



Q&A with Tim Bradley: There Aren't Many Distressed Properties in Student Housing

Published: August 20, 2009

Timothy Bradley (*pictured*) is senior associate with Philadelphia-based BlueStone Real Estate Capital. He joined the firm in 2004 to focus on the development of new business relationships on the firm's behalf. Today, his responsibilities include raising debt and equity for the firm's clients, while simultaneously structuring and negotiating loans for all product types. Bradley focuses on senior housing and student housing facilities as well as retail properties.

Prior to joining BlueStone Real Estate Capital, Bradley owned Keystone Mortgage Group, a mortgage brokerage firm providing mortgages for both residential and commercial clients located throughout the Northeast region.

Bradley talks to *MHN* Online News Editor Anuradha Kher about how the student-housing sector is faring and why multifamily in Philadelphia is doing better than in some other large metros.



MHN: A construction loan in these times? How hard was it to secure it?

Bradley: Over the past five years, we experienced a bull market for new development with lenders and equity investors leaning towards existing assets. There are not many financing options in today's market for construction loans over \$10 million-\$15 million without syndication. However, we were able to secure financing because of the location of the project at Old Dominion University, one of the fastest growing universities in U.S., and a market undersupplied for students close to campus.

MHN: How is the student housing industry doing compared to the apartment market?

Bradley: The student housing market, unlike other sectors, remains relatively strong today's tough economy. In fact, enrollment has increased in many areas as many unemployed workers are going back to school. To sustain increased enrollment and make up for the lack of funding for on-campus housing facilities, many schools are looking to private developers to fill the gap. While individual markets vary, student-housing facilities with the proper characteristics are still leasing up to 100 percent and we are not seeing as many distressed opportunities as we are with apartments.

MHN: Why do you think the district at ODU got financing?

Bradley: While there isn't much new construction going on right now, the District at ODU is unique in that it will allow students to live closer to campus and meet the increased housing demands of students living in this market. This project encompasses all the top characteristics of a successful student housing deal: a location close to campus, high demand and lack of purpose-built supply, and a surge in enrollment.

MHN: Has Bluestone secured any loans for an apartment project?

Bradley: Yes, we recently secured \$36.5 million in senior debt for The Glen at Shawmont Station, a Class A, 202-unit multifamily complex located in Philadelphia. The loan was structured and secured on behalf of Hunters Pointe Associates, an affiliate of the Andorra Group, a Philadelphia-based real estate development and construction firm. Freddie Mac provided \$30 million in senior permanent financing and an additional \$6.5 million was secured from local banks and collateralized by additional real estate assets. The 10-year, senior permanent loan is fixed at 6.2 percent and amortized over 30 years.

MHN: Is there a secret to finding financing in this market?


Bradley: There isn't really a secret to securing financing, as it generally comes down to the financial strength of the borrower and the strength of the deal compared to the rest of the market.

MHN: How is the apartment market in Philadelphia doing?

Bradley: Philadelphia is still a relatively strong market for apartments. Cities like Philadelphia are a little more insulated from market highs and lows as there is less overdevelopment, and therefore less fallout. Despite more affordable housing, vacancies have picked up a little bit in the second quarter because of job losses leading to weaker renter demand. Vacancy rates in the region range from 4 percent to 9 percent with the suburbs currently outperforming metro Philadelphia. In the submarkets of the region, Northern Delaware and South Jersey are not performing as well as properties in Bucks County, Montgomery County and Center City.

MHN: Is there any new construction there?

Bradley: Like many areas of the country, there isn't a lot of new construction in this market, so most of the activity is in existing supply. In spite of this, there are still exciting construction projects that are getting done. One recently completed project is The Piazza, a mixed-use project consisting of retail, restaurants and over 400 units completed by Tower Development in the Northern Liberties section of the city. The project so far has done very well with relatively few vacancies.

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