

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL.

WSJ.com

NY REAL ESTATE RESIDENTIAL | FEBRUARY 1, 2011

Restart for Stalled Condo Project

Williamsburg Development on North Fifth Is Example of 'Loan to Own' Trend

By JOSEPH DE AVILA

An unfinished Williamsburg condominium development is getting a second chance to be completed.

New Jersey-based developer Urban American LLC has taken control of an unfinished 17,000-square-foot condo building on North Fifth Street, according to property records. The deal is the latest example of a stalled construction project moving forward as the city's economy recovers.

Also, Urban American is one of many developers taking advantage of the recovery through a so-called loan-to-own strategy. These investors typically buy the debt on distressed properties and then work out deals with the owners to take control.



[View Full Image](#)

Amy Sussman for The Wall Street Journal

A New Jersey-based developer has taken control of an unfinished 17,000-square-foot condo building on North Fifth Street in Williamsburg.

Loan-to-own deals are becoming more widespread because banks are becoming more willing to sell troubled loans. Williamsburg, home to several stalled housing developments, has garnered attention from institutional investors and developers alike.

The building's original developer, Brooklyn-based Lucky Boy Development, bought the development site at 170 N. Fifth St. for \$2.6 million in 2005, according to property records. The company managed to complete about 70% of the work on the condo with about 17 units before stopping construction last year.

"We are going to finish construction on the building, and it will either be run as a rental or a for-sale project. We haven't made

that determination yet," says Douglas F. Eisenberg, chief operating officer for Urban American.

Urban American acquired the debt on the project in March, paying about 50 cents on the dollar for the loan of about \$7.5 million made to Lucky Boy by the Bank of Smithtown, Mr. Eisenberg says. Urban American took control of the property in January.

Mr. Eisenberg says that Urban American's total cost comes to \$8.7 million but didn't provide additional detail. Officials with Lucky Boy Development didn't respond to requests for comment. Bank of Smithtown, which was acquired last year by People's United Financial Inc., of Bridgeport, Conn., declined to comment.

Lenders holding mortgages on developments sold \$6 billion to \$7 billion worth of this debt last year, according to Robert A. Knakal, chairman of Massey Knakal Realty Services. That's up from about \$1 billion in 2009, he estimates.

Mr. Knakal predicts the sale volume will be about the same this year as it was in 2010.

Some of the biggest deals in Brooklyn last year were for distressed properties. "There is so much money that is looking for these deals," says Ofer Cohen, president and founder of commercial-brokerage firm Terra CRG. "They want in on the action."

Lucky Boy hired architecture firm Rothzeit Kaiserman Thomson & Bee to design the property on North Fifth, which was being marketed as the Williams. The company doesn't have a timeline for when the project will be finished, Mr. Eisenberg says.

The growth of loans sales is good news for the city's struggling construction industry. Since February 2009, work has resumed on 195 projects in Brooklyn that were once stalled, according to the city's Department of Buildings. Of those projects, 44 have been completed.

Write to Joseph De Avila at joseph.deavila@wsj.com

Copyright 2011 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com