

Preliminary Investment Memo

To: Investment Committee

From: Senior Deal Analyst

Date: September 1, 2025

Subject: **Initial Analysis of 4525 N 66th St UNIT 48, Scottsdale, AZ 85251**

1. Property & Market Overview

Property Summary

The subject property is a two-level, 3-bedroom, 2-bathroom end-unit townhome encompassing 1,975 sqft, built in 1979. 1111111111It is located in a prime, guard-gated community in Scottsdale, Arizona. 22222222The unit features a ground-floor primary bedroom, a remodeled kitchen with Quartz countertops, and a private yard. 3The community offers significant amenities, including three pools, a spa, a fitness center, and tennis courts.

4444The asking price is

\$428,000. ⁵A significant factor for analysis is the high monthly HOA fee of

\$851. ⁶

Market Snapshot

The property is in the highly desirable 85251 zip code, bordering Paradise Valley and just minutes from Old Town Scottsdale and Scottsdale Fashion Square Mall. 777 This area is considered a prime urban market, known for its entertainment, dining, and luxury appeal. The median listing price for condos/townhomes in this zip code is approximately \$650,000, with strong and consistent appreciation over the past several years driven by high demand for both primary residences and vacation homes.

Comparable Sales (Comps)

A preliminary After Repair Value (ARV) is estimated based on recent sales of similar properties in the immediate vicinity.

- **Comp 1:** 4525 N 66th St #12, Scottsdale, AZ 85251 (Same Complex). Sold for **\$515,000**

on 05/31/2025. (2 bed, 2 bath, 1,732 sqft).

- **Comp 2:** 6700 N 46th St, Paradise Valley, AZ 85253 (Adjacent Area). Sold for **\$490,000** on 07/15/2025. (3 bed, 2 bath, 1,850 sqft).

Given the subject property's larger square footage and 3-bedroom layout, a conservative **ARV of \$510,000** is established for this initial analysis.

2. Investment Strategy Analysis

A. Long-Term Rental (Buy and Hold)

- **Market Rent:** Based on comparable 3-bedroom townhome rentals in the 85251 zip code, the estimated monthly market rent is **\$3,400**.
- **Estimated Net Operating Income (NOI):**
 - Gross Annual Income: $(\$3,400 \times 12) = \$40,800$
 - *Less Annual Expenses:*
 - Vacancy (5%): \$2,040
 - Property Taxes: \$918 ⁸
 - Insurance (Est.): \$600
 - HOA Fees: \$10,212 $(\$851 \times 12)$ ⁹
 - Maintenance (5%): \$2,040
 - Management (10%): \$4,080
 - **Total Expenses:** \$19,890
 - **Estimated Annual NOI: \$20,910**
- **Potential Capitalization (Cap) Rate:** $\$20,910 \text{ (NOI)} / \$428,000 \text{ (Price)} = \mathbf{4.88\%}$
- **Verdict: Not Viable.** The extremely high HOA fee of \$851/month severely compresses the net operating income. While the Cap Rate is not terrible on paper, the actual cash flow after debt service would be minimal to negative. This property is not a suitable long-term rental investment.

B. Short-Term / Vacation Rental (STR)

- **Market Potential: Excellent.** The property's location is ideal for an STR, located within 5 minutes of Old Town Scottsdale's vibrant nightlife, restaurants, and shopping, and only 15-20 minutes from Phoenix Sky Harbor Airport. ¹⁰ It is perfectly positioned to attract tourists for events like Spring Training, the WM Phoenix Open, and year-round vacationers.
- **Estimated Revenue:**

- Assumptions: Average Daily Rate (ADR) of \$275, Occupancy Rate of 75%.
- **Projected Gross Annual Revenue:** (\$275 ADR x 365 Days x 75% Occupancy) = **\$75,281**
- **Regulatory Check:** The City of Scottsdale has some of the most stringent STR regulations in Arizona. An owner must obtain a state TPT license and a city license, notify all adjacent neighbors before operating, and comply with all city ordinances regarding noise and events. These are manageable but require diligent operational oversight.
- **Verdict: Potentially Viable.** The revenue potential is very strong and is the only rental strategy that could overcome the high HOA fee. However, this is offset by significant operational requirements and regulatory risks.

C. Fix and Flip

- **Estimated Rehab Costs:** The listing states the property has already been remodeled with quartz countertops and other updates.¹¹ Therefore, any rehab would be light cosmetic work (e.g., paint, flooring updates, fixtures) to maximize its appeal. A

ROM estimate of \$15,000 is appropriate.

- **Estimated Gross Profit:**
 - ARV: \$510,000
 - Purchase Price: \$428,000
 - Rehab Costs: \$15,000
 - **Estimated Gross Profit (before costs): \$67,000**
- **Key Considerations:** The estimated gross profit is respectable, but it will be eroded by holding costs. Assuming a 6-month timeline, holding costs would include financing, utilities, taxes, and approximately **\$5,106 in HOA fees** (\$851 x 6)¹². After factoring in transaction costs (commissions, closing costs) of ~7% on the final sale (\$35,700), the net profit becomes marginal.
- **Verdict: Marginally Viable.** The profit margin is likely too thin to justify the market risk. Because the property is already updated, there is limited opportunity to "force appreciation" through renovation. The primary path to profit would be natural market appreciation during the holding period, which is speculative.

3. Risk Assessment

1. **Extreme HOA Fee:** At \$851/month, the HOA fee is the single largest risk.¹³ It makes the Long-Term Rental strategy unworkable, significantly increases holding costs for a flip, and puts pressure on STR profitability. Any future special assessments by the HOA could further impact returns.

2. **STR Regulatory Risk:** Scottsdale's city council is actively managing STRs. Future regulatory changes could impose additional restrictions, fees, or licensing requirements, impacting the viability of the most promising strategy for this property.
 3. **Thin Flip Margin:** The property's existing remodeled condition limits the value-add potential. The profitability of a flip is highly sensitive to the final sales price, holding duration, and any unexpected repair costs.
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4. Recommendation

Pass on this opportunity.

While the location is A-tier and the property appears to be in good condition, the financial fundamentals are weak across all primary strategies due to the prohibitive HOA fee. The long-term rental strategy fails to produce adequate cash flow. The fix-and-flip strategy presents a thin profit margin with considerable market risk.

The Short-Term Rental strategy is the only path with a chance for success, but it requires specialized management and carries significant regulatory risk. Given the high monthly cost basis, a small dip in occupancy or daily rates could quickly turn the investment negative.

Next Steps: Should the committee wish to reconsider, deeper due diligence would be required on:

1. A full financial review of the HOA, including its reserve fund and any planned special assessments.
 2. A detailed STR pro-forma using hyper-local data from a source like AirDNA to validate revenue projections.
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