MULTIFAMILY EXECUTIVE

# What Recession? Young Developer Delivers First Project Despite the Odds.

By: Jerry Ascierto

Fewer units are coming online these days, but one development newcomer in Southern California is determined to defy the odds. The 27-year-old just completed his first mixed-use deal and has begun work on a second.

Culver Centrale, which came online in early January, offers 18 condos and 5,500 square feet of retail space.

Joseph Miller, the young founder of The Runyon Group, recently delivered Culver Centrale, an 18-unit condo development that includes 5,500 square feet of retail space in Culver City, Calif.

The two-bedroom luxury units—some selling for as high as $950,000—came online in early January. Six units sold within the first couple of weeks. “I was lucky in the sense that I wasn’t selling units six months ago; things have stabilized quite a bit since then,” Miller says. “And there really aren’t that many new developments because nobody’s been building for the past few years, so I ended up in a good position.”

They say it’s better to be lucky than good, but in Miller’s case, hard work and ambition brought both virtues to the table.

**Getting There**

Miller first decided that he wanted to focus on real estate his senior year at George Washington University, when he started working part-time at the local Marcus & Millichap office. After college, he joined the acquisition and development team at The Kor Group, a luxury hotel and condo developer, during the boom years of the last condo cycle, from 2004 to 2006.

“I’m convinced that we looked at something like 95 percent of the marketed deals in Los Angeles,” Miller says. “It was a crazy time and it was a crash course in learning the business.”

While with Kor, Miller found a great land deal in Culver City, a city of about 40,000 in Western Los Angeles County. The city features many art galleries and cafes (the *New York Times* called it a “nascent Chelsea”) and is also home to Sony’s motion picture operations.

Culver City was selling a surplus piece of land near downtown at a great price. But the deal was considered too small by Kor’s standards. Sensing an opportunity, Miller quit Kor and teamed up with local architects SPF Architects—whom he had met at a networking event—to make a bid.

Since Miller was starting from scratch, he entered the deal as a minority partner, managing the accounting, finance, and legal aspects of the deal, while SPF served as the main principal. But the partnership structure changed very quickly in January 2008. When construction financing proved too difficult to procure, the architects began to reconsider the deal, and the impatient Miller took hold of the reins.

Miller, who grew up in Los Angeles, went out and raised the equity himself, cobbling together about $5 million in friends and family equity through local contacts. Miller was also able to procure an $11.5 million construction loan from a local community bank by getting one of the passive equity investors to sign on as a partner, satisfying the bank's liquidity requirements. The loan, at prime rate plus 100 basis points, remains below 6 percent.

By then, as full owner of the project, he was getting ready to break ground during the worst credit and housing market in decades. Miller says he still can't believe he was able to procure the construction financing in that environment. “But it's the same with getting entitlements: It's hard work when you're doing it, but once you do it, there's a competitive barrier around your position,” Miller says. “All the difficulties I went through in doing this project now become defenses to my market position.”

Miller doesn't plan to put any permanent debt on the project, instead paying down the construction loan each time another unit is sold. All told, the 18 units should bring in between $14 million and $15 million, and though no leases have yet been signed, the retail portion of the development should serve as an ongoing profit source.

Looking ahead, Miller says he is just getting started. Early in January, he purchased 2 acres of land near a light rail station in Culver City. Miller was able to buy a distressed note from a lender for 50 percent of the loan's value and moved through foreclosure to negotiate a transaction. He paid all-cash by tapping some of Culver Centrale's investors who were happy with what they saw on his first deal. He's currently mulling what the best mix of uses will be for that deal.