

PRESS RELEASE

MODESTO, CALIFORNIA

DECEMBER 21, 2002

BUYER LIKES CASH FLOW FROM VERY ROUGH PARK

The sale of the Del Rio Mobile Home Park located at 433 S. Seventh Street, Modesto, California was completed on December 21, 2001 for \$2,590,000. John Grant of Park Brokerage Inc. represented the seller in the sale.

The all ages community was built in the 1940's and 1950's and has 106 mobile home spaces with 101 rental mobile homes, 31 cottage apartments, and a store. Of the 101 rental mobile homes, 40 are doublewides and the balance are singlewides. The park is located in the unincorporated area of Modesto next to the city limits and on the Tuolumne River. The area is a redevelopment area and very low income. The property is situated on nine acres, zoned industrial, and in a 100 year flood zone. Its only amenity is a laundry room. The park is serviced by well water and septic sewer systems. It was in poor condition at time of sale.

The mobile homes rent for \$460-\$720 and the cottage apartments rent for \$400-\$520. The seller submetered and started charging for the gas and electric utilities during 2001. Most of the mobile homes are older and need work. The property operated at a 5% vacancy rate with another 5%-10% in bad debt.

The property sold at a 15% capitalization rate and 30% cash on cash return. The buyer obtained a new 1st trust deed of \$1,361,000 at an adjustable interest rate of 7½% fully amortized over 20 years, the seller carried a \$274,000 2nd trust deed at 8% for five years, and the seller carried another \$274,000 trust deed secured by another property of the buyer's at 8% for five years. The first trust deed lender held back \$100,000 for repairs, and the buyer plans to spend an estimated total of \$300,000-\$400,000 for repairs and for bringing in larger mobile homes to replace the older one bedroom mobile homes.

John Grant commented, "Out of the all the manufactured housing communities and old trailer parks I have sold over the years, Del Rio was by far the roughest. I had never sold a park with almost 100% park owned rental mobile homes. The tenancy and area is very low income and there are some tough characters. However, the seller had purchased the property in February, 2000 for only \$1,685,000 and made a lot of money on the deal. While the property is still in rough condition, it was in deplorable condition when he bought it. He spent \$300,000 in repairs and improvements, brought in strong onsite management (annual payroll was \$140,000 a year), started running credit and criminal checks on all applicants, submetered the gas and electric utilities, and became more stringent with problem and non-paying tenants. He was able to bring collections up from 50%-60% of scheduled gross income to 85%-90%".

John Grant added, "Despite the appearance of the property, the park makes a lot of money. In addition to being the roughest park I have sold, it was also the highest capitalization rate and cash on cash return. The buyer was out of Oakland and has owned a number of low income apartment buildings. He was anxious to buy the property, continue to upgrade the property and increase the income, and enjoy the very high cash flow".

John Grant sells and finances manufactured housing communities and RV parks exclusively throughout the states of California, Arizona, and Nevada. He has sold 87 parks in the last thirteen years and financed over 100. For further information contact John at 800-987-3363.