



# Arbor – The Foreclosure of Park North

Another day, another foreclosure.

**PLEASE READ IMPORTANT DISCLAIMER – PAGE 7**

**June 5, 2024** – On May 14, 2024, Arbor Realty trust moved to foreclose on Park North Apartments in Houston. This is a non-CLO property; therefore we have no visibility into how this loan has performed to date. Given it is foreclosing: probably not good.

## Arbor Realty Moves To Foreclose On Another Houston Complex After \$56M Default

May 23, 2024 | Maddy McCarty, Houston 

**Arbor Realty Trust** is moving to foreclose on yet another Houston multifamily complex after the borrower defaulted on a \$56.27M loan, according to public records.



Google Maps

Arbor issued the loan to Life at Springs Estates Property Owner LLC in May 2022, records show. The LLC is tied to Inman Equities, a Nashville-based private equity real estate firm led by Benjamin Inman.

*Figure 1 – Extract from Bisnow.com<sup>1</sup>*

Last week: Viceroy reported that syndicators have explicitly confirmed that **Arbor has kicked the can of delinquent loans at their own expense and that Arbor has extended mezzanine financing to delinquent customers.**

Viceroy believes Arbor have modified Park North’s loan internally at their own expense. We also believe “fresh equity” from the borrower, which has been gifted from syndicate investors, has been utilized to meet Arbor’s interest expenses going forward.

<sup>1</sup> [Bisnow - Arbor Realty Moves To Foreclose On Another Houston Complex After \\$56M Default](#)



## The Loan

Arbor’s foreclosure filings disclose a \$56.275m loan outstanding from Life At Springs Estates Property Owner LLC.

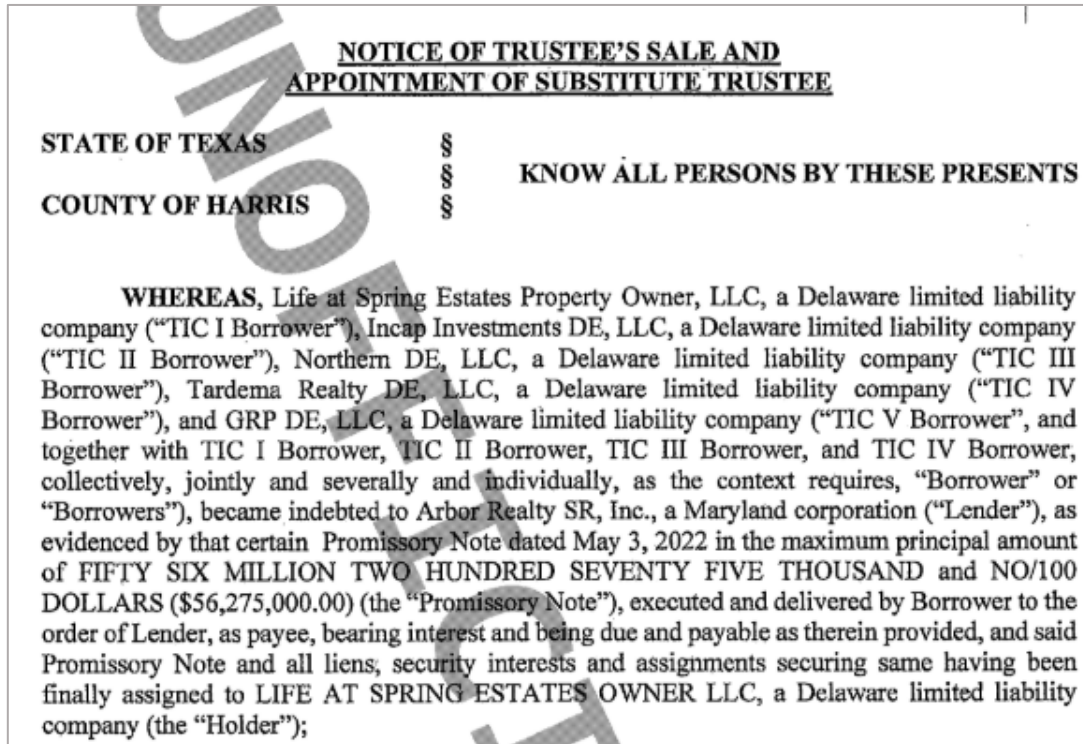


Figure 2 – Notice of Trustee’s Sale & Appointment of Substitute Trustee

We note that the property was due to be auctioned today, June 4, 2024, at the Harris County Tax and Foreclosure auction, however it is not recorded on the Daily Court Review website<sup>2</sup>.

covenants set out in the said Deed of Trust, will sell the Property on **Tuesday, June 4, 2024**, at a time commencing not earlier than **10:00 AM** and no later than **1:00 PM**, to the highest bidder for cash (except that Beneficiary’s bid may be by credit against the indebtedness secured by the lien of the Deed of Trust) at the area designated by the Harris County Commissioner’s Court as the area where non-judicial foreclosures shall take place, and more specifically the Bayou City Event Center located at 9401 Knight Road, Houston, Texas 77045, pursuant to Section 51.002 of the Texas Property Code.

Figure 3 – Notice of Trustee’s Sale & Appointment of Substitute Trustee

Accordingly, we believe that this loan has been re-“capitalized” by Arbor at its own expense, per historical precedent. You can read more about Arbor’s re-capitalizations in our previous report:

<https://viceroymresearch.org/2024/05/28/arborealty-elevate-case-study/>

<sup>2</sup> [Daily Court Review](#)





## The Background

- Life At Springs Estates Property Owner LLC appears to have been sued by its outsourced property managers twice in the last 2 years for non-payment.

Star Personnel, Inc. Vs. Life At Springs Estates Property Owner, Llc D/B/A Park North Apartments, Tardema Realty De, Llc D/B/A Park North Apartments, Incap Investments De, Llc D/B/A Park North Apartments, Northern De, Llc, D/B/A Park North Apartments A

CASE LAST REFRESHED: 5 MONTHS AGO [Track Case Changes](#)

[Download Docket](#) [Print Docket](#)

Star Personnel, Inc., filed a(n) Breach of Contract - Commercial case represented by Craig A Bernstein, against Grp De, Llc, Incap Investments De, Llc, Life At Springs Estates Property Owner, Llc, Northern De, Llc, Tardema Realty De, Llc, (total of 5) See All in the jurisdiction of Collin County, TX. Collin County, TX Superior Courts.

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Case Details for Star Personnel, Inc. v. Grp De, Llc, et al.

CASE NUMBER [\(Subscribe to View\)](#) [Q](#)

FILING DATE December 06, 2023	CATEGORY Contract - Consumer/Commercial/ Debt
LAST REFRESHED December 10, 2023	PRACTICE AREA Commercial

The Harris County Civil Court reported the following activity in the suit brought by Cweren, Brian P and The Cweren Law Firm, PLLC against Group DE, LLC, Incap Investments DE, LLC, Life at Spring Estates Property Owner, LLC, Northern DE, LLC and Tardema Realty DE, LLC on Aug. 28: 'Served Cmr'.

Case number 4\_1208931 was filed in the Harris County Civil Court on July 27.

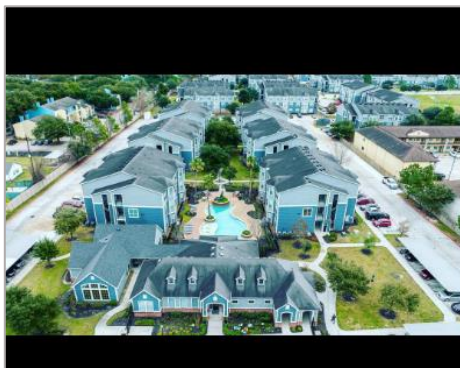
Figures 4 & 5 – Trellis.com<sup>3</sup> & setexasrecord.com<sup>4</sup> case extracts

- Arbor's \$56.275m debt is supported by a \$53.9m appraisal valuation in 2024 by Harris County.

\$ Valuations	
Land:	\$5,918,584
Improvement:	\$48,056,729
Market:	\$53,975,313
Appraised:	\$53,975,313

Figure 6 – Harris County Clerk extract

- The property appears to have been bought for ~\$70m in 2022 with \$23m in syndicator equity by Inman Equities. This effectively means that every one of these investors has lost their entire investment.



inmanequities Looking forward to closing this one down at the end of next week!

This will be the single largest raise yet on a single deal but we are close to the finish line.

Out of a \$23MM equity raise we are only ~\$2MM shy but we will get there without a problem.

What's not to like about 372 units of upside that was built in 2008 in one of the hottest markets in the country?

43 likes  
April 15, 2022

Figure 7 – Benjamin Inman Instagram post, April 15, 2022

<sup>3</sup> [Trellis Law - Star Personnel v. Life at Springs Estates Property Owner](#)

<sup>4</sup> [SouthEast Texas Record - Court activity on Aug. 28: The Cweren Law Firm, PLLC vs Life at Spring Estates Property Owner, LLC](#)



- Inman Equities, the GP, has opened a “debt fund” which it claims will be used to fund multifamily debt projects in Chattanooga, TN. It ridiculously claims to be able to return a 10% annual dividend paid monthly. This is completely unrealistic.

## 10% Annual Dividend

The 10% Debt Fund Income opportunity offers investors a 10% annual dividend paid monthly. The 10% Income Fund offers investors an opportunity to invest in proven Multifamily Apartment assets as a first-position lender.

As a lender our all-in basis is ~\$66,000 per unit on assets that recently appraised at ~\$105,000 per unit. This places us, as a lender, in a more comfortable position when compared to other riskier options in the marketplace today.

The 10% debt fund income opportunity is making a loan to a qualified borrower for the acquisition of Three (3) multifamily asset totaling 56 units located around the Chattanooga (MSA), TN. The acquisition opportunity offers attractive upside to the borrower by purchasing at below replacement costs and by implementing thoughtful renovations that will serve to position the assets to better compete with other like-kind multifamily properties in the market including: Updated cabinetry, appliances and flooring.

The scattered location of the assets around the Chattanooga MSA provides residents with easy access to premier shopping destinations, downtown Chattanooga, along with easy access to major local and regional employers.

Chattanooga is positioned 1.5 hrs east of Nashville, TN, 1.5 hrs north of Atlanta, GA, and 45 minutes south of Knoxville, TN. Given its easy access to these world-class cities has positioned Chattanooga to see continued growth and companies like Amazon, Volkswagen, McKee Foods (Home of Little Debbie), among others continuing to expanding in the area.

Figure 8 – Inman Equities Current Debt Fund Featured Offering<sup>5</sup>

- Viceroy has asked Inman Equities for investment packets to assess the investment. At the time of writing we had received no response.
- Viceroy believes this debt fund will inevitably be used to salvage Arbor debt from existing equity projects, such as Park North.
- The Chattanooga property was previously sold at just \$7.5m in 2018, or \$63k per unit. This is less than the proposed >10% interest rate debt Inman intends to burden the property with.

### ABOUT 107 GOODSON AVE, CHATTANOOGA, TN 37405

Incredible investment opportunity at the edge of Red Bank. Crestview Apartments is a well-maintained 28-unit apartment building located just off of Dayton Blvd with quick access to Northshore, downtown Chattanooga, and Hixson. Currently 100% occupied with a GMI of \$15,189. Sixteen of the units feature 1 bedroom, 1 bathroom with

620 sqft; the other twelve units have 2 bedrooms, 1.5 bathrooms with 840 sqft. This investment property can also be purchased as a part of a larger package deal totaling 118 units for \$7,510,000. Don't miss out on this incredible opportunity! Call today for more information.

Figure 9 – Loopnet 2018 listing for 107 Goodson Ave, Chattanooga, TN <sup>6</sup>

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*Syndicators are compensated on AUM and amounts of debt they can raise. There is little incentive to find a priced deal.*

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<sup>5</sup> [Inman Equities Current Debt Fund Featured Offering](#)

<sup>6</sup> [Loopnet Listing for 107 Goodson Ave](#)



## The Other Inman Loans

Inman appears to deal almost exclusively with Arbor, and has other loans which are distressed, modified and/or delinquent, for example:

Inman’s case study for the Canyon Park closed offering claims it generates 22% IRR per annum. Trustee filings show the loan was modified from distress in June 2023. Its DSCR is 0.74x, meaning it will be required to borrow more or capital call investors to keep it afloat.

**Closed Offering: Canyon Park Apartments, Tallahassee, FL**

Returns : 8% Per Annum    IRR : 27% Per Annum

Hold Period: 3 Yrs    EquityM : 1.9X

A well-positioned 252 unit asset located in Tallahassee, FL surrounded by major employers and well-located close to downtown Tallahassee with ease of access to major thoroughfares allowing for ease of transportation in and around the MSA.

[Learn More →](#)




Figure 10 – Canyon Park – Inman Equities extract<sup>7</sup>

## The Precedent

We reiterate that Arbor has already established a precedent on re-“crapitalizing” loans at its own expense, and has extended mezz financing to delinquent customers:

- Arbor has fixed the interest of Elevate’s \$32m floating rate “The Selena” debt at 6%, without Elevate purchasing a rate cap. Viceroy believes this represents a discount of over 300bps.
- Elevate created a new CRE Debt investment vehicle to provide “fresh capital” to The Selena in the form of a “rescue loan” carrying interest at 18% (!). This rescue loan has a 2<sup>nd</sup> ranking lien on the Selena.
  - This “rescue loan” is presumably intended to meet Arbor’s interest expenses on the 6% loan going forward.
- Arbor has rolled over \$6.3m of outstanding interest and what appears to be mezzanine financing into a 3<sup>rd</sup> ranking loan.
  - This is comprised of \$1.9m “past due” amount, and what appears to be \$4.4m in mezz financing.

		Viceroy Notes:
Arbor Principal	\$36,377,340	"A Note" plus mezz financing (?)
Past Due Amount	\$1,900,000	
<b>Total Due to Arbor</b>	<b>\$38,277,340</b>	
Arbor - A Note	\$32,000,000	Comprised of \$1.9m "Past Due Amount", plus balance of "Principal beyond "A Note".
Arbor - B Note	\$6,277,340	
<b>Total Due to Arbor</b>	<b>\$38,277,340</b>	

Figure 11 – Extract from “The Selena” forecast provided by Elevate & Viceroy notes

The Selena has \$42m of debt against an independent valuation of \$40.9m, which implies a current cap rate of 1.3%.

<sup>7</sup> [Inman Equities - How We Perform](#)





LTV Analysis - Viceroy Research	
Arbor A loan	\$32,000,000
Rescue loan	\$3,865,000
Arbor B loan	\$6,277,340
<b>Total debt</b>	<b>\$42,142,340</b>
Most recent value (Arbor CLO)	\$40,980,000
LTV (valuation)	103%
Revenue (Dec 2023)	\$3,743,590
Opex (Dec 2023)	\$3,208,698
<b>NOI</b>	<b>\$534,891</b>
<b>Impied cap rate</b>	<b>1.31%</b>
Occupancy (Dec 2023)	78.48%
Blue-sky revenue	\$4,770,119
Opex (Dec 2023)	\$3,208,698
<b>Blue-sky NOI</b>	<b>\$1,561,421</b>
Blue-sky cap-rate	5.50%
Viceroy blue-sky valuation	\$28,389,475
<b>Viceroy blue-sky LTV</b>	<b>148%</b>

Figure 12 – Viceroy Research LTV analysis

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

- A 100% occupancy rate and corresponding increase in revenue.
- Fixed operating expenses.
- NOI uplift of ~200%.
- A cap rate of 5.5%, representing best-in-class assets in the current market.

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***Even with these imaginary numbers, Arbor still will not break even on its \$32m loan when The Selena inevitably collapses.***

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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. A faux pas from its borrowers now also shows that syndicates are increasingly being utilized to assist can kicking by Arbor.

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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.**

We posit that Arbor is exposed both to Meridian and BBG. Questions put forward to Arbor on these topics have been swatted away as if they are not important (they are).

Given the sheer (bad) performance of Arbor against peers, we believe it is evident that Arbor’s internal controls and safeguards are inappropriate, or simply do not exist.

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**

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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