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GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

4th QTR 2013

KASTEN LONG COMMERCIAL GROUP: The Kasten Long Commercial Group has specialized in apartment brokerage in metro Phoenix since 1998. Agents have brokered more than 1,000 communities with gross sales in excess of 1 billion dollars. The company also provides weekly updates (by e-mail) on apartment sales and publishes an apartment market update on a quarterly basis – past issues are available on the company's web site (www.KLCommercialGroup.com).

If you are interested in buying more apartments – we track both advertised and off-market “pocket listings”. If you are seeking top-dollar for your assets or simply desire further insight on the market affecting your property – don't hesitate to ask.

KASTEN LONG COMMERCIAL GROUP

- An independent, local, commercial brokerage
- Experienced professional specialists with a strong “Client First” mandate.
- SERVICES: Apartments and land brokerage - office, retail & industrial sales and leasing.

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Vacancy Rates Continue to Drop

Vacancy rates for the 4th quarter for stabilized 50+ multifamily properties decreased from 7.4% to 7.3%. Only one sub-district remains in double digits - Central Black Canyon. Vacancy rates of less than 6% were reported in N Scottsdale, Deer Valley, Paradise Valley, Ahwatukee, S Tempe, Gilbert and Chandler. Vacancy rates for each sub-district are posted on our web site www.KLCommercialGroup.com.

New Construction and Permitting

In Q4, there were four new apartment projects started (966u), three in Phoenix and one in Scottsdale. There are a total of 20 now under construction representing **3,785 units**. Nine projects were completed in Q4 totaling **1,914 units**. These included three in Scottsdale (388u, 325u and 264u) two projects in Phoenix (225u and 132u) and two in Tempe (384u and 50u), one in Mesa (81u) and one in Youngtown (65u). In addition, there are 80 projects in various stages from initial rezoning to final permitting - representing **18,782 units**. Details of each project and a map showing the location of the current construction activity is posted on our web site under “Apartments” – “Market Data”.

Average Rental Rates (Individually Metered)

For 50 - 99 unit size apartment's, rental rates continue their steady increase while the 100+ unit's rates are still flat. The highest rents being in Central Phoenix / Sky Harbor and the lowest along the I-17 corridor.

Size	Studio	One Bedroom	Two Bedroom
50 - 99	\$490 (1.14/sf)	\$588 (0.94/sf)	\$614 (0.75/sf)
100+	\$564 (1.23/sf)	\$685 (1.01/sf)	\$706 (0.86/sf)

Multifamily Data - Greater Phoenix Area

Year	Const.	Absorb.	Vacancy
2005	5,230	4,756	5.0%
2006	4,500	(4,653)	5.3%
2007	4,712	(5,846)	8.5%
2008	6,947	(4,466)	10.8%
2009	6,668	(5,319)	14.2%
2010	696	20,743	10.3%
2011	910	2,154	9.7%
2012	1,941	3,028	8.3%
2013 (1)	54	2,280	7.7%
2013 (2)	916	690	7.7%
2013 (3)	1,012	802	7.4%
2014 (4)	1,745	1,050	7.3%

Data Sources:

2005 - 2011: ASU's Phx Metro. Housing Study (20+ units)
2012 - 2013: RealData, Inc. (50+ units – stabilized)

On a weekly basis, via e-mail we offer:

1. Recent Apartment sales
2. Metro Phoenix News
3. List of all apartments currently being marketed for sale – principals only

If interested & if you're not already on our distribution list – just let us know.

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Greater Phoenix Apartment Sales

4th Qtr - 2013

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
7791 E Osborn Rd Scottsd, 'Scottsdale Springs'	644 503,952	\$53,650,000 \$106.46	12/30/2013 1979	\$83,307		152 1/1, 128 2/1, 136 2/2, 28 3/2
7960 W Keating Av Mesa, 'Aventerra@Dbsn Rch'	576 450,880	\$38,425,000 \$85.22	10/22/2013 80/2007reno	\$66,710	6.4	336 1/1, 80 2/1, 160 2/2 Buyer assumed \$20.388M Freddie Mac loan
5205 W Thunderbird Rd Glendale, 'Coves @ Newport'	480 393,384	\$30,750,000 \$77.58	12/20/2013 1987	\$64,063		224 1/1, 56 2/1.5, 152 2/2, 48 3/2
3777 E McDowell Rd Phx, 'Indigo Palms'	432 402,726	\$40,000,000 \$99.32	11/27/2013 2000	\$92,593	6.2	124 1/1, 16 2/1, 238 2/2, 54 3/2
3825 W Anthem Way Anthem, 'BelaRosa'	354 401,410	\$40,200,000 \$100.15	12/18/2013 2008	\$113,559	5.2	138 1/1, 186 2/2, 30 3/2
18440 N 68 th St Phx, 'Ninety Degrees'	337 255,946	\$51,000,000 \$199.26	10/31/2013 2009	\$151,335		80 st, 136 1/1, 25 2/1, 96 2/2 REO Sale
10002 N 7 th St Phx, 'Trailside@Hermosa Pte'	336 352,991	\$26,500,000 \$75.07	11/8/2013 1984	\$78,869		97 1/1, 212 2/2, 27 3/2 Fka 'Orion @ Hermosa Pointe'
2627 N 45 th Av Phx, 'Pine Ridge'	301 273,288	\$7,050,000 \$25.80	10/15/2013 1972	\$23,422	6.8	33 1/1, 130 2/1, 138 3/1.5 83% occupied, \$7k per unit for renovation
2150 S Arizona Av Chandler, 'Villamora'	289 289,528	\$32,900,000 \$113.63	10/31/2013 2001	\$113,841	5.1	72 1/1, 176 2/2, 41 3/2
8135 N 35 th Av Phx, 'Madera Court'	286 209,500	\$9,600,000 \$45.82	12/10/2013 82	\$33,566		174 1/1, 112 2/2 81% occupied, REO Sale, 2008 reno
10201 N 44 th Dr Gindl, 'Rancho Santa Fe'	270 199,300	\$12,079,419 \$60.61	12/30/2013 1985	\$44,739		30st, 120 1/1, 28 2/1, 92 2/2 20% occupied, Buyer assumed \$9.765M loan
4711 N 53 rd Ln Phx, 'The Colony I & II'	236 212,488	\$8,600,000 \$40.47	10/22/2013 1979	\$36,441	6.2	100 1/1, 136 2/2 Buyer planning to upgrade
8344 N 67 th Av Gindl, 'Acacia Pointe'	208 128,128	\$8,525,000 \$66.54	10/15/2013 1985	\$1,387,526 \$40,986	6.1 6.8	104 1/1, 104 2/1 Deferred maintenance for roof repairs
17950 N 68 th St Phx, 'Barossa@Prdise Ridge'	204 176,556	\$31,050,000 \$175.86	11/26/2013 2008	\$152,206		60 1/1, 123 2/2, 21 3/2 REO Sale
1333 N Dysart Rd Avndl, 'Newport Apt Homes'	204 163,578	\$9,000,000 \$55.02	11/7/2013 1986	\$44,118		8 st, 72 1/1, 124 2/1 Buyer assumed \$6.3M loan
5830 N 67 th Av Gindl, 'Bethany Park'	172 132,420	\$4,095,770 \$30.93	10/25/2013 1984	\$23,813		124 1/1, 48 2/1 Cash, Double Escrow
5830 N 67 th Av Gindl, 'Bethany Park'	172 132,420	\$5,475,000 \$41.35	10/26/2013 1984	\$31,831		124 1/1, 48 2/1
8818 S Central Av Phx, 'Mtn View on Central'	128 58,944	\$3,200,000 \$54.29	12/31/2013 1986	\$663,972 \$25,000	4.8 9.5	8 st, 108 1/1, 12 2/1 Cash
1045 S San Jose St Mesa, 'Village Green'	108 60,762	\$3,700,000 \$60.89	12/30/2013 1974	\$34,259		32 st, 76 1/1, 85% occupied, Short Sale
11600 N 75 th Av Peoria, 'Sonoma Place'	100 81,280	\$6,530,000 \$80.34	11/7/2013 1985	\$65,300	7.0	99 2/2, 1 3/2 1031 Exchange upleg
5801 E Albany St Mesa, 'Albany Village'	98 140,096	\$4,100,000 \$29.27	11/15/2013 1971	\$41,837	7.7	42 1/1, 28 2/1, 28 2/2 Senior housing, Deferred maintenance
3518 W Dunlap Av Phx, 'Los Compadres'	96 94,226	\$2,400,000 \$25.47	12/13/2013 1974	\$25,000		25 1/1, 71 2/2
12721 W Buckeye Rd Avndl, 'Vlg @ Avondale'	96 93,646	\$3,475,000 \$37.11	11/22/2013 1999	\$36,198		16 2/2, 80 3/2
1275 E University Dr Tempe, 'Dorsey Place'	84 96,400	\$14,750,000 \$153.01	10/10/2013 1999	\$175,595	5.8	65 2/2, 25 3/2 84 of 90 condo mapped units
5615 N 7 th St Phx, 'Sunshine Terrace'	74 41,440	\$4,000,000 \$96.53	11/18/2013 1972	\$54,054	6.5	17 st, 57 1/1 Master metered

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
737 E Brown Rd Mesa, 'Indigo Lofts'	65 64,350	\$2,925,000 \$45.45	11/26/2013 1985	\$430,625 \$45,000	6.8 6.5	26 2/1, 39 2/1.5
6615-6625 N 17 th Av Phx, 'Palmera'	64 49,845	\$2,315,000 \$46.44	11/1/2013 1969	\$36,172	7.5	27 1/1, 37 2/1 Master metered
2135 W Campbell Av Phx, 'Cypress Woods'	62 56,750	\$2,100,000 \$37.00	10/22/2013 1972	\$33,871	7.7	6 st, 56 2/1
2740 W Country Gables Dr Phx, 'Country Court'	51 40,260	\$1,632,000 \$40.54	10/25/2013 1983	\$32,000		6 1/1, 45 2/1 Cash
7125 N 19 th Av Phx, 'Villa Ventura'	50 45,000	\$2,451,450 \$54.48	10/3/2013 1970	\$49,029	7.7	50 2/2
1521 W Denton Ln Phx, 'Goldcrest'	44 30,592	\$2,835,000 \$92.67	11/21/2013 1987	\$402,000 \$64,432	7.1 8.5	28 1/1, 16 2/2
1110 E Highland Av Phx, 'Highland Villa'	39 23,409	\$1,200,000 \$51.26	12/19/2013 1972	\$30,769		5 st, 33 1/1, 1 2/1 Seller carry
1835 E Don Carlos Av Tempe, 'Atrium'	39 21,945	\$2,585,000 \$117.79	10/15/2013 72	\$313,200 \$66,282	8.3 6.5	36 1/1, 3 2/1 2012 reno
3002 W Camelback Rd Phx, 'Fountains on Cmlbck'	34 24,064	\$1,200,000 \$49.87	11/16/2013 1944	\$35,294		18 1/1, 16 2/1 Cash
1801 W Cholla St Phx, 'Villa Angela'	32 24,776	\$935,000 \$37.74	12/2/2013 1986	\$29,219	7.3	32 2/1 1031 Exchange
2850 E Baseline Rd Mesa, 'Lindsay Villas'	32 31,419	\$1,900,000 \$60.47	10/22/2013 1986	\$59,375	6.5	32 2/2 Cash, condo mapped
1925 E Hayden Ln Tempe, 'Hayden Terrace'	30 27,272	\$1,860,000 \$68.20	10/23/2013 1984	\$62,000		30 2/1
1601-1603 W Denton Ln Phx, 'Denton West'	30 14,000	\$1,050,000 \$75.00	10/30/2013 1980	\$35,000	7.5	19 st, 10 1/1, 1 2/1 Cash
1231-1233 E Thomas Rd Phx	27 22,307	\$904,500 \$40.55	12/6/2013 1959	\$33,500		2 st, 158 1/1, 10 2/1 Cash, deferred maintenance
4711 N 15 th St Phx, 'Camelback Springs'	28 19,950	\$1,932,000 \$96.84	10/10/2013 1964	\$202,800 \$69,000	9.5 6.3	18 1/1, 10 2/2
1548 W University Dr Tempe, 'Arbor'	26 20,393	\$1,220,000 \$59.82	12/19/2013 1964	\$163,780 \$46,923	7.4 6.5	1 st, 3 1/1, 22 2/1 77% occupied,
6824 E 4 th St Scottdl, 'Shalimar Sands'	26 20,716	\$2,000,000 \$96.54	10/18/2013 1959	\$76,923		20 1/1, 4 2/2, 2 3/2
1142 E Bethany Home Rd Phx, 'Bethany Court'	22 23,607	\$1,900,000 \$80.48	12/17/2013 1958	\$86,364	6.9	22 2/2
2501 W Elm St Phx, 'Sun West'	20 16,800	\$485,000 \$28.87	10/9/2013 1964	\$94,206 \$24,250	5.1 4.0	1 1/1, 19 2/1 65% Occupancy, Cash
534-542 E Huntington Dr Tempe, 'Casa Brentwood'	20 13,600	\$1,100,000 \$80.88	11/6/2013 1967	\$55,000		20 1/1
310 W Medlock Dr Phx, 'Estates @ Midtown'	16 15,012	\$1,150,000 \$76.61	12/23/2013 64	\$71,875	7.0	12 2/1, 2 3/2 2013 reno
1727-1741 W Mtn View Rd Phx, 'Crestview'	16 12,961	\$491,000 \$37.88	11/14/2013 1985	\$98,880 \$30,688	5.0 6.5	16 2/1 Seller carry back, deferred maintenance
1814 W Vogel Av Phx, 'Mellow Square'	16 11,500	\$456,000 \$39.65	10/31/2013 1983	\$28,500		6 1/1, 10 2/1
7108 N 80 th Av Glndl, '80 th Av'	14 7,296	\$350,000 \$47.97	11/14/2013 1950	\$67,200 \$25,000	5.2 12.5	1 st, 12 1/1, 1 2/1
3110 N 40 th St Phx, 'Melrose Place'	13 12,575	\$750,000 \$59.64	11/15/2013 58/2003reno	\$57,692	6.0	4 1/1, 7 2/2, 2 3/2 Condo mapped, 2003 reno
312 E Kinderman Dr Avondale	13 8,318	\$300,000 \$36.07	10/2/2013 1969	\$23,077		1 st, 2 1/1, 10 2/1

The Metro Phoenix Apartment Market (Q4 2013)

We were fascinated by the year-end 2013 metro-Phoenix apartment sales numbers. Maybe fascinated isn't really the right word; but the numbers are interesting and very encouraging considering the last four years. During 2013, there were 285 sales of apartments with 10 or more units. 182 of these sales had between 10 and 99 units and 103 sales had 100 or more units. Here's where it gets interesting: The 182 sales of 10 – 99 units amounted to \$243,391,008 and 5,955 units. That in itself is pretty impressive, but wait, there's more. The 103 sales of properties with 100 or more units totaled \$2,336,626,810 and 27,428 units! The charts below show the details of the 2013 Multi-Family sales with the additional breakdown of when the property was built.

2013 Metro Phoenix Apartment Sales (10-99 units)

Built	Sales	Volume	Price/u	Price/sf
1940 - 1979	113	\$139,493,022	\$40,388	\$53.03
1980 - 1989	63	\$91,022,986	\$39,234	\$52.37
1990 - 1999	1	\$3,475,000	\$36,198	\$35.59
2000 - 2009	5	\$12,875,000	\$71,133	\$79.28
Totals	182	\$243,391,008		

2013 Metro Phoenix Apartment Sales (100+ units)

Built	Sales	Volume	Price/u	Price/sf
1940 - 1979	23	\$339,214,500	\$50,576	\$68.71
1980 - 1989	46	\$821,440,137	\$73,406	\$86.45
1990 - 1999	12	\$379,720,093	\$103,836	\$109.26
2000 - 2009	22	\$796,253,080	\$138,462	\$144.43
Totals	103	\$2,336,626,810		

A few details to note include that 56 of the 182 sales of 10 to 99 units were "flips" - resales of properties purchased in the past few years. Also, in the 100+ segment, 21 of the 103 sales were sold by Equity Residential, after they made the decision to relocate their MF portfolio to coastal cities. 2013 was clearly a very good year for Multi-Family sales but we did notice a slowdown in the 4th quarter and we are monitoring that closely. There were several obvious reasons for this slowdown: 1. Investors perceive our area as having reached a level with near-term future growth being greatly reduced; 2. The low-priced, value-add opportunities are pretty much gone; and 3. There is an increased concern of the effect of new apartment construction.

We remain, however, very optimistic. Every day brings positive news regarding both business and people moving to the Valley. JOBS are being created and we expect Arizona to regain its position as the State with the fastest growing population in the US. Our weather is certainly more attractive than shoveling snow and the fundamentals for the MF market are strong: occupancy is high and rents are increasing. We expect the strongest markets to be in the B and C Class properties as tenants look for well kept, secure, well-located properties. – per Linda Fritz-Salazar, Assoc. Broker – Kasten Long Commercial Group

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Kasten Long Commercial Group

A FULL SERVICE COMMERCIAL REAL ESTATE BROKERAGE

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