



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

1st QTR 2017

KASTEN LONG COMMERCIAL GROUP: The Kasten Long Commercial Group (KLCG) has specialized in apartment brokerage in metro Phoenix since 1998. Our “client first” agents have brokered more than 1,000 communities with gross sales more than 1 billion dollars. Besides being an exceptional brokerage, the company is a resource for all metro Phoenix apartment owners and provides weekly updates on apartment sales, in-depth quarterly apartment newsletters, tracks vacancy/rental rates/concessions by each submarket and compiles updated data on all current, planned and prospective new apartment construction projects.

KLCG Partners with AMA

The **Kasten Long Commercial Group (KLCG)** recently formed a partnership with the **Arizona Multihousing Association (AMA)** to oversee their Independent Apartment Owners Group and will provide quarterly meetings that focus on what’s currently driving and projected to fuel the major economic engines across metro Phoenix. The first meeting focused on Tempe and the second meeting (May 17) highlighted the HOT downtown Phoenix Apartment market – with keynote speaker Christine Mackay, Director of Economic Development for City of Phoenix.

The unique GOAL of this partnership is to provide metro Phoenix apartment owners with the knowledge to make the most informed decisions and to suggest multiple ways to increase cash flow and overall property value. Meetings are open to everyone. Please contact Jim Kasten, CCIM for detailed information on past presentations and future meetings.

New Apt. Units Construction Slowing

There were 8,024 units completed in 2016 but only 7,456 are scheduled for completion in 2017. Site availability, plus escalating land and construction costs are partly the cause. This is a trend nationwide as well. Currently, there are 15,406 units under construction, 14,620 planned and 11,854 prospective. More details are available upon request.

Occupancy Strong - Rental Rates Leveling

With occupancy across the Valley in all class properties reporting at 95.1%, rental rates are continuing to climb. While all class properties are still reporting rental rate growth, the increase over the past year is only a small fraction of the growth over the past four years. Minimal concessions are common across the Valley for all class properties, the exception being the class “A” properties that now exceed 10% in the South Scottsdale, South Paradise Valley and MetroCenter submarkets.

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.	Vacancy
2008	7,037	10.8%
2009	9,315	14.2%
2010	2,593	10.3%
2011	614	9.7%
2012	1,372	8.3%
2013	3,655	7.3%
2014	4,820	6.1%
2015	5,089	5.7%
2016	8,024	5.8%
2017 (1)	1,459	4.9%

Data Sources: Yardi Matrix, CoStar, Vizda

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 - 2017

ADDRESS CITY, 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1949 E University Dr Tempe, Regents On Univ.	130 113,730	\$52,975,000 \$200.24	03/01/2017 2010	\$235,444	5	St. 35, 3 1/1, 65 2/2, 27 3/3 Student Housing 225 Beds, Flip
15255 N FLW Blvd Scotts, 'Scottsdale Highlands'	272 302,150	\$48,500,000 \$160.50	02/28/2017 1990	\$178,309	5.55	82 1/1, 156 2/2, 34 3/2 Flip
265 N Gilbert Rd Mesa 'Sonoran Canyon'	388 312,952	\$40,700,000 \$130.05	02/10/2017 1985	\$104,897	5.9	224 1/1, 48 2/1, 116 2/2 Flip, Cash
505 W Baseline Rd Tempe, '505 W Apt Homes'	334 286,168	\$37,250,000 \$130.17	03/21/2017 1981	\$111,527	5.53	160 1/1, 56 2/1, 100 2/2, 18 3/2 Flip
1711 S Extension Rd Mesa, 'Tierra Del Sol Apts'	276 257,196	\$31,050,000 \$120.73	02/23/2017 1985	\$112,500	5.95	92 1/1, 184 2/2
235 E Ray Rd Chandler, 'Palm Trails'	201 227,116	\$28,750,000 \$126.59	03/01/2017 2002	\$141,626	5.43	181 2/2, 20 3/2 Flip
4101 W Union Hills Dr Gdale, 'Union Hills Estates'	302 203,568	\$26,500,000 \$130.18	01/18/2017 1985	\$93,972	5.9	122 1/1, 180 2/2
20251 N 75 th Ave Gdale, 'Laguna at Arrowhead'	160 173,702	\$25,750,000 \$148.24	01/12/2017 1998	\$160,938		60 1/1, 76 2/2, 24 3/2
5402 E Washington Ave Phoenix, 'Mandarina'	180 152,892	\$25,000,000 \$163.51	03/13/2017 2002	\$138,889	5.3	111 1/1, 69 2/2 1031 Exchange
22280 S 209 th Way Queen Crk, 'Twn Center Apts'	176 182,360	\$22,650,000 \$124.20	01/30/2017 2008	\$128,693	6.2	40 1/1, 112 2/2, 24 3/2
1313 S Val Vista Dr Mesa, 'Gentys Walk Apts'	176 134,640	\$20,600,000 \$153.00	01/18/2017 1986	\$117,045	5.5	96 1/1, 80 2/2 1031 Exchange
615 S Hardy Dr Tempe, 'The Standard Apts'	228 205,926	\$20,350,000 \$98.82	01/23/2017 1971	\$89,254	5.9	76 1/1, 76 2/1, 76 3/1 Flip
1033 S Longmore St Mesa, 'Fiesta Park'	320 234,696	\$20,000,000 \$85.22	03/15/2017 1979	\$62,500	5.74	232 1/1, 88 2/2
13517 W Glendale Ave Glendale, 'Desert Gardens'	307 145,181	\$19,500,000 \$134.32	03/31/2017 1984	\$64,145	7.22	96 St, 208 1/1, 3 2/1 1031 Exchange
222 W Clarendon Ave Phoenix, 'Clarendon Park Apt'	138 96,942	\$17,500,000 \$180.52	03/14/2017 2002	\$126,812	5	St. 36, 18 1/1, 84 2/2
1145 W Baseline Rd Tempe, 'Sevilla Apt Homes'	169 119,032	\$16,350,000 \$137.36	03/10/2017 1982	\$96,746	5.8	88 1/1, 1 2/1, 80 2/2
11821 N 28 th Dr Phoenix, 'Sterling on 28 th '	224 159,400	\$14,350,000 \$90.03	02/13/2017 1980	\$64,063		St. 24, 120 1/1, 80 2/2 1031 Exchange, Flip
8130 W Indian School Rd Phoenix, Terrace Park	213 173,641	\$14,250,000 \$82.07	03/16/2016 1984	\$66,901	6.3	16 1/1, 124 2/1, 73 2/2 Flip
949 S Longmore Mesa, 'The Montego'	154 127,048	\$13,900,000 \$109.41	03/2/2017 1979	\$90,260	6.67	30 1/1, 25 2/1, 99 2/2
1620 W Southern Ave Mesa, 'Urban Trl @ The Dist'	156 110,960	\$13,100,000 \$118.06	01/12/2017 1974	\$83,974	5.75	St. 32, 76 1/1, 48 2/1 Flip, FKA Newport Mesa
77 W Coolidge St Phoenix, 'The Monarch'	120 92,394	\$12,050,000 \$130.42	02/27/2017 1974	\$100,417		76 1/1, 44 2/2
5656 N 17 th Ave Phoenix, 'Bella Solano Apts'	160 98,948	\$11,550,000 \$116.73	02/21/2017 1973	\$72,188	6.3	St. 48, 90 1/1, 22 2/1 1031 Exchange
6131 N 27 th Ave Phoenix, 'Desert Place'	260 177,108	\$11,300,000 \$63.80	01/27/2017 1982	\$43,462		St. 56, 120 1/1, 84 2/2
6241 N 27 th Ave Phoenix, 'Palm Aire Apts'	186 140,616	\$11,200,000 \$79.65	03/24/2017 1982	\$60,215	6.5	93 1/1, 93 2/2 Flip
7077 W McDowell Rd Phoenix, 'Sunpointe Apts'	152 122,232	\$10,800,000 \$88.36	01/26/2017 1984	\$71,053	6.81	64 1/1, 88 2/2

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, YARDI, ARMLS, BREW, 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
4111 N 21 st St Phoenix, 'Via 21'	68 62,706	\$10,525,000 \$167.85	03/31/2017 1987	\$154,779	5.45	24 1/1, 44 2/2 1031 Exchange, Flip
6333 N 12 th St Phoenix, 'Regency Park Apts'	104 92,098	\$9,150,000 \$99.35	01/18/2017 1971	\$87,981	8.15/- 6.10	50 1/1, 54 2/2 Mastered Metered
1801 S Cutler Dr Tempe, 'Parkside Apts'	100 70,315	\$9,080,000 \$129.13	03/31/2017 1962	\$90,800	4	St 1, 83 1/1, 16 2/1
7328 N 27 th Ave Phoenix, 'Orangewood Place'	84 56,800	\$4,950,000 \$87.15	01/10/2017 1984	\$58,929	6.13	52 1/1, 32 2/1 1031 Exchange, Flip
3001 N 32 nd St Phoenix, Mission Villa Apts'	66 60,060	\$4,850,000 \$80.75	03/31/2017 1970	\$73,485	6	22 1/1, 44 2/2 1031 Exchange, Flip
4816 N Woodmere Fairway Scotts, 'Trio Scottsdale Lofts'	12 17,988	\$4,750,000 \$264.06	02/06/2017 2016	\$395,833		12 2/2.5
3675 W Osborn Rd Phoenix, 'Golden Key Apt'	91 62,363	\$4,550,000 \$72.96	03/30/2017 1980	\$50,000	6.21	St. 19, 36 1/1, 36 2/2
2620 N 40 th St Phoenix, 'Village Phoenix'	43 37,200	\$4,500,000 \$120.97	03/17/2017 1969	\$104,651	5	15 1/1, 28 2/2 Flip
109 E Brinker Dr Avdle, 'Parkside Palms Apts'	54 41,35	\$3,750,000 \$90.69	03/08/2017 1964	\$69,444	6.9	12 1/1, 26 2/1, 16 3/1 Flip
5350 N 17 th Ave Phoenix, 'Solano Park Apts'	63 31,604	\$3,700,000 \$117.07	03/22/2017 1987	\$58,730	7.25	48 1/1, 15 2/2 1031 Exchange, Flip, Cash
1840 W Thomas Rd Phoenix, 'Encanto Oasis'	26 29,988	\$3,100,000 \$103.37	01/06/2017 1962	\$119,231	5.5	20 2/2, 6 3/2 1031 Exchange
3025 N 36 th St Phoenix, 'Brisbane Apts'	30 19,315	\$2,850,000 \$147.55	02/16/2017 1961	\$95,000	5.75	22 1/1, 5 2/1, 1 2/2, 2 3/2 1031 Exchange, Flip
1414 E Osborn Rd Phoenix, 'Osborn Pl'	30 19,800	\$2,825,000 \$142.62	03/17/2017 1958	\$94,167	6	St. 1, 28 1/1, 1 2/1 1031 Exchange, Flip
3822 N 28 th St Phoenix, 'Hyde Park Apts'	28 23,070	\$2,800,000 \$121.37	03/21/2017 1971	\$100,000	5.35	28 2/1
2850 E Baseline Rd Mesa, 'Lindsay Villas Apts'	32 31,648	\$2,800,000 \$88.47	02/28/2017 1986	\$87,500	6.53	32 2/2 Flip
633 W 1 st Ave Mesa, 'First Ave Apts'	52 36,984	\$2,750,000 \$74.36	02/28/2017 1985	\$52,885	5.25	8 1/1, 44 2/1
1424 S Jentilly Ln Tempe, 'Brix'	24 17,336	\$2,610,000 \$150.55	02/21/2017 1981	\$108,750	4.8	8 1/1, 16 2/2 Flip
3122 N 38 th St Phoenix, 'Ben Pines'	15 12,655	\$2,500,000 \$197.55	02/28/2017 1978	\$166,667	6.15	15 2/1 Flip
3420 W Rose Ln Phoenix, '3420 Apartments'	28 24,000	\$2,200,000 \$91.67	01/31/2017 1962	\$273,840 \$78,571	12.45/- 7.21	16 1/1, 12 3/2
3318 N 18 th Ave Phx, 'Mulberry Townhomes'	36 33,492	\$2,200,000 \$65.69	03/16/2017 1964	\$61,111		12 1/1, 24 2/1 Master Metered
1801 W Tuckey Ln Phx, 'Tuckey Downs Estate'	25 25,175	\$1,950,000 \$77.46	03/01/2017 1972	\$78,000	7	25 2/1.5
310 W Medlock Dr Phx, 'The Estate at Medlock'	14 15,012	\$1,875,000 \$124.90	03/17/2017 1964	\$133,929	6	12 2/2, 2 3/2
807 W 3 rd St Tempe, 'Mode @ 3 rd Street'	12 6,240	\$1,560,000 \$250.00	03/30/2017 1963	\$129,600 \$130,000	6	12 1/1 1031 Exchange
4120 N 21 st St Phx, 'Mode @ 21 st St Apts'	11 7,524	\$1,540,000 \$204.68	03/28/2017 1964	\$140,000	6.15	St. 1, 5 1/1, 5 2/1
407-409 N Williams Mesa, 'Palm Shadow Apts'	20 21,000	\$1,440,000 \$68.57	02/08/2017 1970	\$72,000	6	19 2/2, 1 3/2 1031 Exchange
2922 N 35 th St Phoenix, 'Wellington Apts'	21 13,380	\$1,365,000 \$102.02	02/28/2017 1968	\$65,000		19 1/1, 2 2/1 Flip, Vacant, Proposed Rehab
1825 E Don Carlos Ave Tempe, 'Don Carlos Apts'	14 7880	\$1,302,000 \$165.23	03/23/2017 1979	\$93,000		12 1/1, 2 2/1 1031 Exchange, Proposed Rehab
3027-3045 E Grandview Rd Phoenix,	16 14,560	\$1,256,000 \$86.26	03/09/2017 1984	\$78,500	6.86	16 2/1 1031 Exchange

The Metro Phoenix Apartment Market (Q1 2017)

There were 69 regular apartment sales (10+ units) in Q1 with 32 having 100 units or more. The 32 sales are about 25% off the typical quarter 100+ sales, which is also reflected in Q1 sales nationally. Of all our Q1 sales, 17 included at least one leg of a 1031 exchange and 28 were “flips” (properties resold within a four-year hold).

Metro Phoenix vs the US (by Arvle) - In summarizing my presentation last month for the KLCCG – AMA event, metro Phoenix continues to be one of the most desirable markets for multi-family investments in the country. With a limited supply of single-family working class housing, the demand for Class B and C apartments continues to increase. While pressure is beginning to build on the Class A sector due to increasing supply, the owners of B and C units still have room for repositioning and rent increases due to limited supply with no new inventory being built. With one of the fastest growing populations in the country, Phoenix appears to be positioned for a continued, consistent growth pattern for at least the next 24 to 36 months. Our annual absorption rate of Class A units is one of the highest of all metropolitan areas in United States due to our steadily growing diversified income and population. And the affordability of our overall rents places Phoenix as one of the top 10 most affordable markets for both the working class and executives. Compared to the national market, we are still one of the most balanced, attractive and safe places for a growing business market. You might say, “So what?” Bottom Line - be cautious with Class A investments, Class B and C rents should increase, and creating wealth by repositioning B and C properties is today’s opportunity.

Arvle Knight, CCIM, Associate Broker (Arvle@KLCommGroup.com).

The “Back” Story (by Linda) - Often we never hear the “Back” story in a sales transaction. These stories occur in every deal, at every size level and I’m sure in every type of commercial real estate sold. Having sold apartments for 25 years, I have a few of the “back” stories. As a new section to our newsletter, I will share some of these, and try to give you a feel for current happenings.

I work with both Sellers and Buyers and recently represented a couple selling their \$6 million property from Portland and doing a 1031 exchange into our market. They felt the upside potential is better in our market plus the landlord / tenant rules are more favorable in AZ. They were looking for a property or a couple properties that would total the \$6 million to satisfy their exchange. They came to Phoenix every other weekend for two months. We looked at about 30 “B” and “C” class properties and saw everything from over-priced junk to really-cool, totally renovated properties. What they were surprised by was the amount of genuine cash flow generated by the quality repositioned properties in the Central Phoenix area, even with the seemingly high price (+\$150K /unit). There are several quality developers doing these renovations with unique interiors and creative exteriors. These units lease up quickly and stay full. They are often smaller complexes with less than 40 units, rent for about \$1.50/sf and attract both the young professional and the downsizing adult, both singles and couples.

What also surprised them was the wide range in the quality of the properties noted as rehabbed or renovated. Many say “we have renovated units”; but often this means only painted cabinets, resurfaced countertops and new vinyl plank flooring. Both types of renovation work, but the higher quality work commands significantly higher rent! You need to know your specific market, your competition and your tenant base.

Linda Fritz-Salazar, Associate Broker (Linda@KLCommGroup.com).

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Kasten Long Commercial Group

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