Strategies

San Diego Manager Launches Rescue Finance Program

San Diego-based fund manager **Pathfinder Partners** has launched Pathfinder R3, a program through which it will finance troubled commercial real estate borrowers. The program aims to work with borrowers to restructure, modify or repurchase commercial real estate loans via bridge financing or equity investments, said **Mitch Siegler**, senior managing director.

The company is a residential specialist, with investments in both the multifamily and single-family markets that include detached homes, condos and townhouses. It concentrates in the largest Sunbelt states, California, Arizona, Nevada, Florida and Texas. "These experienced the greatest appreciation during the boom period and are suffering the highest distress now," Siegler said. Additionally, owners there have benefited from government stimulus programs, first-time buyer home credits and programs from **Fannie Mae** and **Freddie Mac**.

When making investments, the company focuses on markets with good educational infrastructure and land constraints or restrictions on growth. Pathfinder closed six deals in 2009, but has yet to close a deal in 2010. It anticipates closing several transactions within a few months, Siegler added. The company will make investments and loans of $1 million to $10 million, with pricing based on risk and structure. The terms will be from one to seven years.

Coastal Predicts Stronger 2010

Sacramento-based **Coastal Partners** is expecting to see more activity this year in retail development, its core focus. The company targets community-oriented retail development projects in Massachusetts, Southern New Hampshire and Maine and is preparing several large parcels for development throughout the region. "I anticipate that [2010] will be a stronger year than 2009," said **Michael DiGuiseppe**, managing partner.

Coastal is working with large-format retailers and pharmacies and also does build-to-suits for companies such as **Walgreens**, **TJ Maxx**, **Michaels**, **Office Depot** and the **Olive Garden**. The company saw little demand from retailers over the past two or three years. "Since most retailers had very little expansion in 2008-2009, it would appear they will be primed for modest expansion in 2010-2011," DiGuiseppe said. The company's development parcels range in size from 10 to 40 acres.

The company targets properties of 100,000 and 200,000 square feet in major demographic areas and edge cities with dense populations and strong traffic counts. Most recently, it completed a **BJ's Wholesale Club** in Quincy, Mass. The property is only 84,000 square feet, much smaller than the typical 120,000 square feet format that the wholesaler targets, and is tailored for urban and infill markets. "Quincy is the first small-format BJ's prototype in New England," DiGuiseppe added.

Coastal targets returns of 15% to 18% and typically holds properties for one to five years. The current financial markets require 20-30% equity to obtain construction financing.

Sherwood Seeks Manhattan Opportunities

Sherwood Equities is looking for development opportunities in Manhattan, despite a slow recovery. Development hasn't rebounded the way it did after the last major downturn in the 1990s, said **Jeffrey Katz**, ceo. "Most who own these sites paid more than they could get for them now, so they're trying to hold on to them if they can. Also, there's still reluctance on the part of banks for financing, so no one knows when they'll be able to build again," he explained.

The company last week acquired a development site at 500 W. 21st Street in the city's High Line district. Sherwood, however, believes that now is not the time to build. There is a one-story garage on the property that will most likely be leased as a gallery or warehouse. While the site can support a 100,000-square-foot development, Sherwood will wait at least a year to consider building and could wait as long as four years. The site, which runs along the west side of 10th Avenue, between 20th and 21st Streets, would most likely be used for condos, Katz said.

When a development site does come up, it changes hands quickly. Additionally, acquisitions have to be completed on an all-cash basis, similar to what Sherwood did for 500 W. 21st Street, said **Ryan Nelson**, senior v.p. of acquisitions and developments. The company purchased the senior loan on the property a year ago and then filed for foreclosure when the previous owner defaulted in August.

Katz and Nelson declined to name the price but said the loan was purchased at a discount to the $24 million par value. The sellers were a partnership including **Andre Balazs** and **Charles Blaichman**, which paid roughly $50 million.

