

More LIHTC Properties Change Hands

Sales of low-income housing tax credit (LIHTC) properties have dramatically increased in the past year, and the market will continue to grow in 2007, according to an industry expert.

Marcus & Millichap National Tax Credit Property Advisors (NTCPA) recently completed its 100th closing of a tax credit property. Since beginning in the LIHTC brokerage business in 2001, the firm has closed more than \$615 million in real estate volume in 23 states.

About half of the group's total closings came in 2006, according to Robert Sheppard, NTCPA senior director in Seattle. That compares to a handful of deals in the first year.

He anticipates volume increasing further in 2007 as buyers and sellers become more comfortable with the transactions. Sheppard attributes the increase in sales to greater understanding of the market as well as a jump in the number of developments available to be sold. NTCPA's LIHTC property sales have all been to third parties and not between partners in a deal.

The vast majority of the properties are maintaining their affordability to renters because of extended-use agreements that require it. Early LIHTC properties had a 15-year affordability requirement, but since 1990 the length of such agreements has been 30 years, with some states requiring even longer terms. Tax credit properties can be sold after their 10th year, according to Sheppard.

One of NTCPA's recent transactions was the \$12.25 million sale of Westlake/Maple Crossing Apartments in Maple Valley, Wash. The 172-unit asset located about 20 minutes south of Seattle sold in four weeks to Investors Capital Group in Seattle. The seller was SunAmerica Affordable Housing Partners. Marketing packages were sent to 57 potential buyers, and 11 offers were generated.

The properties were built in 1993 and have extended-use agreements.

Some buyers have been tax credit developers with experience in market-rate deals, Sheppard said. That's because they understand the cash flow yields as well as compliance rules for LIHTC properties.

On the other side, NTCPA has not seen nonprofit organizations acquire its for-sale properties, but Sheppard said they are becoming more competitive in their offers.

He said he is starting to see more partnership sales, where third parties are buying the partnership interests in a tax credit property. ■

Correction

In AFFORDABLE HOUSING FINANCE January's "Back in the Game?" article (page 32), Phil Weber's name was misspelled. AFFORDABLE HOUSING FINANCE regrets the error.

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