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## **Company Plans to Acquire Distressed Condo Properties, Move them Into Rental Market**

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By Anuradha Kher, Online News Editor

Irvine, Calif.--Sycamore Urban Properties, a firm that specializes in acquiring and stabilizing new and converted condominium properties that have fallen into distress since the housing bubble burst, recently made its first acquisition. The company acquired a 41-unit, newly constructed townhome development in Rancho Cucamonga, Calif. 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 very few sources of debt that are attractive right now, except for the agencies,” Sycamore Urban President Mitchell Bradford tells *MHN*. He founded the firm in early 2008 with company CEO Lew Halpert. “It is a function of underwriting a loan property. So where in the past it used to be a 70 to 80 percent LTV, it is now 60-70 percent.”

“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,” he says. “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 explains.

Sycamore Urban is positioning itself for a market return in three to five years, when consumer interest in such multifamily residential properties is projected to be very high with new construction unable to meet the demand at competitive prices.

“In 2009, we plan to invest \$50 to \$75 million in acquisition value, which will be about 1,500-2,000 units altogether,” says Bradford. “Most of them will move to the rental market, until it stabilizes in about five years.” During that time period, the company plans to invest \$250 to \$400 million.

The firm is working with financial institutions to acquire notes and assets of distressed multifamily property in California, Arizona and Nevada.

The multifamily 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 says, 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 says. According to him, the main risk is in the short term if the market continues to devalue housing. “But as long as we are underwriting for a 3-5 year plan, the risk is minimal,” says Bradford.