



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

4th QTR 2015

KASTEN LONG COMMERCIAL GROUP: The Kasten Long Commercial Group has specialized in apartment brokerage in metro Phoenix since 1998. Our agents have brokered more than 1,000 communities with gross sales in excess of 1 billion dollars.

The company provides weekly updates (by e-mail) on apartment sales. If you are not receiving this info. – just let us know. We also have published our quarterly apartment newsletter for sixteen years – past issues and other market data are available on our web site www.KLCommercialGroup.com. **WATCH FOR OUR NEW APARTMENT LISTINGS ON THIS SITE AS WELL!!**

Vacancy Rates Remain Very Low

Vacancy rates for the 4th quarter for “stabilized” properties with 50 or more units decreased **from 5.70% to 5.68%**, again setting a 17 year new record (per RealData). As the newly constructed properties are added to the “stabilized” inventory, we expect the rate to inch upwards. Vacancy rates for the 50-99 communities increased from 4.94% to 5.18% while the 100+ properties decreased slightly from 5.76% to 5.72%. Vacancy rates for each sub-market are posted on our web site under Apartments – Market Data.

6,712 New Apt. Units Completed in 2015

Ten projects were completed in Q4 totaling 2,574 units bringing the year-end total to 36 projects totaling **6,712** units. Eight new apartment projects were started in Q4 totaling 1,440 units with a total of 21 projects now under construction representing **6,843 units**. There are also 53 additional possible projects in various stages from initial rezoning to final permitting - totaling **14,108 units**. The combined **total of “under construction” and in the “pipeline” is 20,951 units**, down slightly from the 22,218 in Q3. Call us for more information on any of these projects or for a link to our map showing locations of the new and proposed projects.

Rental Rates Continue Climb

For apartment communities with 50-99 units, the average unfurnished rental rate **increased 1.8%** in Q4, going from \$735 in Q3 to \$748. For 2015, **the rate is up 5.6%**. The 50-99 size range typically represents the older, “B” and “C” properties.

The average unfurnished rental rate for the 100+ communities **increased slightly**, going from \$867 in Q3 to \$872 per unit in Q4. For 2015, **the rate is up 6.5%**. Since the values reported represent all age communities with 100+ units and include “A”, “B” and “C” class properties - the overall trend is more important than the actual value. Going forward, the rental rates will be affected by the new construction and their higher rates. As long as vacancy rates remain low, we expect continued rent growth for all existing properties.

KASTEN LONG COMMERCIAL GROUP

- An independent, local, commercial brokerage - **since 1998**.
- Experienced professional specialists with a strong “Client First” mandate.
- **SERVICES:** Apartments and land brokerage - office, retail & industrial brokerage and leasing.

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Multifamily Data - Greater Phoenix Area

Year	Const.	Absorp.	Vacancy
2006	4,660	(4,653)	5.3%
2007	4,637	(5,846)	8.5%
2008	7,037	(4,466)	10.8%
2009	6,737	(5,319)	14.2%
2010	698	20,743	10.3%
2011	910	2,154	9.7%
2012	2,031	3,028	8.3%
2013	4,452	4,822	7.3%
2014	5,658	4,716	6.1%
2015	6,720	3,728	5.7%

Data Sources:

2005 - 2011: ASU's Phx Metro. Housing Study (20+ units)
2012 - 2015: RealData, Inc. (50+ units – stabilized)

On a weekly basis via e-mail we offer:

1. Recent Apartment sales
 2. Metro Phoenix News
 3. All apartments currently being marketed for sale – principals only
- New - Interactive Map Available**

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

Greater Phoenix Apartment Sales

4th Qtr - 2015

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
17212 N Scottsdale Road Scottsdale, 'Pillar'	539 548,324	\$95,750,000 \$174.62	10/1/2015 1999	\$177,644	4.6	262 1/1, 267 2/2, 10 3/3
601 W Rio Salado Tempe, 'Skywater'	328 370,000	\$94,200,000 \$254.59	11/25/2015 2014	\$287,195	5.0	56 st, 108 1/1, 115 2/2, 25 3/2, 24 3/3
7355 E Thompson Peak Pky Scottsdale, 'Jefferson at One'	388 300,000	\$88,000,000 \$293.33	11/10/2015 2014	\$226,804	5.0	178 1/1, 186 2/2, 24 3/2 Cash Sale
14435 S 48 th Street Phx, 'San Melia'	488 493,192	\$84,000,000 \$170.32	12/14/2015 1998	\$172,131	4.60	197 1/1, 178221 2/2, 70 3/2 Renovated 2011 Flip: 3/12 - \$68.750M
21155 N 56 th Street Phx, 'Marquis at Desert Ridge'	370 360,000	\$77,500,000 \$215.28	12/8/2015 2014	\$209,459		146 1/1, 179 2/2, 45 2/2.5
7340 E Legacy Blvd Scottsdale, 'Avion on Legacy'	322 280,000	\$74,060,000 \$264.50	10/22/2015 2015	\$230,000	5.25	204 1/1, 76 2/2, 42 3/2 Cash Sale, FKA 'Jefferson on Legacy'
635 S Ellis Street Chandler, 'Broadstone Trevi'	290 288,702	\$47,500,000 \$164.53	10/14/2015 2004	\$163,793	5.10	128 1/1, 146 2/2, 16 3/2 Flip: 6/13 - \$37.5M
125 S Alma School Road Chandler, 'The Greens'	324 499,488	\$46,200,000 \$92.49	11/30/2015 2000	\$142,593	5.62	189 1/1, 11 1/1.5, 90 2/2, 34 3/2 1031 Exchange, Deferred Maintenance
3625 E Ray Road Phx, 'Mountainside'	288 280,104	\$41,250,000 \$147.27	11/13/2015 1995	\$143,229		88 1/1, 33 2/1, 143 2/2, 24 3/2 Flip: 12/11 - \$32M
1300 W Warner Road Gilbert, 'Alcove at the Islands'	272 237,950	\$33,500,000 \$140.79	10/27/2015 1989	\$123,162	5.75	96 1/1, 144 2/2, 32 3/2 FKA 'Bayside at the Islands'
3601 E McDowell Road Phx, 'Monte Verde'	435 311,361	\$33,000,000 \$105.99	11/19/2015 2004	\$75,862		138 st, 126 1/1, 49 2/1, 50 2/2, 36 3/2, 36 4/2 Auction Sale, REO Sale
1361 S Greenfield Road Mesa, 'Wyndhaven'	248 259,180	\$29,200,000 \$112.66	11/2/2015 1997	\$117,742	5.18	104 1/1, 128 2/2, 16 3/2
2800 W Sahuaro Drive Phx, 'Timbertree'	387 270,636	\$20,875,000 \$77.13	10/7/2015 1980	\$53,941	6.0	43 st, 172 1/1, 84 2/1, 88 2/2, Flip: 5/11 - \$12M Deferred Maintenance, Master Metered
1930 N Country Club Drive Mesa, 'Bayview'	204 210,000	\$18,600,000 \$88.57	10/30/2015 2000	\$91,176	6.25	50 1/1, 154 2/2
4727 E Warner Road Phx, 'Vista Sureno'	186 161,876	\$17,400,000 \$107.49	11/18/2015 1985	\$93,548	6.15	54 1/1, 132 2/2
1115 E Lemon Street Tempe, 'The Mark'	161 108,850	\$16,789,000 \$154.24	11/24/2015 1970	\$138,752	6.25	36 st, 65 1/1, 60 2/2, Flip: 6/13 - \$7.7M Renovated 2014, Master Metered
18350 N 32 nd Street Phx, 'Cobalt on 32 nd Street'	90 106,530	\$16,200,000 \$152.07	11/19/2015 2013	\$180,000	5.5	30 2/2, 60 2/2.5
1653 S Harris Drive Mesa, 'Trails at Harris'	208 152,710	\$15,675,000 \$102.65	10/30/2015 1983	\$75,361	5.1	111 1/1, 97 2/2 Deferred Maintenance, Flip: 11/12 - \$8.56M
8111 N 19 th Avenue Phx, 'Mission Shadows'	227 180,850	\$14,700,000 \$81.28	10/16/2015 1986	\$64,758		48 st, 109 1/1, 70 2/2 Cash Sale,
6231 W McDowell Road Phx, 'Villa del Sol'	320 233,200	\$12,200,000 \$52.32	11/30/2015 1985	\$38,125		72 1/1, 200 2/1, 48 2/2
5601 W McDowell Road Phx, 'Marble Creek'	244 254,694	\$12,100,000 \$47.51	10/23/2015 1985	\$49,590		108 1/1, 48 2/1, 88 2/2
2045 W Butler Drive Phx, 'Point Vista'	160 118,192	\$10,500,000 \$88.84	10/1/2015 1981	\$65,625	5.6	73 1/1, 36 2/1, 41 2/2, 10 3/2 FKA 'Sonoma Vista', Flip 3/12 - \$5M
3851 N 28 th Street Phx, 'Avalon'	117 96,750	\$8,350,000 \$86.30	12/3/2015 1973	\$71,368	7.8	81 1/1, 36 2/2, Flip: 9/14 - \$7M Master Metered, FKA 'Castellana'
6201 N 16 th Street Phx, 'Sora on Rose'	92 76,151	\$7,850,000 \$103.08	12/18/2015 1971	\$878,532 \$85,326	8.9 6.6	46 1/1, 46 2/2, Flip: 9/13 - \$8M 1031 Exchange, Renovated 2014
8080 N 51 st Avenue Glendale, 'Sonoma Point'	130 90,172	\$7,700,000 \$62.60	10/1/2015 1984	\$59,231	6.1	74 1/1, 56 2/2 FKA 'Maplewood', Flip: 12/11 - \$4.125M

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, RealData, 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
3535 W Camelback Road Phx, 'Copper Sky'	163 83,715	\$8,552,000 \$58.63	10/9/2015 1976	\$39,663	4.15	111 st, 51 1/1, 1 2/1 Master Metered, Flip: 6/14 - \$3.6M
3130 N 7 th Avenue Phx, 'El Cortez'	146 59,422	\$6,400,000 \$107.70	10/27/2015 1962	\$1,121,820 \$48,836	5.7 3.4	146 st, Flip: 11/12 - \$5.75M 146 Sold of 165 Total Units, Master Metered
57 N Alma School Road Mesa, 'Candela Park'	76 70,300	\$5,925,000 \$84.28	11/20/2015 1986	\$681,104 \$77,961	8.42 6.45	32 1/1, 44 2/2, Flip: 7/12 - \$3M 1031 Exchange, Assumption, Renovtd. 2014
504 N 58 th Avenue Glendale, 'Casa Del Mar'	128 114,752	\$5,700,000 \$49.67	10/15/2015 1973	\$44,531		32 1/1, 64 2/1.5, 32 2/2 Short Sale, FKA 'Camelback Villa'
1601 W Camelback Road Phx, 'Urban 188'	188 94,482	\$4,888,000 \$51.73	11/19/2015 1970	\$26,000		109 st, 78 1/1, 1 2/1, Flip: 11/14 - \$4.338M Cash Sale, High Vacancy, Master Metered
4350 N 5th Avenue Phx, 'Solterra on 5 th Avenue'	40 40,000	\$4,560,000 \$114.00	10/6/2015 2006	\$114,000		40 Condo Units Sold of 60 Total Units Seller Carry
4413 W Bethany Home Road Glendale, 'Sunset Terrace'	86 59,525	\$4,175,000 \$70.14	11/17/2015 1984	\$48,547		54 1/1, 32 2/2
121 E Broadway Road Tempe, 'Tempe Gardens'	36 26,098	\$3,800,000 \$145.61	10/8/2015 1962	\$105,556	6.48	16 1/1, 20 2/1, Flip: 2/14 - \$3.8M Cash Sale, Renovated 2014
1818 N 40 th Street Phx, 'Revival on 40th'	63 54,000	\$3,710,000 \$68.70	10/1/2015 1981	\$58,889	6.0	38 1/1, 25 2/2 1031 Exchange, Flip: 11/12 - \$1.9M
5920 W Laurie Lane Glendale, 'Sonoma Lane'	60 44,550	\$3,650,000 \$81.93	10/1/2015 1983	\$60,833	7.0	30 1/1, 30 2/2 Flip: 12/12 - \$2.0M
830 N Alma School Road Mesa, 'Riverview'	44 37,056	\$3,425,000 \$92.43	11/10/2015 1986	\$371,580 \$77,841	9.2 6.38	16 1/1, 28 2/2
522 W 9 th Place Mesa, 'Cabrillo Pointe'	65 56,363	\$3,300,000 \$58.55	10/28/2015 1960	\$50,769	5.73	50 1/1, 15 1031 Exchange
3710 E McDowell Road Phx, 'Papago View'	50 27,815	\$2,850,000 \$102.46	10/20/2015 1979	\$57,000	6.5	11 st, 39 1/1 1031 Exchange, Flip: 5/12 - \$1.35M
1502-1516 E Rovey Avenue Phx, 'Idle Hours'	28 24,362	\$2,825,000 \$113.03	10/30/2015 1956	\$250,320 \$100,893	11.2 3.95	26 2/1, 2 2/1.5 Cash Sale
6526 N 15 th Drive Phx, 'Palos Verde'	58 62,082	\$2,475,000 \$39.87	10/26/2015 1969	\$42,672	7.0	58 Condo Units Sold of 68 Total Units Cash Sale
1461 E Apache Blvd Tempe	34 14,325	\$2,225,000 \$155.32	11/30/2015 1988	\$65,441		32 st, 1 1/1, 1 3/2 FKA 'Hide Away Lodge'
7141 N 19 th Avenue Phx, 'Twillingate'	52 39,989	\$2,150,000 \$53.76	12/15/2015 1973	\$41,346		32 1/1, 20 2/1 Master Metered
1917 E Broadway Road Tempe, 'Country Club Apts'	27 22,370	\$2,150,000 \$96.11	11/5/2015 1963	\$79,630	6.51	6 1/1, 19 2/1, 2 2/2
529-530 E Mariposa Avenue Phx, 'Bonfire'	24 15,240	\$2,150,000 \$141.08	10/9/2015 1964	\$234,360 \$89,583	9.17 6.23	14 1/1, 8 2/1, 2 2/1.5, Flip: 8/14 - \$1.65M Cash Sale, Renovated 2013
3021 N 39 th Street Phx, 'Park Place'	13 22,360	\$1,998,819 \$89.39	10/26/2015 1964	\$153,755		13 3/2, Flip: 2/15 - \$1.3M Cash Sale
321 W Medlock Drive Phx, 'Tropicana'	22 18,250	\$1,825,000 \$100.00	10/30/2015 1959	\$215,000 \$82,955	8.49 6.3	17 1/1, 5 2/1 Renovated 2004-2014, Master Metered
345 W Pasadena Avenue Phx, 'Tamarack'	20 16,560	\$1,675,000 \$101.15	11/6/2015 1982	\$83,750	6.2	8 1/1, 12 2/1
3025 N 36 th Street Phx, 'Brisbane'	30 19,315	\$1,600,000 \$82.84	12/16/2015 1961	\$53,333	6.15	22 1/1, 5 2/1, 1 2/2, 2 3/2 Cash Sale, Deferred Maint., Master Meter
331 W Grant Street Phx, 'Grant Park'	52 45,898	\$1,600,000 \$102.18	10/1/2015 1973	\$30,769		9 1/1, 37 2/1, 6 3/1 Cash Sale, Master Metered
1701 N 7 th Avenue Phx	12 8,255	\$1,550,000 \$187.76	10/6/2015 1930	\$129,167		2 st, 2 1/1, 8 2/1 Flip: 1/14 - \$700K
3009 N 36 th Street Phx, 'Melbourne'	26 16,650	\$1,500,000 \$90.09	10/30/2015 1964	\$57,692	7.57	6 st, 12 1/1, 8 2/1 Cash Sale
6501 N 3 rd Avenue Phx, 'Fountain Springs'	16 13,212	\$1,400,000 \$105.96	12/1/2015 1977	\$87,500	6.5	16 2/1 Cash Sale
376 E Alvarado Road Phx, 'Alvarado'	10 6,739	\$1,386,000 \$205.74	11/16/2015 1958	\$122,159 \$138,650	11.3 6.0	5 1/1, 5 2/1 1031 Exchange, Flip: 2/14 - \$425K

The Metro Phoenix Apartment Market (Q4 2015)

In the 4th quarter of 2015, there were a total of 83 individual multifamily transactions with 10 units or more. There were 75 last quarter. A total of 27 transactions had more than 100 units. Of the 83 sales, 27 were purchased with “cash” and 7 had at least one leg that was a “1031 exchange”. Of the 83 total sales, 24 were “Flips” – properties resold within the past four years (see pages 2 and 3 for details). As always, some of the stronger gains were on properties that had been repositioned, but some just enjoyed the continued value increase that we have seen over this time period as rental rates and cash flow have also continued to increase.

Where are we in the Real Estate Cycle?

Being in the sunbelt and in an area of the country that consistently is one of the top locations for population growth, we remain confident that apartment values will stay strong for some time. Over the past five years, metro Phoenix has enjoyed low vacancy rates, strong rental rate growth, reasonable absorption amidst significant new construction. These are all part of an expanding market. Employment and wage growth could be a bit stronger. Metro Phoenix is in the “Expansion” portion of the real estate cycle (Recovery – Expansion – Hypersupply – Recession), which is true for 93% of the major markets in the US. Many of these markets, however, do not have the underlying fundamental to sustain their expansion – as compared to metro Phoenix. As such, as other markets move into the “hypersupply” portion of the cycle, metro Phoenix should be in a stronger position to remain in the “expansion” portion of the cycle.

Interest Rates

After many years of no rate increase by the Feds, in December, the Feds raised the “cost of funds” by a quarter point, with Prime now being 3.25%. For commercial loans, the increase has been minimal. For example, Washington Federal’s mortgage rates only increased by a tenth of a point. The Feds concept may have been to continue to raise rates by a quarter point every three months, but with the world easing interest rates, maybe the Feds will back-off from quarterly raises for a bit. Bottom line, commercial interest rates should remain attractive in 2016. Many banks, however, are already starting to tighten their lending requirements – just a bit. They are fully aware that we have enjoyed a strong run-up in values – so they are starting to exercise some caution. You may see DCR requirements to increase slightly going forward.

Is Marketing Your Property “Off-Market” the Best?

For the past several years, owners believed that the best chance of finding a buyer was by a whisper (off-market) campaign. This may have been best for brokers as they would be less likely to pay a co-brokerage outside their company. For buyers not already in our market, however, they would seldom see the opportunities. These are the buyers that might pay a bit more – just to get into the market. The only way for an owner to expose their property to these buyers is by a strong marketing campaign using all platforms available. Exposure should also be as soon as all the information is available for the property and a detailed marketing package is complete. Holding a property for a month to allow the broker’s clients a first look – does not serve the owner. **An owner needs full and timely exposure to obtain the best price and buyer.**

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Delivering THE New Standard of Commercial Brokerage Excellence

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