

MBA NewsLink

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The Reserve at Tranquility Lake

DealMaker of the Day

MBA (10/28/2005) Murray, Michael

Harbor Capital Group of Houston arranged financing to secure a **\$21.8 million** loan from **PNC Bank** for **The Reserve at Tranquility Lake**, a Class A, luxury apartment community in Pearland, Texas.

"The Tranquility Lakes deal posed two potential challenges," said **Frank Satterfield**, founder and principal at Harbor Capital Group.

"First, it was a **tenant-in-common** (TIC) ownership structure, which, if a lender is unfamiliar with this structure can be challenging. And second, it was underwritten during lease-up. This could be challenging to a lender accustomed to underwriting only stabilized properties. Fortunately, we've worked with PNC Real Estate Finance on several hundred million dollars of commercial loans, and were able to work through both of these scenarios."

On average, apartments in the Pearland area are 843 square feet and rent for \$736 per month. Occupancy rates in Pearland average 90.1 percent. Built in 2003, The Reserve at Tranquility Lake was **92 percent occupied** at the time of purchase.

Houston-based **Creekstone Partners** acquired the property from **Tranquility Apartments Ltd.** Creekstone Management will manage the property. "Pearland is one of Houston's fastest growing submarkets," said **Michael Preston**, president of Creekstone Partners. "With its proximity to downtown Houston, the Texas Medical Center and Houston's Galleria area, Pearland is an ideal growth community to invest in."

"The advice I would give to lenders who are new to TIC transactions and apartment properties still in lease-up is to pay particular attention to the sponsor's track record, in regards to their history in TIC transactions and apartment properties in lease-up," Satterfield said. "It is very important to work with sponsors who have successfully worked with these types of deals in the past. That certainly was the case with Creekstone Partners."

Creekstone Partners has established a portfolio of multi-family and retail properties in six states since early 2004. The addition of The Reserve at Tranquility Lake brings Creekstone Partners unit total to more than 5,000 with a value of nearly \$500 million.

The Reserve at Tranquility Lake has 314 units on 20 acres. The units range in size from a 725 square foot one-bedroom with one bath to a 1,500 square foot three-bedroom with two baths. Rents vary from \$773 per month to \$1,453 per month. The property includes a Mediterranean-style pool with swim-up benches and a Jacuzzi; access to Tranquility Lake; sports lounge with billiards and shuffleboard; business and fitness centers; and an on-site car care center.