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Buyers Market

Companies that sat on the sidelines during the boom are seizing opportunities during the bust

By KERRY DUFF

With dark clouds hanging over the country's economy and property prices tumbling, many people consider the idea of buying real estate absurd. Yet Valley real estate experts contend right now is the best time to buy.

Jeff Pavone, principal of Commercial Plus in Scottsdale, says smart, experienced commercial real estate investors only buy property when the market is down and no one else is buying. Buyers today are sophisticated, have cash and are looking to pay a good price for quality, he says.

"A year ago everyone could buy real estate and get financing," Pavone says. "But today, it's only qualified buyers with a strong portfolio, which puts the buyer at an advantage."

In spite of economic hurdles, Commercial Plus is still closing deals weekly and getting financing done for clients. It recently closed a deal on a property on Seventh Street and Camelback Road that sold for 20 percent less than last year. Pavone says the buyer was qualified to

close, so he obtained 80 percent financing and closed right away.

UTAZ founder Craig Willett says his company stopped buying properties four years ago because prices were too high. Now they are back in the game and in negotiations to buy a number of parcels near hospitals in the Southeast and West Valley. UTAZ specializes in developing professional office villages for small businesses. Since many small business owners have a hard time getting financing, UTAZ offers a lease with option to purchase. Willett says that model used to be 15 percent of the company's



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business, but is now 45 percent.

"Leasing with the option to purchase makes a lot of sense in today's market," Willett says.

Pollack Real Estate Investments in Mesa is also buying again after taking a three-year hiatus. Founder Michael Pollack is shopping around for multiple commercial properties from single sellers in California, Arizona and Nevada. The company's focus is redevelopment and renovation projects. Pollack Investments currently owns, operates, manages and leases its own portfolio of more than 100 commercial and industrial properties in California and Arizona.

"Investors are getting more for their money right now than a year or two ago, so it's a good time to buy," Pollack says. "But it's harder to get loans unless you have good credit and put down more money, which I support wholeheartedly."

Pollack says great buys exist today on land in Arizona and in all sectors of real estate. However, buyers need to look hard for quality opportunities and analyze the numbers, since many sellers want the same price today that they could have gotten three years ago.

"We put a property in Mesa up for sale a couple months ago and sold it the same day," Pollack says. "So, if a property is priced realistically and reflects the conditions of 2008, it sells."

Local experts agree that residential property is also a good investment right now, especially homes being sold by banks and by homebuilders forced to sell standing inventory. Greg Vogel, chief executive officer of Land Advisors Organization, says many of these properties are back to pre-bloom prices, so they're a real bargain.

Phoenix-based investment firm Najafi Companies bought Trend Homes in June for \$86.5 million. The deal allowed the homebuyer, which reorganized under Chapter 11 bankruptcy, to grow and expand its Valley operations. CFO Tina Rhodes says Najafi is committed to homebuilding in Arizona and looks to invest in companies with strong management teams and long-term potential.

Paradiso Development Corporation is moving forward on development plans for Paradise Reserve, a 40-acre, exclusive, luxury residential enclave bordering the Phoenix Mountain Preserve on Lincoln and 40th Street in Paradise Valley. The desert retreat has 14 hillside estate lots ranging in size from one to three acres. Lot prices are \$2.7 million to \$5.4 million.

"The 14 lots at Paradise Reserve are the crown jewels of our project," says Scott Schiabor, principal of Paradiso Development. "They are rare and unique, and that will help maintain their value and attract investors. A big part of our market is also immune to economic changes, so while we expect some downturn due to the economy, based on the rarity of the lots, location and our target market, we expect sales to go extremely well. For many people it is still a good time to buy real estate and make quality investments." AB

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