

# Greater Phoenix Apartment Owner's Newsletter

**Kasten / Long Apartment Team**

**RE/MAX Commercial Investment**

## 1st Quarter 2005

### *IN THIS ISSUE ...*

- Apartment Sales  
(January – March 2005)
- Vacancy Declines to 7.4%
- Absorption Off-set by Condo's
- "The Apartment Market"

See also:

**[www.PhxAptsForSale.com](http://www.PhxAptsForSale.com)**

Vacancy rates in the 1<sup>st</sup> quarter of 2005 dropped one-half percent to 7.4%, due mainly to 3,370 units being removed from the apartment inventory as they were converted to condos. With California investors continuing their relentless purchasing of apartments and single family homes, the inventory for both is now minimal. With the median price of "new" and "resale" homes being pushed up 21% and 27% respectively over last year, quality & newer apartment complexes have jumped in value due to condo converters.

### **Kasten/Long Apartment Team (2004 #1 commercial team for RE/MAX)**

To help better serve clients, Scott Trevey has a new assistant, Ken Hon, former owner/mgr of a company servicing the apartment industry. Rosa Miranda has now taken on property management for the Team. Scott Kane has joined Terry Kass as his new assistant.

<b>Jim Kasten, CCIM</b>	<b>Jan Long, CCIM</b>	<b>Scott Trevey</b>	<b>Terry Kass</b>	<b>Monica Kane</b>
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## Vacancy Rate Declines to 7.4% Absorption Off-Set by Conversions

At the end of the 1st quarter of 2005, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units in the greater Phoenix area dropped from 7.9% to 7.4%. Of the 328,139 total multifamily units, there were 24,425 reported as vacant. The vacancy rate for all size complexes ranged between 7% and 8%.

# of Units	2004 4th Qtr.	2005 1st Qtr.
2 - 24	10%	7%
25 - 50	9%	7%
51 - 75	6%	7%
76 - 99	7%	8%
100 - 150	7%	7%
151 - 200	7%	7%
200+	<u>8%</u>	<u>8%</u>
<b>Average</b>	<b>7.9%</b>	<b>7.4%</b>

Permitting for new apartments for the 1st qtr. was a meager 319, far below historical numbers. Permitting was led by Gray Palmer's 205 units at 2506 W Dunlap and M & G's 60 units at 4350 N 5<sup>th</sup> Av., both in Phoenix.

Absorption was a negative 552, but this was over-powered by the conversion of 3,370 existing apartments into condos. The net affect was the further reduction in the overall vacancy rate. Conversion projects ranged in size from 52 to 447 units. With the shortage of residential inventory and escalated prices, we expect this trend to continue.

## Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
1994	6,015	2,208	4%
1995	7,991	211	4%
1996	8,533	7,820	5%
1997	7,930	8,001	5%
1998	7,877	3,674	5%
1999	8,241	5,017	6%
2000	8,009	6,225	7%
2001	7,201	1,525	8%
2002	5,351	4,273	9%
2003	4,836	3,702	9.6%
2004	4,997	9,230	7.9%
2005 (1)	319	- 552	7.4%

To help track the condo activity, we have added a section to our web site that will list both conversion and newly permitted condo projects. **In addition, Jan Long, CCIM (602 445 4115) is helping apartment owners evaluate their condo potential.** Condo converters are paying top-dollar!!!!!!

Vacancy rates for each of the Valley's 32 sub-districts (with map) and a list of new construction projects are posted on **[www.PhxAptsForSale.com](http://www.PhxAptsForSale.com)** under "Market Data".

Data Sources for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, AZ R.E. Center Arizona State University East (Member)
- Greater Phoenix Blue Chip Economic Forecast

# Greater Phoenix Apartment Sales

# 1st Qtr - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
815 N 52 <sup>nd</sup> St Phx, "Peaks at Papago Pk"	768 659,100	\$47,500,000 \$72.07	1/3/2005 1990	\$61,848		360 1/1, 24 2/1, 44 2/1.5, 236 2/2, 88 2/2.5, 16 3/2
14230 - 14430 N 19 <sup>th</sup> Ave Phx, "Desert Shadows Vlg"	548 467,578	\$22,478,000 \$48.07	1/26/2005 1980	\$41,018		224 1/1, 176 2/1, 120 2/2, 28 3/2 86% occupied, \$4M planned renovations
1600 W Highland Ave Phoenix, "Park Lee"	532 406,755	\$24,000,000 \$59.00	2/2/2005 1955	\$45,889		236 1/1, 287 2/1 Affordable Housing \$6M planned renovations
1050 S Longmore Mesa, "Inglewood Village"	432 239,168	\$17,600,000 \$73.59	3/23/2005 1979	\$3,310,073 \$40,740	5.3 6.4	232 1/1, 88 2/1, 92 2/2, 12 3/2, 8 3/2 79% occupied
4141 W Glendale Ave Phoenix, "Cinnabarr"	430 237,633	\$13,200,000 \$55.55	1/12/2005 1986	\$30,697		36 st, 352 1/1, 42 2/2
111 N Gilbert Rd Mesa, "Orange Grove"	396 263,144	\$16,300,000 \$61.94	3/31/2005 1984	\$2,745,360 \$41,161	5.9 7.4	132 1/1, 264 2/1 85% occupied, \$300,000 deferred maint.
5120 N 16 <sup>th</sup> St Phoenix, "Willowick"	395 201,113	\$10,800,000 \$53.70	1/12/2005 1973	\$27,341	7.0	164 st, 185 1/1, 23 2/1, 23 2/1 Master meter
1121 N 44 <sup>th</sup> St Phoenix, "Alanza Place"	360 343,439	\$36,121,500 \$105.18	3/31/2005 2002	\$4,474,060 \$100,337	7.8 6.5	191 1/1, 113 2/2, 48 2/2.5, 8 3/3 78% occupied (fka Alexan Belleview)
17625 N 7 <sup>th</sup> St Phoenix, "No. Park Village"	320 318,160	\$18,300,000 \$57.52	3/1/2005 1983	\$57,187	6.5	56 1/1, 184 2/2, 80 3/2 Part of 3 apt. portfolio sale, sold 'as is'
9450 E Becker Ln Scottsdale, "Scotts. Cove"	316 295,940	\$36,450,000 \$123.17	3/22/2005 1991	\$115,348	5.1	94 1/1, 177 2/2, 45 3/2 Condo conversion planned
10201 N 33 <sup>rd</sup> Ave Phoenix, "Woodland Park"	302 217,076	\$11,750,000 \$54.13	3/2/2005 1980	\$38,907	6.5	90 st, 136 1/1, 76 2/2 Part of 3 apt. portfolio sale, sold 'as is'
3319 E University Dr Mesa, "Polo Club"	282 260,952	\$19,950,000 \$76.45	3/31/2005 1997	\$2,616,660 \$70,744	7.6 6.6	160 1/1, 106 2/2, 16 3/2
1711 S Extension Rd Mesa, "Tierra Del Sol"	276 244,048	\$16,917,500 \$69.32	2/4/2005 1985	\$2,277,120 \$61,295	7.4 6.1	92 1/1, 184 2/2 Off market transaction
4620 W McDowell Rd Phoenix, "Desert Sky"	274 166,412	\$10,070,000 \$60.51	2/2/2005 1985	\$1,992,984 \$36,751	5.0 7.3	32 st, 130 1/1, 64 2/1, 48 2/2
15255 N Frank Lloyd Wright Scotts, "Highlands / Scotts "	272 208,008	\$25,800,000 \$124.03	1/6/2005 1990	\$94,852	4.8	82 1/1, 156 2/2, 34 3/2
1651 S Dobson Rd Mesa, "Quail Creek"	269 159,584	\$10,100,000 \$63.29	3/31/2005 1979	\$37,546	4.8	66 st, 139 1/1, 31 2/1, 31 2/2, 2 3/2 66% occupied
8885 W Thunderbird Rd Peoria, "RvrWalk / Dsr Har"	264 248,800	\$19,300,000 \$77.57	1/24/2005 2001	\$2,565,600 \$73,106	7.5	104 1/1, 160 2/2 Part of bankruptcy sale
2601 E McKellips Rd Mesa, "Reflections / Rd Mtn"	256 204,800	\$12,200,000 \$59.57	2/28/2005 1986	\$2,027,940 \$47,656	6.0 7.8	64 1/1, 128 2/1, 64 2/2 Deferred maintenance
2055 E Hampton Ave Mesa, "Superstition Villas"	248 151,280	\$8,105,000 \$53.58	2/28/2005	\$1,546,341 \$32,681	5.2 7.3	124 1/1, 124 2/1 84% occupied
4949 W Northern Ave Glendale, "Northern Lakes"	234 158,256	\$10,000,000 \$63.19	1/12/2005 1985	\$1,671,760 \$42,735	6.0 7.9	30 st, 120 1/1, 84 2/2 85% occupied
825 S Alma School Rd, Mesa, "Stonegate"	222 132,098	\$7,525,000 \$56.97	3/2/2005 1978	\$33,896	6.5	96 st, 94 1/1, 32 2/2 Part of 3 apt. portfolio sale, sold 'as is'
8787 E Mountain View Rd Scotts, "Rancho Antigua"	220 217,758	\$23,150,000 \$106.31	2/23/2005 1985	\$105,227		60 1/1, 140 2/2, 20 3/2 Condo conversion planned
11375 E Sahuaro Dr Scotts, "Scotts Somerset"	218 203,434	\$22,200,000 \$109.13	1/21/2005	\$101,834	4.4	88 1/1, 108 2/2, 22 3/2
4140 W McDowell Rd Phx, " Desert Wind"	216 136,976	\$8,570,000 \$62.57	2/8/2005 1987	\$1,640,496 \$39,675	5.2 7.8	128 1/1, 56 2/1, 32 2/2
3815 N 16 <sup>th</sup> St Phx, "Casa Tierra"	200 135,470	\$6,500,000 \$47.98	1/12/2005 1984	\$1,219,680 \$32,500	5.3	28 st, 138 1/1, 34 2/1
1055 W Baseline Rd Mesa, "Waterford Place"	200 190,720	\$12,650,000 \$66.33	1/27/2005 1984	\$1,809,080 \$63,250	7.0 7.0	100 1/1, 100 2/2
15926 N 32 <sup>nd</sup> St Phx, "Greenway Shadows"	191 114,379	\$6,470,000 \$56.57	2/28/2005 1983	\$1,331,100 \$33,874	8.7	60 st, 60 1/1, 71 2/1 (aka Greenway Cove)
1532 S Price Rd Tempe, "Riviera Village"	165 111,800	\$5,925,000 \$53.00	2/15/2005	\$1,136,080 \$35,909	5.2 6.5	80 1/1, 84 2/1, 1 2/2 88% occupied

Table compiled by: **Kasten / Long Apartment Team**, RE/MAX Commercial Investment Data source: COSTAR, MLS, Pierce-Eislen and personal knowledge.  
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# Greater Phoenix Apartment Sales

1<sup>st</sup> Qtr - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
4450 E Southern Ave Mesa, "Traditions"	160 142,512	\$10,250,000 \$71.92	1/20/2005 1997	\$1,538,920 \$64,062	6.7 7.8	78 1/1, 82 2/2
20251 N 75 <sup>th</sup> Ave Gndl, "Laguna @ Arrowhd"	160 152,232	\$14,550,000 \$95.58	2/14/2005 1998	\$1,881,888 \$90,937	7.7 6.3	56 1/1, 76 2/2, 28 3/2 82% occupied
232 S MacDonald Mesa, "Pennytree"	146 75,938	\$4,250,000 \$55.97	1/26/2005 1971	\$1,048,951 \$29,109	4.0 7.4	46 St, 99 1/1, 1 2/1 85% occupied
15615 N 35 <sup>th</sup> Ave Phoenix, "Rancho Encanto"	144 92,572	\$6,200,000 \$66.97	2/1/2005 1983	\$932,000 \$43,055	6.7 6.3	116 1/1, 28 2/2
2925 N Greenfield Rd Phx, "Loma Linda Gardens"	130 91,293	\$3,375,000 \$36.97	1/6/2005 1970	\$25,961		64 1/1, 66 2/1 60% occupied, master meter
8188 S Central Ave Phoenix, "Due South"	128 59,600	\$4,250,000 \$71.31	1/12/2005 1986	\$657,213 \$33,203	6.5 7.2	116 1/1, 12 2/1
16815 N 29 <sup>th</sup> St Phoenix, "Harbor Ridge"	107 88,150	\$5,300,000 \$60.12	2/25/2005 1985	\$49,532	7.4	107 2/1
1025 N 48 <sup>th</sup> St Phoenix, "Papago Gardens"	104 88,000	\$5,424,000 \$61.64	1/110/2005 1986	\$52,153		12 1/1, 72 2/1, 20 2/2 79% occupied
2735 E Thomas Rd Phoenix, "Sandpiper"	100 60,395	\$2,950,000 \$48.85	2/23/2005 1969	\$673,570 \$29,500	4.4 8.0	35 st, 63 1/1, 1 2/1 85% occupied, master meter
4336 N 35 <sup>th</sup> Ave Phoenix, "Silver Tree"	98 59,152	\$4,150,000 \$70.16	3/31/2005 1986	\$653,552 \$42,346	6.4 7.5	16 st, 42 1/1, 40 2/2 Partial master meter
9802 N 9 <sup>th</sup> Ave Phoenix, "Ironwood"	95 72,292	\$3,750,000 \$51.87	3/8/2005 1965	\$575,000 \$39,473	6.5 7.5	89 2/1, 6 3/1
9231 N 99 <sup>th</sup> Ave Peoria, "Brook Hollow"	93 82,530	\$5,500,000 \$66.64	3/31/2005 1984	\$659,993 \$59,139	8.3 7.0	93 2/1
6201 N 16 <sup>th</sup> St Phoenix, "La Paz"	92 74,984	\$4,700,000 \$62.68	3/2/2005 1971	\$51,086	4.4	45 1/1, 47 2/1
2110 N 32 <sup>nd</sup> St Phoenix, "Monte Vista Gdns"	88 46,992	\$3,168,000 \$67.42	3/24/2005 1982	\$36,000	7.3	44 st, 44 1/1 70% occupied, condo conversion
610 E Gilbert Dr Tempe, "La Mirage"	88 69,592	\$5,500,000 \$79.03	2/24/2005 1986	\$715,680 \$62,500	7.7	32 1/1, 56 2/2
1006 W Main St Mesa, "Goldcrest"	84 64,920	\$3,900,000 \$60.07	2/25/2005 1986	\$46,428	5.3	22 1/1, 62 2/2
6480 N 82 <sup>nd</sup> St Scottsdale, "Lincoln Garden"	80 80,200	\$7,200,000 \$89.78	3/1/2005 1983	\$90,000	4.0	16 1/1, 64 2/2 75% occupied, condo conversion
2130 W Indian School Rd Phoenix, "Sunquest"	72 59,040	\$2,900,000 \$49.12	3/7/2005 1982	\$350,784 \$40,277	8.3 5.7	18 1/1, 54 2/1
3001 N 32 <sup>nd</sup> St Phoenix, "Mission Villa"	66 60,060	\$3,137,000 \$52.23	1/1/2005 1970	\$468,252 \$47,530	5.7 7.5	22 1/1, 44 2/2 Master meter
6141 N 59 <sup>th</sup> Ave Glendale, "Desert Crest"	66 22,314	\$2,800,000 \$125.48	2/15/2005 1985	\$42,424	9.8	6 1/1, 60 2/1
5104 E Thomas Rd Phoenix, "Villas Tomas"	66 22,412	\$2,650,000 \$118.24	1/3/2005 1973	\$40,151		36 st, 30 1/1 Master meter
7625 N 19 <sup>th</sup> Ave Phoenix, "Los Olivos"	64 71,680	\$3,650,000 \$50.92	2/18/2005 1968	\$539,918 \$57,031	6.8 8.3	48 2/2, 16 3/2 Condo conversion
1805 W Cortez St Phoenix, "Vista Village"	60 53,830	\$3,299,000 \$61.29	2/7/2005 1980	\$437,194 \$54,983	7.6 7.0	1 1/1, 59 2/1
2401 W Avalon Dr Phoenix, "La Casa Illusion"	60 68,254	\$3,885,000 \$56.92	2/23/2005 1986	\$609,582 \$64,750	6.4 8.0	30 2/2, 30 3/2 Condo mapped, no conversion planned
4545 N 15 <sup>th</sup> St Phoenix, "Meadowbrook"	58 27,482	\$2,050,000 \$74.59	2/23/2005 1964	\$306,000 \$35,344	6.7	24 st, 30 1/1, 4 2/1 52% occupied
206-212 W Southern Ave Mesa, "Pine Gardens"	55 49,500	\$2,200,000 \$44.44	1/19/2005 1969	\$40,000		44 2/1, 11 2/1.5 67% occupied
2501 W Ocotillo Rd Phx, "Lodge at Winding Crk"	54 40,542	\$2,292,000 \$56.53	2/28/2005 1982	\$42,444		6 1/1, 48 2/1

**Note: There were an additional 26 apartment complexes that sold in the 1<sup>st</sup> quarter of 2005 with a price at or above \$250,000.**

**GSI** Gross Scheduled Annual Income (Assumes 0% vacancy)  
**GRM** Gross Rent Multiplier (Sales Price / GSI)  
**NOI** Net Operating Income (Total income less vacancy and expenses)  
**CAP** Cap Rate (NOI / Sales Price)

Table compiled by: **Kasten / Long Apartment Team**  
 RE/MAX Commercial Investment  
 Data source: COSTAR, MLS, Pierce-Eislen & personal knowledge  
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## **The Apartment Market (May 2005)**

The large disparity in real estate values between metro Phoenix and our neighbors to the west, when combined with the still relatively low mortgage rates and a healthy local economy, has continued to attract California investors in droves. The result is a somewhat "self-driven" real estate buying frenzy resulting in a boom to both single family homes and apartments in metro Phoenix. The median sales price over the past year is now up 21% for new homes (\$218,916) and 27% for resale homes (\$203,000). Sales activity has almost completely dried-up inventory of homes "for sale" with only 10% to 20% of the number of homes listed for sale in the MLS compared to a year ago!

Apartment values have also enjoyed a strong run, but with the price of single family homes skyrocketing, combined with the lack of houses to buy (by owners or investors), the floodgates have opened for investors purchasing existing apartment complexes and converting them to condos. A total of 3,370 apartment units were reported as having been converted to condos during 1<sup>st</sup> quarter of 2005, with an estimated 6,000 units by year's-end. The bulk of the reported conversions have been in complexes with 50 or more units and built within the past 20 years.

Not only have apartment values been pushed higher, but the number of units available for tenants has been reduced. This, combined with the reduced apartment construction over the past three years and an ever-increasing population growth (estimated at 2.8%), continues to drive vacancy rates down (now 7.4%). For the 1<sup>st</sup> time in quite a while, rental rates increased by 2.1%.

The question everyone asks is "how long will the real estate boom continue?" There are concerns, such as many of the homes purchased by investors are sitting vacant. The thought being that appreciation is much stronger than the negative cash flow. Another concern are the increasing mortgage rates. If this causes a softening in the residential housing market, selling of homes may occur in advance of a perceived down-turn.

The fact that our market has been overwhelmingly driven by California investors is a bit of a worry, but for now, as long as properties in metro Phoenix offer better cash-on-cash return than in California, our market should remain strong.

Jim Kasten, CCIM  
**Kasten / Long Apartment Team**  
602 445 4113

## **Kasten / Long Apartment Team - Apartment Activity (as of May 17, 2005)**

### **RECENT APARTMENT CLOSINGS** (Since 4th Qtr Newsletter 2.18.05)

24 units, 1300 W 4<sup>th</sup> St, Tempe (8 4-plexes) \$2,500,000  
24 units, 510 E Hatcher, Phoenix (Lincoln View) \$975,000  
22 units, 806 E Carol Ave, Phoenix (Sunny Haven) \$1,150,000  
21 units, 4236 N 12<sup>th</sup> St, Phoenix (Desert Villas) \$865,000  
20 units, 3634 E Monte Vista, Phoenix (Plaza del Torre) \$1,037,500  
12 units, 6601, 6641, 6701E Avalon Dr, Scottsdale \$975,000  
10 units, 636 N 4<sup>th</sup> Ave, Phoenix (Bennett Place) \$595,000  
6 units, 2505 N 48<sup>th</sup> St, Phoenix \$360,000  
6 units, 9618 N 5<sup>th</sup> St, Phoenix \$265,000  
5 units, 9990 N Scottsdale, Scottsdale \$703,500  
2 4-plexes, 1843 & 1849 N Spring St, Phoenix \$290,000 ea  
2 4-plexes, 2718 & 2744 E Tierra Buena, Phoenix \$650,000  
4-plex, 1641 W Yucca, Phoenix \$295,000  
4-plex, 600 N 4<sup>th</sup> St, Avondale \$295,900  
4-plex, 6004 W Alice, Phoenix \$289,900

### **APARTMENTS IN ESCROW**

105 units, 7002 E Palm Ln, (Palm Villas of Scottsdale) List: \$7,500,000  
35 units, 2030 E Broadway, Mesa (The Groves) List: \$1,695,000  
32 units, 12630 N 103<sup>rd</sup> Ave, Sun City List: \$1,425,000  
16 units, 6542 N 17<sup>th</sup> Ave, Phoenix (Huntington Gardens) List: \$900,000  
13 units, 6615 N 7<sup>th</sup> St, Phoenix, List: \$1,315,000  
11 units, 4241 N 26<sup>th</sup> St, Phoenix (Glenrosa Palms) List: \$595,000  
4 4-plexes, 2623 - 2638 E Monte Cristo, Phoenix List: \$275,000 ea  
3 4-plexes, 9372 W Van Buren & 9361 W Polk, Tolleson List: \$277K ea  
3 4-plexes, 2843 - 2849 E Grandview, Phoenix List: \$339,000 ea  
2 4-plexes, 1414-8 E Adams, Phoenix List: \$225,000 ea  
8 units, 5329 N 12<sup>th</sup> St, Phoenix List: \$575,000  
7 units, 6804 N 23<sup>rd</sup> Ave, Phoenix List: \$360,000  
7 units, 4218 N 17<sup>th</sup> St, Phoenix (Los Arboles) List: \$325,000  
4-plex, 2738 E Tierra Buena, Phoenix List: \$349,900  
2-plex, 11237 N 18<sup>th</sup> Dr, Phoenix List: \$209,000

### **APARTMENTS "FOR SALE" (see [www.PhxAptsForSale.com](http://www.PhxAptsForSale.com) for Details and All New Listings)**

40 units, 2740 W Medlock Dr, Phoenix (Suntree) List: \$2,300,000  
22 units, 1121 S 17<sup>th</sup> Ave, Phoenix (Casa del Sol) List: \$795,000  
11 units, 3703 N 9<sup>th</sup> Pl, Phoenix List: \$625,000  
10 units, 9826-9830 N 7<sup>th</sup> Ave, Phoenix List: \$650,000

5 units, 2210 W Hayward Ave, Phoenix List: \$429,000  
4-plex, 6637 W Myrtle, Glendale List: \$285,000  
4-plex, 2949 E Coronado Rd, Phoenix List: \$339,000  
3-plex, 2601 E Monte Cristo, Phoenix List: \$206,000