http://secure.imn.org/~conference/web_confe/index.cfm?sc=20100603_RE_0027&pg=Agenda

Day Two: Friday, June 4, 2010

9:15b MULTIFAMILY RENTAL INVESTMENT PANEL

• Are the Cash Flows Still Predictable in these Unpredictable Times? • Tenant Demand • Impact of Supply Increase from Former Condos • Working with the GSE's • Opportunities in Apartments Leaving the Federal Affordable Housing Programs • Loans vs. Property • Property Management of Distressed Apartments • Notes vs. Properties • Is Equity Financing Available?

Peter M. Amari, Parkmont Capital, LLC (seated first in row from right to left)

Parkmont Capital

Peter M. Amari
President

IMN Real Estate Opportunity & Private Fund Forum

Sheraton New York Hotel and Towers
New York, June 3-4, 2010

MULTIFAMILY MARKET PANEL

Takeaways for Smart Growth Investments from Parkmont Capital, LLC

- ‘Smart growth’ investments in real estate and industry span multifamily, retail, medical, mixed use, and infrastructure sectors in urban and metro communities. They sustain businesses, services, employment, and environment: (a) build-up of under-performing assets; (b) adaptive renewal of properties; (c) business expansion projects.

- ‘Smart Growth’ investments thrive on private sector finance combined with socially-responsive management practices to build-up cash flows and capital gains: (1) equity plus debt with low leverage; (2) hands-on management and sustainable development practices.

IMN Q.1

Where are the opportunities for Multi-family development in 2010 and in the medium term?

1. *New Development*. Land and commercial property near transportation nodes: e.g., light rail between city centers and metro towns.

2. *Conversion & Redevelopment*. Office and retail properties in city and town centers that cannot match the open space facilities and amenities of office complexes and malls in metro locations.

3. *Mixed Use Projects*. ‘Obama Care’ has opened opportunity for primary medical services to be delivered via private clinics located in city and metro sites. Opportunity to combine multi-family development with medical, food & beverage, banking and retail services.

IMN Q.2

What are the advantages of investments in Multi-family and Mixed Use Assets and Projects?

1. In the Institutional Market for Multifamily Assets, capitalization rates at acquisition are low near pre-downturn levels. This segment of the market contains high liquidity available for acquisitions crowding into a finite set of assets with stabilized cash flows. Market exposure to higher interest rates, and accompanying price compression, requires long term investment holding periods of ten years and longer up to twenty years for satisfactory returns.

2. In the Smart Growth Market for Multifamily Assets, capitalization rates at acquisition are comparatively higher than pre-downturn levels, and the investment holding periods are in the medium term for satisfactory returns. Exposure to higher interest rates and deflationary pressures is mitigated at acquisition, inasmuch as prices are driven by economic value estimated up front for the entire investment cycle of acquisition, development, ownership and exit.

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In the Smart Growth Market for Multifamily Assets the following criteria prevail:

- Investments are made on economic value, not in expectation of future market price increases.
- Cash flow generation and/or expansion take place in 12 months and under.
- The investment cycle is a medium term of 3 to 5 years, and not longer than 7 years to exit.
- Back-up financing is available through federal and state development agencies.
- Refinancing opportunities abound with Reits, PE Funds, and institutional investors.
- IRR is in the mid-teens for asset optimization purchases and higher for redevelopment projects.

IMN Q.3

What are the hurdles to investments in Multi-family and Mixed Use Assets and Projects?

1. Some owners retain pricing of assets, be it land or empty buildings, at pre-crisis values predicated on high leverage and liquidity. As such, acquisition at economic value in terms of future cash flows and IRR remains a challenge that requires upfront due diligence in cost estimates, coupled with skillful development of flexible funding structures to be negotiated with owners.

2. Scarcity of debt finance requires that acquisitions be financed with equity, and that additional equity and low leverage be applied to upgrades and redevelopment. Back-up guarantees and finance are available with federal, state, and local development agencies for qualifying assets and projects. Here, knowledge and experience of public sector agencies dovetails with private sector funding structures to maximize both flexibility of finance and risk mitigation across the investment cycle of acquisition, development, ownership, and exit.

3. Banks have non-performing and troubled exposures in their commercial real estate portfolios; but they are reluctant to sell the loans at discounts commensurate with (1) economic value at acquisition and (2) the additional funding requirements to completion, ownership and management across the 3-5-7 years investment cycle to exit. Hence there is a process of 'extend and pretend' in the bank portfolio loans market that constrains the quantity of assets available for acquisition, redevelopment and completion. This process, in turn, sustains an artificial scarcity of assets for smart growth development and redevelopment available for acquisition at economic value.

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MULTIFAMILY MARKET PANEL

Profile

Peter Amari has 30 years of experience in real estate finance, investment, and management. As a vice president and line officer with the real estate groups at Chase Manhattan and earlier the Bank of New York, he underwrote construction loans for commercial and residential projects in New York and across the US to leading developers. As SVP and executive in charge of the US real estate portfolio of Nippon Credit Bank in New York, he managed credit exposures well in excess of $1B in construction and project loans. Subsequently, as an investment banker for real estate capital markets on Wall Street, he underwrote net lease financings at Capital Lease Funding Corp (CapLease), the investment firm that first developed net lease finance structures and securitizations.

Following the successful IPO of CapLease in 2005, Peter went on to found Parkmont Capital LLC as a boutique firm for real estate finance, investment, and management in 'smart growth' assets and projects in multifamily, retail, medical and mixed use, in urban and metro centers of New York and the Northeast Corridor. The firm acts as registered investment adviser, licensed real estate broker, and court appointed receiver: principals and associates raise debt and equity, invest in properties for value-added development, and manage real assets as agents, owners and operators.

Prior to embarking on his longstanding career in private sector real estate finance, Peter acquired a complementary experience in public sector real estate finance: he worked as a director in the U.S. HUD Office in NJ for mezzanine finance participations in multifamily and mixed use projects in smart growth and urban renewal locations.

Peter earned an M.A. in Urban & Regional Planning at Rutgers University and is the current president of the Alumni Association.

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