



Urban Standard Capital launches \$100 million investment platform

February 16, 2021 - Front Section

Seth Weissman

New York, NY Urban Standard Capital, (USC) formally launched a \$100 million investment platform to buy condo units from developers/owners who need to hit the 15% sales threshold to effectuate condo conversions.

Urban Standard Capital's platform—earmarked for just New York City properties to start —would buy enough units at a market discount to enable the sponsor to meet the 15% sales threshold to effectuate their condo conversion and then rent out remaining units until the market recovers.

In 2018, the NY State Legislature changed the condominium conversion laws so that in order to convert an occupied rental into condominiums, sponsors need 51% of the current occupants to buy their apartments.

"This change makes converting an occupied rental practically impossible," said USC's founder Seth Weissman. "Our platform provides a solution to sponsors who need to generate cash flow today and want to maintain optionality to sell units at higher prices in the future."

Weissman said he has spoken with numerous sponsors who want to rent out their completed units now to bring in cash flow but have not been able to reach the 15% sales threshold due to COVID-19. "This is problematic because they would otherwise need to hit the 51% insider sales threshold in the future which is nearly impossible," Weissman said.

While USC plans to start the fund with \$100 million, it plans to allocate additional funds depending on the depth of the opportunity.

"The unit count is going to depend on the size/mix but we anticipate buying around 50 units," said Weissman, who said the majority of deals USC is looking at are 25-30% off of the pre-COVID price.

After purchase, USC would rent the units out, and ultimately sell them. "The cash flow from the rental income would be largely sheltered from depreciation and the capital gains would be long term," Weissman said.

Weissman explained that in recent months, Urban Standard's lending arm has seen numerous developers seeking new loans to pay off their construction loans and carry the projects without sufficient sales to achieve the threshold needed. "Many condo developers are sitting on product they can't sell at the moment," said Weissman. "Many developers would like to go rental instead of selling at today's discounted prices to the extent there is a bid."

While sponsors will take a discount on these units, it will buy them time for a market recovery. "Additionally, and critically, it will enable them to rent out the unsold units in the interim to generate cash flow," said Weissman.

The fund is an outgrowth of Urban Standard Capital's successful acquisition, development and lending businesses.

"We encourage qualified sponsors with assets and/or projects under distress to contact us so that we may help create a partnership and help them get through these times," said Weissman. "We want more than anything to help play a positive role in the future of New York City."

"Urban Standard's condo investment platform solves a critical problem for developers in New York City who simply need to buy time," said Ryan Serhant, founder of Brokerage SERHANT. "There is increasing confidence in the market as buyers factor in the vaccine and anticipated Biden stimulus package. Urban Standard's condo strategy will allow developers to carry their projects to the market recovery which is clearly on the horizon."

"USC's fund comes at a perfect time in the market as it addresses a tremendous need as more condo developers face the serious potential of going into default," said NYC real estate attorney Jason Nazinitsky who specializes in condominium conversions. "Selling the requisite number of units to declare the offering plan effective and closing the first unit, will give the owner options as well as a potentially stabilized asset."

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540