

From the Phoenix Business Journal:

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Why investors are cashing in on garden-style apartments in metro Phoenix

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While investing in high-rise apartment towers is all the rage in metro Phoenix these days, garden-style apartment communities are quietly making a quick buck for investors — providing even bigger returns than Class A apartment buildings.

While Class A apartment towers represented about 20% of total apartment sales during 2019, the remaining were garden-style apartments — smaller, low-rise communities with open courtyards, said [Brian Smuckler](#), senior vice president of [CBRE](#).

Garden apartments achieved an 8.05% return during Q3 2019, nearly double the 4.15% return nationwide on high-rise apartment buildings, according to data from CBRE Research.

Phoenix had the second best one-year returns among the 28 metro areas tracked in the report, with a 12.7% one-year return, just behind 13% for California's Inland Empire area, which includes Riverside and San Bernardino.

Smuckler's multifamily team brokered 46 apartment community transactions during 2019 encompassing 2,400 units for a total price of \$290 million.

"The reason they have bigger returns is those properties offer either a syndicator or some type of investor to do value-add opportunities, where they're able to upgrade interior finishes, rebrand and reposition the communities to be able to take advantage of higher rental rates," Smuckler said.

One of those transactions was the \$18.7 million sale of Bella Solano, a 160-unit apartment community at 5656 N. 17th Ave., Phoenix.

Smuckler's team — including [Jeff Seaman](#), [Derek Smigiel](#) and [Bryson Fricke](#) — represented both the buyer, Tides of 17th Partners LLC, and seller, Luna Bear Phoenix LLC, in that deal.

Sean Kia, co-founder and principal of Los Angeles-based [Tides Equities LLC](#), said he plans to invest about \$3 million in renovations and upgrades on that property.

Garden-style apartments are typically what Tides Equities buy in the Valley, he said.

These types of properties aren't being built as much anymore because they take up more land than high-rise towers and are more expensive to build, Kia said.

For example, [Udi Katz](#), founder of Katz Apartment Community in Glendale, recently paid \$7.2 million for Torrey Pines Villas, a garden-style community at 5712 N. 67th Ave., Glendale.

Built in 1985, that 70-unit community sits on 2.5 acres.

Katz, who said he'll invest about \$400,000 in upgrades, said he focuses on buying assets situated in what he calls blue-collar locations.



PROVIDED BY CBRE

A Los Angeles investor paid \$18.73 million for Bella Solano, a 160-unit apartment community at 5656 N. 17th Ave., Phoenix.

"I strongly believe that the local market demand/supply stat is ideal for investors who are focusing on blue collar residents, as there's a severe shortage on such units where developers emphasize Class A products," Katz said.

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