

PRESS RELEASE

RANCHO MIRAGE, CALIFORNIA

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**SELLER LOOKS TO GET OUT OF RENT CONTROL AND BUYER FINDS
POTENTIAL FOR OPPORTUNITY**

The sale of the Rancho Palms Mobile Home Park located at 39360 Peterson Road in Rancho Mirage, California was completed on March 15, 1999, for \$3,296,400. John Grant of Park Brokerage Inc. represented the seller in the transaction.

The all-age community was built in 1964 and has 130 spaces with 81 doublewide mobile homes, 45 singlewide mobile homes, and 4 travel trailer spaces. Amenities include a clubhouse, pool, spa, barbecue/picnic area, RV storage, car wash and shuffleboard court. The clubhouse contains an office. The park is situated on 12.34 acres for a 10.5 homes/acre density. The gas and electric utilities are submetered. Space rents are \$275-289 + \$14 for trash, \$12 for sewer and \$25.50 for cable. Travel trailer spaces rent for \$304/month. The park could be considered 3½ star and was in average condition.

The space rents at the time of sale were approximately \$50 below market due to rent control. The city of Rancho Mirage rent control ordinance allows only an annual 75% of CPI rent increase from the 1982 base rental rate of \$150, and does not have any vacancy decontrol. The park sold at a capitalization rate of 8% based on existing income. The buyer obtained a new institutional loan of \$2,500,000 at 7.64%.

John Grant commented, "Even though the greater Palm Springs market has been a soft housing market since the early 90's, Rancho Mirage is still considered a desirable location, and the park was considered above average. However, the Rancho Mirage rent control ordinance is considered one of the more onerous in the state, and the Seller was tired of dealing with the bureaucrats. The Seller has another community in Utah and was ready to move his equity out of California to avoid rent control."

Grant added, "An 8% capitalization rate for an older park in tough rent control is a premium in today's market. However, the Seller had owned the park for 25 years and had a very low tax basis and no debt service. Rent control boards do have to consider increases in expenses and allow pass thru of the increased costs. The Buyer planned to immediately apply to the rent control board to pass thru the increase in real estate taxes and the added cost of professional management. If the \$40,000 in increased costs are passed thru to the tenants, the Buyer would have a more competitive 9.25% cap rate.

Grant said, "It's a feeding frenzy amongst investors in the manufactured housing community marketplace. Buyer are much more flexible and aggressive in seeking opportunities to purchase communities".

John Grant of Park Brokerage Inc. sells and finances manufactured housing communities and RV parks exclusively throughout the states of California, Arizona, and Nevada. He has sold 59 parks in the last ten years with dozens financed. For further information contact John @ 619-586-9400 or jgrant3@san.rr.com.