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Exchange Buyer Pays \$15M for 138-Unit Complex

By [Bob Howard](#)

WEST COVINA, CA-MG Evergreen Apartments of San Diego has acquired the 138-unit Atrium at West Covina apartment complex for \$15 million to complete the upleg of a 1031 exchange and plans to invest \$3 million in upgrades of the 50-year-old property. Dean Zander, a partner in the Encino office of Hendricks & Partners who brokered the sale, tells GlobeSt.com that the buyer--a partnership of MG and its investors--was one of the few prospective buyers who offered a high certainty of close on the deal.

Zander explains that MG is familiar with the local West Covina market, was seeking an exchange property, has an existing relationship with the seller and had the capability of securing new debt. He notes that the buyer obtained new Freddie Mac debt with a five-year interest-only feature and a lifetime cap of 6.75%.

The Atrium at West Covina is at 1829-1841 East Workman Ave. and was 93% leased at the time of the sale. The seller was Palo Alto, CA-based PPC AVF III, an affiliate of Pacific Property Co. of Palo Alto.

The complex, situated on 4.7 acres just north of the 10 Freeway, features units ranging from one to three bedrooms and measuring from 830 square feet to 1,465 square feet. Zander, who brought the Atrium to market at an asking price of \$20 million, tells GlobeSt.com that the purchase price "reflects a realistic adjustment in response to today's capital markets."

Zander says that the acquisition provides the buyer with an excellent opportunity to acquire one of the larger assets in the West Covina market, "with a reasonable value-add component in a strong location." Even considering recent changes in the employment picture and the economy, the Atrium's location near the 10 and 210 freeways offers "strong demand and good fundamental long-term growth prospects," Zander says.

The new owner plans substantial interior improvements, including new cabinets and countertops, in addition to exterior capital improvements such as replacing the plumbing and roofing. Many of the units had been renovated by previous ownership with upgrades including new appliances, flooring, painting and lighting.

Zander is currently marketing two other San Gabriel Valley apartment buildings for the Pacific Property, which bought the Atrium in 2004 in a portfolio acquisition. The other two properties now on the market are the 140-unit Waterstone on Sunset and the 250-unit Riverstone/Brookstone.

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