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Miami Attorneys Guide New York Real Estate Investor in \$30M Apartment Sale

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Lidia Dinkova

A New York real estate company that's been betting heavily on the Florida multifamily market has completed its investment strategy with another purchase, again with help from Miami attorney Mark Meland.

ESG Kullen has been buying garden-style suburban complexes with value-add potential, which means that ESG can renovate them and sell them for more than it paid.

In the latest deal, Meland represented ESG in the \$30 million sale of Bloomingdale Woods apartments in Valrico, east of Tampa, to an affiliate of Richards & Robbins, a Morristown, New Jersey-based real estate investment and management company.

Meland, a partner at Meland Budwick, P.A., worked with associate Bryan Vega to close the deal April 3. The sale of the 224-unit community breaks down to \$134,000 per unit.

This is the 25th transaction Meland and his firm have closed for ESG, all acquisitions, sales and financings in Florida.

The property is an example of an investment vehicle ESG pursues — a fractured condominium. The investor buys a controlling share of the units in a condominium complex, ultimately buys the remainder and converts the condos to apartments.

ESG bought 173 Bloomingdale Woods condo units in 2015, bought the remaining units in the following three years and converted the property to apartments in 2018, Meland said.



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While it's better to buy an entire complex at once, the fractured buy is the next-best option when one seller owns most of the condos.

"The main thing is to get the critical mass. That's what they need to do. To buy from one person or one company that owns a lot of them" to gain control of the condo association, Meland said.

The fractured acquisition still made for a more complex deal when it came time to sell. Hillsborough County property records reflected the property as a condominium with 224 folio numbers rather than one folio number to reflect the reverse condo conversion.

"There was certainly diligence involved in that because the buyer had to make sure the condo was properly terminated. They had to do due diligence," Meland said. "It's going to work itself out. The buyer won't get a tax bill until late in the summer, and that would be one folio."

ESG invested \$2 million in renovations, including roofs replacement, exterior painting, upgrading most units and adding a 3,000-square-foot clubhouse with a gym, Meland said.

For ESG, Meland previously closed the \$40.5 million sale of Palm Harbor's Madison Oaks community, the \$21.7 million purchase of most units at Fort Myers' Cobblestone on the Lake condo and the \$7.5 million of some condo units at the Murano of Delray Beach.

The conversion from condos to apartments has been gaining ground with growing demand for apartments.

"Before the recession, there was a big condo-conversion craze where they buy an entire complex and chop it into individual units," Meland said.

"After the recession, it was hard to sell individual condo units like that and turned out the complexes more valuable as apartment complexes."