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October 8, 2009

## Apartment Complex Trades at Steep Discount

By Brian K. Miller

LAS VEGAS-A 352-unit, 20-year-old apartment complex that traded in 2006 for \$36.8 million has just changed hands again for \$15.6 million, according to the Bentley Group Real Estate Advisors, which brokered the short sale. A lender-approved receiver sold the property for the owner, according to the Bentley Group's announcement, which didn't name any names.

The property, which has a tennis court, a pool and a gym, is currently known as Summerlin Entrada and was previously known as Mountain Springs. Clark County Property records indicate the lender was CWCapital LLC and the seller was the 2006 buyer, a JV of Mountain Springs Investors LLC and 1701 Rock Springs LLC, whose members are executives of R.W. Selby & Co., a Los Angeles-based multifamily investment firm. The new owner is the Leo and Emma Zuckerman Trust.

While the price was low, the cap rate also was low, 5.5% on a trailing-three-month basis and 6.1% on a trailing 12-month basis, using \$4,200 per unit in expenses, according to the announcement. The property reportedly suffered from cash flow problems, both from its capital structure and the market downturn, that resulting in occupancy deteriorating to 65% by the time all sale contingencies had been removed, which is significantly lower than the market's average occupancy.

Additional challenges facing any purchaser on this asset were certain contract terms required by the lender, the need of immediate capital infusion, and the lack of available financing which created the need for an all-cash purchase, states the Bentley Group announcement. Despite the challenges the buyer will be able to not only benefit from the stabilization of the property, but will be able reap the benefits of Las Vegas' eventual but certain rebound.

The 58% drop in the sale price in the past three years is equal to the decline in the Las Vegas median home sale price over the same time period. The Zuckerman Trust was reportedly not the first to try acquire the property, just the first one to actually put it under contract and close the deal. Bentley Group president Chris Bentley declined to comment beyond the announcement. Bentley was assisted in the transaction by Bentley Group broker Jeremiah Drake.

While the market is in a period of correction, lender-involved transactions may strengthen the downward pressure on prices, Jake Joyce, a project manager with Applied Analysis, a locally based business research and advisory firm that tracks the commercial real estate and gaming markets, among other things. We're likely to see more bank asset sales if fundamentals in the apartment market continue to deteriorate.

AA's third quarter apartment report is still a week out. In the second quarter, it reported that average occupancy dipped to its lowest level in more than a decade and asking rents at mid-year had backed off to price points quoted three years ago, resulting in a 6.3% decline in potential revenue. Occupancy fell to 90.5% in the second quarter from 92.9% in the first quarter. The 10-year average is 94.2%. The average asking rent ended the quarter at \$857 per month or \$0.95 per square foot, down from \$869 and \$0.96 in the second quarter, and \$899 and \$0.99 in the second quarter of 2008.

□ There are a few positive signs in the for-sale housing market, pricing continues to erode and an oversupply condition persists, which is having a negative effect on the apartment market, □ Joyce commented at the time.

□ Another factor impacting demand for rentals is that more than one out of every ten potential workers in southern Nevada is unable to find work, a condition that is putting downward pressure on occupancies and rents; it is also reportedly increasing delinquencies and evictions. These trends are not expected to correct through the end of the year. □



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