



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

1st QTR 2015

KASTEN LONG COMMERCIAL GROUP: The Kasten Long Commercial Group has specialized in apartment brokerage in metro Phoenix since 1998. Our agents have brokered more than 1,000 communities with gross sales in excess of 1 billion dollars.

The company provides weekly updates (by e-mail) on apartment sales and has published a quarterly apartment newsletter for sixteen years – past issues are available on the company's web site www.KLCommercialGroup.com. **WATCH FOR OUR NEW APARTMENT LISTINGS ON THIS SITE AS WELL!!**

Vacancy Rates Continue to Drop

Vacancy rates for the 1st quarter for stabilized properties with 50 or more units **decreased from 6.1% to 5.7%**. This is the lowest vacancy rate in 10 years. Note that absorption outpaced the new construction. Vacancy rates for the 50-99 communities increased slightly from 5.5% to 5.6% while the 100+ properties decreased from 6.2% to 5.7%. Vacancy rates for each sub-market are posted on our web site under Apartments – Market Data.

New Construction Remains Very Strong

Six projects were completed in Q1 totaling 2,173 units. Three are located in Scottsdale and three in Tempe. There were two new apartment projects started (312 u) in Q1, one in Tempe and one in Goodyear. There are 28 currently under construction representing **6,313 units**. Many of these projects have commenced pre-leasing. There are also 61 additional projects in various stages from initial rezoning to final permitting - representing **14,599 units**. The combined total of “under construction” and in the “pipeline” is **20,912 units**. Details of each project are posted on our web site under “Apartments” – “Market Data”.

Average Rental Rates Continue Increase

For apartment communities with 50-99 units, the average rental rate jumped 2% from the previous quarter. Realize that this is a very strong increase in just three months. Annualized, this would represent more than an 8% increase per year while historical annual increases have been around 3%.

The average rental rate for the 100+ communities also jumped more than 2% over the past quarter, going from \$819 to \$837/per unit. These values reflect all size and age 100+ properties. As such, the actual values are not relative – but the overall trend is significant. In part, however, the increase may be from higher rents being obtained from the newly constructed projects that are now deemed to be stabilized and are now being included in the overall statistics.

KASTEN LONG COMMERCIAL GROUP

- An independent, local, commercial brokerage - **since 1998**.
- Experienced professional specialists with a strong “Client First” mandate.
- **SERVICES:** Apartments and land brokerage - office, retail & industrial brokerage and leasing.

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Multifamily Data - Greater Phoenix Area

Year	Const.	Absorp.	Vacancy
2005	4,967	4,756	5.0%
2006	4,660	(4,653)	5.3%
2007	4,637	(5,846)	8.5%
2008	7,037	(4,466)	10.8%
2009	6,737	(5,319)	14.2%
2010	698	20,743	10.3%
2011	910	2,154	9.7%
2012	2,031	3,028	8.3%
2013	4,452	4,822	7.3%
2014	5,658	4,716	6.1%
2015 (1)	1,578	2,676	5.7%

Data Sources:

2005 - 2011: ASU's Phx Metro. Housing Study (20+ units)

2012 - 2014: RealData, Inc. (50+ units – stabilized)

On a weekly basis via e-mail we offer:

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

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

Greater Phoenix Apartment Sales

1st Qtr - 2015

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
5151 E Guadalupe Rd Phx, 'Carlyle @ S Mountain'	552 569,876	\$63,000,000 \$110.55	1/7/2015 1995	\$114,130	5.4	180 1/1, 260 2/2, 112 3/2 FKA Pinnacle @ S Mountain
4445 N 36 th St Phx, 'Domus'	223 308,600	\$51,550,000 \$167.04	1/29/2015 2013	\$231,166		54 st, 132 1/1, 37 2/2 Cash, in lease up period
20050 N Cave Creek Rd Phx, 'Montage on Cv Creek'	292 434,496	\$42,500,000 \$97.81	1/15/2015 2008	\$145,548	5.6	136 1/1, 138 2/2, 18 3/2 FKA 'Trillium on Cave Creek'
4950 E Van Buren St Phx, 'Ascent @ Papoago Pk'	270 308,938	\$36,220,000 \$117.24	2/26/2015 2007	\$134,148	5.3	102 1/1, 144 2/2, 24 3/2 FKA 'Trillium Papago'
2121 W Main St Mesa, 'Midtown on Main'	472 371,178	\$34,950,000 \$89.35	1/6/2015 1988	\$74,047		186 1/1, 286 2/2
8809 S Pointe Pky E Phx, 'Pte @ S Mountain'	346 210,088	\$33,000,000 \$106.42	1/21/2015 1988	\$90,956	6.0	206 1/1, 30 2/1, 128 2/2
2354 W University Dr Mesa, 'Green Leaf on Univ'	266 193,720	\$19,200,000 \$99.11	1/26/2015 84/07 reno	\$72,180	5.8	128 1/1, 138 2/2 FKA 'Shadow Creek'
3848 N 3 rd Av Phx, 'Hawthorne Lux Rntls'	186 of 276 181,454	\$19,110,000 \$106.06	1/7/2015 96/07 reno	\$105,000	6.2	Condo mapped, broken condo
4715-4227 N 27 th Dr Phx, 'Willow Springs'	468 310,598	\$13,250,000 \$42.66	3/20/2015 85/06 reno	\$28,312		252 1/1, 108 2/1, 108 2/2 REO auction sale, deferred maintenance
3001 N Black Canyon Hwy Phx, 'Bella Manor'	214 169,592	\$8,600,000 \$50.71	3/31/2015 1973	\$40,187		3 st, 44 1/1, 166 2/2, 1 3/2 FKA 'Rancho Encanto'
650 S Country Club Dr Mesa, 'Mesa Ridge'	151 129,250	\$8,500,000 \$65.76	3/26/2015 74/84	\$26,291		32 1/1, 59 2/1.5, 60 2/2
2025 W Indian School Rd Phx, 'Bella Place'	280 133,308	\$7,725,000 \$57.95	1/15/2015 1973	\$27,589	6.8	128 st, 144 1/1, 4 2/1, 4 2/2 203 units have been renovated w/ 3 years
202 S Hardy Dr Tempe, 'Dolce Villagio TH'	37 52,652	\$7,000,000 \$132.95	1/28/2015 2007	\$708,000 \$189,189	10.1 7.5	19 2/2.5, 18 3/3 Condo mapped, 2 garage on each unit
3434 E McDowell Rd Phx, 'Santerra'	128 91,784	\$5,807,500 \$63.27	3/26/2015 1985	\$45,371		36 1/1, 92 2/1
6816 W Bethany Home Rd Gndl, 'Tuscano Village'	120 116,074	\$5,800,000 \$49.97	2/20/2015 1974	\$48,333		36 2/1, 84 3/1 Condo mapped
1045 S San Jose St Mesa, 'Village Green'	108 60,762	\$5,300,000 \$87.23	3/25/2015 1974	\$49,074	6.2	33 st, 75 1/1
4529 W Ocotillo Rd Gndl, 'Maryland Gardens'	120 88,896	\$5,100,000 \$57.37	2/26/2015 83/04 reno	\$42,500		72 1/1, 48 2/2
6240 N 63 rd Av Gndl, 'The Glen'	129 of 200 87,259	\$5,000,000 \$57.30	2/5/2015 1985	\$25,000		Condo mapped
1895-1901 E Don Carlos Av Tempe, 'Arizona Sun'	58 42,305	\$3,675,000 \$86.87	3/31/2015 1983	\$63,362	4.8	16 1/1, 42 2/1
1523 W Colter St Phx, 'Villa Contenta'	62 49,300	\$3,455,000 \$70.08	2/18/2015 1986	\$55,726	8.5	48 2/1, 14 3/1
1133 W 5 th St Tempe, 'Palm Terrace'	44 39,600	\$3,050,000 \$77.02	2/3/2015 1973	\$39,318		44 2/2
2641 W Butler Dr Phx, 'Desert Sun'	75 57,750	\$2,912,500 \$50.42	1/30/2015 1972	\$38,833	7.3	15 st. 15 1/1, 45 2/2
1414 E Osborn Rd Phx, 'Osborn Place'	30 20,957	\$1,830,000 \$87.32	1/9/2015 1958	\$61,000	7.8 6.4	2 st, 27 1/1, 1 2/1.5
3445 N 36 th St Phx, 'Arcadia Rose Garden'	32 54,105	\$1,800,000 \$33.27	1/29/2015 1969	\$60,000	6.6	30 2/1, 2 3/2
929 E Bethany Home Rd Phx, 'Toscana'	24 14,858	\$1,750,000 \$117.78	1/29/2015 1970	\$72,917	6.5	15 1/1, 7 2/1, 1 2/2, 1 3/2 1031 Exchange, 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, RealData, VIZZDA
 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
1627-1635 N 51 st St Phx, 'Papago Pines'	26 21,384	\$1,750,000 \$81.84	2/27/2015 1989	\$67,308	6.2	10 1/1, 16 2/2
2738 W Augusta Av Phx, 'Cimmaron Springs'	66 30,420	\$1,749,000 \$57.50	2/23/2015 1974	\$26,500	5.8	6 st, 54 1/1, 6 2/1 Cash
726 W Hatcher Rd Phx, 'Desert Arbor I & II'	73 54,467	\$1,700,000 \$31.21	1/8/2015 1970	\$526,572 \$23,288	3.2	34 1/1, 39 2/1
842 N 6 th Av Phx, 'Chester Place Lofts'	11 11,335	\$1,650,000 \$145.57	2/6/2015 2008	\$150,000		11 1/1.5 Condo mapped
2104-2122 E Fairmount Av Phx, 'Loma Linda Garden'	26 20,757	\$1,500,000 \$72.26	1/15/2015 1964	\$57,692		1 st, 1 1/1, 23 2/1, 1 3/2
2551 W McLellan Blvd Phx, 'Eagle Terrace'	38 28,310	\$1,330,000 \$46.98	1/26/2015 1982	\$35,000	6.7	14 1/1, 24 2/1 FKA Fig Tree, deferred maintenance, dbl escr
3021 N 39 th St Phx, 'Park Place Townhomes'	13 22,360	\$1,300,000 \$58.14	2/13/2015 1964	\$100,000		13 3/2 Condo mapped
1433 S Stanley Pl Tempe	22 12,856	\$1,300,000 \$101.12	1/15/2015 1975	\$59,091	6.3	22 1/1 1031 Exchange
1452 E Cinnabar Av Phx, 'Mount Crescent'	25 15,780	\$1,200,000 \$76.05	3/31/2015 1980	\$48,000	6.7	21 1/1, 2 2/2, 2 3/2 Master metered
500 E Montebello Av Phx, 'Montebello'	17 10,640	\$1,150,000 \$108.08	1/7/2015 1964	\$67,647		14 1/1, 2 2/1, 1 3/1
1216 E Rose Ln Phx, 'Desert Stone Condos'	13 11,667	\$1,100,000 \$94.28	3/23/2015 1959	\$84,615	6.4	13 1/1 Condo mapped
631 N 4 th Av Phx, '4 th Avenue'	16 7,104	\$1,040,000 \$146.40	1/12/2015 1957	\$65,000		13 st, 3 1/1
3234 N 38 th St Phx	14 14,258	\$860,000 \$60.32	3/31/2015 1962	\$61,429	6.3	13 2/1, 1 3/2
510 E Hatcher Rd Phx, 'Palmilla'	24 14,358	\$790,000 \$55.02	3/5/2015 1984	\$32,917		12 1/1, 12 2/1
4142 N 25 th St Phx, 'Bristol Manor'	15 13,544	\$766,000 \$56.56	2/2/2015 1966	\$51,067	5.0	1 st, 101/1, 4 2/2 Deferred maintenance
6502 N 17 th Av Phx, 'The Parisian'	16 14,190	\$750,000 \$52.85	2/9/2015 1964	\$46,875		4 1/1, 12 2/1
1501-1527 E Oak St Phx, 'Oak Tree'	15 11,955	\$750,000 \$62.74	2/20/2015 1957	\$50,000	7.6	15 2/1
4236 N 12 th St Phx, 'Desert Villas'	22 10,105	\$725,000 \$71.75	1/7/2015 1948	\$32,955		13 st, 8 1/1, 1 2/2
2417 W Campbell Av Phx, 'Buena Vida'	24 26,145	\$672,000 \$25.70	2/17/2015 83/15 reno	\$28,000		24 2/1 Double escrow \$612,000, 2/9/2015 \$525,000
5110 N 21 st Av Phx, 'Camelback Courts'	16 13,150	\$612,493 \$46.58	3/20/2015 1965	\$38,281		1 1/1, 15 2/1
49-61 E Ingram St Mesa	15 11,124	\$593,000 \$53.31	2/27/2015 1973	\$29,533		15 1/1 Cash
1736 E Brill St Phx, 'Brill Square'	18 9,520	\$580,000 \$60.92	2/23/2015 1983	\$32,222		12 1/1.5, 6 2/1 Double escrow \$525,000
3511 W Rovey Ave Phx, 'Innsbruck'	10 6,380	\$495,000 \$77.59	1/20/2015 1969	\$49,500	6.4	1 st, 3 1/1, 6 2/1 30% occupied
1801-1809 W Mtn View Rd Phx, 'Mountain View'	16 10,975	\$375,000 \$34.17	2/12/2015 1963	\$23,438		1 st, 6 1/1, 9 2/1
2224 N 27 th St Phx	10 6,175	\$343,883 \$55.69	3/20/2015 1980	\$34,288		10 1/1 Seller carry back
4328 N Longview Av Phx	10 5,827	\$335,000 \$57.49	1/12/2015 1958	\$33,500	6.0	1 st, 7 1/1, 2 2/2 Deferred maintenance
602 S 17 th Av Phx, 'Vista Palms'	17 4,250	\$219,300 \$51.60	2/13/2015 1947	\$12,900		17 st REO Sale
2203 E McKinley St Phx, 'McKinley Street'	10 5,220	\$213,000 \$40.80	3/3/2015 1964	\$21,300	7.1	4 st, 6 1/1

The Metro Phoenix Apartment Market (Q1 2015)

In the first quarter of 2015, there were a total of 54 individual multifamily transactions with 10 units or more. This is about 15% to 20% fewer sales than previous quarters. Of these sales, only 18 had more than 100 units, two were bank-owned, two were reported as being 1031 exchanges, one was a broken condo and most were purchased with new loans. Three of the sales were double escrows. Double escrows typically represent a person (or company) securing an option on a property and then finding a buyer to pay more. The option is normally NOT obtained by a real estate agent – rather an entity making money at the expense of an owner.

The Greater Picture

We often work with apartment owners and buyers that live outside of Arizona – especially California. What they tell us sometimes makes us see Arizona more clearly. For example, CAP rates in California are often only 1% to 2%. We are also not burdened by “rent controls” and have the ability to raise rents at the expiry of a tenant’s lease. Arizona is a fairly landlord friendly state – not so in many states. California was a driving force in our market between 2000 and 2008 – they are just starting to return.

Arizona and metro Phoenix – A Very Bright Future

If you know us, you know we are optimistic about Arizona, metro Phoenix and our apartment market. From 1960 to 2007, Arizona was either 2nd or 3rd both in percent population and employment growth. Between the overall US recession and SB 1070, Arizona was hit much harder than most states – as such, it’s taking a bit longer to recover. We lost more than 350,000 jobs in the recession, but we have gained back about 85% - with software / information technology, healthcare and financial services leading the way. When construction jobs return, we will have a much more diversified economy going forward. **Maricopa County (metro Phoenix) is now the second fastest growing county in the US** and a portion of these folks will live in apartments.

“B” and “C” Properties – the Place to Be

With the continued new apartment construction, class “A” and similar product will soon come under rental rate and occupancy pressure. But “B” and “C” class, with more affordable rents and no new construction, should continue to flourish. We’re just beginning to see the dynamics take shape. Rents in “B” and “C” properties are not just increasing – they’re jumping. Properties that have been repositioned, the new “fix & flips”, are often seeing rents easily jump from \$650 to more than \$1,000 for standard two-bedroom apartments.

It’s Not Blind Optimism

Are there dark clouds that could derail the dynamics? Sure! We’re conscious of world problems, pressure on the US dollar, Arizona or the US government creating problems, a fragile US economy, the potential for over-building, the fact that real estate is always cyclic, and not to forget interest rates soon to be increased. Even with the “B” and “C” properties, if rents increase too much, the government may start adding more affordable housing projects and may impose LURA requirements on new loans.

Never Forget “Location”

If you are considering selling, this is a great market. If you are a buyer, look to pay a bit more than what past financials may warrant – we see a pretty bright future for at least the next few years. One thing is always important – **buy the best location possible**. Linda’s new listing “Sora on Rose”, a 92 unit property, is in a perfect location on 16th Street just north of Bethany Home Road.

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Kasten Long Commercial Group

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