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Bargains getting scarce for investors in multifamily housing

Sacramento, Calif. (Oct 3, 2014) – For nearly a year, buyers weren't much interested in an aging 29-unit Sacramento apartment complex near McClellan Business Park. But this summer, something changed, said the broker on the deal. "As it was in contract, the calls coming in were wild," said Aaron Frederick, a senior vice president with Colliers International Sacramento. They all had something in common: They were from investors who'd recently sold Bay Area property in a 1031 exchange and were now looking for a place to put their cash. Escrow closed on the property at 2125 North Ave. earlier this week, with a sale price of \$1.65 million. Those kinds of deals are getting harder to find, Frederick said. The reason: fewer properties in the desirable price range of \$1 million to \$2.5 million are going on the market.

Current owners find little reason to sell. In addition to property appreciation, owners also have seen rent growth in recent years, with an average rent in the region now higher than it was before the Great Recession, Frederick said. "They're finally enjoying some positive indicators," he said. "That leads to some hesitation about whether it's time to sell."

The trend eventually will change for two reasons, he said. Some properties will need so many renovations they will become liabilities for existing owners; in other cases, rising interest rates will reduce their profit margins. But for now, buyers have to scramble. There are about 50 multifamily properties in the region on the market; only 16 of them fall within the \$1 million to \$2.5 million range, according to Frederick.

Ben van der Meer Staff Writer- Sacramento Business Journal

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