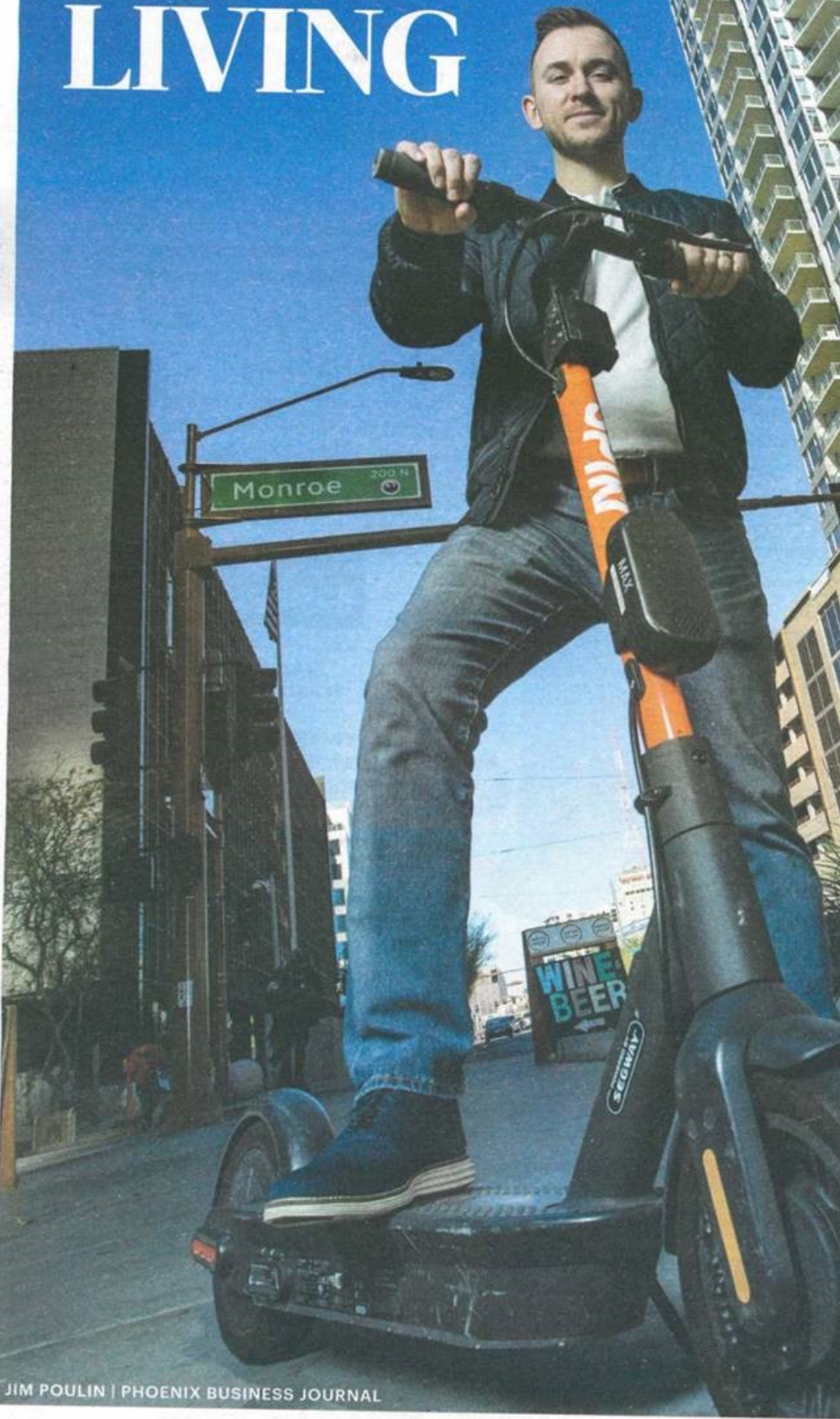




PHOENIX BUSINESS JOURNAL

January 24, 2020

PAYING UP FOR URBAN LIVING



Downtown Phoenix is booming with high-rise living and high-priced homes, but along with that has come some of the highest average rents and home prices in the Valley. Some, like Zachary Rall, are happy to pay.

ANGELA GONZALES REPORTS, 4-7

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EXECUTIVE INC.

FROM MORTGAGES TO PET RESCUE 21

THE LIST

Biggest law firms

See where the Valley's legal firms rank in terms of most attorneys. **16, 18**

BEHIND THE SCENES



Craig Jackson debuts 'Little Red' find

The CEO of the Barrett-Jackson Auction Co. has a new pony. **JIM POULIN, 10**

TRAVEL & TOURISM

Phoenix trying to land Asia flight

Lack of travelers and competition from other markets are hurdles to overcome. **BRANDON BROWN, 9**

RESIDENTIAL REAL ESTATE

Single-family permits see uptick in 2019

Several areas of the region reported increases in what developers sought to build. **ANGELA GONZALES, 8**



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How density will drive downtown Phoenix housing development

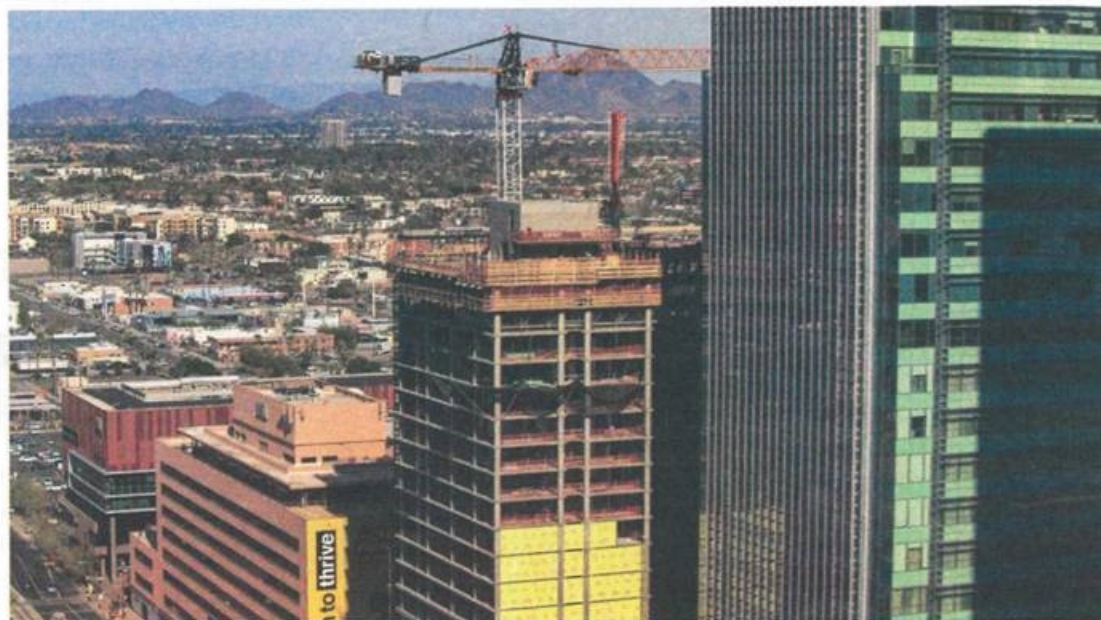
BY ANGELA GONZALES
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As developers eye downtown and midtown Phoenix for future work, density will be a big driver in how these projects get built.

"Density will be critical for downtown housing because there is no or little vacant land and its scarcity makes it more valuable than suburban land," said RL Brown, publisher of the Phoenix Housing Market Reports. "Likewise, for the most part, in-town housing will have more judicious use of square footage for the same reason. I would not expect to see any traditional detached homes but much more high-density urban offerings."

Apartment units in downtown and midtown Phoenix, called Central City, generally are smaller than in the suburban submarkets, said Peter O'Neil, research director for NorthMarq.

"So while the average rent per unit will be a little lower on average, the rent per square foot is very similar to the market as a whole," he said. "This is consistent with more dense city living. When comparing suburban versus downtown/midtown/central rents, it's prob-



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Chicago-based Akara Partners is building this 320-unit apartment tower on half an acre of land across the street from Arizona State University's downtown Phoenix campus.

ably more useful to compare rents on a per-square-foot basis than on a per-unit basis."

Patricia Watts, co-founder and partner of Scottsdale-based Greenlight Communities LLC, is looking for land to build more affordable housing projects in the uptown, midtown and downtown Phoenix areas.

"To meet these goals, we require economies of scale, which means sites that will allow us to build at least 200 units," she said. "This density is critical to the development of the projects."

The land along Central Avenue is too expensive for this type of project, which means Greenlight most likely will seek land a half mile off Central Avenue to still

be within that corridor.

Greenlight is investing \$325 million to build 2,500 Cabana-brand units across the Valley during the next two years.

"The need is there for attainable rental housing," Watts said.

Density also is crucial for Chicago-based Akara Partners, which is building Kenect Phoenix, a 320-unit tower across the street from Arizona State University's downtown campus.

To fit that many units on a half-acre parcel requires building vertical, said Rajen Shastri, founder and CEO of Akara Partners, which has \$1 billion worth of development for these types of properties nationwide.

"From an urban densification standpoint, going vertical is a natural progression for a city like Phoenix to go through in this life cycle," he said.

That means units will be smaller, he said, with studios around 300 square feet, one-bedroom units around 500 square feet and three-bedroom units around 1,150 square feet.

"There are going to be more people coming to Phoenix," Shastri said. "The natural way to build in Phoenix is to go vertical because the city is getting more and more dense."

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VIEWPOINT

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FROM THE EDITOR

Home values still 'drive' Valley economy



Greg Barr

Alan Maguire can recall a time, some 30 years ago, when people looking for an affordable home in the Valley could "drive 'til they qualify."

I spoke to the Arizona economist this week to get his take on how the state and country will fare this year. Before he looked ahead, he reflected on a time when buyers could see home values tick downward every two miles they drove further east past

Phoenix on U.S. Highway 60.

"Now we're seeing such a strong demand for affordable housing, the same phenomenon is starting out west. It's still important that people can drive 'til they qualify, and we're seeing developments coming in the West Valley with prices in the \$200,000 to \$250,000 range. That is an affordable number, so you could qualify [for a mortgage] with \$40,000 in household income if you had low debt," Maguire said. "And we know that when you can buy a house, all kinds of other spending just happens."

Maguire said the \$12.3 billion spending plan released by Gov. Doug Ducey really didn't contain any big surprises – though I'd toss in that any government with a huge cash surplus, as opposed to a deficit, will always be seen by various factions as holding back on areas of spending that fit their interests.

The governor's spending plans on education and workforce development weren't huge, Maguire said, but solid enough. But now that more businesses are making noise about the lack of qualified job candidates in such a tight labor market, both those budget components remain in play.

We still have big issues with educational attainment and literacy in Arizona that won't be solved in one, or three, budget cycles. Will legalizing marijuana be our education funding panacea? My Magic 8-Ball answer on that keeps coming up "Ask again later."

Maguire expects the state, at some point soon, will have to raid the rainy day fund to go bigger on transportation infrastructure spending. While \$78 million has been allocated to work on our most important thoroughfare, Interstate 10, between Phoenix and Tucson, Maguire wonders about the much older, and neglected, portions west of Phoenix or east of Tucson that need plenty of work.

Nonetheless, he said any outlook on the regional or national economy in 2020 starts with consumer sentiment, and the latest data he's seen shows plenty of optimism.

"The two biggest measures of wealth are still good, with home values rising and the stock market still positive in 2020," he said.

Now that Congress has passed the new North American trade deal and there has been a truce, for now, in the trade war with China, some risk on the horizon may dissipate. That should help corporate earnings remain positive this year, he noted, despite what the talking heads on CNBC might be frothing about at any given moment.

"Nothing changes there," Maguire said. "When times are bad, they look for something good. When times are good, they look for gloom. But I just don't see it."

Connect with Greg Barr at gbarr@bizjournals.com or 602.308.6513 or on Twitter @PHXeditor

HITS & MISSES

▲ Phoenix's housing market was in fine form during 2019, and those trends are likely going to continue into 2020, according to local expert



Jim Belfiore

Jim Belfiore. A lack of housing supply is helping to boost prices as builders have remained restrained in their efforts following the debacle that was the housing crash more than a decade ago. Growth areas are starting to be noticed by developers, particularly those along Loop 303 and the new Loop 202 in the West Valley. Belfiore says sales should remain robust through this year, as long as mortgage rates hold. bizj.us/1q1t2t



PROVIDED BY CHEVEROLET

A 2020 Chevrolet Corvette Stingray sold this year for \$3 million in a charity auction held by Barrett-Jackson.

▼ Last week was big for auto auctions in Arizona, but not as big as it had been in 2019. Sales at the myriad auctions combined fell nearly 3% as a trend continued from 2019 with fewer people buying and lower prices for cars. There's a buyer transition as baby boomers are in decline and more younger people are looking to get into collecting. While the overall industry was down, local auction house Barrett-Jackson saw record sales. Auction CEO Craig Jackson agrees that the industry is in a transition stage with younger buyers looking for different types of vehicles. His company seems to be at the forefront of what is changing. bizj.us/1q1t1r

MY VIEW

Middle class needs affordable homes

I know what it is like for teachers who work hard for their students and schools but struggle to afford to live in the same communities they love.

I have been a special education teacher at Maryvale High School in Phoenix for 23 years. And after all this time, I was just finally able to buy my first home.

Even working a second job in addition to teaching, I have found it tough to find and afford quality housing and apartments to rent.

That is a mounting problem for teachers, first responders, health care workers and other middle-class residents across the Valley.

Phoenix apartment rents were up 9% during 2019 compared with just a year earlier, according to research reports. Those are among the highest rent increases in the country.

Higher rents are stressing my fellow teachers and other Valley residents who love living and working here but are finding it increasingly difficult to afford a place to live.

Housing affordability has been a problem in other cities, including expensive markets such as Seattle, Los Angeles, Miami and New York. But it is also a challenge in other growing cities such as Austin, Denver, Tampa, Raleigh and Las Vegas.

Metro Phoenix has long been an attractive place to live and move and for companies to locate because of our less expensive cost of living, especially compared to California.

Let's not lose that quality of life and competitive advantage.

Thankfully, there are those in our community and the real estate industry listening to the concerns of our neighbors. Sometimes government can solve problems and sometimes they can't. And when government is slow or deficient, it is nice to see the private sector step up.

Scottsdale-based Greenlight Communities, for example, has developed a new business model for



Kareem Neal

building "attainable housing" for working families, nurses and other health care workers, first responders and teachers like me. This is exciting.

Greenlight Communities' Cabana multifamily concept uses innovative construction practices to build new developments that offer design-forward and well-amenitized communities with rents that are less expensive than many other new

apartments being built in metro Phoenix.

This math means teachers and other middle-class renters can afford to live in our city rather than be priced out of all the luxury apartments being built which requires incomes of \$80,000 or more.

Greenlight is starting to do what we have needed developers and others to do for a long time.

Middle-class households – including nurses, firefighters and teachers like me – are frequently finding themselves priced out of expensive 'luxury' apartments they can't afford. We need market-based and community solutions to help the backbones of our society afford a place to live that they will love.

Other developers and apartment builders as well as policy makers and elected officials should take note.

They need to be aware of the housing crunch facing middle class families and households, the impacts on their communities and innovative solutions to that problem.

Kareem Neal was named Arizona Teacher of the Year for 2019.

SUBMISSION GUIDELINES

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