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Phoenix  
Sustained  
Multifamily  
Rent Growth  
*Ranks No. 2 Nationally*

YARDI MATRIX

The Valley’s sustained economic growth coupled with its demographic trends have led to rent growth of 6.1 percent year-over-year, ranking second nationally, according to the Yardi Matrix Multifamily Report for the fall.

What the report calls “Phoenix High Flight” shows that rent growth continues at an elevated pace, transaction activity has increased and the construction surge continues in the Valley.

“Employment growth was robust as Phoenix gained 60,500 jobs in the 12 months ending in July, a 3.0 percent increase year-over-year, well above the 1.7 percent U.S. average,” the report says.

The education and health services area flourished with only a slight decline in the information sector.

“Phoenix is establishing its position  
*See ‘Phoenix’ on Page 11*

Phoenix Rents Continue to Rise

*Upward Trend Runs  
23 Straight Months*

APARTMENT LIST

Phoenix rents continued their strong, sustained growth up 0.5 percent in the last month and up 4 percent year-over-year, according to the latest November report from Apartment List.

The city’s rents have been increasing for 23 straight months; the last time rents declined was in November 2017. Phoenix’s year-over-year rent growth leads the state average of 3.5 percent, as well as the national average of 1.4 percent.

*See ‘Phoenix Rents’ on Page 4*



Top 5 Top Technologies That Renters Want

RENTAL HOUSING JOURNAL

A new survey shows the five top technologies that renters desire and that, over the last year, residents’ interest in rental technologies has grown by an average of seven points.

The 2020 State of the Property Management Industry Report by Buildium and the National Association of Residential Property Managers (NARPM), surveyed both property managers and renters.

In the annual survey of 1,188 renters across the county, Buildium and NARPM found the biggest gains in interest among renters were in applying for rentals online (+15 points), communicating with their property manager via text or email (+11 points), and signing leases and other documents electronically (+8 points).

“What I found that was really interesting is that smart home technology seems to have lost some of its favor in terms of importance to the tenants,” National Association of Residential Property Manager’s (NARPM) CEO Gail Phillips said. Last year nearly half said home tech was a preference but this year that dropped substantially in favor of the transactional preferences, she said, perhaps because of more mobile tech.

“Is the younger generation carrying their home tech from property to



property,” is a question she raised during a recent webinar with Chris Litster, CEO of Buildium.

Litster said there is no denying that smart home tech is a “buzzing topic,” but  
*See ‘Online’ on Page 10*

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# Five Things To Remember When Deciding To Do A 1031 Exchange

By Dwight Kay and the Kay Properties Team

A 1031 exchange is a legal way for investors to defer their capital gains taxes on the sale of real estate held for investment or business purposes. It allows one to defer taxes on a property sale as long as they follow specific 1031 rules and guidelines. In other words, you have the potential to keep all your profits working for you with the purchase of your next investment property, without the IRS coming after you looking for their share of the pie. Here are five things to remember before a 1031 exchange.

## 1. TAXES ARE APPLICABLE IN A NON-1031 EXCHANGE

When an investor sells a property that has gone up in value this results in several types of taxes. These include capital gains taxes, which the investor must pay if they sell the asset at a price higher than they initially paid for it. Federal capital gains are taxed at 15-20% of the increase in value, while state capital gains are taxed between 0- 13.3% of the increase in value.

Depreciation recapture taxes are taxes due when the seller had claimed depreciation expenses on the sold property. Depreciation recapture is currently taxed at 25% of the amount you have depreciated over the years. Other taxes incurred on property sales include the 3.8% Medicare surtax.

All these taxes are able to be deferred if you do a 1031 exchange. But if you choose to sell your property without a 1031 exchange, ensure you consult a reputable attorney and CPA so you can know what your full tax bill

will be when adding up federal capital gains, state capital gains, depreciation recapture and the medicare surtax.

## 2. YOU NEED A QUALIFIED INTERMEDIARY

A 1031 exchange isn't as simple as selling and reinvesting in another property. You must first transfer the relinquished property to an intermediary or an accommodator so they can execute the sale on your behalf. This is a process whereby your sale contract is assigned to the qualified intermediary and when the property closes your funds are then wired to your account at the qualified intermediary. From there you will instruct which properties you would like the qualified intermediary to purchase on your behalf. Kay Properties is not a qualified intermediary however we work with many throughout the country so if you would like a referral please let us know.

## 3. YOU CAN ONLY PURCHASE A LIKE-KIND ASSET

For you to defer taxes via a 1031 exchange, you must reinvest the profits from the sale in like-kind property. In other words, if you sell a property held for investment or business purposes in a 1031 exchange, the replacement property must be of the same character. For example, you could sell an apartment building and purchase a commercial building or you could sell a rental home and purchase a DST 1031 investment.

## 4. REMEMBER DEADLINES

1031 exchanges are subject to deadlines. If you sell a property today, you're expected to have identified the replacement property within the next 45 days and reinvested the

proceeds in it within 180 days. But if you'd already identified the replacement property, you can reinvest immediately.

## 5. UNDERSTAND YOUR OPTIONS

Once investors have decided to do a 1031 exchange they should consider their options. First, they could purchase another type of investment property that they would manage on their own. Second, they could purchase a triple net lease property whereby a national tenant such as Walgreens or FedEx has leased the property for typically 10-15 years. The problem with the triple net leased properties is that it causes investors to place a large portion of their net worth into a single property which could be disastrous (think Blockbuster Video). Third, if the investor is wanting to get out of active management and the day to day issues of dealing with tenants, toilets and trash as well as they are wanting to diversify their investments into multiple properties then a DST 1031 exchange may be a solution. The DST (or Delaware Statutory Trust) is a type of property whereby the management is handled by a third party trustee and since the typical minimum investment of a 1031 DST offering is \$100,000 investors are able to purchase a diversified portfolio of Delaware statutory trust properties that may include a piece of Walgreens for 100k, piece of a FedEx distribution warehouse for 100k and a piece of a 800 unit portfolio of multifamily properties located throughout the south east and Texas\*.

If you are interested in learning more about your 1031 exchange options please get in touch with us today to learn more.



Kay Properties and Investments, LLC is a national Delaware Statutory Trust (DST) investment firm with offices in Los Angeles, San Diego, San Francisco, Seattle, New York City and Washington DC. Kay Properties team members collectively have over 114 years of real estate experience, are licensed in all 50 states, and have participated in over \$9 Billion of DST real estate. Our clients have the ability to participate in private, exclusively available, DST properties as well as those presented to the wider DST marketplace; with the exception of those that fail our due-diligence process.

To learn more about Kay Properties please visit: [www.kpi1031.com](http://www.kpi1031.com)

\* These are illustrative examples of 1031 DST offerings. Future available 1031 DST offerings and tenants may be different. Diversification does not guarantee profits or protect against losses.

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There are material risks associated with investing in real estate, Dela-

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# Phoenix Rents Continue to Rise for 23 Months in a Row

Continued from Page 1

Median rents in Phoenix are \$881 for a one-bedroom apartment and \$1,097 for a two-bedroom.

## EAST VALLEY REPORT

### GILBERT RENTS ARE FASTEST GROWING AND MOST EXPENSIVE

Gilbert rents were up 1.8 percent over the past month, which was the fastest growth in the Phoenix metro, and have increased significantly by 4.2 percent in comparison to the same time last year.

The East Valley city has the most expensive rents in the Phoenix metro, with the median rent for a two-bedroom apartment at \$1,504 per month.

### OTHER EAST VALLEY CITIES CLOSE BEHIND

While Chandler rents held steady over the past month, they are up significantly by 4.8 percent year-over-year.

Median rent for a two-bedroom apartment in Chandler is currently \$1,435 with one-bedroom rents at \$1,151.

Meanwhile Scottsdale rents jumped significantly over the past month, up by 0.4 percent.

Like Phoenix, Scottsdale rents have been increasing for 23 straight months.

The median rent for a two-bedroom in Scottsdale is \$1,355, and a one-bedroom \$1,088.

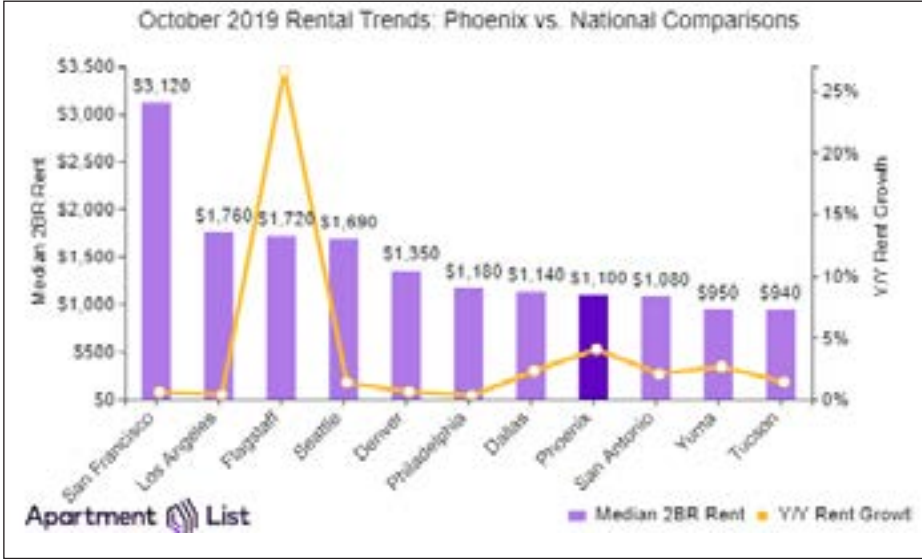
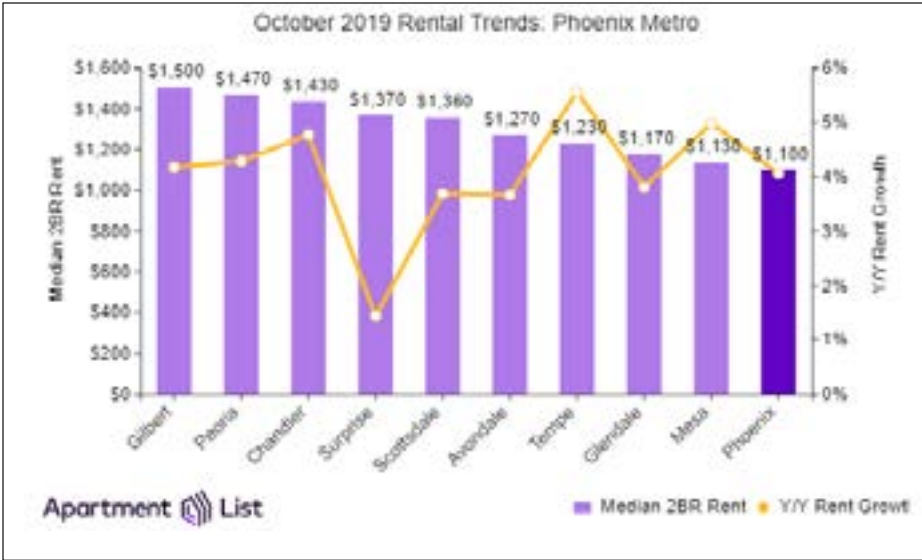
## WEST VALLEY REPORT

### PEORIA RENTS UP SHARPLY, LEADING THE WEST VALLEY

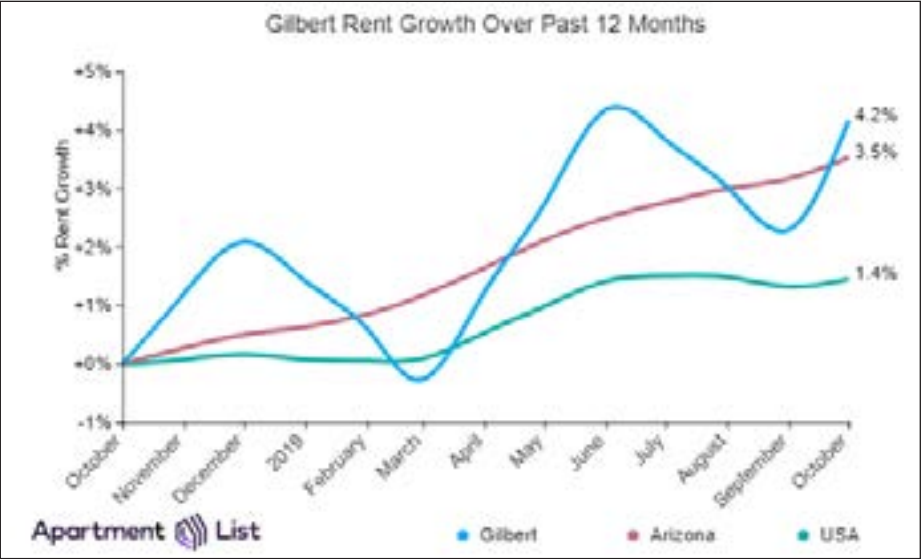
Peoria rents have increased 0.6 percent over the past month, and have increased significantly by 4.3 percent in comparison to the same time last year.

Currently, median rents in Peoria stand at \$1,178 for a one-bedroom apartment and \$1,468 for a two-bedroom.

Much like Phoenix, the city’s rents have been increasing for 23 straight months; the last time rents declined was in November 2017. Peoria’s year-over-year rent growth leads the state average of 3.5 percent, as well as the national average of 1.4 percent.



City	Median 1BR price	Median 2BR price	M/M price change	Y/Y price change
Phoenix	\$880	\$1,100	0.5%	4%
Mesa	\$910	\$1,130	0.7%	5%
Chandler	\$1,150	\$1,430	-0.1%	4.8%
Glendale	\$940	\$1,170	0.5%	3.8%
Scottsdale	\$1,090	\$1,360	0.4%	3.7%
Gilbert	\$1,210	\$1,500	1.8%	4.2%
Tempe	\$990	\$1,230	-0.7%	5.6%
Peoria	\$1,180	\$1,470	0.6%	4.3%
Surprise	\$1,100	\$1,370	-2.1%	1.4%
Avondale	\$1,020	\$1,270	1.1%	3.7%
Goodyear	\$1,170	\$1,460	2.3%	3.2%
Buckeye	\$970	\$1,210	0.3%	1.1%
Casa Grande	\$790	\$990	-0.9%	2.3%
Sun City	\$900	\$1,120	-1.7%	2.4%
Apache Junction	\$590	\$730	0.7%	2%
El Mirage	\$780	\$970	0.1%	0
Queen Creek	\$1,270	\$1,580	-2.5%	0.8%
Fountain Hills	\$1,040	\$1,300	2.5%	1.7%



# California Set to Try Again on Prop 13 Repeal

BY CAROLE ELLIS

When Californians head to the polls next November, they will be presented with a ballot measure titled, “The California Schools and Local Communities Funding Act” that purports to “restore over \$12 billion per year to California’s schools, community colleges, health clinics, and other vital local services,” as local advocacy group [SchoolsAndCommunitiesFirst.org](http://SchoolsAndCommunitiesFirst.org) describes it.

If voters opt to pass this bill, they will officially undo Proposition 13 property tax protection for Californians on all commercial and nonresidential properties, which may feel irrelevant to many apartment owners and landlords in the state.

However, warned Tracey Hernandez, founding CEO of the Los Angeles-based nonprofit Business Federation (BizFed), this legislation could create a landslide of future initiatives that will not only affect multifamily property owners immediately but place single-family rental owners and their tenants squarely in the crosshairs as well.

“This measure will take all commercial property taxes to a new appraised value to the tune of \$11 billion a year,” she explained in a session at Standard Management Company’s annual “The Magic of Real Estate” conference on October 29, 2019.

“The money will go for a variety of things: 40 percent for education, 60 percent to do a variety of other work. The problem we have is that it is a ‘split role,’ which means splitting the types of properties and saying, ‘Of course, commercial properties and businesses

***“This measure will take all commercial property taxes to a new appraised value to the tune of \$11 billion a year.”***

— *Tracey Hernandez*

will foot the bill.' There is a fault in that argument," she said.

Hernandez warned that many California voters will likely believe single-family rental owners and renters are protected because the bill only raises taxes on commercial properties. However, multifamily properties will, in at least some cases, be included in that tax hike. Those costs will be passed, at least in part, on to tenants as property owners struggle to meet rising tax bills.

“People may say that single-family rentals are protected, but...landlords and renters will be right around the corner for the next tax increase,” Hernandez added.

## HISTORY OF PROP 13

The California legislature passed Proposition 13 in 1978, and the measure has held despite multiple attempts to repeal it over the years. It has often been called the “third rail” of California politics because repealing it has historically been extremely unpopular. However, targeting commercial properties instead of residential ones could be the first step in successfully rolling it back.

The act, officially titled The People's Initiative to Limit Property Taxation, limits

the tax rates for real estate by assessing values at 1976 value and restricting annual increases of assessed value to an inflation factor that cannot exceed 2 percent per year. When Prop 13 passed, it received enormous publicity across the country and likely contributed to the 1980 presidential election of Ronald Reagan.

If California lawmakers succeed in repealing the act, this will likely also reverberate across the country, as other states and cities with high property values attempt to adjust their own tax codes to access previously protected property tax revenues.

## RENT CONTROL MEASURES GO INTO EFFECT ON A LOCAL LEVEL IN CALIFORNIA

Danielle Peretz, director of government affairs and external relations for the Apartment Association of Greater Los Angeles, also commented on legislation aimed at California landlords during the conference. California governor Gavin Newsom recently signed a statewide rent-control bill into law that will cap annual rent increases and extend other “rent-control protections” starting in 2020, but the ramifications of the legislation already are in full effect.

“The issue of rent control is not just a state issue, it is a local issue as well,” Peretz said. “Los Angeles County, Inglewood, and Culver City are among the local areas working toward permanent ordinances.

“For example, Inglewood will be considering moving toward an ordinance that would cap rent increases at 8 percent and include relocation assistance,” Peretz said.


She also noted that local areas are moving immediately to counter potential landlord strategies to raise rents before the statewide bill goes into effect on January 1, 2020. These countermoves include an LA City Council decision to prohibit 60-day notices that took effect on October 24, 2019 and applied to any 60-day notice already in effect, thereby voiding everything back to August.


The state and local legislation governing rent-rate increases have created a windfall of positive publicity for the governor and other legislators promoting their efforts to combat housing affordability issues in the notoriously unaffordable state. It is likely lawmakers in other markets dealing with similar issues may mimic the regulatory moves if the positive press continues.

BizFed.org often works with the Apartment Association of Greater Los Angeles to share information among business associations and real estate-related groups in the Los Angeles area. “We share fast-moving intelligence, know when things are moving, promote brand-new ideas, and strengthen the voice of business,” Hernandez said.

*Carole Ellis is the editor-in-chief of Self-Directed Investor magazine, a national print and digital publication for investors using their retirement accounts to invest in alternative assets, including real estate and private mortgage notes. Learn more at [SDImagazine.com](http://SDImagazine.com) or email Carole at [Carole@selfdirected.org](mailto:Carole@selfdirected.org). Learn more about Standard Management Company's real estate conferences at [StandardManagement.com](http://StandardManagement.com).*

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# Apartment Mystery Maintenance Call: Spilled Bleach

KEEPE

The latest apartment mystery maintenance call from Keepe comes from Seattle, where a property manager called in distress with an emergency after a tenant had spilled a jug of bleach on the garage floor.

Due to its highly corrosive nature, the bleach dug through the garage floor and corroded it.

The incident started out when the tenant decided to call her property manager and explain what happened.

It turns out the tenant was simply cleaning out her garage and knocked over the jug of bleach by accident. She was not doing work on the garage on her own, just a routine cleaning.

After the manager called, a worker was

assigned and got to the garage in about an hour to assess the extent of the corrosion.

After inspecting the damage to the garage floor, they did the following:

- Patched the corroded floor.
- Cemented the entire garage floor to restore it to its original condition.

The repair project took about four to five hours and cost \$399, which included \$89 for materials.

This was an expensive job for an accidental spill of a jug of bleach, and led to a lengthy dispute between the property manager and the tenant over who would pay the cost.

In the end, the tenant agreed to be the one to cover the cost.



## Join Azreia’s Monthly Meeting Mon., Dec. 9 at Celebrity Theatre

Come see how you can effectively structure deals to build long-term wealth – and stop working for someone else – at our monthly meeting beginning at 5:15 p.m. December 9, 2019, at Celebrity Theatre in Phoenix.

The Arizona Real Estate Investors Association (AZREIA) will present the market update and market news with Alan Langston. He will present the latest in trend analysis for the United States, Arizona and Greater Phoenix, including existing homes, new homes, foreclosures and traditional sales. We’ll also have a full analysis of fix-and-flip and rental markets, and the latest market news affecting your business.

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folks understand the power of using little to no money of their own to invest in real estate, using effective negotiating skills that help create terms that land her deal after deal.

### AZREIA TUCSON MEETING TUES., DEC. 10

Join our Tucson meeting at the Tucson Association of Realtors Office at 2445 N. Tucson Blvd.

The local market update will be presented by Bob Zachmeier, with the latest in trend analysis for the United States, Arizona and Greater Tucson, including existing homes, new homes, foreclosures, REO, short sales and traditional sales. We’ll present an analysis of which investment strategies are working and why, must-know information for the serious real estate investor.

Networking begins at 5:15 p.m. and the main meeting at 7:15 p.m.

Giordano will also present her approach to investing at the Tucson meeting.

## Tucson Rents Down Slightly Over Past Month But Up Year-Over-Year

APARTMENT LIST

While Tucson rents were down slightly by 0.2 percent over the past month, they are up by 1.4 percent year-over-year, according to the November report from Apartment List.

Median rents in Tucson stand at \$711 for a one-bedroom apartment and \$944 for a two-bedroom.

Tucson rents are in line with the national average increase of 1.4 percent year-over-year, even though Tucson’s year-over-year rent growth lags the state average of 3.5 percent.

MARANA RENTS UP

Marana rent growth continues to be strong year-over-year at 5.1 percent, among the leaders in Arizona rents.

While Marana rents were essentially flat over the past month, Marana’s year-over-year rent growth still leads the Arizona state average of 3.5 percent, as well as the national average of 1.4 percent.

Median rents in Marana are \$1,165 for a one-bedroom apartment and \$1,497 for a two-bedroom.

Marana continues to be one of the fastest-growing cities in Arizona.



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# Tenant Flushes Wipes, Causing \$2,000 Repair

By HANK ROSSI

Dear Landlord Hank:

My tenant had kids over and flushed wipes down the toilet that led to a major plumbing incident in my rental. I had to pay \$2, 000 for the repair. He also told me last week that he lost his job. What do I do? He paid for the month of November. What do I do come December 1st when he cannot pay? I live in Washington State. — Landlady Laura

Dear Landlady Laura,

If you already know, and the plumber confirmed, that the blockage and plumbing expenses were caused by the tenant or the tenant’s guests or invitees, then your lease should clearly state that the expense for the repair would be borne by the tenant.

Or, that the landlord, at your discretion, may make the repair, and the tenant be fully responsible for the payment of the repair.

If the tenant can’t pay for the damage he caused, he would be in default of your lease.

If you already know he has lost his job, I’d talk to him and tell him he’ll need to move immediately. You will use his security deposit to cover the damage that he caused, but to keep from being evicted, you will re-rent the property and he’ll no longer be liable for the balance of his lease.

I’m not knowledgeable about Washington State landlord/tenant laws, but you may need to evict.

I’d would try to be reasonable and show



him the logic of leaving now before his credit and rental history is damaged.

I know we are moving into the holiday season, but you are running a business. You must keep your charitable self in check. It’s not up to you to pay his bills, including damage to the property and rent.

If you let him stay until December’s rent is due, and he doesn’t pay that either, you will be further in the red.

You may need to get an attorney involved, but you need to have your property back in your hands so you can find a replacement tenant.

Don’t hesitate, and move quickly. Good luck!

Strong leases save us when we’re all on the same page and it’s in writing.

\*\*\*\*\*

Dear Landlord Hank:

What is the best way to notify a tenant you need to enter a tenant’s rental unit? Our owner has placed the building up for sale, and we have to show rentals from time to time to prospective buyers.

Our state says 24-hour notice to tenants of entry to their rental. We call, cannot reach tenants, and leave voice mail. We



also put note on the door. But tenants are often gone or out of town and do not respond.

We were showing one unit when tenant showed up surprised we were there – but we had left voicemail the day before. How do you handle this? — Property Manager/Landlord Melanie

Dear Landlady Melanie,

I do exactly the same thing you are doing.

I call, text and email so I’ve covered

every base, and give tenants 24 hour notice of a definite appointment.

I ask tenants to respond, so I know they’ve received the message, but you are right, sometimes people are unaware of our intention.

I don’t know of any other way to try to connect and make tenants aware of the showing, or maintenance, etc. You have definitely put out a good faith effort to inform.

I also leave a business card so tenants are aware that I was in the unit.

## Online Payment Among 5 Top Technologies That Renters Want

Continued from Page 1

“we are hearing more and more people have made the decision to go with Amazon or Google or whoever and they are bringing their own smart tech into the apartments or units.”

He said additionally what tenants prefer more seems to be basic amenities such as in-unit washers and dryers.

Though interest has stayed roughly constant among Gen Z and Millennial renters over time, Gen X residents and baby boomers are far more interested in technology than they were just a year ago: On average, interest in rental technologies has grown by eight points among Gen Xers and 10 points among baby boomers, according to Buildium’s 5th Annual State of The Property Management Industry Report.

Though Millennials are the most enthusiastic about technology overall, more than half of Gen Z, Millennial, Gen X, and baby boomer renters want the ability to pay rent online and communicate with their property manager via text or email.

### HOW RESIDENTS WANT TO PAY

Gen Z, Millennial, and Gen X renters all agree that they prefer to pay their rent via electronic payment, electronic bank transfer, or credit/debit card over writing a check.

Though most baby boomers still feel more comfortable paying by check, nearly 1 in 3 would rather pay online. Residents of all ages appreciate having

the option to pay their rent online, and their expectation to be able to handle this and other tasks digitally increases with every year.

The survey also showed two in five renters definitely plan on renewing their lease for another year—a number that stayed constant from 2018 to 2019.

How the “typical renter” definition is evolving and what renting means to residents

“In the past, we’ve thought of renting as a temporary rite of passage for those who haven’t yet set down roots or saved enough for a down payment on a home of their own. But for many Americans today, renting is a lifestyle choice, as well as a necessary alternative to home ownership for those whose finances were irreparably altered by the Great Recession,” the report says.

As a result, property managers’ strategies for attracting and retaining renters will need to evolve to fit a broader demographic than they’ve seen in the past.

Renters’ desire to own a home of their own varies logically by age: Gen Z residents are happy renting for now, but assume that they’ll want to become homeowners down the road.

Millennials and Gen X renters are highly interested in homeownership, but are waiting for the right time to buy. Baby boomer residents are largely former homeowners who either prefer to rent or have financial reasons for doing so at this time in their lives.



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# Don’t Drop the Baton

## ‘Finishing the Race’ with Bad Tenants

**BRAD KRAUS**  
**ATTORNEY, WARREN ALLEN LLP**

Imagine you entered a relay race, competing with one other team for a prize you desire. You ran hard, persevered, but rather than cross the finish line and prevail, you decide to throw your baton backward. Sounds crazy, doesn’t it?

Some landlord/tenant disputes can feel like grueling marathon races, with eviction actions denoting the finish line. Successful landlords cross the finish line first by avoiding mistakes in the lead up period. Many landlords stumble during the race or right before they are set to cross the finish line, often due to inexperience or a lack of knowledge of the procedures involved.

Two common mistakes often befall landlords: (a) service of notices at improper times, and (b) actions taken which undermine the landlord’s position of strength in an eviction case. For example, I’ve seen many landlords serve termination notices after they’ve already terminated tenancies or when termination dates are rapidly approaching. The latter termination notices can unnecessarily extend the finish line by shifting termination dates out into the future.

Assuming the landlord does the right thing and files an eviction action on the uncured 72-hour notice, a court-enforceable stipulated agreement within this process provides the landlord with the strongest rights.



The landlord can dictate the terms of the agreement from both a fiscal prospective, but also with provisions related to conduct. If the tenant fails to comply with the terms, a declaration of noncompliance can be filed, and the tenancy can be terminated through the courts.

Another common landlord misstep involves actions that undermine rock solid stipulated agreements in Fed actions. For example, some landlords—with a court-enforceable agreement in hand—unknowingly serve notices for tenant defaults of that very court-enforceable stipulated agreement. If the notice of termination extends or waives the agreement’s deadlines, the landlord again shifts the finish line and

makes the race unnecessarily harder. These landlords ran the race . . . but failed to cross the finish line.

Being a landlord can feel like a rat-race in and of itself. It’s rarely easy, and troublesome tenants make it harder. The best landlords are constantly “training”: they update their legal knowledge, keep their forms current, and optimize their termination and eviction strategies, whenever the occasion calls. At the same time, they don’t trip themselves up. Successful landlords understand the marathon nature of some landlord/tenant disputes and adhere to strategies that ensure their position at the finish line. With troublesome tenants, your goal should always be to position yourself

**72-Hour Notice of Nonpayment of Rent: This form can be served as early as the eighth day the rent is past due. It notifies tenants that unless their rent is paid within 72 hours, lease will be terminated. That timeframe is extended by 3 days if mailed. The form requires tenant to pay only current month’s rent to avoid termination. Late fees and other charges can be recouped using a Notice of For Cause Termination.**

favorably within the confines of the eviction statutes. Within that setting, if the tenant fails to perform as required, finishing the race is easy. However, it’s important to cross the finish line with your baton . . . rather than throw said baton (i.e. your rights/remedies) into the river.

## Phoenix Sustained Multifamily Rent Growth Ranks No. 2

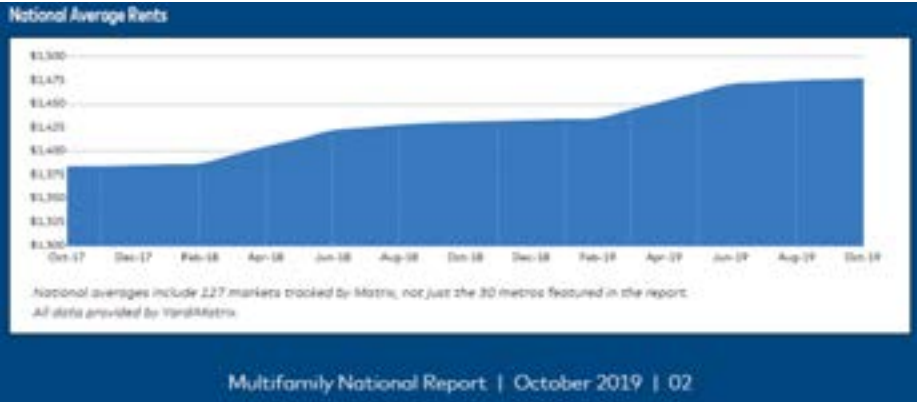
*Continued from Page 1*

as a highly competitive bioscience market, with more than \$3 billion in capital expenditures planned over the next two years, \$1 billion of which is already under way. Upon completion, some 7,000 jobs will be created, with major companies and university campuses contributing to the growth. Intense development activity has also boosted the construction sector by 9.3 percent,” the report says.

### RENT GROWTH CONTINUES STRONG

Phoenix rents rose 6.1 percent year-over-year through September, well above the 3.2 percent U.S. rate.

Phoenix posted the second-largest increase in rents among the nation’s major metros, having stayed above the 7.0 percent mark for 10 consecutive months. Even so, the Valley remained fairly affordable, with the average rent reaching \$1,174 in September, trailing the \$1,471 national figure. “We expect rents to rise by 6.3 percent by year’s end,” Yardi Matrix said in the report.



A quarter of the metro’s submarkets posted rents below the \$1,000 mark. The most affordable rents were in Central West Phoenix (up 5.2 percent to \$748) and Northwest Phoenix (up 10.2 percent to \$824); Northwest Phoenix consists mostly of working-class properties, which also posted the sharpest hike in rent growth. As of September, the most expensive Phoenix submarkets were Sky Harbor (up 3.8 percent to \$1,600), South Scottsdale (up 3.7 percent to \$1,498) and North Tempe (up 4.3 percent to \$1,456).

### NEW APARTMENT SUPPLY HAD ITS STRONGEST YEAR IN THE VALLEY

Developers added some 6,700 units to the market’s rental inventory this year through September, reaching 2.2 percent of total stock, and 60 basis points higher than the national rate.

Since 2016, nearly 30,000 apartments have come online in the metro, but, despite the high rate of deliveries, demand continues to endure. As a result,

the average occupancy rate in stabilized properties inched up 10 basis points year-over-year, to 95.3 percent as of August.

Some 15,138 units were underway as of September, and nearly 11,000 of those are expected to be delivered by year’s end. This will mark Phoenix’s best year for deliveries this cycle, surpassing 2016’s record when 8,165 units came online. Another 45,500 units were in the planning and permitting stages.

Construction activity was strong across the map, particularly in three submarkets, each with more than 1,000 units underway. North Tempe continues to lead with 3,375 units under construction, followed by Sky Harbor (2,104 units) and Gilbert (1,753 units). The largest delivery of the third quarter is the 332-unit The District at Scottsdale, a Kaplan Cos. asset that includes 7,000 square feet of retail space.

Growth is expected to continue in the Valley as the area gained 96,268 residents in 2018, a population growth of 2.0 percent year-over-year, more than triple the 0.6 percent national rate as the growth is supported by people moving to the area from other parts of the U.S.

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