

real estate

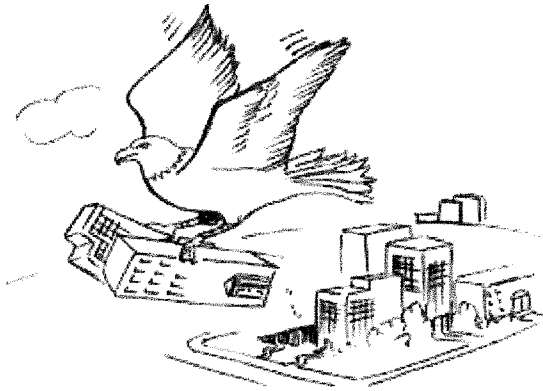
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California Investor Plans Acquisition Boom

--Veronica Belitski



Orange County, Calif.-based **Eagle Real Estate Group** could spend up to \$1 billion on multifamily acquisitions over the next two years, targeting properties primarily in the southern California region. "There is a lot of pent-up demand for housing because of rapid job growth in this area," said **Randall Friend**, principal. He added that the company expects to see that demand increase if long-term interest rates go up, which will deter Southern California residents from buying homes.

Since its inception in June 2000, Eagle's pipeline has grown exponentially. In 2002, it invested \$117 million in southern California housing. It is likely to exceed \$150 million in 2003 and plans to spend several hundred million in 2004. The company will target Class B and C properties or "workforce housing," Friend said. Eagle stays away from Class A properties, focusing on properties that it can reposition from either a management or capital improvements perspective.

The company works with institutional investors, including pension fund advisors, to finance acquisitions, forming funds and joint ventures, and uses tax-exempt bond financing for rehab and affordable-housing acquisitions. It also benefits from low-cost financing from the government agencies. Most recently, Eagle financed its \$71 million acquisition of the 460-unit California Oaks and the 318-unit Somerset Apartment Homes in Temecula Valley and Murrieta Valley, respectively, with a 10-year **Freddie Mac** loan that carried a fixed rate of 5%. **Bank of America** was the capital partner for this transaction. The bank has worked with Eagle in the past, and is likely to remain a long-term partner, Friend said.

The California Oaks and Somerset Apartment Homes properties are located in the valley alongside freeways I-15 and I-215, which are lined by multiple distribution centers. "Murrieta is one of the fastest growing cities here because of the infusion of jobs into this market," Friend said. Eagle plans to continue investing in the area, where it owns more than 10% of all units. Using leverage of 60-75%, the firm targets deals of greater than \$20 million, although it is not constricted by square footage. Eagle out-sources day-to-day property management functions to regional companies.