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## Central Valley Offers High Yields and Leverage

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BAKERSFIELD, CA—**Autumn Glen** and **Serena Vista**, comprising a total of 250 units, were the last two Bakersfield properties in the [Bascom Group](#) portfolio. Both assets sold this summer for a combined price of about \$25 million, representing 96% of the asking price and below replacement cost.

**Mark Bonas**, who recently joined [The Mogharebi Group](#) as senior vice president, represented the Bascom Group in the disposition of all six of the total Bakersfield assets. After the sale was finalized, **Otto Ozen**, executive vice president at The Mogharebi Group, offered added insight into the [Central Valley](#) market in this [exclusive](#).

### **GlobeSt.com: What do investors look for in a Central Valley investment?**

**Ozen:** Within the Central Valley, investors are looking for yields and leverage that are unavailable in core California markets. They are looking to get maximum leverage, with agency loans that are near 75% to 80% loan-to-value ratio. With high leverage, double digit cash-on-cash returns are common. Investors are attracted to properties with amenities that are uncommon elsewhere like washer/dryers in the units and large average unit sizes with townhome floor plans. They prefer premier locations within the Valley that act as metropolitan centers or are near the Bay Area or Southern California. These markets include Modesto, Fresno, Bakersfield and Visalia.

### **GlobeSt.com: Which areas of the Central Valley are most attractive for near-term investment?**

**Ozen:** Visalia, Tulare and Hanford are particularly attractive investment markets. Each city features historical downtown areas and has a desirable retail mix that continues to improve. A major driver of interest in the area is the Kings–Tulare regional station, which will serve as a regional hub for the California high-speed rail system, and will be located at a site that is in between Hanford and Visalia. The new rail system is expected to be a boon for the Central Valley because it will reduce the commute into the Bay Area to a realistic level, thus increasing demand for housing from higher income residents.

Hanford has been receiving additional interest as Faraday Future has leased the old Pirelli factory to manufacture electric cars there. The new factory is being renovated, with significant work planned in 2018. When complete, it is expected to employ up to 1,300 workers and build up to 10,000 cars per year.

Modesto, Merced and Stockton are also attractive markets due to the proximity to the Bay Area, which is pushing commuters further out due to pricing pressures. Bakersfield is attracting investors as renters are being priced out of Los Angeles.

**GlobeSt.com: What recent developments have you seen taking place in the Central Valley that might affect real estate markets?**

**Ozen:** The Central Valley is experiencing a surge of interest from buyers looking for yields that are better than those that are available in the core markets in the Bay Area and Southern California. Starting in Q2 2017, we observed a significant spike in monthly sales volume that dwarfs the previous record for the same period that was set in 2015. We believe this increase is attributable to buyer and seller expectations that appear to be more aligned than they are in core markets. Investors appear to have discovered more compelling investment fundamentals in the Central Valley than are currently available in the Bay Area and Southern California.