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Second Broken Condo Deal Trades in Daly City

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By Sharon Simonson

A 72-unit Daly City condominium development originally financed by San Francisco's former United Commercial Bank has sold to a San Diego-based real estate developer and investor.

Pacifica Cos., a privately held firm with ties to India, closed Dec. 30 on 2665 Geneva Ave., according to TRI Commercial/CORFAC International. Besides the housing units, the development incorporates 11,500 square feet of retail space and 129 parking spaces, including a surface lot. The property is across the street from the Cow Palace, home of the Grand National Rodeo, Horse and Stock Show and a regional entertainment venue.



According to industry sources, the company paid roughly \$16 million for the development, which has received a certificate of occupancy from the city, TRI said. The original loan balance exceeded \$28 million, the broker said.

Anton Qiu, a TRI principal in San Francisco, sold the condos on behalf of East West Bank, which acquired the loan after buying the former United Commercial Bank out of receivership from the Federal Deposit Insurance Corp.

Qiu could not confirm the sales price. Pacifica Cos. could not be reached for comment. "Most of these deals are discounted these days, but the discounts are getting less extreme," Qiu said.

At the same time, he postulated that conditions could change next year and in 2012 as the pace of loan maturities gains momentum and more distressed assets come to market. His own distressed pipeline is filling up, he said.

Banks have already begun to ask him to evaluate property values on projects where loans are coming due next year. "In my opinion, the loans are all underwater, and can't be refinanced," he said. "I am working on quite a few cases that are in bankruptcy."

Commercial property loans tend toward five-year and seven-year terms, meaning deals financed as the market peaked in 2005, 2006 and 2007 will see loans expiring in the next several years, he said. In his experience developers are rarely in a position to recapitalize their projects or to provide new equity to secure fresh financing.

"A vast majority of developers are having all kinds of problems, and if they have multiple assets, they have problems with all of them," he said. Only the exceptional deep-pocketed developers are successfully negotiating discounted payoffs on their loans.

Earlier in 2010, Qiu also sold Daly City's Landmark Plaza, a 95-unit residential condo project and retail development, under similar circumstances. That project also sold at a significant discount to replacement cost.