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Pyzyk's \$25,000 apartment bet pays dividends

By HOWARD LERNER

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Things were going good for Jon Pyzyk. He was young. He had a secure sales job with Bacardi International, a few investments. But when he got into full-time real estate, things got much better.

In 1981, when Pyzyk purchased the two-person Joseph L. Kohner Real Estate Co. for \$25,000, he had never run a business of his own. What drove him to become an entrepreneur was a desire to manage his own investments.

Now, he's managing a lot more. With 140 employees in three states; brokerage, construction and management services; and \$1.7 million a month in rental billings, Kohner Properties is making a name for itself among regional real estate investors.

For the most part, investors and financial institutions contact Pyzyk when they need an experienced staff to manage their investment properties. Pyzyk said he manages other people's properties like he manages his own. Now more than ever, he's finding himself in an ownership position.



Photo by Susan F.B. Ryan

Jon Pyzyk of Kohner Properties says one key to good hiring is his company's policy of interviewing at least 15 people for each opening, from managers to maintenance workers.

He's made an art of turning around distressed properties – and there are plenty of them. Pyzyk's business has blossomed in part because so many others' didn't.

Pyzyk manages about 4,000 apartment units in Missouri, Illinois and Kentucky. He owns about 30 percent of those, managing the rest for a variety of outside owners. His largest clients are institutional investors. Continental Wingate of Boston, Related Capital Corp. of New York and the federal government's Resolution Trust Corp. provide the bread and butter for Kohner Properties.

Pyzyk recently closed a purchase of the old University Club apartment building on North Grand. In partnership with the Technical Assistance Corp., Kohner Properties will own 45 percent of the building and manage the entire operation. It's expected to become part of an arts center in the Grand Center midtown revitalization project.

St. Louis Business Journal: What was the first thing you did to improve the Kohner Properties after you bought it in 1981?

Jon Pyzyk: I immediately began to computerize the company. That's when personal computers were first available. I spent a lot of time working on computerization and automation – about five years working on software. That really is what changed the company most dramatically.

Q: How much does technology drive your business?

A: It gave us an advantage early on. It provided a framework and a system that was inflexible in that it imposed a discipline. The most important part was that it gave us the instantaneous information we needed to grow. With the press of a button, I can have daily cash balances on every property. As of this morning, I know how much money was paid out and taken in.

Q: What critical management decisions did you make early on that allowed you to grow?

A: No. 1, to specialize in multifamily; No. 2, to eliminate the smaller properties that were in our portfolio and concentrate on our larger properties; and No. 3, to develop relationships with local banks.

Q: How do you develop relationships with banks?

A: Just be honest. Be a regular good citizen and do what your supposed to do. I did a lot of borrowing. There were several bankers that have helped me a lot along the way.

Q: Most of your employees don't work in your office. How do you choose employees who work well without supervision?

A: That's the key issue with us. We concentrate on the selection process. We've always had, from day one, a policy of interviewing a minimum of 15 people before we hire one. That means if one of our sites wants to hire a janitor, they have to interview at least 15 people to make sure they're getting the right person. For each maintenance person we hire, we have them take a test specifically on multifamily maintenance. That gives us a feel for what they know.

Q: What about non-maintenance personnel?

A: All prospective employees take an intelligence test. Every single one. And we use these as one criteria in the selection process. It's very interesting, with the scores we get, to see how those scores predict success. Sometimes it doesn't matter, but other times it matters a great deal.

Q: Isn't that controversial, testing intelligence?

A: I don't know that it's an intelligence test. It's actually a math test. A lot of it's mathematical. We also do police checks and background checks before we hire someone.

Q: What is the biggest challenge you face on a day-to-day basis?

A: Vacancies. If there are vacancies, that's a big problem for us. We work and concentrate on those vacancies until they are filled. We have a report that tells us every day exactly what units are vacant in the whole system. When a property reaches 100 percent occupancy, we send the on-site manager a dozen roses.

Q: What is the quickest way to failure in your business?

A: The quickest way to failure is for management to not visit the properties. Even though I'm the president of the company, I still have to go visit every property at least once a month. Some properties I visit every week.

Q: What do tenants want today that they didn't require in the recent past?

A: Tenants require more amenities and more luxuries than they did five years ago. For example, dishwashers, garbage disposals, central air. To a certain extent, tenants have been spoiled over the past few years because there have been so many apartments built. It's drying up now.

Q: You work for both tenants and owners. Is it possible to please both?

A: We've developed the mentality that we work for the tenants. The tenants pay our salaries. The tenants pay for everything we have.

Q: What about the owners?

A: Generally, our owners are either financial institutions or institutional investors. They want the tenants to be happy. They want the property to be maintained. They want us to give them accurate and timely reporting.

Q: What does the future look like for multifamily?

A: Last year, this year and next year are providing the biggest opportunities I'll ever see in my lifetime. The market hit rock bottom last year. No new multifamily projects have been built in the past four or five years. Apartment rents are going to go up dramatically.

Q: Are you concerned about competition, given strong entry-level single-family home sales in the St. Louis area?

A: There will always be people who cannot afford to live in a single-family home – and many who choose not to. People make a lifestyle choice to live in an apartment rather than a single-family home. The Central West End is an excellent example.