

## INVESTMENT SPOTLIGHT

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### La Paz & Las Palmas Apartments—Riverside

#### DESCRIPTION

La Paz & Las Palmas are two adjacent, but separate, 31-unit buildings (62 units total) that emerged from a bankruptcy/trustee sale. Located in a transitional pocket of Riverside, the properties are situated directly between the 91 & 60 freeways, with the University of California Riverside only 2 miles away on one side, and the beautiful historic Mission Inn 1.5 miles away in the opposite direction. Much of the neighborhood's employment base comes from the industrial warehouse zone, located just around the corner, and major distribution centers not far from there. The 2 side-by-side buildings were built in the early 1960s with a good mix of large one- and two-bedroom apartment units. The properties required exterior renovations as well as interior cleanup. The units also have ample parking, including a combination of enclosed garages, carports, and open parking.



**REHAB PHOTO**  
La Paz/Las Palmas

#### ACQUISITION

We acquired the La Paz & Las Palmas apartments in January 2011. The two properties are part of a three-property portfolio, including an additional 16-unit building located just around the corner. Through several investors, we were able to structure a syndicate to raise enough capital to successfully purchase the assets out of the bankruptcy court. With an initial 4.60% CAP rate at purchase, and a Market CAP rate equal to 9.47%, achieving at least an 8% APR preferred return for our investors should be obtainable once the properties are stabilized at 95%+ occupancy.

#### REPOSITION



The two properties were originally 50% vacant, in a sub-market with an approximate 20% vacancy rate, due to the receiver takeover and lack of capital to make improvements to increase occupancy. Many of the tenants vacated when it went into receivership and the property fell into disrepair. Once we successfully purchased the buildings, our crew went to work, completely rehabbing both the exteriors and interiors. We updated the main entrances with stone, painted the exterior, replaced entire roof sections, cleaned up all the exposed cabling and wires, and fixed the irrigation system to create a more manicured interior garden courtyard. These improvements enhanced the appeal and longevity of both buildings. Since many of the apartments were vacant, we had an opportunity to completely renovate the interiors, commanding higher rental rates. We recruited a strong manager from the local area to launch an aggressive lease-up process. During the process, many neighbors stopped by to express their appreciation and comment on how our properties are helping positively turn the neighborhood around.

#### RESULTS

After completion of the major rehab projects, we created an on-site leasing office and hired our new manager on April 15, 2011. Since then, our manager has done an outstanding job and we are at an incredible 96% occupancy, nearly two months ahead of our planned lease-up schedule. Now that we have achieved stabilization, we are in a position to start our refinance and kick in our investors' quarterly distributions very soon. In addition, we may be in a position to return up to 40% of our investors' equity if the bank will allow "cash out" on the refinance.