

Crittenden Apartment Report™

Vol. 12, No. 47

October 20, 2003

EAGLE REAL ESTATE GROUP TARGETS INLAND EMPIRE FOR VALUE-ADDED PLAY

Eagle Real Estate Group, LLC, has strengthened its hold on Southern California's hottest apartment market with acquisition of two rental communities in the Temecula/Murrieta valley area for approximately \$71 million. The deal, which totals 778 units, closed last week and has given Eagle 17% of the approximate 4,500 apartment stock in the up-and-coming valley region.

With a population of about 70,000, Murrieta last year was California's fastest-growing city. With lots of retail stores and jobs moving into the region along the busy I-215, Eagle co-founder and principal **Randall J. Friend** sees the area as a great place to be for the next 10 years. Apartments across the entire Temecula Valley currently are about 97% to 98% occupied and Friend is looking at the acquisitions as long-term holds. He believes his recent acquisitions make his company one of the top apartment owners in California's Inland Empire.

Eagle bought 460-unit **California Oaks** complex for \$42 million from the **KOR Group**. The complex sits on 26 acres within the California Oaks MPC and is the largest multi-family community in Murrieta. Built in 1989, the property consists of 22 three-story buildings and has a current occupancy rate of just 92%. Eagle expects to improve that figure to average market occupancies when its own management company takes over. Eagle plans to reposition the asset through a \$2 million capital expenditure program that will include new garages and exterior painting.

The property's amenities include a fitness center, three swimming pools, volleyball and tennis courts and a clubhouse. The one-bedroom units currently rent for \$850 per month and the twos go for around \$1,100. Eagle's equity partner in the deal is **South Charles Investment Corporation**. Eagle worked with **L.J. Melody & Company**, which arranged a loan from **Freddie Mac** with an interest rate of 5.3%, locked in for 10 years.

Eagle bought out the interest of its capital partner, **Bank of America**, in the 318-unit **Somerset Apartment Homes** in Temecula for \$29.5 million. **Green Park Financial** provided a Fannie Mae-backed loan at a 10-year blended average of 5.15%. The property's 40 two-story buildings sit on approximately 15 acres and consist of two-bedroom units. Amenities include a fitness center, swimming pool and barbeque areas. Current rents range from \$895 to \$925. The occupancy rate is about 96%.

The acquisitions came a week after the company named principal **H. Gordon MacKenzie** as Chairman of the Board. The investment company will aggressively continue to seek new product through Southern California and other metropolitan areas. The company is one quarter of the way toward its goal of owning \$1 billion of apartments by 2005. Eagle closed its first acquisition deal in 2000 when it purchased a five-property portfolio totaling 589 units in Ontario, Calif.

Eagle typically looks for value-added plays in Southern California. The company has expertise in tax-exempt bond financed deals and rehab projects. Eagle competes in many of the same markets with the **Bascom Group**, which has 10,000 + units and 62 rehab projects in portfolio. Bascom recently sold an asset in the Inland Empire and has been opting for northern exposure, looking for deals in the Pacific Northwest, Dallas, Denver and even Washington, D.C.