



# GREATER PHOENIX

## APARTMENT OWNER'S NEWSLETTER

2nd QTR 2018

The **KASTEN LONG COMMERCIAL GROUP (KLCG)** has focused on apartment brokerage and research in metro Phoenix since 1998. Our agents have brokered more than 1,000 communities with gross sales more than 1 billion dollars. The market research includes: weekly updates on apartment sales, in-depth quarterly apartment newsletters, tracking vacancy/rental rates/concessions by each submarket, and tracking all new apartment construction.

### KLCG-AMA Town Hall Meetings

As part of our partnership with the Arizona Multihousing Assoc. (AMA), we have now held two Town Hall style meetings exclusively for owners of apartments in metro Phoenix. These casual meetings have a wealth of information on almost every aspect of apartment ownership including operations, management, and investment strategy. Call us for more info.

### Sept. 14 Event at SkySong

This exceptional event will define the current and planned activities in and around South Scottsdale that will impact both residential and commercial property and business values. These activities will be highlighted by speakers from the Scottsdale's Econ. Dev., SkySong, and SRP-MIC (including Talking Stick). In addition, SRP will provide insight on our long-term water resource.

**Registration for the Sept 14 event:**

[www.KLCG-Events.com/reg](http://www.KLCG-Events.com/reg)

### New Apt. Construction Still Strong

In the first half of 2018 there were 18 projects completed with 3,576 total units. The total projected for 2018 is 46 projects totaling 9,781 units. Currently there are 61 projects Under Construction with a total of 15,769 units. These are primarily in Phoenix (24 projects), Tempe (8), Chandler (7), Scottsdale (7) and Mesa (5). There are an additional 33,454 units in 166 projects in the pipeline (16,046 Planned and 17,408 Prospective).

### Rents and Occupancy Increasing

Strong occupancy across all apartments classes continues to drive all rents higher. Occupancy ranged between 95.0% to 95.9% with rental rates climbing 2.7% to 2.8% from last quarter. The report by Yardi Matrix suggests occupancy to hold for this year but start decreasing in 2019. Rental rates are projected to continue into 2019 but with modest growth. Yardi also reports that metro Phoenix rental rates percentage increase reflect the national rates, both decreasing over the past few years.

### KASTEN LONG COMMERCIAL GROUP

- An independent, locally-owned, commercial brokerage - **since 1998.**
- Experienced professional specialists with a strong "Client First" dedication.
- **SERVICES:** Apartments and land brokerage -- office, retail & industrial brokerage and leasing.

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### Greater Phoenix Multifamily Data

Year	Const.	Vacancy
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	<b>5.7%</b>
2016	8,024	5.8%
2017	6,543	5.4%
2018 (1)	1,912	5.0%
2018 (2)	1,664	<b>4.7%</b>

Data Sources: Yardi Matrix, CoStar, Vizda

On a weekly basis via e-mail we provide:

- Details of Recent Apartment sales
- Metro Phoenix Commercial News
- All apartments currently being marketed for sale – principals only

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

ADDRESS CITY, 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
101 W 5 <sup>th</sup> St Tempe, 'Hanover On Mill'	341 555,023	\$95,100,000 \$171.34	05/07/2018 2015	\$278,886		247 1/1, 94 2/2, Cash
5115 N 40 <sup>th</sup> St Phoenix, 'Capri'	556 383,860	\$81,250,000 \$211.67	05/10/2018 1969	\$146,133		St. 168, 280 1/1, 108 2/2
1600 W La Jolla Tempe, 'Galleria Palms'	424 449,459	\$75,100,000 \$167.09	05/16/2018 1997	\$177,123		128 1/1, 56 2/1, 192 2/2, 48 3/2
155 E Frye Rd Chdlr, 'Olympus St Yard'	301	\$69,250,000 \$232.91	05/01/2018 2015	\$230,066		164 1/1, 101 2/2, 36 3/2
1 N Hearthstone Way Chdlr, 'Met Fashion Center'	303 357,424	\$64,800,000 \$181.30	04/13/2018 2015	\$213,861		220 1/1, 83 2/2
1 W Campbell Ave PHX, 'Pavilions on Central'	254 346,704	\$59,000,000 \$170.17	05/15/2018 2000	\$232,283		90 1/1, 110 2/2, 54 3/2 Flip 6/13 \$46,900,000
4700 N 16 <sup>th</sup> St Tempe, 'Escape Modern Liv.'	244 353,820	\$58,350,000 \$164.91	04/16/2018 2016	\$239,139		152 1/1, 92 2/2
1920 E Indian School PHX, 'Audere Apartments'	220 202,914	\$50,500,000 \$248.87	06/20/2018 2016	\$229,545	4.9	94 1/1, 106 2/2, 20 3/2
110 E Greenway Pky PHX, 'The Boulevard'	294 368,552	\$48,200,000 \$130.78	04/12/2018 1994	\$163,946		143 1/1, 119 2/2, 32 3/2 Flip 3/11 \$33,500,000
1320 N McQueen Rd Chdlr, 'Autumn Creek'	360 264,848	\$45,500,000 \$171.80	05/10/2018 1986	\$126,389	4.8	St. 56, 96 1/1, 208 2/1
2121 N Grace Blvd Chdlr, 'Avilla Grace'	194 187,752	\$45,000,000 \$239.68	06/28/2018 2016	\$231,959	5.11	46 1/1, 89 2/2, 59 3/2
9680 W Northern Ave Peoria, 'Vue Park West'	253 383,850	\$43,550,000 \$113.46	05/01/2018 2008	\$172,134		St 41, 94 1/1, 2 2/1, 101 2/2, 15 3/2 Flip 2/14 \$30,050,000
8201 W Beardsley Rd Peoria, 'Sonoma Ridge'	240 227,740	\$42,000,000 \$184.42	05/23/2018 2001	\$175,000	4.56	120 1/1, 112 2/2, 8 3/2 Flip 2/16 \$30,200,000
4545 W Beardsley Rd Glendale, 'Adobe Ridge'	224 285,430	\$41,000,000 \$143.64	06/22/2018 2005	\$183,036		136 1/1, 76 2/2, 12 3/2 Flip 06/14 \$26,050,000
17950 N 68 <sup>th</sup> St Scottsdale, 'Arrive North Sc.'	204 176,556	\$39,500,000 \$223.73	05/31/2018 2008	\$230,994		60 1/1, 136 2/2, 8 3/2 Flip 11/13 \$31,050,000
2140 W Thunderbird Rd PHX, 'Tides On Thunderbird'	376 248,131	\$37,250,000 \$150.12	05/24/2018 1981	\$99,069		St. 48, 168 1/1, 160 2/2
3636 E Inverness Ave Mesa, 'Montero At Dana Park'	208 213,408	\$35,800,000 \$167.75	04/30/2018 2000	\$172,115	4.82	72 1/1, 104 2/2, 32 3/2
250 S Elizabeth Circle Chdlr, 'Greentree Place Apts'	256 212,956	\$35,000,000 \$164.35	04/10/2018 1987	\$136,719	4.8	112 1/1, 16 2/1, 104 2/2, 24 3/2
1645 E Thomas Rd PHX, 'Omnia On Thomas'	382 203,974	\$33,350,000 \$163.50	5/14/2018 1964	\$87,304	5.8	St. 152, 171 1/1, 59 2/2 1031 Exchange, Flip 5/15 \$24,350,000
5128 N 15 <sup>th</sup> St PHX, 'Sienna Springs'	395 201,113	\$29,000,000 \$144.20	04/11/2018 1974	\$73,418	4.6	St. 164, 185 1/1, 23 2/1, 2/2 23 Flip 08/15 \$20,500,000
255 E Chandler Heights Rd Chdlr, 'Avilla Heights'	116 110,884	\$27,840,000 \$251.07	06/25/2018 2017	\$240,000	5.14	30 1/1, 53 2/2, 33 3/2
4200 N Falcon Dr Goodyear, 'Palm Valley Villas'	125 111,100	\$25,100,000 \$225.92	06/13/2018 2016	\$200,800		30 1/1, 51 2/2, 44 3/2
5145 N 7 <sup>th</sup> St PHX, 'Cambridge Court'	286 139,549	\$24,000,000 \$171.98	06/15/2018 1970	\$83,916		St. 200, 86 1/1
9415 N 99 <sup>th</sup> Ave Peoria, 'Sun Wood Apts'	220 185,676	\$23,300,00 \$125.49	06/27/2018 1984	\$105,909		104 1/1, 116 2/2
101 N 91 <sup>st</sup> Ave Tolleson, 'Copper Cove'	228 229,535	\$22,458,000 \$97.84	05/21/2018 2003	\$98,500		128 2/2, 100 3/2

**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
1502 E Osborn Rd PHX, 'Zazu Panee Park'	185 129,071	\$22,250,000 \$172.39	05/22/2018 1953	\$120,924		St 9, 114 1/1, 62 2/1
17805 N 40 <sup>th</sup> St PHX, 'Seventeen 805'	138 136,256	\$16,780,000 \$123.15	05/22/2018 2016	\$121,594		138 2/2 Flip 09/15 \$10,750,000
8622 N 59 <sup>th</sup> Ave PHX, 'Village Sereno'	93 154,852	\$16,500,000 \$106.55	06/25/2018 2009	\$177,419		61 2/2, 32 3/2
2107 W Broadway Rd PHX, 'Tides On Broadway'	155 108,279	\$14,500,000 \$93,548	05/04/2018 1983	\$93,548		St. 14, 91 1/1, 12 2/1, 38 2/2 Flip 10/16 \$10,850,000
6333 N 12th St PHX, 'Regency Park'	104 88,368	\$13,500,000 \$152.77	05/25/2018 1971	\$129,808		50 1/1, 54 2/2 1031 Exchange, Flip 1/17 \$9,150,000
6520 W Montebello Ave Glendale, 'The Beverly'	218 116,255	\$11,750,000 \$101.07	04/11/2018 1963	\$53,899	6.8	St. 49, 145 1/1, 20 2/1, 2 2/2, 1 3/1, 1 3/2 Flip 6/14 \$4,796,000
7002 E Palm Ln Scottsdale, 'Palm Villas'	106 82,475	\$10,330,000 \$125.25	05/24/2018 1962	\$97,453		St. 4, 7 2/1, 95 2/1.5
1655 E Southern Ave Tempe, 'Southern Gardens'	88 113,828	\$10,000 \$87.85	04/05/2018 1971	\$113,636	5	34 2/2, 54 3/2
1938 N Alta Mesa Dr Mesa, 'Alta Mesa'	31 65,584	\$8,200,000 \$119.56	05/25/2018 2018	\$264,516		31/ 42.5
4413 W Bethany Hm Rd PHX, 'Sunset Terrace'	86 59,640	\$7,650,000 \$128.27	06/15/2018 1984	\$88,953	5.9	54 1/1, 32 2/2 Flip 11/15 \$4,175,000
1224 E Lemon St PHX, 'Epic'	65 56,898	\$7,500,000 \$131.18	05/23/2018 1966	\$115,385		65 2/1
5850 S Power Rd Gilbert, 'Williams Gateway'	72 42,272	\$7,500,000 \$177.42	06/22/2018 1982	\$104,167		42 1/1, 30 2/1 Flip 3/25 \$4,150,000
737 E Brown Rd Mesa, 'Indigo Lofts'	65 64,350	\$7,250,000 \$112.67	06/08/2018 1985	\$111,538	5.95	25 2/1, 40 2/1.5 Flip 04/20 \$6,200,000
4021 N 40 <sup>th</sup> St PHX, 'Tide Wood Apts'	20 12,289	\$2,571,420 \$234.88	04/12/2018 1965	\$128,571	5.25	19 1/1, 1 2/1 Sold w/ 4025 N 40 <sup>th</sup> St (below)
4025 N 40 <sup>th</sup> St PHX, 'Tides At Arcadia'	29 14,533	\$3,728,580 \$234.88	04/12/2018 1966	\$128,571	5.25	29 1/1
3675 W Osborn Rd PHX, 'Golden Key Apts'	91 62,363	\$6,200,000 \$99.42	04/02/2018 1980	\$68,132	5.7	St. 19, 36 1/1, 36 2/2 Flip 03/30 \$4,550,000
5959 W Olive Ave Glendale, 'Sunflower Apts'	88 50,816	\$6,175,000 \$121.52	06/28/2018 1974	\$70,170		St. 26, 54 1/1, 8 2/1
2641 W Butler Dr PHX, 'Eclipse Apartments'	75 60,000	\$4,875,000 \$81.25	05/18/2018 1972	\$65,000		St. 15, 1/1 15, 45 2/2 Flip 01/15 \$2,912,500
3130 N 39 <sup>th</sup> St PHX, 'Arcadia Edge'	23 18,469	\$4,350,000 \$235.53	04/24/2018 1967	\$189,130	6.19	
1518 W Colter St PHX, 'Desert Crown'	35 29,750	\$3,935,000 \$132.27	02/08/2018 1963	\$112,429		35 2/1
2130 W Indian School Rd PHX, 'S&T Plaza'	72 50,994	\$3,850,000 \$75.50	04/02/2018 1982	\$53,472		18 1/1, 54 2/1 Flip 09/15 \$3,650,000
4308 N Longview PHX, 'Regency Apartments'	36 27,312	\$3,700,000 \$135.47	06/07/2018 1985	\$102,778		8 1/1, 28 2/2
8605 E Coronado Rd Scottsdale, 'Coronado Patio'	22 15,185	\$3,600,000 \$237.08	06/04/2018 15,185	\$163,636		St. 17, 5 1/1 Flip 11/16 \$1,920,000
3545-3547 E Van Buren St PHX, 'Van Buren Apartments'	66 35,449	\$3,300,000 \$93.09	04/26/2018 1963	\$50,000	6.67	65 1/1, 1 2/1, Flip 09/13 \$1,395,000
4415-4420 N 8 <sup>th</sup> Ave PHX, 'Moon River Apts'	24 14,382	\$2,875,000 \$199.90	05/17/2018 1956	\$119,792		20 1/1, 4 2/1.5 Flip 6/16 \$2,217,500
6915 E 3 <sup>rd</sup> St Scottsdale, 'Apartments'	12 12,860	\$2,560,000 \$199.07	06/08/2018 1958	\$213,333		4 2/1, 8 2/2 Flip 6/13 \$153,333
6324 N Black Canyon Hwy PHX, 'Canyon Greens'	44 29,606	\$2,250,000 \$76.00	04/09/2018 1972	\$51,136		St. 2, 38 1/1, 4 2/2
2424 E Grandview Rd PHX, 'Grandview Place'	36 23,850	\$1,925,000 \$80.71	04/09/2018 1984	\$53,472		St. 1, 5 1/1, 2 1/1.5, 5 2/1 Flip 3/16 \$1,570,000

## The Metro Phoenix Apartment Market (Q2 2018)

In the 2nd quarter of 2018, there were 88 regular apt. sales with 10 or more units. That's up 33% from the 66 sales in Q1. Here's an interesting point. Between 2013 and 2015, 2<sup>nd</sup> quarter apartment sales averaged **\$76,847/unit**. Between 2016 and 2018, 2<sup>nd</sup> quarter apartment sales averaged **\$124,907/unit**. While a portion of the much higher price per unit is due to some new apartments being sold and many that have been repositioned, most every apt complex has gained substantial value in the past few years. In looking at all the sales and the number of "flips" it's obvious that the "opportunity" is to acquire a solid property, in a reasonable location and reposition the asset. Realize that owners fully understand that the older apartments that offer this repositioning potential deserve a premium for selling.

### **Apartment Market Pulse – by Scott**

**Run on Inventory but opportunities still exist.** Metro Phoenix sales volume accelerated in the second quarter as continued buying pressure from west coast markets absorbed "on" and "off" market supply faster than it became available. Scarcity of high yield income property opportunities in other markets is driving investors to Phoenix. With a diminishing inventory in our market and concern over climbing interest rates, we may see even stronger activity in the near term. For those investors still "on the fence" considering purchasing, I would say one thing, "get it bought." The forces driving appreciation will not last forever. Historic low vacancy and continued rent growth still provide upside for buyers. At some point, however, vacancy rates will climb and rent growth will stall, resulting in flattening or even declining appreciation. At present, there is still an opportunity for buyers. Sellers need to be wary of the changing fundamentals. **Scott Trevey, CCIM, Senior Partner, Kasten Long Commercial Group, [Scott@KLCommGroup.com](mailto:Scott@KLCommGroup.com)**

We've written our quarterly "Apartment Owner's Newsletter" for 20 years. That's more than 80 newsletters - trying to accurately describe the Valley's apartment market as best possible. As we noted in Q1 2018 newsletter, the economists paint a very "blue sky" picture for both the US and our local economy. With the announcement that the US GDP just topped 4%, the US economy is very strong. The impact of possible tariffs may dampen this number a bit in the future, but to strengthen the base of our economy, these types of adjustments are needed. Whether you are a Trump supporter or not, his economic decisions have been huge for the US. We're not trying to be political, but the economy is creating JOBS, both across the US and locally.

Metro Phoenix is also enjoying significant economic growth. One of our local economists (Elliot Pollock) recently noted that metro Phoenix represent 90% of Arizona's recent GDP and JOB growth. JOB growth creates population growth, and a portion of our net population increase is moving into apartments. On top of this, current tenants seeking starter homes are limited on availability on homes in the lower price range. Since many folks do not wish to drive a long distance to work, the ONLY available housing is often apartments. Families downsizing like to be close to locations offering high walk scores. Many of the new apartments provide this plus the ability to "lock and leave". The new apt. construction is absorbing the demand for the "tenants by choice", but increasing land, material and labor prices will keep completions at reasonable levels. Across the US and locally, we have an unsolved concern with insufficient truly affordable housing for the "tenants by necessity".

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## **Kasten Long Commercial Group**

**A FULL SERVICE COMMERCIAL REAL ESTATE BROKERAGE**

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