



METRO PHOENIX

APARTMENT OWNER'S NEWSLETTER

1st QTR 2021

In order to provide apt. owners and investors the best service, we have just launched our new website www.MetroPhoenixCommercial.com. The website will provide critical information and be a good resource for all owners and investors.

New Apt. Construction Very Strong

In the 1st quarter of this year, there were 2,867 units (14 projects) completed and 3,225 units (15 projects) started. There are 14,812 units (74 projects) forecast to be completed in 2021. This would bring the total for **2021 to 17,679 units** – almost double the amount completed annually for the past three years. The final total is typically less than forecast, but still expect many to meet the anticipated year-end time-frame.

In the pipeline, there are 28,838 units (121 projects) under constructions, 24,787 units (97 projects) planned and 19,547 units (93 projects) prospective. The question often asked is “are we overbuilding”? At this point with the shortage of housing, the continued strong net migration and the very low vacancy, the short-term answer is “no”. We expect the strong new construction to continue until the vacancy rate increases.

We continue to see new construction in the major cities of Phoenix, Mesa, Tempe, Chandler and Gilbert, but over the past few years we have seen a significant number of projects in suburbia, especially Goodyear and Avondale. This reflects what’s happening in the US where many urban developments are experiencing rent competition while suburban rents have now risen enough to support the higher rents needed to support the new construction.

Occupancy Setting Historic Level (95.7%)

With the occupancy now reaching another record high (**95.7%**), it’s obvious that the demand is very strong and the new construction is not sufficient to meet this demand. All of the class A and B assets recorded 95.8% to 96.0%. The lower work-force (C- and D class) assets were just a bit less with a 93.0% occupancy. The reason for the lesser occupancy is likely the result of tenants doubling-up to be as cost-effective as possible.

Rent growth can’t happen without strong occupancy, so we continue to see record setting rents. The overall rental rate increase over the past 4 quarters was 7.0%. Just as with the occupancy, this was led by the A and B class assets (6.4% to 8.4%). The C and D class assets were still strong but a bit less (4.4% to 5.8%).

More Greater Phoenix Apartment Market Insight on page 6

OF NOTE:

We continue to have a concern regarding the new administration’s liberal philosophies possibly having a strong negative impact on our economy. While the apartment industry loves our population growth, it’s mostly from persons and companies leaving California and moving to Arizona, our State is starting to shift to blue. Be watchful of possible new federal and local laws for capital gains, 1031’s, evictions, rental rate limits, wealth tax, etc. Enjoy your cash flow this year!

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Metro Phoenix Multifamily Data

Year	Const.	Vacancy
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	8,817	4.5%
2021 (1)	2,867	4.3%

Primary Data Sources: Yardi Matrix (50+ units)

Resources on our new website:
www.MetroPhoenixCommercial.com

- Apt. Newsletter – Quarterly since 1998
- Recent Apartment sales
- New Apt. Construction Pipeline
- Metro Phoenix Commercial News
- Apartments For Sale (10+ units)

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

Greater Phoenix Apartment Sales (10+ Units)

1st Qtr - 2021

ADDRESS CITY, 'NAME'	UNITS SIZE (SF)	SOLD PRICE \$/ SF	SALE DATE YR BUILT	GSI \$/ UNIT	GRM CAP	COMMENTS
3010 W Yorkshire Dr Phoenix, 'The Heritage at Deer Valley'	832 723,960	\$178,500,000 \$246.56	02/05/21 1996	\$214,543	4.52	360(1 + 1) 96(2 + 1) 260(2 + 2) 116(3 + 2) 1031 Exchange
15801 S 48th St Phoenix, 'Andante'	576 510,516	\$145,250,000 \$284.52	01/07/21 1999	\$252,170		408(1 + 1) 168(2 + 2)
1001 E Playa del Norte Dr Tempe, 'Ten01 on the Lake'	523 601,858	\$146,000,000 \$242.58	01/27/21 2008	\$279,159		9(0 + 1) 144(1 + 1) 33(1 + 1.5) 36(2 + 1) 115(2 + 2) 20(2 + 2.5) 124(3 + 2) Debt Assumption, Ground Lease (Leasehold)
2471 W Edgewater Way Chandler, 'Almeria at Ocotillo'	389 400,000	\$129,250,000 \$323.13	03/23/21 2014	\$332,262		162(1 + 1) 181(2 + 2) 46(3 + 2)
868 S Arizona Ave Chandler, 'Tides at Downtown Chandler'	374 150,998	\$54,250,000 \$359.28	01/29/21 1985	\$145,053		115(0 + 1) 243(1 + 1) 4(2 + 1) 2(2 + 2)
5550 E Deer Valley Dr Phoenix, 'Montreux'	335 335,000	\$117,000,000 \$349.25	03/08/21 2019	\$349,254		175(1 + 1) 144(2 + 2) 16(3 + 2)
17625 N 7th St Phoenix, 'The Stratford'	308 306,635	\$60,000,000 \$195.67	02/26/21 1983	\$194,805	5.51	56(1 + 1) 172(2 + 2) 80(3 + 2) Recapitalization
1260 E University Dr Tempe, 'The Hyve'	296 354,555	\$84,500,000 \$238.33	02/11/21 2015	\$285,473		4(0 + 1) 172(1 + 1) 90(2 + 2) 30(3 + 2)
5145 N 7th St Phoenix, 'Seventh'	286 139,549	\$38,325,000 \$274.63	02/16/21 1970	\$134,003		198(0 + 1) 84(1 + 1) 2(2 + 1) 2(3 + 2)
1711 S Extension Rd Mesa, 'Tierra Del Sol'	276 257,196	\$65,800,000 \$255.84	03/23/21 1985	\$238,406		92(1 + 1) 184(2 + 2)
4150 E Main St Mesa, 'San Fernando'	264 376,989	\$42,240,000 \$112.05	01/07/21 2005	\$160,000	4.37	51(1 + 1) 102(2 + 2) 111(3 + 2)
1464 S Stapley Dr Mesa, 'Indigo Springs Luxury'	240 224,430	\$56,400,000 \$251.30	01/26/21 2000	\$235,000		90(1 + 1) 120(2 + 2) 30(3 + 2)
1330 W Broadway Rd Tempe, 'Sanctuary on Broadway'	240 184,752	\$42,750,000 \$231.39	01/25/21 1971	\$178,125		96(1 + 1) 108(2 + 1) 36(2 + 1.5) 1031 Exchange
5300 E Washington St Phoenix, 'The Grayson on the Rail'	226 220,000	\$45,300,000 \$205.91	01/28/21 2020	\$200,442		90(0 + 1) 90(1 + 1) 46(2 + 2)
615 S Hardy Dr Tempe, 'Westmount at Downtown Tempe'	226 184,000	\$44,625,000 \$242.53	01/27/21 1971	\$197,456		21(1 + 1) 172(2 + 1) 33(3 + 1)
17216 N 33rd Ave Phoenix, 'Park at 33rd'	224 164,800	\$41,000,000 \$248.79	02/05/21 1986	\$183,036		80(1 + 1) 40(2 + 1) 104(2 + 2)
11821 N 28th Dr Phoenix, 'Union on 28th'	224 159,400	\$34,800,000 \$218.32	02/10/21 1980	\$155,357		25(0 + 1) 119(1 + 1) 80(2 + 2)
2929 W Yorkshire Dr Phoenix, 'The Springs at Yorkshire'	217 221,039	\$2,200,000 \$9.95	03/08/21 1999	\$10,138		88(1 + 1) 101(2 + 2) 28(3 + 2)
15645 N 35th Ave Phoenix, 'The Grove Deer Valley'	208 185,467	\$46,750,000 \$252.07	01/26/21 1996	\$224,760		96(1 + 1) 8(2 + 1) 96(2 + 2) 8(3 + 2) 1031 Exchange
13616 N 43rd St Phoenix, 'The Bella'	200 179,948	\$43,100,000 \$239.51	01/21/21 1984	\$215,500		56(1 + 1) 30(1 + 2) 114(2 + 2)
3810 N Maryvale Pkwy Phoenix, 'The Graybriar Condominiums'	200 163,200	\$1,545,000 \$9.47	03/08/21 1983	\$7,725		125(1 + 1) 75(2 + 2)

CAP Capitalization Rate (NOI / Sales Price)
GSI Gross Scheduled Annual Income (Assumes 100% occupancy)
GRM Gross Rent Multiplier (Sales Price / GSI)
NOI Net Operating Income (Actual Income less expenses)

Table compiled by: **Metro Phoenix Commercial**
 Data sources: Costar, YARDI, ARMLS, BREW, VIZZDA and personal knowledge.
 All information is believed to be accurate but is not guaranteed.

805 W Brown St Tempe, 'Parq on 5th'	197 146,520	\$39,000,000 \$266.18	01/29/21 1967	\$197,970	4.20	123(0 + 1) 9(1 + 1) 57(2 + 1) 8(2 + 1.5)
4255 E Pecos Rd Gilbert, 'Painted Trails'	196 313,095	\$48,250,000 \$154.11	01/08/21 2008	\$246,173		112(1 + 1) 20(2 + 1) 56(2 + 2) 8(3 + 2)
9736 E Balsam Ave Mesa, 'HUE97'	184 237,660	\$42,750,000 \$179.88	01/07/21 2001	\$232,337	5.15	1(2 + 1) 74(2 + 2) 75(3 + 2) 1031 Exchange
1532 S Price Rd Tempe, 'The Porter'	165 111,800	\$32,000,000 \$286.23	03/31/21 1980	\$193,939		81(1 + 1) 83(2 + 1) 1(2 + 2)
7677 W Paradise Ln Peoria, 'Stadium Vue Townhomes'	163 180,053	\$47,300,000 \$262.70	01/20/21 2006	\$290,184		65(1 + 1) 85(2 + 2) 13(3 + 3) 1031 Exchange
2045 W Butler Dr Phoenix, 'Pointe Vista'	160 118,192	\$24,250,000 \$205.17	01/19/21 1981	\$151,563		71(1 + 1) 37(2 + 1) 40(2 + 2) 12(3 + 2)
27441 N Black Canyon Hwy Phoenix, 'The Logan at Jomax'	141 150,000	\$42,000,000 \$280.00	02/24/21 2020	\$297,872		34(1 + 1) 64(2 + 2) 43(3 + 2)
9202 N 19th Ave Phoenix, 'Carob Tree'	137 80,628	\$14,625,000 \$181.39	02/04/21 1979	\$106,752		38(0 + 1) 64(1 + 1) 35(2 + 2)
7220 E McKellips Rd Scottsdale, 'Revival on Scottsdale'	131 100,735	\$17,600,000 \$174.72	03/04/21 1978	\$134,351		60(0 + 1) 70(1 + 1) 1(2 + 2)
825 W Osborn Rd Phoenix, 'Midtown Flats'	122 111,864	\$26,000,000 \$232.43	03/01/21 1980	\$213,115		56(0 + 1) 36(1 + 1) 29(2 + 2) 1(3 + 2)
4323 N 27th Ave Phoenix, 'Phoenix West'	120 45,769	\$8,600,000 \$187.90	02/02/21 1974	\$71,667		56(0 + 1) 64(1 + 1)
3851 N 28th St Phoenix, 'Avalon'	117 96,750	\$23,000,000 \$237.73	03/15/21 1973	\$196,581		81(1 + 1) 36(2 + 2)
6041 W Thomas Rd Phoenix, 'Villa de La Paz'	104 88,960	\$16,000,000 \$179.86	02/02/21 1982	\$153,846		32(1 + 1) 72(2 + 2)
123 N Robson St Mesa, 'Sunny Brook'	103 70,404	\$16,500,000 \$234.36	03/12/21 1969	\$160,194		23(0 + 1) 61(1 + 1) 19(2 + 1)
520 N Mesa Dr Mesa, 'The Madison'	96 112,000	\$23,000,000 \$205.36	02/02/21 2000	\$239,583	4.10	54(2 + 1) 31(3 + 2)
9502 N 15th Ave Phoenix, 'Contempo 15/Desert Sands'	92 89,787	\$8,300,000 \$92.44	03/26/21 1984	\$90,217		12(0 + 1) 24(1 + 1) 56(2 + 1)
1415 E Apache Blvd Tempe, 'Sunset Villas'	63 48,320	\$8,100,000 \$167.63	02/12/21 1963	\$128,571		15(0 + 1) 28(1 + 1) 20(2 + 1)
615 S Williams Mesa, 'Western Sun'	60 88,156	\$7,000,000 \$79.40	03/19/21 1981	\$116,667		43(2 + 1) 9(3 + 1.5)
245 N 56th St Mesa, 'Golf View'	56 51,448	\$8,232,000 \$160.01	01/28/21 1985	\$147,000		12(1 + 1) 44(2 + 2)
3220 N 38th St Phoenix, 'ARA Residences'	50 90,000	\$22,050,250 \$245.00	02/18/21 2020	\$441,005	5.00	14(2 + 2.5) 36(3 + 2.5)
21565 E Village Loop Rd N Queen Creek, 'Village Greens of Queen Creek'	50 49,000	\$15,250,000 \$311.22	03/22/21 2020	\$305,000		14(1 + 1) 14(2 + 2) 18(2 + 2.5) 4(3 + 2)
120 W Dobbins Rd Phoenix, 'Casa Monte Vista'	45 40,000	\$4,650,000 \$116.25	01/05/21 1985	\$103,333		45(2 + 1) Redevelopment Project
109 E Broadway Rd Tempe, 'Decco 109'	40 31,200	\$7,850,000 \$251.60	01/12/21 1962	\$196,250	5.00	14(1 + 1) 26(2 + 1)
4004 S 44th St Phoenix	36 34,812	\$3,980,000 \$114.33	01/28/21 1980	\$110,556	5.73	36(1 + 1)

2402 W Devonshire Ave Phoenix, 'Oasis'	33 29,610	\$4,686,000 \$158.26	03/08/21 1963	\$142,000	5.00	33(2 + 2)
9645 N 11th Ave Phoenix	30 19,600	\$3,500,000 \$178.57	03/23/21 1989	\$116,667		16(1 + 1) 14(2 + 1)
365 W Pierson St Phoenix, 'Pierson Place'	28 23,000	\$5,975,000 \$259.78	03/11/21 1960	\$213,393		8(1 + 1) 20(2 + 1)
2235 E Cactus Rd Phoenix	28 32,000	\$2,500,000 \$78.13	03/02/21 1979	\$89,286		14(2 + 1) 14(3 + 1)
1914 W Hayward Ave Phoenix, 'El Moro Sun'	26 26,068	\$3,200,000 \$122.76	03/12/21 1968	\$123,077		26(2 + 1)
1424 S Jentilly Ln Tempe, 'Brix'	24 17,336	\$5,100,000 \$294.19	03/05/21 1981	\$212,500		8(1 + 1) 16(2 + 2)
1822 N 32nd St Phoenix, 'Oberon Place'	24 15,200	\$3,575,000 \$235.20	02/11/21 1981	\$148,958	4.87	2(0 + 1) 17(1 + 1) 5(2 + 1)
1920 N 32nd St Phoenix, 'Majestic Palms'	24 12,800	\$3,175,000 \$248.05	03/22/21 1981	\$132,292		24(2 + 1)
3747 E Monterosa St Phoenix, 'Valle Monterosa'	24 12,000	\$3,000,000 \$250.00	03/08/21 1978	\$125,000		24(1 + 1)
5925 E University Dr Mesa, 'Terra Vista Garden'	22 15,400	\$3,770,000 \$244.81	03/17/21 1984	\$171,364	3.90	22(1 + 1) 1031 Exchange
3601 N 5th Ave Phoenix, 'The Shorewood'	21 25,165	\$4,900,000 \$194.71	03/09/21 1960	\$233,333	5.75	8(1 + 1) 11(2 + 6) 1031 Exchange
4750 N 15 Ave Phoenix, '15th Ave'	20 20,075	\$5,750,000 \$286.43	02/18/21 1969	\$287,500		20(2 + 1)
534-542 E Huntington Dr Tempe, 'Casa Brentwood'	20 13,600	\$3,800,000 \$279.41	03/30/21 1967	\$190,000		20(1 + 1)
1930 W Myrtle Ave Phoenix, 'Palm View Manor'	20 21,000	\$3,200,000 \$152.38	02/26/21 1962	\$160,000		20(2 + 1)
719 E Roeser Rd Phoenix, 'Roeser'	20 17,800	\$3,000,000 \$168.54	03/01/21 1985	\$150,000	6 5.90	20(2 + 1)
1815 W Tuckey Ln Phoenix, 'Tuckey'	16 16,800	\$2,215,000 \$131.85	03/12/21 1963	\$138,438		4(1 + 1.5) 12(2 + 1.5)
1820 W Mulberry Dr Phoenix, 'Mulberry'	16 10,944	\$1,950,000 \$178.18	02/25/21 1964	\$121,875	10.6 5.50	16(1 + 1) 1031 Exchange
4312 N 12th St Phoenix, 'Royal Villa'	15 9,750	\$1,987,500 \$203.85	02/11/21 1956	\$132,500		1(0 + 1) 12(1 + 1) 2(2 + 1) High Vacancy Property
402 N 10th St Phoenix, 'Central Oasis'	14 7,926	\$2,405,000 \$303.43	02/12/21 1963	\$171,786	5.20	6(0 + 1) 5(1 + 1) 2(2 + 1) 1(3 + 2)
1803 N 31st Pl Phoenix, 'Spanish Place'	14 9,200	\$2,165,000 \$235.33	03/05/21 1958	\$154,643		6(1 + 1) 8(2 + 1)
2001 W Morten Ave Phoenix, 'Granada Gardens'	14 11,200	\$2,000,000 \$178.57	02/26/21 1972	\$142,857		14(2 + 1)
675 S Roosevelt St Tempe, 'Oleander Lofts'	12 18,934	\$4,510,000 \$238.20	01/30/21 2009	\$375,833	5.26	7(2 + 2.5) 5(2 + 3) Condo Conversion
430 W 3rd St Mesa, 'Elizabeth's Plaza'	12 8,722	\$1,740,000 \$199.50	03/16/21 1959	\$145,000		11(1 + 1) 1(2 + 2)
10644 N 15th Way Phoenix, 'Mountainside'	12 8,400	\$1,467,500 \$174.70	03/19/21 1983	\$122,292	5.90	4(1 + 1) 8(2 + 1)

1461 E Apache Blvd Tempe, 'Tempe Arizona'	12 25,000	\$1,100,000 \$44.00	03/05/21 2004	\$91,667		
4301 S 7th Ave Phoenix, 'Broadway Palms Apts'	12 7,250	\$715,000 \$98.62	01/13/21 1941	\$59,583		2(0 + 1) 6(1 + 1) 4(2 + 1)
16816 N 29th St Phoenix, 'Paradise Valley'	11 16,000	\$2,010,000 \$125.63	03/31/21 1979	\$182,727	5.92	11(1 + 1)
3208 N 37th St Phoenix, 'Modern Ridge'	10 8,650	\$2,525,000 \$291.91	03/09/21 1970	\$252,500		9(2 + 1) 1(3 + 2)
1013-1017 E Turney Ave Phoenix	10 5,804	\$1,912,500 \$329.51	01/27/21 1948	\$191,250		8(1 + 1) 1(2 + 1)
4248-4304 N 12th St Phoenix, '12th St. Properties'	10 7,714	\$1,900,000 \$246.31	01/19/21 1947	\$190,000		7(1 + 1) 2(2 + 1) 1(3 + 1) Build to Suit
47-57 N Horne St Mesa, 'The Lowe'	10 7,800	\$1,325,000 \$169.87	03/09/21 1961	\$132,500		10(1 + 1)
2222 N 27th St Phoenix, 'Casa Serena'	10 6,384	\$1,300,000 \$203.63	03/10/21 1981	\$130,000		6(1 + 1) 4(2 + 1)
513 E Hatcher Rd Phoenix	10 8,522	\$1,000,000 \$117.34	03/15/21 1972	\$100,000	6.00	9(1 + 1) 1(2 + 1)
4607 S 16th St Phoenix, 'Chief Jackson'	10 2,565	\$958,915 \$373.85	03/18/21 1963	\$95,892		2(0 + 1) 8(1 + 1)



The Metro Phoenix Apartment Market (Q1 2021)

TODAY'S OPPORTUNITY

“Today” our apartment industry is very strong and investors are targeting our area but there are many possible concerns that could have a significant negative impact on rental rates and values. Some of these concerns include an increase in rental homes, decrease of Federal and State aid to tenants, increased supply of new apartments, inflation, increasing interest rates, a shift to work-from-home opportunities and possibly most of all – the new administration’s policies. In a recent presentation by Yardi Matrix, they noted the biggest headwind to multifamily across the US was “Property Rights”. Today, investors are paying top-dollar, but the future is uncertain! If you share some of these thoughts and might consider harvesting your equity and entertaining a strong offer – please let us know.

Transaction Volume strong – but less than Q4.

Transaction volume continues strong but a bit less than the record setting Q4 of last year. As previously noted, transactions were a slow in the beginning of 2020 with Q1 and Q2 having 66 and 36 individual closings respectively. In Q3 we saw the start of a rebound with 65 closings and in Q4 we saw a jump to 113 individual sales. **In Q1 2021 we had 79 individual sales (10+ units).** This would put us on track for the sales volume prior to the pandemic. The breakdown was 44 projects with less than 100 units and 35 projects with more than 100 units. The total gross sales volume was \$2,020,189,665.

Going Forward – By the Numbers

In a March 2021 report, CoStar noted that the multifamily sector was not immune to the pandemic, but it fared much better than other commercial property types, in-part, due to the Federal and State aid that helped tenants pay rent and benefit from eviction moratoriums. They warn that even though net absorption was strong in the 2nd half of 2020, they will need to brace for a wave of new apartments in 2021. The mis-match of more supply and less demand will result in increased vacancy. An increase in vacancy should be reflected in pressure on rental rates, especially of the higher-priced rentals. The lack of new construction of the more-affordable rentals may cause an increase in rental rates, but at some point, the amount able to be paid by the working class will restrict higher rents. Beware of government intervention with this issue and “affordable housing”. What happens when the eviction moratorium expires may be another issue for apt. owners. Metro Phoenix is still expected to attract more population in search of jobs and more affordable living, especially from California. The low housing inventory and ever-increasing single family home prices continues to force would-be homeowners into being tenants. Multifamily investing especially by out-of-state buyers continues to drive prices higher and CAP rates below 5.5%.

Renters Moving into the Suburbs

As noted on page 1, most of the previous new apt. construction has been focused in urban areas. With the pandemic and the ability to work from home, many tenants have opted to reduce their high urban area rent to more affordable rents in the suburbs. This has resulted in the West and East Valleys outperforming Downtown Phoenix, Camelback and Old Town Scottsdale. In an April presentation, Yardi Matrix echoed this same trend in many urban areas across the US.

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