



# Arbor – Northbrooke Foreclosure

Arbor has foreclosed on a 0.28x DSCR, 85% LTV loan, 2.26% implied cap rate property.

**PLEASE READ IMPORTANT DISCLAIMER – PAGE 4**

**June 18, 2024** – Arbor has foreclosed on another delinquent property in Houston: Northbooke apartments.

## Arbor Realty forecloses on another Houston multifamily property

Owner Northbrooke SPE defaulted on \$32.5 million mortgage

Add it to the list: Arbor Realty is foreclosing on another Houston multifamily property.

The New York-based lender claims Northbrooke SPE defaulted on a \$32.5 million loan issued in February 2022 for Northbrooke Apartments, according to Harris County records. Northbrooke SPE is associated with Mudra Investments, which is based in Richmond and managed by Raxit and Rahul Patel. The loan amount comes to \$135,400 per unit.

The foreclosure auction is scheduled for July 2.

Figure 1 – Arbor Realty forecloses on another Houston multifamily property – The Real Deal<sup>1</sup>

Northbrooke Apartments has \$32.5m of debt against an independent valuation of \$38.3m: an implied cap rate of 2.26%. **A blue-sky model suggests that the LTV is, at best, ~127%, and the shortfall to the debt amount is \$7m.**

Northbrooke Portfolio	
Revenue	2,989,760
Operating Expenses	2,124,967
<b>NOI</b>	<b>864,792</b>
Debt	32,500,000
Interest Expense	2,991,571
Effective Rate	9.20%
<b>DSCR</b>	<b>0.289</b>
Arbor Appraisal	38,300,000
<b>Implied Cap Rate</b>	<b>2.26%</b>
<b>LTV</b>	<b>84.86%</b>
Current Occupancy	81.67%
Rev. At Max Occupancy	3,660,781
Blue-Sky NOI	1,535,814
<b>Blue-Sky Cap Rate</b>	<b>4.01%</b>
6% Cap Rate Val @ Blue-Sky NOI	25,596,894
Blue-Sky LTV	126.97%
<b>Shortfall to debt</b>	<b>6,903,106</b>

Figure 2 – Viceroy Research LTV analysis

**Investors and analysts must question how Arbor have derived these asinine valuations.**

<sup>1</sup> <https://therealdeal.com/texas/houston/2024/06/14/arbor-realty-pursues-foreclosure-on-houston-apartments/>



Viceroy's blue-sky analysis generously (unrealistically) assumes:


- A 100% occupancy rate and corresponding increase in revenue.
- Fixed operating expenses.
- NOI uplift of ~100%.
- A cap rate of 6%, representing best-in-class assets in the current market.

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***Even with these imaginary numbers, Arbor is still likely to suffer a ~\$7m shortfall on it's debt.***

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Northbrooke has notoriously garbage ratings, and has clearly not been rehabilitated (or badly rehabilitated). Most 5-star reviews appear to have been enticed by agents as part of the move-in process. Quickly, these turn negative:



**Sarah Nicole**  
5 reviews · 3 photos

★★★★★ 4 weeks ago

Do not move here!!! This place is a horrible place. From moving in with a horrible paint smell, refrigerator didn't work, washer didn't work, placed and then last weekend flooded my apartment and now I come out and my tires are completely gone from my car. I asked for the cameras that are facing my car only to hear they don't work!!! No security! And then I still have to pay the cancellation fee!


Back with and update: 5/18

Let's start with management never reaching out about any issues addressed before. I was told the property manager would reach out to me and she never has. She's never in the office or available for anything.

Secondly, I was informed today that apparently they can go up on your rent for an elective service like internet because of their new partnership with Xfinity. After I've stated several times I didn't need the service because I already have a contract with them for a lesser price which fits my budget. How is this legal when it's not what I signed in my contract? If I can't break the lease without penalty how can you amend it without my consent. Not to mention my washer is still broken and I'm spending extra money for the laundry mat.

I hate to have to keep doing this but this property hasn't been helpful at all and I would hate for someone to feel they are moving into a safe place because that's far from the case..





**Gennica Frank**  
2 reviews

★★★★★ 3 months ago

Among issues like cockroaches, leaking toilet, theft, gunshots, vagrants, and other things, I strongly advise you to STAY AWAY from these apartments. My mailbox was broken into twice within the relatively short time I lived here despite ... [More](#)

Figure 3 – Northbrooke Apartments – Google Reviews<sup>2</sup>

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<sup>2</sup> <https://maps.app.goo.gl/dB68FyeHTbs9mVGP9>



Those who have been following this saga can see a return to the mean where Arbor's loan book is becoming distressed at an exponential rate.

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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.**

Northbrooke Apartments is due to appear at auction on July 2, 2024, however we note that foreclosed Arbor properties rarely make it to auction. Instead, Arbor find predictable, costly ways to kick the can.

We believe Arbor management have known about the immediate and extreme risk of delinquencies and impairments since early 2023, if not prior. It has not communicated any audited, auditable, or verifiable impairment figures to investors to this effect.

We further believe syndicators refinancing their own existing, failed investments, that they are abhorrent, evil grifters who are swindling the average Joe, and throwing good money after bad.

Our original report, published on November 16, 2023, together with subsequent notes, can be found here:

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





### **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**

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