

PRESS RELEASE

SAN MARCOS, CALIFORNIA

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SELLER BARRED FROM USING BANKRUPTCY TO BACK OUT OF DEAL

The sale of the Rancho Vallecitos Mobile Home Park located at 3535 Linda Vista Drive in San Marcos, California was completed on February 25, 2000 for \$11,500,000. John Grant of Park Brokerage Inc.

The 55+, senior community was built in 1972 and 1975. The community contains 340 doublewide and triplewide spaces and is considered "five star". The community is situated at the top of a hill on 55 acres, and many of the spaces have ocean view. The space rents are low at \$330-\$480 with a \$380 average and subject to the City of San Marcos rent control ordinance. The sewer, water, and trash utilities are included in the rent. The community has a deluxe clubhouse with a resort style pool, spa, and garden area.

The buyer made a \$2,875,000 cash down payment, and Washington Mutual provided new financing of \$8,625,000. The capitalization rate was approximately 8½%.

John Grant commented, "The seller did not disclose that she was in personal bankruptcy when she executed the purchase contract with the buyer. She later received a higher offer from another buyer. Her attorney tried to get her out of the purchase contract because the bankruptcy court had not approved the sale. Despite filing bankruptcy, the seller had plenty of equity in the community to pay all her debt, and the judge decided that she could not use the bankruptcy court system to get out of her purchase contract. Of course, it took two and half years of litigation to resolve that issue."

Grant said, "Five star, 55+ communities just don't make it to the market in Southern California, rent control keeps space rents well below market which affects overall values, so owners have really no motivations to sell these types of parks. Any sales that make sense or take place usually are to the residents. The buyer owns another large five star community in north San Diego County and jumped at the opportunity to buy at only \$33,823/site".

Grant added, "The buyer has several upside strategies to pursue. The fair market rents for the community are approximately \$500 (\$380 average now), and the buyer can slug it out with the rent control board for increases. The buyer may also condo map the community and sell the home sites individually. Or the buyer can always resell the community since they purchased it at such an attractive price."

John Grant sells and finances manufactured housing communities and RV parks exclusively throughout the states of California, Arizona, and Nevada. For further information contact John at (800) 987-3363.