

## **Developers leverage reputation to grow multifamily portfolio, obtain loans**

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Finding bargains in the multifamily property sector is easy right now. Getting credit is another issue.

But Blue Rock Partners LLC of Tampa may have solved that quandary by joining forces with a traditional retail buyer and management company and snapping up more than 600 rental units in the Brandon area in acquisitions worth \$50 million in the last five or six months. More are on the way.

“We feel that it’s a terrific opportunity to be a contrarian and to build up our portfolio,” said Reuven Oded, a principal partner at Blue Rock with Randy Ferreira.

### **Convincing banks to take the leap**

Last year, Deerfield Beach-based **Konover South** LLC, an affiliate of The Simon Konover Cos. in West Hartford, Conn., bought its way into Blue Rock as a third partner. Blue Rock already was managing close to 3,000 units in the Tampa and Orlando regions and was looking to get more.

Oded and Konover principal Simon Konover have been friends for some time, and last year Konover decided it was time to diversify a bit in Florida.

“Development isn’t as rampant these days in the retail sector, and we saw some opportunities in multifamily,” said Greg Combs, president of Konover South.

In April, the two companies purchased the 228-unit Hawthorne Place in Riverview for \$20 million, renaming it Park at Knightsbridge. And last month, Konover and Blue Rock acquired a second property, the 390-unit Grand Rivage on Grand Isle Drive in Brandon, for \$30 million and renamed it Park at Dorchester.

Both times, Konover and Blue Rock negotiated with the lenders that had outstanding mortgages on the properties teetering on foreclosure and convinced those banks to roll the mortgages over to them. “The lenders already had these assets on the other side of their balance sheet as a bad loan,” Oded said. “Because of our name and reputation, and because of the fact that we had been there and done that, the lender had enough faith and trust in us to get it done.”

That may sound like a sales pitch, but name and reputation is really what's fueling the multifamily acquisition market right now while credit remains tight, said Shari Olefson, a statewide real estate attorney based in **Fowler White Boggs'** Fort Lauderdale office. "For trades like this to happen, you will have buyers who may not have the resources themselves but a solid balance sheet that they can take into a bank and negotiate with."

Buying in now may be advantageous. The multifamily sector began its downward trajectory roughly 18 months ago thanks to the condominium conversion bust, and it's now in line to rebound, said T. Sean Lance, managing director for NAI Tampa Bay.

"Of all the distressed asset classes, multifamily is probably the most preferred," Lance said. "It could recover potentially by the end of the year or early next year as opposed to office and retail properties, which started their downward trajectory later and are going to be hit hard next year."

### **Looking to reposition**

Blue Rock and Konover have dropped another \$3.6 million into both Park at Dorchester and Park at Knightsbridge in renovations — equaling between \$4,000 and \$7,000 a unit — in an effort to turn around occupancy that had been under 70 percent. Now Knightsbridge is 92 percent leased with hopes that Dorchester will have a similar turnaround once renovations are complete.

The two companies are looking to continue their buying spree well into 2010.

They have letters of intent to purchase another \$50 million in property in the Tampa and Orlando areas, and are doing their part to eliminate distressed properties that are weighing down bank balance sheets.

"All these toxic assets people are talking about, the lion's share of it are commercial assets, whether it's office or multifamily or retail," Blue Rock's Oded said. "Multifamily is a huge component of that, and we feel that the lenders are going to be more and more in need of operators like us who know how to reposition it."