

How to: TURN AROUND A STRUGGLING PROPERTY

By Natalie Dolce
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SAN DIEGO—When Atlanta-based the Radco Cos. took over as acting developer for the Mark, a 32-story 244-unit condominium building located directly north of San Diego's Padres' Petco Field, not one unit had been sold for almost two years. The company was engaged to renegotiate the senior loan and to take over full development responsibilities from the original sponsor.

The company's plan was to use an aggressive relaunch of marketing—including advertising, television signage, magazines, a broker/buyer event—community outreach, and a repositioning plan. In doing so, the company was able to sell 79 units, and has since paid off the remaining \$35 million construction loan in less than one year.

Radco was hired as a lending agent for the project and immediately restructured the property's loans to include some additional terms and flexibility, with the agreement of all parties involved. Then Radco began a value preservation program, where they stabilized the asset, maintained its value and extracted additional value for the ownership entity.

Norman Radow, the company's CEO, points out that "turning around a struggling property can be complicated and fraught with unknown risks," says Radow. "But this is what we do." He continues that "paying off a construction loan on what was recently a fractured condominium in 2009 and 2010 is especially gratifying."

Radow adds that the company expects the mezzanine loan, owed to Lehman Brothers, to be paid off in 2010 as well. "The Mark is now a complete success," Radow says. "That is some turnaround."

This isn't the first time the company has successfully turned around a struggling property. In Woodland Hills, CA, as *GlobeSt.com* previously reported, the company turned around a 1,279-unit, 1980s-era apartment community called the Met Warner Center. It was comprised of 16 three-story buildings that were acquired by a condo converter. All of the units were emptied, renovated in the same color palette and offered for sale.

What happened, according to Radco, was that sales stalled, the homeowners were unhappy and property management was overwhelmed. The project had no sales for months and the mezzanine lender and preferred equity lender asked Radco to take over. According to the company, this was one of the largest condo projects to fail in the county, with \$230 million in condos remaining to be sold.

Radco's plan was to reposition the property to better appeal to its main demographic—the first-time homebuyer. The club house, fitness center, pools and models were redone with that particular market in mind. In addition, sales materials were created to "excite the newly defined market." Radow told *GlobeSt.com* at the time that he saw the Met as "a diamond in the rough."

Even with the 2009 housing market, the Met ended the year with 27.3% market share in Los Angeles County and 69 closings in the fourth quarter. In addition, traffic throughout the year more than doubled, and between January and April 2010, the Met has sold another 63 units.