

Firm Targets NY-Area Distressed Properties

Alchemy Properties plans to spend about \$500 million on distressed properties in the New York region over the next two years.

The New York firm is aiming to take over distressed condominium, office and retail properties and stabilize their cashflows. To a lesser degree, the platform, overseen by partner **Joel Breitkopf**, will also buy nonperforming commercial mortgages with face values up to \$100 million, with an eye toward taking over the collateral. The return goal is 15-20%.

Meanwhile, Alchemy will also seek to serve as an advisor to banks, hedge funds and other players that have taken over distressed properties. Those assignments could lead to acquisitions or joint-venture opportunities with the owners.

The company will continue its traditional focus on Manhattan, but it will also consider properties in the city's outer boroughs and suburbs. The target property size is 20,000-250,000 square feet. The company will work with brokers, banks, mezzanine funds and others to line up an acquisition pipeline.

Plans for the platform were mapped out three months ago. Alchemy initially saw relatively few opportunities, but it has started bidding more actively in recent weeks. It made an unsuccessful offer for a roughly \$50 million note on a partially completed condominium building in the Williamsburg section of Brooklyn. The seller, **Capital One**, has since become involved in a lawsuit that has put the offering on hold.

Alchemy is also interested in the gutted building at 37-39 Warren Street in Lower Manhattan. The owner had planned to reposition that property into 28 luxury condominiums, but

defaulted. As previously reported, the lender, **United Commercial Bank** of San Francisco, has begun foreclosure proceedings. Alchemy developed and sold condos at a nearby property, at 38-44 Warren Street.

Alchemy, which has mostly developed condo buildings for the past 13 years, will use some of its own capital for acquisitions, but will rely mostly on equity from unidentified institutional investors. Including leverage, the platform could make more than \$500 million of investments. On individual transactions, equity could represent 40-100% of the purchase price.

The company believes that its expertise as a condo developer in New York positions it to select good opportunities to provide "rescue" equity for stalled projects. It is currently finishing construction on a 95-unit condominium building at 800 Tenth Avenue in Manhattan. The property will include roughly 25,000 sf of retail and commercial space.

Alchemy has developed or purchased more than 1.5 million sf in the New York region since being founded in 1990 by **Kenneth Horn**, who remains president. The firm began as a workout shop advising major institutions during the early days of the **Resolution Trust Corp.** era. It then started buying default-

ed commercial mortgages and foreclosed properties, and later began developing condominiums.

Breitkopf joined the firm in 1993 after stints at **Commercial Bank** of New York and **Chemical Bank Realty** of New York. Principal **Gerald Davis**, who joined in 2000, is responsible for daily operations. He previously worked at **Olmstead Properties** of New York, **Stellar Management** of New York and **M&T Bank**. ❖

