

GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

4th QTR 2012

KASTEN LONG COMMERCIAL GROUP (KLCG): Delivering the New Standard of Excellence

Buying pressure continued in the 4th quarter, with a strong surge of closings at year-end - likely due to uncertain and changing tax laws. Lending rates remained very low for larger properties with strong occupancy and good historical financials. Financing for smaller, class B and C properties continues to improve slowly for stabilized assets, but with lower LTV's and higher interest rates. Vacancy rates remained low for the larger communities, but the huge increase in permitting for new apartment construction will put pressure on occupancy and concessions as construction is completed and lease-up commences.

The Apartment Team for KLCG had a strong year, closing 48 communities. Linda Fritz-Salazar recently closed the 92 - unit, Senior Cottages in Apache Jctn. (\$4.275M) and Scott Trevey, CCIM, finished the year with four Phoenix closings: the 34 unit-Casa Loma (\$1.1M) , the 14 unit-Townhome (\$640K), and the 22 unit-Casitas Robles sold with the 37 unit-Villa Martel (\$1.635M).

Vacancy Rates Drop – Rents Increase

For the larger (100+ unit size) apartments, vacancy rates dropped across the Valley from 6.4% in the 3rd quarter to 6.3% in the 4th. This was the 12th continuous quarterly drop in vacancy rates for 100+ unit apartments - from a high at the end of 2009.

Rental rates continued to escalate with the highest average rent increases over 2011 in South Scottsdale (+3.5%), West Mesa (+3.0%) and N. Scottsdale/Ftn. Hills (+2.7%). The highest monthly average rents were reported from the class "A" communities in North Scottsdale (\$1,021) and South Tempe/Ahwatukee (\$903).

Permitting Making Strong Comeback

For the past three years, the number of permits for new apartment construction averaged about 1,000/yr. Over the past ten years, the average was 3,840/yr. As of the 4th quarter of this year, the number of permits jumped to more than 10,000 for the year with many projects already breaking ground.

Both ASU and private enterprise are focusing on providing student housing. This has proven to be a very lucrative market. Of the ten new apartments permitted in the 4th quarter, six are in Tempe. In addition, 11 of the 79 transactions (13.9%) in the 4th quarter were in Tempe.

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorbed	Vacancy
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	3,922	(4,653)	5.3%
2007	6,675	(5,846)	8.5%
2008	6,365	(4,466)	10.8%
2009	637	(5,319)	14.2%
2010	408	20,743	10.3%
2011	1,961	(205)	10.5%
2012	10,296		6.4% *
	4,427	11 year average	

* 100+ unit apartments only

KASTEN LONG COMMERCIAL GROUP

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Greater Phoenix Apartment Owner's Newsletter

- published quarterly since 1998
- previous issues posted on our web site

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Vacancy rates for each of the Valley's 32 districts, plus a list of new construction projects are posted under "Apartments - Market Data" on www.KLCommercialGroup.com.

Data Sources for Vacancy and Constriction:
Reis Reports, Reed Construction Data and personal knowledge.

Greater Phoenix Apartment Sales

4th Qtr - 2012

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
19940 N 23 rd Ave Phx, 'The Canyons'	629 475,623	\$50,000,000 \$105.13	12/27/2012 2004	\$5,579,184 \$79,491	9.0 6.3	78 st, 210 1/1, 49 2/1, 220 2/2, 36 3/2, 4/2 93% occ., 65% LTV new loan, \$45M - 7/2010
220 W Bell Rd Phx, 'La Palma'	548 469,088	\$30,140,000 \$64.25	11/20/2012 1984	\$55,000	4.3	240 1/1, 136 2/1, 140 2/2, 32 3/2 Buyers budgeting \$5.5M in cap improvements
1535 N Scottsdale Rd Tempe, 'Palms on Scottsdale'	404 377,748	\$54,080,000 \$143.16	11/16/2012 1998	\$133,861	5.5	144 1/1, 188 2/2, 72 3/2 95% occupied
13220 S 48 th St Phx, 'Brdstn Ahwa Fairways'	310 305,402	\$27,200,000 \$89.06	10/1/2012 1987	\$2,763,200 \$87,742	9.8 5.8	1 st, 65 1/1, 244 2/2 91% occ., 80% LTV new loan
1311 W Baseline Rd Tempe, 'Mission Springs'	306 216,200	\$23,000,000 \$106.38	11/15/2012 1987	\$75,163	6.5	152 1/1, 154 2/2 Master-metered, 95% occ., \$15.4M - 7/2012
5535 W McDowell Rd Phx, 'Lynwood'	300 212,880	\$7,875,000 \$36.99	11/16/2012 1985	\$2,131,920 \$26,250	3.7 8.0	72 1/1, 228 2/1 85% occupied, cash, \$6.5M - 6/2012
2433 W Main St Mesa, 'Pala Mesa'	256 222,904	\$22,600,000 \$101.39	10/16/2012 1999	\$2,446,464 \$88,281	9.2	48 1/1, 72 2/1, 136 2/2 90% occ., 72.5% LTV new loan
4540 S Rural Rd Tempe, 'Fernwood Manor'	252 225,514	\$17,525,000 \$77.71	12/10/2012 1971	\$2,448,256 \$69,544	7.2 6.8	64 1/1, 168 2/1, 20 2/2 Master-metered, 97% occ., 71% LTV new loan
4102 W Osborn Rd Phx, 'Casa Sol'	248 63,646	\$6,001,000 \$94.29	11/5/2012 1984	\$1,498,320 \$24,198	4.0	150 1/1, 50 2/1, 48 2/2
4032 W Osborn Rd Phx, 'Bella Sol'	246 182,408	\$6,001,000 \$32.90	11/5/2012 1985	\$1,536,996 \$24,394	3.9 8.5	1 st, 121 1/1, 75 2/1, 48 2/2, 1 3/1 75% occ., 62% LTV new loan, \$3.5M - 7/2010
4221 E Ray Rd Phx, 'Mountain Park Ranch'	240 230,580	\$30,850,000 \$133.80	11/29/2012 1994	\$2,512,870 \$128,542	12.3 5.4	72 1/1, 118 2/2, 50 3/2 90% occ., 71.5% LTV new loan
4630 S Lakeshore Dr Tempe, 'Cityscape @ Lkshr'	214 214,220	\$22,650,000 \$105.73	10/1/2012 1994	\$105,841		75 1/1, 103 2/2, 36 3/2 Debt assum. \$10.63M plus new 2nd loan
1653 S Harris Dr Mesa, 'Trails East'	209 152,710	\$8,560,000 \$56.05	11/30/2012 1983	\$1,249,284 \$40,957	6.9 8.5	112 1/1, 97 2/2 85% occupied, 77% LTV new loan
1401 N 43 rd Av Phx, 'Whispering Palms'	200 174,976	\$6,000,000 \$34.29	12/13/2012 1985	\$30,000		64 1/1, 136 2/1
2540 W Maryland Av Phx, 'Maryland West'	192 131,816	\$5,050,000 \$38.31	11/21/2012 1985	\$1,224,720 \$26,302	4.1 11.1	48 1/1, 144 2/1 (FKA Maribela)- condo mapped 86% occ., 181 of 192, \$3.25M - 8/2011
3606 E Baseline Rd Phx, 'Retreat the Raven'	192 204,136	\$22,565,000 \$110.54	10/24/2012 2002	\$2,514,720 \$117,526	9.0	100 1/1, 70 2/2, 22 3/2
1829 E Morten Av Phx, 'Squaw Peak'	180 113,552	\$8,950,000 \$78.82	12/28/2012 1980	\$49,722		32 st, 104 1/1, 44 2/2 Condo mapped
7702-7750 N 12 St Phx, 'Vista del Monte'	175 141,972	\$6,320,000 \$44.52	12/18/2012 72 / 99 reno	\$477,030 \$36,114	13.2	120 2/1, 55 3/1 60% occupied, \$1.4M - 7/2012
130 W Guadalupe Rd Gilbert, 'Cambria Luxury'	174 252,204	\$18,675,000 \$74.05	12/27/2012 2000	\$2,033,460 \$107,328	9.2	35 1/1, 105 2/2, 34 3/2 Cash
7045 N 7 th St Phx, 'Place One Residences'	171 94,856	\$5,315,000 \$56.03	12/31/2012 1977	\$979,560 \$31,082	5.4 5.8	29 st, 124 1/1, 18 2/2 Cash
1408 N Central Av Avondale, 'Las Casitas'	168 155,741	\$7,025,000 \$45.11	12/20/2012 1974	\$41,815		28 1/1, 28 2/1.5, 84 2/2, 28 3/2 77% LTV new loan
5101 S Mill Av Tempe, 'Hyde Park'	167 124,416	\$9,050,000 \$72.74	12/28/2012 1971	\$54,192		56 1/1, 56 2/1, 55 2/2 71% LTV new loan
3535 W Camelback Rd Phx, 'Orange Arbor'	166 81,730	\$2,373,800 \$29.04	12/18/2012 1976	\$14,300		111 st, 52 1/1, 1 2/1, 2 2/2, REO Master metered, 59% occupied
5704 W Thomas Rd Phx, 'Villa de Sonora'	156 105,000	\$4,005,000 \$38.14	12/17/2012 86 / 09 reno	\$1,045,224 \$25,673	3.8	75 1/1, 75 2/1 68% LTV new loan
12751 N Plaza del Rio Blvd Peoria, 'Casa del Rio'	149 139,611	\$8,000,000 \$57.30	10/1/2012 1985	\$3,086,676 \$53,691	2.6	74 1/1, 75 2/2 Master metered, Senior housing, Cash

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 Commercial Group**
 Data source: COSTAR, ARMLS, BREW and personal knowledge. All information is believed to be accurate but is not guaranteed.

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
7611 S 36 th St Phx, 'Montana'	134 154,895	\$11,500,000 \$74.24	11/30/2012 1998	\$1,250,472 \$85,821	9.2	40 1/1, 81 2/2, 13 3/2 95% occ., 74% LTV new loan, \$7.6M - 8/2009
15425 N Tatum Blvd Phx, 'Tatum Gardens'	128 83,126	\$11,325,000 \$136.24	12/12/2012 1985	\$88,477		42 1/1, 86 2/2 95% occ., 75% LTV new loan,
6041 W Thomas Rd Phx, 'Villa de La Paz'	103 88,960	\$2,800,000 \$31.47	11/21/2012 82 / 09 reno	\$723,996 \$27,184	3.9 7.0	32 1/1, 71 2/2 86% occ., Cash
2735 E Thomas Rd Phx, 'Sandpiper'	100 60,395	\$3,175,000 \$52.57	12/31/2012 1969	\$666,800 \$31,750	4.8 8.2	36 st, 63 1/1, 1 2/1 95% occ., Mstr. metered, 64% LTV new loan
3443 E University Dr Mesa, 'Green Leaf'	96 82,616	\$7,900,000 \$95.62	10/1/2012 1986	\$866,117 \$80,612	9.1 6.3	2 st, 47 1/1, 47 2/2 95% occ., 70% LTV new loan, \$6.1M - 1/2011
914 E Lemon St Tempe, 'Riviera Palms'	79 35,100	\$3,420,000 \$97.44	12/28/2012 1963	\$524,658 \$45,000	6.5 6.2	12 st, 54 1/1, 13 2/1 75% LTV new loan
5712 N 67 th Av Gndl, 'La Mesa Vlg - Gndl'	70 49,800	\$1,685,000 \$33.84	12/5/2012 1985	\$450,345 \$24,071	3.7	44 1/1, 26 2/2 63% occupied, 65% LTV new loan, BK sale
1050 N Horne Mesa, 'Siesta Villa'	69 105,621	\$4,000,000 \$37.87	12/31/2012 1973	\$57,971		63 2/2, 6 3/2
1322 N La Jolla Blvd Goodyear, 'Greenwood'	69 54,525	\$3,400,000 \$62.36	12/28/2012 1964	\$531,444 \$49,275	6.4 6.6	26 1/1, 43 2/1, \$3.2M private loan \$1M seller remodel, \$1.2M - 3/2010
1818 N 40 th St Phx, 'Palm Lane Gardens'	63 54,000	\$1,900,000 \$35.19	11/1/2012 1981	\$30,159		39 1/1, 24 2/1 72% LTV private new loan, sold "as is"
3130 N 7 th Av Phx, 'El Cortez'	62 52,000	\$575,000 \$11.06	11/8/2012 1962	\$9,274		62 1/1, \$506,000 private new loan Condo mapped
5920 W Laurie Ln Glendale, 'Peppertree Lane'	60 44,550	\$2,000,000 \$44.89	12/20/2012 1983	\$33,333		30 1/1, 30 2/2 82% LTV new loan
4526 N Black Canyon Hwy Phx, 'Chelsey Park'	59 31,700	\$865,000 \$27.29	12/18/2012 1964	\$14,661		40 st, 4 1/1, 15 2/1 Master metered, \$630K - 7/2012
20025 N 20 th St Phx, 'Las Piedras Twnhms'	59 77,297	\$10,150,000 \$131.31	12/20/2012 2012	\$945,408 \$172,034	10.7 5.7	13 2/2.5, 46 3/2.5 Condo mapped, 94% occ., cash
17609 N 19 th Av Phx, 'Courtyard Village'	55 52,000	\$3,165,000 \$60.87	12/3/2012 1984	\$57,545	7.1	55 2/2 Cash
6721 N 25 th Dr Phx, 'Wilshire Place'	48 33,600	\$1,150,000 \$34.23	10/30/12 1983	\$221,075 \$23,958	5.2	24 1/1, 24 2/1 60% occ., 65% LTV new loan, \$910K - 3/2012
1626 W Desert Cove Av Phx, 'Garden Cove'	44 36,405	\$880,000 \$24.17	10/31/2012 1977	\$20,000		1 1/1, 43 2/1 Loan assum. of \$1.2M,
2848 E Greenway Rd Phx, 'Greenway Villa'	40 27,080	\$1,250,000 \$46.16	12/19/2012 1981	\$223,872 \$31,250	5.6 7.0	8 1/1, 32 2/1, sold for \$652K - 12/2010 75% occupied, 80% LTV private new loan
3602 E Monte Vista Rd Phx, 'Villa Martel'	37 33,414	\$880,000 \$26.34	12/28/2012 1974	\$23,784	3.5 3.5	2 1/1, 24 2/1, 11 3/2 -sold with Casitas Robles 68% occupied, def. maint., short sale, cash
1031 E Lemon St Tempe, 'Cortez Palms'	36 19,034	\$1,700,000 \$89.31	12/28/2012 1964	\$47,222		28 1/1, 7 2/1, 1 3/1 50% LTV new loan
910 E Lemon St Tempe, 'University Place'	36 38,974	\$3,000,000 \$76.97	12/28/2012 1969	\$367,200 \$83,333	8.2	36 2/2 master meter, Sr housing Redevelop-student hsg, 75% LTV new loan
310-326 N Standage Mesa, 'Standage Place'	35 19,200	\$650,000 \$33.85	12/31/2012 1973	\$224,700 \$18,571	2.9	13 st, 19 1/1, 3 2/1
2740 W Colter St Phx, 'Casa Loma'	34 26,078	\$1,100,000 \$42.18	11/28/2012 1979	\$214,200 \$32,353	5.1 7.0	34 2/1 Cash. Land lease, \$557K - 2/2010
3065 N 67 th Av Phx, 'La Estrella Vista'	32 35,220	\$1,925,000 \$54.66	11/21/2012 2007	\$297,600 \$60,156	6.5	32 3/2 of 96 units built at time of sale REO sale, excess land, cash
1414 E Osborn Rd Phx, 'Osborn Place'	30 20,957	\$1,000,000 \$47.72	10/19/2012 1958	\$33,333	7.5	29 1/1, 1 2/1.5 87% occupied, cash
3619 E Monterosa St Phx, 'Mtn Ridge Condos'	28 19,885	\$675,000 \$33.95	11/26/2012 1979	\$154,721 \$24,107	4.4	24 1/1, 4 2/2 Cash, condos
6807 N 45th Av Gndl, 'Desert Village'	28 22,830	\$910,000 \$39.86	12/20/2012 1965	\$176,400 \$32,500	5.2 9.9	28 2/1 82% LTV new loan

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2940 N 40 th St Phx, 'Tahiti Palms'	27 22,500	\$1,365,000 \$60.67	12/27/2012 1963	\$175,260 \$50,556	7.8 5.9	10 1/1, 16 2/1.5, 1 3/2 Condo mapped, reverting to apts, cash
1221 N 85 th Pl Scottsdale, 'Los Porticos'	24 18,800	\$1,700,000 \$90.43	11/29/2012 1984	\$204,000 \$70,833	8.3 7.0	8 1/1, 16 2/2 Condo mapped, cash, 1031 (upleg)
510 E Hatcher Rd Phx, 'Palmilla'	24 14,358	\$670,000 \$46.66	12/14/2012 1984	\$117,563 \$27,917	5.7 7.2	12 1/1, 12 2/1 79% LTV new loan, \$350K - 6/2011
3520 N 70 th St Scottsdale, 'Tres Palmas'	24 14,760	\$875,000 \$59.28	12/27/2012	\$36,458		6 st, 16 1/1, 2 2/1, to be demolished 46% LTV private new loan
2233 N 36 th St Phx, 'Casitas Robles'	22 14,000	\$755,000 \$53.93	12/27/2012 1981	\$34,318	6.0	16 1/1, 6 2/2, sold with Villa Martel Condo mapped, 82% occ., short sale, cash
806 E Carol Av Phx, 'Sunny Haven'	22 14,400	\$440,000 \$30.56	10/29/2012 1982	\$113,400 \$20,000	3.9 11.3	10 1/1, 12 2/1 63% occupied, cash, distressed, defer maint
1414 E Dana Av Mesa, 'Dana East'	21 16,100	\$800,000 \$49.69	11/7/2012 1985	\$144,300 \$38,095	5.5 9.4	20 2/1, 1 3/1 65% LTV new loan
2125 N 26 th Pl Phx, 'Tamarac 1'	19 14,353	\$389,000 \$27.10	11/14/2012 1983	\$120,612 \$20,474	3.2	19 2/1 19% occupied, 82% LTV new private loan
4145 N Longview Av Phx, 'Longview Heights'	18 13,246	\$750,000 \$56.62	12/18/2012 1987	\$124,800 \$41,667	6.0 8.2	8 2/1, 10 2/2 Cash, \$357K - 11/2011
635 N 4 th Av Phx, 'Georgia Arms'	18 7,640	\$810,000 \$106.02	12/31/2012 1949	\$45,000		16 st, 2 1/1 93% LTV new private loan, \$660K - 12/2011
1122 E Maryland Av Phx	17 11,562	\$610,000 \$52.76	12/31/2012 1947	\$35,882		12 1/1, 4 2/1, 1 2/2 Cash
5110 N 21 st Av Phx, 'Camelback Courts'	16 13,150	\$628,000 \$47.76	12/28/2012 1965	\$123,900 \$39,250	5.1 10.0	1 1/1, 15 2/1 Cash, 1031 (buyer's upleg), \$450K - 9/2011
1230-1236 E Lemon St Tempe	16 15,712	\$940,000 \$59.83	12/28/2012 1983	\$153,600 \$58,750	6.1 9.7	16 2/2, ±\$50,000 in defer maint 81% occupied, 53% LTV new loan
110-114 S Wilson St Tempe, 'Wilson Street'	16 7,200	\$550,000 \$76.39	11/30/2012 1960	\$81,600 \$34,375	6.7 8.9	16 st 65% LTV new loan, \$416K - 3/2012
1325-1341 N 30 th Dr Phx, 'Silver Palms'	16 8,480	\$294,000 \$34.67	12/20/2012 1957	\$96,360 \$18,375	3.1 12.8	14 1/1, 2 2/1 Cash, \$238K - 4/2011
2030 N 36 th St Phx, 'Palm Lane'	16 9,852		12/21/2012 1966	\$84,480		12 1/1, 4 2/1 \$225K - 8/2011
2049 E Hayward Av Phx, 'Hayward'	15 11,157	\$470,000 \$42.13	10/5/2012 1985	\$101,400 \$31,333	4.6 9.3	14 2/1, 1 3/1 60% LTV loan assumption
3219 N 67 th Pl Scottsdale, 'Scottsdale Shadows'	15 10,450	\$650,000 \$62.20	11/8/2012 1958	\$91,476 \$43,333	7.1 6.0	8 st, 5 1/1, 2 2/1
6528 N 17 th Av Phx, 'Townhome'	14 15,714	\$640,000 \$40.73	12/13/2012 64 / 05 reno	\$115,200 \$45,714	5.6 8.0	2 2/1, 12 2/1.5 Cash
1825 E Don Carlos Av Tempe, 'Don Carlos'	14 7,880	\$495,000 \$62.82	10/1/2012 1979	\$83,760 \$35,357	5.9 8.2	12 1/1, 2 2/1, \$289K - 4/2011 79% occ., 53% LTV loan assumption
21240 N 23 rd Av Phx, 'Lone Cactus'	12 8,864	\$310,000 \$34.97	12/21/2012 1983	\$25,833		12 2/1 85% LTV private loan
1701 E Cambridge St Phx, 'Cambridge'	12 8,600	\$416,000 \$48.37	11/16/2012 1986	\$67,200 \$34,667	6.2 7.2	8 1/1, 4 2/1 Cash
312 N 14 th Av Phx, 'Capital Court'	12 4,000	\$295,000 \$73.95	11/16/2012 1946	\$50,544 \$24,650	5.9 8.4	12 st 75% occupied, \$189K seller carryback
842 N 6 th Av Phx, 'Chester Place Lofts'	11 11,335	\$1,062,500 \$93.74	11/26/2012 2008	\$118,668 \$96,591	9.0	11 1/1.5 Condo mapped
1634 Shangri La Rd Phx	10 7,898	\$265,000 \$33.55	12/26/2012 1985	\$58,200 \$26,500	4.6 10.8	1 st, 9 2/1 Cash
2224 N 27 th St Phx	10 6,175	\$350,000 \$56.68	12/21/2012 1960	\$35,000	10.0	10 1/1 \$245K - seller carryback, \$233K - 3/2012
6116 W Glenn Dr Gndl, 'Glenn Drive'	10 5,968	\$254,000 \$42.56	12/7/2012 1963	\$56,280 \$25,400	4.5 10.	8 1/1, 2 2/1 80% LTV new loan, \$115K - 9/2011

The Metro Phoenix Apartment Market (Q4 2012)

In the 4th quarter, there were 79 regular apartment sales (10+ units), a significant increase over recent quarters. In addition, there were five portfolio sales of two or more properties. This last quarter saw over half-billion in sales (\$509,574,300) with 8,337 total units. There were 29 communities sold with more than 100 units – representing 85% of the total dollar volume. Almost half of these sales had new bank/institution financing. Of the 50 sales with less than 100 units, 26% had new bank financing and 14% had private loans. Interestingly, 14% of all 4th quarter transaction volume occurred in Tempe – which may imply a possible area play for more student housing as ASU increases its enrollment. Of the 79 closings, 15 were in the last week of December. The overall increase in sales plus the rush at year-end was likely due to the anticipated changing tax laws.

Values for the large, class “A” & “B” assets continued to enjoy strong values due to very attractive financing. The 29 larger properties (100+) saw \$/sf at an average of \$80.70 and the \$/unit average was \$65,806. The smaller, class “C” asset values have also been climbing as a result of improved occupancy and rent increases. The 4th quarter saw \$/sf prices of \$55.06 and per unit averages of \$43,104. This should continue, and with the promise of traditional financing making a comeback, may increase values over the course of this year.

Strong Increase in Permitting and New Apartment Construction

In addition to the record-breaking permitting numbers for new apartment construction, there have been a number of new apartment projects announced – awaiting permitting – and often times financing. We are watching the permits vs. chatter for apartment construction to see how many of the proposed new properties actually “get off of the ground”. Many, however, have broken ground – especially in Scottsdale, Phoenix, Tempe and the East Valley. The new apartments will put immediate pressure on other class “A” communities, and unless demand keeps up with the additional supply, we will have an increase in vacancy and move-in concessions. It’s not rocket science to appreciate that there will be a trickle-down effect – creating occupancy pressure on “B” and “C” communities as well.

Market Conditions and Positioning: While the multi-family market bottom of 2010 is clearly behind us, the future for apartment values seems brighter. But let’s look where we were and where we are going. 10 years ago market appreciation was driven by loose financing policies and the market appreciation we experienced was almost linear. Investors looked more like speculators as they bought and sold based on appreciation and not cash flow. With the recent stream of funds from Canada and elsewhere into the Phoenix market for “C” apartments we are now very low on inventory. This has resulted in increased demand– meaning a seller could collect a premium were he to sell into the current shortage. However, the current demand should not be misinterpreted as the beginning of another linear appreciation “run-up.” While financing is beginning to return to the market and jobs are slowly returning to the Valley, it may be unrealistic to expect values to outpace that job growth going forward. Cap rate “compression” must (eventually) be replaced with increasing NOI’s for values to continue their upward trend.

Apartment Owner’s Forum

Be sure to reserve your place at the upcoming Kasten Long Apartment Team “Apartment Owners Information Forum”. Thursday, March 21, 2013 - from 4:30 to 6:00 pm at The Esplanade. Forum will include a market update plus professionals will be available for tax, title, 1031, and management questions. **RSVP to Scott or Linda.**

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