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Q & A with Frank Mackle

By Jennifer LeClaire

Venny Torre and Frank Mackle smell opportunity. In fact, they see the proverbial perfect storm in the real estate industry and are betting on a potentially profitable niche: distressed property workouts.

The real estate building veterans last November launched Miami-based Torre Mackle Group, a firm specializing in completing distressed real estate projects and Chinese drywall remediation.

The duo is on to something. South Florida ranks third among U.S. markets for the volume of commercial real estate and condo projects in some level of financial distress. The region has at least 232 known troubled assets, representing more than \$6 billion in problematic loans, according to the latest report from Real Capital Analytics.

Torre Mackle's first project is Terzetto Villas, a 62-home development in Aventura. Construction of Terzetto Villas was halted last year when its developer, Merco Group, defaulted on its financial obligations. Now the property's receiver and Ocean Bank have hired Torre Mackle to resume construction in hopes of maximizing the unfinished asset's value.

The Real Deal caught up with Frank Mackle to discuss the complex issues of distressed real estate workouts, how banks determine whether it's worth it to complete a project, and the opportunities for firms like his over the next couple of years.

How much of the work on these types of deals are you able to salvage?

Many of these buildings don't have windows and doors installed, so you have some moisture issues. Sometimes you have to throw out the drywall because moisture had accumulated in the six to eight months of the building sitting stagnant. We've seen roofs that need to be replaced because the final layer wasn't applied and the sun started to damage the roof. Many assets are deteriorating because the properties are in some stage of foreclosure and there's no money to protect and preserve them.

What kind of permitting complications arise?

You have to determine where the project stands from the city and the permit point of view. What is open, what is closed, what violations you may have...then you have to get inspections to allow you to install windows and continue with roofing. It takes a complete evaluation to pick up where the last contractor left off. You also have to sort out subcontractor issues. Some haven't been paid. Vandalism is common. Some people get upset over not being paid and do damage out of spite.



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How do banks or investors decide if it's worth it to complete a project?

In the case of Terzetto Villas, there were deposits from about 35 buyers that had to be salvaged. It was worth more to finish than to abandon it or sell it at a fire sale. Maximizing the property's value in this case was to complete the project. In some cases, the only ones who will buy these distressed properties are vulture funds and they are going to spend pennies on the dollar. The figure I hear is 20 or 30 cents on the dollar. It's a very complex formula used to figure out whether you should finish the project or not.

So the opportunity is more often working with vulture funds than banks?

Yes, most banks don't have the ability to spend more money on a distressed project. We may provide services to the bank to preserve and protect while they look for a buyer. But our company is actively pursuing investor groups that are going to be the ultimate decision-makers on how these properties get finished up. Many banks aren't willing to sell to the vultures yet, but it's coming over the next couple of years.