



TOWNHALL MEETING

WEDNESDAY, DEC 5 5:30-7:30PM

LOCATION: Arizona Multi-Housing Association (AMA)
818 N. 1st. St., Phoenix, AZ 85004

What Are Opportunity Zones And Why Are They Important?

TOPIC OF DISCUSSION

Opportunity Zones
A Game Changer for Real Estate Investing

GUEST SPEAKER:

Attorney Byron Sarhangian
Snell & Wilmer

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December 5, 2018

KLCG – AMA Town Hall Meeting



American Title Service Agency

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Avant Garde Mgmt.

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Arizona Multihousing Association

Deanna Jordan, Benefits of AMA membership
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Local First Arizona

Brooke Nisenbaum, Community Planning Manager
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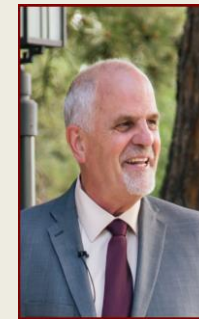
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Events and Town Hall meetings**

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Guest Speaker Presentations Available

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Events

Mar. 1, 2017	Kick-Off KLCG-AMA Event – Tempe, AZ
May 17, 2017	The “Hot” Downtown Apt. Market – AMA
Aug. 30, 2017	West Valley – The Next Best Place to Invest – GCU
Jan. 31, 2018	PHX East Valley – The Fastest Growing Area in the US – Mesa Arts Center
Sept. 14, 2018	Southern Scottsdale – Where the World Comes to Play and Innovative Companies Excel - SkySong

Town Hall Meetings

June 6, 2018	Open Forum, Copenhagen Furniture, Phoenix
Aug. 1, 2018	Open Forum, Copenhagen Furniture, Tempe
Dec. 5, 2018	“Opportunity Zones”, AMA

The Economy and the Local Apartment Market

❖ Strong Economy

– Linda Fritz-Salazar

❖ Possible Concerns

– Scott Trevey, CCIM

❖ Owner Options

– Arvle Knight, CCIM



Strong Economy

- **AZ continues to add jobs each and every month – Non-farm employment state-wide increased by 2.2% from Jan. 2017 to Jan. 2018**
- **AZ's unemployment rate fell to 4.5% as of Jan. 2018 and decreased further to 4.2% as of Sept., 2018.**
- **AZ's population increased 7.2% from 2012 to 2017, nearly doubling the 3.7% rate for the U.S.**

Strong Economy

Nearly every industry in the AZ economy is adding jobs

- Mining and construction led at 8.3% (12,300 jobs) from Jan. 2017 to Jan. 2018, with the bulk of the increase in construction (12,100 jobs).**
- Manufacturing increased 4.9% (7,900 jobs)**
- Education and health services tie at 3.5% each**
- High paying, professional and business services employment increased by 1.3% or 5,600 jobs. Wages are increasing in all areas**

Strong Economy

Metro Phoenix Multi-Family (10+ units)

	<u>3Q 2018</u>	<u>3Q 2017</u>
Occupancy Rate:	95.2%	94.8%
Average Rent:	\$1,083	\$1,015
Sales Volume:	\$1.91B	\$1.45B
Ave Price/Unit:	\$138,819	\$121,120

Possible Concerns

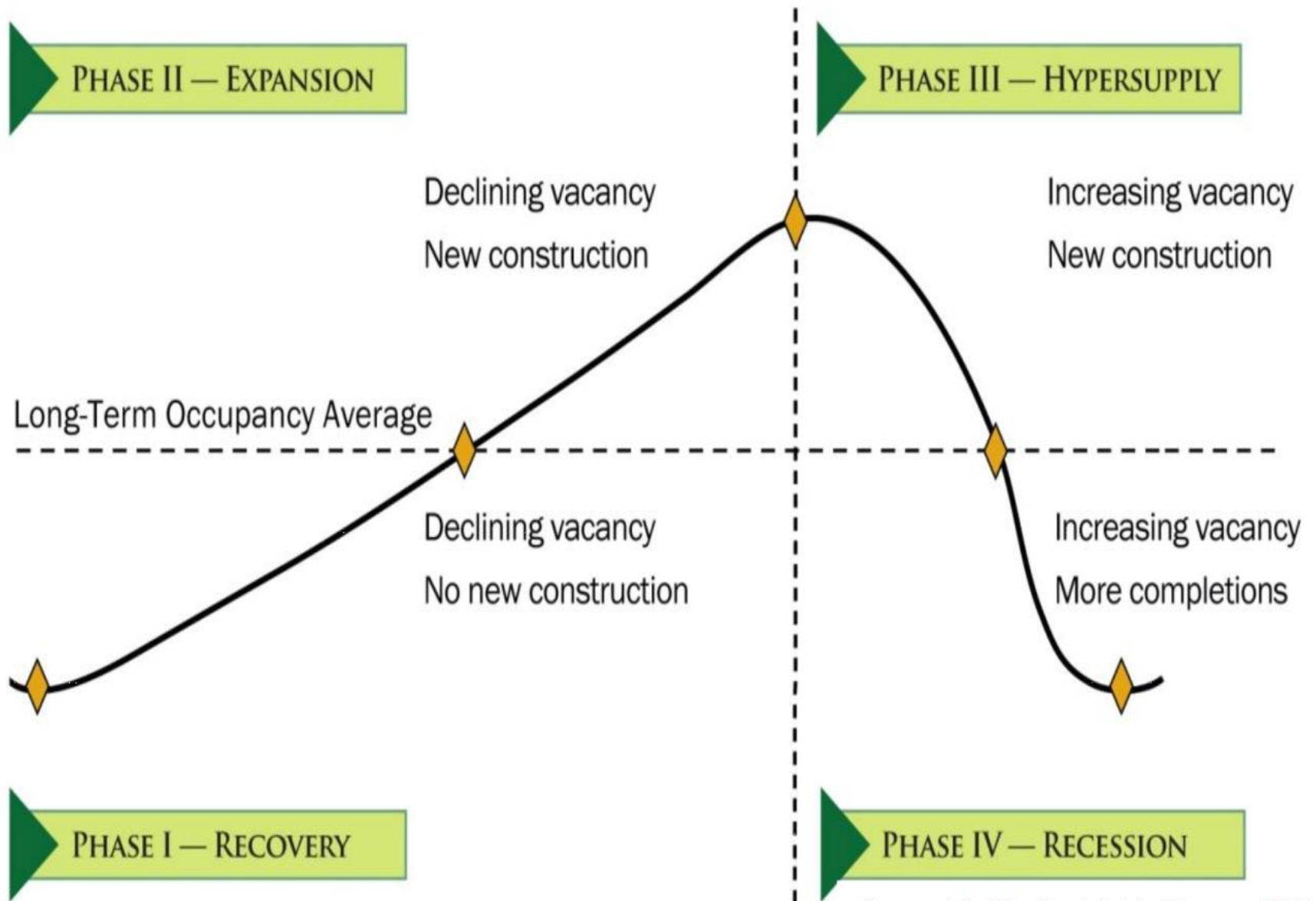
Current Multifamily Market Conditions

- Housing shortage
- Modest income growth
- High demand for infill locations (renovated C buildings)
- Student debt prohibiting down payments for millennials

Certainty of Real Estate Cycles

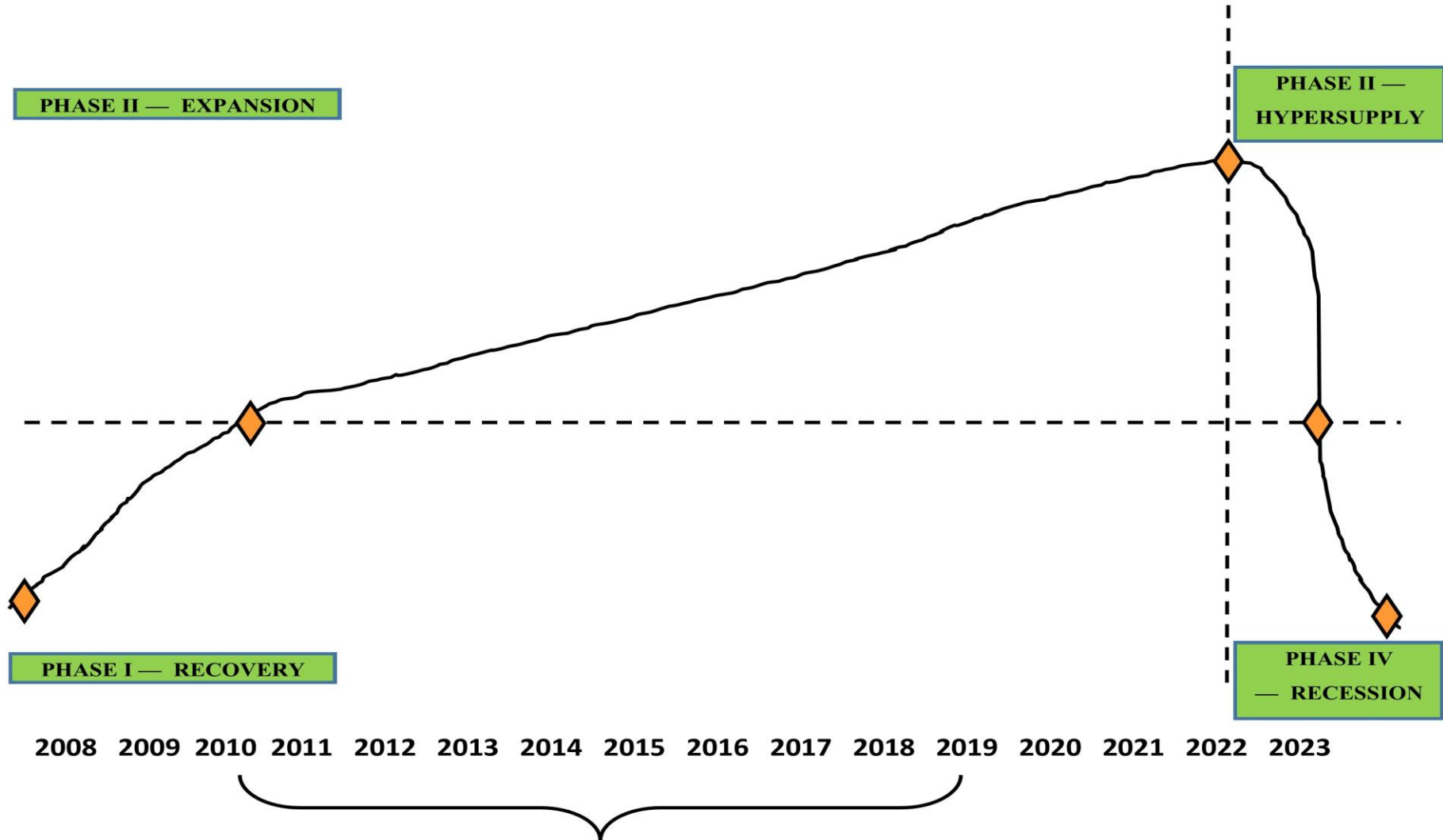
- **Hyper-Supply (2007) Increasing vacancy – too much new construction**
- **Recession (2008-2009) Continued vacancy increase – more completions**
- **Recovery (2010-2011) Declining vacancies – no new construction**
- **Expansion (2012- present) Declined vacancy – new construction**
- **Hyper-supply follows the Expansion phase and is coming**
- **Hyper supply categorized by more inventory than demand (hi vacancy)**
- **“Greater Fool” theory in West Coast Markets beginning to show up here**

Market Cycle Quadrants



Source: Mueller, Real Estate Finance, 2016.

Current Metro Phoenix Market Cycle



Options for Owners

1. Hold and Enjoy the Current Cash Flow
2. Refinance and/or Buy More Assets
3. Sell and Pay Taxes
 - Depreciation Recovery = 25%
 - Capital Gains Tax (Example: Married Filing Jointly)
 - Taxable Income \$0 to \$77,200 = 0% CG Tax
 - Taxable Income \$77,201 to \$479,900 = 15% CG Tax
 - Taxable Income \$479,901 or more = 20% CG Tax
 - Net Investment Income Tax = 3.8% of excess over \$250,000 Modified Gross Income (Married Filing Jointly)

Options for Owners

1. Hold and Enjoy the Current Cash Flows
2. Refinance and/or Buy More Assets
3. Sell and Pay Taxes
4. Sell and Buy Using 1031 Tax Deferred Exchange
5. Sell and Buy Using DST (Delaware Statutory Trust)
 - Usually Minimum \$100,000 Investment
 - Most Funds Limited to 50% Leverage

Options for Owners

1. Hold and Enjoy the Current Cash Flows
2. Refinance and/or Buy More Assets
3. Sell and Pay Taxes
4. Sell and Buy Using 1031 Tax Deferred Exchange
5. Sell and Buy Using DST
6. Sell and Invest Gains into “**Opportunity Zone Funds**” - ???

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