

THE ARIZONA REPUBLIC

September 7, 2007

:: BUSINESS online print edition



Investors snatch up apartment complexes

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The Arizona Republic

Sept. 6, 2007 12:00 AM

In a sign that there still is potential for the Valley's apartment-rental rates to climb, two investment firms have paid a combined \$66 million for two complexes.

New York City-based Abacus Capital Group LLC bought Renaissance at South Mountain apartments, 15251 S. 50th St. in Phoenix, for \$37 million. The deal closed last week.

In a separate deal that closed last month, Scottsdale-based PEM Real Estate Group paid \$29.3 million for the Village at Gateway Pavilions complex, 1700 N. 103rd Ave. in Avondale.

PEM and Abacus are just two recent examples of investors who have paid big money for Valley apartment properties this year. Spurred by metro Phoenix's population and job growth, local and out-of-state firms have been snatching up complexes, making everything from minor to major renovations to push up rents.

"For right now, the fundamentals are quite strong, and I haven't seen anything that says there's a general slowdown in the number of people coming here," said Bob Kammrath, a local real-estate analyst.

As a result, rental rates in the Valley have increased consistently each quarter. Data from market-tracker RealFacts show that the average rent for a Valley apartment during the second quarter was \$809, up 3.3 percent over a year earlier.

Driving the growth are relatively low vacancy rates and little new inventory, thus influencing investors to buy existing properties.

"We think Phoenix has great long-term fundamentals for multifamily housing, given its strong employment and population growth," said Ben Friedman, president of Abacus.

Abacus, which has changed the name of Renaissance at South Mountain to Arboretum at South Mountain, plans to begin renovations to the 312-unit property within the year.

Paul Mashni, CEO of PEM, also is bullish about the Village's location but said they already have seen potential rent growth dissipate as home builders have discounted prices on some new properties.

Kammrath said rent growth likely would stabilize as the residential housing market continues to correct itself.

"I think once you see the home market stabilize in terms of both the activity and prices, and you start seeing the number of sales start to bump up again, I think you'll see quite a few people jump off the fence and buy," he said.

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