



# Arbor – Jacksonville Case Study

Viceroy dive into a syndicated Jacksonville portfolio which highlights Arbor’s pain.

## PLEASE READ IMPORTANT DISCLAIMER – PAGE 5

**December 5, 2023** – Whistleblowers have reached out to Viceroy en-masse to provide evidence and public citations of current, distressed Arbor deals and underlying assets. As we have previously proclaimed: the information asymmetry between real estate industry professionals and Arbor’s investors is vast.

This case study will track Arbor’s underlying asset delinquencies and debt service coverage ratios (**DSCR**) across a specific syndicated portfolio in Jacksonville. The properties are as follows:

- Silversmith Creek (7211 Crane Ave, Jacksonville FL)
- Oasis (5800 University Boulevard West, Jacksonville FL)
- Lakewood Oaks (3534 Smithfield St)

It will also cover a larger array of other multifamily properties in Jacksonville which we understand was part the same sales campaign, but to which Arbor are not exposed, in order to highlight the general risk to the market.

- Lansdowne (1600 Lansdowne Drive, Jacksonville FL)
- River City (10621 Monaco Drive, Jacksonville FL 32218)
- Southwood (4060 Barnes Rd South)
- Tree Hill (1135 Bert Rd Jacksonville FL 32211 USA)

These properties were acquired over the last 1-2 years, at which time they were purchased at almost 100% premiums to their previous sales in 2018-2020, only 3-5 years ago.

Whistleblowers indicate that these properties are now for sale for the 3<sup>rd</sup> time in ~5 years, and their price discovery values are expected to fall below Arbor and other bridge lenders’ outstanding balances. This implies all syndicate investors have lost 100% of their equity investment.

This report will also explore the incompatible incentives that exist between syndicate general partners (“GPs”, or “Sponsors”) and the limited partners (“LPs”, or investors). In summary: syndicate sponsors are unduly incentivized to overpay for investment properties as they clip the ticket on the acquisition price, financing amount, assets under management (“**AUM**”), and entrance/exit fees.

Most, if not all, of these properties appear to be owned by related party syndicates managed by Mr. Ricardo Sanabria. Prior to his foray into managing tens, if not hundreds of millions of dollars of solicited investment capital, Mr Sanabria appears to have been a restaurateur in Colombia. Both restaurants have failed.

We believe the real mastermind is Mark Kenney who is also listed as a director of many of Mr. Sanabria’s businesses, and in some cases has signed mortgages on behalf of these businesses. We believe it is reasonable to assume that Mr Kenney, who also solicits syndicate investors on his platform Think Multifamily, may finance these projects.

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*We reiterate our belief that Arbor is a donut. \$0.00.*

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There is no rate cut large enough, no rate caps cheap enough, and no investors dumb enough to save Arbor. Our reports on Arbor can be found here:

<https://viceroyresearch.org/arbor-realty-research/>



# 1. Distressed Jacksonville Portfolio

Whistleblowers have reached out to Viceroy en-masse to provide evidence and public citations of current, distressed Arbor deals and underlying assets. As we have previously proclaimed: the information asymmetry between real estate industry professionals and Arbor’s investors is vast.

<https://paopropertysearch.coj.net/Basic/Search.aspx>

<https://oncore.duvalclerk.com/search/SearchTypeName>

## Silversmith Creek

Purchased by **Fincapital Investments**<sup>1</sup> from **Silversmith Holdings LLC** on June 29, 2022 for \$21.05m, partially financed by a \$17.2m Arbor loan. The seller, Silversmith Holdings LLC, had a mortgage from Arbor dated March 20, 2018 for \$7.47m and bought the property from Carlyle 5924 LLC for \$9.46m on same date.

Silversmith Creek’s DSCR is 0.43x and the property has been revalued at 2.22x its purchase price just 4 years prior, despite no apparent works being completed.

Reviews are mostly negative, with largely the exception of reviews made by prospective tenants<sup>2</sup>.

Property Name	Silversmith Creek		
Address	7211 Crane Ave		
Original balance	17,180,000	DSCR (NOI)	0.43x
Current balance	17,180,000	DSCR (NCF)	0.43x
NOI	552,270	LTV	78%
NCF	552,269	Delinquency Status	Current

Figure 2 – Viceroy Analysis

## Oasis

Purchased by Oasis Holdings LLC from Grande Pointe Apts LLC for \$36.6m on June 27, 2022, partially financed by an Arbor mortgage for \$29.47m. The property was previously sold in 2019, just 2 years prior, for \$20m, representing a ~45% discount<sup>3</sup>. No apparent renovations have been completed over this period. Reviews are almost exclusively from prospective tenants, likely solicited by the managing agents.

We note that while Arbor appears to have a mortgage on this property via a bridge loan (as per the Duval county clerk office), it is not in the CLO. Therefore, we have little visibility on the underlying performance of the asset.

In February 2023, a man was shot in his car in broad daylight in the car park of the residential units<sup>4</sup>.

<sup>1</sup> Via investment vehicle FCI FL5 MGR, LLC. Mark Kenney is listed as a manager of this unit.

<sup>2</sup> <https://www.google.com/maps/place/Silversmith+Creek+Apartments/@30.3069796,-81.5806983,873m/data=!3m1!1e3!4m8!3m7!1s0x88e5b5ea0bf39db1:0x87370e3747fba60d!8m2!3d30.3086764!4d-81.5811064!9m1!1b1!16s%2Fg%2F11rj42s5qb?entry=ttu>

<sup>3</sup> <https://paopropertysearch.coj.net/Basic/Detail.aspx?RE=1526240160>

<sup>4</sup> <https://www.actionnewsjax.com/news/local/police-presence-reported-near-lakewood-apartment-complex/LXKED75M5BHZRCL6VJYCTBDDV4/>



## Lakewood Oaks

Purchased by **Fincapital Investments**<sup>5</sup> and Viktorzag LLC from Jax San Jose Apts LP for \$17.85m on January 10, 2021 with mortgage from Arbor for 15.15m. The property was previously sold in 2019, just 2 years prior, for \$12.1m, representing a 20% discount.

No apparent renovations have been completed over this period as we can see from rental images. Reviews are generally negative with positive reviews likely solicited by managing agents.

Property Name	Lakewoods Oaks		
Address	3534 Smithfield St		
Original balance	14,550,000	DSCR (NOI)	0.67x
Current loan Balance	14,550,000	DSCR (NCF)	0.64x
NOI	875,828	LTV	77%
NCF	838,154	Delinquency Status	Current

Figure 2 – Viceroy Analysis

## Lansdowne

Purchased by **Fincapital Investments**<sup>6</sup> from Wilton Manors LLC for 10.075m on December 22, 2021, partially financed by mortgage from Bancorp. The property was previously sold in 2018, just 3 years prior, for \$5.4m, representing a ~46% discount.

No apparent renovations have been completed over this period as we can see from rental images. Positive reviews are likely solicited by the managing agents as almost all positive reviews mention the agents by name.

In March 2021, a man was shot in broad daylight at Lansdowne’s car park, forcing the lockdown of 3 nearby schools<sup>7</sup>.

## River City

Arbor had no exposure to this property. It was purchased by what appears to be a syndicate in 2019, before being sold in late 2023 for a small profit<sup>8</sup>. Immediately after the transfer of the title, a man was shot and killed in the property’s parking lot over a “game of dice”<sup>9</sup>.

Tenant reviews suggest there was little/no rehabilitation work conducted on the property between 2019 and 2023. Residents frequently reviewed the property as unsafe.

## Southwood

Purchased by Fincapital Investments<sup>10</sup> from Southwood Property Holding LLC on December 22, 2021 for \$10.1m<sup>11</sup> with mortgage from Bancorp. It was previously sold in in late 2018, just 3 years prior, for \$5m<sup>12</sup>. No apparent improvements have been made, despite claims on the company’s website, perhaps other than a coat of paint<sup>13</sup>.

All 5-star reviews of the property appear to be solicited from prospective tenants by a new managing agent roughly 3 months ago.

<sup>5</sup> Via investment vehicle FCI FL1 LLC. Mark Kenney is listed as a manager of this unit.

<sup>6</sup> Via investment vehicle FCI FL2 Holdings, LLC

<sup>7</sup> <https://www.jacksonville.com/story/news/crime/2021/03/19/man-shot-multiple-times-jacksonville-apartment-complex-near-schools/4767010001/>

<sup>8</sup> <https://www.naihallmark.com/recent-deals/nai-hallmark-brokers-sale-of-the-park-at-river-city/>

<sup>9</sup> <https://www.news4jax.com/news/local/2023/10/14/2-men-shot-after-argument-possibly-over-a-dice-game-at-northside-apartment-homes-jso/>

<sup>10</sup> Via investment vehicle FCI FL2 Holdings LLC

<sup>11</sup> Address is property search is 4060 Barnes Rd

<sup>12</sup> <https://paopropertysearch.coj.net/Basic/Detail.aspx?RE=1371060000>

<sup>13</sup> <https://www.rent.com/florida/jacksonville-apartments/southwood-apartments-4-100023992>



## Tree Hill

Purchased by **Fincapital Investments**<sup>14</sup> from Sunrise Apartments Jacksonville LLC and Johnstown Townhomes LLC on July 4, 2022 for \$8.5m. Fincapital, via its SPV FCI FL3 Holdings, secured a bridge loan from Keycity Capital for \$6.99m, tied to Golands Capital<sup>15</sup>.

This mortgage was signed by Mark Kenney.

The property was last sold in 2018 for \$3.4m. No apparent or major improvements appear to have been made.

## 2. Buying at a Premium – The Sponsor Incentive

There is generally an incompatible incentive that exists between syndicate general partners (“GPs”, or “Sponsors”) and the limited partners (“LPs”, or investors). While fee structures are, in theory, structured to maximize returns for both investor classes, the GPs can have minimal capital-at-risk, while syndicate investors bear the full financial risk of failure.

### Fee Structure

In summary: syndicate sponsors are unduly incentivized to overpay for investment properties as they clip the ticket on:

- Acquisition price: a fee that compensates the sponsor for ~1-3% of the acquisition price (generally). A higher acquisition price will naturally return a higher upfront cash fee to the sponsor.
- Financing amount: a fee that compensates the sponsor for arranging investment acquisition financing, usually 1-3% of the total loan amount. At a ~80% LTV, this is also substantial. A higher acquisition price will naturally return a higher fee to the sponsor. Timing of payment can differ.
- Assets under management: an annual fee for managing the property. The structure of this fee can vary, however can be represented as a percentage of the property value per annum. A higher acquisition price will naturally return a higher fee to the sponsor.
- Entrance/exit fees: on occasion, sponsors will charge for the opportunity to invest/divest in the syndicate, which also incurs a fee.

None of these fees, which are substantial and can be paid upfront, align with the incentive of LP investors of finding the best value-for-money multifamily investment. The large information asymmetry that exists between real estate professionals and Arbor investors also presents itself with syndicate sponsors and their investors.

## 3. Conclusion

Viceroy is short Arbor Realty Trust (**NYSE : ABR**). In this industry plagued with delusion and bad decisions, Arbor stands out **as the worst of the worst**. Viceroy’s dive into Arbor’s CLOs suggest its entire loan book is distressed and underlying collateral is vastly overstated. These loans do not qualify for refinancing anywhere, and substantially all mature within the next 18 months.

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*We believe Arbor is a donut. \$0.00.*

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<sup>14</sup> Via investment vehicle FCI FL3 Holdings, LLC

<sup>15</sup> <https://www.golandscapital.com/aboutus>



### **Attention: Whistleblowers**

Viceroy encourage any parties with information pertaining to misconduct within Arbor Realty Trust, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on [viceroy@viceroyresearch.com](mailto:viceroy@viceroyresearch.com).

### **About Viceroy**

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

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