

Professor Clarkson was quoted in the *Houston Chronicle* in an article discussing the troubled history of The Mosaic condominiums. Professor Clarkson comments on his experiences there.

The following article appeared in the *Houston Chronicle* on Thursday, October 22, 2009:

**REAL ESTATE : Condo tower's saga takes another turn**

By NANCY SARNOFF

The Mosaic condominium tower perched on the edge of Hermann Park has been taken over by the Federal Deposit Insurance Corp. and a collection of investors, including Starwood Capital Group.

All of the unsold units in the upscale building at 5925 Almeda were foreclosed on last month by the project's lender, which has since been seized by the FDIC.

A group of investors including Greenwich, Conn.-based Starwood agreed to purchase an interest in the lender's assets, which include a \$4.5 billion portfolio of more than 100 properties across the country.

The majority of the properties are condominium buildings and include the Mosaic, said Ron Lozoff of Choice Condominiums, which is managing and selling the unsold units in the local project.

The consortium now in control of the property will determine how to move forward on each property on a case-by-case basis, Starwood spokesman Tom Johnson said.

He also said that there won't be any fire sales.

"The nice thing about the structure that was set up here is there's enough cash in the entity that they have the ability to take their time and work out the best solution for each property," he said.

Johnson, however, wasn't able to provide a list of buildings in the Corus portfolio, and neither was the FDIC late Wednesday.

Unfazed by the property's tumultuous past, **Gavin Clarkson** recently bought a unit in the tower.

The **University of Houston law school professor**, who has been renting in the building a year, hasn't noticed any major changes in the services and amenities offered in the building other than a new concierge staff and that the towel service at the gym was discontinued a couple of months ago.

"In my experience it's a very trouble-free building," said Clarkson, 41.

Doubts on prospects

Still, owners in the 29-story building may have a tough time selling if they want out.

“I don't think anyone's going to buy in a foreclosed property,” said condo specialist Edith Personette, whose company has handled marketing for the Mosaic.

Lozoff said the situation didn't affect residents.

The building's services and amenities, too, should even get better with a well-capitalized owner, said David Regenbaum of Association Management, which manages the property owners' association.

“If anything, it's going to improve our situation because we'll have an owner of the unsold units who will have the funding to pay the deficits and to pay the assessments,” he said. “It will solve a lot of the difficulties we've been experiencing in the last few months.”

Preston Ochsner is considering buying a unit in the Mosaic because he senses a possible opportunity.

“If you look at the supply of units in that building and occupancy right now, it seems there's room” for prices to go down, said the 35-year-old Manvel resident, who wants to shorten his commute to Greenway Plaza.

The Mosaic was announced in 2005 and twin towers were built at the Alameda location. In the 394-unit building, 123 units have been sold, Lozoff said.

The condos range from 600 square feet to more than 1,400 square feet with larger penthouses. They have been selling for around \$300 per square foot.

Cutback in condo lending

As real estate started to deteriorate and buildings in other parts of the country failed, lenders cut back on condo lending, and the market continued to sink.

Last year, Mosaic's Florida developer renamed the second tower Montage and turned it into a rental building.

Corus was also the lender on Montage, but that building has not been foreclosed on, Lozoff said.

While Mosaic suffered from the downturn, its size hurt it most, observers said.

“Eight hundred units in Houston on Alameda is just doomed from day one,” Personette said. “It could never work.”

In January, the partnership that developed Mosaic —5925 Alameda North Tower — filed for Chapter 11 bankruptcy protection. The developer had gone into default on a \$76 million construction loan with Corus.

There was hope the terms of the loan could be renegotiate, but Corus foreclosed on the project in September.

Under the terms of the broader deal, the FDIC will own a 60 percent equity interest in the Corus portfolio, held in a company called Corus Construction Ventures, and provide zero percent financing to the Starwood and the other investors for 50 percent of the purchase price, according to the Starwood investor group.

The FDIC will also provide up to \$1 billion for working capital and to fund project completions. Starwood will oversee day-to-day management of the portfolio.

Confident value will hold

Resident Clarkson said he would normally hesitate before buying in a building with the issues Mosaic has had. But he's confident the value of his two-bedroom unit will hold up because there are only two others like his available.

He said the building's location near the universities and Hermann Park and the views stretching from the Medical Center to downtown are what sold him.

“I didn't buy this as an investment,” Clarkson said. “I bought it as a place to live.”

Resources

THE MOSAIC

Aug. 2005

Developer announces twin tower condo project on Alameda.

Nov. 2008

After slow sales, the second tower is renamed Montage and becomes a rental building.

Jan. 2009

The partnership that developed Mosaic files for Chapter 11 bankruptcy.

Sept. 1

Corus Bank, the project's lender, forecloses on all of the unsold units.

Sept. 11

The Federal Deposit Insurance Corp. seizes Corus.

Oct. 7

A group of investors agrees to purchase an interest in the lender's assets — a transaction valued at about \$2.8 billion — which include more than 100 properties across the country.

The group includes Starwood Capital Group, TPG Capital, Perry Capital and WLR LeFrak.