



# GREATER PHOENIX

## APARTMENT OWNER'S NEWSLETTER

1st QTR 2013

Vacancy rates continue to decrease and rental rates are increasing. Total sales were down slightly from past quarters due to shortage of inventory both from distressed assets and reasonably priced communities. Buying pressure remains strong – with California starting to get back into our market. New apartment construction has significantly ramped up with 3,973 units currently under construction and 22,272 in various stages from initial requests to permit and zoning-ready.

**KASTEN LONG COMMERCIAL GROUP:** In early April, the Scottsdale Area Association of Realtors held its 1<sup>st</sup> Annual Commercial Summit with more than 250 attendees. Jim Kasten was the chairman for the event and KLCG participated as a sponsor. KLCG had 22 transactions in the Q1 including five apartment sales and 17 commercial sales and leases.

**Data Change:** Since 1998, we have been reporting multifamily data provided from ASU's Phoenix Metropolitan Housing Study. With ASU's elimination of this study, we will now report data for properties with 50 or more units from RealData, Inc. Within this size range, there are 1,262 properties with a total of 260,000 units.

### Vacancy Rates Decrease to 7.7%

Vacancy rates for the 1st quarter for stabilized 50+ multifamily properties decreased from 8.3% in the 4th quarter to **7.7%**. Double digit vacancy rates were reported in N. Central Phoenix and an area roughly west of I-17 from Baseline to Peoria Avenues. Vacancy rates of less than 6% were reported in Scottsdale, Tempe, Gilbert and Chandler. A detailed list showing all vacancy rates by sub-district is posted on our web site [www.KLCommercialGroup.com](http://www.KLCommercialGroup.com).

### New Construction and Permitting

After several years of minimal apartment permitting or new construction, there are now 21 new apartment communities under construction consisting of 3,973 units. The majority of these are the 8 projects in Phoenix (1,358u), 4 in Tempe (982u) and 3 in Scottsdale (802u). In addition, there are another 92 projects currently in various stages of the permitting and rezoning process consisting of 22,282 units. The majority of these are 24 projects in Phoenix (6,482u), 22 in Scottsdale (5,886u) and 12 in Chandler (2,945u). A number of these will likely not be approved, but many will. Unless the demand for apartments increases, the added supply will start putting pressure on rental rates and overall occupancy.

#### 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	Perm.	Const.	Absorb.	Vacancy
2004	5,991	5,223	9,230	7.9%
2005	5,556	5,230	4,756	5.0%
2006	4,103	4,500	(4,653)	5.3%
2007	7,922	4,712	(5,846)	8.5%
2008	5,683	6,947	(4,466)	10.8%
2009	638	6,668	(5,319)	14.2%
2010	223	696	20,743	10.3%
2011	1,939	0	2,154	9.7%
2012	4,483	1,995	3,122	8.3%
2013 (1)	116	188	2,274	7.7%

Data Sources:  
2004 - 2011: ASU's Phoenix Metropolitan Housing Study  
2012 - 2013: RealData, Inc.

In addition to the multifamily data on our web site under “Apartments – Market Data”,  
**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](mailto:Jim@KLCommercialGroup.com) to be included on our e-mail list.

# Greater Phoenix Apartment Sales

1<sup>st</sup> Qtr - 2013

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
777 W Chandler Blvd Chandler, 'The Fairways'	352 339,720	\$35,215,500 \$103.66	3/22/2013 1985/1996	\$100,044		56 1/1, 136 2/1, 116 2/2, 44 3/2 91% occupied, REO
7007 E Gold Dust Av Scottsdale, 'Acacia Creek'	304 463,874	\$39,964,000 \$86.15	2/14/2013 1994	\$131,461	5.3	76 1/1, 186 2/2, 42 3/2
34000 N 27 <sup>th</sup> Dr Phx, 'Las Colinas@Blk Cany'	304 313,000	\$41,250,000 \$131.79	2/14/2013 2008	\$135,691	5.4	100 1/1, 38 2/1, 130 2/2, 36 3/2
2343 W Main St Mesa, 'Coral Point'	337 268,076	\$19,500,000 \$72.74	2/15/2013 1986	\$2,593,320 \$57,564	7.5 5.0	84 1/1, 85 2/1, 84 2/1.5, 84 2/2
15255 N FL Wright Blvd Scottsdale, 'The Highlands'	272 245,852	\$36,744,000 \$149.46	2/28/2013 1990	\$135,088	5.3	82 1/1, 156 2/2, 34 3/2
701 W Grove Pky Tempe, 'Pinnacle Grove'	247 204,732	\$21,000,000 \$102.57	2/13/2013 1987	\$2,389,222 \$85,020	8.8 5.9	167 1/1, 28 2/1, 52 2/2 REO
1111 N Mission Park Blvd Chandler, 'San Palmas'	240 234,168	\$33,600,000 \$143.49	2/28/2013 1998	\$140,000	4.7	82 1/1, 108 2/2, 50 3/2
5635 E Bell Rd Scottsdale, 'Bellagio'	202 188,564	\$25,750,000 \$136.56	2/18/2013 1995	\$127,475	5.3	80 1/1, 102 2/2, 20 3/2
9920 W Camelback Rd Glendale, '9920'	193 222,438	\$22,550,000 \$101.38	1/2/2013 2008	\$116,839	3.7	46 1/1, 115 2/2, 32 3/2
4902 E Thomas Rd Phoenix, 'Arcadia on 49 <sup>th</sup> '	192 107,420	\$5,760,000 \$53.62	1/16/2013 1971	\$1,421,364 \$30,000	4.1	163 1/1, 28 2/1, 1 3/1 72% occupied, sold 'as-is'
10455 E Via Linda Scottsdale, 'Morningside'	160 164,196	\$21,600,000 \$131.55	3/27/2013 1989	\$135,000	5.3	32 1/1, 92 2/2, 36 3/2
2322 W Thomas Rd Phoenix, 'Encanto Park'	159 70,640	\$2,385,000 \$33.76	1/16/2013 1979	\$954,600 \$15,000	2.5	79 st, 80 1/1, Seller financing 30% occupied, mast meter, \$1M deferred maint
351 E Civic Center Dr Glbrt, 'Reserve @Towne Cntr'	147 134,217	\$15,650,000 \$116.60	2/28/2013 2001	\$106,463	5.5	43 1/1, 80 2/2, 24 3/2 30% affordable housing
4235 N 35 <sup>th</sup> Av Phoenix, 'Sterling Place'	140 114,028	\$2,450,000 \$21.49	1/16/2013 1971	\$1,120,080 \$17,500	2.2	24 1/1, 92 2/1, 24 3/1 30% occupied, mast meter, \$1M deferred maint
11 E Bell Rd Phoenix, 'The Cortina'	104 98,350	\$8,200,000 \$83.38	3/27/2013 1995	\$78,846	6.0	48 1/1, 56 2/2
6515 W McDowell Rd Phoenix, 'Westover Parc'	99 182,640	\$5,300,000 \$29.02	1/2/2013 2001/2007	\$933,252 \$53,535	5.7 7.5	59 1/1, 35 2/2, 5 3/2 Condo mapped
16437 N 31 <sup>st</sup> St Phoenix, 'Aire Libre'	80 62,320	\$2,125,000 \$34.12	3/22/2013 1985	\$26,563	7.7	1 st, 19 1/1, 60 2/1
350 W 13 <sup>th</sup> Pl Mesa, 'Country Club Greens'	68 61,930	\$4,000,000 \$64.59	2/8/2013 1985	\$566,112 \$58,824	7.1 6.4	9 1/1, 59 2/2 REO
2726 W Augusta Av Phoenix, 'Augusta Suntree'	68 50,800	\$1,900,000 \$37.40	3/5/2013 1983	\$371,767 \$27,941	5.1 8.2	36 1/1, 32 2/1, Sold 3/10 - \$1.255M Seller finance, \$50k deferred maintenance
6141 N 59 <sup>th</sup> Av Glendale, 'Desert Crest'	66 54,720	\$2,079,000 \$37.99	3/4/2013 1985	\$426,240 \$31,500	4.9 7.6	6 1/1, 60 2/2 Cash, Sold 7/10 - \$1.55M
2020 N 32 <sup>nd</sup> St Phoenix, 'Village'	63 59,705	\$1,940,000 \$32.49	2/15/2013 1974	\$30,794	9.4	9 1/1, 54 2/2 Sold 8/10 - \$890K
3501 W Missouri Av Phoenix, 'Missouri Meadows'	62 39,400	\$1,426,000 \$36.19	3/12/2013 1978	\$322,800 \$23,000	4.4	60 1/1, 2 2/2, Sold 3/10 - \$1.05M 85% occupied, \$250K in cap improve planned
10525 W Monterosa St Phoenix, 'Sierra Verde Villas'	58 60,971	\$3,200,000 \$52.48	2/25/2013 1999	\$534,240 \$55,172	7.0	47 2/2, 11 3/2 Condo mapped, cash, bankruptcy sale
1620 N 51 <sup>st</sup> St Phoenix, 'Casa Hermosa'	44 28,760	\$1,150,000 \$39.99	2/21/2013 1980	\$225,600 \$26,136	5.1 10.0	36 1/1, 8 2/1 Short sale

**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
525 E Bethany Home Rd Phoenix, 'Bethany Terrace'	40 24,900	\$1,730,000 \$69.48	3/29/2013 1969/2013	\$43,250		8 st, 18 1/1, 14 2/1 70% occupied, reno to be completed 7/1/13
2032 W Orangewood Av Phx, 'Bougainvillea Garden'	31 31,465	\$1,450,000 \$46.08	1/18/2013 1964	\$228,600 \$46,774	6.3 6.7	1 1/1, 30 2/1
2259 W Ella St Mesa, 'Woodridge'	30 19,050	\$700,000 \$36.81	2/4/2013 1980	\$198,000 \$23,333	3.5	30 2/1 Vacant
3822 N 28 <sup>th</sup> St Phoenix, 'Hyde Park'	28 24,640	\$1,350,000 \$54.79	2/22/2013 1971	\$210,000 \$48,214	6.4 8.5	28 2/1
1452 E Cinnabar Av Phoenix	27 15,780	\$834,000 \$52.85	1/15/2013 1980	\$176,580 \$30,889	4.7 8.1	22 1/1, 3 2/1, 2 3/2, Sold 8/10 - \$560K Double escrow, buyer's upleg in 1031 exch.
6824 E 4 <sup>th</sup> St Scottsdale, 'Shalimar Sands'	26 20,716	\$661,800 \$31.95	1/18/2013 1959	\$24,454		20 1/1, 4 2/2, 2 3/2 Cash
1627-1635 N 51 <sup>st</sup> St Phoenix, 'Papago Pines'	26 20,400	\$915,000 \$44.85	2/19/2013 1989	\$166,200 \$35,192	5.5 8.1	10 1/1, 16 2/2 Sold 3/10 - \$750K
2234 W Hazelwood St Phoenix, 'Starlight'	24 16,248	\$589,000 \$36.25	1/24/2013 1985	\$134,400 \$24,544	4.4 7.7	8 1/1, 16 2/1 Cash
2417 W Campbell Av Phoenix, 'Buena Vida'	24 26,145	\$550,000 \$21.04	3/1/2013 1983/2004	\$114,912 \$22,917	4.8 8.9	24 2/1 50% occupied, Sold 3/12 - \$493K
529-530 E Mariposa St Phoenix, 'Mariposa Park'	24 15,240	\$800,000 \$52.49	1/10/2013 1964	\$155,448 \$33,333	5.4 8.1	14 1/1, 8 2/1, 2 2/1.5 70% occupied, Sold 3/11 - \$485K
301 E Townley Av Phoenix, 'Townley Manor'	23 6,981	\$480,000 \$68.76	1/4/2013 1980	\$94,716 \$20,870	5.1	22 st, 1 1/1
4901 E Holly St Phoenix, '29 Palms'	22 20,550	\$866,250 \$42.15	3/5/2013 1964	\$157,440 \$39,375	5.5 7.6	5 1/1, 16 2/1, 1 3/2 Converting to Senior housing
2922 N 35 <sup>th</sup> St Phoenix, 'Wellington'	21 15,287	\$545,000 \$35.65	2/16/2013 1968	\$135,000 \$25,952	4.0 7.5	5 1/1, 16 2/1 Cash, Sold 3/11 - \$330K
210 S Roosevelt St Phoenix, 'Blue Haven'	20 16,581	\$1,075,000 \$64.83	3/20/2013 1988	\$53,750		4 1/1, 16 2/2
1346 E Mountain View Rd Phoenix, 'Mtn View Acres'	20 16,000	\$650,000 \$40.63	2/7/2013 1986	\$114,000 \$32,500	5.7 7.4	20 2/1 Cash, Sold 6/11 - \$475K
927 W Cheryl Dr Phoenix	18 16,500	\$486,000 \$29.45	3/25/2013 1970	\$27,000		17 2/1, 1 3/2 Cash
810 E Hatcher Rd Phoenix	18 13,485	\$342,000 \$25.36	2/6/2013 1979	\$19,000		18 st Seller financing
2262 W Grand Av Phoenix, 'Grand Avenue'	17 6,250	\$275,000 \$44.00	3/1/2013 1950	\$102,960 \$16,176	2.7 12.9	8 st, 8 1/1, 1 2/2 Seller financing
602 S 17 <sup>th</sup> Av Phoenix, 'Vista Palms'	17 5,120	\$195,000 \$38.09	1/30/2013 1947	\$81,600 \$11,471	2.4 13.0	17 st REO sale, cash
715-721 E Turney Av Phoenix	16 10,846	\$415,000 \$38.26	3/22/2013 1949	\$93,600 \$25,938	4.4	14 1/1, 2 2/2 25% occupied, double escrow
312 E Hatcher Rd Phoenix, 'Hatcher'	16 7,800	\$550,000 \$70.51	3/7/2013 1980	\$34,375	8.8	16 1/1
11019 N 17 <sup>th</sup> Av Phoenix	15 9,952	\$255,000 \$25.62	3/18/2013 1965	\$79,104 \$17,000	3.2 13.4	1 st, 12 1/1, 2 2/2
16801 N 26 <sup>th</sup> St Phoenix, 'Country Manor'	14 9,700	\$370,000 \$38.14	1/31/2013 1980	\$70,800 \$26,429	5.2 7.2	10 1/1, 4 2/1 Cash
240 E Ruth Av Phoenix, 'Angel'	14 8,010	\$425,000 \$53.06	1/11/2013 1983	\$30,357		4 1/1, 10 2/1
4140 N 104 <sup>th</sup> Dr Phoenix, 'Villa la Paz'	11 10,336	\$425,000 \$41.12	1/4/2013 1976	\$74,940 \$38,636	5.7 9.1	2 1/1, 5 2/1, 4 2/2 Cash
6738 N 44 <sup>th</sup> Av Glendale, 'Westwood Studio'	10 4,040	\$207,500 \$51.36	1/4/2013 1972	\$20,750		10 st 70% occupied, cash
1915 N 26 <sup>th</sup> Pl Phoenix	10 6,224	\$255,000 \$40.97	2/20/2013 1969	\$25,500		3 <sup>rd</sup> sale in 2 weeks, \$199,900 double escrow \$228,000 on 2/6/2013

## The Metro Phoenix Apartment Market (Q1 2013)

In the 1<sup>st</sup> quarter of 2013 there were a total of 56 sales (10 units or more) of which four were bank-owned, one bankruptcy and one short sale. Twelve of the 56 sales (21.4%) were “flips” - properties purchased within the past few years and now sold at a profit. Financing was used in 31 of the sales, 19 conventional, 3 seller and 9 private. There also were two Notes purchased in advance of eventual trustee sales and two properties sold to 3<sup>rd</sup> parties at trustee sales. In addition to these sales there were five bulk multifamily sales that included 86 properties, with 10 properties being located in Arizona. The sellers on these sales were REITs, including Equity Residential (7 properties), BRE Properties (1) and Milestone Apartments (2). Equity Residential also sold five properties on an individual basis in metro Phoenix.

**The total 1<sup>st</sup> quarter sales were less than previous quarter sales.** The reasons as we see it: 1) values have risen since the fall of 2010 and now leveled off; 2) the depressed price, distressed-asset opportunities are greatly reduced; and 3) the inventory of reasonably-priced properties has declined substantially. Considering the old adage of “supply and demand”, with the limited supply, we expect prices to continue to edge upward. Moreover, on the demand side, we are starting to see the return of regular and “1031 exchange” buyers from California. From about 2000 to 2007 California buyers drove the local apartment market – and they will again! The only caution on values increasing might be if interest rates rise, the economy stumbles, or the population does not keep pace with the new construction.

**Money for financing remains very inexpensive.** For the large, quality, stabilized assets, interest rates are less than 4.0% with LTV's of 75% to 80%. This “cheap” money continues to keep the CAP rates low. The smaller assets with good historical financials are being purchased (or refinanced) typically at 60% to 75% LTV, with interest rates of 5% to 5.5% (25 year am). Call us if you need suggestions for mortgage brokers or lenders.

**For the past few years rental growth has been stagnant, but that's finally changing.** With vacancy rates dropping for the past 13 quarters, instead of increasing rents, the large class “A” apartments have been reducing concessions and move-in specials, but now actual rents are starting to increase. For the “B” and “C” apartments rents are also increasing partly due to increased demand and also due to the reduced number of distressed properties being sold at discount prices and subsequently offering lower rents to quickly obtain strong occupancy. Rental growth for the “B” and “C” properties should continue, but the class “A” apartments may have pressure on rents depending on the effect of new construction as new supply enters the marketplace.

**The apartment market is improving** and we strongly believe that we are on the lower side of the real estate cycle as it continues to rise. We see “B” and “C” class properties doing very well. As Arizona's economy improves and JOBS are created, these properties will be the mainstay of the rental community, providing affordable housing for the projected strong increase in population. The well located, well-managed, well-maintained properties will see rental rate growth and strong occupancy. This will increase values. Properties offering a solid 6.5% CAP today could easily go to an 8.0% CAP within a short time-frame. As we continue to note in our newsletters, the important thing is to get in the market, properly manage your property, and then reap the financial gains that are coming. Linda, Scott and Jim, our apartment team, have specialized in the metro Phoenix apartment market for many years. We strongly believe that the projection for a population boom is real and that the increased demand for affordable housing will significantly drive rents and values up in the “B” and “C” class properties.

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

### Kasten Long Commercial Group

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