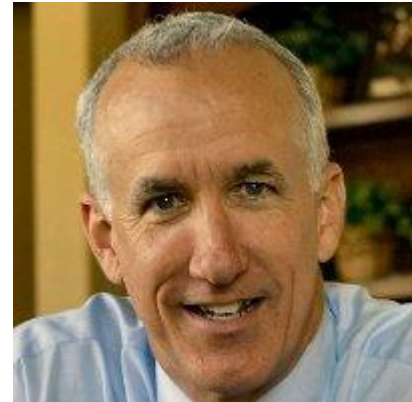


ANALYSIS

## Condo Project Highlights Sycamore Strategy

IRVINE, CA—Locally based Sycamore Urban Strategies has revived a stalled condominium project in the West Hollywood area that underscores both the challenges and the opportunities that today's market presents to multifamily investors and developers. Mitchell Bradford, president of Sycamore Urban, tells GlobeSt.com that the company has sold or reserved a third of the 18 units at the project, at 817 Alfred St., and will have the condos ready for move-in by mid-December after acquiring the note on the property in December 2009 when the ground-up project was only 65% completed.

That mid-December move-in date represents a "remarkable" turnaround, especially considering that Sycamore only began construction in mid-April, Bradford says. He points out that the Irvine-based company, which worked with City of Los Angeles officials to renew all of the project approvals, spent the first few months of construction removing and



Bradford



817 Alfred St.

replacing some of the previous work for various reasons—some related to weather damage and some that the company wanted to upgrade.

"The bones of the building were great. We just needed to repair and replace some of the work that was done, and upgrade some of it," Bradford explains.

Sycamore has priced the condos, which range from 1,364 to 1,722 square feet, at an average of \$463 per square foot, compared to the \$550 to \$600 per square foot that was the target pricing when the original developer undertook the project. Sycamore took over the project

after negotiating a deed in lieu of foreclosure with the original developer, then processed a new tentative map followed by a new final map, which was recently recorded.

Although \$463 per square foot might sound like high pricing for some markets, it represents "great pricing" for the West Hollywood market, according to Bradford. He explains: "Two to four years ago, there were two-bedroom, two-bath units that were 40 or 50 years old selling for \$650 to \$800 per

square foot, so for us to be selling a brand-new unit for \$440 per square in that market is a great price, even it looks like luxury pricing compared to many other markets.”

Even in today’s market, Bradford adds, some condo units are selling for prices per square foot considerably higher than Sycamore’s. “Within blocks of us, there have been luxury penthouse units of 2,000 square feet and larger that sold for \$1.3 million and \$1.4 million within the past few months,” Bradford says. “The only difference between those and ours is that they were slightly larger with large outside decks, but they are fourth-floor units with views and we have fourth floor with views, but nothing of ours is priced over \$800,000.”

Pricing is a key to success in reviving a broken condo project, Bradford says. He says that Sycamore prices its units to fit into the overall housing market, not just the new home market. “There are a handful of resales in this market at a price per square foot near ours, for product that is 20 to 30 years old, so we feel that we fit very well into both the new home and resale markets,” he says.

In addition to price, Bradford says that the financial stability of the developer is a concern of condo buyers today because some buyers have gone into escrow on units, only to face long delays when developers can’t secure financing to complete the projects. He points out that Sycamore, which is planning a VIP event at 817 Alfred on Thursday (Nov. 18), will have a representative of its bank, East West, at the event “telling prospective buyers that they are working with a financially stable developer.”

Bradford credits the quick permitting and construction to the development and entitlement team of development manager Jeff Petrus of Lee Entitlements and general contractor Tom Elliott of Tom Elliott Construction. Besides the challenges presented by the sluggish economy and credit markets of recent times, Bradford says that re-starting a stalled construction project like 817 Alfred also involves a substantial amount of restoration and repair before it can move on to completion. “There is always weather-related exposure to the property, so we hire third-party construction inspectors to go in and make their recommendations,” the Sycamore president explains. At 817 Alfred, for example, Sycamore removed and replaced some of the construction that had already been completed, along with hauling away lumber and other construction materials that had been sitting around exposed to the elements. “We hauled off literally tons of materials that had been exposed to weather or needed to be redone,” Bradford says.

The 817 Alfred condominiums are the third new project opened by Sycamore since it was formed in 2008 to buy partially or fully completed distressed condominiums, apartments and tract homes. The company is tracking \$500 million worth of condos, broken condos, apartments and other properties, targeting a portfolio of 1,000 to 2,000 units.

“There is a myriad of properties out there on the market by institutions or short sales that are significantly below replacement value,” Bradford says. He says that Sycamore believes that the long-term outlook for those properties is especially good in markets where supply is constrained and new development is problematic because of entitlement and environmental challenges.