Stormfield Capital

STORMFIELD INSIGHTS

Condominium Inventory Lending

SEPTEMBER 2025

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In previous issues of Stormfield Insights we covered Stormfield's two primary lending strategies; Residential Transitional Lending ("RTL") and Bridge Lending . In this and future pieces we will delve deeper into examples of loans Stormfield has originated within each strategy and will explore some of the nuance and variation that exists within both the RTL and Bridge Loan categories. Today, we will explore a variant of the Bridge Loan referred to as a condominium inventory loan.

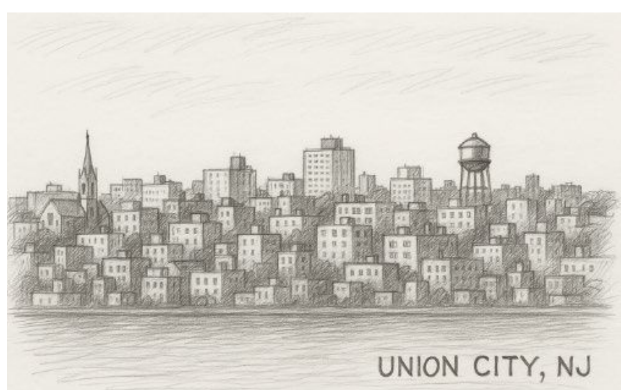
What is a Condominium Inventory Loan?

A condominium inventory loan is a type of bridge loan that is secured by a completed or nearly completed condominium project. Most commonly, the project will have been developed with a construction loan provided by a local or regional bank. Occasionally, due to some type of delay, the bank-provided construction loan will mature before the sponsor will have sold all of the available units. In this scenario, the sponsor and bank will commonly negotiate a short extension to the construction loan, however, in some cases, for a variety of reasons, such an extension may not be possible. When this happens, the sponsor must either come out of pocket to repay the maturing bank loan or source another loan to retire the existing bank debt. Given the steep prepayment penalties imbedded in traditional bank loans, sponsors will often look to a bridge market for a solution.

While such scenarios do not arise often, they present a very compelling opportunity when they do. As we will detail in the following case study, Stormfield was able to offer a bridge loan on a project that had been significantly derisked by clearing all of the obstacles and hurdles that one encounters in any development project while still earning an outsized yield. Critically, condominium inventory loans also contain a number of risk mitigating factors that contribute to what we believe is an outsized risk-return tradeoff. Most notable among these is the clear path to resolution via sale of the remaining condominium units and requirement of proceeds to be used to rapidly pay down our bridge loan.

The Scenario

Stormfield Capital made condominium inventory loan secured by a portfolio of thirty-one newly constructed residential units in Union City, New Jersey, along with a development parcel located in nearby Hackensack. At the time of origination, twelve of the Union City condominiums were already under binding contract, representing approximately $7.5 million in imminent sale proceeds - an encouraging signal of market demand and sponsor execution. The borrowing entity, a seasoned regional developer with a resume exceeding 250 completed units, faced the familiar conundrum of maturing construction debt amid an extended sales cycle. Stormfield's facility was used both to refinance the incumbent construction lender and to extract sponsor equity - freeing up liquidity to support the borrower's next phase of development in Hackensack.



Union City, a dense enclave perched along the Palisades, is increasingly prized by commuters priced out of Manhattan and Brooklyn. Its direct access to Midtown via the Lincoln Tunnel, often in less than 20 minutes, renders it an attractive, albeit underappreciated, alternative to more saturated waterfront markets like Hoboken or Jersey City. Public transportation infrastructure, including direct bus lines and proximity to PATH and ferry services, further enhances the city's appeal as a live-work outpost for professionals seeking affordability without forsaking connectivity.

Stormfield's loan was structured with a dynamic unit-release mechanism, enabling repayment from the staggered sale of individual condominiums. This amortizing approach, calibrated to both market absorption and price points, ensures that principal is steadily returned while preserving collateral coverage and downside protection. As a result, the loan's exit is not left to the whims of a singular liquidity event but is instead governed by a contractual, measured wind-down of inventory - mitigating both market and execution risk in the process.

Underwriting a Condominium Inventory Loan

When underwriting a loan secured by unsold condo units, lenders must first evaluate the legal, political, and regulatory risks - particularly those tied to condominium approvals, offering plans, and local compliance requirements. Once these risks are understood, lenders should then focus on collateral valuation. There are two standard valuation methodologies: the Bulk Sellout Value and the Aggregate Retail Sellout Value. Bulk valuation assumes a single buyer acquires all units at a discount (usually 10–15% below individual retail pricing) to reflect a faster, more efficient disposition and typically used to stress-test loan proceeds. The Aggregate Retail Value assumes units are sold individually to homeowners, which is typically a longer, laborious process. Finally, lenders should carefully structure individual unit release prices to protect downside risk and project a clear exit strategy.

The Outcome

Stormfield closed this loan in February 2025. Since then, 16 of the 31 condominium units have been sold, resulting in the repayment of 60% of the total loan amount – despite only 51% of the units being released. This repayment ratio is a function of the negotiated release structure and strong execution by the sponsorship group. As a result, the loan's current loan-to-value (LTV) has decreased significantly, further de-risking the position and enhancing Stormfield's collateral coverage as the project continues to sell out.

The Union City transaction exemplifies Stormfield's ability to identify and execute on niche bridge lending opportunities with asymmetric risk-return profiles. Condominium inventory loans, though infrequent, offer a rare blend of de-risked collateral, contractual visibility into repayment, and strong downside protection when properly underwritten. By focusing on sponsors with proven execution, structuring thoughtful unit release mechanics, and maintaining a conservative view of bulk versus retail value, Stormfield was able to generate compelling returns while protecting principal. As we continue to navigate a dynamic real estate landscape, these nuanced transactions demonstrate how experienced underwriting and flexible capital can unlock value in overlooked corners of the market.