



# GREATER PHOENIX

## APARTMENT OWNER'S NEWSLETTER

1st QTR 2018

The **KASTEN LONG COMMERCIAL GROUP (KLCG)** has focused on apartment brokerage and research in metro Phoenix since 1998. Our agents have brokered more than 1,000 communities with gross sales more than 1 billion dollars. The market research includes: weekly updates on apartment sales, in-depth quarterly apartment newsletters, tracking vacancy/rental rates/concessions by each submarket, and compiling updated data on all current, planned and prospective new apartments. Our agent's knowledge, negotiating/escrow expertise and "client first" dedication equates to the best service possible for all apartment owners and buyers.

### KLCG-AMA 1<sup>st</sup> Exclusive Apt. Owner Mtg.

As part of our partnership with the **Arizona Multihousing Association (AMA)**, we will hold our first meeting exclusively for owners of small to mid-size apartments on Wednesday evening, June 6. This casual meeting will have a wealth of information on almost every aspect of apartment ownership including operations, management, and investment strategy. Many of the individuals that we recommend as a resource for apartment owners have agreed to attend – see [www.KLCG-AMA.com](http://www.KLCG-AMA.com) for their contact information and details about the meeting. To register: [KLCG-AMA.com/reg](http://KLCG-AMA.com/reg).

### New Apt. Construction Strong for 2018

As of 5.3.2018 there were 16,168 units under construction in 59 projects, 13,984 units planned and 13,741 units prospective. There have been 2,350 units in 12 projects completed this year with a total for 2018 projected to be 9,525 in 44 projects. The forecast for 2019, however, is only 7,847 units in 24 projects. Site availability, tougher financing requirements plus increasing land and labor costs are keeping new construction at a sustainable level. Specific details available upon request.

### Rents Increasing – Vacancy Minimal

Over the past three years, rental rates for "A", "B" and "C" class properties have increased 20%, 29%, and 30% respectively for apt's with 50 or more units. Even the "B" and "C" communities with no modifications have experienced strong rent growth. This is simply due to no new supply and increased demand from our strong population growth. The newly constructed apartment rents are still increasing, but modestly due to local competition. Occupancy rates for "A" and "B" properties have hovered between 94.5% to 95.5% over the past three years with both currently at 95%. "C" class properties have jumped from 92.5% three years ago to a current high of 95.5%. The overall occupancy for metro Phoenix is 95.0% (5.0% vacancy).

### KASTEN LONG COMMERCIAL GROUP

- An independent, locally-owned, 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	<b>5.7%</b>
2016	8,024	5.8%
2017	6,543	5.4%
2018 (1)	2,350	<b>5.0%</b>

Data Sources: Yardi Matrix, CoStar, Vizda

On a weekly basis via e-mail we provide:

- Details of Recent Apartment sales
  - Metro Phoenix Commercial News
  - All apartments currently being marketed for sale – principals only
- New - Interactive Map Available**

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

# Greater Phoenix Apartment Sales

1st Qtr - 2018

ADDRESS CITY, 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
6895 E Camelback Rd Scottsdale, 'Optima Sonoran'	627 900,347	\$200,000,000 \$222.14	01/30/2017 2014	\$318,979	5.03	St. 136, 246 1/1, 217 2/2, 12 3/2, 16 3/3
1001 E Playa Del Norte Dr Tempe, 'Ten01 on the Lake'	523 601,858	\$115,000,000 \$191.07	03/28/2018 2008	\$219,885		St. 60, 126 1/1, 36 2/1, 115 2/2, 20 2/2.5, 124 3/2
815 N 52 <sup>nd</sup> St Phoenix, 'Modena'	768 592,374	\$110,000,000 \$185.69	01/24/2018 1990	\$143,229		St. 360, 24 28/1, 280 2/2, 88 2/2.5, 16 3/2
5151 E Guadalupe Rd PHX, 'Carlyle at S. Mountain'	552 569,876	\$90,000,000 \$157.93	02/16/2018 1995	\$163,043		180 1/1, 260 2/2, 112 3/2
555 S Galleria Way Chdlr, 'Broadstone Fashion'	335 298,820	\$84,000,000 \$281.11	02/09/2018 2017	\$250,746		St. 42, 166 1/1, 127 2/2
21021 N 56 <sup>th</sup> St PHX, '56 N Apt Residences'	344 330,000	\$77,000,000 \$233.33	03/29/2018 2015	\$223,837		182 1/1, 160 2/2, 2 2/2.5
555 N College Ave Tempe, 'VELA at Town Lake'	291 254,354	\$73,200,000 \$287.79	02/20/2018 2016	\$252,414	4.6	St. 1, 211 1/1, 79 2/2
8203 W Oraibi Dr Peoria, 'Tuscany Ridge'	336 482,572	\$53,760,000 \$114.4	03/15/2018 2004	\$160,000		St. 1/1, 168 2/2, 8 3/2
2400 N Bullard Ave Goodyear, 'Aldea at Estrella'	328 328,244	\$53,136,000 \$161.88	01/17/2018 2008	\$162,000		168 1/1, 136 2/2, 24 3/2
14300 N 83 <sup>rd</sup> Ave Peoria, 'Sky at P83'	296 270,404	\$46,750,000 \$172.89	02/15/2018 2002	\$157,939	5.31	160 1/1, 24 2/1, 100 2/2, 12 3/2 1031 Exchange, Flip 05/15 \$36,200,000
1111 N Mission Park Blvd Chandler, 'San Palms'	240 241,432	\$43,200,000 \$178.93	02/28/2018 1998	\$180,000		82 1/1, 108 2/2, 50 3/2
3033 E Thunderbird Rd PHX, 'Crestone at Shadow'	248 248,260	\$39,600,000 \$159.51	01/10/2018 1992	\$159,677	5.31	108 1/1, 108 2/2, 32 3/2
1975 E University Dr Tempe, 'Sonesta on Unv'	210 188,640	\$30,850,000 \$163.54	03/01/2018 1998	\$146,905		60 1/1, 150 2/2
8222 N 19 <sup>th</sup> Ave PHX, 'Cielo Apartments'	360 213,528	\$27,220,000 \$127.48	01/31/2018 1980	\$75,611	5.25	St. 108, 184 1/1, 12 2/1, 56 2/2 Flip 09/16 \$21,000,000
1653 S Harris Dr Mesa, 'Trails at Harris'	209 152,710	\$22,100,000 \$144.72	02/05/2018 1983	\$105,742	5	111 1/1, 98 2/2 Flip 10/15 \$15,675,000
7045 N 7 <sup>th</sup> St Phoenix, 'Madison Grove'	171 94,856	\$21,450,000 \$226.13	01/23/2018 1977	\$125,439		St. 29, 124 1/1, 18 2/2
6801 W Ocotillo Rd Glendale, 'Summerhill Place'	232 181,360	\$19,775,000 \$109.04	03/27/2018 1983	\$85,237		88 1/1, 144 2/2
725 N Dobson Rd Chandler, 'Soleil'	188 172,380	\$17,650,000 \$141.35	01/26/2018 1996	\$93,883		56 1/1, 71 2/2, 61 3/2 Flip 09/16 \$14,550,000
1750 S Price Rd Tempe, 'Villatree Apartments'	150 122,005	\$17,350,000 \$142.21	02/09/2018 1980	\$115,667	5.05	St. 1, 55 1/1, 46 2/1, 46 2/1, 32 2/2
7102 N 43 <sup>rd</sup> Ave Glendale, 'Paradise Vista'	352 173,700	\$17,000,000 \$97.87	01/19/2018 1974	\$48,295		St. 136, 130 1/1, 86 2/1 Flip 09/16 \$14,000,000
2606 N 44 <sup>th</sup> St Phoenix, 'Arcadia Walk'	148 94,704	\$16,750,000 \$176.87	03/14/2018 1978	\$113.176		St. 40, 112 1/1, 32 2/2 Flip 07/16 \$13,660,000
6131 N 16 <sup>th</sup> St PHX, 'Mission Palms Apts'	125 104,061	\$16,000,000 \$153.76	01/31/2018 1975	\$128,000	4.57	50 1/1, 25 2/1.5, 50 2/2 1031 Exchange
4815 E Thomas Rd PHX, 'Tides on Thomas'	187 94,000	\$15,250,000 \$162.23	02/22/2018 1980	\$81,551		St. 52, 101 1/1, 10 2/1, 24 2/2
5830 N 67 <sup>th</sup> Ave Glendale, 'Bethany Park'	172 132,420	\$12,000,000 \$90.62	03/14/2018 1984	\$69,767		124 1/1, 48 2/2
3130 N Hayden Rd Scottsdale, 'Dusk Scottsdale'	41 42,000	\$11,600,000 \$276.19	02/07/2018 2016	\$282,927		6 1/1, 35 2/2

**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
17646 N Cave Creek Rd Phoenix, 'Verona Court'	141 88,696	\$10,200,000 \$115	01/10/2018 1985	\$72,340	5	46 1/1, 95 2/1 1031 Exchange
17840 N Black Canyon Hwy Phoenix, 'Solano Pines'	108 111,867	\$9,300,000 \$83.13	02/28/2018 1983	\$86,111	6.5	42 1/1, 66 2/2
6545 N 19 <sup>th</sup> Ave Phoenix, Brookfield Terrace'	135 102,782	\$7,925,000 \$77.1	03/14/2018 1970	\$58,704		135 1/1
6041 W Thomas Rd Phoenix, 'Villa de La Paz'	103 88,960	\$7,725,000 \$86.84	01/23/2018 1982	\$75,000		32 1/1, 71 2/3 Flip 06/15 \$4,900,000
1855 E Don Carlos Ave Tempe, 'Tempe North'	56 42,400	\$7,000,000 \$165.09	02/01/2018 1987	\$604,800 \$125,000	5.93	52 2/1, 4 3/1.5 Flip 09/15 \$4,185,000
6236 N Black Canyon Fwy Phoenix, 'Canyon Palms'	143 73,788	\$6,200,000 \$84.02	02/07/2018 1982	\$43,357	4	143 1/1
4350 N 5 <sup>th</sup> Ave PHX, 'Solterra on 5 <sup>th</sup> Ave'	60 61,449	\$6,000,000 \$150	02/28/2018 2006	\$146,341	5	4 1/1, 36 2/2 Flip 10/15 \$4,560,000
7125 N 19 <sup>th</sup> Ave Phoenix, 'Villa Ventura'	50 45,000	\$4,500,000 \$100	01/31/2018 1970	\$90,000	5	50 2/1
27 E Corona Ave Phoenix, 'Corona Del Sol'	64 55,000	\$4,300,000 \$78.8	01/17/2018 1985	\$67,188	5.5	64 2/1 Flip 08/15 \$3,197,500
7141 N 19 <sup>th</sup> Ave Phoenix, 'Twillingate'	52 39,989	\$4,220,000 \$105.53	01/31/2018 1973	\$81,154	5.5	32 1/1, 20 2/1 1031 Exchange, Flip 06/16 \$3,200,000
137 E Coronado Rd PHX, 'The Fountain Apts'	43 26,335	\$4,100,000 \$155.69	01/19/2018 1971	\$95,349	5.5	St. 4, 23 1/1, 16 2/1
4750 N 28 <sup>th</sup> St Phoenix, 'Village 28'	25 20,075	\$4,000,000 \$199.25	01/25/2018 1969	\$160,000	11.11 5.35	25 2/1
6630 N 27 <sup>th</sup> Ave Phoenix, 'Garden Springs'	32 31,3620	\$3,775,000 \$120.38	01/17/2018 1984	\$117,969	6.92	32 2/2
110-122 W Maryland Ave PHX, 'Ranch at Midtown'	32 27,744	\$3,770,000 \$135.89	01/31/2018 1957	\$117,813	5	20 1/1, 12 2/1 1031 Exchange
4221-4227 W Lamar Rd Phoenix, 'Lamar Villa Apts'	52 39,291	\$3,670,000 \$93.41	02/15/2018 1963	\$70,577	5.9	26 1/1, 26 2/2
2929 N 38 <sup>th</sup> St PHX, 'The Tides on 38 <sup>th</sup> '	45 20,869	\$3,600,000 \$172.5	02/16/2018 1960	\$80,000		St. 8, 44 1/1, 1 2/2
3816 E McDowell Rd PHX, 'Harbor View Apts'	52 29,900	\$3,500,000 \$117.06	02/22/2018 1981	\$67,308		St. 8, 44 1/1 Flip 06/15 \$2,756,000
4029 W McDowell Rd Phoenix, 'Casa West'	32 24,799	\$3,450,000 \$139.12	01/31/2018 1968	\$104,545	6.64	1 1/1, 31 2/1 Flip 05/16 \$700,000
3734 W Camelback Rd Phoenix, 'Camelback Palms'	32 23,000	\$2,240,000 \$97.39	02/14/2018 1982	\$70,000		12 1/1, 20 2/1 Flip 02/18 \$2,070,000
1320 S Hardy Dr Tempe, 'Melrose Gardens'	16 16,396	\$2,150,000 \$131.13	02/08/2018 1974	\$134,375		
4117 N 15 <sup>th</sup> Ave Phoenix, 'La Villa Apts'	30 23,938	\$1,750,000 \$73.11	03/30/2018 1973	\$58,333	5.43	18 1/1, 12 2/2 Flip 06/15 \$1,000,000
7102 E Oak St Scottsdale, 'Oak Mar'	15 10,222	\$1,630,000 \$159.46	02/08/2018 1960	\$108,667	5.3	11 1/1, 4 2/1
8827-8835 N 3 <sup>rd</sup> St PHX, 'Pineview Meadows'	21 10,950	\$1,600,000 \$146.12	03/30/2018 1963	\$76,190	6.7	St. 16, 5 1/1 Flip 03/17 \$925,000
1452 E Cinnabar Ave PHX, 'Mount Crescent Apt'	27 17,300	\$1,545,000 \$89.31	02/28/2018 1980	\$59,423	6.15	23 1/1, 2 2/2, 2 3/2 1031 Exchange, Flip 03/15 \$1,200,000
622 N 9 <sup>th</sup> Ave Phoenix, '18 <sup>th</sup> on 9 <sup>th</sup> '	18 7,650	\$1,490,000 \$194.77	01/09/2018 1986	\$82,778		18 1/1
2507 W Maryland Ave PHX, 'Maryland Palms Apts'	22 14,753	\$1,463,000 \$99.17	02/02/2018 1965	\$66,500	5.3	St. 1, 19 1/1, 2 2/1
3426 N 38 <sup>th</sup> St Phoenix, 'Arcadia Condos'	12 6,028	\$1,380,000 \$228.93	03/30/2018 1960	\$115,000	6	11 1/1, 1 2/1
307-309 W Mariposa St Phoenix, 'Mariposa'	13 10,460	\$1,375,000 \$131.45	02/16/2018 1968	\$105,769		St. 1, 5 1/1, 2 1/1.5, 5 2/1 1031 Exchange

## The Metro Phoenix Apartment Market (Q1 2018)

In the 1<sup>st</sup> quarter of 2018, there were 66 regular apt. sales with 10 or more units. Since 2012, the number of 1<sup>st</sup> quarter apartment sales ranged between 53 and 87, the most being in 2016. Last year there were 65 Q1 sales with a total gross sales volume of \$417.4 million (\$73,996/unit), the highest to-date. The total gross sales volume in Q1 2018 with 66 sold apartment complexes was \$1,047.7 million (\$134,074/unit) – **2.5 times the previous high total gross sales volume.** I understand that the numbers may not be exactly apples to apples – but the huge increase still makes a strong point for caution!

### Apartment Market Pulse

“Over the last two months, my associates and I have noticed a push-back from buyers paying the offering price. In January we were talking about buyers having to pay a premium just to get into our market. There was very little inventory and over half of the transactions were “off-market”. In the past couple months, however, with commercial interest rates moving up, albeit just slightly so far, we have noticed buyers capping the amount they will pay, especially on those properties priced above market with broker’s very optimistic proforma rents and operating expenses. Even with a continued strong buyer demand, this has resulted in property values leveling and an increase in properties “for sale”. Sellers need to be in tune with this change and either be prepared to see what the future brings, hoping the market continues to rise, or be realistic in pricing now, in case we have reached the top of the apt. market cycle. We may have just slowed to catch our breath as the tremendous increase in rents over the past several years needs to be digested and accepted.”

- Linda Fritz-Salazar, Associate Broker, Senior Partner, Kasten Long Commercial Group

### Economists – “Blue Sky ahead”

Earlier this year I had the opportunity to attend presentations by two highly-respected economists. Both painted a very “Blue Sky” picture for the future of the US economy. This reminded me of similar reports in 2006, then came 2007!!! In January, Dr. Barry Asmus spoke at the IREM-CCIM annual forecast and was very optimistic about the new US tax laws. He considered these even better than President Reagan’s tax reform. Christopher Thornberg, PhD spoke on behalf of Alliance Bank in March. He thought that 2017 had the perfect economics to promote the US economy for the future – citing a solid steady pace of growth. Despite an increase in volatility in early 2018, he expects a robust year-end for US growth. For Arizona, the economy looks even stronger mostly due to the strong population growth (1.6%), far above the US (0.7%). Metro Phoenix accounts for almost 70% of the State’s employment and overall economy. Let me know if you would like a copy of Dr. Thornberg’s report.

### SAVE THE DATE – Friday, Sept. 14, 2018

We have partnered with American Title Service Agency for our next EVENT. This will be held at SkySong, ASU’s Innovation center, and will focus on the current and planned activities in and around southern Scottsdale that will impact both commercial and residential property values. Confirmed speakers to-date will include Danielle Casey, Dir. of Economic Development – City of Scottsdale, plus speakers from SRP-MIC (Talking Stick) describing their family-oriented new resorts and huge commercial development mostly along Pima Road, and speakers from SkySong describing what SkySong does, the impact for the community and the recent partnership with ASU and GPEC to “Globalize” the SkySong concept. Additional speakers to be announced soon. CE credits possible.

**Kasten Long Commercial Group:** Scott Trevey, CCIM (480 205 0862), Linda Fritz-Salazar, Assoc. Broker (602 989 9487), Jim Kasten, CCIM (602 677 0655), Jan Long, CCIM (602 434 9882), Arvle Knight, CCIM (602 885 8000), Walter Unger, CCIM (520 975 5207), John Locke (480 432 7179), Jon Coffen (602 653 3600), Chris Norton (480 559 9775), David Flower (303 520 8545) and Adriene Makula, Office Manager (602 445 4112).

## Kasten Long Commercial Group

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