



Condo Bet

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By Eugene Gilligan, Senior Editor

Where many investors may see nothing but trouble in condominium properties, one company is busily scouting the Western United States in search of these types of assets. Newly formed Sycamore Urban Properties wants to acquire new and converted condominium properties that have fallen into distress.

The company recently made its first acquisition, a 41-unit, newly constructed town home development in Rancho Cucamonga, Calif. Sycamore Urban purchased the note for the asset in September 2008, navigated the bankruptcy process and took title to the property via foreclosure in early March.

The firm is working with financial institutions to acquire notes for distressed multi-family properties, as well as the assets themselves, in California, Arizona and Nevada. Individual condominium prices have declined by as much as 50 percent in many of these markets, and many condominium properties are now trading at well below replacement value, according to firm president Mitchell Bradford. Many lenders are eager to remove these assets from their balance sheets, and he anticipates Sycamore Urban will be able to acquire them through note or bank REO sales.

And while many of the markets that Bradford is targeting are facing daunting economic difficulties, he is favorable about their long-term prospects. "The West Coast—California, in particular—is still seeing significant immigration, and that should continue forever," Bradford said.

In addition, all types of housing prices will grow in the long term due to land scarcity and long entitlement processes, particularly in California, Bradford predicted.

Sycamore Urban's plan is to lease units for three to five years since many potential buyers are having trouble getting mortgages, and then to sell buildings, either on an individual basis or as portfolios. It might also hold on to some and sell individual units.

"We want to buy low and sell high," Bradford said.

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