From the Philadelphia Business Journal:
http://www.bizjournals.com/philadelphia/print-edition/2011/12/02/iron-stone-fund-seeking-75-million.html

Iron Stone fund seeking $75 million

Premium content from Philadelphia Business Journal by Natalie Kostelni, Reporter

Date: Friday, December 2, 2011, 6:00am EST

Related:

Commercial Real Estate, Residential Real Estate, Construction

Natalie Kostelni
Reporter - Philadelphia Business Journal
Email | Twitter

Iron Stone Real Estate Group is launching its third investment fund and is seeking to raise $75 million to buy distressed real estate.

The new pool of money will more than double its second fund, which came in at $33 million and shows steady growth from its foray in 2005 when it raised $10 million.

Iron Stone plans to target buying defaulted first-mortgage liens on multifamily properties. It also likes to invest in mixed-use projects as well as historical buildings.

Under its first fund, Iron Stone bought the former Medical College of Pennsylvania campus off Henry Avenue in Philadelphia. That property consisted of 700,000 square feet and the company initiated a historic adaptive reuse of the space. Now called Falls Center, it has apartments, office space used by commercial, educational, medical, and hospice tenants, an independent care facility and retail space.

Its second fund focused almost all on buying distressed debt on multifamily properties. It's working on securing zoning to convert a storage building at 52nd and Baltimore into 112 apartments.

Earlier this year it bought a series of mortgages on six apartment buildings that has 800 units in locations such as University City, West Mount Airy and North Broad Street. The properties were poorly managed and were nearly half vacant. It was the kind of buy Iron Stone likes to make and will seek out with its third fund.

"Our niche is working in the neighborhoods just outside the core," said Andrew Eisenstein, who formed Iron Stone in 2000.

Prior to establishing Iron Stone, Eisenstein spent years as a general contractor that focused on high-rise condominium remodeling and later developing and managing multi-family apartment properties.

Several local groups have formed real estate funds to buy real estate and distressed mortgages and each has their own strategies and property targets. Some of them include Exeter Property Group, **BPG Properties** Ltd., **Toll Brothers Inc.**'s Gibraltar Capital and Asset Management, and Lubert Adler among others.

The number of these private-equity real estate funds in North America peaked at 144 in 2007, at the same point the market hit a high. The following year a record amount of money, $75.9 billion was raised in 130 funds, according to Preqin, a research firm that tracks the alternative assets industry.

Since then, the number of these funds has declined. Last year, just 89 private-equity real estate funds closed with $35.8 billion at their disposal, which is a 28 percent drop off from $49.8 billion raised in 2009 and the lowest since $14.1 billion was raised in 2003, Preqin data show. Through July of this year, 53 private-equity real estate funds totaling $21.8 billion have been raised in North America.

It's not always easy to raise money in the current financial climate.

"It's a challenging environment because the stock market is so variable but we have a core group of investors who have been with us a long time," Eisenstein said. "Generally, we found people looking for asset classes that aren't in their current portfolios."

Real Estate, Economic Development