

# Greater Phoenix Apartment Owner's Newsletter

**Kasten / Long Apartment Team**

**RE/MAX Commercial Investment**

## 3rd Quarter 2006

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(July – September 2006)
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### HAPPY HOLIDAYS

Vacancy rates are up a bit (5.0%), annualized rent growth is reported at 3.2% and new apartment permits remain at reduced levels. Contrary to the perception of a softened apartment market, 3<sup>rd</sup> quarter sales were similar to the past 12 months.

### Kasten/Long Team Update:

We are pleased to announce that Jackie Allen, Associate Broker, has joined our Team. She has ten years of very successful apartment brokerage experience in metro Phoenix. To-date, the Team has closed \$64.4M (971 units) keeping us the #1 ranked Commercial Team for RE/MAX in the U.S.

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## Vacancy Rate Remains Low – 5.0%

At the end of the 3rd quarter of 2006, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units increased from 3.9% to 5.0%. Of the 320,263 total multifamily units, there were 16,025 reported as vacant.

# of Units	2006 2nd Qtr.	2006 3rd Qtr.
2 - 24	7%	3%
25 - 50	8%	7%
51 - 75	4%	5%
76 - 99	5%	4%
100 - 150	4%	5%
151 - 200	4%	5%
200+	4%	5%
<b>Average</b>	<b>3.9%</b>	<b>5.0%</b>

The lowest sub-district vacancy rates were reported in Sun City (3%). All of the remaining sub-districts in metro Phoenix ranged from 4% to 8%.

Of the 32 sub-districts, 9 reported reduction in apartment inventory from Q2 06 totaling 755 units. The greatest reduction was in Deer Valley (282 units), North Scottsdale, North Mesa (340 units) and Metrocenter (207 units) due mostly to condo conversion.

There were 1,043 apartment permits issued in the 3rd quarter. This was led by MHT's 312 units at 15164 N 140<sup>th</sup> Dr, Apartment Builder's 304 units at 33350 N 27<sup>th</sup> Dr, and Greystone's 386 units at 3825 W Anthem Way.

## Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	3,250	4,756	5.0%
2006 (1)	1,266	1,624	3.7%
2006 (2)	1,267	-2,303	3.9%
2006 (3)	1,043	-4,105	5.0%

Absorption was reported at a negative 4,105 units with 1,606 units reported as removed from the multifamily inventory for condo conversion. The only apartment property reported as completed in the 3<sup>rd</sup> qtr was the 280 units at 6405 W McDowell Rd. Rental rates were reported to have decreased 2.5% in the 3<sup>rd</sup> qtr with an annual change of 3.2% .

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

Data Source for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, AZ R.E. Center
- Arizona State University's Polytechnic Campus

# Greater Phoenix Apartment Sales

## 3rd Qtr - 2006

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1905 W Las Palmaritas Dr Phx, 'Northern Point'	486 230,540	\$20,100,000 \$87.19	7/14/2006 1979	\$3,575,276 \$41,358	5.6 6.2	192 st, 220 1/1, 74 2/1 89% occupied
32615 N North Valley Pkwy Phx, 'Talus Ranch / Sansol'	480 437,108	\$62,000,000 \$141.84	9/29/2006 2005	\$6,088,708 \$129,166	10.2 5.7	312 1/1, 144 2/2, 24 3/2 50% occupied, Bulk / Portfolio Sale
2929 -3131 N 7th St Scotts, 'Old Town Scottsdl'	472 416,016	\$57,000,000 \$137.01	7/17/2006 1994	\$120,762		176 1/1, 232 2/2, 64 3/2 Condo conversion planned
275 W Juniper Ave Gilbert, 'Springs at Gilbert '	459 319,064	\$31,950,000 \$100.14	9/18/2006 1986	\$69,607	6.0	376 1/1, 83 2/2 Off-market transaction
909 W Grove Pkwy Tempe, 'Tempe Groves'	408 388,518	\$47,450,000 \$122.13	7/31/2006 1998	\$4,418,049 \$116,299	10.7 5.4	170 1/1, 170 2/2, 68 3/2
14221 N 51 <sup>st</sup> Ave Phx, 'Indigo Creek'	408 373,320	\$45,300,000 \$121.34	9/22/2006 1998	\$4,509,184 \$111,029	10.0 5.8	120 1/1, 216 2/2, 72 3/2
3320 E University Dr Mesa, 'La Valencia'	361 343,667	\$31,400,000 \$91.37	7/27/2006 1986	\$86,980	5.5	105 1/1, 208 2/2, 48 3/2
14145 N 92 <sup>nd</sup> St Scotts, 'Scotts Desert Shad.'	332 298,420	\$45,000,000 \$150.79	7/17/2006 1988	\$3,436,800 \$135,542	13.0	128 1/1, 204 2/2 Condo conversion planned, Bk sale
4410 N 99 <sup>th</sup> Ave Phx, 'Tamarron'	328 330,283	\$26,108,800 \$79.05	8/22/2006 2005	\$2,924,388 \$79,600	8.9	324 1/1, 3 2/2, 1 3/2
1717 W Glendale Ave Phx, 'Santa Fe Springs'	310 225,427	\$13,000,000 \$57.67	9/12/2006 1974	\$41,935		63 st, 93 1/1, 154 2/1
12740 W Indian School Rd Litchfld, 'Remington Ranch'	304 285,642	\$39,520,000 \$138.36	7/14/2006 2003	\$130,000		132 1/1, 152 2/2, 20 3/2
3939 W Windmills Blvd Chandler, 'San Tierra'	284 277,243	\$34,300,000 \$123.72	9/7/2006 1989	\$2,739,600 \$120,774	12.5 5.5	92 1/1, 176 2/2, 16 3/2 Condo REVERSION to apartments
1711 S Extension Rd Mesa, 'Tierra Del Sol'	276 263,611	\$24,800,000 \$94.08	7/27/2006 1985	\$89,855		92 1/1, 184 2/2 Off-market transaction
11105 N 115 <sup>th</sup> St Scotts, CasaSantaFe Condo	262 220,757	\$30,300,000 \$137.26	9/8/2006 2004	\$115,648		135 1/1, 99 2/2, 28 3/2 Condo REVERSION to apartments
6131 N 27 <sup>th</sup> Ave Phx, 'Foxwood'	260 177,108	\$11,000,000 \$62.11	9/1/2006 1982	\$1,832,035 \$62.11	6.0 7.9	56 st, 120 1/1, 84 2/2
1333 W Guadalupe Rd Gilbert, 'Desert Mirage'	258 296,388	\$34,382,245 \$116.00	8/14/2006 1998	\$1,547,784 \$133,264		6 st, 72 1/1, 144 2/2, 36 3/2 Off-market transaction
17239 N 19 <sup>th</sup> Ave Phx, 'Spring Valley'	256 204,800	\$12,000,000 \$58.59	7/31/2006 1984	\$1,891,200 \$46,875	6.3	112 1/1, 144 2/2
3033 E Thunderbird Rd Phx, 'Pinnacle at Shad Mtn'	248 249,150	\$28,400,000 \$113.99	9/29/2006 1992	\$2,666,161 \$114,516	10.7 5.4	108 1/1, 108 2/2, 32 3/2
1464 S Stapley Dr Mesa, 'Indigo Springs'	240 222,870	\$25,500,000 \$114.42	8/29/2006 1999	\$2,406,028 \$106,250	10.6 5.2	90 1/1, 120 2/2, 30 3/2
4545 W Beardsley Rd Glendale, 'Adobe Ridge'	224 214,264	\$32,000,000 \$149.35	7/26/2006 2005	\$2,577,360 \$142,857	5.7	136 1/1, 76 2/2, 12 3/2
1225 N 40 <sup>th</sup> St Phx, 'Fountain Oaks'	224 158,832	\$12,500,000 \$78.70	8/29/2006 1983	\$55,803		224 2/1
3001 N Black Canyon Hwy Phx, 'Entrada / Prado'	214 172,100	\$8,900,000 \$51.71	8/2/2006 1937	\$1,480,320 \$41,588	6.0	4 st, 40 1/1, 168 2/2, 2 3/2
1865 N Higley Rd Mesa, 'Alta Mesa'	200 196,640	\$26,300,000 \$133.75	9/8/2006 2000	\$2,406,048 \$131,500	10.9 7.0	8 st, 64 1/1, 96 2/2, 32 3/2
102 S 4 <sup>th</sup> Ave Avondale, 'Edgewater'	196 150,456	\$9,775,000 \$64.97	7/6/2006 1985	\$1,254,480 \$49,872	7.8	40 1/1, 116 2/1, 24 2/2, 16 3/2 Affordable housing
6152 W Oakland St Chandler, 'River Ranch'	186 126,924	\$17,400,000 \$137.09	9/1/2006 1988	\$1,807,553 \$93,548	9.6 6.3	98 1/1, 88 2/2
6400 E Thomas Rd Scotts, 'Colonial Grand'	180 179,484	\$29,620,000 \$165.03	7/31/2006 2000	\$2,571,408 \$164,555	11.5 5.8	65 1/1, 91 2/2, 24 3/2 Condo restriction until 6/30/09
15050 N 59 <sup>th</sup> Ave Glendale, 'Sun Creek'	175 129,661	\$12,725,000 \$98.14	8/17/2006 1985	\$1,461,750 \$72,714	8.7 5.3	79 1/1, 96 2/1 89% occupied
1502 W Glendale Ave Phx, 'Canyon Walk'	166 97,393	\$8,200,000 \$84.20	7/17/2006 1974	\$1,238,208 \$49,393	6.6	54 st, 68 1/1, 28 2/1, 16 2/2 Condo conversion planned

Table compiled by: **Kasten / Long Apartment Team**, RE/MAX Commercial Investment Data source: COSTAR, MLS, Pierce-Eislen and personal knowledge.  
All information is believed to be accurate but is not guaranteed.

# Greater Phoenix Apartment Sales

3<sup>rd</sup> Qtr - 2006

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
7021 W McDowell Rd Phx, 'Ventana Palms'	160 137,776	\$9,800,000 \$71.13	9/6/2006 1989	\$1,409,720 \$61,250	7.0 6.8	52 1/1, 108 2/2 87% occupied
8025 E Lincoln Dr Scotts, 'Miramonte'	151 118,578	\$16,100,000 \$135.78	7/18/2006 1983	\$1,246,560 \$106,622	12.9 5.0	89 1/1, 62 2/2
1609 W Glendale Ave Phx, 'Huntington Condo'	148 152,856	\$10,130,000 \$66.27	7/14/2006 1973	\$68,445	5.8	94 2/2, 54 3/2 Condo REVERSION to apartments
2990 W Thunderbird Rd Phx, 'Windsor Palms'	146 65,876	\$6,830,000 \$103.68	7/14/2006 1978	\$1,015,840 \$46,780	6.7 5.8	14 st, 131 1/1, 1 2/2
5405 S 19 <sup>th</sup> Ave Phx, 'Colonia Del Sol'	144 134,136	\$12,525,000 \$93.38	7/21/2006 2004	\$1,402,560 \$86,979	8.9 6.5	24 1/1, 72 2/2, 48 3/2
8546 N 59 <sup>th</sup> Ave Glendale, 'Cobble Creek'	142 95,140	\$7,425,000 \$78.04	8/31/2006 1985	\$921,120 \$52,288	8.1	22 st, 80 1/1, 40 2/1
9202 N 19 <sup>th</sup> Ave Phx, 'Carob Tree'	137 85,060	\$6,300,000 \$74.07	8/18/2006 1979	\$961,733 \$45,985	6.6 6.5	102 1/1, 35 2/2
3408 W Glendale Ave Phx, 'Arbor Creek'	136 75,197	\$6,250,000 \$83.12	9/29/2006 1974	\$978,424 \$45,955	6.4 5.8	67 st, 66 1/1, 3 2/1
5312 E Taylor St Phx, 'Papago Vista'	135 86,204	\$9,400,000 \$109.04	8/9/2006 1986	\$1,090,830 \$69,629	8.6 6.0	80 1/1, 23 2/1, 32 3/2
7611 S 36 <sup>th</sup> St Phx, 'Montana'	134 120,597	\$15,740,000 \$130.27	8/16/2006 1998	\$1,360,200 \$117,238	11.6 5.0	40 1/1, 81 2/2, 13 3/2
4230 E University Dr Mesa, 'Heather Brook'	128 113,312	\$8,720,000 \$76.96	8/18/2006 1986	\$939,648 \$68,125	9.3	48 1/1, 80 2/2
18202 N Cave Creek Rd Phx, 'Mtn Springs Terrace'	122 102,550	\$7,000,000 \$68.26	9/15/2006 1983	\$57,377		24 1/1, 48 2/1, 40 2/2 85% occupied, off-market transaction
234 N 75 <sup>th</sup> St Mesa, 'Sun Valley Gardens'	112 72,794	\$4,525,000 \$62.16	9/29/2006 1986	\$40,401	8.5	112 1/1
1101 S Sycamore Mesa, 'Monteil'	96 80,568	\$9,175,000 \$113.88	8/1/2006 1986	\$864,000 \$95,572	10.6	24 1/1, 72 2/2 Condo conversion planned
10134 W Mohawk Ln Peoria, 'Sun Groves Resort'	86 86,540	\$5,550,000 \$64.13	8/9/2006 1985	\$64,534		Off-market transaction
4115 E Indian School Rd Phx, 'Colonia'	85 53,490	\$6,650,000 \$124.32	9/22/2006 1983	\$657,372 \$78,235	10.1 5.6	1 st, 69 1/1, 15 2/2
1320 E Highland Ave Phx, 'Villa Royal'	73 62,050	\$5,425,000 \$87.43	7/28/2006 1968	\$74,315		73 2/1
3802 N 28 <sup>th</sup> St Phx, 'Camelback Courtyard'	72 62,820	\$6,350,000 \$101.08	8/22/2006 1984	\$585,360 \$88,194	10.8	43 1/1, 16 2/2, 13 3/2
6805 N 27 <sup>th</sup> Ave Phx, 'Casa Del Sol'	71 46,860	\$3,100,000 \$66.15	9/20/2006 1985	\$447,300 \$43,661	6.9 7.0	71 2/1
350 W 13 <sup>th</sup> Pl Mesa, 'Country Club Green'	68 61,930	\$5,125,000 \$82.75	9/27/2006 1985	\$520,416 \$75,367	9.9 5.8	8 1/1, 60 2/2 <b>Kasten / Long Apartment Team Sale</b>
3001 N 32 <sup>nd</sup> St Phx, 'Mission Villa'	66 60,060	\$4,356,000 \$72.53	8/17/2006 1970	\$547,800 \$66,000	8.0 5.0	22 1/1, 44 2/2 Master metered
6141 N 59 <sup>th</sup> Ave Glendale, 'Desert Crest'	66 54,720	\$3,450,000 \$63.05	9/29/2006 1985	\$52,272		6 1/1, 60 2/1
1137 E Orange St Tempe, 'Bali Lanai'	62 53,340	\$3,500,000 \$65.62	8/24/2006 1968	\$544,700 \$56,451	6.4 6.8	28 1/1, 34 2/2 Master metered
1140 E Orange St Tempe, 'Palm Villa'	48 42,600	\$2,750,000 \$64.55	8/24/2006 1968	\$413,400 \$57,291	6.7 6.2	24 1/1, 24 2/2 Master metered
1100 E Lemon St Tempe, 'Regency'	47 26751	\$2,302,554 \$86.07	9/11/2006 1963	\$48,990		14 st, 32 1/1
1107 E University Dr Mesa, 'Sunridge Manor'	45 31,610	\$2,500,000 \$79.09	8/9/2006 1984	\$297,000 \$55,555	8.4 5.9	45 2/1
8111 W Glendale Ave Glendale, 'Stadium Court'	44 23,940	\$2,250,000 \$93.99	8/9/2006 1973	\$51,136	6.0	42 1/1, 2 2/1

**Note: There were an additional 20 apartment complexes (with 10+ units) reported sold in the 3<sup>rd</sup> quarter of 2006 with a price at or above \$250,000. A List of these sales is posted on our web site ([www.PhxAptsForSale.com](http://www.PhxAptsForSale.com)) under "Market Data"**

**CAP** Cap Rate (NOI / Sales Price)  
**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)

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 – Stronger Than Perceived**

Ask almost anyone in the industry and they will tell you that the greater Phoenix real estate market has softened. While this may be true for home sales, it is NOT true for the apartment market. In fact, data from Comps/Costar show a steady increase in price/sf for the 10-50, 51-100 and 100+ size properties from the last half of 2005, the 1<sup>st</sup> half of 2006 and now thru the 3<sup>rd</sup> qtr of this year. Moreover, the average number of monthly apartment sales for these size groups is virtually the same for each of these periods.

With a decreased supply of apartments, due to less building and the recent conversion of many units to condos, vacancy rates remain low (5.0%) and actual cash flow is increasing. The economy is still booming, job and population growth is strong and long-term mortgage interest rates have dropped back to attractive levels. There are still a few reasons for concern however. The number of apartment properties on the market is more than 50%

above this time last year and there are far less buyers than past years. With the increased inventory, buyers are seeking “real” cash flow.

Apartments are still being purchased for conversion to condos – surprised? Again, the perception is that the condo market has passed. Although end-user sales are much slower than last year and earlier this year, they are still selling. Of the approx. 5,600 being offered on the MLS, there were 675 sales in September (12%). In contrast, the 2<sup>nd</sup> qtr of 2006 reported an average of 955 sales per month. While the MLS stats do not reflect the entire market (both available and sold) it does imply an active market – just not like the past year. As always, price, location and quality of the property are very important and not all conversions (or new builds) are doing well. Note the three sales in the 3<sup>rd</sup> qtr that are “reversions” from condos to apartments.

Jim Kasten, CCIM

## **Kasten / Long Apartment Team - Apartment Activity (as of November 17, 2006)**

### **RECENT APARTMENT CLOSINGS (Since 2nd Qtr Newsletter 8.15.06)**

68 units, 350 W 13<sup>th</sup> Place, Mesa (Country Club Greens) \$5.125M  
35 units, 2030 E Broadway, Mesa (Groves at Mesa) \$2.25M  
16 units, 6542 N 17<sup>th</sup> Ave, Phoenix (Huntington Gardens) \$1,324,660  
16 units, 1707 W Vogel, Phoenix List: \$825K  
12 units, N 40th St & Moreland, Phx (3 4-plexes) \$279.9K ea  
8 units, 3307 & 3313 N 66<sup>th</sup> Pl, Scotts (4-plexes) \$419K ea  
8 units, 6708 & 14 E Cheery Lynn, Scotts (4-plexes) \$350K ea

### **APARTMENTS IN ESCROW**

40 units, 2740 W Medlock, Phoenix (Suntree) List: \$2.1M  
15 units, 3623 N 36<sup>th</sup> St, Phoenix (Desert Haven) List: \$895K  
19 units, 3233 N 37<sup>th</sup> St, Phoenix, (Mustang) List: \$1.9M  
11 units, 2216 N 16<sup>th</sup> St, Phoenix (Westwind) List: \$499K  
4 units, 4115 E Moreland St, Phoenix List: \$279.9K

### **APARTMENTS “FOR SALE”**

50 units, 7125 N 19<sup>th</sup> Ave, Chandler (Villa Ventura) List: \$4.45M  
29 units, 4025 N 40<sup>th</sup> St, Phoenix (Tropic Isle) List: \$1.595M  
25 units, 2216 E Eugie Terrace, Phx (Eugie Terrace) List: \$2.1M  
20 units, 210 S Roosevelt, Tempe (Blue Haven) List: \$1.85M  
20 units, 829 N 4<sup>th</sup> Av, Phoenix, (La Prada) List: \$1.2M  
20 units, 4021 N 40<sup>th</sup> St, Phoenix (Tidewood) List: \$1.15M  
20 units, 3225 W Jefferson, Phoenix (5 4-plexes) List: \$319K ea  
14 units, 2104 E Eugie Terr, Phx (Terrace Hills) List: \$1.358M  
14 units, 3125 N 37<sup>th</sup> St, Phoenix (Olive Tree) List: \$1.329M  
14 units, 7108 N 80<sup>th</sup> Ave, Glendale List: \$729K  
12 units, 2829 E Adams St, Phx (El Molino Place) List: \$1.125M  
12 units, 6434,40 & 44 S 22<sup>nd</sup> St, Phx (4-plexes) List: \$359K ea  
10 units, 1328 S Priest Dr, Tempe, (RES FIN) List: \$985K  
10 units, 9826-9830 N 7<sup>th</sup> Ave, Phoenix List: \$495K  
8 units, 1328 S Priest Dr #1 & 2, Tempe (4-plexes) List: \$375K ea  
8 units, 1414 & 1418 E Adams St, Phx (4-plexes) List: \$249.9K ea  
4 units, 6801 E Avalon, Scottsdale (4-plex) List: \$425K  
4 units, 3006 E Granada, Phoenix (4-plex) List: \$409K  
4 units, 6625 W Ocotillo, Glendale (4-plex) List: \$349K  
4 units, 6649 W Ocotillo, Glendale (4-plex) List: \$346.9K  
3 units, 347 E Vogel, Phoenix (3-plex) List: \$240K  
2 units, 1325 W 4<sup>th</sup> St, Tempe (duplex) List: \$235K

### **OTHERS “FOR SALE”**

9+ acres, 19184 S Arizona Av, Chandler List: \$4,650,000  
3+ acres, 19222 S Arizona Av, Chandler List: \$1,546,540  
3 bldgs, Historic Glendale Retail Portfolio List: \$1,948,000  
1 SFR, 18086 W Las Cruces, Goodyear (3/2/3Vu’s) List: \$520,000  
1 SFR, 1202 E Palm Lane, Historic Phoenix (3/2/1) List: \$379,000  
1 SFR, 12450 N 28<sup>th</sup> St, Phoenix (3/2/2pool) List: \$295,000  
1 Condo, 2515 N College Ave #5, Tempe (1/1/1) List: \$ 149,900

See [www.PhxAptsForSale.com](http://www.PhxAptsForSale.com) for details on these properties and all new listings