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## LA investor on track to top list of apartment buyers in metro Phoenix

### Rents likely will rise following renovation work

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Tides Equities LLC, a Los Angeles-based investor that bought the most Valley apartment units in 2018, is on track to do it again, with two other properties totaling 620 units in escrow.

The company paid \$80.7 million over the past few days to acquire two apartment communities along the Interstate 17 employment corridor.

Those acquisitions — the 436-unit Deer Valley Apartments and the 224-unit Sterling on 28th — bring total purchases to 1,900 units spanning six properties so far this year, said Ryan Andrade, co-founder and principal of Tides Equities.

"Nobody bought more units than Tides Equities last year," he said. "We're trying to keep our crown. But we're buying smart. We're just not buying anything to put numbers on the board."

Tides Equities is bullish on the I-17 employment corridor, he said.

"We follow jobs and data metrics," Andrade said. "We like this pocket. We do well in this gray collar office job worker area."

Trevor Koskovich — who along with Bill Hanh and Jesse Hudson of NorthMarq Phoenix brokered the deal — said the Deer Valley industrial corridor is one of the largest job hubs in the Valley.

"Home to several Fortune 500 companies, the submarket has one of the highest concentrations of major employers in the metro area, and the property is within a 5-mile radius to over 140,000 jobs," Kosovich said. The NorthMarq team represented the buyer and seller in the deal.

According to Vizzda real estate database, the Deer Valley seller was an entity that traces back to Nasim Sikder, with Colony Capital Inc. providing \$49.1 million in new debt. Sikder paid \$33 million for the property in June 2016, according to Vizzda.

Plans call for investing another \$11.3 million in renovations to both properties, said Andrade, with around \$7 million dedicated to Park at Deer Valley Apartments, 17425 N. 19th Ave., Phoenix.

Renovations will be similar to other investments that Tides has made in the 2,500 units at 14 properties it purchased in 2018, including adding steel appliances, quartz countertops and adding washers and dryers to the units, Andrade said. All exterior renovations will include the Tides signature horizontal wood indicative of Southern California beaches. All properties are rebranded with the Tides name.

With those renovations will be higher rents, he said.

For example, rents at 436-unit Park at Deer Valley Apartments near 19th Avenue and Bell Road currently average \$832 a unit.

"We think we can move up to \$1,100 on average," he said.

Of the 436 units, which Tides bought for \$56.7 million, 96 are two-bedroom units, offering more space for young families or roommate situations, Andrade said.



PROVIDED BY TIDES EQUITIES

Tides Equities LLC paid \$56.7 million for this 436-unit apartment community near 19th Avenue and Bell Road in Phoenix.

The complex is 93% occupied, he said.

But the 224-unit Sterling at 28th, 11821 N. 28th Drive, Phoenix, is nearly 97% occupied, which means the previous owners most likely could have pushed rents higher, he said.

"We are adding a gym so they can get rid of their 24-hour fitness membership, which will give them more money to pay on rent," Andrade said.

Seller in that deal was an entity tracing to Daniel Mickelson, who bought it in February 2017 for \$14.4 million, according to Vizzda.

With two other properties in escrow, Andrade said he doesn't have a certain number of units he plans to buy in 2019.

"The sky is the limit," he said. "We really are pushing for more. We're always looking for the next opportunity."

Andrade said he's seeing more competition in apartment hunting.

"We definitely feel more runway in the Phoenix market," he said. "We know it's hot. When we do find one, that makes it that much more exciting."

As investors such as Tides continue to buy apartments and invest millions to renovate them and boost up rents, some are worried that affordable housing is coming to an end in Phoenix, which has the fastest-rising rents in the nation.

The median monthly rent in Phoenix is \$1,545, up 6.9% compared to this time last year, according to a July 2 report issued by HotPads Rent Report.

While the overall U.S. median rent is \$1,545, that is up only 3.2% from a year ago, according to the latest HotPads quarterly report.

During the first quarter of 2019, rents rose at a rate of 3.1% annually nationwide.

But Andrade said for these Class B and Class C apartments where monthly rents have remained in the \$800 range, the rental increases are filling the gap between the high Class A rental rates of around \$2,500 and the older properties built in the 1980s.

"It's just providing a different pricing quality ratio in the market that currently is underserved at a lot of old classic products in the \$800 a month range," he said. "We're really filling the pricing gap in the market."

Today, Tides Equities has a portfolio of 4,130 units within 22 properties valued at \$563 million.

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