

RE-DEVELOPMENT & RE-POSITIONING – DISTRESSED (OR OLD) PROPERTIES

- Distressed Properties represent one of the best real estate investment opportunities. The basic strategy is to create value through the acquisition of troubled assets directly from owners or by buying the debt attached to those properties.
- Distressed property would include old or poorly maintained buildings and poorly-performing multi-family housing and commercial warehouses that can be re-developed into better assets.

BUSINESS CASE

- Property owners, banks and other financial institutions that have properties they are:
 - Trying to sell in order to trim their portfolio exposure, limit potential losses, generate cash flow for other needs and improve their balance sheets.
 - Interested in acquiring in order to create or enhance real estate asset portfolio or to generate increased cash-flow to improve their balance sheets.

BUSINESS CASE

- In other cases, a bank may be in a position to work with a property buyer to recapture some of the value in the property at some time in the near future. In that case, a joint venture is created where the new investor will buy the debt and take it off the bank's books
- The bank can potentially realize some value on the back-end through holding a contingent interest in the property. The property will then be repositioned, stabilized, professionally managed, thereby creating value which will be shared by the re-development SPV partners.

BUSINESS CASE - LOFTS

- Transforming old buildings as well as new buildings into choice townhouse, apartment and condominium living environment...with attendant amenities and neighborhood improvement.
- Transformation repositions and revalues property for improved asset value, cash-flow, and better property management options.

MARKET CONDITIONS

- While the current financial crisis would make discounted asset prices available on the front end of these transactions, there would be little interest in these opportunities without the demand that makes these properties viable on the back end.
- The dynamic which drives the process is the expected surge in demand for rental units in Nigerian large urban markets, especially Lagos and Abuja, and in dense suburban infill housing locations in the nation's largest metropolitan areas.
- Market conditions call for a partnering between bank and a seasoned re-development team, with international repute and exposure. Partnering may result in development Special Purpose Vehicles (SPV)

RE-DEVELOPMENT STRATEGY

- SPV interest would include acquiring the debt on non-performing or performing construction loans, complete unfinished construction and return the buildings to the market quickly as rental properties.
- Condo-conversion plan shall be retained in case market conditions change at some point in the future, but the immediate goal is to re-establish improved value for the property and put it back into operation.
- Some of this repositioning might result in a mixed-use property being created. Especially in the target urban areas, the ground level of large residential buildings can often be converted to retail spaces that serve tenants and make the neighborhood more attractive. In a project with ground-floor retail and upper-floor condos already planned, the SPV can keep the retail but convert to apartments above.

RE-DEVELOPMENT STRATEGY

- AIM Partners Housing and Development Group-Spec Homes has the expertise in multifamily rental to recognize the value of the property and create action plan for strategic improvements that would maximize a property's value over time.
- As part of the acquisition strategy, the neighborhood redevelopment plans has to be factored in, if needed for asset re-positioning.
- This acquisition strategy contrasts with many assets-focused buyers who seek to profit solely through the arbitrage of the mortgages attached to properties.

SUCCESS STRATEGY

Capitalization Capacity

- Beyond the obvious qualification of the bank partner having the capital to complete the transaction, banks are targeting firms that have the real estate expertise to redevelop and reposition the property for the best chance of success.
- These will be development teams, such as ours, that are most interested and versed in examining the true value of a distressed asset and possess the expertise to partner with a bank, even when the resultant SPV maintains an interest in the property after the sale, such as seller financing.

SUCCESS STRATEGY

Turn-Around Experience

- The management team of AIM Partners Housing and Development Group-Spec Homes has demonstrated, strong real estate investment and development experience, operations experience and asset management experience.
- The team has the required experience to turn around distressed properties into value added assets.
- In some cases, the team has worked to assist a bank partner that simply needs to remove under-performing mortgages and properties from the books, such as when there's pressure from bank regulators to clean up the balance sheets quickly.

SUCCESS STRATEGY

Challenge

- Given the challenges in today's credit markets, the acquisition of distressed multifamily rental assets or the debt on those properties presents an attractive, large-scale investment opportunity.
- However, to truly take advantage of these opportunities, banks/investors need more than readily available capital to purchase assets at a discount.

Opportunity

- The true creation of value will come from real estate teams that have capital, along with the real estate expertise, experience and capacity to reposition or redevelop those assets to meet the great ongoing demand for rental housing.

EXIT STRATEGY

- Because of the sizes and types of properties that would be targeted, and the nature of the redevelopment and repositioning process, investment in this business model requires deep experience in rehabilitation, repositioning and operation of multifamily properties-- not to mention a hold strategy that allows investors to wait for and sell into a healthy, stabilized residential market.