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New England SIOR holds first breakfast series of 2010 on Jan. 27th

March 11, 2010 - Spotlights

The New England Chapter of SIOR held its first chapter event of the 2010 year with its popular Breakfast Series Event. The breakfast was held Wednesday, January 27th at the Newton Marriott as approximately 30 SIOR members and their guests attended to hear Thomas Brown, director of acquisitions from Brookwood Financial. Brookwood is an investment firm that specializes in acquiring and managing real estate and corporate securities. Chapter president Greg Klemmer started the program with a re-cap of the Chapter's activities for 2009 citing particular successes in the Candidate Program, the Chapter web site, the well attended Beer & Bull sessions and the scholarship program. Klemmer summarized the Chapter's activities for 2010 making special mention of the opportunity that the Big Brothers/Big Sisters program offers for SIORs to give back to our communities.

Tom Brown was then introduced and started with the creation of Brookwood in 1993 and the growth of its portfolio over the next decade. Over their 17 years of operations they have provided their investors with 20% returns. They felt it was "time to sell" in 2004 and 2005, a period during which they sold over \$700 million worth of assets. They were somewhat quiet over the next few years but started to re-enter the market in 2007 with emphasis in the residential land arena. In particular, they focused on acquiring finished single family home lots in southwest Florida and in the Tampa-Naples area. They targeted acquisitions in finished residential communities and not on permitting or development risk. In one significant transaction they acquired 1,200 lots at \$15,000/lot. These lots had previously sold in the \$80,000/lot range. Many of these lots have various liens in place, primarily from CDDG debt and Homeowners Association assessments. Without dealing with those liens, the lots can not be sold to a home builder. Brookwood focuses to buy lots that either do not have liens in place or strategizes on removing them as part of the acquisition pricing model. Brookwood wants to own lots that are free and clear of encumbrances for development and are "shovel ready".

Brookwood is now also focusing on acquiring notes from regional banks which are collateralized by land lots. In a recent transaction, Brookwood acquired a note with a face value of \$14 million for \$1.5 million cash which closed within two weeks of initiation. The note was secured by 242 lots. Within 2 weeks of closing on the note, they were able to sell 180 of these lots for \$42,000/lot or over \$7.5 million. Brown expressed wonderment at why the bank would not have dealt with the note in a similar manner but was glad they did not!

In the commercial sector, Brown thinks the industry is just starting to see such opportunities. Currently investment sales are as quiet as he has ever experienced in 30 years. Buyers need all cash to close note acquisitions and those who have that capacity are poised to do well over the next year or two. Brown recommends focusing on geographic areas that are land constrained and have good basics. When the recovery occurs these areas will be well poised to grow.

