

CONDO DEALS: FROM BUST TO ROBUST

Flippers capitalize on the acquisition and repositioning opportunities that emerge from the clutter of broken condo deals left behind. Condo developers and owners consider the possible avenues they can adopt as the frenzied condo market nosedives. Developers **Novare Group** and **Gerding Edlen Development Co.** attempt to keep new developments buoyant through rentals. **Alliance Residential** proposes a 30-acre apartment community in New York, originally slated for 500 condos and **Evernia Properties** looks for a buyer to pick up the pieces of its busted condo deal in Florida. **Sequoia Equities Inc.** and **Davlyn Investments** shop fractured condo deals in California to rollover as apartments. More than 315,000 apartments were converted to condos from 2003 to 2006, about 10% of which were reverted back to rentals.

The fanatical boom and bust that defines the current housing market drives for-sale condos to the rental pool in the form of fractured and reversion deals. These deals typically trade at a 20% to 30% discount as buyers attempt to mediate income statements and balance sheets. This proves to be a sweet spot for apartment investors looking for a sizeable discount and growing NOI while the rental market is still hot. Flippers typically exercise a short-term play of about three to six years and can expect high-teen IRRs annually. Anticipate condo reversions and fractured condos returning to the selling block once conditions improve. Underwriting standards continue to contract and should prompt 100% equity deals for transactions below \$15M. For now, these deals may see 50% LTVs, at best.

Condo Reversion

Novare Group flips the 395-unit **Element** condo-complex in Tampa into rentals. SVP of Development **John Akin** has yet to iron out rental price points. Average asking rents in Tampa in Q2 neared \$840. The condos were originally pegged at \$200K to \$500K. Construction on the 34-story development will wrap up in March 2009. Units average 930 s.f. and come in a mix of ones, twos and threes. Element also has 12,000 s.f. of retail space. Primarily a condo developer, Novare did not anticipate reverting the condos into rentals. However, the firm may expand into the rental market in the future.

The **Cyan/PDX** development becomes the sixth condo reversion in Portland, Ore., since Q1 2007. The move is also Gerding Edlen Development's second condo-to-apartment flip. The Cyan/PDX development in Portland's University District offers 354 units in ones, twos and threes, 290 parking stalls, 6,000 s.f. retail space, a 13,000 s.f. private garden, fitness center and a screening room. Average rental rates top \$900. In Q2, Class A rents jumped 4.8% year-over-year compared to lower-tier products that saw 6.6% rent increases. Development Managers **Damin Tarlow** and **Aaron Jones** anticipate absorption rates of about 16 to 20 units/month. Expect the \$100M-or-so project to open by April 2009. Earlier this year, the 323-unit **3720** residential tower was flipped into apartments.

Ryland Group Inc. scratches plans to develop **Venetian Isles**, a 500-unit high-rise condo community in New Port Richey, Fla. The property was annexed into the city last year. Original plans called for six buildings standing 85 feet tall with a fitness center, library and post office. The housing market crash prompted the developer to walk away from the project three years ago with plans to sell the 30-acre parcel to an apartment developer. The listing price was around \$10M. Indicators suggest that **Alliance Residential** could swoop in and build a 388-unit gated community, **Broadstone Gulf Harbors**. Alliance proposes efficiencies, ones, twos and threes with rents ranging from \$800 to \$1,300. Unlike Ryland's blueprints, new plans indicate approximately 14 buildings less than 45 feet tall. The apartment proposal is currently in the rezoning stage. Dirt will start to move next year, if everything goes according to plan.

Fractured Condos

Sequoia Equities buys the fractured 223-unit **Venu at Galleria** condos in Roseville, Calif., for south of \$30M and a 5.34% cap rate based on current rents, 5% vacancy and actual expenses.

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Constructed in 2003, Venu at Galleria holds studios, ones, twos and threes, averaging 1,000 s.f. Rents range from \$950 to \$1,630. Venu at Galleria was originally slated for 258 condos; however, the original developer converted 223 units in 2005. The units were 92% occupied at the time of purchase.

Davlyn Investments picks up its first fractured condo deal, the **Adagio** in San Diego from CC Adagio LLC. The \$22M transaction consists of 143 units within a 200-unit community. Area caps are in the high 5% range. Davlyn puts down 30% equity and gets the rest from **Bank of America**. Director of Acquisitions **Aaron L. Pacillio** maintains the investment was solely underwritten as a rental, which makes sense considering the purchase price. A condo exit strategy may become feasible five years down the line. There is no need for rehabs as the complex was recently renovated. Pacillio notices the upside in rent on renovated units typically provided a 25% return on cost based on the in place rent roll/historicals. Davlyn searches for similar deals and seeks value-add opportunities and motivated sellers. Davlyn positions itself in the current downturn by loading up the war chest from refinancing of matured holdings as well as selling a project in San Diego for near peak pricing.

The remaining 141 units of the 210-unit **Whitney** condo development in Downtown West Palm Beach is on the market for \$26.62M and a 4% cap in a busted-condo deal. Stabilized pro forma NOI is \$1.87M. Word is Whitney ran into some trouble last year when the complex closed on 67 units before contractor liens halted sales. Then, project lender iStar Financial started foreclosure proceedings. Whitney developer Evernia Properties originally priced the condos between \$200K and \$600K. Those units sold for an average of \$359K. Indicators suggest Evernia is still at least \$35M in the hole. Whitney was completed in 2007. Units average 1,259 s.f. and have nine-foot ceilings in the condo units, 10-foot ceilings in the penthouses and 18-foot ceilings in the lofts. Projected rents based on market figures are \$1.56/s.f.

HUNTERS PREPARE TO CHARGE

Multifamily investors take advantage of the attractive pricing these days by expanding their empires. However, most apartment buyers wait it out until banks finance deals again as sales prices still have room before hitting the bottom. Better-structured investors like **Federal Capital Partners (FCP)** and **Sterling American Property Inc.** raise capital to scour the financial wreckage for profitable distressed deals in the next 12 to 24 months. But **LRG Capital Real Estate Ventures**, a subsidiary of LRG Capital Group, focuses on 100%-leased properties (in many cases with a waiting list), with positive cash flow, or Class B and workforce housing, which only need minor cosmetic improvements.

Effects of the credit meltdown and the \$700B government bailout spreads into European markets, which move investments from U.S. banks, making it tougher for small business to finance deals. Banks generally finance 60% to 65% LTV. Expect many investors' funds to take the lead and swoop down on distressed multifamily assets at the opportune moment. Sterling American Property Co-CEO **Michael Katz** expects more opportunities in the current economic environment. He will wait for prices to fall 20% to 30% from last year's heights before considering a deal, even as the firm raises \$600M for its sixth investment fund. FCP itches to use its first fund. Founder and Partner **Esko Korhonen** believes the capital will also give his company tremendous flexibility to work with existing owners and lenders who may need debt or JV capital in this challenging climate. LRG, on the other hand, does not purchase distressed assets, as it uses a minimalist amount for capital improvements. CEO and Founder **Lawrence Goldfarb** believes that despite all the talk about banks not financing, if a deal makes sense — or is penciled out correctly — many community, regional banks and money centers will fund them. LRG hasn't experienced trouble getting financing and has even received multiple bids from these institutions.

FCP launches its *FCP Fund I LP* valued at \$230M. A consortium of banks led by **JP Morgan** establishes a line of credit allowing modest leverage from \$800M to \$900M in total investments. FCP doesn't set a product limit on the fund, but no more than 20%, or \$46M, will be allowed for a single transaction. It targets equity and debt investments in residential and commercial properties, but only 25% can be invested in land — mainly infill, but not Greenfield — as well as land development. On the radar: under-managed and under-capitalized assets in need of repositioning and reinvestment.

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FCP considers properties in the Mid-Atlantic, concentrating in D.C., Baltimore and its surrounding counties. SVP of Capital Markets **Steve Walsh** doesn't have a target amount of communities for investments but will pick up what makes the best economic sense. Expect the fund to be fully committed by June 2011. FCP acquires three complexes so far this year, all of which were in Maryland, for an aggregate initial investment and committed renovation capital of approximately \$200M. The recently closed 242-unit **Toledo Plaza** for \$18M in Hyattsville, **The Monterey**, a 432-unit broken condo deal for \$97.5M in Rockville and **The Park Berkshire Apartments**, with 598 doors in Forestville for \$30M. FCP invests about \$39.5M in renovation of Toledo and Park Berkshire, and of that about \$17M to complete and revert the Monterey back to renting.

Expect Sterling American's latest fund *SAP VI* to be similar in size and scope to its current fund *SAP V*, with \$610M in discretionary capital. *SAP VI* will target value-add multifamily and office opportunities across the country as well as some debt. Urban markets, including New York where prices skyrocketed in recent years, will be given the first shot. The company launched *SAP V* in April 2006 to focus on office and multifamily acquisitions, and up to 25% of its capital for development. Over 80% of its *SAP V* equity came from investors in the previous funds, while its general partners — Sterling Equities Inc., American Securities LP and American Securities Capital Partners LP — organized the funds. They made a pari passu equity commitment of \$170M for *SAP V*: Sterling Equities is the largest investor with an equity commitment of \$150M in the fund, and American Securities committed \$20M. As of the Q1 2008, this fund deployed over 50% of the raised equity, acquiring 2.8 million s.f. of office space and over 3,000 apartment units. Sterling focuses on value enhancement opportunities through improved management, leasing, marketing and repositioning.

Stay tuned for LRG's second equity investment fund in January 2009 with \$33M leveraged 3:1, or \$100M, for acquisitions. Complexes with a price point usually well below replacement cost make the wish list. Investors include high net-worth individuals, foundations, endowments and family offices. LRG typically holds properties for seven years and expects IRRs to be twice the equity invested. Desirable markets include suburban and metropolitan centers in California. For now, the banking and advisory boutique uses its *LRG Capital Real Estate Partners I Fund* for deals. That \$33M fund was also leveraged at 3:1 and makes direct, intermediate term equity investments in commercial development and rehabilitation in California. The well-diversified fund picks up four commercial properties and a multifamily complex, the **220 Canal Street** in San Rafael, Calif., featuring 43 units and 56 parking spaces. The 100% occupied building is 30 minutes from San Francisco and borders the San Rafael canal. LRG secures fixed-rate loan for at least seven years, with 30-year amortization at 65% to 70% LTC. LRG fund I is almost fully committed. Watch for LRG to close on a 100% occupied, 36-unit complex in Sonoma, Calif., by next week. LRG also checks out complexes in San Diego and Berkeley.

DOLLARS MOVE WEST

Financers and investment bankers aren't the only ones drifting away from the East; the race for higher NOI drives apartment patrons westward where robust demographic trends present buyers like **MC Companies** and **American Realty Advisors** with sound investments. Denver and parts of Arizona see vacancies in the 6%-range, while top market Seattle is at 5%. Compare that to the East Coast counterparts like New Jersey, where occupancies are about 90%, and there is enough reason for companies to expand to the other coast.

Energetic markets like Denver offer compelling fundamentals including job growth and rent increase potential. There, asking rents should advance about 3.5% in 2008, while effective rents rise 3.7%. Watch as echo-boomers, estimated around 76.3 million, flood the West Coast employment markets like Seattle that is poised for 1% employment growth this year. Phoenix adds nearly 22,000 positions in the government, health and education realm, while Denver creates 14,700 new jobs, a 1.2% increase in the past year. Coupled with the existing housing and rental gap, this cohort of 20- to 24-year-old renters will keep regional occupancy solid.

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MC Companies acquires the **Fountains at Sun City** in the Arizona city, about 25 minutes from Phoenix, for \$18M, at approximately 7% cap based on trailing 12. Principal **Ken McElroy** assumes a Fannie Mae loan of about \$13M. MC and a Canadian partnership provide the balance. The senior-housing property holds 182 units averaging 1,067 s.f. Rents average \$925. Constructed in 1996, the property comprises 12 ones and 160 twos. MC looks to invest less than \$250K in rehabs at the 90% occupied property. Anticipate a seven- to 10-year hold. The acquisition marks the company's second senior housing purchase. MC currently owns 2,473 units and manages an additional 454 units. About 20% of those are Class A and 80% Class B. Typical investment strategy: Class B, garden-style assets with at least 250 units near shopping centers, schools and public transportation hubs. Favored markets include Albuquerque, Austin, Boise, Denver, Los Angeles, Las Vegas, Phoenix, San Francisco, Seattle and Tucson. The company adds about 800 units year-to-date and hopes to reach 1,200 by year's end. MC typically grows about 15% annually. On the development front, two projects are in the pipeline and should break ground in Q4 2008 and Q1 2009.

American Realty Advisors (ARA) practices vigilance and snaps up its second multifamily deal this year, the 1995-built **Brookside Village** in Denver. Word is the price for the 304-unit complex is \$57.4M. Market caps hover in the low 7%-range. ARA re-brands the property **Alara Greenwood Village**. Look for the company to chase properties in areas like Portland and Seattle, which are less impacted by the housing meltdown. Parts of Texas and San Francisco also have potential. ARA's core apartment acquisition strategy involves Class A, suburban garden-style assets valued from \$25M to \$150M, with at least 200 to 300 units located within major metropolitan areas. Nearly 100% equity financing comes from ARA itself, which usually executes a five- to 10-year hold. ARA owns over 8,000 units and also invests in office, industrial and retail, currently managing about \$4.4B in real estate nationwide. The company implements a low-risk, low-leverage investment strategy for its core fund and a risk-controlled leverage strategy for its value-add funds.

EAST COAST BRACES FOR A HIKE

Look ahead to many cities slapping down higher impact fees for projects on the East Coast. The region, which historically implements fewer infrastructure fees than the rest of the country, isn't immune from the economic pitfalls as more cities struggle to maintain surpluses on budgets these days. The **Lane Company** expands to central Florida, where it's likely paying \$1,750/unit in fees for its Downtown Orlando project. Lane lines up several projects in the pipeline in the Sunshine State, counting on the apartment market to remain strong in central Florida. **Phillips Development and Realty LLC** (PDR) locked its project in the previous fee structure in Cary, N.C., escaping the rate hike of 45% to 75% for multifamily. **JPI Properties** completes design on its luxury project in Ashland, Mass., and should pay almost 4% in impact fees.

Don't be surprised to see more increases on the horizon. Cape Coral, Fla., proposes to spike road impact fees by 150%, from \$2,347 to \$5,857/unit, and raise water and sewer by as much as 9%. Reading Township, Pa., will require developers to pay for first time road improvements. Maine's multifamily developers will pay an additional \$435/unit in impact fees. It's not all bad news for developers, as many cities, including St. Petersburg, Fla., and Pasadena, Pa., are either killing or reducing impact fees, fearing more job losses due to a weak construction industry.

Florida: Expect residential impact fees in Orange County to go up 5%/year through 2011. Osceola County proposes a \$500 increase in school impact fees in new developments. Lake County, in the meantime has raised school fees by 32%. On the other hand, Lee County may reduce its fees due to a drop in residential permits in the last two years, causing the county to collect only about 3.5% of 2007's projected impact fee. Multifamily permits there slid from 3,998 in 2006 to 1,674 in 2007.

Lane's subsidiary in Florida works on a \$50M complex in Downtown Orlando. The company likely paid \$1,750/unit on fees there, keeping with the new rules since last October. **The Montage**, a 19-story luxury complex will feature 183 units and 8,000 s.f. of retail on the ground floor. Phase II and III will total 360 units and more ground-floor retail, to be built after completion of The Montage. Expect delivery in 2010.

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North Carolina: Quite a few municipalities in North Carolina charge transportation, water/sewer, and park and schools fees, with the exception of Charlotte. Impact fees increase in Raleigh. Cary increases fees by 40% to 75% in an effort to discourage too much growth and high density. PDR's project was the last one in Cary to get approved before the new impact fee came into effect.

PDR plans a \$20M-plus project in Cary, paying between 3% and 5% of total development cost in impact fees. Fees include transportation, water/sewer and irrigation. PDR paid permit fees of about \$30K that included expenditure and architecture fees. PDR saved about \$500K in total development costs as it received the approval on the previous fee structure.

Massachusetts: Fees in Windham range anywhere from \$1,000 to \$1,600/unit, depending on the type of residence. For the last 10 years, the city has required developers to contribute toward schools, public safety and recreation facilities. Cities like Ashland requires developers to pay for infrastructure, from roads to basins for storm water.

JPI could pay as much as \$3.5M in impact fees and permits for its 500-unit **Jefferson at Ashland Station** luxury community in Ashland. The project should cost roughly \$120M. The fees include \$2M for infrastructure improvements including sewer, plus \$111K to upgrade the outdated drainage system and aesthetics. The developer could pay the projected net tax of \$712K for schools, not including mitigation fees. JPI also paid \$500K in permit fees and it will pay the town \$1,000/unit once the project is finished and needs occupancy permits. JPI works on final design plans for the 209-acre parcel that outlines 18 buildings, each holding 24 to 36 apartments averaging 1,000 s.f. Expect rents from \$1.1/s.f. to \$1.9/s.f.. Ashland Station is in the MetroWest corridor, with headquarters of several companies such as TJX Companies Inc., Staples and Bose Corporation. It targets young professionals. Regional Managing Partner and EVP **Thomas O'Brien** expects leveraging at about 70%. But JPI considers various funding options, including mezzanine financing and bringing an equity partner on board. Groundbreaking could happen in the next few months or early 2009 with completion 22 months thereafter.

AMENITIES & DIGS

↔ **AvalonBay Communities Inc.** hopes to add another TOD to the books. This time the developer proposes to build a 530-unit community consisting of rentals and condos in Huntington Station in Long Island, N.Y. The 30-acre development suggests 424 apartments in mostly ones and twos, and 106 condos, in addition to a walking path to the LIRR station. Don't be surprised to see 25% of all units become workforce housing. It seems AvalonBay is facing some issues with the local school district that is worried about higher enrollment numbers due to the new development. The land is currently zoned for about 110 single-family homes, which apparently has the potential to bring in more children. On the other coast, AvalonBay is busy working on its TOD dubbed the **Avalon at Walnut Creek at Contra Centre** next to Pleasant Hill Bay station in San Francisco. The \$400M mixed-use project should be completed in 2010.

↔ **Julian LeCraw & Company** buys the **Wyndchase at Aspen Grove** in Franklin, Tenn., for \$71.5M and 6.25% cap based on trailing 12. A 75% LTV Freddie Mac loan provides the funding. Look for a \$2.5M minor value-add that could last three years as units turn over. Word is BCOM is an equity partner. The 560-unit Class A property features 172 ones, 298 twos and 90 threes. Units average 1,091 s.f. and rents \$1,080. Look for rents to increase \$50 to \$100. The acquisition fits perfectly with Julian LeCraw's desire to make a solid footprint in the Nashville area. There, the company owns about 890 units. Count on a typical five-year hold for the core asset.

↔ **RedPeak Properties** will spend roughly \$50M for its new luxury complex in Denver. The 148-unit community is an expansion of the 439-unit **Seasons of Cherry Creek**. The latest addition will comprise a 13-story building using environmentally friendly elements such as recycled debris, finished material, locally manufactured and recycled materials and energy star appliances. As part of the Build Green Colorado program, the building is expected to save energy to up to 15% above green codes. Units will range from 945 s.f. to 1,800 s.f. Rents will go from \$2,600 to \$4,000/month. The company secured financing through its equity partner, **The State of Washington Investment Board**. Expect completion by early 2010.

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NICHE FIRMS LINE UP PLANS

Expect senior housing prospects to be bright in the long-term. Pay special attention to assisted living (AL) that experiences high occupancy rates of 95% and revenue growth of 3.7% to \$3,435/unit. Limited availability and high construction costs will restrict development, keeping vacancies low, especially on the East Coast. Construction is more active on the West Coast and owners realize revenue gains by offering more amenities. There, **Vintage Senior Living** partners with the California State Teachers' Retirement System (CalSTRS) for deals. More than half of its units are AL, a smaller percentage are independent living (IL) with 20% to 30% beds for Alzheimer's or dementia care. **Chartwell Senior Housing REIT** expects to grow its home base in Canada, compared to expanding in the U.S. The giant counts on the Canadian retirement population, expected to increase five times the general population in the next 20 years.

Vintage Co-CEO **Eric Davidson** expects to close more deals, counting on owner's inability to refinance and willingness to sell. Vintage has \$35M from the initial \$225M left from its JV with CalSTRS to acquire, develop and manage senior housing complexes. Vintage's services will likely increase by 50% in the next 20 years, as the Golden State will be home to an estimated 3.9 million baby boomers. Even though Canada hasn't showed signs of heading into a recession, Chartwell Co-CEO **Stephen Suske** plans to invest only about 20% in development compared to the \$2B worth of assets acquired in the U.S. and Canada in the past two years. Chartwell picked up 2,374 units, or 26 senior housing properties, in the U.S. last year, using \$357M in defeasance. The acquisition made up about 33% of the REIT's North American portfolio.

Vintage will focus closer to home in California, Washington and Arizona to prevent service compromise. The company is looking into AL, independent living and skilled care, with 140 to 150 units. Vintage shells out \$36M for 169 units in San Ramon in Northern California. The independent/AL was stabilized at 91% to 92% occupancy. Vintage will invest \$750K for minor cosmetic renovations. Freddie Mac financed 65% of the deal, and the JV puts in the rest. Look for Vintage to open a project in Burbank, Calif., next spring, featuring 102 units of AL and Alzheimer's.

Chartwell seeks new development management contracts and other revenue sources using \$350M from development partners Spectrum and Melior. The capital is to be invested in its Canadian markets only. The REIT has an option to purchase additional stabilized senior-housing communities under the terms of a development program carried out by Spectrum. The development entity offers some of the trust's senior executives an ownership interest. Chartwell also provides mezzanine financing for the development, in lieu of the ability to purchase Spectrum's interest in these communities at a discount after stabilization. The REIT evaluates the purchase of 10 Spectrum projects to enhance the growth and quality of its portfolio. It may also sell some assets next year. It oversees 37,401 suites in 271 senior-housing complexes.

BUYERS FAVOR DISTRESSED NOTE ACQUISITIONS

Attractive yields, lower cost basis and financial flexibility draw investors toward distressed debt deals. Debt buyers like **DBP Capital LLC** and **MC Companies** find repositioning opportunities in these deals usually discounted 20% to 50% because lenders are trying to eliminate the bad debt from the books. First mortgage opportunistic loans tend to see 11% to 14% yields while mezzanine loans reach 15% to 18%. Debt buyers also often use discounted loan sales as a bridge-financing tool to obtain favorable permanent financing in the future. Look for more debt buyers entering the pool once troubled institutions like Wachovia, Washington Mutual and American International Group Inc. start dumping bad debt.

Distressed loan buyer DBP Capital buys the note for **Chesterfield Apartments** from American International Group Inc., for about \$3M in an all-cash deal. DBP now forecloses on the property to eliminate existing liens. The apartment complex is assessed at about \$7M and was sold at a discount because the loan was due and refinancing was difficult to get. Chesterfield was originally part of a 832-unit portfolio. DBP's investment strategy: acquiring and servicing distressed commercial mortgages such as non-performing and sub-loans, DSCR deficient loans and deals related to bankruptcy and foreclosures. DBP makes purchases based on unpaid principal balance ranging from \$1M up to \$50M per asset on a national level. Look for multifamily, office, retail, industrial, hospitality and specialty assets.

MC Companies buys the bank note to **Bay Harbour** complex in Bayton, Texas, foreclosing on the property. Stabilized assets trade for about \$50K/unit. Chances are MC picked up the note at a 20% to 40% discount. Bay Harbour was built in 1973 and averages 1,006 s.f. It is 56.8% occupied and will receive \$8K to \$10K/unit in rehabs.

WHAT'S IN STORE FOR MASTER PLANS?

Anticipate many large MPCs to be put on the shelf, unless the developers find markets — and the required financing — that still support such mega projects. **Historic Real Estate Inc.** plans a \$700M project in Houston, specifically the area surrounding the Texas Medical Center (TMC) with more than 100,000 employees. Historic counts on these employees to live within the competitive WaterLights District, which has initiated a \$3B expansion plan with another \$5B worth of construction slated to start within the next few years. This expansion will add over 30,000 new jobs. **Giarratana Development LLC** plans to create jobs with its 1,500-acre plan in suburban Nashville that will take a few decades to complete. The firm will strategically target companies moving away from crowded downtowns, as well as those relocating corporate headquarters.

Financing projects of this scope will require more equity than before, anywhere from 35% to 40%. Debt terms will depend on asset quality, market demand, equity contribution and the strength of the developer. Historic, for example, finds plenty of private equity available for its developments located in areas with predictable job growth. Executive Director **David Goswick** finds that many high net-worth individuals pulled their money from the stock market and look for quality real estate opportunities. These investors, however, demand a slightly higher rate of return. Giarratana believes that projects need to stand out in such financial cycles. The firm develops relationships with smaller, more local banks not directly exposed to the toxic loans that precipitated so much of the real estate decline. Development Associate **David Koellein** foresees that projects underway will have to factor slow growth initially, before picking up steam again. In the long term, large MPCs with mixed-use and urban development will be increasingly popular in light of fuel costs.

Historic Real Estate plans a 300-unit apartment complex in its mega-\$700M **WaterLights District** project in Pearland, Texas, only eight miles from the TMC. **The Plaza at Waterlights** will cost about \$40M, mixing 35% equity and 65% debt. The Plaza will be part of a private, four-story luxury apartment complex, wrapped around a parking garage on 4.25 acres. The units will range from 670 s.f. to more than 1,500 s.f. Projected rental rates are from \$1.45/s.f. to \$1.60/s.f. Historic is currently interviewing apartment developers. Expect the apartments to break ground in Q1 2009 and complete by Q3 2010. The 150-acre project will also feature office, retail, 1,400 residential units and a world-class nanotechnology research campus in affiliation with Rice University.

Giarratana plans its multi billion-dollar **May Town Center** in Bells Bend, Tenn. The MPC slates 4,000 units that represent a minimum of the anticipated total. The developer blueprints about 90 residential, ranging from two-story townhomes to 18-story condominium building, including affordable/workforce housing — 20% of the total — executive housing, and most every price point in between. Watch for residences to be included in every stage of development, which may take approximately five phases for full completion. It's too early to identify partners or financing. Construction is likely to begin in 2012 once the entitlements for the bridge for the Cumberland River are done.

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