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Continental Realty Drops \$46M on MF Property

By Jennifer Duell Popovec



The Canyons

PHOENIX-Continental Realty Advisors has acquired The Canyons, a 629-unit luxury apartment community, for \$45.5 million in an all-cash transaction. The buy marks the Denver-based firm's re-entry into the Phoenix after it exited the market in early 2007.

"One of the things that told us to get out of the market was that we were being out bid by \$8 million to \$10 million, and we thought we were being aggressive," says David Snyder, chairman of Continental Realty Advisors. "But, we believe in Phoenix in the long-run, and we think it's time for us to come back into the market. Valuations have corrected to a point where they're attractive."

The Denver-based buyer acquired The Canyons via its CRA-B1 Investment Fund from special servicer LNR Property. The Canyons is the largest multifamily asset to be offered by a lender, according to the marketing brochure created by CBRE's local investment sales team of Tyler Anderson, Sean Cunningham and Chris Brozina. It was listed at \$52.66 million.

LNR Property foreclosed on The Canyons in November 2009. The previous owner was local investor S-J Management, which purchased the property in May 2006 for \$80.8 million or \$128.340 per unit.

"There were quite a number of owners that purchased properties at a pricing level, that if the market didn't continue to improve dramatically, they weren't going to hit projected cash flows," Snyder explains. "Not only did the market stall out, it went down."

Located at 19940 North 23rd Ave., The Canyons is situated at the intersection of Interstate 17 and the Loop 101 Freeway. The nearby employment center is the largest in north Phoenix and includes: USAA, Discover Financial Services, Cox Communication, PetSmart headquarters, Best Western headquarters, John C Lincoln Deer Valley Hospital and the new WL Gore & Associates campus.

Nearby retail and dining includes the Deer Valley Town Center with a 30-screen AMC theater, Target, and totaling over 500,000 square feet of shops and restaurants just across I-17 from the Property. In addition, the Desert Ridge Marketplace is just minutes across the Loop 101, with over 1.2 million square feet of varied retail and dining and entertainment facilities.

"The location is the biggest attraction," Snyder tells GlobeSt., noting the proximity to the employment base and retail amenities. "Being at the intersection of two freeways is very convenient for commuters."

The Canyons offers studio, one, two and three-bedroom units in two distinct communities, Bacara at The Canyons and Montelena at The Canyons. Units range from 475 square feet to 1,166 square feet and rent for \$679 to \$1,249 per month. Amenities include: gourmet kitchens, a 24-hour fitness center, theater and DVD library and Wi-Fi accessibility around the four pools and in the clubhouse.

At the time of acquisition, The Canyons was 65% occupied, according to Snyder. "The submarket where the property is located is 94% occupied, so we're looking to stabilize the property," he says, adding that his firm has hired Greystar to handle the property's leasing and management.

Continental Realty Advisors is planning almost \$2 million dollars in renovations. "There's a fair amount of deferred maintenance," Snyder says. The renovations will include updates to the security systems, parking, exterior paint and clubhouse improvements featuring an expansion of the fitness center. Some of the interiors will be updated as well.

"The acquisition will ultimately be characterized as value-added, but we just don't try to force the market," Snyder says. "We don't think Phoenix is going to have a lot of recovery on rent rates until 2012. We have a very patient attitude with the properties we're buying."

Snyder says Continental Realty Advisors is looking to bulk up its portfolio in the southwest including Phoenix, Las Vegas, Dallas and Houston. The firm also is looking in the Midwest markets of Indianapolis and Louisville, KY.



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