



Alegria Real Estate Funds Purchases 100th Distressed Single-Family Home in San Diego County

Local Investment Group Has Quickly Become One of the Largest Homebuyers in San Diego County; Providing Homes for Families and Fueling the Recovery

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CHULA VISTA, CA-- Back in 2010, an entrepreneurial real estate investment professional named Ronnie Morgan was looking for something to do while the real estate market was bottoming out. He huddled with his partners Elias Lilienthal, Brad Tuck and Ari Hirshhorn, and together they formed a private investment fund to pick up a few foreclosed or underwater homes.

Now, two years later, Alegria Real Estate Funds just purchased its 100th distressed property and having spent over \$41 million during that time, is one of the largest homebuyers in San Diego County.

The Alegria funds buy hard assets -- detached, single-family homes -- at the bottom of the market for cash, in areas with a lack of inventory and high barriers to entry. Competition for these homes has heated up significantly over the past few months, which the fund's principals see as a sign that the local housing market is turning around.

"The bottom line is that the recovery is happening in San Diego County and it's happening now," said Morgan. "Housing prices have hit a sweet spot, mortgage interest rates are at all-time lows, and people are feeling more secure in their jobs so they are more willing to purchase. This is a great time to be investing in residential real estate."

The first Alegria fund raised approximately \$5 million and was used solely to buy homes one-by-one on the courthouse steps or through a short-sale, renovate them and sell them to families who could afford them. The second fund raised approximately \$6 million and was used for the same purpose.

The third fund will raise up to \$10 million. Unlike the first two funds, however, Alegria Real Estate Fund 3 is being applied to a different business model. Not all the high-quality homes purchased are being resold immediately; some are being refurbished and rented, part of a longer-term hold approach. The plan is to sell them in a few years once the market has rebounded.

"We're at the forefront of the housing recovery," Morgan said. "We go into a neighborhood and acquire a property that needs a little TLC, fix it up, price it to market and put a family in it -- a family that needs a home, wants a home, can afford it and can take care of it. What our company and others like it are doing is absolutely essential to getting rid of the glut in housing inventory. Once most of these distressed properties are absorbed, everyone's home value is going to improve."

May was one of the Alegria Real Estate Funds' biggest, most active months to date in terms of buying and selling inventory and returns are higher than in previous quarters. The funds are continuing to acquire inventory both at auction as well as through short sales transacted directly with homeowners with the mortgage holder's consent.

"We work with knowledgeable real estate brokers and do a great deal of up-front homework in identifying potential properties for acquisition," said Morgan. "It's very competitive on the courthouse steps and we have to stay disciplined. We start the day with a plan and with bidding limits on specific properties, and we bid up to those limits and no higher."

The Alegria Real Estate Funds focus primarily on newer single-family homes. The needs of these houses are generally limited to some fresh paint, a little landscaping attention and perhaps some carpeting. That keeps the fund's renovation costs low, and acquiring homes in master-planned communities ensures similar, common floor plans so that there are fewer surprises.

While many of the homes acquired by Alegria to-date are in the South Bay area of San Diego County, the funds have also acquired condominium properties in downtown San Diego and have expanded into North County.

Alegria Real Estate Funds pay on average between \$200,000 and \$600,000 per house in neighborhoods where as many as half of the homes are either underwater or in foreclosure. Ninety percent of the homes they purchase are occupied.

About The Partners

- Ronnie Morgan is currently a principal with MKS Residential LLC, an institutional-quality apartment developer. MKS is a successor company to the Morgan Group, Inc., where he was a co-founder and co-chairman. He began his career as a real estate attorney in Houston where he practiced with two downtown law firms during the 1980s. In 1995,

he served as the president of the Houston Apartment Association and in 2005-06, after relocating to the San Diego area, was chairman of the San Diego Chapter of the Young Presidents Organization (YPO).

- In 1998 Elias Lilienthal immigrated to the United States from Mexico City, where he was CEO/President and shareholder in multiple family-owned manufacturing companies in a variety of industries. In the United States Mr. Lilienthal has been actively involved in the development and construction of custom homes and other real estate investment and development activities. He has been an active member of the Young Presidents Organization for many years.
- Bradley J. Tuck has more than 23 years of diversified expertise in the real estate development industry. Since founding Bradley Land Group in 2004 he has directed the entitlement of more than 400 homes and mixed-use projects throughout San Diego County. He previously served in executive leadership positions with D.R. Horton and the Corky McMillin Companies, a San Diego-based private real estate development, home building and realty company.
- Ari Hirschhorn is the co-chairman of Grupo Hir, a Mexican firm with over 50 years of experience financing and constructing low-income housing in Mexico. He has managed the construction and sale of more than 350,000 housing units and used his expertise to direct similar projects in Southern California. Under Mr. Hirschhorn's direction Grupo Hir has added numerous subsidiary organizations and expanded its activities across North America.

About Alegria Real Estate Funds

The Alegria Real Estate Funds were started in 2010 and are active in purchasing distressed properties for both renovation and sale and for long-term hold investments. Its four founding partners have extensive experience in the areas of finance, investment, real estate acquisition and single-family and multifamily housing development and construction. During the ongoing housing market recovery, the Alegria Real Estate Funds (Alegria is the Spanish word for joy or happiness) have purchased more than 100 houses throughout San Diego County and in the process provided homes for scores of families while helping to fuel the recovery of the housing market.