



# GREATER PHOENIX

## APARTMENT OWNER'S NEWSLETTER

2nd QTR 2019

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: weekly updates on apartment sales, in-depth quarterly apartment newsletters, tracking vacancy/rental rates/concessions by each submarket, and tracking all new apartment construction.

As you know, we also offer brokerage service for all commercial real estate disciplines. **We are expanding and seeking agents with the knowledge and experience to provide the absolute best service in the Valley with the highest "Client First" dedication.**

### Town Hall Mtg. - 1031, DST & O-Zones

At our last Town Hall Meeting (June 12) we focused on how to maximize value when getting ready to sell with speakers from Avant Garde and CALCAP management companies. We also looked at possible exit strategies that offer tax deferral options for capital gains. These included 1031, DST and Opportunity zones. Dan Mercer and Randy Stoltz are true experts in these fields. Video recordings of everyone's presentations plus contact info are posted at [www.KLCG-Events.com](http://www.KLCG-Events.com).

### New Apt. Const. Forecast – up 32%

During the 1<sup>st</sup> half of 2019, there were 19 projects completed with a total of 4,886 units, most being in Phoenix (10 projects with 2,246 units). The forecast for the rest of the year is to have another 28 projects completed with 5,925 units. Most projects are in Phoenix (10) with four each in Chandler, Tempe and Scottsdale. The forecast for all of 2019 is therefore to have 47 projects completed with a total of 10,811 units, **up 32% from last year**. The number of units in the current pipeline is 59,352, slightly more than at the beginning of the year. The breakdown is as follows: 14,192 under construction, 20,992 planned and 24,168 prospective. With the overall population boom, the number of new good-paying jobs and corporate expansions or relocations into the Valley, absorbing the new units will be easy.

### Continued Record-Setting Rent Growth

After leading the nation in rent growth last year, we continue to see more rent growth for all class properties. Year-over-year for Phoenix was 8.1%, outpaced only by Las Vegas with 8.4%. The average rent growth from Q1 for Phoenix was 2.3%. While our rents may seem high to our market, Phoenix is about half the cost of similar units in San Diego and a third or less than major cities like NY, Chicago, San Francisco, etc. Occupancy also continues to be very strong with all class properties reported at 95.5%.

#### 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
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	8,162	5.0%
2019 (1)	2,521	5.1%
2019 (2)	2,365	<b>4.5%</b>

Data Sources: Yardi Matrix (50+ units), CoStar, Vizzda

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
3300 N Scottsdale Scottsdale, 'Carter'	365 617,776	\$117,800,000 \$190.68	6/4/2019 2018	\$322,740		50 st's 238 one's, 77 two's
15333 N Hayden Rd. Scottsdale 'The Core Scotts.'	282 236,674	\$80,400,000 \$339.71	05/14/2019 2017	\$285,106		25 st.'s, 162 one's, 95 two's
9340 E Redfield Rd. Scottsdale, 'Sonoran Vista'	263 271,112	\$67,000,000 \$247.13	06/13/2019 1996	\$254,753		107 one's, 132 two's, 24 three's
4127 E Indian School Rd. Phoenix, 'Arcadia 4127'	258 209,490	\$40,350,000 \$192.61	6/3/2019 1970	\$156,395		111 one's, 147 two's
1905 W Palmaritas Dr. Phoenix, 'Tides on Rail'	488 246,420	\$39,750,000 \$161.31	05/3//2019 1979	\$81,455	4.19	168 st's, 246 one's, 74 two's Deferred Maintenance
10888 N 70 <sup>th</sup> St Scottsdale, 'Del Sol Apts'	168 149,520	\$34,500,000 \$230.74	06/19/2019 1984	\$205,357		72 one's, 72 two's, 24 three's
5631 W Colter St. Glendale, 'Canyons on Colter'	304 264,064	\$34,300,000 \$129.89	06/24/2019 1984	\$112,829	5.15	72 one's, 208 two's, 24 three's
6231 W McDowell Rd. Phoenix, 'Cordova'	320 238,410	\$32,250,000 \$135.27	6/26/2019 1985	\$100,781		72 one's, 248 two's
1800 E Covina St. Mesa, 'Delano'	265 172,300	\$30,000,000 \$174.11	04/04/2019 1979	\$113,208		132 one's, 133 two's
4337 N 53 <sup>rd</sup> Lane Phoenix, 'Glenrosa Park'	236 194,796	\$25,100,000 \$128.85	6/14/2019 1979	\$106,356	4.5	118 one's, 118 two's
625 W 1 <sup>st</sup> Street Tempe, 'Riverside'	164 116,550	\$24,000,000 \$205.92	5/29/2019 1985	\$146,341		55 st's.,19 one's, 90 two's
11821 N 28 <sup>th</sup> Drive Phoenix, 'Tides on 28 <sup>th</sup> '	224 159,400	\$24,000,000 \$150.56	6/28/2019 1980	\$107,143		24 st's, 120 one's, 80 two's
9350 N 67 <sup>th</sup> Avenue Glendale, 'Artisan Park'	198 159,078	\$22,600,000 \$142.07	5/21/2019 1984	\$114,141	5.0	33 one's, 165 two's 1031 exchange
4748 W Sierra Vista Drive Glendale, 'Sierra Walk'	196 153,742	\$22,500,000 \$146.35	5/31/2019 1984	\$114,796	5.0	76 one's, 120 two's
2627 N 45 <sup>th</sup> Avenue Phoenix, 'Villas de Azul'	301 273,288	\$19,800,000 \$72.45	6/12/2019 1972	\$65,781	4.6	33 one's, 130 two's, 138 three's
5020 W Peoria Glendale, 'Ridgepoint'	164 109,076	\$19,750,000 \$181.07	6/27/2019 1986	\$120,427	5.0	96 one's, 68 two's
5704 W Thomas Road Phoenix, 'Las Colinas'	156 105,000	\$14,750,000 \$140.48	6/27/2019 1986	\$94,551		78 one's , 78 two's
1609 W Glendale Avenue Phoenix, 'Avenue 15'	148 151,956	\$14,725,000 \$96.90	6/6/2019 1973	\$99,493	7.98 6.23	94 two's, 54 three's
3065 N 67th Avenue Phoenix, 'La Estrella Vista'	96 107,696	\$13,375,000 \$124.19	5/16/2019 2008	\$139,323		96 three's
8546 N 59 <sup>th</sup> Avenue Glendale, 'Orange Creek'	142 103,234	\$13,247,250 \$128.32	5/8/2019 1985	\$93,290	5.2	22 st's, 80 one's, 40 two's Deferred maintenance
123 N Robson Street Mesa, 'Sunny Brook'	103 70,404	\$10,800,000 \$153.40	5/29/2019 1969	\$104,854	5.5	23 st's, 61 one's, 19 two's
301-337 W Pasadena Ave Phoenix, 'Uptown 68'	68 49,550	\$9,000,000 \$181.63	5/29/2019 1958	\$132,353		2 st's, 20 one's, 40 two's, 6 three's
3825 W. McDowell Road Phoenix, 'Franmar Manor'	78 64,866	\$8,500,000 \$131.04	6/21/2019 1971	\$108,974	4.5	12 one's, 56 two's, 10 three's
1006 W Main Street Mesa, 'Hidden Village'	84 67,320	\$7,400,000 \$109.92	6/18/2019 1986	\$88,095		24 one's, 60 two's
1818 N 40 <sup>th</sup> Street Phoenix, 'Arcadia Lofts'	63 54,360	\$5,775,000 \$106.24	5/3/2019 1981	\$91,667	5.5	40 one's, 23 two's

**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
1617 E Apache Blvd. Tempe, 'Regents Park'	62 44,000	\$5,725,000 \$130.11	5/31/2019 1968	\$468,000 \$92,339	4.08	42 st's, 20 one's 1031 Exchange
2950 N 46 <sup>th</sup> Street Phoenix, 'Desert Flora'	55 37,094	\$5,600,000 \$150.97	4/3/2019 1968	\$101,818	3.0	55 one's
3025 N 32 <sup>nd</sup> Street Phoenix, 'Retro on 32 <sup>nd</sup> St.'	62 28,200	\$5,350,000 \$189.72	6/6/2019 1968	\$86,290	5.24	31 st's, 29 one's, 2 two's
6535 – 6545 N 17 <sup>th</sup> Avenue Phoenix, 'Cornel Condos'	48 53,732	\$5,301,500 \$98.67	4/16/2019 1968	\$110,448		12 two's, 36 three's Condo de-conversion
1011 E Orange Street Tempe, 'Park Terrace'	40 24,524	\$5,000,000 \$203.88	6/3/2019 1963	\$125,000		22 one's, 18 two's
2602 W Glenrosa Avenue Phoenix, 'Radius'	72 37,000	\$4,450,000 \$120.27	6/20/2019 1979	\$61,806	7.4	48 st's, 22 one's, 2 two's
400 W Pasadena Avenue Phoenix, '400 W Pasadena'	28 17,500	\$4,250,000 \$242.86	5/30/2019 1959	\$151,786	6.0	28 two's 1031 Exchange
6725 N 17 <sup>th</sup> Avenue Phoenix, 'Level on 17 <sup>th</sup> '	29 26,836	\$4,150,000 \$154.64	5/31/2019 1974	\$143,103	5.95	1 one, 28 two's 1031 Exchange
529-530E Mariposa Street Phoenix, 'Bonfire'	24 17,024	\$3,100,000 \$182.10	6/7/2019 1964	\$129,167	4.75	14 one's, 10 two's
4020 N Parkway Avenue Scottsdale, 'Tides at Scotts'	24 12,400	\$3,000,000 \$241.94	4/30/2019 1970	\$125,000	5.5	22 st's, 2 one's
4401 N 21 <sup>st</sup> Street Phoenix, 'Mode at 21 <sup>st</sup> St.'	15 12,498	\$3,000,000 \$240.04	5/1/2019 1950	\$200,000	6.0	2 one's, 13 two's 1031 Exchange
6557 E Osborn Road Scottsdale, 'Plaza Osborn'	16 9,597	\$2,800,000 \$291.76	5/24/2019 1960	\$175,000	4.46	3 st's, 11 one's, 2 two's
3141 N 37 <sup>th</sup> Street Phoenix, 'Sir John's'	14 11,900	\$2,700,000 \$226.89	5/28/2019 1967	\$192,857	5.98	14 two's
2936 N 30 <sup>th</sup> Street Phoenix, 'Regent Manor'	32 21,672	\$2,700,000 \$124.58	6/6/2019 1970	\$84,375		1 st., 8 one's, 23 two's
3024 N 39 <sup>th</sup> Street Phoenix, 'Tower Villa'	14 10,800	\$2,630,000 \$243.52	4/24/2019 1957	\$187,857	5.66	10 one's, 4 two's
1623-1625 W Missouri Ave. Phoenix, 'Missouri Crest'	29 19,725	\$2,600,000 \$131.81	4/30/2019 1963	\$89,655	4.9	20 one's, 8 two's, 1 three Deferred Maintenance
841-1019 W Indian School Rd Phoenix, 'The Daphne'	15 12,320	\$2,525,000 \$204.95	6/13/2019 1953	\$168,333	6.05	5 one's, 10 two's 1031 Exchange
6542 N 17 <sup>th</sup> Avenue Phoenix, 'Cosmo'	16 16,000	\$2,300,000 \$143.75	5/31/2019 1964	\$143,750	6.05	2 one's, 12 two's, 2 three's 1031 Exchange
2737 E Glenrosa Avenue Phoenix, 'Sunshine '	12 10,322	\$2,100,000 \$203.45	5/31/2019 1958	\$175,000	5.9	4 st's, 8 two's 1031 Exchange
605 W Pierson Street Phoenix, 'MODE @ Pierson'	13 10,403	\$2,078,000 \$199.75	5/22/2019 1958	\$159,846	6.8	1 st., 4 one's, 4 two's, 4 three's 1031 Exchange
114 E Mariposa Street Phoenix, 'Mariposa Palms'	10 7,900	\$2,025,000 \$256.33	6/24/2019 1951	\$202,500	6.3	2 one's, 8 two's
834 N 13 <sup>th</sup> Avenue Phoenix, 'Grand Vista'	24 17,400	\$1,980,000 \$113.79	4/30/2019 1961	\$82,500	5.5	24 two's
302 W Medlock Drive Phoenix, 'Rosecrest'	15 9,460	\$1,800,000 \$190.27	5/8/2019 1960	\$112,500	13.9	12 one's, 3 two's
4607-4613 N 74th Street Scottsdale, 'Tuscany'	12 15,400	\$1,750,000 \$113.64	5/10/2019 1958	\$145,833	6.0	8 one's, 2 two's, 2 three's
4127 N 9 <sup>th</sup> Avenue Phoenix, 'Melrose on 9 <sup>th</sup> Av.'	12 6,626	\$1,641,000 \$247.66	5/21/2019 1962	\$136,750	5.82	11 one's, 1 two 1031 Exchange
5022 N 17 <sup>th</sup> Avenue Phoenix, 'Ave 17'	14 8,800	\$1,475,000 \$167.61	5/13/2019 1982	\$105,357	5.74	8 one's, 6 two's
16243 N 28th Place Phoenix, 'Assemblage'	16 12,800	\$1,440,000 \$112.50	6/4/2019 1982	\$90,000	3.1	16 two's
1727-1741 W Mtn. View Road Phoenix, 'Crestview'	16 12,961	\$1,300,000 \$100.30	4/16/2019 1985	\$81,250	10.73 6.4	16 two's

## The Metro Phoenix Apartment Market (Q2 2019)

Apartment sales are keeping pace with past years. In Q2, there were 86 individual apt sales (10+ units). In comparison, there were 77 similar sales in Q1- the difference mostly due to 12 more sales with units ranging from 10 to 99. Total individual transactions for the 1<sup>st</sup> half of 2019 were 163. Doubling this amount would project to 326 sales for 2019. This would be slightly less than 2018 but more than 2017. The average number of individual sales per year for the past five years is 358. With very low interest rates, CAP rates are expected to stay low. The new construction and class A product are below 5.0. Most stabilized B class assets and nicely repositioned C class asserts with market rents range between 5.0 and 6.0 CAP. Unlike fully updated and stabilized properties, older properties that have not been repositioned nor kept up with market rents are not sold by CAP rate, but rather by calculating the upside potential.

### Multifamily Performance Across the US

Every one of the top 30 cities in the US has had rent growth, the least being 1.3% year-over-year (YOY) in Q2 2019. Average rents across the US increased only 0.6% in the Q1 but are now up 2.6% for the 1<sup>st</sup> half of 2019. The YOY rent growth for the US is 3.3%. As of the end of Q2, The YOY rent growth is led by Las Vegas (8.4%), Phoenix (8.1%) and Sacramento (5.3%). The number of renter households has been the same for the past two years but jumped by 600,000 in Q1. While the Phoenix economy is far better than the rest of the US, our underlying fundamentals are still dependent on a healthy US. Any signs a slow-down in multifamily would first appear across the US. Here's a bit of possible concern. It's reported that housing affordability has recently come into the spotlight for the 2020 presidential election and that there are a number of legislative bills proposed that focus on rent-control for the working-class tenants. Having said that, realize that we are already benefitting from states such as California and Oregon that have tenant-friendly laws with investors choosing Arizona as a safer state for investing.

### What's Driving our Apartment Values and Rental Rate Growth?

The quick answer is our population growth. Maricopa County was the fastest growing county in the US last year with an increase of 81,000. With about 35% of our population being tenants, the new construction is not sufficient to keep up with the demand. This results in our very low vacancy rate (4.5%) and owners being able to continue to increase rents. So – what's driving the population growth? Good-paying jobs, affordable housing and cost of living, a stable area with a 365-day airport, no hurricanes, no earthquakes, no tornadoes, no appreciable flooding, a strong infrastructure of roads, power and water supply, adjacent to California – plus it's a fun place to live. ASU is the largest university in the US and in-part, has been responsible for the creation and continued development of the "Silicon Desert!" Thank you to ASU's President Michael Crowe for his vision and amazing support of our economy. According to Yardi Matrix, Phoenix ranks among the nation's top metros for startups and entrepreneurship. This has resulted in adding to our population growth with substantial good paying jobs.

We are often asked the question: "How long can this run-up in rent growth and apartment values continue?" There is no question that metro Phoenix has room to grow in rents and therefore, values. We do not see any immediate impediments to this growth. We also are fully aware that real estate is cyclic. There are topics that we watch in the US like: tariffs, the 2020 presidential election, immigration, and housing affordability, plus some international issues. Our best thermometer may be the health of the US. If we start seeing a flattening or slipping of the apartment economy across the US, this may be a future indicator of where our local economy may be headed.

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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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