



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

1st QTR 2016

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. If you are not receiving this info. – just let us know. We also have published our quarterly apartment newsletter for sixteen years – past issues and other market data are available on our web site www.KLCommercialGroup.com. **WATCH FOR OUR NEW APARTMENT LISTINGS ON THIS SITE AS WELL!!**

10,000+ Units to be Completed in 2016

We recently switched from RealData to Yardi Systems, Inc. for new construction data. Yardi reports that 9 projects were completed in Q1 with a total of 1,983 units. Just one project was started in Q1. This is 349 unit complex at 16th Street and Highland in central Phoenix. They also project that more than 10,000 units will be completed in 2016. Currently there are **11,697** units under construction with 21,266 planned and 7,395 in the initial stages. All total, there are **40,348** units in the overall pipeline. Call us for more information on any of these projects or for a link to our map showing locations of the new and proposed projects.

Low Vacancy Driving Higher Rents

It's fairly obvious that low vacancy rates allow owners to increase rents. At present, we do not have sufficient supply to accommodate the demand. Since the end of 2010, both rental rates and occupancy rates have been increasing. Vacancy rates across most of the Valley are 4% to 5% with little sign of increasing in the near future. At some point, however, the new apartment construction will start to create an oversupply. This will be felt mostly with the higher-dollar, class "A" properties. As the supply of apartments increases, vacancy rates will also increase. This will result in a flattening of the rental rates.

This begs the question, when will we start having an over-supply. The general consensus is that we have at least a couple years of continued low vacancy and therefore rising rents. Part of the reasoning is that the new construction is making up for the lack of new apartments between 2010 and 2013 – essentially when there was little money for new construction. Another part of the reasoning is that Maricopa County has a population growth of about 1.4% - that equates to about 56,000/year. If 20% of the housing units in the County are apartments (rough number), then we need space for 11,000+ folks each year. Another factor is that some of the new apartments are of such nice quality, some folks are renting these units as a 2nd home. An easy lock & leave.

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
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	6,720	3,728	5.7%
2016 (1)	1,983		4.3%

Data Sources:

2005 - 2011: ASU's Phx Metro. Housing Study (20+ units)
 2012 - 2015: RealData, Inc. (50+ units – stabilized)
 2016 Yardi Systems, Inc.

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
- New - Interactive Map Available**

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

Greater Phoenix Apartment Sales

1st Qtr - 2016

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
17030 N 49 th Street Scottsdale, 'IMT Desert Ridge'	412 424,368	\$68,000,000 \$160.24	03/31/2016 1996	\$165,049		144 1/1, 196 2/2, 72 3/2 FLIP: 6/12 - \$42.5M
4909 W Joshua Blvd Chandler, 'Country Brook'	396 381,333	\$64,500,000 \$169.14	01/29/2016 1986	\$162,879		144 1/1, 172 2/2, 80 3/2
777 W Chandler Blvd Chandler, 'The Fairways'	352 339,720	\$47,000,000 \$138.35	03/17/2016 1996	\$133,523		76 1/1, 116 2/1, 116 2/2, 44 3/2 Renovated 1996 FLIP: 3/13 - \$35.215M
12175 W McDowell Road Avondale, 'Ashton Pointe'	314 299,242	\$42,500,000 \$142.03	02/29/2016 2009	\$135,350		110 1/1, 176 2/2, 28 3/2
5635 E Bell Road Scottsdale, 'Bellagio'	202 188,564	\$36,250,000 \$192.24	03/31/2016 1995	\$179,455		80 1/1, 102 2/2, 20 3/2 FLIP: 2/13 - \$36.250M
13015 W Rancho Santa Fe Avondale, 'Rio Santa Fe'	336 347,086	\$33,750,000 \$97.24	01/29/2016 2000	\$100,446		180 1/1, 144 2/2, 12 3/2
7400 W Arrowhead Clubhse Glendale, 'Pavilions'	248 413,481	\$31,600,000 \$76.42	02/01/2016 1998	\$127,419	4.95	82 1/1, 156 2/2, 10 3/2
8201 W Beardsley Road Peoria, 'Sonoma Ridge'	240 311,556	\$30,200,000 \$96.93	02/11/2016 2001	\$125,833	4.15	120 1/1, 112 2/2, 8 3/2
4127 E Indian School Road Phx, 'Arcadia Del Sol'	260 209,490	\$23,450,000 \$111.94	03/30/2016 1970	\$90,192		112 1/1, 69 2/1, 79 2/2 Renovated 2004
1820 W Lindner Avenue Mesa, 'La Costa'	194 202,342	\$19,500,000 \$96.37	03/14/2016 1979	\$100,515		194 2/2 FLIP: 7/12 - \$16.050M Debt Assumption, Renovated 2007
4502 E Paradise Village Pky Phx, 'The Enclave at PV'	174 143,058	\$19,000,000 \$132.81	02/25/2016 1985	\$109,195	5.5	120 1/1, 54 2/2
901 S Dobson Road Mesa, 'Sorrento'	226 168,308	\$18,000,000 \$106.95	01/29/2016 1982	\$79,646	5.67	18 st, 98 1/1, 42 2/1, 68 2/2
5220 W Northern Avenue Glendale, 'Sonoma Terrace'	260 185,504	\$15,350,000 \$82.75	03/23/2016 1979	\$59,038		40 st, 152 1/1, 68 2/2 FLIP: 9/13 - \$9.1M
8021 E Osborn Road Scottsdale, 'The Winfield'	95 74,140	\$13,000,000 \$175.34	02/10/2016 1969	\$136,842	5.75	45 1/1, 40 2/1, 10 2/2 Debt Assumption, Master Metered
4001 W Camelback Road Phx, 'Estancia Del Sol'	349 174,508	\$10,250,000 \$58.74	02/09/2016 1973	\$29,370		98 st, 228 1/1, 23 2/2 Master Metered
1532 S Price Road Tempe, 'Riviera Village'	165 111,625	\$10,000,000 \$89.59	02/29/2016 1980	\$60,606	5.0	80 1/1, 85 2/1
1120 S Sycamore Mesa, 'Sycamore Square'	120 104,000	\$9,950,000 \$95.67	02/29/2016 1979	\$82,917	5.5	120 2/2 1031 Exchange, Renovated 2011
6231 N 67 th Avenue Glendale, 'Shadow Rose'	148 119,096	\$8,000,000 \$67.17	03/23/2016 1985	\$54,054		72 1/1, 76 2/2
2735 E Thomas Road Phx, 'Vibe on Thomas'	100 60,395	\$5,025,000 \$83.20	03/17/2016 1969	\$50,250		36 st, 63 1/1, 1 2/1 Master Metered, FLIP: 12/12 - \$3.175M
9502 N 15 th Avenue Phx, 'Desert Sands'	92 62,246	\$4,400,000 \$70.69	03/02/2016 1984	\$47,826	7.1	12 st, 24 1/1, 56 2/1 Seller Carry
2433 W Campbell Avenue Phx, 'Mirabella'	76 64,600	\$3,686,000 \$57.06	02/25/2016 1972	\$48,500	6.02	76 2/2 Double Escrow
2433 W Campbell Avenue Phx, 'Mirabella'	76 64,600	\$3,450,000 \$53.41	02/25/2016 1972	\$45,395	6.43	76 2/2, FLIP: 6/14 - \$2,681,250 Double Escrow
1545 W Camelback Road Phx, 'Warren House'	92 43,366	\$2,750,000 \$63.41	02/12/2016 1967	\$29,891		44 st, 48 1/1
1737 W Desert Cove Avenue Phx, 'Villa Mira Monte'	40 44,774	\$2,300,000 \$51.37	01/08/2016 1988	\$57,500	5.6	40 2/2 Deferred Maintenance
3734 W Camelback Road Phoenix, 'Camelback Palms'	32 23,000	\$2,070,000 \$90.00	02/12/2016 1982	\$64,688		12 1/1, 20 2/1

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
2602 W Glenrosa Avenue Phx, 'Silktree'	71 37,000	\$1,995,000 \$53.92	03/04/2016 1979	\$28,099	12.26	47 st, 21 1/1, 3 2/1 1031 Exchange, Seller Carry
3011-3029 N 38 th Street Phx, 'Montego/Wyndham'	29 19,354	\$1,925,000 \$99.46	02/18/2016 1971	\$66,379		13 1/1, 15 2/1, 1 3/2 Cash Sale, FLIP: 9/13 - \$1,177,500
1620 N 51 st Street Phx, 'Casa Hermosa'	44 28,760	\$1,825,000 \$63.46	01/12/2016 1980	\$41,477	5.9	36 1/1, 8 2/1 Deferred Maintenance, FLIP: 2/13 - \$1.150M
1222 E Mountain View Road Phx, 'Mountain Creek'	38 37,838	\$1,750,000 \$46.25	02/12/2016 1985	\$46,053	5.94	38 2/1 Deferred Maintenance, Master Metered
320 W Pasadena Avenue Phx, 'Pasadena Garden'	20 16,958	\$1,689,000 \$99.60	03/25/2016 1958	\$175,200 \$80,429	4.68	8 1/1, 6 2/1, 2 2/2, 4 3/2
512-514 E Mariposa Street Phx, 'The Carolina'	18 12,000	\$1,650,000 \$137.50	01/15/2016 1951	\$171,780 \$91,667	6.48	18 1/1 Renovated 2015, FLIP: 11/14 - \$870K
2424 E Grandview Road Phx, 'Grandview Terrace'	36 23,850	\$1,570,000 \$65.83	03/31/2016 1984	\$43,611	9.13	3 st, 6 1/1, 27 2/1 FLIP: 7/13 - \$1.350K
1914 W Hayward Avenue Phx, 'El Moro Sun'	26 20,332	\$1,558,000 \$76.63	03/29/2016 1968	\$59,923	6.91	26 2/1 Condo Mapped
2521 W Elm Street Phx, 'Casa Paradise'	35 26,506	\$1,557,000 \$58.74	02/26/2016 1964	\$44,486		1 st, 12 1/1, 22 2/1 Seller Carry
2522 W Highland Avenue Phx, 'Six Palms'	35 24,520	\$1,327,500 \$54.14	01/04/2016 1964	\$37,929		1 st, 13 1/1, 21 2/1 1031 Exchange, FLIP: 12/14 - \$1.075M
5010 N 22 nd Avenue Phx, '22 nd Avenue Apts.'	16 17,456	\$1,262,500 \$72.32	03/30/2016 2004	\$78,906	6.7	16 3/2
1010-1012 S Smith Road Tempe	16 11,520	\$1,250,000 \$108.51	02/24/2016 1961	\$78,125	6.0	16 2/1
315 W 10 th Place Mesa, 'Town & Country'	19 15,855	\$1,160,000 \$73.16	02/16/2016 1960	\$61,053	5.7	14 1/1, 5 2/1 Deferred Maintenance
1921 E Hayden Lane Tempe, 'Hayden Lane'	13 11,050	\$1,150,000 \$104.07	01/07/2016 1985	\$88,462		13 2/1, FLIP: 10/13 - \$892K Seller Carry, Master Metered for Water/Sewer
2049 W Hayward Avenue Phx, 'Hayward'	16 11,397	\$1,150,000 \$100.90	03/24/2016 1985	\$71,875	7.0	1 st, 14 2/1, 1 3/1, FLIP: 10/12 - \$1.150M 1031 Exchange, Renovated 2014
100 W Ray Road Chandler, 'Sundance'	16 12,676	\$1,150,000 \$90.72	03/18/2016 1965	\$71,875	8.33	16 2/1 1031 Exchange
43 N Harris Drive Mesa, 'Harris Place'	48 17,730	\$1,125,000 \$63.45	01/29/2016 1987	\$23,438	8.61	30 st, 18 1/1
3141 N 37 th Street Phx, 'Sir John's'	14 11,340	\$1,100,000 \$97.00	03/31/2016 1967	\$119,000 \$78,571	7.0	14 2/1 1031 Exchange, FLIP: 8/12 - \$655K
9411 N 13 th Avenue Phx, 'Foothill Acres'	25 15,040	\$1,020,000 \$67.82	02/01/2016 1976	\$40,800		24 1/1, 1 2/- Cash Sale, FLIP: 1/14 - \$416,516
328 E Willetta Street Phx, 'Ritz Towers'	14 6,700	\$950,000 \$141.79	03/25/2016 1967	\$67,857	6.49	12 st, 2 1/1 FLIP: 6/12 - \$595K
2002 N 8 th Street Phx	17 8,083	\$940,000 \$116.29	03/11/2016 1925	\$55,294		5 st, 11 1/1, 1 2/1 FLIP: 10/14 - \$400K
3142 N 39 th Street Phx, 'Cypress Gardens'	14 11,520	\$930,000 \$80.73	03/01/2016 1968	\$66,429		14 2/1
15435 N Cave Creek Road Phx, 'Park Pacific'	26 14,820	\$905,000 \$61.07	02/29/2016 1985	\$156,000 \$34,808	6.06	20 1/1, 6 2/2 1031 Exchange
8030 E Garfield Street Scottsdale	11 8,202	\$890,000 \$108.51	01/05/2016 1961	\$80,909	7.4	2 st, 2 1/1, 2 2/1, 4 2/2, 1 3/2 Deferred Maintenance
123 W Missouri Avenue Phx, 'Missouri & Central'	14 5,500	\$883,750 \$160.68	02/02/2016 1966	\$63,125	7.34	1 st, 12 1/1, 1 2/1
3029 E Danbury Road Phx, 'Villa Danbury'	12 10,400	\$850,000 \$81.73	02/11/2016 1984	\$70,833	6.17	10 2/2, 2 3/2
4020 N 11 th Street Phx	14 10,452	\$850,000 \$81.32	01/14/2016	\$60,714	8.69	14 2/1 Cash Sale
2536 N 53 rd Street Phx	10 7,208	\$845,000 \$117.23	02/17/2016 1957	\$97,416 \$84,500	6.29	6 1/1, 4 2/1 1031 Exchange, FLIP: 6/13 - \$402,755

The Metro Phoenix Apartment Market (Q1 2016)

In the 1st quarter of 2016, there were a total of 70 individual apartment sales with 10 or more units. Of these, 19 had at least 100 units and 9 included at least one leg of a 1031 exchange. Of the 70 total sales, 30 were “Flips” – properties resold within the past four years (see pages 2 and 3 for details). Most of the Flips were on the smaller size properties. There were also 3 portfolio sales that included 9 properties and 3 broken condo sales. **If you would like to receive weekly updates on apartment sales – just let us know.**

Items of Possible Concern

In our 2015 Q4 newsletter, we talked about the apartment market in metro Phoenix having more favorable fundamentals than many other parts of the US. While that is true, we don’t want to give anyone the impression that we only see a “blue sky” future. Real estate is cyclic and at some point, we will enter into the “hypersupply” phase. Here are a few things to be aware of: **1.** CAP rates are about as low as they can go; **2.** tenants are paying a higher percentage of their income and at some point there will be a cap; **3.** interest rates will increase – decreasing a buyers cash-on-cash return; and **4.** new construction at some point will not be able to be absorbed. While these factors may not create a significant downturn, they are likely to flatten-out the previous rising apartment values.

What’s the Value for Raising Rents?

Here’s a couple examples of how maximizing rents will lead to obtaining the highest value. Regardless of the size of a property, if your property would sell at a 5.0 CAP rate, for every \$100 increase in net monthly rental income, your property value would increase \$24,000 ($\$100 \times 12 \text{ months} / 0.05$). If your property had 50 units and you increased each unit by \$100, the increase in value would be \$1,200,000 ($\$100 \times 50 \times 12 / 0.05$). Obviously this a pretty simple concept, but it emphasizes the significance of your rents, both to a buyer and a buyer’s lender. Because rental rates have been increasing quickly, lenders are often underwriting cash flow using trialing 12 months of expenses BUT then using current rents and projecting income for a year! Lenders will also look to see the most recent rent for each different unit type. So, always try to obtain the highest rent possible.

Suggestions for Raising Rents

A few ideas might include updating paint and landscaping, providing wireless internet, adding security cameras, making the common areas more secure with walls or fencing, or possibly increasing lighting in parking areas for more security. These items show you care about improving your tenant’s home--items they should be willing to pay a bit more for in rent. If your units have the ability (space and plumbing) to add washers and dryers in the apartment, this can often generate a \$50 to \$100/month increase in rent. Another means to increasing rents is to charge tenants for a portion of any owner-paid water/sewer/electric/gas bills (commonly called RUBS, Ration Utility Billing Systems). Almost every large apartment community already uses some form of RUBS. Smaller complexes are quickly catching on.

Know your Market

Since about 2010, rental rates have been increasing across the Valley, and have significantly jumped in recent years. Large properties with professional management are pretty good about watching the market and pushing rents. However, we find that many smaller properties, especially when management has developed a social rapport with their tenants, are happy to obtain only a \$25/mo bump in rents every year. Often, they do not realize that the market has increased much more. If you need help evaluating your specific rental market, we’re happy to help.

Kasten Long Commercial Group

A FULL SERVICE COMMERCIAL REAL ESTATE BROKERAGE

Delivering THE New Standard of Commercial Brokerage Excellence

www.KLCommercialGroup.com