

Real Estate Briefs

Multifamily, commercial markets remain strong

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While single-family housing permits are expected to slip this year, the multifamily market and commercial construction market are expected to finish strong.

According to the second-quarter "Blue Chip Economic Forecast," single-family housing permits will tumble 13 percent this year. The forecast is a publication of the W.P. Carey School of Business at Arizona State University.

The multifamily market is expected to increase by more than 25 percent in 2007, marking the first year of growth for this segment since 2004.

On the commercial side, 3.8 million square feet of office space are expected to be built this year and 3 million next year. That compares with 2.2 million square feet built last year.

Absorption is expected to be slightly less than new construction in both years. Vacancy rates are expected to remain stable at just under 13 percent.

Construction in the retail market will remain healthy, according to the forecast. Construction is expected to exceed 7 million square feet this year and 6.5 million next year.

Absorption and vacancy rates also are expected to be strong.

Industrial markets show the same pattern. After 7 million square feet in 2006, 7.8 million are expected to be built this year and 7.2 million in 2008. Absorption is expected to run slightly less than the construction number, and vacancy rates are expected to be low.

According to the forecast, commercial construction and absorption will peak in 2007, with a modest slowdown in 2008.

No more double tax

A new law has revised the definition of a "taxable prime contractor" to prevent double taxation of development activities in which the developer hires a general contractor to construct the improvements.

It's the result of the recent signing by Gov. Janet Napolitano of House Bill 2627, and it's being called a welcome fix to a lurking problem.

A real estate developer that hired an unrelated general contractor to construct improvements may have been considered a taxable "prime contractor" before the new law took effect, said Craig McPike, an attorney with the Phoenix law office of Snell & Wilmer LLP.

Therefore, the developer was subject to tax on the entire gross receipts from the sale of the property, even if the general contractor already had paid tax on proceeds it received from the developer for construction of the improvements.

Under the new law, the developer is considered a taxable prime contractor only for proceeds it receives for improvements constructed after the transfer of title.

For more: www.swlaw.com.

Guardian acquires properties

Guardian Management LLC, a Portland, Ore.-based real estate investment and management firm, acquired two properties in Mesa: Montego Villas, a 154-unit community at 949 S. Longmore St., and La Costa, a 194-unit complex at 1820 Linder Ave.

The properties were purchased as apartment complexes from separate converters who determined the window for selling condominiums was closing.

Guardian specializes in multifamily housing investment opportunities and property management services.

The acquisition of 348 market-rate units represents Guardian's continued expansion into the high-growth Phoenix-area real estate market, where the company now will manage more than 1,000 units at five properties.

Guardian and Morgan Stanley, its equity partner in both acquisitions, will invest approximately \$2.5 million in external and internal upgrades, including landscaping, outdoor lighting, refreshing unit interiors, and updating the clubhouses and offices. At Montego Villas, the fitness room also

will undergo renovation.

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Tom Brenneke, owner and president of Guardian, said the company plans to continue researching other compelling prospects in the Phoenix market.

Guardian owns properties in seven states. Its management portfolio consists of more than 150 properties across Oregon, Washington, Idaho, Montana, Texas, Arizona and Alaska.

For more: www.guardianmanagementllc.com .

Sedona ranch for sale

A sprawling ranch once owned by the Wrigley family and later by members of the Hills Brothers Coffee family is on the market for \$29 million.

El Rojo Grande Ranch, a 173-acre site about a mile outside Sedona, includes a 6,700-square-foot circular home, a guest house, a caretaker's house and a private park.

"It has an equestrian facility that is second to none," said listing broker Paul Sexson of Russ Lyon Realty Co. "It's an absolutely fabulous piece of property."

Of the 173 acres, almost 160 are characterized as "pristine," with most of the property adjacent to the Coconino National Forest. Because of the upscale horse facilities, Sexson said a portion of the property could be developed into an equestrian-oriented residential community.

The house, built in 1994 by one of the Wrigley heirs, was sold to the Hills Brothers heirs after a divorce. The property is on the market because of the death of one of the owners.

In 2005, the Ecological Restoration Institute at Northern Arizona University conducted a study on the ranch's ecosystems. The subsequent report identified 80 species of birds on the property as well as a mixture of woodland, chaparral and Sonoran desert scrub ecosystems.

For more: www.rojogranderranch.com .

Warehouse changes hands

Grubb & Ellis/BRE Commercial LLC announced that Zeb Pearce Cos. has sold the Crescent Crown Distributing warehouse for \$25.2 million to National Beverage Properties.

The 248,900-square-foot beverage distribution warehouse at 402 S. 54th Place, Phoenix, was 100 percent occupied at the time of sale by Crescent Crown, one of the nation's largest beer distributors.

The buyer is a private investment company from Los Angeles, and the seller is a private family investment company from Phoenix.

Bob Buckley, Steve Lindley and Tracy Cartledge of Grubb & Ellis/BRE Commercial LLC's Investment Group represented both parties in the transaction.

For more: www.brecommercial.com .

Trillium gets Paragon award

For the second consecutive year, Tempe-based Trillium Residential LLC received a Paragon award from the National Apartment Association.

Trillium Deer Valley, a 360-unit luxury apartment community in Phoenix, was recognized in the "garden-style multifamily" category for complexes with 150-plus units built after 2000.

In 2006, the property development and management company won a Paragon award for its 466-unit Tempe community, Trillium Rio Salado.

"Winning the Paragon award for two consecutive years is a great opportunity," said Trillium principal David Dewar. "We are honored that the association has recognized Trillium as an innovator in the apartment industry."

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