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Iron Stone tapping distressed loan fund

by Natalie Kostelni Staff Writer

Iron Stone Real Estate Cos. has made another buy with a \$50 million fund to buy bad bank notes collateralized by commercial real estate.

It picked up a loan associated with the Manor on Ogontz Avenue in Philadelphia and the deal led Iron Stone to negotiating a deed in lieu of foreclosure late last week, giving it full control of the property.

The apartment building at 5600 Ogontz Ave. in Philadelphia has 205 units and sits near LaSalle University, Albert Einstein and other institutions. Iron Stone bought a \$12 million distressed loan backed by the property, which is often locally referred to as Ogontz Manor. The firm declined to disclose who it bought the loan from and who owns the property, citing a confidentiality agreement.

On Philadelphia property records, the owner is listed as Ogontz Manor Realty, which bought it in late 1996. It was a New York-based owner who refinanced the building a few years ago and didn't really have the local presence to manage the property, said Matthew Canno, director of acquisitions at Iron Stone. The building is about 70 percent occupied even though it has historically had high occupancy, Canno said.

The Manor doesn't need an extensive overhaul but the vacant units need some upgrades and a few capital projects, such as a new roof and boiler, are planned.

Earlier this year Iron Stone arranged the \$50 million fund and a new division to buy bad bank notes backed by commercial real estate, and in the last two months bought mortgages backed by 14 buildings in Philadelphia that have 570 apartment units. Many of those properties are in the same neighborhood as the Manor.

"We're building a nice portfolio in the area," Canno said. "We like that area. It has a good feel."

The fund is a way for the company's newly formed debt acquisition division to pick up properties at a huge discount, build up Iron Stone's portfolio and allow it to reposition the properties for eventual sale. For a bank, it's a way to get rid of bad bets in a cash transaction and get rid of assets it has no interest in owning. Iron Stone said, for example, it closed the Manor deal in cash in seven days.

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.

Categories: Banking & Financial Services, Commercial Real Estate, Residential Real Estate

Companies: Iron Stone Real Estate Cos.

People: Matthew Canno

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