

The Daily Transcript

Established 1882

www.sdtranscript.com

Tuesday, October 17, 2017

MG buying properties at furious rate in 2017



Photo courtesy of The CoStar Group

MG Properties paid \$58.25 million for the 432-unit Bristol at Sunset Apartments in Henderson, Nev.

By Thor Kamban Biberman

It has been a busy year for MG Properties Group, and 2018 looks to be just as hectic.

The Sorrento Valley-based real estate investor acquired 3,700 apartment units in the past 12 months, at an expense of \$716 million, and the company is targeting another \$500 million in investments next year.

MG Properties' latest acquisition was the 432-unit Bristol at Sunset Apartments in Henderson, Nev., for which it paid \$58.25 million.

The acquisition was financed with a \$39.4 million Fannie Mae Loan arranged by Brian Eisendrath and Cameron Chalfant of the CBRE Group Inc.

MG Properties represented itself. The unidentified sellers were represented by Spence Ballif of CBRE.

Bristol at Sunset features floor plans that ran in size from one to three bedrooms and average nearly 900 square feet. With monthly rates averaging about \$900, the complex has rents that are roughly half what they are in San Diego County.

MG Properties plans an extensive renovation of common areas and unit interiors.

"Bristol at Sunset is a compelling value-add opportunity in a market [that] is experiencing tremendous job growth," MG Properties CEO Mark Gleiberman said in a statement. "This community fits well with our existing Las Vegas portfolio and will enable us to further create efficiencies in the market."

The company intends to look for more opportunities in Nevada, Washington, Oregon, Arizona, Colorado, and California, including San Diego County.

Paul Kaseburg, MG Properties' chief investment officer, said the investor focuses on institutional quality assets in suburban locations in the West.

"The properties we seek ideally have an opportunity for operational or physical improvements to interiors or common areas," Kaseburg told The Daily Transcript.

Kaseburg said his firm doesn't use a cookie-cutter approach when it comes to upgrading the complexes.

"Our renovation plans are designed with the unique attributes of each property in mind," he said. "We target upgrades that we believe will be most desirable to existing and potential residents, both in unit interiors as well as upgrades to property fitness centers, lounges, pool, and other shared spaces."

While MG Properties seeks projects that need work, it doesn't want assets that are faced with functional obsolescence due to their design or other factors.

"Recently we have focused on apartments built since 1990, or exceptionally well-located apartments," Kaseburg added.

When asked about the company's San Diego County assets, Kaseburg said the firm owns more than 1,500 units in six properties in various parts of the region.

In June, an MG Properties unit paid \$134 million to acquire the 410-unit Preserve at Melrose apartment complex in Vista.

A MG Properties affiliate also acquired the 183-unit Canyon Villa Apartments in the Rancho del Rey master plan in Chula Vista for \$45.5 million last December.

Kaseburg said his firm plans to acquire more San Diego properties but concedes it won't be easy.

"We believe strongly in San Diego's long-term economic potential and plan to continue to grow our portfolio here as opportunities arise," he said. "The biggest challenge to growth in San Diego is the lack of inventory. Many local owners hold properties for long periods, so there are fewer opportunities here than in other markets."

Kaseburg said the good news for MG Properties is that all of its target markets are experiencing healthy growth.

"One of the biggest differentiators between the western markets is the varying degree to which they have barriers to new development, which contributes significantly to the cost of housing and the volatility of rents," he said.

As far as financing its acquisitions, Kaseburg said MG Properties works with a mix of private, family, and institutional investors, "matching the characteristics of potential investments to the preferences of each investor."

During the past 25 years, MG Properties has acquired 106 communities with its private investors and institutional joint venture partners, totaling more than 23,000 units, representing more than \$3.1 billion in total asset value, including 13,500 units at a value of \$2.0 billion since 2010.

The company's current portfolio includes 15,000 units in California, Washington, Oregon, Arizona and Nevada.

thor_biberman@sdtranscript.com