



REIAC March breakfast program hosts 3 expert brokers to examine the Valley's multi-family, senior housing markets

It's amazing the amount of change that has occurred in just the past 10 years when it comes to where individuals chose to call home.

While the traditional single-family home is still the preferred place to live, those young and old are flocking to upscale multi-family apartments and senior housing options that include everything from resort-style pools to full-time medical care.

These are not your father's apartment or your grandfather's retirement home.

The REIAC Southwest Breakfast Series for March at CoStar brought together three experts in the multi-family and senior housing markets:



Cliff David, Senior Managing Director/Executive Director, National Multi-Housing Group, Marcus & Millichap; Cindy Cooke, Senior Executive Vice President, Colliers; and Tim Dulaney, Senior Vice President, Colliers.

Two words were common among the panelists when it came to both product types: affordability and availability.

According to David, there are 1,100 senior housing buildings in Metro Phoenix. In 2017, there were 147 deals traded. The prediction is that 2018 will witness about the same number of sales (David estimated 140) as last year.

"There is a not a lot of product to buy due to a supply and demand imbalance," David said.

What makes senior housing attractive is life care services, according to the panelists. But that also can be cost prohibitive. One alternative is time-share senior housing, but again the level of care could be an issue.

Another affordable option is hotels being converted to senior housing. However, it can be difficult to find a hotel that will work. California is trying this with vacant office buildings.

New markets will open, Dulaney said, with the advent of the Loop 202 South Mountain Freeway. That artery will attract residential, distribution, and light industrial in the Southeast Valley and Southwest Valley.

"Lot of jobs will be hitting the West market," Dulaney said. "Do you want the new suburban lifestyle? It's a need now. It's where we are seeing senior development. With planned projects popping up, everyone wants to be in Scottsdale. They love Paradise Valley, but they are anti-development unless it's a hotel or restaurant."

According to Dulaney, the Baby Boomer population is moving this.

“You can’t go wrong with senior housing. Do it. The risk factors are not as big if there are good operating partners. You have to get off the ground fast,” he said.

On the multi-family side, there are 275,000 units that comprise 11,000 buildings, according to Cooke. An additional 8,400 units will hit the market this year dispersed throughout the Valley.

“Everybody is building at the same time and delivering at the same time in certain submarkets,” Cooke said. “You have a dog fight with 1,600 in lease up and 1,700 in construction. And 3,200 planned. Half will get built as it’s hard to get a construction loan. Developers have to plan their budget for concessions, but the market feels pretty good.”



On the investment side, Cooke said 83 percent of buyers last year already own properties in the Valley. “They want to grow that footprint. However, it’s hard for first-time buyers to get in.”

Who are they? Cooke said Phoenix has a lot of high net worth investors and institutional money. “More so today as our economy has improved and still a lot of private capital. Lots of family trusts, that type of investor.”

With an affordability in rents compared to other Southwest cities, David said, the Valley’s multi-family market will continue to thrive.

“Phoenix has matured with more diversity, good jobs, and strong economy. There is a lot going for us in our market. There is a lot more runway.”