

\$50M fund will buy back bad real estate bank notes

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Iron Stone Real Estate Cos. established a \$50 million fund and a new division to buy bad bank notes backed by commercial real estate properties.

It's a way for the company's newly formed debt acquisition division to buy real estate in the region at a huge discount, build up Iron Stone's portfolio and allow it to reposition the properties for eventual sale within three to five years. For a bank, it's a way to unload bad bets in a cash transaction and get rid of assets it has no interest in owning.

Activity in these types of commercial real estate transactions hasn't been prevalent, but experts in the industry expect it to pick up throughout this year and into next year. An uptick in these deals has been experienced in residential real estate and is expected to continue.

The Iron Stone Real Estate Fund II recently closed for an undisclosed amount on a series of loans made by Astoria Federal Savings Bank in New York that were past due by four to five months and were collateralized by a portfolio of 13 apartment buildings in Philadelphia and nearby communities. Three of the properties in

the portfolio were 5701-5729 Kemble Ave. in Philadelphia, which has 50 units; 6515-6519 N. Broad St., which is also in Philadelphia and has 32 units; and 130 Garrett Road, a 64-unit complex in Upper Darby. The properties have 364 apartments in all and monthly rents run about \$750.

"There aren't a lot of buyers out there who buy notes," said Matthew Canno, partner and director of acquisitions at Iron Stone.

Iron Stone, based in Philadelphia, plans to buy any asset type — retail, condominium, office, fractured condos, with the fund. While it has focused on value-add deals prior to this, it will pick up distressed properties by buying bank notes with this fund and limit acquisitions to within a two-hour driving distance. All the deals are in cash and done quickly. Once a bank calls offering one of its collateralized overdue or foreclosed mortgages, Iron Stone decides within two days whether it wants to buy it and will close the deal within 30 days.

One of Iron Stone's better known projects is the redevelopment of the former Medical College of Pennsylvania campus in East Falls.