

May 2007

East Bay Apartment Prices and Cap Rates: What's Ahead?

Dear Property Owners,

Last month we looked at East Bay apartment numbers which showed disproportionately high apartment prices and lagging rents that will probably rise minimally. These two factors alongside low to rising capitalization rates found in this apartment market make one ask: *Is it time to sell? What am I getting into if I hold?*

An article with the provocative title "Cap Rate Insanity" (*Apartment Finance Today Nov/Dec 2006 issue*) that I revisited recently describes some interesting scenarios regarding multifamily market investments. The authors Harris and Cooley warned that **if rents don't rise in the near future to keep pace with steep acquisition costs and rising expenses, apartment price per unit will decline**. I now see this happening in the Contra Costa County market.

Some institutional investors are selling select units to build cash reserves as they see a shift in the market place and plan to be ready with cash in hand when opportunity presents itself. In my opinion, this is a great time in the economic cycle for many to consider selling and capturing a chunk of equity to prepare for a big move down the road.

If you'd like a copy of the "Cap Rate Insanity" article, give me a call. I would be happy to fax or email it to you. **If you want to run the numbers on your property, I am always available to serve as your advisor.**

Continued Success!!



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