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Mosaic Buys 248-Unit Complex Near USAA HQ

By Jennifer Duell Popovec

SAN ANTONIO-Mosaic Residential has made its first buy in the Alamo City, purchasing the 248-unit Dove Valley Ranch in an off-market transaction. The Houston-based buyer declined to disclose the purchase price, but indicated that it was well below the market average of \$68,600 per unit for multifamily sales.

Mosaic Residential partnered with New York City-based Praedium Group to acquire the class A-apartment community from Agape Northwest Housing Inc., a local firm. The purchase marks the first deal between the two investors, according to Jay O'Connor, founding partner of Mosaic Residential.

"We expect Dove Valley Ranch to be the first of many deals," O'Connor says. "We were able to acquire a well-occupied, newer class A asset in a strong location at an attractive price."

O'Connor tells GlobeSt. that Mosaic Residential has a history with Dove Valley Ranch. The company had put the eight-year-old property under contract in 2008 when it was being marketed by Mike Miller with Marcus & Millichap's local office.

When the credit markets collapsed and the federal government took over Fannie Mae and Freddie Mac, Mosaic Residential had to let go of the deal because debt became more expensive and the LTV decreased by about 20%, O'Connor notes.

Earlier this year, however, Agape Northwest Housing contacted Mosaic Residential to see if the firm would be interested in looking at Dove Valley Ranch again. The seller, which previously operated as a non-profit, ran into some issues with the Bexar County Tax Assessor-Collector, which determined that Agape Northwest Housing didn't qualify as a non-profit. The County then assessed the former non-profit with several million dollars in back taxes.

"We cried when we had to let the deal go the first time, but we were happy to be able to underwrite it again," O'Connor says, adding that Mosaic Residential was able to buy Dove Valley Ranch at a price that was more than \$2 million less than the previous purchase price in 2008.

Mosaic Residential obtained a capped adjustable-rate mortgage from Freddie Mac. The firm locked the rate on the seven-year loan near 4%, O'Connor says. Andy Hill in Berkadia Commercial Mortgage's Austin office arranged the loan.

Situated on 12.8 acres at 4980 USAA Blvd., Dove Valley Ranch is located less than one mile from the two top employers in San Antonio: USAA and The South Texas Medical Center. It's only three miles northwest of Valero Energy's world headquarters and The University of Texas San Antonio.

Dove Valley Ranch offers a unit mix of one, two and three bedroom units ranging from 646 square feet to 1,161 square feet. Rents range from \$659 to \$1,103 per month, and the property was 95% occupied at the time of sale.

Amenities include a clubhouse, swimming pool, laundry facility, playground/picnic area, fitness center, business center, wood burning fireplaces, garages, carports and washer/dryers in every unit.

"This is a class A property for San Antonio, but the renter base in the city is different from those in other major Texas markets when it comes to expectations," O'Connor says. "Because the asset is already nice and attractive, the challenge for us was to avoid over- improving it."

Mosaic Residential will make a number of updates to the property including painting the exterior, replacing rotten trim and curing deferred maintenance and replacing rotten trim. It will also improve landscaping, add an outdoor kitchen and arbors and cabanas to the pool area and update the fitness center with new equipment.

The firm has plans for unit interiors as well. It expects to add faux wood floors, two-inch blinds, decorative accent paint and new light fixtures. "We're going to transition the property from a class A- to a solid A property," O'Connor says.

In addition to Dove Valley Ranch, Mosaic Residential owns 10 other properties and third-party manages three complexes in Houston.