



Victor Allison

Your Phoenix
Apartment
Brokerage
Specialist

602 320.6200


Phoenix Apartment Report

March 2013 *Deals* Edition

Must read articles for Phoenix area apartment investors that impact your property values and assist you in your decision-making processes.

www.praedium-advisors.com

Victor's Insider Scoop on What Can You Do When You Can't Pay the Mortgage on Your Apartment?

 You've tried and tried, but no matter what you do, the rental income coming in the door just isn't enough to pay for both the expenses and the mortgage on your multi-family property. You've already played the game of "Robbing Peter to Pay Paul", delayed as many vendors as you can, and cut back on needed maintenance just to keep your tenants happy.

So what are your options now?

First: Mindset—The first thing you need to do is take a deep breath, relax and really think about what you'd like to have happen.

If you could write your own script, what would it look like, and how would your predicament play out?

Would you still own this apartment or would you move on and just be rid of it? Would you remain as the sole

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Mark-Taylor sells McCormick Ranch land in Scottsdale

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Acacia Creek Apartments in Scottsdale Sold for Nearly \$40m

owner, managing member, general partner or whatever you now are or would you give up these responsibilities?

Getting your mindset straight is the first and foremost thing you need to do in this situation because if you don't know where you want to go, you can never get there.

Next: Assess The Facts—What are the particulars of your situation?

What are the terms of your note? Is it personally guaranteed?

If you're not a personal guarantor, have you done anything to violate any so called *Bad Boy Clauses* that would make you personally liable on the note?

Is there any equity in your property based on a true and accurate fair market value of your apartment today vs. how much you owe on it?

What is the true financial performance of your multi-family property as it sits today?

Would money to invest in capital improvements today really turn the property around and help it regain financial footing, or are the economics of your apartment so bad today that even a capital infusion for improvements won't change its true economics?

Could your apartment operate profitably if there was a change in management, marketing, or the maintenance procedures and practices in place today?

When considering these facts, it's critically important

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APARTMENT INVESTORS SPEND \$255.649 MILLION AS 2,321 VALLEY UNITS CHANGE HANDS IN 6 DAYS

68-Unit Apartment Community in Mesa Sells for \$4 Million

Equity Unloads 775 Units to Local Bascom

Goodman Takes on Distressed MF Properties

Westover Parc Sells for \$5.3M

Country Club Greens Apts Sells for \$4M

BASCOM SPENDING \$125+ MILLION FOR 1,047 APARTMENTS . . .
EQR CONTINUES SELL OFF

that you be 100% honest with your assessment. For example, don't say that if someone came up with some money for renovations and deferred maintenance then all your problems would be solved if in fact money would just serve as a short-term band aid solution.

Assessing your facts accurately is a critical step in this process.

OK, Now What?—So now you've honestly assessed the facts of your predicament and you know what needs to be done. It's time to develop a plan to achieve what you want to happen.

First, I'll start off by saying that I'm not an attorney and I'm not giving legal advice here. For anything I talk about in this report, I must counsel you to run it by your attorney and get his opinion about interpreting your specific legal documents and what the ramifications are to any courses of action you take.

The purpose of this report is to suggest various options that might be available to you and to share with you how others who have faced similar situations have remedied their situation.

When all is said and done there are a limited number of actions available when you're in this situation. I've listed six courses of action below; then, I'll discuss each option.

Your 6 Courses of Action



1. **Walk Away**
2. **Sell Your Apartment**

Famous Quotations

2012 Downtown Phoenix
Every hero becomes at
last a bore.

— Ralph Waldo Emerson

History is little more
than the register of the
crimes, follies and mis-
fortunes of mankind.

— Edward Gibbon

Home is the place where,
when you have to go
there,

They have to take you in.

— Robert Frost

Honesty is the best poli-
cy—when there is money
in it.

— Mark Twain

The louder he talked of
his honor, the faster we
counted our spoons.

— Ralph Waldo Emerson

Every cloud has a silver
lining, but it is some-
times difficult to get it to
the mint.

— Don Marquis

Every so often, we pass
laws repealing human
nature.

— Howard Lindsay

Humanity to me is not a
mob. A mob is a degen-
eration of humanity. A
mob is humanity going
the wrong way.

— Frank Lloyd Wright

The first of all other vir-
tues—for other people.

— Oliver Wendell Holmes



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3. **File Bankruptcy**
4. **Improve Operations**
5. **Loan Modification**
6. **Find a Joint Venture Partner**

Walk Away—Let's say you've come to the conclusion that life would be easier if you no longer owned this apartment. The stresses, strains and time commitment of its daily operations are affecting you and your family and it's keeping you from other economic opportunities where you can improve your personal financial situation.

It's at this point, if you haven't already done so, that you should gather all your loan documents and bank correspondence together and sit down and have an in-depth discussion with your attorney. Are you personally liable if you walk away from your apartment?

If you are personally liable, what are the ramifications if you give your lender the keys?

Can you sustain the personal liability hit or will you have to file a personal bankruptcy?

Will a tax liability be created if you walk away? You'll need your CPA to give you an accurate reading on this.

If you file a personal bankruptcy, what affect will it really have on you? Many successful people have filed personal bankruptcy, have lived to tell about it, and have had many successes after filing.

Famous Quotations

The satirist shoots to kill while the humorist brings his prey back alive and eventually releases him again for another chance.
— Peter De Vries

No one can worship God or love his neighbor on an empty stomach.
— Woodrow Wilson

The husband who wants a happy marriage should learn to keep his mouth shut and his checkbook open.
— Groucho Marx

No man, for any considerable period, can wear one face to himself, and another to the multitude, without finally getting bewildered as to which may be the true.
— Nathaniel Hawthorne

Ideas are the factors that lift civilization. They create revolutions. There is more dynamite in an idea than in many bombs.
— John H. Vincent

Man is born a predestined idealist, for he is born to act. To act is to affirm the worth of an end, and to persist in affirming the worth of an end is to make an ideal.
— Oliver Wendell Holmes

The way to be nothing is to do nothing.
— Nathaniel Howe

OVER
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What liability, if any, will you have to investors and/or partners that are in the deal with you?

Remember, I'm not saying bankruptcy is the way to go. I am saying it's an option worth exploring when you're deciding what you want to do. Don't let false pride or fear stand in the way of exploring this option.

Sell Your Apartment—Let's say you want to get out of the property but you feel either a sale or a short sale is the way to go.

To explore this strategy you have to sit down with real estate brokers who are active in and know the apartment market and discuss these options with them. Find out what your property is really worth in today's market in comparison to what you owe.

 I strongly suggest you don't just take the opinion of one broker; talk to several. You want to make sure a broker is not just trying to **"BUY A LISTING"** by quoting a high price only to find out later that there is no way he can ever achieve that price. Have them show you facts and figures and justify why they feel they can obtain the price they tell you.

Armed with this information, you can more accurately determine whether or not a sale is a route you should explore further.

File Bankruptcy—Bankruptcy is a word that many people are afraid of. Yet, many businesses use bankruptcy as a strategic tool to straighten out past business problems and gain a fresh start.

Famous Quotations

The idol is the measure of the worshipper.
— James Russell Lowell

Ignorance is a voluntary misfortune.
— Nicholas Ling

A pleasant illusion is better than a harsh reality.
— Christian Nestell Bovee

Imagination disposes of everything; it creates beauty, justice, and happiness, which are everything in this world.
— Blaise Pascal

Imitation belittles.
— Christian Nestell Bovee

Only the actions of the just smell sweet and blossom in the dust.
— James Shirley

It is difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow.
— Robert H. Goddard

If a better system is thine, impart it; if not, make use of mine.
— Horace

Some persons do first, think afterward, and then repent forever.
— Thomas Secker

Incredulity is the wisdom of the fool.
— Josh Billings



Bankruptcy does not necessarily mean liquidation. Many people equate bankruptcy to throwing in the towel and your apartment is sold to the highest bidder. This is what happens in a Chapter 7 Bankruptcy.

A Chapter 11 Bankruptcy is quite different. In a Chapter 11 Bankruptcy, you propose a plan whereby, if given certain concessions by lenders and creditors, you can work yourself out of your predicament and emerge from your current problems.

The intricacies of filing bankruptcy are beyond the scope of this report. In order to understand exactly what you're getting into by filing bankruptcy, you need to engage an attorney experienced in real estate bankruptcy and discuss your particular situation. You also need to make sure you discuss your loan documents in detail with your bankruptcy attorney because sometimes even the act of filing bankruptcy nullifies your waiver of a personal guarantee on the loan and can make you personally liable for the loan even if you didn't have an overt personal guarantee in place. This language is particularly prevalent in CMBS loans so it's something to be aware of and discuss with your attorney.

Improve Operations—Let's say you look at your situation and recognize that your cash flow problem can be solved through proper management of your apartment.

If this is the case then you need to interview multi-family property management companies in your area that are successful in managing your size and class of apartment. Take special note of the emphasis here as not all property management companies are adept at managing all sizes and classes of apartments. Ask them what

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Buying Main Street: Time To Add Commercial Real Estate To Your Portfolio?

Indecision has often given an advantage to the other fellow because he did his thinking beforehand.

— Maurice Switzer

It is not the greatness of a man's means that makes him independent, so much as the smallness of his wants.

— William Cobbett

I am only one,
But still I am one.
I cannot do everything,
But still I can do something;

And because I cannot do everything

I will not refuse to do the something that I can do.

— Edward Everett



they would do differently from what is currently being done. Have them show you demonstrated successes in what they are saying that they can do in your market with your size and class of apartment.

Also make sure you understand what cash infusion, if any, will be needed from you to implement their plan.

Loan Modification—Let's say you feel that if you got some short-term concessions, you could turn things around and stabilize your apartment.

If you feel this is the case, then the first thing you need to do is put together a plan detailing what type of concessions you feel you need and what you could do if you had these concessions.

If you truly want a loan modification, you have to understand that you need a good, solid, supportable plan that is believable, can be achieved and is easy for your lender to understand. The better you make this package for the lender, the easier it will be for the lender's asset manager to "sell it up the chain" to the decision makers.

In order to travel this road it's best to engage an expert in working with loan modifications for commercial real estate loans. This is a "cottage industry" and usually not something that is well handled by a generalist attorney with not much experience in this area.

Whoever you engage to help you in this negotiation process with your lender, make sure you check their credentials. Understand who they have helped, what their success rate has been, and above all, do your due diligence and check their references. See if they have

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And because I cannot do everything
I will not refuse to do the something that I can do.
— Edward Everett

People differ in capacity, skill, health, strength; and unequal fortune is a necessary result of unequal condition. Such inequality is far from being disadvantageous either to individuals or to the community.
— Leo XIII

Inferiority is what you enjoy in your best friends.
— Lord Chesterfield



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negotiated successfully with your particular lender in the past.

Sometimes a loan modification will be contingent upon the investment of new capital from a JV partner or yourself. This is an outcome you have to be prepared for in any loan modification discussion.

Take On A Joint Venture Partner—If you truly believe in your project and that the investment of additional capital will turn your property around and allow it to cash flow and ride up the increase in value that will occur as the market continues to correct itself, don't dismiss this option as out of hand.

There's a lot of investment money sitting on the sidelines looking for good deals. If you have a good deal but you just need some additional capital to bring it to fruition, this is a viable option.

Joint Venture Partners come in all shapes and sizes. Some require control. Some will take a passive role if you can demonstrate that you have a viable plan in place and have the capability to carry it out. Everything is negotiable.

But again, as with the option of a loan modification, you must have a well thought out plan in place that's credible, well documented, and above all, achievable.

PRAEDIUM Advisors has a list of prospective JV partners who are actively looking for good deals. In fact, we put a joint venture together in 2012 by making just one call because we knew exactly who to call. We can do the same for you! In summary, if you can't pay your mortgage, you have options available to you. The

Famous Quotations

I am a part of all that I have met.
— Alfred, Lord Tennyson

Too great haste to repay an obligation is a kind of ingratitude.
— François de La Rochefoucauld

We pay for the mistakes of our ancestors, and it seems only fair that they should leave us the money to pay with.
— Don Marquis

Slight small injuries, and they will become none at all.
— Thomas Fuller

Whatever the human law may be, neither an individual nor a nation can commit the least act of injustice against the obscurest individual without having to pay the penalty for it.
— Henry David Thoreau

They that know no evil will suspect none.
— Ben Jonson

There is no insanity so devastating in man's life as utter sanity.
— William Allen White

It is the rooted instinct in men to admire what is better and more beautiful than themselves.
— James Russell Lowell



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most important thing you can do is to be proactive and decide what you want to happen. Don't let other people decide for you.

If you need help taking that first step to gather your thoughts or ideas as to what options you have, we at Praedium Advisors are experienced in helping you assess your situation and can help you put together the plan and action steps needed to carry out your plan.

For a FREE, no obligation consultation regarding what you can do if you can no longer pay your mortgage, contact Victor Allison at 602 320.6200 or at victor@praedium-advisors.com. You'll be glad you did!

Dedicated to Multiplying Your Income,



PRAEDIUM Advisors, Inc.

Victor H. Allison

President & Designated Broker

victor@praedium-advisors.com

P.S. If You Have Any Other Multi-Family Issues on Your Mind Give Me a Call at 602 320 6200 ... I'm Happy to Help!

P.P.S. Social media you can do right now ...

Like Me on Facebook: <http://on.fb.me/mvl6GQ>

Follow Me on Twitter: <http://ow.ly/fJare>

LinkedIn Connection: <http://linkd.in/kI3V4V>

Famous Quotations

He who puts up with insult invites injury.
— Proverb

When you don't have an education, you've got to use your brains.
— Anonymous

Only free peoples can hold their purpose and their honor steady to a common end and prefer the interest of mankind to any narrow interest of their own.
— Woodrow Wilson

Intolerance is a form of egotism, and to condemn egotism intolerantly is to share it.
— George Santayana

The march of invention has clothed mankind with powers of which a century ago the boldest imagination could not have dreamt.
— Henry George

Irony is the gait of reflection and the joy of wisdom.
— Anatole France

Jazz will endure as long as people hear it through their feet instead of their brains.
— John Philip Sousa

And oft, my jealousy shapes faults that are not.
— William Shakespeare



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BUSINESS REAL ESTATE WEEKLY® OF ARIZONA

VENTURE PAYING \$180.3 MILLION TO BUY 1,575 VALLEY APARTMENTS IN \$1.5 BILLION PORTFOLIO DEAL

Phoenix/Tempe - A venture formed by Goldman Sachs & Co. in New York City, N.Y. and Greystar Real Estate Partners LLC in Charleston, S.C. (Bob Faith, CEO) is paying \$180.3 million (\$114,476 per unit) to buy 1,575 apartment units in the Valley as part of a \$1.5 billion portfolio deal. The seller of the 27 multi-family communities are companies formed by Equity Residential Trust in Chicago, Ill. (NYSE:EQR, David Neithercut, CEO). The entire portfolio, which is scheduled to close in two separate closings by first quarter 2013, is comprised of 8,010 apartment units in six states. Of the properties, five are located in Phoenix, one complex is in Tempe and the other 21 projects, which total 6,435 units, are located in California, Colorado, Washington, Florida and New Jersey. The sales of the Valley assets are being brokered through Tyler Anderson, Sean Cunningham and Asher Gunter of CBRE in Phoenix. While none of the parties involved in the deal could be reached for comment, both the Greystar and Equity Residential Trust websites have news releases that confirms the portfolio sale. Goldman Sachs manages more than \$59.1 billion in assets located in North America, Asia and Europe. The company has been involved in numerous multi-family and commercial real estate investment deals in the Valley. Although Goldman Sachs has sold two Valley apartment properties over the past few years, the company has not acquired a multi-family community in the Phoenix market since May 2007. Greystar, which will manage the properties purchased from EQR, has developed, acquired and sold numerous multi-family units in the Phoenix area. Greystar is a national apartment manager, investor and developer with 200,000+ units under management in 100+ markets located across the country. Both Greystar and Goldman Sachs are interested in additional multi-family investment and development opportunities in the Valley. Equity Residential, which has ownership interest in more than 400 apartment properties in 14 states,



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has been a steady buyer and seller of multi-family projects in the Phoenix and Tucson markets. Here are the apartment communities that the Goldman/Greystar venture is acquiring in the Valley: Bella Vista, 248 units at 7810 N. 14th Place in Phoenix; The Heritage, 204 units at 1100 E. Osborn Road in Phoenix; Village at Lakewood, 240 units at 15815 S. Lakewood Parkway W. in Phoenix; Sonoran, 429 units at 13625 S. 48th Drive in Phoenix; Sedona Ridge, 250 units at 5010 E. Cheyene Drive in Phoenix, and Enclave, 204 units at 3255 S. Dorsey Lane in Tempe. All of the Valley apartment properties were built between 1989 to 1995. The contact at Goldman Sachs is Katie Bloom . . . call her at (972) 368-2200. Wes Fuller of Greystar is at (843) 579-3202. Cydney White is the contact at Equity Residential . . . reach her at (312) 928-1301. The CBRE agents are at (602) 735-5555.



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30-Unit Woodridge Has New Owner

Amy Wolff Sorter

MESA, AZ-A Southern California seller has unloaded the 30-unit Woodridge Apartments to a Phoenix buyer for \$700,000, which breaks down to \$23,333 per unit. The investor, 2259 West Ella, LLC c/o Desert Value Partners, takes on the 1980s complex as a value-add play, with plans to extensively remodel and reposition the asset.

The property is located at 2259 West Ella Ave., within walking distance to the Metro light rail on Main Street. Access to the Pima Freeway is few blocks to the west.

Brian Tranetzki and Rich Butler, multifamily investment specialists with Marcus & Millichap Real Estate Investment Services' Phoenix office had the exclusive listing to market the property on behalf of the seller, a private real estate investor. The buyer was represented by Ryan Ash and Mike Woodrick of Apartment Realty Advisors' Phoenix location.

“Woodridge Apartments is within close proximity to downtown Mesa which boasts an approximate 7,000 employee work force carrying an economic impact of \$2 billion annually. Woodridge is a true value-add deal and will undergo extensive remodeling to reposition the asset to take advantage of the strong economic drivers within the submarket,” Tranetzki says in a press release.



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Tucson Multifamily Sold for \$7.6M

OakPoint Properties Acquires Veranda at Ventana

Matt Mendoza
February 12, 2013

Montecito Medical Investment Co. sold the 114-unit Veranda at Ventana to OakPoint Properties for approximately \$7.57 million, or about \$66,000 per unit.

Built in 1996 and located at 5751 N. Kolb Rd., the property is comprised of 29 one-bedroom, 75 two-bedroom and 10 three-bedroom residential condo units on a 24.3-acre parcel. It was reported that the property experienced a high percentage of vacancy and that many of the units are privately owned.

Both parties handled the sale in-house.



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Mark-Taylor sells McCormick Ranch land in Scottsdale

Kristena Hansen
Feb 13, 2013

Scottsdale's Mark-Taylor Inc. has sold the last big chunk of vacant land available in the affluent Scottsdale neighborhood of McCormick Ranch to Standard Pacific of Arizona Inc., a subsidiary of Irvine, Calif.-based Standard Pacific Corp. (NYSE: SPF), for \$6.5 million.

Colliers International in Phoenix, which represented Mark-Taylor, disclosed the sale in a statement Wednesday, further explaining that the home and multifamily builder plans to use the roughly 6.5-acre lot for future development of a 60-unit apartment project.

The parcel is located near the northeast corner of 90th Street and Via Linda, which is in close proximity to some of the biggest employers in Scottsdale, CVS Caremark and Scottsdale Healthcare.

While Colliers' statement came out only today, records in the Maricopa County Recorder's Office show the deal actually closed about two months ago. Mark-Taylor, a luxury apartment developer, sold the parcel via its entity MT Victor LLC.

Colliers said that Standard Pacific's decision to build apartments speaks to the spike in demand for rental housing the Valley has seen in recent months. Developers such as Standard Pacific have thus been buying up vacant land in hopes of getting ahead of that demand.

This year, roughly 3,000 additional multifamily units are slated to be built Valleywide. Despite this, however, absorption is still expected outpace new construction, which will further drive the Valley's apartment vacancy rate down to nearly 7.5 percent this year, Colliers said.

As for Standard Pacific, the McCormick Ranch property is apparently one of three in the Valley — another in Scottsdale and one in Chandler —



that it snatched up before the end of the year for a combined \$25.2 million, according a recent article by the Business Real Estate Weekly of Arizona.

The article stated that Standard Pacific forked over another \$14 million for a 73-acre lot at the northeast corner of 136th Street and Shea Blvd. in Scottsdale, plus \$4.7 million for 14.7 acres at the southeast corner of Dobson and Ocotillo roads in Chandler.

It's unclear, however, what projects Standard Pacific has in store for the other two parcels.



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GREYSTAR/GOLDMAN VENTURE CLOSES FIRST LEG OF PORTFOLIO . . . \$108+ MILLION FOR 927 UNITS

Phoenix - Companies formed by Greystar Real Estate Partners LLC in Charleston, S.C. (Bob Faith, CEO) and Goldman Sachs & Co. in New York City, N.Y. paid a combined \$108.185 million to acquire 927 apartment units in three Phoenix communities. The purchase marks the first half of a larger portfolio deal which will result in the Greystar/Goldman venture paying \$180.3 million (\$114,476 per unit) to buy 1,575 apartment units in the Valley. In March, the Greystar/Goldman venture will pay \$72.115 million to acquire the other three properties, which are comprised of 648 units in two communities located in Phoenix and one in Tempe. BREW reported the pending portfolio sale two weeks ago. As reported, the Valley multi-family projects are part of a \$1.5 billion portfolio deal involving 8,010 apartment units that the Greystar/Goldman venture is buying in six states. The seller of the 27 multi-family communities are companies formed by Equity Residential Trust in Chicago, Ill. (NYSE:EQR, David Neithercut, CEO). In addition to the six Valley properties, the other 21 projects, which total 6,435 units, are located in California, Colorado, Washington, Florida and New Jersey. The Greystar/Goldman joint venture has closed on multiple properties in the other markets and the entire portfolio is scheduled to close by first quarter 2013. The sales of the Valley assets are being brokered by Tyler Anderson, Sean Cunningham and Asher Gunter of CBRE in Phoenix. Here is the name, description, purchase price and loan details on the three Valley properties that closed Feb. 14: Sonoran, 429 units at 13625 S. 48th Drive in Phoenix, \$50.966+ million (\$118,802 per unit), \$38.569 million Freddie Mac loan issued by CBRE Capital Markets Inc., Bella Vista, 248 units at 7810 N. 14th Place in Phoenix, \$30.104+ million (\$121,388 per unit), \$23.113 million Freddie Mac loan issued by



CBRE Capital Markets Inc., Sedona Ridge, 250 units located at 5010 E. Cheyene Drive in Phoenix, \$27.115 million (\$108,460 per unit), \$20.559 million Freddie Mac loan issued by CBRE Capital Markets Inc. Maricopa County records show the buying entity of Sonoran was GSG Residential Sonoran LLC and the seller was Evans Withycombe Finance Partnership L.P. The buyer of Bella Vista was GSG Residential Bella Vista Phoenix LLC and the seller was EQR-Bella Vista LLC. Records show Sedona Ridge was acquired by GSG Residential Sedona Ridge LLC and the seller was ERP Operating Limited Partnership. All six of the Phoenix area apartment properties in the Greystar/Goldman portfolio were built between 1989 to 1995. Here are the other three Valley apartment communities that have yet to close: The Heritage, 204 units at 1100 E. Osborn Road in Phoenix; Village at Lakewood, 240 units at 15815 S. Lakewood Parkway W in Phoenix, and Enclave, 204 units at 3255 S. Dorsey Lane in Tempe. The contact at Goldman Sachs is Katie Bloom . . . call her at (972) 368-2200. Wes Fuller of Greystar is at (843) 579-3202. Cydney White is the contact at Equity Residential . . . reach her at (312) 928-1301. The CBRE agents are at (602) 735-5555.



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Acacia Creek Apartments in Scottsdale Sold for Nearly \$40m

VIZZDA—February 19th, 2013 — Another major multi-family asset has changed hands in the East Valley with Equity Residential's (NYSE: EQR) sale of the Acacia Creek Apartments to Paul and Greg Merae of MIG Real Estate, a Newport Beach-based investor. This sale caps a week in which Equity Residential sold 1,231 units in four transactions totaling \$148,149,311 or \$120,348.75 per door.

The 304-unit complex is comprised of twenty 2-story buildings totaling 281,416 ft² on 14.19 acres, zoned R-5. It was constructed in several phases from 1988 to 1992. The property is located south of the southwest corner of Scottsdale Road and Shea Boulevard near Chaparral High School. The property manager, Alliance Residential, reports a 96% occupancy rate.

Equity Residential acquired the property pursuant to its \$1.06b acquisition of Scottsdale-based multi-family developer, Evans Withycombe Residential, Inc., on April 30th, 1999. While no sales price was listed at the time of transfer, Equity Residential did include the property as collateral for a \$126,452,000 loan underwritten by Capri Capital, assigned at origination to Fannie Mae as part of their Delegated Underwriting and Servicing (DUS) program and maturing on August 1st, 2009.

MIG Real Estate paid \$1.5m in cash for the property and secured an additional \$28.25m new debt with CBRE Multifamily Capital, which was assigned to Fannie Mae at origination. The sales price includes \$91,200 in fixture and furniture costs for a per unit cost of \$131,160.52. Paul Merae is the founder of Chef America which manufactured and distributed Hot Pockets® and Lean Pockets® before being sold to Nestle in 2002 for \$2.6b.



BUSINESS REAL ESTATE

W E E K L Y [®]
OF ARIZONA

APARTMENT INVESTORS SPEND \$255.649 MILLION AS 2,321 VALLEY UNITS CHANGE HANDS IN 6 DAYS

Phoenix area - In less than one week's time, eight Valley multi-family communities totaling 2,321 units have changed hands in transactions totaling \$255.649 million (\$110,146 per unit average). That span covered six days from February 14 to February 19. By comparison, the year-end 2012 rush to close sales resulted in a total of \$126.85 million (\$71,064 per unit average) being spent on the sale of 1,785 units. Those eight projects all traded in the last six business days of the year (the sales comparisons include only those properties of 100+ units that closed between December 26 and December 31 of 2012). While three of the year-end 2012 transactions accounted for \$91.125 million and 996 of the total units sold, the recently completed six-day period was bolstered by a portfolio sale that included three Valley multi-family projects with \$108.185 million changing hands for 927 of the units. Interestingly, the average sales price per unit of \$110,146 for the multi-family sales in February is \$39,082 per unit higher (54.995 percent) than the \$83,069 per unit average for the Valley apartment communities that traded at year-end 2012. According to one apartment specialist, common denominators in the properties that have recently sold include quality locations, strong performance from a net operating income standpoint and the opportunity for value-add. Brad Goff, a multi-family property specialist at Apartment Realty Advisors in Phoenix says the recent sales activity in the Valley has primarily been driven by one institutional investor. Goff is referring to Chicago, Ill.-based Equity Residential Trust (NYSE:EQR), which was the seller of five of the apartment properties that changed hands during the six-day time frame in February. "The difference in pricing in February vs. December is not necessarily a function of prices going up dramatically, but the type of properties that are selling," says Goff, who recently brokered the \$19.5 million sale (\$57,863 per unit) of the 337-unit Coral Point apartments at 2343 W. Main Street in Mesa (see story on P. 5). "In late December,



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we had three “A” quality and five “C” quality properties trade in the last days of 2012. This month, the sales have been mostly “A” and “B” quality properties,” says Goff, who adds that there is a trend with rents escalating on multi-family communities located east of Interstate 17. Jack Hannum, v.p. with the Multifamily Investment Services division of Transwestern in Phoenix, says there was unprecedented marketing activity of apartment communities during the year-end 2012 holiday season. “What I think is telling is the strong investor activity that occurred during the holiday period between Thanksgiving and Christmas, which drove these eight mid-February closings,” says Hannum, who brokered the recent \$41.25 million sale (\$135,691 per unit) of the 304-unit Las Colinas at Black Canyon Apartments located at 34000 N. 27th Drive in Phoenix (see story on P. 3). “Typically, the holiday period at the end of the year is when investors are either wrapping up their year-end acquisitions or preparing to ramp up again for the coming year. With everything that hit the market during this last holiday period, investor capital jumped at the opportunity to make deals happen.” Hannum also sees a bump in rental rates for multi-family communities in the Valley. “The appetite for Phoenix multi-family assets is strong, says Hannum. “Assuming interest rates stay relatively stable, I believe we are going to see cap rate compression for Phoenix multi-family as our economy continues to improve and investors are priced out of the coastal markets.” Please read the following five stories which include the eight Phoenix area apartment complexes of 100+ units that sold in mid-February. Reach Goff at (602) 852-3781. Talk to Hannum at (602) 386-1181.



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COMMERCIAL EXECUTIVE magazine

68-Unit Apartment Community in Mesa Sells for \$4 Million

20 February 2013

PHOENIX (Feb. 20, 2012) – Cassidy Turley announced that it completed the sale of Country Club Greens, a 68-unit apartment community on 2.4 acres at 350 W. 13th Place in Mesa for \$4,000,000 (\$58,823 per unit/\$1.66 million per acre). The buyer was Clear Sky Capital CCG L.P. (Phoenix) and the seller was California Bank & Trust. Executive Vice Presidents David Fogler and Steven Nicoluzakis with Cassidy Turley Arizona's Multi-Family Group brokered the transaction.

Built in 1986, the property has nine one bed/one bath and 59 two bed/two bath fully remodeled rental units that include new energy efficient appliances and upgraded kitchen and bathroom cabinets. The complex also has a swimming pool and spa and on-site leasing office. Country Club Greens is located one mile south of the Loop 202 on Country Club.



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Equity Unloads 775 Units to Local Bascom

Amy Wolff Sorter

March 1, 2013

CHANDLER, AZ—**Equity Residential** of Chicago continues shedding multifamily assets, just sold a two-property portfolio consisting of 775 units. Buyer **Bascom Arizona Ventures LLC** paid a combined \$88.4 million for the 396-unit Country Brook in Chandler and the 379-unit Little Cottonwoods, located in Tempe, AZ. Located at 4909 W. Joshua Blvd. in Chandler, Country Brook was developed in three phases: 1986, 1993 and 1996. Ninety percent of apartments' interiors have been upgraded with new kitchen and bath cabinetry, new countertops, new fixtures and flooring, a new Whirlpool appliance package and painted accent walls. Community amenities include three resort-style swimming pools and two spas, multiple barbecue grills and a state-of-the-art fitness center with cardio and weight training equipment.

Little Cottonwoods is located at 1820 E. Bell De Mar Dr. in Tempe. Built in three phases—one in 1984 followed by two more in 1986 and 1990—the property features newly renovated apartment interiors throughout approximately 50 percent of the community. These unit interiors feature new kitchen and bath cabinetry, new countertops, new fixtures, flooring, and lighting, and a new Whirlpool appliance package. Shared amenities include three swimming pools, two spas, a fitness center and multiple barbecue grills.

Steve Gebing, a vice president investments and **Cliff David**, also a vice president investments, both in **Marcus & Millichap Real Estate Investment's** Phoenix office, had the exclusive listing to market the properties on behalf of Equity



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Residential. Representatives involved with this specific deal did not return a phone call requesting an interview.

Equity **recently sold three multifamily properties** to a joint venture formed by **Goldman Sachs & Co.** and **Greystar Real Estate Partners LLC**. Three more Equity properties are expected to sell to the JV by the end of March.



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Goodman Takes on Distressed MF Properties

Amy Wolff Sorter
February 26, 2013

Goodman acquires the Indigo (pictured) and Cobalt, two multifamily properties that have been in distress.

PHOENIX- Seattle-based Goodman Real Estate acquired two distressed multifamily properties from Newport Beach, CA-based Sabal Financial Group, with plans to upgrade them and add them to the area rental pool. Upon closing, Goodman Real Estate claimed Cobalt, for which it paid \$5.6 million, and Indigo, which went for \$4.2 million.

Cobalt, at 32nd Street and Union Hills, is a gated Class A multifamily property that includes 24 completed units and land for a 66-unit expansion. Indigo is a fractured Class A condominium asset totaling 30 units at 16160 S. 50th St. near Interstate 10 and Chandler Boulevard in Ahwatukee. Seventeen of Indigo's units were previously sold as condominiums. The new owner is pursuing acquisition of these sold units as part of its de-fracturing strategy. Indigo also has infrastructure in place to build an additional 78 units. In the coming months, Goodman plans to begin construction on the outstanding units at both Cobalt and Indigo.

“The recession stopped many local multifamily and condo construction projects in their tracks, and some of these distressed sites have been sitting, unfinished, for years,” says Jones Lang LaSalle Executive Vice President John Cunningham in a press release. Cunningham teamed with JLL vice president Charles Steele to represent Sabal Financial Group, which specializes in the acquisition of distressed real estate loans and bank credit advisory services.



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“As our market fundamentals improve, we’re seeing properties like Cobalt and Indigo come under new ownership, gaining the capital resources they need to transition from a community eyesore to a completed, active rental complex. It is a very positive trend,” Cunningham adds.

According to JLL, average occupancy for Phoenix class A multifamily space experienced a steady rise in 2012, reaching between 90% and 95% occupancy at year end and continuing that positive performance into 2013.

“Market fundamentals support the completion of both Cobalt and Indigo,” Steele says. “By completing these projects, the new owner will build value at both sites, further demonstrating the strength of Phoenix’s economic recovery.”



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Westover Parc Sells for \$5.3M

Murray Hill Developments Acquires 99 Units in Phoenix

Lindsey Hicks
February 27, 2013

Madison Realty Capital GP LLC sold the Westover Parc, located at 6515 W. McDowell Rd. in Phoenix, AZ, to Murray Hill Developments for \$5.3 million, or about \$54,000 per unit.

The 99-unit multifamily complex totals 182,640 square feet. It was built in 2001 and renovated in 2007. Of the 99 units, 59 are one-bedroom, 35 are two-bedroom, and five units have three bedrooms. The occupancy was about 95 percent at the time of sale.

Bill Hahn, Jeffrey Sherman and Trevor Koskovich with Colliers International negotiated the sale for the buyer and seller.





Country Club Greens Apts Sells for \$4M

Clear Sky Capital Acquires 68 Units in Mesa

Brett Wyatt
February 27, 2013

Clear Sky Capital, Inc. has purchased the 68-unit Country Club Greens apartment complex located at 350 W. 13th Pl. in Mesa, AZ for \$4 million, or about \$59,000 per unit.

Country Club Greens was constructed in 1985 in the Mesa East submarket of Maricopa County. The property features nine one-bedroom and 59 two-bedroom units with asking rents between \$607 and \$707 per month.

Steve Nicoluzakis and David Fogler represented the seller, California Bank & Trust, as well as the buyer.



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OF ARIZONA

BASCOM SPENDING \$125+ MILLION FOR 1,047 APARTMENTS . . . EQR CONTINUES SELL OFF

Chandler/Tempe/Scottsdale - In a buying spree of Arizona apartment communities, Bascom Arizona Ventures LLC is building a portfolio of properties in meteoric fashion. In three separate sales this week, the Bascom venture will add 1,047 apartment units to its quickly growing portfolio of multi-family assets. In three transactions all set to close by press time, Bascom Arizona Ventures was expected to pay a combined \$125.232 million to buy apartment communities in Chandler, Tempe and Scottsdale. With the purchase of a 292-unit project in Scottsdale that is scheduled to close February 28, companies formed by Bascom Arizona will have invested \$243.8+ million in purchasing 2,656 apartment units in eight properties in Arizona. Those transactions have all recorded over a seventh month period beginning in August. Bascom Arizona Ventures LLC was formed by The Bascom Group in Irvine, Calif. (Derek Chen, Jerome Fink, David Kim, principals). Glenn Daiutolo, who operates from Scottsdale, completes the partnership of principals who together form Bascom Arizona Ventures LLC. Bascom Arizona Ventures is looking to acquire additional multi-family communities in the Valley. The seller of the three Valley apartment communities Bascom Arizona Venture is buying this week are all companies formed by Equity Residential Trust in Chicago, Ill. (NYSE:EQR, David Neithercut, CEO). In two sales that recorded February 26, companies formed by Bascom Arizona paid \$88.488 million to buy 775 units. Those two sales were brokered through Steve Gebing and Cliff David of Marcus & Millichap Real Estate Investment Services in Phoenix. The Bascom venture paid \$45.7 million (\$115,404 per unit) to purchase the 396-unit Country Brook apartments at 4909 W. Joshua Boulevard in Chandler. The buyer purchased the multi-family community with a \$33.72 million loan issued by Bank of America. The complex was developed in phases in 1986, 1993 and 1996. The Bascom venture paid \$42.788 million (\$112,987 per unit) to acquire the 379-unit Little Cottonwoods apartments at 1820 E. Bell De Mar Drive in Tempe. The buyer acquired that property with a \$31.63 million loan from BofA.



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That project was built in phases in 1984, 1986 and 1990. Finally, in a sale slated to close at press time, a company formed by Bascom Arizona Ventures was expected to pay \$36.744 million (\$125,232 per unit) to buy The Highlands, a 272-unit apartment project at 15255 N. Frank Lloyd Wright Boulevard in Scottsdale. The seller is another company formed by Equity Residential Trust. That deal is being brokered by Tyler Anderson, Sean Cunningham and Asher Gunter of CBRE in Phoenix. The Highlands was built in 1990. In December 2005, BREW reported a company formed by EQR paying \$43.792 million (\$161,000 per unit) to buy The Highlands apartments. Sources say the Bascom venture was going to finance all three apartment acquisitions, but specifics of the loans were not available at press time. There is no telling how big of an appetite the Bascom venture has for buying multi-family assets in Arizona. Bascom's ramping up its multi-family holdings in the Phoenix market is reminiscent of Weidner Apartment Homes in Kirkland, Wash. (Dean Weidner, principal), which during a two-year stretch in 2010 and 2011, acquired more than 5,000 of the 8,640 apartment units it owns in 27 properties in Arizona. In February, BREW reported a company formed by Bascom Arizona Ventures paying \$13.582 million (\$70,015 per unit) to buy the 194-unit Alpine Ridge apartments located at 901 S. O'Leary Street in Flagstaff. Between 2004 and 2005, Bascom Arizona Ventures acquired 28 properties totaling 9,400 units. The company sold those properties in bulk before the market crashed, but also lost some assets that were acquired at peak market times. The Bascom Group is a private equity firm that specializes in value-added multi-family, commercial and non-performing loans and real estate-related investments and operating companies. The Bascom Group focuses on buying garden style, mid-rise and high-rise apartments. The asset class ranges from A+ to D and the locations are preferred to be A+ to C+ with property sizes running from 80 units in a single asset to 5,000+ units in a portfolio. The company likes 1920's to new construction. Bascom is actively buying apartments in 10 states across the country. Companies formed by EQR have been selling some of its vast inventory of apartments in the Valley. Including the sale of The Highlands and three other properties set to close in March, companies formed by EQR will have sold 12 multi-family assets in the Valley totaling 3,432 units. Those 12 sales will generate a combined \$412.496 million in revenue for EQR. Sources say EQR still owns 12 more multi-family properties in the Phoenix area totaling a combined 3,966 units. EQR, a publicly-traded REIT (real estate investment trust) is exiting the Valley market and is using the capital to purchase multi-family assets on the west and east coasts of the U.S.



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Fink is the contact for Bascom Group . . . call him at (949) 955-0888. Daiutolo is at (480) 315-1200. Talk to Gebing and David at (602) 687-6700. The contact at EQR is Cydney White . . . reach her at (312) 928-1301. The CBRE agents are at (602) 735-5555.



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