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Condominiums will Play a Large Role in Accommodating Valley Growth

by John Iorillo

Last year was relatively slow for residential condominium sales in the Valley compared with the brisk business of 2004 and 2005. But I believe we are now rebounding and as we look forward to 2008, I expect the rest of this year to be strong. New-construction permits for condominiums and townhouses have been steadily rising since they hit a low point last November.

Aside from Phoenix itself, Scottsdale has the most new-condominium homes of any Valley city — typically ranging between 465 and 1,150 units annually since 2000. This is usually 33% to 50% more sales than its closest competitor. The sales trends mirror the market for single-family homes — as home sales ebb and flow, so do condominium sales.

Of course, condominium home buyers look for factors that single-family homes don't typically offer. For starters, condominiums generally cost less. In the first quarter of 2007, the median price for a new single-family home in Scottsdale was about \$1.06 million but was only \$565,680 for a condominium home. That compares with Tempe, where the new single-family home median was \$333,650 and the condominium home median was \$224,255. Condominium homes are thus ideal for first-time property buyers, because of lower down payments and mortgages. In Arizona, another sizable percentage of buyers spends the winter here and invests in condominiums as a second home or as an income-producing property.

Many buyers view convenience as a condominium's chief virtue. Tasks such as landscaping, pool maintenance, bagging leaves and painting the exterior are handled by the property management company. Owners pay for these services through their monthly association fees; on the other hand, they don't have to take off work to wait for the repairmen to show up! They also enjoy sharing a building with their neighbors. Indeed, all residents jointly own the common grounds, including parking lots, pools, sidewalks and stairs, balconies, elevators, hallways and so forth, along with everything inside their walls.

Modern Arizona condominiums have changed with the times. These days, residents want larger kitchens that can accommodate gourmet cooking and frequent entertaining

— because, as we all know, everyone hangs out in the kitchen! Expect to see designer appliances, granite or quartz countertops and sleek cabinets. Master suites are also larger than before and contain spa-like bathrooms. Like single-family homes, the homes also have open floor plans and great rooms, for maximum comfort and relaxation. As a result, second and third bedrooms may be smaller.

Another trend: Some condominium developers are working with architects based outside Arizona or even the U.S. As a result, the design palette ranges far beyond familiar themes, such as the Tuscan look. My company, WestStone Communities, often works with Vancouver, Canada architects, whose signature look has a contemporary European influence. We like to add an unexpected furnishing, such as a wet bar, as a standard feature within all our condominiums. Some condominium residents also desire amenities that make them feel like they're living in a five-star hotel. These attractions can include private lounges and bars; mini movie theatres with reclining leather chairs; fitness centers with state-of-the-art equipment; saunas; conference rooms; and swimming pools.

Every town has its own unique charms, but an appreciable segment of the population is gravitating toward a more urban lifestyle in Arizona. Condominiums (either completed or under construction) in the Scottsdale Waterfront complex, Desert Ridge, the Biltmore neighborhood and near Tempe Town Lake are prominent examples. Residents want to be within walking distance of their beautiful desert surroundings, including hiking trails, golf courses and manmade lakes, but they also want to be near exciting nightlife and downtown centers. They look to invest in neighborhoods where property values stand a good chance of increasing or at least remaining steady.

Condominiums are a relatively small percentage overall of housing market, but the Valley is growing quickly, and there is a finite amount of land available for development. One solution is to build more residences on sites with a smaller footprint. Condominium high-rises fill that need nicely, and in the future I believe we will see more of them. **SN**

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