

Tower 16 Refinances Four-Property Apartment Portfolio

Deal for \$128 Million Covers Complexes Outside Los Angeles, Phoenix



Ardella on Chagall in Moreno Valley is one of four properties to be refinanced by Tower 16 Capital Partners. (CoStar)

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San Diego-based Tower 16 Capital Partners has closed on a refinancing deal for a portfolio of multifamily properties in California and Arizona with fixed-rate loans. The deal comes as an outlook for the apartment industry shows volatility in the capital markets has decreased property values.

The four loans covering more than 1,000 units across the two states total \$128 million. Each feature five-year interest-only terms with a 5.59% fixed rate. [Newmark’s](#) Peter

Griesinger and Chris Kramer originated the loans through Fannie Mae.

“This refinancing will further de-risk our portfolio by extending our maturity schedule, reducing debt service payments, and fixing our interest rate for five years,” Mike Farley, co-founder at Tower 16, said in a statement. “Given the turbulent capital markets landscape, it was incredibly important for us to secure fixed rate financing with enough term to weather the volatility we are all experiencing today.”

Properties covered in the refinance include [Ardella on Chagall](#), a 384-unit property in Moreno Valley, California; [Ardella on 67th](#), a 276-unit property in Glendale, Arizona; [Ardella at Reche Canyon](#), a 104-unit property in Colton, California; and [Ardella at Reche Ridge](#), a 110-unit property in Colton, California.

All four properties were purchased by Tower 16 in 2021 between May and September and carried capitalization rates between 4% and 4.9% at the time, according to CoStar data. Cap rates are an investment yield, representing a property’s net operating income divided by its price, or value.

Supporting the refinance, the company cited “firm” demand fundamentals across the portfolio including a positive ratio of move-ins to move-outs that has been running at record levels in the first half of 2024.

“These are markets that we have a lot of conviction in,” Tyler Pruett, co-founder at Tower 16, said in the statement. “We have been able to start pushing rents and manage occupancy at a healthy level, which is great to see.”

State of Market

According to a report on the state of the U.S. multifamily industry from Freddie Mac released this week, maintaining occupancy while pushing rents has been a challenge for many operators who have chosen instead to moderate rent growth in favor of higher occupancy.

At the same time, volatility in interest rates and yields from 10-year Treasury bonds have increased cap rates and depressed property values, making transacting extremely difficult. It was likely one reason Tower 16 chose to refinance these properties instead of putting them up for sale.

“In this capital markets climate, we felt that it was prudent to hold and continue focusing on the operations that we can control to further drive [net operating income] growth and value,” Pruett said.

In addition, the properties’ locations in secondary markets near major metros in the Sun Belt bodes well for future rent growth even this year, according to Freddie Mac.

“Much of the rent growth in these regions is attributable to less expensive secondary or tertiary markets that are seeing increased demand and little new supply,” the report said, including Riverside, California — which sits adjacent to three of the four properties in Tower 16’s portfolio. The city rounds out Freddie Mac’s expectations for top performing markets in 2024 based on gross rental income growth with an estimated 3.8% expansion compared to a 2.5% rate nationwide.

Tower 16 has acquired nearly 7,000 apartment units since 2017 in markets throughout the West, including Southern California; Las Vegas, Nevada; Phoenix, Arizona; Tucson, Arizona; Albuquerque, New Mexico; and Denver, Colorado.