North L.A. Multifamily Attracts Investors

By Kelsi Maree Borland | Los Angeles

LOS ANGELES—Two separate investors have purchased three multifamily properties in West and North Los Angeles for a total of $34 million, GlobeSt.com has learned exclusively. A private investor purchased two of the apartment properties, which have a total of 101 units, from Dornin Investment Group. Gemland Properties LP purchased the third property, a new construction condo development with 40 units, from 5845 Carlton Way Partners LLC.

Located at 5845 Carlton Way in Hollywood, the condo development was completely vacant at the time of the sale. The transaction included a tract map so the Gemland Properties can sell the 40 units individually. Attracted to the property’s location in the heart of Hollywood as well as its high-end finishes, the buyer purchased the property for $21.3 million, or $531,500 per unit. Chris Malcom of Berkadia’s North Los Angeles office negotiated the sale.

“The seller thought the timing was right in the market to sell this brand-new asset and move the equity to other projects,” Malcom tells GlobeSt.com. “We had very strong interest, with REITS to large syndicates, due to the quality construction and location.” He received very strong interest with five total offers on the property. Gemland Properties in an all-cash exchange transaction.

Located at 720 South Normandie Ave. and 709 South Mariposa Ave. in Los Angeles, the remaining two properties were purchased by the private investor for $12.5 million. Brent Sprenkle of Berkadia’s West Los Angeles office negotiated the transaction. With a combined 101 units, the two properties have a mix of studio, one- and two-bedroom units. Onsite amenities at both properties include a fitness center, outdoor courtyards and laundry facilities.

“The seller was transitioning their investments from apartments into office and this was part of their business plan,” Sprenkle tells GlobeSt.com. Although the sale attracted strong interest from buyers, the seller was looking for the buyer to assume the remaining debt of a Fannie Mae loan, making the sale more challenging. “Between low leverage of about 60% LTV and a 25-year amortization, the extra principal reduction ate into the cash flow,” says Sprenkle. “Additionally, the loan had substantial impounds for property taxes, insurance and reserves, which can also reduce cash flow.” In the end, he recieved more than 12 offers on the property from private capital investors.

Multifamily rents in the West Los Angeles submarket, where the latter two properties are located, average $2,508 per month, while vacancy rates have dropped by 60 basis points since mid-2013. In August, Berkadia also negotiated the sale of a new construction multifamily property in the area. That property traded hands for $15 million, or $538,571 per unit.

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