

WATSONVILLE, CALIFORNIA

SEPTEMBER 22, 2004

SANTA CRUZ COUNTY RENT CONTROL PARK SELLS FOR 6.2% CAP RATE



The sale of the Pinto Lake Mobile Estates located at 789 Green Valley Road in the unincorporated area of Watsonville in Santa Cruz County closed on September 22, 2004 for \$7,100,000. John Grant of Park Brokerage Inc. represented both parties in the sale.

The all ages, four star community was built in the early 1970's and contains 177 doublewide and triplewide lots with 34 singlewide homes, 128 doublewide homes, and 15 triplewide homes. Amenities include a clubhouse, swimming pool and laundry room. Site rents were \$300.13-\$498.44 with a \$340 average plus submetered gas and electric utilities. The city sewer, city water, and trash utilities were included in the rent. Site rents are subject to the County of Santa Cruz rent control ordinance that limits annual rent increases to 50% of the consumer price index based on the 1982 base rent of \$180 plus the annual increase in property taxes (including the reassessment from the sale), government mandated services, and 50% pass thru of capital expenditures. The rent control ordinance does not allow any type of vacancy decontrol.

Adding a 3% professional management fee to the seller's expenses, the capitalization rate was 6.2%. The buyer paid cash to a new 80% loan to value of \$5,680,000 at a 5.03% interest rate with monthly payments amortized over 30 years with a 5 year term. The property was in good condition at time of sale.

John Grant commented, "Santa Cruz County has one of the most onerous rent control ordinances in the State with annual rent increases at only 50% of cpi and computed on the 1982 base rent of \$180. 50% of cpi in today's market is approximately 1.5% times the \$180 for an annual rent increase of \$2.70. Most non-rent control communities today in California have annual rent increases of \$25-\$50. The ordinance also does not allow any type of increase when one resident sells to another resident or if a site becomes vacant. A 6.2% cap rate for this type of rent control is a very strong premium."

John Grant sells and finances manufactured housing communities and RV parks exclusively throughout the states of California, Arizona, and Nevada. He has sold 109 manufactured housing communities and RV parks in the last 16 years and financed over 100. John can be reached at 800-987-3363. Market time: 30 days, Escrow length: 45 days