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As multifamily housing costs rise, rents increase and population increases, workforce housing projects are likely to sprout more often nowadays from corner to corner of the Valley of the Sun.

Phoenix workforce housing projects offer opportunities to serve middle class with integrity

Scottsdale developer eyes great multifamily development equalizer

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In the grand scheme of things, affordable housing --- typically envisioned as multifamily layered development including single-family detached and attached dwellings --- is a fair and balanced way to describe Phoenix metropolitan housing stock.

However, as Maricopa County continues to rapidly grow local economists see a systemic need for more attainable housing. One Arizona builder --- Greenlight Communities --- contends its latest project coming online in Scottsdale is the next chapter of affordable, quality housing for the middle class of the Valley of the Sun.

Principal of Greenlight Communities, Rob Lyles, contends if you make less than \$65,000 a year you are hard-pressed to find quality dwellings and oftentimes those salary levels belong to community heroes: the first responder.

“Only 18% of the rental population can afford to be in that space and we are building to serve that rental population,” he said pointing to rising rental prices, and existing rental stock in

central Phoenix and Scottsdale, in particular, is pricing out the people who make communities whole.

“Only 18% can afford that and yet that is 95% of the multifamily stock in existence today --- that is what everyone is building. The major money that pays for that is national investment firms. They want the brochure-quality project and forget who the tenants will be. We have opened up our project to a wide net of people. The average healthcare worker in Phoenix makes \$42,000 a year.”

Last month, Greenlight Communities opened its first Phoenix buildings for residents. Scottsdale, Mesa, Glendale, and Goodyear are following suit as the company is making a \$325 million investment in the Phoenix metropolitan area.

Mr. Lyles says he seeks to fill a vital need for those who provide essential public safety services for all of society --- not matter the socioeconomic background. The latest Greenlight Communities project is at the corner of Hayden Road and Oak Street in central Scottsdale.

Mr. Lyles explains the multifamily project development has transformed to a great race for amenities, which has translated into substantial increases to rent throughout the Valley of the Sun.

“I have been in multifamily since the early ‘80s,” he said. “The arena has evolved from Scottsdale, south Scottsdale for example that was once attainable, it is just all A-space with these incredible amenities. And, what all of that means is more rent.”

A look at the data proves Mr. Lyles point.

Los Angeles-based CBRE: United States Commercial Real Estate Services provided Independent Newsmedia with a three-year snapshot of both Type-A multifamily dwelling data along with overall multifamily data.

From 2016 to 2020 the Phoenix metropolitan area experienced a shift from 5.8% to 3.9% in vacancy rate for all multifamily dwellings meanwhile rents overall saw an increase from \$981 to \$1,210 over the same time period.

From 2016 to 2020 the Phoenix metropolitan area experienced a shift from 6% to 4.5% in vacancy rate for all Type-A multifamily dwellings meanwhile that subset of the market saw an overall average rent increase from \$1,150 to \$1,460 from 2016 to 2019.

While multifamily data is incredibly nuanced, housing experts agree, the term is generally used to describe a community design for occupation of a dwelling by more than one family.

Mark Stapp, executive director at The Center for Real Estate Theory and Practice at Arizona State University, says the majority of multifamily construction is classified as Type-5A space.

But that doesn't translate to the highest standard of construction, he points out.

"Most --- not all --- of the new construction is Type 5A, which is 'protected wood frame,'" he said. "This is the least-expensive method keeping construction costs lower. Typically this method limits height to five stories but can be higher depending on the design."

Mr. Stapp also explains the nuanced nature of the multifamily dwelling classification found in data points as rental prices can swing depending on location.

"There are certainly complexes where rent can be \$3,000-\$5,000," he said. "It's important to keep in mind that 'rental' housing has become more differentiated in the past five to seven years. Traditional apartments now with single-family, detached rental communities and single-family homes. Rents in these later two types will be higher."

--- Mark Stapp

Traditional housing metrics are still in play, Mr. Stapp points out. The most important? Location.

"Certainly demand is one, but the location is another. There are areas where apartments are not the highest and best use," he said. "General Plans and zoning also dictate where multifamily can be built, especially apartments."

The workforce housing market

As multifamily dwelling classifications become more detailed, Mr. Lyles says he is taking cues from the late 1950s: inception of the multifamily housing concept.

At Greenlight Communities, Mr. Lyles contends, designers are taking inspiration from classic Americana.

“We are trying to go backward and build some of the stuff that was part of the first multifamily wave,” he said of workforce, traditional housing that typically came in smaller packages. “We are all about everything that you need. We have what we call, ‘front-porch living.’ Older buildings when multifamily was first being developed had everything facing internally to have a lot more of a community feel.”

Mr. Lyles contends his company is seeking to serve the middle 60% of the multifamily market where the marketplace spans three socioeconomic demographics.

“Basically, there are three kinds of multifamily: the top 18%; then there is the lower trending stock, the Section 8 housing and affordable; but nobody is taking care of the middle 60% of where your workforce lives,” he said. “These are the people who are the fabric of our communities. Nobody is building a product for them.”

Mr. Stapp agrees wages are a much better metric to evaluate the affordability metric consistent with where multifamily developments ought to be located.

“Wages are a better metric for affordability, but it does dictate feasibility too --- cost to construct may make a proposed project not feasible if the median income will not support needed rental rates to achieve the financially feasible project,” he said.

“But, workforce housing is that which is attainable for those making 80-120% of area median income. Attainable refers to requiring no more than 30% of their income. So, an area where is \$70,000, a household making \$56,000 a year (80%) --- two people making \$28/hour a year --- could afford \$1,400 a month in rent, which is higher than metro average but still considered workforce.”

In 2019, Arizona’s median household income rose 4.8%, which was more than double the national growth rate of 1.8% sitting at a record high of \$61,125, according to the Arizona Office of Economic Opportunity.

Mr. Lyles says there is a market to be served through the quality workforce housing product.

“The demand is very strong for what we are creating here,” he said of the Scottsdale project, Cabana on Hayden at 2240 N. Hayden Road. “We are trying to create a cool workforce housing product. We want to make it so people can afford to live alone if they want to. We want to make people proud of their home. It is a product that is open for everyone.”

--- Rob Lyles

From a macroeconomic perspective, Mr. Stapp says, many can argue Phoenix is an affordable city.

“Many argue that most of our units are workforce because our average rents are for those making 80% to 120% AMI,” he said. “But, we need more housing and that housing needs to be workforce and affordable. We certainly need more affordable housing. We are barely building enough to meet demand resulting from population growth which is happening faster than units can be built.”

Keywords

Greenlight Communities ([/search_mode/keyword/browse.html?search_iter=Greenlight Communities](/search_mode/keyword/browse.html?search_iter=Greenlight+Communities)), CBRE: United States Commercial Real Estate Services ([/search_mode/keyword/browse.html?search_iter= CBRE: United States Commercial Real Estate Services](/search_mode/keyword/browse.html?search_iter=CBRE:United+States+Commercial+Real+Estate+Services)), The Center for Real Estate Theory and Practice at Arizona State University ([/search_mode/keyword/browse.html?search_iter= The Center for Real Estate Theory and Practice at Arizona State University](/search_mode/keyword/browse.html?search_iter=The+Center+for+Real+Estate+Theory+and+Practice+at+Arizona+State+University))