

Deaton Investment Real Estate's **Investment** REAL ESTATE REPORT QUARTER 1: 2008 for the Triangle, Triad and Eastern North Carolina

News, notes and available
properties from
North Carolina's
Apartment Market



FEATURED LISTINGS:

68 units in Rocky Mount, NC

\$19,500 - \$21,500/unit

- All brick / single-story / managed

12 units in Fuquay-Varina, NC

\$660,000

- New roof in '05 / only one vacant

5 condos in North Raleigh

\$87,400 - \$90,250/unit

- Great neighborhood / good for 1031

National rental market good; has room for growth

Rents have increased gradually over the last number of months in the Triangle. However, some are arguing that given the credit issues impacting would-be first-time home buyers and the flood of potential tenants pushed out by the deluge of foreclosures, rents should be climbing furiously. It simply doesn't seem to be the case in all markets, especially in those that are already burdened by an over-supply of available rentals.

Schrader Properties, which owns and manages over a 1,000 units throughout Raleigh, is seeing a healthy market. Company patriarch John Schrader notes, "We lost a lot of ground a couple of years back, so it takes time to build that back up. So we're increasing rents from 3 to 5 percent."

On top of that, vacancy remains low for most landlords in the Triangle. "I suppose I could push all rents 5 percent but I'm at 2% vacancy and we

See Rents, next pg.

More banks willing to lend \$1 million or less

While 25% down on a quadraplex may be putting apartment properties out of the reach of first-time investors, banks are actually increasing their presence in the less than \$1 million loan market.

Investors seeking financing for small multi-family property (20 units or less, for example) will benefit by approaching local commercial or community banks. The key to securing the property in these situations is the local presence of both the owner and the property, giving the lender a tangible asset on which to base the loan.

However, it's important for investors to understand the orientation of a bank's lending practices. In other words, do they lean toward the strength of the individual buyer or the historical performance of the property? If an established, local property owner with a solid credit history applies to a borrower-centric lender, the chances are good that financing will be arranged favorably. A track record of property management success can only help. Essentially, banks want to know a buyer's plan for the property. Is it a retirement vehicle? How will it be operated? And, is there a future for a long-term relationship?

It is common for smaller financial institutions to require recourse. Larger lenders, although, are also available to small apartment buyers and are not as prone to requiring recourse. Fannie Mae or Freddie Mac, for example, who call loans less than

See Loans, next pg.

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Our more than 1,000 Investor Network members are increasingly interested in securing properties throughout central and eastern North Carolina.

CALL 919/847.1117 OR VISIT DEATON.COM TODAY.

INTRODUCING ... **DEATON1031.COM**

The Web site for Deaton1031, a new company founded by Deaton president Steve Deaton, CCIM, that will provide information about Tenant-in-Common (TIC) properties. TIC properties allow investors to passively own income-producing, professionally managed commercial real estate and provide great 1031 exchange opportunities. Visit www.deaton1031.com today to learn more.

Loans, cont.

\$750,000 micro loans, will in most cases demand more documentation on the property. Maintenance records, leases, and income and expense reports are typical requests in these situations.

According to the Mortgage Bankers Association, small loans comprise the vast majority of the multi-family loans market. By origination, loans of \$3 million or less make up 83% of the market. Larger national players are expanding their offerings in the small loan space, namely to take advantage of the large contingent of owner-operators with decades of experience operating their own apartment properties. Banks like Wells Fargo, KeyBank and Bank of America are eagerly accepting applications.

In most cases, local banks seeking business from members of their own community offer the best scenario for small apartment buyers. They can make decisions quicker, better account for local market conditions and have an interest in keeping the business for the long term. Additionally, by keeping the note in house, less scrutiny will be applied to the property's history. However, there is nothing more beneficial to an investor than having credit-worthiness and ample liquidity.

Rents, cont.

don't want to bump anyone out of their apartment," Schrader added.

Hal Worth, a partner in the 280-unit Arbor Creek community in West Raleigh, told Deaton he was seeing success in pushing rents by almost \$100 per unit. He made sure to note, however, that the increases are a result of the substantial improvements being made to the property as part of an effort to change the tenant profile.

Jo Pittman with Rhyne Management in Raleigh is consistent with Schrader's approach, maintaining a conservative tactic to rent increases. "We stick to three to five percent on renewals. We don't try to shake things up for our owners." Rhyne manages just over 1,400 units.

Nationally, rent increases have also slowed in conjunction with cities showing slow job growth. Unsold condos once converted from apartments are being put back again, increasing the competition for owners of traditional apartment properties. Raleigh's condo market is not nearly as slow as other parts of the country. However, the Triangle was late to the condo conversion surge, despite the rate at which downtown towers went up. Now, developers are easing up on construction and many slated plans are on hold.

The economic slow down is not helping things as consumers in general are looking to spend less. Realistically, rents will continue to rise for some time in North Carolina's major metros but it can be expected to be a much more moderate ascension than many may have thought it would be at the beginning of 2007.

TRIANGLE PROPERTIES FOR SALE

For more information on any of the listings you see here, enter the Keyword in the Search field on our homepage.

Deaton.com Keyword: georgesmeews



26 UNITS IN DOWNTOWN RALEIGH

615, 625 Washington Street, Raleigh

\$1,900,000

UNDER CONTRACT

www.deaton.com/listings/georgesmeews

- Outstanding long-term potential
- Highly-desirable rent district near Glenwood South
 - 100% occupied
 - Zoned R-30

12 UNITS IN FUQUAY-VARINA

Deaton.com Keyword: ransom



NEW ROOF IN 2005 - VERY GOOD OCCUPANCY

205 E. Ransom - Fuquay-Varina
\$660,000

INSIDE BELTLINE ROOMING HOUSE

Deaton.com Keyword: clarkhouse



UNDER CONTRACT

14 UNITS - OUTSTANDING CASH FLOW!

2718 Clark Avenue - Raleigh/NC State
\$449,000

TRIANGLE-AREA DUPLEXES

Deaton.com Keyword: 532brent



NC STATE DUPLEX

532/534 Brent Rd., Raleigh
\$225,000

Deaton.com Keyword: farthing



FULLY-LEASED BRICK DUPLEX

2326/2328 Farthing Street, Durham
\$133,000

Deaton.com Keyword: crandon



LONG-TERM TENANT

3108 Crandon Lane, Raleigh
\$199,900

MORE PROPERTIES AVAILABLE ON DEATON.COM

FOR SALE: 68 UNITS IN ROCKY MOUNT

This is a collection of three properties of 32, 20 and 16 units each. All brick with consistently high occupancy rates. Management is in place. [Rent Roll available at Deaton.com](http://RentRoll.available.atDeaton.com)

Deaton.com Keyword: 336atlantic



16 UNITS

336 Atlantic Avenue
\$336,000

Deaton.com Keyword: 109ligustrum



20 UNITS - 5 QUADRAPLEXES

109 Ligustrum Court
\$390,000

Deaton.com Keyword: 105photinia



32 UNITS

105 Photinia Court
\$624,000

FULLY-LEASED & REDUCED!



Deaton.com keyword: deercove

7 TOWNHOUSE APARTMENTS IN RALEIGH
Built in 2003 - 2810 Deercove Lane
\$650,000

5 CONDOS IN NORTH RALEIGH



Deaton.com keyword: franklinwoods

2100, 2102, 2104, 2112, 2132 Spring Forest Rd.
Great neighborhood; low-maintenance
\$445,550

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