



# Executive Summary Western Palms Trailer Park Aguila, Arizona



### Property Description

The Western Palms Trailer Park is in Aguila, Arizona along US Highway 60, approximately 90 miles northwest of Phoenix. The city of Aguila is part of the **Phoenix-Mesa-Scottsdale MSA** which has a population over 4.5 million people. The property was built in 1972 and has **26 lots** with public utilities and septic tanks on 1.94 acres. All utilities are directly billed to the tenants. Currently, there are 21 tenant-owned homes, no park-owned homes and five vacant lots.

Without conducting any value-add activities, the park generates a positive cash flow upon acquisition. With rent increases suitable for the local market and a 5-year hold, this opportunity is projected to have a **17.5% IRR**. With a light value-add activity of infilling one to two lots, the park generates approximately a **20% IRR** with a 5-year hold.

This Value-Add acquisition has the following sound fundamentals:

- Cap Rate of 9.72%
- All Tenant-Owned Homes
- Public Utilities – Directly Billed to Tenants

### Local Market

The Unemployment Rate in the area is 4.4%. The Recent Job Growth is 3.3%, which is above the National Average of 1.6%. The average apartment rent for a 2/3-bedroom apartment is \$1,125/month, while the current lot rent of the park is \$200/month representing a need for affordable housing. Renters comprise 17.7% of the local population.

Martori Farms is one the of major employers of both the Aguila area and the mobile home park. Being only two minutes from the park; Martori Farms prides itself in being a supplier of high-quality produce and employing over 1,000 workers across AZ and CA.

### Deal Structure

Sales Price:	\$490,000
Down Payment:	\$122,500
Seller-Finance:	\$367,500
<b>5% interest rate, amortized for 30 years, 5-year term</b>	

### Capital Raise

Down Payment:	\$122,500
Due Diligence:	\$ 4,000
Closing Costs:	\$ 1,000
Acquisition Cost:	\$ 24,500
Value-Add Budget:	\$ 10,000
Reserves:	\$ 3,000
<b>Total Capital Raise:</b>	<b>\$165,000</b>

### Return on Investment

Targeted IRR:	15%-20%
Targeted Equity Multiple:	2x
Targeted Hold Time:	5 Years
Investment Type:	Equity

### Schedule of the Investor's Return of Capital

- *First:* 100% to Investors until a 10% preferred return is achieved
- *Second:* After a 10% preferred return is achieved, then 80% to Investors and 20% to Sponsor
- *Third:* After a 14% return is achieved, then 70% to Investors and 30% to Sponsor
- *Fourth:* After a 18% return is achieved, then 60% to Investors and 40% to Sponsor

### Timeline

The property is expected to close escrow on or before **May 26<sup>th</sup>, 2020**. All funds are to be remitted by **June 1<sup>st</sup>, 2020**.