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## GROUPE DENUX

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*The family-centric rental empire:*

# GROUPE DENUX

Groupe Denux has been involved in owning and managing rental properties for almost 40 years. This second-generation family business continues to operate with the same beliefs and standards upon which it was founded. It also remains close to its French roots and culture, which includes owning and managing properties in Quebec and France, and maintaining a bilingual environment.

## **The Denux history**

Jean-Louis Denux immigrated to Canada from France in 1970. He married his wife Diane and settled in Quebec City to raise a family of five children. He worked as a computer programmer at the University of Laval, and also operated a hobby farm. Jean-Louis eventually tired of government work and looked for ways to make a living and achieve some level of freedom, eventually settling on real estate.

In 1974, Jean-Louis and Diane purchased and managed several century old residential duplexes in Old Quebec City through their first company, Immeubles Eve. After determining that the rental income could support his family, Jean-Louis left his university position. He worked as a realtor in the late 1970s and early 1980s, helping European immigrants to purchase businesses throughout Quebec, while he continued to expand his apartment portfolio.

Jean-Louis eventually tired of the cold Quebec weather, and looked for a warmer climate in which to live. Jean-Louis had come to admire British Columbia for its quality of life, so in 1984 they sold their Quebec investments and moved to Victoria to start a new life and business.

“The timing was rather fortuitous, as my father sold his investments in Quebec when the market was at its peak,” said Nicolas Denux, General Manager, Victoria branch, Groupe Denux. “The BC real estate market, particularly in Victoria, was at the low end of the cycle, which meant there were a lot of great buying opportunities.”

Jean-Louis and Diane began purchasing and managing rental properties in Victoria, Nanaimo and other locations on Vancouver Island through their company, Sophie Investments. The Denux family grew the company gradually, buying undervalued rental buildings, repairing and upgrading properties and units, and then renting them. They managed their own properties to stay closer to their investments, staff and tenants.

Over the years, the Denux family returned to France to visit family and friends. In 1996, they purchased two office buildings in Montpellier. This subsequently led to the purchase of future commercial rental properties in France.

In 2003, the Denux family returned to Quebec to purchase rental properties in Montreal. Eve and Marie Denux remained to run the Quebec arm of the business, which included purchasing and managing additional rental units. The company was able to purchase large concrete high-rise buildings at good price per door and cap rates. In 2010, the company purchased industrial, commercial and retail units in Calgary.

“My brother and sisters, and respective spouses, have worked in the company for years, have invested in the company and became responsible for running the organization,” said Nicolas. “After my father passed away in 2008, we re-organized under the name of Groupe Denux to better reflect that we own and run the business as a family.”

## **Structure and culture**

Groupe Denux is a privately owned, family-run company, with offices in British Columbia, Quebec and France. The company owns and manages several dozen residential rental properties in Victoria (and other cities in BC) and Montreal. It also owns commercial, industrial and office properties in Victoria, Nanaimo, Calgary, Montreal and France.

Groupe Denux operates under a decentralized structure, with no president or CEO making corporate decisions. The owners make purchases based on consensus and experience. They operate independently, manage their own staff, make individual purchasing decisions, and can also branch into other asset classes and invest in competing properties. However, all properties remain under the Groupe Denux “umbrella.”

“We’ve stayed true to our French roots, maintaining close ties to our language and culture,” said Diane Denux. “We continue to grow the business in Quebec and France. Even our Victoria office staff employees are bilingual, and we serve French wine at all office functions.”

Groupe Denux’s owners share head office resources, such as ordering, accounting and marketing. The company uses its group buying power to negotiate better supplier rates, such as elevator maintenance, garbage collection and advertising. Groupe Denux employs in-house staff to maintain and repair their buildings to reduce costs, but will also contract out services when necessary.

Groupe Denux takes a hands-on management philosophy to property management. The owners believe that quality of care is important because they are providing people with homes, and they want their residents to be proud of where they live. Company employees and owners want to ensure that their rental properties are the best on the block, so they ensure that they are well maintained.

Groupe Denux has ingrained their family-corporate philosophy and hands-on approach into the training of their property managers. Ownership reinforces the idea that being a resident property manager is more than a 9 to 5 job – it’s a lifestyle. They want property managers to get to know their residents, understand their issues, and report back to head office on all matters big and small. Groupe Denux believes that the company succeeds due to the dedication and hard work of their property managers, as they are the company’s face with the residents.

“Our property managers are responsible for maintaining the property, collecting rent, enforcing legislation and serving as personal counsellors to our residents,” said Nicolas. “Their efforts to maintain our buildings keep our residents happy, which shows up in the bottom line of our profit reports.”

### **Investment and growth strategy**

Groupe Denux takes a rather low-key approach to evaluating its success. Owners are relatively humble and tend to downplay how well they’ve been able to make intelligent buying decisions. However, the company maintains strict discipline with respect to its investment criteria, ensures that its market research is correct and up to date, and installs the right staff in its buildings so that they are properly operated.

Groupe Denux researches the market so that they know what buildings are available, and their value. Ownership stays on top of what its competitors are doing in their buildings so that they can remain

competitive and offer the best quality services to retain residents and attract new tenants.

“It’s a dollars and cents business, and we believe in paying close attention to our bottom line,” said Nicolas. “We often look for poorly run buildings, buy them when they’re on sale and make improvements so that we can improve the returns on our investments.”

Groupe Denux’s investment discipline focuses on managing buildings to maximize their revenue potential. When they upgrade and improve buildings, they will find ways to use wasted space to create new storage facilities or entertainment rooms. They will also upgrade individual units with value-added extras, such as modern kitchens with dishwashers.

Groupe Denux consistently works on familiarizing itself with variances in local markets to better understand what will improve its buildings in those markets. Ownership will take best practices from different markets and apply them across their portfolio to improve buildings and offer residents what competitors do not currently provide. Some offerings seem like common sense, such as clean or repainted suites for new tenants, but applying best practices creates advantages in various markets.

“For example, we included appliances in all our Montreal units in an area where other buildings did not offer them, which attracted higher paying tenants,” said Nicolas. “We also offer longer rental office hours to tenants to better accommodate their work situations.”

### **Challenges and opportunities**

Ownership consistently looks for ways to keep tenants in their buildings during difficult economic times. The most effective methods have involved training their staff and management to provide better levels of service, as well as improving the company’s overall marketing strategies.

“Tenants like to live in buildings with good on-site management because service depends on people to provide it,” said Nicolas. “It is crucial to find the right staff for each building, and train them properly so that they can keep residents happy, which means that they will stay in the building longer.”

Buildings in different markets also have different issues. For example, many older buildings have relatively small windows, which are expensive to enlarge and upgrade. Finding the space to improve kitchens and bathrooms (which are often a focus for tenants) can make it easier to add desired amenities.

“The business has become more challenging due to the increased competition to purchase rental properties,” said Nicolas. “There are many more investors buying properties, which has led to increased purchase prices for rental buildings. There is no point in buying a rental property if it is too expensive and there is no room to make money.”

Over the years, Groupe Denux has purchased and taken over management of buildings that were either poorly run or had a negative reputation among residents. In some cases, ownership installed new

security systems and trained their management staff to effectively manage (and evict) residents who caused problems in the building. Improving management and security helped to turn those buildings into positive living environments.

Groupe Denux has also purchased buildings that had gone into bankruptcy and receivership. They were able to make the buildings profitable by dealing with specific problems and paying close attention to the financial aspects of running the buildings. Some of their bankruptcy purchases have been in the portfolio for more than 20 years.

“We believe in questioning the status quo, finding efficiencies, reducing costs and improving issues over time,” said Nicolas. “We look for ways to get better, and get out of ruts when something is not working. It’s a matter of thinking about the big picture as well as dealing with the individual details.”

### Future plans

Groupe Denux will continue to purchase buildings at a pace that will enable them to properly manage their portfolio. The owners want to maintain the current atmosphere, and know what is going on in their buildings. They are in no hurry to grow beyond their current size, and will add new buildings to their portfolio when opportunities arise.

Rental properties will continue to be the company’s focus, although the organization is flexible enough to explore other opportunities, such as development, that will enable it to diversify their portfolio.

Groupe Denux also plans to focus on improving their current portfolio of properties. Many buildings are 30 to 50 years old, so upgrading them to current standards will help to reduce operating costs. Ownership believes that it can achieve significant cost savings by reducing energy and water usage through modernization of appliances and equipment, installing new windows and bringing buildings up to more modern standards.

“We will look at other types of building improvements, such as replacing and upgrading parking garages in our Montreal properties,” said Nicolas. “We also upgrade individual units and common areas with newer amenities and modern finishes to provide residents with higher quality product.”

Groupe Denux has also entered into the development market to build rental properties in markets where opportunities for growth exist. The company built (or participated in the construction of) two office buildings in France in 2009 and 2011. It is nearing completion of a 33-unit rental property in Nanaimo, BC, and a few years ago rebuilt a rental property that was destroyed by fire in Montreal. **RHB**



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