

Multi-family development and condo conversions poised as low-hanging fruit as market recovers

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High density housing, just beginning to gain steam before the housing downturn hit, is poised to be one of a handful of straws that stirs the soup, according to many housing industry experts.

Addressing that trend is the purpose of the Seventh Annual [National Multifamily Trends Conference](#), held each year in conjunction with [PCBC](#), the West Coast's annual homebuilding conference and trade show.

The conference look first at the current state and future outlook for the U.S. economy and the multifamily sector, including what developers and investors can expect in the

second half of this year and in 2010.

The conference is being produced in partnership with commercial RE giant [Marcus & Millichap Real Estate Investment Services](#). Hessam Nadji, managing director of research services for the Encino-based firm and the MFT program coordinator, said the daylong conference has two main goals. "First, the conference will provide practical advice and expertise on the best ways to navigate the current market defensively, including attracting, qualifying and retaining renters, minimizing the downturn operationally and preserving value," he said.

"Secondly, we have focused a lot of the planning on making sure the speakers offer ideas on offensive strategies for multifamily investors and developers – in short, how to take advantage of the downturn and positioning for the recovery, including market selection and timing.

"We will also address many of the key questions that multifamily investors and developers are asking: When will employment turn positive and what will be the pace of growth in 2010, 2011? Will Fannie Mae and Freddie Mac continue to provide financing? When will construction lending ease? And what is the outlook for distressed sales in 2009 and 2010 and to what extent will they impact overall values?"

Showing early interest in this trend is the newly formed Irvine, CA-based [Sycamore Urban Properties](#), a firm specializing in acquiring and stabilizing new and converted condominium properties that have fallen into distress since the housing bubble burst.

The company recently made its first acquisition – a 41-unit, newly constructed townhome development in Rancho Cucamonga, CA – and is actively pursuing other properties as the multi-family housing market begins to thaw and become more active. Sycamore Urban purchased the note for the Rancho Cucamonga asset in September 2008 and successfully navigated through the bankruptcy process, taking title to the property via foreclosure in early March.

"There are numerous quality properties out there in various stages of completion that have fallen victim to nothing more than bad timing, and we anticipate many of these notes and properties changing hands via note sales or bank REO sales," said Sycamore Urban President Mitchell Bradford, who founded the firm in early 2008 with company CEO Lew Halpert.

"When the market returns to some level of normalcy, shrewd acquisitions will lead to generous returns over time - as long as the investor has equal portions of patience, cash and courage," Bradford added. The multi-family market in this region has seen condominium prices decline by as much as 50 percent, and many are trading at prices well below replacement value.

Once the market begins to recover, Bradford said, there will be a strong demand for condos, particularly in

the more affordable price ranges, due to a limited supply. Inflationary pressure on pricing for housing also is expected as a result of the scarcity of developable land, long and arduous entitlement approvals, lack of infrastructure and shortages of labor and materials, he said.

As the market inches towards recovery, companies like Sycamore Urban will be positioned to bring its properties to the market either through bulk sales or as individual units sold through traditional retail sales programs.