
Investor Report: Sycamore Urban Properties

by *Kenneth R. Harney*

How are successful investors finding profitable niches in today's challenging market?

Take Sycamore Urban Properties of Irvine, California for example. The company's specialty is tracking new and converted condominium projects whose owners are experiencing financial problems because they mis-timed market changes.

Sycamore acquires the underlying mortgage notes or notes -- in advance of any foreclosure or bankruptcy -- at a significant discount from the project's lender. When the borrowers ultimately are foreclosed upon or file for bankruptcy, Sycamore takes over the property, lock, stock and barrel.

Late last year, Sycamore bought the note on a 41-unit newly-constructed condominium complex in California's Rancho Cucamonga area east of Los Angeles. Mitchell Bradford, Sycamore's president, told Realty Times that the company had been "tracking the property for several months and talking to the lender" about buying the note - essentially stepping into the bank's position.

None of the 41 units had been sold, and in Bradford's words, the project was "perfect for us" in that the underlying market is strong, the property is in good condition, and the developer's main problem was timing - taking on too much debt just as property values started falling sharply.

After the developer's bankruptcy filing, Sycamore acquired legal title to the project, with a plan to rent out the units for the next several years and then sell them as condos, either in bulk or individually.

Bradford would not disclose the purchase price - though he said it's under \$10 million - or the size of the discount he got on the note, due to confidentiality agreements with the bank.

Bradford said Sycamore currently is in touch with lenders in California, Arizona and Nevada, trolling for multifamily projects converted to condos, or newly-built condo communities, where the underlying asset is sound but the developer or owners had bad luck on timing.

"We are tracking north of a half billion dollars worth of assets," he said, "and we've (made offers) on \$200 million - but we still believe we haven't scratched the surface (in this niche.) There's a lot of supply out there" especially in Sycamore's three target states.

Though Sycamore's underlying strategy sounds simple - find condo project notes lenders are holding that are heading for foreclosure and may be available at a significant discount -- Bradford says it takes constant contact with lenders ... and a lot of perseverance.