Executive Insight

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MHN MULTI-HOUSING NEWS

What Attracts Investors to Phoenix

By Timea Matyas

With a diversified economy and skilled workforce at hand, Phoenix has been experiencing a boost in housing demand. According to Yardi Matrix, Los Angeles-based Tides Equities owns more than 2,700 units in the Phoenix metro and is currently working on expanding its portfolio in the area.

Sean Kia, co-founder & principal of the company, shared his insights on current trends in the market and the value-add investment opportunities his firm is looking into while trying to exceed last year's acquisition volume of $300 million.

How would you characterize Phoenix's multifamily market today? What are the main trends?

Affordability is the main trend we see as to why people are moving to Phoenix. You can live in a nicely renovated two-bed, two-bathroom apartment for $1,200 in a great part of town that is within walking distance to retail and nightlife, whereas if you live in another major metro—such as Los Angeles, New York, Boston or San Francisco—you are paying three to four times that price for a comparable product.

What makes Phoenix an attractive market for multifamily investment? Which submarket do you see as the most promising for investment opportunities?

Phoenix is an attractive market for multifamily investment because of the job, wage and population growth stories. Maricopa County was the fastest-growing county in the country last year, adding just over 81,000 new residents year-over-year. People are flocking to Phoenix

because of the affordability story and due to the fact that it's a fun place to live and play.

Our current favorite submarket in Phoenix is Tempe, as it not only has the largest university in the country as an anchor but it also has a couple million square feet of office and biomedical (projects) under construction, which will further bolster the surrounding area and continue to bring high-paying jobs/residents.

With a forecasted steady rise in the market, what is the company's strategy going forward? What are your next projects and goals?

We are continuing to stay disciplined in our acquisitions as we have seen steady cap rate compression and increased competition for value-add product in the Phoenix area. We are still planning to target buildings with operational and management upside, as well as branding and renovation upside. We have two buildings in escrow now (in June); one has 442 units and the other 224. Both are '80s-vintage buildings in the Phoenix area.

Are you planning to invest in other markets, as well?

We love Phoenix and will continue to focus primarily in that market, but we certainly are targeting other markets, with Salt Lake City and Denver right at the top of our lists. We love the affordability stories in both markets and see an influx of in-migration, job and wage growth over the next five years in each market.

Denver does have a bit more new supply, which is concerning, but we like the long-term growth prospects of the markets.