



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

2nd Qtr 2017

KASTEN LONG COMMERCIAL GROUP: The Kasten Long Commercial Group (KLCG) has specialized in apartment brokerage in metro Phoenix since 1998. Our “client first” agents have brokered more than 1,000 communities with gross sales more than 1 billion dollars. The company is also a resource for all metro Phoenix apartment owners and provides weekly updates on apartment sales, in-depth quarterly apartment newsletters, tracks vacancy/rental rates/concessions by each submarket and compiles updated data on all current, planned and prospective new apartment construction projects.

KLCG Partnership with the AMA

The **Kasten Long Commercial Group (KLCG)** has formed a partnership with the **Arizona Multihousing Association (AMA)** to be a resource and provide market data to their independent apartment owners. KLCG will provide quarterly meetings in different locations across metro Phoenix that focus on what’s currently happening and the projected projects that will change the economics of each area. The first meeting focused on Tempe and the second meeting highlighted the HOT downtown Phoenix apartment market. **Our next meeting/event will be at Grand Canyon University with a focus on the huge potential of The West Valley (August 30).** Meetings are open to everyone. Please contact Jim Kasten, CCIM (jim@KLCommercialGroup.com, 602 677 0655) for information on this and future meetings.

New Apartment Construction

There were 4,443 units completed through Q2 of this year with **7,277** units total scheduled for completion in 2017. A total of **7,821** units are projected for 2018. Currently, there are 15,878 units under construction in 62 projects, 13,415 units planned and 12,620 units prospective. More details available upon request. Site availability, tougher financing requirements plus increasing land and labor costs are keeping new construction at a sustainable level.

Vacancy Low – Rents Holding

Vacancy rates for all class properties across the Valley remain at very low levels (5.1% reported). What’s interesting is that rents for all class properties had almost no growth. It’s not surprising that the “A” class properties are now competing with other “A” properties and are offering concessions more than 10% of annual rent in select submarkets. For “C” class properties, with no new competition, rental rates may have been pushed to a temporary high level. The percentage of gross income allowed to be used for rent, per management company guidelines, may be holding rents. It may be that incomes will now need to increase for further rent growth.

KASTEN LONG COMMERCIAL GROUP

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

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Greater Phoenix Multifamily Data

Year	Const.	Vacancy
2008	7,037	10.8%
2009	9,315	14.2%
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 (1)	1,607	4.9%
2017 (2)	1,380	5.1%

Data Sources: Yardi Matrix, CoStar, Vizda

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

2nd Qtr - 2017

ADDRESS CITY, 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
18525 N Scottsdale Rd Scotts, 'The View at Cascade'	187 153,430	\$50,050,000 \$326.21	05/25/2017 2016	\$267,647		107 1/1, 80 2/2
1221 E Broadway Rd Tempe, '1221 Broadway Apartments'	187 153,430	\$41,810,000 \$183.68	06/19/2017 2016	\$215,515	5.25	82 1/1, 156 2/2, 34 3/2 Flip
8092 W Paradise Ln Peoria, 'Enclave at Arrowhead'	240 247,964	\$39,500,00 \$159.30	06/28/2017 2007	\$164,583		96 1/1, 132 2/2, 12 3/2
1700 N 103 rd Ave Avondale, 'Broadstone Gateway'	240 205,000	\$30,750,000 \$150.00	06/09/2017 2004	\$128,125	5.40	80 1/1, 48 2/1, 80 2/2, 32 3/2 Flip
4114 N 28 th St Phoenix, 'Park 28'	152 126,000	\$29,700,000 \$235.71	06/09/2017 2015	\$195,395	5	St. 20, 84 1/1, 40 2/2
510 S Extension Rd Mesa, 'Alantra'	244 235,136	\$28,100,000 \$119.51	06/15/2017 1987	\$115,164	5.3	64 1/1, 180 2/2 1031 Exchange, Flip
200 E Fillmore St PHX, 'The Met at 3 rd & Fillmore'	140 139,612	\$27,250,000 \$195.18	05/11/2017 1996	\$194,643	5.00	St. 20, 48 1/1, 72 2/2
13621 W Glendale Ave Glendale, 'Maravilla Apts'	225 210,112	\$23,000,000 \$109.47	06/05/2017 2003	\$102,222		113 2/1, 112 2/2
2217 S Power Rd Mesa, 'Verde Dimora'	153 150,000	\$22,250,000 \$148.33	06/23/2017 2016	\$145,425		77 1/1, 76 2/2
710 S Hardy Dr Tempe, 'Studio 710'	239 139,792	\$19,205,000 \$137.38	04/13/2017 1975	\$80,356	5.80	St. 160, 79 1/1 Flip
3030 N 7 th St Phoenix, 'Club 7'	219 138,971	\$19,000,000 \$136.72	05/12/2017 1959	\$86,758	6	St. 42, 110 1/1, 52 2/1, 10 3/, 5 3/2
3409 S Rural Rd Tempe, 'The Rev'	172 148,500	\$17,800,000 \$119.87	05/08/2017 1972	\$103,488		St. 12, 71 1/1, 88 2/2, 1 3/2
650 S Country Club Dr Mesa 'Mesa Ridge'	151 129,250	\$13,725,000 \$106.19	06/27/2017 1974	\$90,894		32 1/1, 119 2/2 Flip
8750 E McDowell Rd Scotts, 'AYA Scottsdale'	125 87,755	\$12,450,000 \$141.87	05/18/2017 1970	\$99,600	5.95	St. 1, 42 1/1, 56 2/1, 24 2/2, 2 3/2 1031 Exchange, Flip
1251 N Miller Rd Scotts, 'Scottsdale Park Suites'	95 50,350	\$9,950,000 \$197.62	06/19/2007 1979	\$104,737		95 1/1
2925 N Greenfield Rd Phx, 'The Summerhill Apartments'	13 97,040	\$9,300,000 \$95.84	06/27/2017 1970	\$71,538	6.99	64 1/1, 66 2/1 1031 Exchange,
1717 S Jentilly Ln Tempe, The Place on Jentilly	33 100,000	\$9,300,000 \$93.00	04/24/2017 2016	\$281,818		18 2/2.5, 15 3.35
6060 W Royal Palm Rd Gldle, 'Cambridge Square'	153 109,510	\$9,100,000 \$83.10	06/12/2017 1985	\$59,477	6.58	St. 24, 67 1/1, 48 2/1, 14 3/2 1031 Exchange
2634 N 51 st Ave Phoenix, 'Bella Gardens'	214 98,035	\$8,500,000 \$86.70	05/24/2017 1981	\$39,720		St. 80, 134 1/1
1101 S Sycamore St Mesa, 'Sage Condos'	86 79,019	\$8,500,000 \$107.57	05/26/2017 1987	\$98,837		24 1/1, 62 2/2
1045 S San Jose St Mesa, 'Village Green'	108 66,465	\$7,700,000 \$115.85	05/31/2017 1974	\$71,296	4	St. 4, 75 1/1 Flip
1133 W 5 th St Tempe, 'Arcadia Palms'	44 41,580	\$7,500,000 \$180.38	06/20/2017 1973	\$170,455	6.25	44 2/2 1031 Exchange, Flip
1318 S Vineyard Mesa, 'Sonoma Village'	96 72,960	\$7,400,000 \$101.43	06/14/2017 1973	\$77,083	5.75	56 1/1, 40 2/1 1031 Exchange
3620 N Miller Rd Scottsdale, 'Estancia'	62 39,970	\$6,900,000 \$172.63	06/22/2017 1957	\$111,290	5	St. 32, 6 1/1, 20 2/1, 4 2/2 Flip
1000 W 5 th St Tempe, '1000 on 5 th '	19 30,734	\$6,600,000 \$214.75	06/30/2017 2016	\$347,368	5.25	9 2/2.25, 10 3/3.35 1031 Exchange

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, 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 PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
708 N Country Club Dr Mesa, 'The Mark at 87'	92 47,850	\$4,900,000 \$102.40	06/29/2017 1970	\$53,261	5.30	St. 51, 21 1/1 1031 Exchange, Flip
9802 N 9 th Ave Phoenix, 'Ironwood Apartments'	79 61,000	\$4,300,000 \$70.49	05/05/2017 1965	\$54,430		72 2/1, 7 3/1 Flip
3211 E Pinchot Ave Phoenix, 'Pinchot Towers'	104 67,000	\$4,250,000 \$63.43	06/07/2017 1972	\$40,865	6	104 1/1
121 E Broadway Rd Tempe, 'Decco 121'	36 26,098	\$4,175,000 \$159.97	05/25/2017 1962	\$115,972	5.20	36 2/2 1031 Exchange, Flip
2302 N 27 th St Phoenix, 'Oakdale Apartments'	55 52,700	\$3,725,000 \$70.68	06/26/2017 1963	\$67,727	6.1	St. 12, 9 1/1, 32 2/1.5 1031 Exchange
2104-2122 E Fairmount Ave Phx, 'Mode Apartments'	23 17,467	\$3,500,000 \$200.38	05/12/2017 1964	\$152,174	6.3	1 1/1, 22 2/1 Flip
4231-4237 N 27 th Ave Phx, 'Mode Apartments'	20 16,150	\$3,400,000 \$210.53	06/02/2017 1966	\$170,000	6.03	20 2/1 1031 Exchange, Flip
815 N 3 rd Ave Phoenix, 'McKinley Court Apartments'	40 23,000	\$3,300,000 \$143.48	06/29/2017 1960	\$82,500		St. 18, 22 1/1
320 W Pasadena Ave Phx, 'The Collins on Pasadena'	20 16,958	\$3,200,000 \$188.70	04/27/2017 1958	\$160,000	6.25	8 1/1, 6 2/1, 2 2/2, 4 3/2 Flip
2339 W Northern Ave Phx, 'Canyon North'	50 39,430	\$3,200,000 \$81.16	04/13/2017 1964	\$64,000	6.00	4 1/1, 24 2/1, 18 2/2, 4 3/2 Flip
6320 N 63 rd Ave Glendale, 'Shadow Palms'	56 42,000	\$3,000,000 \$71.43	06/22/2017 1963	\$53,571	7.62/- 7.51	28 1/1, 28 2/1 Flip
1004 S Farmer Ave Tempe, 'Villa Nicole'	24 18,024	\$2,750,000 \$152.57	06/05/2017 1971	\$114,583	6.55	24 2/1
626 N 5 th Ave Phoenix, 'Marshall Manor Apartments'	40 18,582	\$2,700,000 \$145.30	05/12/2017 1961	\$67,500		40 1/1 Value Ad
1548 W University Dr Tempe, 'Arbor Apartments'	26 20,393	\$2,600,000 \$127.49	06/16/2017 1964	\$100,000	5.75	St. 1, 3 1/1, 22 2/1 1031 Exchange
1626 W Desert Cove Ave Phx, 'Garden Cove'	44 38,000	\$2,450,000 \$64.47	05/22/2017 1977	\$55,682	5.40	44 2/1
1102 E Maryland Ave Phx, 'The Jackson on Maryland'	21 13,050	\$2,350,000 \$180.08	04/19/2017 1960	\$111,905	5	St. 4, 15 1/1, 2 2/1 1031 Exchange, Flip
3416 N 37 th St Phoenix, 'Trinity on 37 th '	12 11,952	\$2,337,500 \$195.57	05/18/2017 1960	\$194,792	6.2	12 2/1 Flip
4020 N 11 th St Phoenix, 'Bowman Place'	14 10,452	\$2,240,000 \$214.31	05/15/2017 1962	\$160,000	11.11/- 6.5	14 2/1 Flip
3105-3127 E Fairmount Ave Phx, 'Fairmount Villa Apt'	24 19,200	\$2,208,000 \$115.00	04/26/2017 1963	\$92,000	5.5	2 1/1, 20 2/1, 2 3/1
3605 N 36 th St Phoenix, 'St. Augustine Apartments'	22 17,600	\$2,200,000 \$125.00	05/22/2017 1986	\$100,000	4.10	22 2/1
4220 N 25 th St Phoenix, 'Villa Maria Apartments'	17 13,920	\$2,125,000 \$152.66	05/19/2017 1970	\$125,000	6.37	17 2/1
6730 N 17 th Ave Phoenix, 'Forte'	21 18,100	\$1,990,000 \$109.94	06/07/2017 1969	\$94,762	6.25	St. 1 Flip
4207 N 27 th St Phoenix, 'Villa Pacifica Apartments'	12 9,000	\$1,900,000 \$211.11	05/01/2017 1959	\$158,333	6	1 1/1, 11 2/1 1031 Exchange, Flip
1535 W Desert Cove Phx, 'Desert Cove Manor'	26 20,608	\$1,850,000 \$89.77	06/08/2017 1983	\$71,154	6.75	26 2/1 1031 Exchange
704-724 W 5 th Ave Tempe, 'Parkview Apartments'	17 10,597	\$1,750,000 \$165.14	05/26/2017 1961	\$102,941	3.7	St. 2, 11 1/1, 4 2/1
4128 N 22 nd St Phoenix, 'Rincon 22'	11 8,910	\$1,578,760 \$177.19	04/03/2017 1970	\$143,524	6.36	11 2/1 1031 Exchange, Flip
9645 N 11 th Ave Phoenix, 'Foothill Acres Apartments'	30 19,600	\$1,560,000 \$79.59	04/13/2017 1989	\$52,000	7.42	16 1/1, 14 2/1
2530 N 3 rd St Phoenix, 'Western Palm Apartments'	16 8,650	\$1,500,000 \$173.41	04/07/2017 1957	\$93,750	6.32	St. 5, 10 1/1, 1 2/1 Flip

The Metro Phoenix Apartment Market (Q2 2017)

There were 60 regular apartment sales (10+ units) in Q2 with 19 having 100 units or more. Of the 60 Q2 sales, 18 included at least one leg of a 1031 exchange and 30 were “flips” (properties resold within a four-year hold). As of the end of Q2 2017 compared to the end of Q2 2016, there were 25% fewer 10-99 size apt. sales and 18% fewer 100+ size apt. sales. The decline in activity is due to several factors: 1. Owners are less interested in selling with the increase in rents and cash flow, 2. There are few good options for a replacement property, and 3. Availability of reasonably priced properties is minimal. It’s a great time to be an owner. Know that if you are thinking about selling, you’re still in the driver’s seat and can command a strong price and select the best buyer. Be aware, however, that rental rates have stopped increasing both locally and across the US, so values might be near top for this real estate cycle.

TIPS FROM OUR AGENTS (Ethics Makes a Difference)

Due Diligence – “Small Stuff” May be Critical

When buying a property, not only is verifying the financials and rent roll very important, but also the many other pieces of what we call “the small stuff” may be critical. Here are a few items that you and your experienced agent might overlook: If there is a pool, is it properly permitted and does it have the current County inspection and/or clearance for chemical content? Are the pool fences and all property fences properly constructed and acceptable to your insurance company? An old item that is now more important is the verification of current rental (privilege) tax. Title/escrow companies do not check this. As of January of this year, payments are now made to the AZ State Department of Revenue. Monies go to both the City and County plus the liability now stays with the property. A Buyer could be liable for rental tax he had nothing to do with. We pride ourselves on obtaining and reviewing all of this “small stuff”. – Linda Fritz-Salazar

A “Client First” Dedication Makes a Difference

With the heightened level of buying pressure for multifamily investment, selecting an experienced broker with a “client first” dedication is more important than ever. Here’s one prime example. I recently had an opportunity to list a client’s apartment community at a price that reflected his current financials. I told the owner, “NOT YET.” He had some units coming vacant soon, so I suggested the owner use a more aggressive management company and raise rents. Three months later, I then listed and subsequently sold the property 12% above the max he might have obtained if he had not taken the extra time and effort. The client was impressed that we put his higher proceeds ahead of the listing assignment. The best brokers strategize with clients to maximize sale proceeds. – Scott Trevey, CCIM

Maximum Exposure – Maximum Price

Many of the large brokerage houses only expose their listings in-house, even those that claim to have national exposure. It’s not rocket science! The most exposure will have the greatest chance of obtaining the best buyer (highest price–most dependable buyer). If a broker is not required to pay another broker, that’s more money for the agent and broker – but at the expense of the owner. We recently listed and sold a 36-unit apartment community with a listing exposure using local and national platforms including (CCIM, LoopNet, CoStar, CDX, etc.) We received multiple offers with a resulting escrow from an out-of-state 1031 buyer with hard money up-front and a price above list. This resulted in significantly more money to the owner, and that’s the bottom line when an agent really represents the owner. – Arvle Knight, CCIM

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Kasten Long Commercial Group

A FULL SERVICE COMMERCIAL REAL ESTATE BROKERAGE

Delivering THE New Standard of Commercial Brokerage Excellence

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