

Sycamore Urban Properties Revives Distressed Inland Empire Asset it Purchased from a Bank

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Rancho Cucamonga, Calif.— Sycamore Urban Properties, a multifamily investment and development company based in Irvine, rescued a troubled 41-unit townhome development in a successful demonstration of its model for acquisition, stabilization and rapid revival of financially distressed real estate.

The developer says that in its first 60 days on the rental market, Sycamore Villas, a luxury rental townhome development in California's Inland Empire, has leased out 50 percent of its units, which is right on target with the developer's initial projections.

"It took Sycamore Urban just nine months from the time we acquired the note on this failing development to traverse and emerge from the borrower's Chapter 11 and then Chapter 7 bankruptcy filings, successfully foreclose, complete construction, and finally, convert the property to luxury rental townhomes and first move ins," said Mitchell Bradford, president of Sycamore Urban Properties.

"This illustrates Sycamore Urban's ability to quickly and efficiently deliver distressed multifamily assets back to the market and to economic viability."

The community has received an enthusiastic response from city officials. The original development, which was 90 percent complete, had gone into default in early 2008, and the unsecured jobsite began to fill up with weeds and trash until Sycamore Urban was able to secure the property via foreclosure several months later.

"Within weeks of the acquisition, Sycamore Urban Properties had cleaned up the site, and began finishing the units and site improvements," said Donald Granger, senior planner for the City of Rancho Cucamonga. "Our city is pleased that the once abandoned jobsite has been acquired, cleaned up and completed. Sycamore

Urban has done a fine job of taking a distressed property and transforming it into a residential rental community.”

The property might well have ended up as just another of the many abandoned developments that blight entire neighborhoods and burden bank balance sheets. Instead, it has become a stable, family-oriented community and a successful investment.

“It takes day-to-day, sometimes hour-to-hour management of all the details to build a successful community. It takes skilled oversight and aggressive project management,” said Dan Flynn, vice president of Sycamore Urban. “That’s what Sycamore is able to do and it obviously can only add value to our investment.”

Flynn said there is strong demand for the three- and four-bedroom units with attached two-car garages – all features that are relatively rare in the rental housing market.

Sycamore Urban’s business model is to lease out all the townhomes four to five months. After that point, it can either sell the five-acre property in bulk to another multifamily community investor or hold onto it until the housing market rebounds, eventually selling individual units as condominiums.

Sycamore Urban is currently tracking more than \$500 million of properties that are either stalled, distressed or in the foreclosure process. The company recently closed an FDIC asset in the Inland Empire and plans to acquire 20 to 30 additional properties over the next two to three years.

Bradford tells MHN that Sycamore Urban Properties found the Sycamore Villas deal through its existing relationship with a bank. The company had preliminarily underwritten other possible commercial real estate acquisition possibilities held by the bank, and had even underwritten this property before. Ultimately, it was not the highest bidder for the deal, but none of the other parties delivered on the purchase, says Bradford.

“The properties are out there,” Bradford said. “But identifying troubled properties in this market has proven to be a great deal easier than actually buying assets. We have been fortunate and are experiencing success and are optimistic this trend will continue”.

Sycamore Villas is located in west Rancho Cucamonga at the northwest corner of Baker Avenue and Arrow Highway.