current level. "But as chairman of the board, I'm more a consultant in this deal now rather than the day-to-day player."

Within their policy of buying, holding and selling properties, all to maintain positive cash flow to and from their partners, the Wrights expect Capital Assets to gradually start upgrading its portfolio from Class B and C properties.

"We're bidding and trying to buy Class A properties now, where in the past we really didn't have investors interested in that," Royce said.

Hargrove questioned whether the Wrights' business model will allow them to reach the prices such properties often attract.

"They're missing some of those deals," said Hargrove. "They'd love to get them, but they underwrite it based on what they know they can deliver to their investors and they don't stretch beyond it."

But Krisman believes the sky's the limit.

"It's the perfect storm for them," said Krisman, who handles Capital Assets transactions as a broker with Grubb and Ellis/Levy Beffort. "They've got good financial backers. They've got the infrastructure in place that's proven. They've got the track record. They look good on paper. It's easy for them to sell themselves. You can look at case studies on how they've turned properties around and how they've made money for investors. As long as they keep doing the same thing, they're going to grow."

Wright on Wright

Greg on Royce's leadership

"Looking back, it was a great thing," Greg said of his internship at Capital Assets. "I literally just sat in a chair in front of his desk, listening to how he interacted with people. I didn't have a lot of responsibility, so it freed me up to learn a bunch of things that I may not have learned had I been doing a specific assignment. Learning property insurance, management styles, dealing with clients. I became more rounded from the beginning."

Greg started his own family in 2000 with his marriage to Julie Olander. They have four children ranging from 4 to 9 years old.

"His sacrifices and saying he was going to put the family in a high priority has paid off," Greg said of Royce. "That's something I try to do in my family life."

Royce on Greg's leadership

"That's one of the greatest joys a father can have, to first off, have a son come back and desire to give back to the business," Royce said. "I was very shocked when it was his desire to do that. And then to come into the business and be such a good student.

"He's always looking for advice and wisdom on how did you do this," Royce continued. "He's not interested in recreating the wheel every time something comes up. His personality has always been this way. He's looking for the way not to hit the brick wall. He's looking for the way around or over the wall.

"That's what's so good about this business," Royce said. "He has been such a good student and has never had the attitude he knows it all. He actually runs the company much better than I ever did."

Royce Wright and his son, Greg Wright. *COURTESY PHOTO*