

# Greater Phoenix Apartment Owner's Newsletter

**Kasten / Long Apartment Team**

**RE/MAX Commercial Investment**

## 4th Quarter 2004

### *IN THIS ISSUE ...*

- Apartment Sales  
(October – December 2004)
- Vacancy Declines to 7.9%
- Continued Strong Absorption
- 2004 Apartment Sales Data

See also:

**[www.PhxAptsForSale.com](http://www.PhxAptsForSale.com)**

Vacancy rates in the 4<sup>th</sup> quarter of 2004 finally dropped below 8%, a level last seen in 2001. For the entire year, absorption was the strongest in the past ten years. While actual and economic vacancy rates continue to improve slowly, apartment values showed a strong increase in 2004. The average price/unit was up 17.7% over 2003 and up 43.0% over the past five years (see page 4). Short term interest rates increased again (prime now at 5.5%), but long term rates are still attractive – at least for now.

**Kasten/Long Team Update:** The Team finished the 2004 year with gross sales of \$67.8M consisting of 1,454 units in 77 complexes. This ranked the Team as the number one team for RE/MAX Commercial worldwide.

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## Vacancy Rate Declines to 7.9% Absorption Still Strong

At the end of the 4th quarter of 2004, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units in the greater Phoenix area dropped from 8.3% to 7.9%. Of the 330,291 total multifamily units, there were 26,025 reported as vacant. The vacancy rate decreased in the 51 – 200 unit size apartments while the smaller (less than 50) and the large (200+) size apartments were about the same.

# of Units	2004 3rd Qtr.	2004 4th Qtr.
2 - 24	10%	10%
25 - 50	8%	9%
51 - 75	8%	6%
76 - 99	7%	7%
100 - 150	8%	7%
151 - 200	9%	7%
200+	<u>8%</u>	<u>8%</u>
<b>Average</b>	<b>8.3%</b>	<b>7.9%</b>

The highest vacancy rates were reported for central Phoenix and Metrocenter (12%). The lowest vacancy rates were reported for north Scottsdale, Sky Harbor and east Mesa (4%).

Permitting for new apartments for the 4th qtr. (1,871) had a slight increase, but the entire year (4,997) was at a reduced level. The three largest projects included: Fairfield's 480 units at 2605 W Dove Valley Rd; TCR Southwest's 302 units at 2100 N 145<sup>th</sup> Av.; and R&L Builder's 240 units at 1935 S Sunnyvale in Superstition Springs (SE Valley).

## Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
1994	6,015	2,208	4%
1995	7,991	211	4%
1996	8,533	7,820	5%
1997	7,930	8,001	5%
1998	7,877	3,674	5%
1999	8,241	5,017	6%
2000	8,009	6,225	7%
2001	7,201	1,525	8%
2002	5,351	4,273	9%
2003	4,836	3,702	9.6%
2004 (1)	1,089	3,687	8.9%
2004 (2)	647	- 43	9.1%
2004 (3)	1,390	3,477	8.3%
2004 (4)	1,871	2,109	7.9%

Year-to-Date absorption reached 9,230; more than every full-year absorption over the past ten years! A total of 1,192 units came on-line (4 projects) in the 4<sup>th</sup> qtr., the three largest being completed in Union Hills (480), Chandler (352) and Superstition Springs (300),

Vacancy rates for each of the Valley's 32 sub-districts (with map), plus a list of new construction projects, are posted on **[www.PhxAptsForSale.com](http://www.PhxAptsForSale.com)** under "Market Data".

Data Sources for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, AZ R.E. Center Arizona State University East (Member)
- Greater Phoenix Blue Chip Economic Forecast

# Greater Phoenix Apartment Sales

## 4th Qtr - 2004

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
901 S Country Club Dr Mesa, "Tiburon"	582 347,420	\$18,455,800 \$53.12	11/18/2004 1987	\$3,241,200 \$31,710	5.7 6.0	522 1/1, 60 2/1 \$4M planned renovations
5104 E Van Buren St Phoenix, "Wyndham Park"	461 181,460	\$13,000,000 \$71.64	12/15/2004 1983	\$2,226,864 \$28,199	5.8 4.9	168 st, 288 1/1, 5 2/1 88% occupied, \$2.5M planned renovations
3500 N Hayden Rd Scottsdale, "Sunscape"	442 386,000	\$34,000,000 \$88.08	10/26/2004 1979	\$4,227,816 \$76,923	8.0 6.5	108 1/1, 36 2/1, 190 2/2 \$3.5M planned renovations
4225 E University Dr Mesa, "Falcon Glen"	402 340,238	\$16,900,000 \$49.67	12/15/2004 2003	\$2,854,080 \$129,275	5.9 5.5	80 1/1, 2 2/1, 240 2/1.5, 80 2/2
909 W Colter St Phoenix, "Somerset Villas"	384 256,000	\$15,000,000 \$58.59	11/05/2004 1972	\$2,994,512 \$39,062	5.1	128 st, 192 1/1, 64 2/2
6529 W Glendale Ave Glendale, "Desert Oasis"	329 227,491	\$8,000,000 \$35.17	11/19/2004 1973	\$1,990,704 \$24,316	4.0 7.3	49 st, 117 1/1, 150 2/1, 13 2/2
12740 W Indian School Rd Litch. Pk., "Remington Rnch"	304 285,642	\$31,100,000 \$108.88	10/29/2004 2003	\$3,651,115 \$102,302	8.5 6.3	132 1/1, 20 2/1, 132 2/2, 20 3/2 87% occupied
9652 N 31 <sup>st</sup> Ave Phoenix, "Metro Village"	290 232,644	\$14,765,000 \$63.47	12/1/2004 1974	\$2,175,360 \$50,913	6.8	144 1/1, 140 2/1.25, 6 3/2
1751 N Litchfield Rd Goodyear, "Palm Valley Lux"	264 239,912	\$21,750,000 \$90.66	10/5/2004 1996	\$2,885,568 \$82,386	7.5 5.4	80 1/1, 136 2/2, 48 3/2
1616 W Germann Rd Chandler, "Montage @ Pec"	258 247,564	\$23,000,000 \$92.91	12/22/2004 2000	\$2,810,688 \$89,147	8.2 5.3	156 1/1, 94 2/2, 8 3/2
1333 N 24 <sup>th</sup> St Phoenix, "Monterra"	258 225,452	\$18,160,000 \$80.55	11/23/2004 2000	\$2,451,672 \$70,387	7.4 7.2	147 1/1, 88 2/2, 23 3/2
250 S Elizabeth Way Chandler, "Green Tree Pl"	256 224,224	\$13,700,000 \$61.10	12/10/2004 1987	\$2,003,808 \$53,515	6.8 6.0	112 1/1, 16 2/1, 104 2/2, 24 3/2
665 S Mesa Dr Mesa, "La Mesa Village"	256 180,125	\$8,225,000 \$45.66	11/4/2004 1986	\$1,747,605 \$32,128	4.8 6.3	160 1/1, 54 2/1, 42 2/2
7400 W Arrowhead Clubhse Glendale, "Pavillions@A.H."	248 259,036	\$21,000,000 \$81.07	10/28/2004 1997	\$2,406,600 \$84,677	8.7 5.8	82 1/1, 166 2/2
4802 N 19 <sup>th</sup> Ave Phx, "Pines of Camelback"	236 206,460	\$7,800,000 \$37.78	10/25/2004 1973	\$1,702,920 \$33,051	4.6 6.7	20 1/1, 80 2/1, 124 2/2, 12 3/2
9605 S 48 <sup>th</sup> St Phoenix, "Rancho Lareda"	220 163,956	\$12,800,000 \$78.07	10/16/2004 1986	\$1,819,440 \$58,181	7.0	160 1/1, 60 2/2
8130 W Indian School Rd, Phoenix, "Terrace Park"	213 173,556	\$10,800,000 \$62.23	12/23/2004 1984	\$1,521,065 \$50,704	7.1 7.3	16 1/1, 124 2/1, 73 2/2
2827 N 51 <sup>st</sup> Ave Phoenix, "Rancho Veredas"	213 146,576	\$7,700,000 \$52.53	12/7/2004 1981	\$1,387,980 \$36,150	5.5 6.0	43 st, 96 1/1, 74 2/2 80% occupied
1010 N 48 <sup>th</sup> St Phoenix, "Las Vistas @ Pap"	199 119,450	\$7,900,000 \$66.14	12/3/2004 1982	\$1,304,245 \$39,698	6.0 7.8	99 1/1, 100 2/1 85% occupied
1050 W 8 <sup>th</sup> Ave Mesa, "Village in the Pines"	194 186,240	\$11,900,000 \$63.90	12/29/2004 1986	\$1,765,427 \$61,340	6.7 7.3	194 2/2 86% occupied
4530 E McDowell Rd Phoenix, "Papago Crossing"	180 149,442	\$6,775,000 \$45.34	12/17/2004 1980	\$1,281,456 \$37,638	5.3	96 1/1, 84 2/2
6400 E Thomas Rd Scottsdale, "San Cabrilla"	180 182,857	\$20,250,000 \$110.74	11/22/2004 1984	\$2,406,801 \$112,500	8.4 6.7	65 1/1, 91 2/2, 24 3/2 88% occupied
1601 W Camelback Rd Phoenix, "Camelot"	177 88,530	\$3,950,000 \$44.62	11/29/2004 1970	\$1,057,860 \$22,316	3.7	98 st, 78 1/1, 1 2/1 68% occupied, Bankruptcy sale
15050 N 59 <sup>th</sup> Ave Glendale, "Sun Creek"	175 129,661	\$9,500,000 \$73.27	10/12/2004 1985	\$1,352,100 \$54,285	7.0 6.0	79 1/1, 96 2/2
1115 E Lemon St Tempe, "Campus Pointe"	163 108,580	\$8,400,000 \$77.36	10/14/2004 1970	\$1,283,880 \$51,533	6.5 7.4	36 st, 62 1/1, 65 2/2 Master metered
5656 N 17 <sup>th</sup> Ave Phoenix, "Parkwood"	160 98,948	\$6,834,000 \$69.07	11/30/2004 1973	\$1,070,880 \$42,712	6.4	138 1/1, 22 2/2
650 S Country Club Dr Mesa, "The Aspens"	151 129,552	\$5,900,000 \$45.54	11/12/2004 1974	\$1,033,260 \$39,072	5.7 6.1	32 1/1, 119 2/2
544 E Southern Ave Mesa, "Penny Lane"	136 114,824	\$5,928,000 \$51.63	11/8/2004 1985	\$922,560 \$43,588	6.4 5.2	64 1/1, 72 2/2 71% occupied

Table compiled by: **Kasten / Long Apartment Team**, RE/MAX Commercial Investment Data source: COSTAR, MLS, Pierce-Eislen and personal knowledge.  
All information is believed to be accurate but is not guaranteed.

# Greater Phoenix Apartment Sales

4<sup>th</sup> Qtr - 2004

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
3426 E McDowell Rd Phoenix, "Papago Place"	128 87,000	\$5,030,000 \$57.82	11/19/2004 1985	\$894,720 \$39,296	5.6 7.3	36 1/1, 92 2/1
3030 E Broadway Rd Mesa, "Desert View"	126 97,740	\$6,200,000 \$63.43	12/21/2004 1984	\$847,800 \$49,206	7.3	18 1/1, 108 2/2
8750 E McDowell Rd Scottsdale, "Mirasol"	125 87,674	\$6,200,000 \$70.72	10/6/2004 1970	\$986,238 \$49,600	6.3 8.2	1 st, 50 1/1, 48 2/1, 26 2/2 87% occupied, Master metered
12021 N 43 <sup>rd</sup> Ave Phoenix, "Brookfield"	124 89,560	\$5,800,000 \$64.76	11/2/2004 1984	\$930,332 \$46,774	6.2 6.9	72 1/1, 20 2/1, 32 2/2 88% occupied
14014 N 32 <sup>nd</sup> St Phoenix, "Village Square"	116 97,060	\$8,800,000 \$90.67	12/23/2004 1980	\$930,533 \$75,862	9.5 6.4	50 1/1, 42 2/2, 24 2/2.5
2211 W Campbell Ave Phoenix, "Lincoln Village"	115 81,285	\$5,612,000 \$69.04	10/29/2004 1980	\$728,800 \$48,800	7.7	55 1/1, 20 2/1, 40 2/2
10860 N 85 <sup>th</sup> Ave Peoria, "Villas @Montebella"	100 72,100	\$3,950,000 \$54.79	11/30/2004 1985	\$695,300 \$39,500	5.7 7.5	20 1/1, 80 2/1 87% occupied
8001 E Broadway Mesa, "Sun Villa Resort"	99 41,212	\$2,800,000 \$67.94	12/22/2004 1976	\$607,200 \$28,282	4.6	45 st, 54 1/1 5% occupied, seasonal converting to annual
8552 E Belleview St Scottsdale, "Scottsd.Villas"	96 98,904	\$6,350,000 \$64.20	11/2/2004 1984	\$991,049 \$66,145	6.4 5.1	72 2/2, 24 3/2 70% occupied, Condo conversion
4815 E Thomas Rd Phoenix, "Siktree"	86 53,800	\$3,500,000 \$65.06	12/22/2004 1980	\$617,088 \$40,697	5.7	70 1/1, 16 2/2 Master metered, property not marketed
4115 E Indian School Rd Phoenix, "Colonia"	85 55,212	\$4,650,000 \$84.22	12/17/2004 1983	\$596,700 \$54,705	7.8 5.2	70 1/1, 15 2/2
2026 S Hammond Dr Tempe, "Hammond Street"	81 61,055	\$4,000,000 \$65.51	11/29/2004 1981	\$599,400 \$49,382	6.7 7.4	1 st, 20 1/1, 60 2/1
10421 N 33 <sup>rd</sup> Ave Phoenix	80 39,413	\$2,400,000 \$60.89	10/6/2004 1980	\$30,000		Former hotel converted to apartments
914 E Lemon St Tempe, "Riviera Palms"	76 36,468	\$3,200,000 \$87.75	10/13/2004 1963	\$478,122 \$42,105	6.7 7.1	12 st, 54 1/1, 10 2/1
9423 N 17 <sup>th</sup> Ave Phoenix, "Palm Meadows"	72 50,040	\$2,844,000 \$56.83	12/2/2004 1985	\$460,380 \$39,500	6.2 7.6	18 1/1, 54 2/1 85% occupied
818 W 3 <sup>rd</sup> St Tempe, "Hidden Glen"	72 50,763	\$3,550,000 \$69.93	11/4/2004 1981	\$564,666 \$49,305	6.3 4.6	41 1/1, 30 2/1, 1 3/1 70% occupied
4001 E Portland St Phoenix, "Palm Park"	56 39,178	\$2,394,000 \$61.11	10/13/2004 1962	\$365,400 \$42,750	6.6 7.4	42 1/1, 14 2/1
17609 N 19 <sup>th</sup> Ave Phoenix, "Courtyard Village"	55 44,000	\$2,950,000 \$67.05	10/5/2004 1984	\$399,300 \$53,636	7.4 7.0	55 2/2 85% occupied
240 S Litchfield Rd Litch Pk, "Cimarron North"	46 47,600	\$2,792,000 \$58.66	11/12/2004 1972	\$395,568 \$60,695	7.1 7.8	38 1/1, 8 3/2 Condo conversion
8111 W Glendale Ave Glendale, "Courtyard"	44 22,704	\$2,200,000 \$96.90	12/1/2004 1973	\$50,000		42 1/1, 2 2/1
7020 N 75 <sup>th</sup> Ave Glendale, "Glendale West"	44 36,975	\$2,000,000 \$54.09	10/8/2004 1970	\$331,440 \$45,454	6.0 8.3	19 1/1, 7 2/1, 18 3/1
4540 E Belleview St Phx, "Belleview Estates"	44 38,016	\$4,900,000 \$128.89	12/17/2004 1981	\$111,363		22 1/1, 22 2/1 44 of 76 units in complex sold
2620 N 40 <sup>th</sup> St Phoenix, "Village Phoenix"	43 36,561	\$2,350,000 \$64.28	12/20/2004 1951	\$327,690 \$54,651	7.2	15 1/1, 27 2/2, 1 3/2
4313 N 19 <sup>th</sup> Ave Phoenix, "Centre Arms"	41 22,374	\$1,990,000 \$88.94	11/12/2004 1985	\$238,500 \$48,536	8.3 6.9	41 1/1
3044 E Fillmore St Phoenix, "Celebrity"	41 29,232	\$1,775,000 \$60.72	11/23/2004 1986	\$43,292		41 2/1
4138 N Longview Ave Phoenix, "Palm Vista"	40 27,200	\$2,300,000 \$84.56	12/27/2004 1982	\$283,006 \$57,500	8.1 6.8	8 1/1, 32 2/1
2740 W Medlock Dr Phoenix, "Suntree"	40 28,222	\$1,800,000 \$63.78	10/1/2004 1982	\$257,022 \$45,000	7.0 8.3	12 1/1, 28 2/1 50% occupied

**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)  
**CAP** Cap Rate (NOI / Sales Price)

Table compiled by: **Kasten / Long Apartment Team**  
 RE/MAX Commercial Investment  
 Data source: COSTAR, MLS, Pierce-Eislen & personal knowledge  
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**2004 Apartment Sales**

The combination of continued low interest mortgage rates, the relentless buying pressure from California investors and an increasing number of condo converters produced a banner year for apartment values in Metro Phoenix. This is a likely scenario across the country as well, as real estate has become one of the few sound options to bank's low interest accounts and the lack of trust in the stock market.

For Metro Phoenix, there was an increase in total sales from 286 complexes in 2003 to 359 in 2004. On a price/unit basis, the increase in value was 17.7% over the past year and 43.0% over the past five years. A comparison between 2004 and 2003 sales for various size and age properties by price /unit is shown in the table below.

Year	Total Sales	Price/unit	Price/sf
1999	218	\$35,881	\$47.17
2000	219	\$36,870	\$50.25
2001	244	\$40,690	\$53.51
2002	219	\$41,865	\$55.26
2003	286	\$43,579	\$58.65
2004	359	\$51,296	\$67.17
<b>1 Year Increase:</b>		<b>17.7%</b>	<b>14.5%</b>
<b>5 Year Increase:</b>		<b>43.0%</b>	<b>42.4%</b>

**2004 (2003) Apartment Sales - Price/Unit**

Built	Number of Units							
	10 - 19		20 - 49		50 - 99		100+	
	2004	(2003)	2004	(2003)	2004	(2003)	2004	(2003)
1940's	\$53,990	(\$36,484)	\$37,452	---	---	---	---	---
1950's	\$54,744	(\$39,984)	\$48,158	(\$43,319)	---	---	---	---
1960's	\$51,186	(\$44,680)	\$45,100	(\$43,208)	\$43,529	(\$42,922)	\$38,884	---
1970's	\$48,747	(\$43,003)	\$51,189	(\$40,646)	\$44,522	(\$37,355)	\$39,192	(\$37,176)
1980's	\$49,647	(\$44,379)	\$48,111	(\$43,871)	\$45,815	(\$37,722)	\$47,426	(\$36,977)
1990's	---	---	---	---	\$103,445	---	\$49,181	(\$72,999)
2000's	---	---	---	---	---	---	\$90,582	(\$85,850)
<b>Total Sales</b>	66	(78)	124	(102)	56	(32)	113	(74)
<b>Total Sales Price</b>	\$47M	(\$47M)	\$175M	(\$137M)	\$194M	(\$92M)	\$1.6B	(\$790M)
<b>Avg. Price/unit</b>	\$52,285	(\$42,853)	\$47,311	(\$43,039)	\$48,763	(\$41,131)	\$56,831	(\$46,146)
<b>Avg. Price/sf</b>	\$73.25	(\$62.07)	\$65.44	(\$59.17)	\$65.35	(\$52.42)	\$67.03	(\$57.01)

--- Three sales required per category for data entry.

Data from Costar-Comps. Includes all apartment sales with at least 10 units and purchase price of at least \$250,000.

Data for 2003 sales is shown in parenthesis.

**Kasten / Long Apartment Team - Apartment Activity (as of February 18, 2005)**

**RECENT APARTMENT CLOSINGS** (Since 3<sup>rd</sup> Qtr Newsletter 11/8/04)

- 64 units, 6602-6709 E Avalon, Scottsdale (Avalon Greens) \$5,040,000
- 37 units, 3602 E Monte Vista, Phx (Villa Martel) \$2,075,000
- 22 units, 2233 N 36<sup>th</sup> St, Phoenix (Casita Robles) \$1,130,000
- 16 units, 210-234 S Lazona Dr, Mesa \$1,160,000
- 16 units, 4021 - 41 E Moreland, Phoenix \$934,000
- 14 units, 6528 N 17<sup>th</sup> Ave, Phoenix (Galaxy) \$700,000
- 13 units, 1595 W Mtn View, Phoenix (Mountain View) \$465,000
- 12 units, 200 E Lawrence & 524-526 N 4<sup>th</sup> St, Avondale \$869,700
- 12 units, 3439 N 37<sup>th</sup> St, Phoenix (Madeline's) \$668,000
- 12 units, 2607, 2615 & 2630 E Monte Cristo, Phoenix, \$825,000
- 6 units, 7146 N 57<sup>th</sup> Ave, Glendale \$365,000

**APARTMENTS IN ESCROW**

- 35 units, 2030 E Broadway, Mesa (The Groves) List: \$1,695,000
- 24 units, 510 E Hatcher, Phoenix (Lincoln View) List: \$1,049,000
- 22 units, 806 E Carol Ave, Phoenix (Sunny Haven) List: \$1,200,000
- 21 units, 4236 N 12<sup>th</sup> St, Phoenix (Desert Villas) List: \$865,000
- 20 units, 3634 E Monte Vista, Phoenix (Plaza del Torre) List: \$1,050,000
- 12 units, 6601, 6641, 6701E Avalon Dr, Scottsdale List: \$955,000
- 11 units, 4241 N 26<sup>th</sup> St, Phoenix (Glenrosa Palms) List: \$595,000
- 8 units, 2738 & 2718 E Tierra Buena, Phoenix List: \$699,800
- 4-plex, 1641 W Yucca, Phoenix List: \$295,000
- 3-plex, 2601 E Monte Cristo, Phoenix List: \$206,000
- 2-plex, 11237 N 18<sup>th</sup> Dr, Phoenix List: \$209,000

**APARTMENTS "FOR SALE" (see [www.PhxAptsForSale.com](http://www.PhxAptsForSale.com) for Details and All New Listings)**

- 105 units, 7002 E Palm Ln, (Palm Villas of Scottsdale) List: \$7,950,000
- 7 units, 6804 N 23<sup>rd</sup> Ave, Phoenix List: \$360,000
- 6 units, 422 E Hatcher, Phoenix List: \$259,000
- 4-plex, 2744 E Tierra Buena, Phoenix List: \$349,900
- 4-plex, 6004 W Alice, Phoenix List: \$289,900

- 4-plex, 600 N 4<sup>th</sup> St, Avondale List: \$289,900
- 4-plex, 2638 E Monte Cristo, Phoenix List: \$265,000
- 3 4-plexes, 2623, 2629, 2637 E Monte Cristo, Phoenix List: \$275,000 ea
- 2 4-plexes, 1414-8 E Adams, Phoenix List: \$225,000 ea