



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

3rd QTR 2013

KASTEN LONG COMMERCIAL GROUP: KLCG had 18 transactions in Q3 including 10 apartment sales, 7 commercial sales and leases and 1 residential home sale. The largest apartment closing was by Linda Fritz-Salazar. She represented the owner of the 92-unit, 1971 built, master metered, La Paz Apartments, located at 6201 N 16th Street in Phoenix with an impressive sale price of \$6,000,000 (\$65,217/u).

Congratulations to Peter McSorley (Peter@KLCommGroup.com) for recently achieving the CCIM designation. Seven of our agents now hold this designation. Peter specializes in tenant representation, office sales and leasing and recently has been working with franchises to obtain multiple locations within the Valley.

Vacancy Rates Drop to 7.4%

Vacancy rates for the 3rd quarter for stabilized 50+ multifamily properties decreased from 7.7% to 7.4%. Greater than 10% vacancy rates were reported in Metrocenter, Central Black Canyon, N and W Central Phoenix and E Mesa. Vacancy rates of less than 6% were reported in N Scottsdale, S Gilbert and S Chandler. Vacancy rates by sub-district are posted on our web site www.KLCommercialGroup.com.

New Construction and Permitting

In Q3, there were six new apartment projects started (1,417u) with a total of 25 now under construction representing **4,733 units**. Of the 25 projects, 7 are in Phoenix, 4 in Scottsdale, 4 in Chandler, 3 each in Tempe and Mesa, 2 in Gilbert and one in Youngtown. Four projects were completed in Q3 totaling **1,012 units**. These included two projects in Phoenix (326u and 138u) and two in Tempe (279u and 269u). In addition, there are 82 projects in various stages from initial rezoning to final permitting - representing **19,840 units**. Details of each project and a map showing the location of the current construction activity is posted on our web site under "Apartments" - "Market Data".

Average Rental Rates (Individually Metered)

For 50 - 99 unit size apt's., rental rates continue their steady increase while the 100+ unit's rates are still flat. The highest rents being in Central Phoenix / Sky Harbor and the lowest along the I-17 corridor.

Size	Studio	One Bedroom	Two Bedroom
50 - 99	\$490 (1.14/sf)	\$588 (0.94/sf)	\$614 (0.75/sf)
100+	\$564 (1.23/sf)	\$685 (1.01/sf)	\$706 (0.86/sf)

KASTEN LONG COMMERCIAL GROUP

- An independent, local, full-service commercial brokerage
- Experienced professional specialists with a strong "Client First" mandate.
- SERVICES: Apartments and land brokerage - office, retail & industrial sales and leasing.

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Multifamily Data - Greater Phoenix Area

Year	Const.	Absorb.	Vacancy
2005	5,230	4,756	5.0%
2006	4,500	(4,653)	5.3%
2007	4,712	(5,846)	8.5%
2008	6,947	(4,466)	10.8%
2009	6,668	(5,319)	14.2%
2010	696	20,743	10.3%
2011	910	2,154	9.7%
2012	1,941	3,028	8.3%
2013 (1)	54	2,280	7.7%
2013 (2)	916	690	7.7%
2013 (3)	1,012	802	7.4%

Data Sources:
2005 - 2011: ASU's Phx Metro. Housing Study (20+ units)
2012 - 2013: RealData, Inc. (50+ units - stabilized)

In addition to the multifamily data on our web site under "Apartments - Market Data" and our quarterly apt. newsletters, **we also provide:**

1. Apartment sales updates - weekly e-mail
2. Metro Phoenix News - weekly e-zine
3. List of all apartments currently being marketed for sale - principals only

E-mail Jim@KLCommercialGroup.com to be included on our e-mail list.

Greater Phoenix Apartment Sales

3rd Qtr - 2013

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
7979 E Camelback Rd Sctt, 'Camellero & Indian Bnd'	626 622,606	\$61,525,000 \$98.82	7/1/2013 1973	\$98,283		32 st, 322 1/1, 272 2/2 Condo mapped, 2 complex run as 1
20808 N 27 th Av Phx, 'The Retreat'	480 466,840	\$52,750,000 \$112.99	7/29/2013 1999	\$109,896		120 1/1, 280 2/2, 80 3/2
2145 W Broadway Rd Mesa, 'Texona Huntington'	480 389,960	\$19,900,000 \$51.03	9/13/2013 1975	\$41,458		48 st, 136 1/1, 133 2/1, 97 2/2, 56 3/2 64% occupied, Cash, REO sale
1710 S Gilbert Rd Mesa, 'Gateway on Gilbert'	432 387,424	\$34,000,000 \$87.76	8/29/2013 1985	\$78,704		200 1/1, 32 2/1, 200 2/2 Deferred maintenance of \$2M, fka Woodcreek
888 E Clinton St Phx, 'Promontory Pointe'	424 422,376	\$41,500,000 \$98.25	8/29/2013 1984	\$3,943,848 \$97,877	10.5 6.1	150 1/1, 250 2/2, 24 3/2
1840 W Emelita Av Mesa, 'Villetta'	352 262,540	\$17,500,000 \$66.66	7/17/2013 1986	\$49,716	6.4	24 st, 160 1/1, 54 2/1, 114 2/2 Bond financing in place, 20% under LURA
4715 N Black Canyon Hwy Phx, 'Canyon Place'	288 192,600	\$7,631,000 \$39.62	9/3/2013 1985	\$1,594,944 \$26,497	4.8 7.0	36 st, 144 1/1, 36 2/1, 72 2/2 Loan assumption
15440 N 71 st St Sctt, 'Paragon @ Kierland'	276 289,098	\$57,750,000 \$199.76	9/30/2013 2001	\$4,253,580 \$209,239	13.6	94 1/1, 146 2/2, 36 3/2 Flip - 11/09: 34.2M.
4221 E McDowell Rd Phx, 'Ocotillo Village'	275 116,024	\$7,100,000 \$61.19	7/18/2013 1981	\$25,818		135 st, 140 1/1 85% occupied, short sale, \$465K def. maint.
10 E Bell Rd Phx, 'Crystal Creek AZ'	273 192,839	\$16,000,000 \$82.97	8/6/2013 1984	\$28,608		48 st, 96 1/1, 37 2/1, 92 2/2
1903 N Country Club Dr Mesa, 'Casa Carranza'	272 126,600	\$9,100,000 \$71.88	7/30/2013 1979	\$1,770,576 \$33,456	5.1 6.0	104 st, 166 1/1, 2 2/2 Master meter, flip - 4/10: \$4.6M
323 E Veterans Pky Tempe, 'University House'	269 384,098	\$103,000,000 \$268.16	8/13/2013 2013	\$382,900		266 unity (640 beds), New ASU Dorm, 100% preleased plus 21,842 retail
5120 E Hampton Av Mesa, 'Bala Desertscape'	266 283,398	\$33,800,000 \$119.27	9/29/2013 2000	\$127,088		132 1/1, 128 2/2, 6 3/2
8885 W Thunderbird Rd Peoria, 'Desert Harbor'	264 262,295	\$26,682,000 \$101.73	8/27/2013 2001	\$101,068		104 1/1, 160 2/2 Fka 'Archstone Desert Harbor'
5220 W Northern Av Gndl, 'Northern Terrace'	260 185,504	\$9,100,000 \$49.06	9/25/2013 1979	\$35,000	6.5	40 st, 152 1/1, 68 2/2
1330 W Broadway Rd Tempe, 'Versante'	240 184,752	\$15,000,000 \$81.19	9/6/2013 1971	\$62,500	6.2	96 1/1, 108 2/1, 36 2/1.5 REO sale
15434 N 32 nd St Phx, 'Paradise Falls'	220 173,992	\$10,400,000 \$59.77	8/29/2013 1986	\$42,273		117 1/1, 28 2/1, 75 2/2 Distressed, cash
2827 N 51 st Av Phx, 'Paloma Village'	123 of 213 88,233	\$2,600,000 \$29.47	8/28/2013 1982	\$21,138		121 st, 43 1/1, 49 2/2 80% occupied, broken condo conversion
3030 N 35 th Av Phx, 'Bella Verde'	181 71,760	\$4,400,000 \$61.32	9/5/2013 1978	\$1,057,616 \$24,309	4.2	80 st, 94 1/1, 7 2/1 Master meter, flip - 4/10: \$1.445 & 5/10: \$2.0M
615 E Weber Dr Tempe, 'Camden Sotelo'	170 187,000	\$34,000,000 \$207.32	9/11/2013 2012	\$200,000	5.6	36 1/1, 112 2/2, 22 2/2.5 Cash
4444 W Ocotillo Rd Gndl, 'Bella Lofts'	159 153,081	\$5,725,000 \$37.40	9/9/2013 1975	\$36,006		47 1/1, 28 2/1, 36 2/1.5, 48 3/2 Flip - 9/11: \$2.7M
8550 W McDowell Rd Phx, 'Del Mar'	144 145,848	\$14,400,000 \$98.73	8/30/2013 2008	\$100,000	5.9	40 1/1, 88 2/2, 16 3/2 Flip - 7/12: \$12.2M
15010 N 59 th Av Gndl, 'Country Gables'	139 84,462	\$6,500,000 \$76.96	7/31/2013 1984	\$46,763	6.0	95 1/1, 44 2/2
3802 N 27 th St Phx, 'Amber Ridge'	138 96,819	\$5,500,000 \$57.32	8/9/2013 1985	\$40,217	5.6	54 1/1, 84 2/2
8250 E Via Paseo Del Norte Sctts, 'Monaco North'	112 93,900	\$12,700,000 \$135.25	8/14/2013 1975	\$113,393	5.5	112 st, 56 1/1, 44 2/2 Flip - 5/2008: part of two property portfolio

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 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
4336 N 35 th Av Phx, 'Silver Tree'	98 59,152	\$2,940,000 \$49.70	7/16/2013 1986	\$30,000		16 st, 42 1/1, 16 2/1, 24 2/2, loan assumed 85% occupied, flip – 5/10: \$1.825M
1915 E Broadway Rd Mesa, 'Palm Gardens'	96 70,180	\$3,072,000 \$43.77	7/10/2013 1973	\$32,000		16 1/1, 80 2/1 \$700K to remodel, flip – 6/10: \$1.555M
111 N Mesa Dr Mesa, 'Sun Crest'	94 86,515	\$4,450,000 \$51.44	8/30/2013 1985	\$47,340	6.8	12 1/1, 39 2/1, 42 2/2, 1 3/2 Flip – 8/10: \$3.150M
6201 N 16 th St Phx, 'La Paz'	92 74,984	\$6,000,000 \$80.02	9/27/2013 1971	\$757,068 \$65,217	7.9 6.6	45 1/1, 47 2/2
2430 S Mill Av Tempe, 'Sonoma Park'	76 70,400	\$6,000,000 \$85.23	7/9/2013 1986	\$748,111 \$78,947	8.0	16 1/1, 60 2/2
12440 N 113 th Av Yngtwn, 'Sun Valley'	70 43,300	\$2,400,000 \$55.43	8/14/2013 1979	\$34,286	7.0	68 1/1, 1 2/2, 1 3/2
16035 N 27 th St Phx, 'Paradise Shadow'	67 60,850	\$3,013,686 \$49.53	7/1/2013 1983	\$44,980		41 2/1, 26 3/1 Affordable housing, HUD financing
5223 W Lynwood St Phx, 'Villas on McDowell'	65 60,504	\$1,950,000 \$32.23	8/28/2013 1983	\$30,000		27 2/1, 28 2/1.5, 10 3/2 Broken condo – 179 total units in complex
1523 W Colter St Phx, 'Villa Contenta'	62 46,900	\$2,700,000 \$57.57	7/17/2013 1986	\$43,548	7.0	48 2/1, 14 3/1
5110 N 19 th Av Phx, 'The Villager'	56 27,222	\$2,425,000 \$89.08	8/27/2013 1967	\$43,304	8.2	18 st, 30 1/1, 8 2/1
3816 E McDowell Rd Phx, 'Harbor View'	52 30,033	\$1,872,000 \$62.33	8/14/2013 1981	\$36,000	4.0	8 st, 44 1/1, flip – 12/10 \$955K 88% occupied, deferred maintenance
2040 W Cactus Rd Phx, 'Cactus Place'	48 40,600	\$1,500,000 \$36.95	7/17/2013 1975	\$31,250		1 1/1, 47 2/1.5 Note purchased in foreclosure, then sold
21068 W Main St Buckeye, 'Main Street Lofts'	45 30,000	\$4,735,000 \$157.83	9/26/2013 2004	\$105,222		10 st, 8 1/1, 2 1/1.5, 24 2/2, 1 3/2 Condo mapped
1107 E University Dr Mesa, 'Sunridge Manor'	45 31,050	\$1,700,000 \$54.75	7/8/2013 1984	\$283,500 \$37,778	6.0 6.5	45 2/1 Cash
1712 E Monte Vista Rd Phx, 'The Atrium'	44 40,480	\$1,518,000 \$37.50	9/30/2013 1985	\$34,500	6.5	44 2/2, previous sale in portfolio in 10/12. 85% occupied, deferred maintenance
1547 E Broadway Rd Mesa, 'Park Villa'	42 35,632	\$1,750,000 \$49.11	7/5/2013 1984	\$41,667	6.8	11 1/1, 31 2/2 1031 Exchange, flip - 12/10: \$850K
580 W Galveston St Chndlr, 'Hartford'	41 46,350	\$1,584,000 \$34.17	8/14/2013 1971	\$33,000		8 1/1, 26 2/1, 7 3/1 HUD subsidized, master meter, cash
1920 E Hayden Ln Tempe, 'Galleon'	36 26,640	\$2,106,000 \$79.05	8/13/2013 1984	\$58,500		36 2/1 Condo mapped, flip – 11/11: \$1.5M
2424 E Grandview Rd Phx, 'Grandview Terrace'	36 23,850	\$1,350,000 \$56.60	7/10/2013 1984	\$234,000 \$37,500	5.8 7.9	3 st, 6 1/1, 27 2/1 Flip – 12/11: \$800K
1942 W Berridge Ln, Phx, 'Beverly Palms'	34 23,300	\$1,050,000 \$45.06	7/24/2013 1961	\$35,000	7.0	4 st, 8 1/1, 20 2/1, 2 3/2 Flip – 2/11: \$580K
409-457 E 9 th Av Mesa, 'Tashner'	32 23,030	\$922,000 \$40.03	8/29/2013 1986	\$28,813	9.5	32 2/1 1031 Exchange
2745 W Colter St Phx, 'Casa Quieta'	30 23,606	\$1,000,000 \$42.36	7/24/2013 1969	\$192,000 \$33,333	5.2 8.9	30 2/1
3011-3029 N 38 th St Phx, 'Montego/Wyndham'	29 21,450	\$1,177,500 \$54.90	9/11/2013 1971	\$40,603	7.7	26 1/1, 1 2/1, 2 3/2 1031 Exchange, Cash, flip – 2/10: \$800K
730-736 E Turney Av Phx, 'Sage Court'	29 19,050	\$857,200 \$45.00	7/12/2013 1944	\$29,559	9.1	24 1/1, 4 2/1, 1 3/2 59% occupied, flip – 7/10: \$560K
1621 W Denton Ln Phx, 'Sun Ray'	28 23,950	\$1,430,000 \$59.71	7/17/2013 1985	\$51,071	8.7	10 1/1, 8 2/1, 10 2/2
420 N 64 th Pl Mesa, 'Oasis in Mesa'	28 24,328	\$1,237,500 \$50.87	7/19/2013 1985	\$191,000 \$44,196	6.5 5.5	8 1/1, 20 2/2 70% occupied, Cash

See newsletter on website for additional sales of 10 to 28 units for the Quarter.

Greater Phoenix Apartment Sales

3rd Qtr - 2013

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
21420 N 23 rd Av Phx, 'Desert Winds'	28 15,400	\$770,000 \$50.00	7/22/2013 1983	\$27,500	7.6	28 1/1 87% occupied
6017-6053 N 61 st Av Glndl, 'Rossmore'	26 14,490	\$835,000 \$43.82	8/30/2013 1962	\$24,423	7.1	24 1/1, 2 2/1
1452 E Cinnabar Av Phx	25 15,780	\$700,000 \$44.36	7/26/2013 1980	\$28,000	13.3	21 1/1, 2 2/2, 2 3/2 Master meter
2417 E Campbell Av Phx, 'Campbell'	24 15,252	\$1,200,000 \$78.68	8/26/2013 1960	\$171,600 \$50,000	7.0 6.1	2 st, 14 1/1, 8 2/1
1827 E Lemon St Tempe, 'Vallejo'	24 11,852	\$750,000 \$63.28	8/6/2013 1961	\$31,250		23 1/1, 1 2/1, flip – 10/09: \$615K 5% occupied, deferred maintenance
8605 E Coronado Rd Scottdl, 'Coronado Apt Homes'	22 15,240	\$1,420,000 \$93.18	7/28/2013 68 /02 reno	\$170,640 \$64,545	8.3 6.8	5 1/1, 17 2/1
1102 E Maryland Av Phx, 'Arimont'	21 14,900	\$940,000 \$63.09	9/9/2013 1960	\$44,762	5.5	4 st, 15 1/1, 2 2/1 75% occupied
2922 N 35 th St Phx, 'Wellington'	21 15,090	\$680,000 \$45.06	9/10/2013 1968	\$135,000 \$32,381	5.0 6.0	19 1/1, 2 2/1 Master mtr., flips – 3/11: \$330K, 2/13: \$545K
5233 W Myrtle Av Glndl, 'Myrtle Manor East'	18 17,280	\$900,000 \$52.08	7/26/2013 1987	\$50,000	8.0	18 2/2
1709 W Mountain View Rd Phx, 'Monte Vista'	16 12,160	\$535,000 \$44.00	7/26/2013 1985	\$33,438	7.5	16 2/1 Flip – 8/11: \$350K
715-721 E Turney Av Phx	16 9,800	\$520,000 \$53.06	7/19/2013 1949	\$32,500	6.9 5.3	14 1/1, 2 2/1, Cash, 50% occupied Double flip – 3/13: \$370K & \$415K
210 E Illini St Phx	16 8,636	\$304,400 \$35.25	7/2/2013 1946	\$101,470 \$19,025	3.0	1 1/1, 15 2/1 Cash
4822 E Holly St Phx, 'Jennifer'	14 9,910	\$375,000 \$37.84	8/23/2013 1985	\$56,786		2 st, 2 1/1, 9 2/1, 1 2/2 Cash
3201 N 36 th St Phx, 'Rita Roy'	13 8,541	\$495,000 \$57.96	9/17/2013 1961	\$78,044 \$38,077	6.8 6.5	9 1/1, 4 2/1 Cash, flip – 7/11: \$345K
620 N 4 th Av Phx, 'Metro 12'	12 18,572	\$2,325,000 \$125.19	7/8/2013 2009	\$182,496 \$193,750	12.7 5.5	6 2/1.5, 4 2/2, 2 2/2.5, flip – 5/10: \$2.065K Condo mapped, buyer to sell individual units
3111 E Clarendon Av Phx, 'Villa North Condo'	10 8,480	\$730,000 \$86.08	9/23/2013 1981	\$73,000	10.0	10 2/2 Condo mapped, master meter
9221-9225 N 5 th St Phx, '5 th Street'	10 4,725	\$279,000 \$59.05	8/23/2013 1985	\$27,900		10 1/1 Flip – 3/10: \$160K

The Metro Phoenix Apartment Market (Q3 2013)

In Q3, there were a total of 69 individual multifamily transactions with 25 having 100+ units and 44 consisting of 10 to 100 units. **Of the 100+ units**, all but four were financed, two were REO's, one was a short sale and one was a broken condo. Six (24%) of these sales were "Flips" - properties purchased in the past four years and then sold for a profit (see pages 2 & 3 for past sales). There was also a two-property portfolio sale with 472 combined units (\$30.3M). **Of the 44 sales with 10 to 100 units**, only nine were purchased "all cash", one was REO, and one was a broken condo. Of these sales, 17 (38%) were "Flips". Note that there was a significant jump in percentage of "flips" and number of properties financed for this size range compared to recent quarters. Investors are taking their profit! [Our Apartment Team provides a weekly e-mail list of all apartment sales – please let us know if you would like to be included and also call us with any questions or your insight.](#)

Impact of the New Apartment Construction. With the recent apartment completions, pressure on class "A" rental rates and occupancy is already being felt. The question is: with 4,733 units currently under construction plus an additional 19,840 units in the pipeline with more to come – what's the future for the class "A" communities? The hope is that as the US economy improves and families are able to move to the sunbelt, Arizona will regain its previous strong growth rate. Metro Phoenix grew at 2.2% between 2000 and 2010, but we were at only 1% for the past three years. Over the past ten years, the class "A" and "B" communities have done very well – first with many being sold at high prices for condo conversions and second, even with the downturn in the economy in 2008, with large funds having no home for money and mortgage rates at giveaway rates, class "A" and "B" properties with low vacancy rates sold for very low cap rates – but highly leveraged. If the overall US economy does not improve and we do not get the population influx we hope for soon – the current building activity may have a significant negative impact.

SLOW DOWN – Possibly the most notable item for the market at this time is what has happened in the past couple months – we have slowed down. The housing market actually led the "slow down" with available inventory increasing 20% and 30% fewer transactions between July and October. For the apartment market, while transaction activity remained strong through September, the brakes came on in October with many fewer transactions. At least a third of the advertised inventory has now been on the market for more than six months. WHY? There are several obvious reasons cited by our buyers: 1. investors now perceive our area as having reached a level with near-term future growth being greatly reduced; 2. the low-priced, value-add opportunities are virtually gone; and 3. an increased concern with the effect of the new apartment construction.

We remain very optimistic – and we strongly believe that our market will be a great place to be invested, but we have growing fundamental concerns – many that are related to the recovery of the entire US. Our economic recovery is very fragile – evidenced recently by the slight increase in mortgage rates almost overnight shutting down the real estate industry. Another huge concern is the government and its socialistic direction plus the recent realization by folks that make \$100K+ that their insurance rates may double due to Obama Care. To sum up – investors are fearful and this may develop into a hiccup in our recovery. A silver lining may be that with fewer investors in the market - assets may be a bit more affordable. In addition, since we are not building apartments to compete with the lower rental rate "B" and "C" assets, when we do have the population influx, the added demand on these properties should result in higher rents and value.

Kasten Long Apartment Team: Scott Trevey, CCIM (480 205 0862), Linda Fritz-Salazar, Assoc. Broker (602 989 9487), Jim Kasten, CCIM, Designated Broker (602 677 0655)

Kasten Long Commercial Group

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