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DT Group Buys 792 Units via \$51M Financing

By Bob Howard

LOS ANGELES-The DT Group of North Hollywood has acquired two apartment complexes totaling 792 units in two Atlanta submarkets via a \$51 million financing package, according to Highland Realty Capital. The package includes \$35 million in bridge financing and \$16.1 million in joint venture equity that the borrower used to acquire the properties, according to Brad Sevier of Highland's Los Angeles office.

Sevier tells GlobeSt.com that Highland took the deal to market "during an extremely volatile time in the capital markets," but was nonetheless able to arrange a package that provided debt at approximately 70% loan-to-cost at a floating rate that the borrower elected to swap into a fixed rate at closing. The life insurance company that funded the transaction, through an on-book program, "overcame some hurdles that other lenders could not get comfortable with in this lending environment," Sevier says. In addition, he points out, once the loan was under application, the lender "held pricing at a time when other lenders were widening spreads." The loan also included \$3 million of renovation capital and a small interest reserve.

The equity portion of the package came from a private equity fund based in the Midwest that provided 90% of the required equity as part of a larger equity facility. This will allow the DT Group to access additional capital for future projects, Sevier explains. Placing the equity for the project also was challenging in view of the uncertainty in the market, he says.

Sevier points out that many equity providers are focusing on their existing partners, while still others are using very conservative underwriting assumptions, including exit cap rates. "In the end, we found a venture partner that truly believed in the developer, the market and the business plan," Sevier comments.

The DT Group's business plan involves removing rent restrictions placed on the properties when the previous owner attempted to convert the assets to low income housing several

years ago. The DT Group, headed by president and CEO Dan Markel, plans interior and exterior improvements at the properties.

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