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Thirty years ago, this 730-acre swath of Arizona land was virgin desert, the vast blue sky interrupted only by towering saguaro cactuses.

Today the cactuses have been replaced by construction cranes in what is now a bustling area known as Kierland. On the border of Scottsdale and Phoenix, the area's urban feel, with walkable access to restaurants and bars, is part of what prompted Morgane Baldwin to move there

after graduating from college two years ago. She and her boyfriend pay about \$2,300 a month for a one-bedroom apartment in a new, 10-story building.

After having gone to school in Tucson, "I wanted to be in a bigger city," said Ms. Baldwin, 24, a California native who now works as a real-estate agent at Russ Lyon Sotheby's International Realty. "I wanted to be surrounded by shopping areas and great restaurants."

Until recently, Scottsdale was a Phoenix suburb known for golf and bejeweled retirees. Today, this is one of the fastest-growing metropolitan areas in the nation. Maricopa County, where Scottsdale is located, saw more population growth than any other U.S. county in 2017, according to U.S. Census data.



All this demand is fueling a multifamily building boom that is dramatically altering Scottsdale's low-rise landscape, while in once-sleepy Old Town, souvenir shops are being replaced by buzzy restaurants and a nightlife scene that has drawn comparisons to Miami and Las Vegas. "It isn't the old cow town with the tumbleweeds blowing through," said Dub Dellis, chief operating officer of Walt Danley Realty. "If it has been 15 years since you've been to Scottsdale and you have in your mind 100 places where you



can find turquoise jewelry, it's not that anymore."

The area's increasingly urban character is causing something of an identity crisis for Scottsdale and its wealthy neighbor, Paradise Valley, as new development collides with the area's wide-open-spaces, frontier-town ethos. As millennials and retirees alike eagerly snap up new condos, some residents worry that development is threatening the area's character.

Since 2010, the city of Scottsdale has issued building permits for about 8,400 new multifamily residential units, according to Michael Clack, the city's director of development services. That speed of new building has alarmed residents, who worry about traffic and losing the city's ever-present mountain and desert views, said Scottsdale City Councilman Guy Phillips.

As newcomers flock to the area for tech jobs, low taxes and sunny weather, Mr. Phillips said, residents wrestle with the question “are we trying to become a big city, or do we want to stay as rural as possible?”



Scottsdale and Paradise Valley, which have both at times been dubbed “The Beverly Hills of Arizona,” are in the affluent northeast corner of the mountain-ringed Valley of the Sun.

The median household income in Scottsdale is \$80,306, according to U.S.



Census data, while Paradise Valley has a median household income of \$175,673.

## Scottsdale Condos Now Reaching High

Newcomers to this desert town seek a more urban living experience than the area has ever provided before. Developers here are responding by building up, not out.

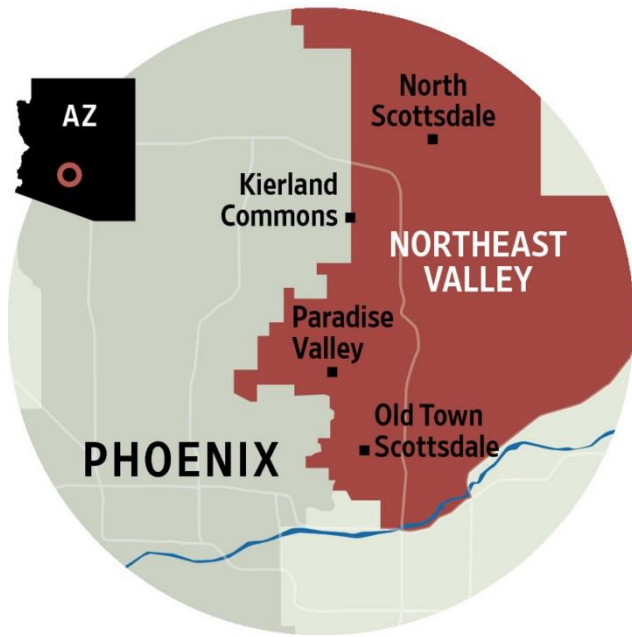


Scottsdale’s increasingly urban character is causing something of an identity crisis for residents, as new high-rises collide with the area’s wide-open-spaces, frontier-town ethos.

MARK W. LIPCZYNSKI FOR THE WALL STREET JOURNAL  
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Once largely desert, ranchland and citrus groves, the Northeast Valley has long drawn wealthy second- and third-home owners, who built large houses further and further north as Scottsdale’s boundaries extended into the desert.



A map of metro Phoenix's affluent Northeast Valley. The area is one of the fastest growing in the U.S. JASON LEE

Units in these new buildings are more expensive than anything the valley has seen before, with some units pushing \$1,000 a square foot, real-estate agents said. Condos in the Northeast Valley now range in price from roughly \$200,000 to \$4 million, while rentals range from \$700 to \$15,000 a month.

The Northeast Valley condos were historically no more than a few stories high, cheap and relegated to undesirable locations, said Mark Stapp, director of real estate programs at W.P. Carey School of Business at Arizona State University.

"We came into existence as a very suburban, relatively low density, automobile-oriented metropolitan area," Mr. Stapp said.

That is changing quickly. New multifamily developments, restaurants and stores are springing up, especially in Old Town Scottsdale and Kierland, where Optima is building two 12-story buildings in addition to the two towers it already has there.

"You've always seen the big huge homes in Paradise Valley, but you've never really seen that high-end, million-dollar condo until recently," said Alana Mann of the Statesman Group, developer of the Luxe, a soon-to-be-built, four-story condominium with 223 units ranging in price from \$500,000 to over \$1 million.

Tim O'Malley, one of the agents handling sales at the under-construction, three-story Ritz-Carlton Residences, Paradise Valley, said 89 of the project's 91 condos (since reduced to 81) were reserved in one day in 2016. Many buyers at the project, where condos range in price from around \$1.5 million to \$5.5 million, are downsizing from large houses in the area.

"A lot of people are reaching that breaking point in their existing large estates and

saying, 'I don't need this. I don't want to get in my car for 45 minutes to go to the grocery store,'" Mr. O'Malley said.

When Scottsdale resident Jade Cornelius, 42, started looking for a home closer to her teenage son's school, she thought she'd end up in a house.

"I've always had homes with yards," said Ms. Cornelius, who had previously lived in a gated community in North Scottsdale.

Instead, nine months ago, Ms. Cornelius paid \$800,000 for a three-bedroom, roughly 2,300-square-foot condo at the seven-story Optima Camelview Village in Old Town. Condos range from \$350,000 to \$2 million, according to Zillow.

"I ended up seeing these condos and just fell in love with the convenience," said Ms. Cornelius, a Microsoft executive who travels frequently.



Her building has a concierge, indoor basketball court and indoor swimming pool, two outdoor pools, a gym and a racquetball court. There is also a restaurant and bar in the building.

"You don't really need to leave the facility," she said, although shopping and more restaurants are a 10-minute walk.

After selling their house in Paradise Valley in 2016, retirees Skip Allen, 65, and Judith Nordburg, 69, moved into Eldorado on 1st, a newly built, four-story building in Old Town.



The Eldorado on 1st, a newly built, four-story development in Old Town. PHOTO: MARK PETERMAN FOR THE WALL STREET JOURNAL

The couple paid \$1.65 million for a roughly 3,200-square-foot, four-bedroom unit with a private roof deck and views of iconic Camelback Mountain.

Mr. Allen said he's glad to be done maintaining their roughly 5,200-square-foot house and pool.

"It is unbelievable how much effort a single-family home takes," Mr. Allen said.

They love their new home's location, within walking distance of the farmers market, restaurants and museums.

"We have life around us, and that's really attractive," he said.

Living in a four-level unit was an adjustment. "This is a very horizontal society out here," Mr. Allen said. "To have

a vertical experience is rare. For us it's a different way of living."

Before moving in, they were worried that



passersby would peer into their windows, or that they'd feel cramped.

"We thought it would be claustrophobic, but it's brilliant," he said.

Noise is another frequent concern of Arizona residents downsizing from large houses, said Ms. Mann, adding that the Luxe is designed to reduce unwanted sound to address that issue.

"When you're living above or below somebody, you're going to hear something," Ms. Mann said. "A lot of people in Arizona don't understand that. It's a lifestyle change. They ask us 'what are you going to do to be proactive in mitigating sound?'"

Unlike the company's condominiums elsewhere, she said, ample parking is a must in the car-required Phoenix metro area; each unit at the Luxe comes with two underground parking spots.



New restaurants are popping up all over Old Town Scottsdale and other areas of the Northeast Valley. PHOTO: MARK W. LIPCZYNSKI FOR THE WALL STREET JOURNAL

Despite the strong demand for condos, developers of multifamily buildings—especially high-rises—in the Scottsdale area often encounter vehement resistance from longtime residents.

In Kierland, dozens of locals protested a proposed project by DMB Circle Road Partners for a high-rise hotel/condominium with retail that would have been 120 feet tall or more (and between 16 and 20 stories), just across the Scottsdale border in Phoenix.

The project was ultimately rejected by the Phoenix City Council.



Longtime locals worry that the flurry of high-rise construction will alter the wide-open, desert feel that has defined this part of Arizona for generations. PHOTO: MARK W. LIPCZYNSKI FOR THE WALL STREET JOURNAL

“The height was really out of character for the area,” said Amy Satterfield of Kierland Community Alliance, a neighborhood group. “We are suburban, not urban. We don’t want to be downtown Phoenix.”

If too many high-rises are built, she said, it could create a “canyon effect,” blocking the area’s mountain views and disrupting the area’s sense of expansiveness.

“It’s nice to have that open space, where you don’t feel like you’re kind of hemmed in by the big tall buildings.”

Given Scottsdale’s origins, Mr. Stapp said it’s not surprising that the area is seeing “growing pains.”

“We’ve got a lot of employment and population growth,” he said. “Our urban

form has to change along with it, and that's what's happening."



## THE STATE OF THE MARKET

The Scottsdale area was clobbered by the mid-2000s real estate downturn and still hasn't fully recovered, real estate agents said. But things are looking up, thanks to the area's booming economy and growing population.

The average home sale price in Scottsdale was \$603,169 in February, up 7.5% from \$560,839 in February of last year, according to a market report from the Scottsdale Area Association of Realtors, while the number of February pending sales grew 32.6% to 1,033 from 779 a year ago. One reason for the uptick, agents said, is that Arizona is increasingly luring residents from out of state who are seeking lower taxes and lower property prices. That trend has accelerated due to

changes to the federal tax law that caps state and local tax deductions, prompting many residents of high-tax states, such as California, to relocate to the Scottsdale area.

Demand is especially strong for newly built condos. The average price per square foot for a condo in the Kierland area was \$267.56 in March, up from \$194.85 in November 2011, according to Allison Cahill of Walt Danley Realty.

The slowest-selling homes in the Northeast Valley are often the large, single-family houses on Scottsdale's outer edges, especially older ones in need of renovation. Many of these homes haven't recovered their pre-crash values and sit on the market for at least a year, agents said. As of April 1, there were 364 Northeast Valley listings priced at \$3 million or above, a record high according to a Walt Danley market report. But even the large home market is picking up: March saw 27 closed sales of \$3 million and above, also a new record. February saw 340 closed transactions over \$500,000, more than February of last year and one of the busiest Februaries on record, according to the report.