

# TAX CREDIT GROUP

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## Marcus & Millichap



### **Year 15: Preservation and Disposition Seminar**

**June 29, 2012**

Presented by:

**Spencer H. Hurst**

# Types of Transactions

- Fee Simple Sales prior to Year 15
- Re-syndications – what markets and under what conditions
- Partnership sales prior to Year 15
- Recapitalizations of existing partners and buyouts of LP's interest
- Portfolio Sales
  - Challenges with consents
  - Challenges with economics with partners

# Economic Reasons to Sell or Hold

- GP motivations to Sell – Economics
- LP motivations to Sell – Economics
- Disconnect on ROE – Cash on Cash return versus Back End Residual
- Capital Account issues and how they are solved

# Buyer Expectations

- Buyers are motivated by cash on cash yield
- Buyer are very rarely anticipating QCP (Qualified Contract) or Market Rate Conversion
- Renovation and Reposition – Lender capital requirements (average per unit reserve requirements)
- Recast with Tax Credits – is this market back?
- Use of types of debt – FNMA/Freddie vs. HUD

# Types of Buyers – Who are they

- High net worth private individuals
- Smaller syndicated yield driven partnerships
- Existing affordable and market rate owners
- Institutional capital sources
- Developers looking to build a pipeline of re-syndications

# Affordable Pricing / Relative Cap Rates

	AVERAGE CAP RATES			AVERAGE CASH ON CASH
	Actual	Current	Year 1	Year 1
<b>2011</b>	6.06	6.82	7.17	8.40
<b>2010</b>	7.42	7.77	8.66	11.29
<b>2009</b>	8.17	7.81	9.13	11.54
<b>2008</b>	5.66	6.60	8.13	9.71
<b>OVERALL AVERAGE</b>	<b>7.36</b>	<b>7.43</b>	<b>8.62</b>	<b>10.87</b>

Represents fee simple sales; excludes GP interests and troubled transactions

Note: In using CAP Rates to estimate property values, the underwriting NOI is as important as the CAP Rate

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**Spencer H. Hurst**

[spencer.hurst@tcg-mm.com](mailto:spencer.hurst@tcg-mm.com)

**Tax Credit Group of Marcus & Millichap**

*[www.tcg-mm.com](http://www.tcg-mm.com)*

206.826.5800