



# GREATER PHOENIX

## APARTMENT OWNER'S NEWSLETTER

3rd QTR 2020

For those who know me, I have focused on apartment brokerage and market research in metro Phoenix since 1998. Over these 22 years, I've had a team under RE/MAX Commercial and then formed Kasten Long Commercial Group. The two entities brokered more than 1,200 apartment communities. A few of my team and I recently joined West USA Commercial. Our dedicated service will not change but we now have their commercial division to handle other disciplines.

### New Apt. Construction Booming Projected to be UP 47% Over 2019

As of the end of Q3 2020, there have been 44 projects completed (with 50 or more units) in metro Phoenix with a total of 9,625 units, half of the projects located in Phoenix. There are 19 additional projects with 3,649 units scheduled to be completed by year-end. **The projection for 2020 is therefore 63 projects to be completed with 13,246 units – up 47% over the 9,008 units completed in 2019.** There are currently 305 projects in the pipeline with a total of 74,618 units. Under Construction: 97 projects, 21,999 units; Planned: 116 projects, 29,349 units; Prospective: 99 projects, 23,270 units. For 2021, there are 68 projects (14,296 units) already scheduled to be completed.

**Of possible interest**, since May 1 of this year, 19 projects (3,650 units) have been permitted. To me, this shows that developers are not too concerned with COVID-19 and have strong faith in our market's future. As we have noted in past newsletters, although there are increased costs for materials and labor, a labor shortage and virus concerns, with continued strong occupancy and climbing rental rates, developers' bottom lines still warrant more apartment projects.

### Occupancy Very Strong (95.1%) Rents Leading the US – month-over-month

Occupancy remains resilient to the virus with an overall average of 95.1% and a range between 94.1% and 95.8%. East Mesa submarket had the highest occupancy (96.9%) while Sky Harbor reported the lowest (92.0%).

Rent growth rebounded in Q3 after a slight downturn in Q2. The trailing four quarters report the following rental rates increases: Discretionary – 0.6%; Upper mid-range – 3.7%; Lower mid-range – 3.5%, Upper workforce – 4.4%; Lower workforce – 8.2%.

Metro Phoenix ranks 3<sup>rd</sup> in the US in year-over-year overall rent growth (3.1%), just behind the Inland Empire (3.4%) and Sacramento (3.1%). Metro Phoenix also leads the US in year-over-year rent growth for workforce (tenants by necessity), and on a month-over-month basis, leads the US in overall and tenants by choice.

**OF NOTE:** One of the reasons that our economy continues to boom, is the exodus of companies and individuals from the democratic-run state of California. For apartment owners, many of their liberal, tenant-friendly laws are not welcomed in Arizona. President Trump may not be the best politician, and maybe that's good.

Over the past few years, I've attended a number of presentations by well-respected US economists. They all strongly supported President Trump's economic policies.

Jim Kasten, CCIM [JKasten@CCIM.net](mailto:JKasten@CCIM.net)  
602-677-0655

### 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	5.7%
2016	8,024	5.8%
2017	6,543	5.4%
2018	8,162	5.0%
2019	9,008	5.1%
2020 (3)	9,625	4.9%

Primary Data Sources: Yardi Matrix (50+ units) and CoStar

On a regular basis via e-mail we provide:

- Apt. Newsletter – **Quarterly since 1998**
- Details of Recent Apartment sales
- New Apt. Const. Pipeline Update
- 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 \$/ SF	SALE DATE YEAR BLT.	GSI \$/ UNIT	GRM CAP	COMMENTS
2252 N 44th St Phoenix, 'Arcadia Cove'	432 359,057	\$98,500,000 \$274.33	09/16/20 1996	\$228,009		204-1/1's, 60-2/1's, 144-2/2's, 24-3's;
7017 S Priest Dr Tempe, 'Cortland South Mountain'	415 387,347	\$96,750,000 \$249.78	09/22/20 2008	\$233,132		
31113 N North Valley Pkwy Phoenix, 'Liv North Valley'	385 535,239	\$90,000,000 \$168.15	09/18/20 2018	\$233,766		38-0/1's, 161-1/1's, 46-2/1's, 96-2/2's, 40-3/2's;
700 N Coronado St Chandler, 'Avana Coronado'	320 354,756	\$79,000,000 \$222.69	08/27/20 1998	\$246,875		112-1/1's, 160-2/2's, 48-3's; Last Sale: 12/2017 \$57,750,000
3730 S Mill Ave Tempe, 'Tides on South Mill'	515 548,798	\$77,000,000 \$140.31	09/22/20 1970	\$149,514		63-0/1's, 204-1/1's, 36-2/1's, 211-2/2's, 1-3; Last Sale: 8/31/2016 \$47,500,000
909 E Playa del Norte Dr Tempe, 'Norte Town Lake'	244 418,000	\$73,000,000 \$174.64	07/01/20 2019	\$299,180		
265 N Gilbert Rd Mesa, 'Talise'	388 312,952	\$71,000,000 \$226.87	09/29/20 1985	\$182,989		224-1/1's, 40-2/1's, 116-2/2's; Last Sale: 02/2017 \$40,700,000
1050 S Terrace Tempe, 'Vertex'	213 242,648	\$71,000,000 \$279.00	08/31/20 2015	\$333,333		17-1/1's, 78-2/1.75's, 47-3/2.75's, 72-4/3's; 600 bed student housing
15164 N 140th Dr Surprise, 'Harmony at Surprise'	312 350,000	\$67,250,000 \$192.14	09/29/20 2008	\$215,544	4.20	60-1/1's, 216-2/2's, 36-3's; Last Sale: 10/2016 \$40,600,000
600 W Grove Pkwy Tempe, 'Signature Place'	300 of 400 477,114	\$62,500,000 \$131.00	07/22/20 1996	\$207,641		300 of 440; Balance sold as condos; Last Sale: (330) 05/2016 \$40,000,000
8150 N 61st Ave Glendale, 'Northern Greens'	420 302,400	\$55,500,000 \$183.53	08/26/20 1988	\$132,142		210-1/1's, 105-2/1's, 105-2/2's; Last Sale: 06/2014 \$21,200,000
2101 N Evergreen St Chandler, 'Tides at Chandler'	248 188,512	\$46,025,000 \$244.15	09/16/20 1985	\$185,584		108-1/1's, 68-2/1's, 72-2/2's; Last Sale: 08/2016 \$29,500,000
2928 E Osborn Rd Phoenix, 'The Osborn'	302 266,564	\$42,000,000 \$157.56	07/08/20	\$139,072		23-0/1's, 99-1/1's, 32-2/1's, 148-2/2's; M/M; Last Sale: 10/2017 \$21,250,000
6706 N Dysart Rd Glendale, 'The Vineyards'	300 229,120	\$41,000,000 \$178.95	08/31/20 1982	\$136,666		104-1/1's, 82-2/1's, 188-2/2's; Last Sale: 09/2005 \$14,600,000
11221 S 51st St Phoenix, 'Pacific Bay Club'	192 142,624	\$35,700,000 \$250.31	07/22/20 1988	\$185,937		120 1/1's, 16-2/1's, 56-2/2's;
35035 N North Valley Pkwy Phoenix, 'Elux at Tramonto'	138 138,000	\$34,700,000 \$251.45	09/29/20 2018	\$251,449		27-1/1's, 67-2/2's, 44-3/2's
2627 N 45th Ave Phoenix, 'Villas de Azul'	300 273,288	\$33,000,000 \$120.75	09/01/20 1972	\$110,000		33-1/1's, 130-2/1's, 138-3's; Last Sale: 06/2019 \$19,800,000
1212 E Bethany Home Rd Phoenix, 'Vertu'	150 146,448	\$28,650,000 \$195.63	09/10/20 1971	\$191,000		6-0/1's, 77-1/1's, 67-2/2's; M/M; Last Sale: 10/2017 \$19,575,000
4802 N 19th Ave Phoenix, 'Tides on 19th'	236 209,376	\$27,000,000 \$128.95	07/24/20 1973	\$114,406		20-1/1's, 80-2/1's, 124-2/2's, 12-3's; Last Sale: 03/2011 \$5,100,000
3815 N 16th St Phoenix, 'Avenel on 16th'	200 137,120	\$25,950,000 \$189.25	08/05/20 1981	\$129,750		28-0/1's, 138-1/1's, 34-2/1's; Last Sale: 08/2018 \$16,050,000
4815 E Thomas Rd Phoenix, 'Tides on Thomas'	187 94,000	\$24,500,000 \$260.64	07/31/20 1978	\$131,016	5.25	52-0/1's, 118-1/1's, 17-2/2's; M/M; Last Sale: 02/22/2018 \$15,250,000
1620 W Southern Ave Mesa, 'Urban Trails at The District'	156 110,960	\$24,000,000 \$216.29	09/21/20 1974	\$153,846		32-0/1's, 76-1/1's, 48-2/1's; Last Sale: 03/2019 \$16,400,000
4602 E Paradise Village Pkwy N Phoenix, 'Vida46'	132 123,794	\$22,250,000 \$179.73	09/23/20 1981	\$168,560		88-1/1's, 36-2/2's, 8-3's;
17646 N Cave Creek Rd Phoenix, 'Verona Court'	141 88,696	\$20,000,000 \$225.49	08/10/20 1985	\$141,843		46-1/1's, 95-2/1's; Last Sale: 01/2018 \$10,200,000
3065 N 67th Ave Phoenix, 'La Estrella Vista'	96 107,696	\$16,750,000 \$155.53	09/30/20 2008	\$174,479	5.50	All 3/2's; Individually Parceled; Last Sale: 05/2019 \$13,375,000
4405 N 103rd Ave Phoenix, 'Tides at North Avondale'	120 104,000	\$16,200,000 \$155.77	07/24/20 1984	\$135,000	4.00	8-1/1's, 112-2/1's; Last Sale: 09/2004 \$7,500,000

**CAP** Capitalization 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 \$ / SF	SALE DATE YEAR BLT.	GSI \$ / UNIT	GRM CAP	COMMENTS
5215 W Peoria Ave Glendale, 'Paseo 51'	116 77,408	\$15,475,000 \$199.91	09/25/20 1986	\$133,405		89-1/1's, 36-2/2's; Last Sale: 07/2018 \$11,000,000
3211 E Pinchot Ave Phoenix, '32 Arcadia'	104 67,000	\$14,800,000 \$220.90	09/04/20 1972	\$142,307	5.10	103-1/1's, 1-2/1's; M/M; Last Sale: 06/2017 \$4,250,000
6201 N 16th St Phoenix, 'Sora on Rose'	92 76,151	\$14,500,000 \$190.41	09/24/20 1971	\$157,608		45-1/1's, 47-2/2's; M/M; Last Sale: 12/2015 \$7,850,000
1301 E Mountain View Rd Phoenix, 'Montecito'	92 73,600	\$12,500,000 \$169.84	08/14/20 1983	\$135,869		All 2/1's; Last Sale: 01/2019 \$7,935,000
6525 N 15th Ave Phoenix, 'The Addison'	68 86,586	\$12,250,000 \$141.48	09/29/20 1969	\$180,147		8-1/1's, 20-2/2's, 40-3's; M/M; Last Sale: 12/2017 \$7,000,000
1251 S Mesa Dr Mesa, 'Casa Mesa'	99 100,296	\$11,850,000 \$118.15	09/18/20 1974	\$119,697		29-2/2's, 54-3's, 16-4's; 4.2% Down; Portfolio Sale;
4350 N 5th Ave Phoenix, 'Solterra on Fifth Avenue'	60 61,449	\$10,615,380 \$172.75	08/17/20 2006	\$176,923	5.40	12-1/1's, 48-2/2's; Condo Mapped; Last Sale: 02/2018 (41 units) \$6,000,000
4417 N 12th St Phoenix, 'Casa Madrid'	70 58,600	\$8,750,000 \$149.32	09/18/20 1970	\$125,000		14-1/1's, 44-2/1's, 12-3's; 5.7% Down; Portfolio Sale;
1500 W Thunderbird Rd Phoenix, 'Moon Mountain'	34 32,300	\$8,500,000 \$263.16	08/31/20 2019	\$250,000	4.39	All 2/2's;
5712 N 67th Ave Glendale, 'Torrey Pines Villas'	70 49,100	\$8,300,000 \$169.04	08/31/20 1985	\$118,571		45-1/1's, 25-2/2's; Last Sale: 11/2019 \$7,175,000
740 W University Dr Tempe, 'Tanglewood'	58 35,160	\$7,900,000 \$224.69	09/11/20 1986	\$136,206		33-1/1's, 25-2/1's; Last Sale: 08/1979 \$836,162
4112 N 22nd St Phoenix, 'Monterosa Villas'	38 55,536	\$6,947,500 \$125.10	07/20/20 2010	\$182,828		All 3's; W/D in units; 2 car garages; Last Sale: 08/2016 \$4,382,000
580 W Galveston St Chandler, 'Hartford'	41 41,177	\$5,520,000 \$134.06	09/18/20 1971	\$134,634		8-1/1's, 26-2/1's, 7-3's; 9% Down; Portfolio Sale;
1422 N 5th St Phoenix, 'Central Palms'	36 22,500	\$5,050,000 \$224.44	09/24/20 1967	\$140,277	5.00	All 1/1's; Last Sale: 11/2005; \$2,175,000
7228 E Shoeman Ln Scottsdale, 'The Upton'	10 19,941	\$5,000,000 \$250.74	08/07/20 2014	\$500,000		Mix Unknown; 3 Stories; Underground parking w/20 spaces;
1456 E 9th St Casa Grande, 'Acacia Lofts'	28 44,140	\$4,910,000 \$111.24	09/15/20 2008	\$175,357		20 -2/2's, 8-3/2's; Condo Mapped; Last Sale: 09/2016 \$3,000,000
6529 E University Dr Mesa, 'Bella Rosa'	28 24,000	\$4,300,000 \$179.17	08/31/20 2003	\$153,571		All 2/1's; Last Sale: 06/2007 \$2,688,000
320-330 W Medlock Dr Phoenix, 'Medlock West'	20 22,146	\$3,975,000 \$179.49	08/18/20 1959	\$198,750		4-1/1's, 12-2/2's, 4-3's;
2040 W Berridge Ln Phoenix, 'Berridge Villa'	40 22,800	\$3,900,000 \$171.05	09/24/20 1971	\$97,500		All 1/1's; M/M;
2534 W Georgia Ave Phoenix, 'Georgia Villa'	36 25,100	\$3,420,000 \$136.26	07/13/20 1979	\$95,000		26-1/1's, 10-2/2's; Seller Carry; Last Sale: 12/2011 \$720,000
4333 N 27th Ave Phoenix, 'Sunset Ridge'	96 64,584	\$3,000,000 \$92.90	07/09/20 1985	\$62,500		
2232 E Roosevelt St Phoenix, 'Roosevelt Place'	23 18,055	\$2,900,000 \$160.62	07/10/20 1984	\$126,086		All 2/1's; Last Sale: 11/2017 \$1,650,000
3420 W Rose Ln Phoenix, 'Plaza West'	27 24,000	\$2,825,000 \$117.71	09/01/20 1962	\$104,629	5.75	16-1/1's, 12-2/1's; Last Sale: 01/2017 \$2,200,000
100 W Ray Rd Chandler, 'The Palm on Ray'	16 12,800	\$2,600,000 \$203.13	07/01/20 1965	\$162,500	5.30	All 2/1's; Last Sale: 11/2018 \$1,780,000
5105 S La Rosa Dr Tempe, 'La Rosa'	16 15,348	\$2,542,500 \$165.66	09/04/20 1971	\$158,906		4-1/1's, 12-2/1's;
1535 W Desert Cove Ave Phoenix, 'Desert Cove Manor'	26 20,608	\$2,500,000 \$121.31	09/09/20 1983	\$96,153		All 2/1's; Last Sale: 06/2017 \$1,850,000

There were 20 smaller sales of 10+ unit apartments we did not have the space to print. If you'd like this data, please contact us



7077 E Marilyn Road, Bldg. 4, Ste. 130  
Scottsdale, AZ 85254  
Main: 602-942-4200  
Direct: 602-677-0655

## The Metro Phoenix Apartment Market (Q3 2020) – By the Numbers

**What a year we are having.** My first wish is that everyone has stayed financially and emotionally healthy. Personally, I took some time off and closed Kasten Long Commercial Group, in-part, in respect for the virus and my health. Over the past few months, I looked at a number of possible companies to work with. Honestly, I was impressed with Phoenix West Commercial (Bobbie Mastracci, CCIM), KW Commercial (Tim Theis), DPR Commercial (Cat Isfan) and appreciate the time each spent with me. Myself and a few of my colleagues have now joined West USA Commercial. I know and respect a number of their commercial agents and have been inspired by the direction they wish to take their commercial division. I'm hopeful I can help in this endeavor. The bottom line for me has always been to provide the best service possible to owners and investors.

### The Apartment Market – Recovered and Doing Very Well Compared to the US

The multifamily market seems back to its strong normal. Our 1<sup>st</sup> quarter had 68 individual apartment sales (10+ units) but then dropped to 39 in the 2<sup>nd</sup> quarter. Our 3<sup>rd</sup> quarter rebounded with 71 sales. In-part, the decrease in Q2 was due to everyone (title companies, lenders, inspectors, appraisers, agents, buyers and sellers) not knowing how to handle the virus concerns. It's easy to see that values have remained strong – see pages 2 and 3. In addition, new apt. construction is on a record setting pace, occupancy is over 95% and rents continue to increase. Occupancy across the US as of July 2020 ranged from 92.2% (Houston) to 96.0% (Twin Cities). Compared to the US, Phoenix year over year rent growth ranked 3<sup>rd</sup> in all asset classes, 6<sup>th</sup> in discretionary assets and 1<sup>st</sup> in workforce assets. Of possible note is that two major metros in California (San Francisco and San Jose) have seen strong decreases in rent growth over the past year.

### Metro Phoenix vs the US in Coping with COVID-19

One of the leading US lenders for multifamily, in a report by Arbor-Chandan, **ranked Phoenix 2<sup>nd</sup>** (behind Seattle) in its handling of Corona virus issues compared to the 50 largest metro areas in the US. The report notes better than average COVID-19 risk assessment, robust pipelines of incoming multifamily supply and ample liquidity. It also notes that Seattle, Phoenix and Austin are the top three metros for percentage of loans provided to apartment developers.

### The Housing Market

There is always synergy between homes and apartments since many apartment tenants have the option to rent or buy a home. While some predicted a decline in our market due to COVID-19, our housing may actually be the best in the US. In a report provided by the Arizona MLS in August, the previous 12 months showed a **16.1% increase** in year-over-year median home price and a **17.1% increase** in the average sales price. Part of the increase is due to very low mortgage interest rates, but the real reason for the value jump is increased demand combined with the lack of inventory. Currently our inventory is roughly 13,500 homes, down 22.8% year-over-year. August home sales were 8,878 per month, about 1.5 months of supply – not much! The impact to apartment tenants will be more difficulty in acquiring a home plus home rental rates will climb. Apartment rental rents will also follow suit.

### Future Concerns

To think everything is rosy – we can only hope. Here's some concerns. We have continued to note that we're now in the longest upward real estate cycle in history - more than 10 years. Home mortgage deferments may soon stop. Unemployment is decreasing, but still a concern. The moratorium on tenant evictions will soon end – scheduled for Oct. 30. The weekly Unemployment Insurance payments greatly decreased on August 1<sup>st</sup>. The government has been printing money at record pace to handle the pandemic and support our economy. This typically results in inflation plus interest rates increasing. COVID-19 is still a concern. Don't forget the election. The day after Trump was elected, our economy took off. The reverse could easily occur!!!!

We've been providing apartment market research and brokerage for owners and investors in Metro Phoenix for 22 years. Let us know how we can help.

**Jim Kasten, CCIM**  
[JimKasten@WestUSA.com](mailto:JimKasten@WestUSA.com)  
602-677-0655

**Chris Norton**  
[Chris.Norton@WestUSA.com](mailto:Chris.Norton@WestUSA.com)  
480-559-9775

**Jan Long, CCIM**  
[Jan@WestUSA.com](mailto:Jan@WestUSA.com)  
602-432-9882