

PRESS RELEASE

ESCONDIDO, CALIFORNIA

JANUARY 13, 1999

**QUALITY, 4 STAR, SENIOR PARK SELLS FOR 6.3% CAP RATE BUT VERY LOW
\$24,456/SPACE**

The sale of the Carefree Ranch Mobile Home Park located at 211 N. Citrus Avenue, Escondido, California was completed on January 13, 1999 for \$4,500,000. John Grant of Park Brokerage Inc. represented both the buyer and seller in the sale.

The four star, senior community consists of 184 sites occupied by a majority of doublewide mobile homes. The park was built in phases from 1967-1972. Amenities include large pool area, rec hall, and security entrance. The park was in excellent condition at time of sale.

Space rents averaged \$286/month plus utilities and were approximately \$100 below market. The City of Escondido has had a very onerous rent control ordinance and in many years the park received no rent increase at all. However, the rent control ordinance has recently been changed to a yearly 75% of cpi with full vacancy decontrol on tenant turnover.

The park sold with 17 vacancies at time of sale, and a number of the line item expenses were very high. The buyer paid cash to a new \$3,350,000 adjustable rate loan.

John Grant commented, "A 6.3% capitalization rate is as low a return as you will see a manufactured housing community sell for-especially with rent control. However, \$24,456/space for a quality manufactured housing community is also very unusual. The park sold with significant upside for the buyer. The park sold with very high operating expenses, and with more streamlined expenses, the cap rate should rise to the mid 8's range. If the buyer can fill the 17 vacancies and receive some strong rent increases on tenant turnover, the return should become excellent".

"The buyer also owns an all age community in Escondido and knows the empty spaces will rapidly fill at \$400 rents if he turns the community into a family park. However if he can fill a significant number of the spaces during the first year as a senior park, he will not change over to family".

Grant added, "Most investors prefer 55+ communities, but the senior market in San Diego county continues to be very soft and difficult to fill vacancies. The all age market is very strong with dealers waiting for spaces to open".

John Grant of Park Brokerage Inc. sells and finances manufactured housing community and RV parks exclusively throughout the states of California, Arizona, and Nevada. He has sold 57 parks in the last ten years with over a hundred financed. For further information contact John at 619-586-9400.