

Long-time Scottsdale apartment developer pivots to build-to-rent

Yardi Matrix: Developers have 8,079 BTR units now under construction in Phoenix metro

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A rendering of Marketside Villas at Verrado, which will feature 40 units with direct access garages.

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P.B. Bell, which has built 10 apartment communities totaling nearly 3,000 units across the Phoenix metro since 2019, is building its first build-to-rent project.

The Scottsdale developer has teamed up with Everest Holdings to develop Marketside Villas at Verrado in Buckeye. The total development cost for the 150-unit project is a little more than \$50 million, said Justin Steltenpohl, chief operating officer and general counsel for P.B. Bell.

The project at 21045 W. McDowell Road is expected to be completed by the first quarter of 2025. Some of the first units will be ready for lease by the end of September or early October, said Steltenpohl.

"This is our first build-to-rent product," Steltenpohl said. "It's been something we were looking at for awhile. We did Main Street Lofts at Verrado awhile back. We've always been a fan of the area. When the opportunity came up to do a project there we were thrilled."

Steltenpohl said P.B. Bell has long been on the cutting edge of multifamily development, but in this case was a bit late to the build-to-rent frenzy.

"We're throwing our hat in the ring," he said. "This is here to stay."

Phoenix is [ground zero](#) for the build-to-rent product, which offers detached single-family homes within a rental community with resort-like amenities. Developers currently have 40 such projects under construction totaling 8,079 units in metro Phoenix, according to Yardi Matrix. Occupancy rates have been trending downward since January's 93.4% rate, settling at 92.6% in August, Yardi found.

As [interest rates continue their descent](#), developers can borrow money at lower costs, which can lead to an increase in the number of build-to-rent projects as financing becomes more affordable, said Doug Ressler, manager of business intelligence for Yardi.

"Overall, the build-to-rent market could see growth and increased investment due to the lower interest rates, but the exact impact will vary, based on local market conditions and other economic factors," said Ressler, who described Phoenix as "a leader in the BTR market" that continues to show strong renter demand despite national slowdowns.

As borrowing becomes cheaper, the value of rental properties might increase, Ressler said. Investors might be willing to pay more for properties that can generate steady rental income.

P.B. Bell plans build-to-rent strategy

While P.B. Bell has [sold many of the traditional garden-style apartments it has developed](#) over the years, Steltenpohl said this first BTR product will be a long-term hold.

"That's the plan, anyway," he said. "It is up to investors who get to decide when we sell or don't sell. In this case, our investors are looking for a long-term hold. This will definitely be longer than normal."

Tucson-based BFL Construction Cos., which has built more than 35 BTR projects in Arizona, is general contractor for the project. Architect is Phoenix-based Todd & Associates Inc.

With 150 units of single-story product with one to three bedrooms ranging between 750 to nearly 1,300 square feet, rental rates will range between \$1,800 and \$2,400. While the units with two and three bedrooms will be detached, the 1-story units will have a shared wall, which is typical for many BTR communities.

While all the units will have small, fenced backyards, 40 will have direct access to garages. Amenities will include a 24-hour fitness center, resort-style pool and spa and pet park.

An estimated 27,500 BTR units were completed in 2023 nationwide, a 75% increase over 2022 and triple the data from 2021, according to the National Association of Home Builders. Nationwide, an estimated 45,000 BTR units are under construction.

The pioneer of the BTR sector, Phoenix-based NexMetro Communities, has built 60 of the projects, with another [19 under construction](#) and 12 more in the 2025 pipeline.