



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

3rd QTR 2018

The **KASTEN LONG COMMERCIAL GROUP (KLCG)** has focused on apartment brokerage and market research in metro Phoenix since 1998. Our agents have brokered more than 1,000 communities. The market research includes: in-depth knowledge of every apartment transaction, quarterly apartment newsletters, tracking vacancy/rental rates/concessions for each submarket, and tracking the new apartment construction pipeline.

KLCG-AMA Town Hall Meeting – Dec. 5

As part of our partnership with the Arizona Multihousing Assoc. (AMA), we host Town Hall-style meetings exclusively for owners of apartments. These casual meetings have a wealth of information on almost every aspect of apartment ownership including operations, management and investment strategy. Our next meeting will be Wednesday, Dec. 5 – discussing “Opportunity Zones” and setting-up the best Legal Ownership of assets. www.KLCG-Events.com/reg

Sept. 14 Event at SkySong – Info. Available

At our Sept 14 event at SkySong, exceptional speakers from SRPMIC (Talking Stick), ASU’s Innovation Zones (SkySong – Novus), the City of Scottsdale Econ. Dev. Group and the South Scottsdale Alliance clearly showed that **southern Scottsdale is primed for a jump in property values**. In addition, SRP confirmed we have a reliable, abundant and well-managed water supply for the Valley for the future. The presentations from this event and our past events covering the West and East Valleys and Downtown Phoenix are available at www.KLCG-Events.com.

New Apt. Construction Up 41.8%

In 2017, there were 29 projects completed with 6,649 units. This year, there have already been 31 projects (6,812 units) completed with an additional 13 projected (2,607 units) to be completed by year-end. The total number of units projected to be completed this year is 9,419 (**41.8% more units than in 2017**). Currently there are 14,650 units (57 projects) Under Construction, 15,323 units (68 projects) Planned and 18,277 units (85 projects) Prospective.

Low Vacancy Driving Rent Growth

For all class apartments, vacancy remains very low, ranging from 4.0% to 5.25%. Owners/managers are not only able to raise rents, but also be more selective with their tenants. As a result of the low vacancy and high demand, all class properties continue to see strong rent growth. The rent growth over the past 12 months ranged from 3.9%, for the “C” class, to 7.4% for the “B” class apartments. Note that the increase for the “C” class, or “tenants by necessity”, may be slowing. At some point, there will be a limit to further increases.

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.

5110 N 40th Street, Ste. 110, Phoenix, AZ 85018

Jim@KLCommercialGroup.com

602 677 0655

Greater Phoenix Multifamily Data

Year	Const.	Vacancy
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	6,543	5.4%
2018 (Q1)	1,912	5.0%
2018 (Q2)	1,664	4.7%
2018 (Q3)	3,236	4.8%

Data Sources: Yardi Matrix (50+ units), 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

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

ADDRESS CITY, 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
222 E McDowell Rd Phx, 'Green Leaf District'	280 280,000	\$76,150,000 \$271.96	8/03/2018 2017	\$271,964	4.8	St. 90, 70 1/1, 120 2/2
7017 S Priest Dr Tempe, 'MetroPointe'	415 416,960	\$76,000,000 \$182.27	07/19/2018 2009	\$183,133	5.0	St. 7, 228 1/1, 144 2/2, 36 3/2
4909 W Joshua Blvd Chdlr, 'Country Brook'	396 381,333	\$74,000,000 \$194.06	08/30/2018 1986	\$186,869	5.0	144 1/1, 2/2 172, 80 3/2 Flip 1/16 \$64,500,000
2155 S 55 th St Tempe, 'San Portella'	308 358,819	\$64,680,000 \$180.26	09/27/2018 2008	\$210,000	4.75	104 1/1, 164 2/2, 40 3/2 1031 Exchange
7700 W Aspera Blvd Glendale, 'Velaire at Aspera'	286 257,400	\$64,350,000 \$250.00	07/19/2018 2016	\$225,000		126 1/1, 128 2/2, 32 3/2
1304 S 105 th Pl Mesa, 'District at Mtn Vista'	384 467,427	\$62,000,000 \$132.64	09/18/2018 2008	\$161,458	4.75	156 1/1, 204 2/2, 24 3/2
2020 E Broadway Rd Tempe, 'Willow Creek Apts'	402 285,628	\$60,500,000 \$211.81	07/02/2018 1983	\$150,498	5.81	St. 32, 1/1 214, 40 2/1, 116 2/2
6161 W McDowell Rd Phx, 'Avante'	428 404,407	\$51,500,000 \$127.35	9/21/2018 1998	\$120,327		57 1/1, 121 2/1, 201 2/2, 49 3/2
4520 E Baseline Rd Phx, 'Cordoba'	352 276,972	\$49,000,000 \$176.91	09/10/2018 1986	\$139,205		160 1/1, 48 2/1, 120 2/2, 24 3/2 Flip 8/15 \$31,025,000
30 W Carter Dr Tempe, 'Flagstone'	376 240,845	\$48,600,000 \$201.79	08/29/2018 1985	\$129,255		St. 96, 108 1/1, 172 2/2
1441 S Lindsay Rd Mesa, 'Village Lindsay Park'	256 231,600	\$45,810,000 \$197.80	07/02/2018 1997	\$178,945	4.95	88 1/1, 136 2/2, 32 3/2
999 Baseline Rd Tempe, 'Nines Apts'	244 232,406	\$38,500,000 \$165.66	09/24/2018 1975	\$157,787		
2800 W Sahuaro Dr Phx, 'Azura Apts'	387 270,636	\$38,200,000 \$141.15	07/24/2018 1980	\$98,708	5.50	St. 43, 172 1/1, 84 2/1, 88 2/2 Flip 10/15 \$20,875,000
111 N Gilbert Rd Mesa, 'Renew One Eleven'	397 263,144	\$37,500,000 \$142.51	08/23/2018 1982	\$94,458		132 1/1, 265 2/1 Flip 04/16 \$27,250,000
945 W Broadway Rd Mesa, 'The Nolan'	288 193,598	\$30,300,000 \$156.51	07/26/2018 1986	\$105,208		144 1/1, 51 2/1, 93 2/2
1283 W Parklane Blvd Chdlr, 'Park Tower'	180 147,048	\$28,900,000 \$196.53	09/17/2018 1986	\$160,556	4.5	88 1/1, 92 2/2 1031 Exchange, Flip 5/16 \$21,650,000
15050 N 59 th Ave Glendale, 'Sun Creek'	175 140,000	\$23,000,000 \$164.29	07/02/2018 1985	\$131,429		79 1/1, 96 2/2
6565 W Bethany Hm Rd Glendale, 'Solano Point'	276 176,598	\$22,350,000 \$126.56	08/28/2018 1983	\$80,978	5.0	St. 68, 168 1/1, 16 2/1, 24 2/2 Flip 10/16 \$13,500,000
208 E Baseline Rd Tempe, 'Wilshire Pines'	173 140,130	\$22,250,000 \$158.78	08/23/2018 1979	\$128,613		45 1/1, 82 2/1, 46 2/2
1230 N Mesa Dr Mesa, 'Woodstream Village'	156 136,500	\$20,650,000 \$151.28	08/24/2018 1982	\$132,372	5.24	78 1/1, 78 2/2 Flip 07/16 \$15,100,000
5101 S Mill Ave Tempe, 'Tides on Mill'	167 130,980	\$19,000,000 \$145.06	08/10/2018 1972	\$113,772	4.4	56 1/1, 56 2/1, 55 2/2 1031 Exchange
1532 S Price Rd Tempe, 'The Porter'	165 111,800	\$17,965,996 \$160.70	09/14/2018 1980	\$108,885	3.75	80 1/1, 85 2/1
4748 W Sierra Vista Dr Glendale, 'Arroyo Villas'	196 153,742	\$17,640,000 \$114.74	08/30/2018 1984	\$90,000		76 1/1, 120 2/2 Flip 12/16 \$13,700,000
2311 E Union Hills Dr Phx, 'Connect at Union'	146 122,180	\$16,500,000 \$135.05	07/09/2018 1985	\$135.05	5.3	St. 10, 40 1/1, 64 2/1, 32 2/2 Flip 12/15 \$8,535,000
3815 N 16 th St Phx, 'Avenel on 16th'	200 135,470	\$16,050,000 \$118.48	08/22/2018 1981	\$80,250	5.0	1/1 166, 34 2/1

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
20702 N Lake Pleasant Peoria, 'Lake Pleasant Village'	152 184,021	\$15,750,000 \$85.59	08/28/2018 2004	\$103,618		16 1/1, 40 2/2, 76 3/2, 20 4/2
19955 N 51 st Ave Glendale, 'The Place at 51st'	72 99,792	\$15,500,000 \$155.32	08/16/2018 2016	\$215,278		30 2/2.5, 42 3/2.5 1031 Exchange
6231 N 67 th Ave Glendale, 'The Perry'	148 119,096	\$14,717,500 \$123.58	09/28/2018 1985	\$99,443		72 1/1, 76 2/2 1031 Exchange, Flip 3/16 \$8,000,000
6241 N 27 th Ave Phx, 'Palm Aire'	186 140,616	\$14,650,000 \$78,763	09/18/2018 1982	\$78,763		93 1/1, 93 2/2 Flip 3/17 \$11,200,000
6112 N 67 th Ave Glendale, 'Palms at Glendale'	160 132,280	\$13,200,000 \$99.79	07/16/2018 1973	\$82,500		102 1/1, 58 2/1
3130 N 7 th Ave Phoenix, 'El Cortez'	157 63,492	\$12,076,923 \$190.21	07/26/2018 1962	\$76,923	5.30	St. 157
5215 W Peoria Ave Glendale, 'Paseo 51'	116 77,408	\$11,000,000 \$142.10	07/27/2018 1986	\$94,828		80 1/1, 36 2/2
5801 E Albany St Mesa, 'Albany Apts'	98 70,500	\$9,900,000 \$140.43	09/07/2018 1972	\$101,020	5.0	44 1/1, 26 2/1, 28 2/2
4802 N 15 th Ave Phx, 'Vue Camelback'	93 58,490	\$9,500,000 \$162.42	07/12/2018 1974	\$102,151	6.3	46 1/1, 47 2/1 1031 Exchange, Flip 9/15 \$3,325,000
1915 E Broadway Rd Mesa, 'Serrano Gardens'	97 70,042	\$8,825,000 \$126.00	07/30/2018 1973	\$90,979	5.7	16 1/1, 81 2/1 Flip 9/16 \$6,430,000
4336 N 35 th Ave Phx, 'Silver Tree'	98 59,152	\$8,150,000 \$137.78	08/17/2018 1986	\$83,163		St. 16, 42 1/1, 16 2/1, 24 2/2
15425 N 25 th St Phx, 'Casa Nueva'	90 67,063	\$7,150,000 \$106.62	07/12/2018 1981	\$79,444		7 1/1, 83 2/1,
11850 N 19 th Ave Phx, 'Towers on 19 th Ave'	128 57,668	\$7,100,000 \$123.12	09/14/2018 1985	\$55,469	5.75	St. 19, 94 1/1, 15 2/1
801 W Turney Phoenix	60 39,080	\$7,000,000 \$179.12	07/05/2018 1956	\$116,667	5.2	19 1/1, 1 2/1 1031 Exchange, Flip 12/16 \$5,425,000
1022 E Narramore Ave Buckeye, 'Camelot'	80 60,500	\$6,250,000 \$103.31	07/16/2018 1986	\$78,125	5.25	40 1/1, 40 2/2
10525 W Monterosa St Phx, 'Sierra Verde'	58 60,971	\$6,250,000 \$102.51	07/30/2018 1988	\$107,759	4.5	47 2/2, 11 3/2
1545 W Camelback Rd Phx, 'Phoenician Villas'	92 43,366	\$5,500,000 \$126.83	07/06/2018 1974	\$59,783	6.0	St. 44, 48 1/1 Flip 12/17 \$4,500,000
222 E Cody Dr Phx, 'Brighton Place'	80 56,250	\$5,250,000 \$93.33	08/15/2018 1990	\$65,625	6.7	80 2/1
2520 W Mclellan Blvd Phx, 'Casa Blanca'	80 60,032	\$3,645,000 \$60.72	09/20/2018 1972	\$45,563		20 1/1, 54 2/1, 6 3/1
3015 E Paradise Lane Phx, 'Paradise Square'	21 34,683	\$3,525,000 \$101.63	08/24/2018 1985	\$167,857	6.0	8 1/1, 20 2/2
420 N 64 th Pl Mesa, 'Oasis Apts'	28 25,040	\$3,200,000 \$127.80	08/27/2018 1985	\$114,286		8 1/1, 54 2/1
2417 E Campbell Ave Phx, 'Campbell Apts'	24 15,252	\$3,125,000 \$116.45	08/30/2018 1960	\$131,250	6.0	St. 2, 14 1/1, 8 2/1 Flip 12/15 \$1,825,000
6725 N 17 th Ave Phoenix, 'Level on 17th'	29 26,836	\$3,125,000 \$116.45	08/30/2018 1974	\$107,759		1 1/1, 12 2/1, 16 2/2 Flip 12/16 \$2,727,500
3311 N 18 th St Phx, '18 on Eighteen'	18 35,449	\$2,900,000 \$169.59	04/26/2018 1979	\$161,111		18 2/1.5 Flip 07/15 \$1,995,000
3025 N 38 th St Phx, 'Estilo'	15 12,950	\$2,675,000 \$206.56	08/13/2018 1971	\$178,333		1 1/1, 14 2/1 Flip 6/16 \$2,217,500
917 W Glendale Ave Phx, 'Sonoma West'	38 23,125	\$2,555,815 \$110.52	09/10/2018 1963	\$67,258		St. 9, 19 1/1, 9 2/1, 9 2/1, 1 3/1
3109 N 36 th St Phoenix	16 24,066	\$2,525,000 \$104.92	09/07/2018 1986	\$157,813		2 1/1, 8 2/1, 6 3/1
704-724 W 5 th Phoenix	17 10,597	\$2,520,000 \$237.80	07/05/2018 1984	\$148,325		St. 2, 11 1/1, 4 2/1 1031 Exchange, Flip 5/17 \$1,750,000

The Metro Phoenix Apartment Market (Q3 2018)

Metro Phoenix apartment sales continued at a strong pace. There were 88 individual sales (10+ units) in Q3 with many being resales after holding for 3 years or less (“flips”). A third of the total sales were 100+ units and a quarter were part of a 1031 exchange. We track every apt. sale (10+ units) and report via email details on a weekly basis.

“Understanding Our Market and How to Buy Older ‘B’ and ‘C’ Non-Repositioned Properties”

Metro Phoenix is one of the strongest apartment markets in the US and projected to continue rent and value growth. To buy a property in this environment needs an understanding of what is required. Think you can still buy older, non-repositioned apartments in key growth areas based on values derived from current income and existing cap rates? Think again! In today’s market, buyers understand the opportunity to greatly increase rents and property value by repositioning. It’s common for these buyers to spend \$20,000 to \$30,000+ per unit to achieve rents in the \$1.30/sf to \$1.50+/sf range with values increasing \pm \$60,000/unit. While this is not rocket science, the trick is to find the right property to reposition at a realistic price. To determine the “realistic price,” a buyer simply needs to know the market value with the repositioned rents and the cost to reposition the property. Combine these numbers with the desired profit and that’s the current value (realistic price). Notice the current rents and cap rate are not part of this scenario.

So, how does a buyer find and acquire a property that offers this potential? Most successful buyers work with an experienced, local apartment broker that has been in the business for many years, has stayed in contact with many owners, is active in the market and understands how to structure an offer. Owners understand that a buyer will typically want time to obtain financing, but they may not accept an offer dependent on an appraisal nor the buyer’s ability to obtain a loan. Owners also want to know the purchase is firm ASAP. Offering a short time for due-diligence and then having significant, non-refundable monies in-place is often required. Understanding this market can help you achieve your goals - either maximizing the sale price for an owner or obtaining the right property to reposition. At KLCG, we’ve specialized in helping both buyers and sellers for the past 20 years!

- **Arvle Knight, KLCG Senior Associate Broker, 602 885 8000, Arvle@KLCommGroup.com**

We recently attended SRP’s semi-annual economic forecast. Don Reynolds, a past chairman for a \$120 Billion pension fund, made the point that China and tariffs may be the most important to watch. His comment “We are in an economic war with China, and their economy is currently struggling”. Trump’s economic policies are partly to counter China’s infiltration in our technologies and their investments worldwide. The biggest fear for Wall Street in the near-term is the Republicans not keeping control of Congress in the next election. Having the Democrats win the Presidential election in two years would be a greater economic fear.

At some point we will have new apartment and new home over-building, but not in the near-term. Here’s why. Arizona’s economy is strong with 4% unemployment (ranked 7th in the US for Job Growth) plus wages are increasing. Across metro Phoenix, home prices are up and affordability is getting more difficult with rising interest rates. Maricopa County (essentially greater Phoenix) led the entire US in population growth with 73,650 in 2017. Active listings for homes is down 24% YTD with low inventory especially for entry level priced homes. New home construction is facing increasing land, materials and labor costs resulting in only about 20,000 new homes in 2018. The population growth for metro Phoenix is projected to be nearly 90,000. On average, we will need about 30,000 living units, this includes homes, condos and apartments. As such, the new apartments and homes will be fully absorbed by the population growth.

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 Angie Ritchie, KLCG Operations Manager (602 445 4112).

Kasten Long Commercial Group

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