

# Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

**RE/MAX** Commercial Investment

## 4th Quarter 2002

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(Oct. – Dec. 2002)
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Also see:

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

Vacancy rates again moved to a new record high level for the past ten years. The strong negative economic impact of the sustained vacancy issue, especially for larger complexes, has forced builders to significantly decrease the rapid pace of permitting for new construction.

Our Team continues to increase as we strive to provide the best service possible to apartment owners. This past summer we added a licensed assistant, Monica Kane (480 682 3168) to help with our day-to-day work. We've also recently added a very successful apartment broker, Scott Trevey. Scott recently moved from the Denver area, where he was one of the top sales brokers in his office. He already owns a 42-unit apartment complex in Chandler.

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## Vacancy Rate Jumps to 9.4% - Permitting Only 65% of 2001 Level -

At the end of the 4th quarter of 2002, the vacancy rate for all-size multifamily units in the greater Phoenix area jumped from 8.5% to 9.4%, a ten-year high. Of the 321,459 total multifamily units, there were 30,125 reported as vacant.

# of Units	2002 3rd Qtr.	2002 4 <sup>th</sup> Qtr.
2 - 24	9%	6%
25 - 50	7%	6%
51 - 75	6%	8%
76 - 99	7%	7%
100 - 150	7%	9%
151 - 200	8%	8%
200+	<u>9%</u>	<u>10%</u>
<b>Average</b>	<b>8.5%</b>	<b>9.4%</b>

The highest rate was reported for Gilbert (13%) and the lowest was N. Scottsdale (6%). The increased vacancy was observed mostly in the 50-75, 100-150 and 200+ size complexes while the less than 50 unit size decreased.

The increased vacancy is the bad news but the reduced permits for new apartment construction is the good news for the future. Permits for the 4<sup>th</sup> qtr. dropped to 881, providing a total of only 5,351 for the year. This amount is 65% of 2001 and only 58% of 2000.

## Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
1992	1,234	4,394	8%
1993	1,799	12,135	4%
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 (1)	694	2,137	8%
2002 (2)	1,439	439	8.7%
2002 (3)	2,337	2,426	8.5%
2002 (4)	881	- 729	9.4%

With less units being permitted, the reduced supply for future years should translate to reduced vacancy levels. There are, however, 23 complexes (5,733 units) still in various stages of completion that may hamper a recovery in vacancy rates in 2003.

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

Data Sources for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, A.Z.R.E. Center, College of Business, ASU
- Greater Phoenix Blue Chip Economic Forecast

# Greater Phoenix Apartment Sales

4th Qtr - 2002

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1849 S Power Rd Mesa, "Lakeview at Sup. Sp"	676 650,392	\$48,250,000 \$74.19	12/4/2002 1995	\$7,116,416 \$71,375	6.78 8.05%	230 1/1, 232 2/2, 42 2/2.5, 72 3/2; 10% vacancy at COE
15202 N 40 <sup>th</sup> St Phoenix, "The Ridge"	380 278,424	\$17,800,000 \$63.93	12/20/2002 1986	\$46,842	7.75%	44 st, 168 1/1, 168 2/2
14015 N 94 <sup>th</sup> St Scottsdale, "Ventana"	350 327,890	\$26,500,000 \$82.35	12/23/2002 1993	\$3,355,800 \$75,714	7.90	144 1/1, 182 2/2, 24 2/2 townhouse
1033 S Longmore Mesa, "Fiesta Park"	320 234,696	\$10,100,000 \$43.03	10/23/2002 1979	\$31,562		232 1/1, 88 2/2 35% vacancy \$500,000 in capital improvements planned
8011 N 7 <sup>th</sup> St Phoenix, "Las Brisas"	274 278,272	\$19,700,000 \$70.79	12/23/2002 1992	\$71,897	7.2%	62 1/1, 170 2/2, 42 3/2
3033 E Thunderbird Rd Phoenix, "The Pinnacle"	248 249,150	\$17,397,194 \$69.83	10/8/2002 1992	\$70,149	8.27%	108 1/1, 108 2/2, 32 3/2 NOI \$1,438,400
8201 W Beardsley Rd Peoria, "Sonoma Ridge"	240 219,640	\$17,060,000 \$77.67	10/17/2002 2001	\$71,083		120 1/1, 112 2/2, 8 3/2
1975 E University Dr Tempe, "Cameron Creek"	211 188,400	\$11,000,000 \$58.39	10/23/2002 1989	\$52,132	8.25%	60 1/1, 151 2/2
2403 W Lone Cactus Dr Phoenix, "Cactus Trail"	190 158,200	\$5,600,000 \$35.40	12/31/2002 1984	\$29,473	6.61%	20 1/1, 170 2/1 NOI \$370,233
950 S Terrace Rd Tempe, "Terrace Road"	150 116,800	\$6,150,000 \$52.65	10/9/2002 1968	\$1,308,000 \$41,000	4.70 9.0%	82 1/1, 68 2/2 master metered 3% vacancy
502 N 51 <sup>st</sup> St Phoenix, "Hill N' Dell"	140 113,625	\$4,147,170 \$36.50	12/20/2002 1971	\$29,622		Property was purchased as part of a bulk transaction for Section 8 housing invest.
18202 N Cave Creek Rd Phx, "Mtn Springs Terrace"	122 96,520	\$4,769,000 \$49.41	10/2002 1983	\$840,336 \$39,090	5.68	24 1/1, 48 2/1, 50 2/2
718 S Alma School Rd Mesa, "Alma Park"	106 78,880	\$3,140,000 \$39.81	12/20/2002 1972	\$29,622		Property was purchased as part of a bulk transaction for Section 8 housing invest.
6333 N 12 <sup>th</sup> St Phoenix, "Maryland Villas"	104 88,368	\$4,100,000 \$46.40	10/15/2002 1971	\$832,524 \$39,423	4.92 8.4%	38 1/1, 66 2/2 14% vacancy at COE
4917 E Thomas Rd Phx, "Palmwood Terrace"	101 38,152	\$3,125,000 \$81.91	11/4/2002 1978	\$30,940		52 st, 48 1/1, 1 2/2
550 E Earll Dr Phoenix, "Executive Plaza"	92 57,684	\$3,900,000 \$67.61	12/2/2002 1973	\$42,391	9.7%	92 1/1 NOI \$378,311
7328 N 27 <sup>th</sup> Ave Phx, "Orangewood Place"	84 55,120	\$3,375,000 \$61.23	11/22/2002 1984	\$569,052 \$40,178	5.93 8.92%	52 1/1, 32 2/1
56 N Extension Rd Mesa, "Shadow Run"	80 52,000	\$3,040,400 \$58.47	12/3/2002 1984	\$552,000 \$38,005	5.51 9.93%	64 1/1, 16 2/2
2939 E Roosevelt St Phoenix, "Roosevelt East"	80 50,400	\$2,369,811 \$47.02	12/20/2002 1972	\$29,622		Property was purchased as part of a bulk transaction for Section 8 housing invest.
2433 W Campbell Ave Phoenix, "Canterbury"	76 64,175	\$2,280,000 \$35.53	11/13/2002 1972	\$519,600 \$30,000	4.39 11.31%	76 2/2 26% vacancy at COE
2433 E McDowell Rd Phoenix, "McDowell East"	76 58,812	\$2,251,320 \$38.28	12/20/2002 1974	\$29,622		Property was purchased as part of a bulk transaction for Section 8 housing invest.
15226 S Power Rd Higley, "Williams Landing"	72 42,000	\$2,850,000 \$67.86	10/8/2002 1982	\$474,351 \$39,583	6.01 10.06%	42 1/1, 30 2/1
3200 N 75 <sup>th</sup> St Scotts, "Viviendas Scotts."	68 57,120	\$2,014,341 \$35.27	12/20/2002 1973	\$29,622		Property was purchased as part of a bulk transaction for Section 8 housing invest.
6141 N 59 <sup>th</sup> Ave Glendale, "Desert Crest"	66 54,720	\$2,525,000 \$46.14	11/1/2002 1985	\$416,562 \$38,257	6.06 8.55%	6 1/1, 60 2/1
3825 E Greenway Rd Phoenix, "Rancho Mirada"	66 63,840	\$4,600,000 \$72.06	12/31/2002 1988	\$69,696	6.68%	32 1/1, 34 2/2 10% vacancy at coe
7550 N 12 <sup>th</sup> St Phx, "Sundance Condos"	60 48,450	\$2,675,000 \$55.21	11/1/2002 1972	\$44,583		
801 W Turney Ave Phoenix, "Oak Creek"	60 34,464	\$2,065,000 \$59.92	11/27/2002 1956	\$367,200 \$34,416	5.62 9.0%	30 1/1, 30 2/1
1637 E Missouri Ave Phoenix, "Missouri Gardens"	52 22,970	\$2,075,000 \$90.34	12/2/2002 1966	\$39,903	8.1%	41 st, 11 1/1 NOI \$168,075

Table compiled by: Kasten / Long Apartment Team, RE/MAX Commercial Investment Data source: COMPS, MLS and personal knowledge  
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ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
3810 N Maryvale Pkwy Phoenix, "Graybriar"	51 42,454	\$1,450,000 \$34.15	11/26/2002 1983	\$363,631 \$28,431	3.99 11.37%	20 1/1, 31 2/2 part of complex with 200 units more information on other sales to follow
320 W Brown Rd Mesa, "Cottonwood"	48 39,552	\$2,170,000 \$54.86	10/25/2002 1974	\$326,800 \$45,208	6.64 8.47%	24 1/1, 24 2/1
137 E Coronado Rd Phx, "Coronado Garden"	43 27,255	\$1,400,000 \$51.37	10/25/2002 1971	\$329,378 \$32,558	4.25 10.0%	3 st, 23 1/1, 17 2/1 Master metered
625 N Alma School Rd Chandler, "Tuscany"	42 26,934	\$2,000,000 \$74.26	11/29/2002 1973	\$297,040 \$47,619	6.73 8.98%	5 st, 20 1/1, 17 2/1
4200 N 38 <sup>th</sup> St Phx, "Phoenix Courtyard"	36 27,510	\$1,710,000 \$62.16	12/30/2002 1963	\$47,500	8.0%	18 1/1, 18 2/1
1126 E Maryland Ave Phx, "Maryland East"	36 29,800	\$1,400,000 \$46.98	11/20/2002 1959	\$279,301 \$38,888	5.01 8.55%	3 st, 11 1/1, 8 2/1, 14 2/2 Master metered
617 N 3 <sup>rd</sup> Ave Phoenix, "Town"	34 20,400	\$1,200,000 \$56.82	12/27/2002 1958	\$173,400 \$35,294	6.92 8.07%	34 st
3002 W Camelback Rd Phoenix, "The Fountains"	34 19,455	\$750,000 \$38.55	12/3/2002 1944	\$213,600 \$22,058	3.51 14.47%	18 1/1, 16 2/1 10% vacancy at COE
4446 N 36 <sup>th</sup> St Phx, "Executive Gardens"	34 27,970	\$1,507,500 \$53.90	12/27/2002 1964	\$227,500 \$44,338	6.63 8.92%	18 1/1, 8 1/1.5
902 W Highland Ave Phoenix, "Highland"	32 29,200	\$1,320,000 \$45.21	10/21/2002 1964	\$224,714 \$41,250	5.87 9.25%	28 2/1, 4 3/1 10% vacancy at COE
1826 N 51 <sup>st</sup> St Phoenix, "Desert Villa"	29 19,725	\$1,400,000 \$70.98	12/19/2002 1981	\$221,750 \$48,275	6.31 9.97%	22 1/1, 7 2/1
2108 S Rural Rd Tempe, "Villa Tempe"	28 20,250	\$1,102,500 \$54.44	12/17/2002 1959	\$182,640 \$29,375	6.04 8.98%	15 1/1, 11 2/1, 2 2/1
809 E Vogel Ave Phoenix	26 18,200	\$1,100,000 \$60.44	12/26/2002 1969	\$169,500 \$42,307	6.49 14.37%	10 1/1, 16 2/1
929 E Bethany Home Rd Phoenix, "Toscana"	24 15,000	\$1,400,000 \$93.33	12/13/2002 1970	\$58,333	8.35%	17 1/1, 1 2/1, 5 2/1, 1 3/2 NOI \$116,898, 100% occupied
2510 W Palo Verde Dr Phoenix, "Palo Verde"	23 8,550	\$495,000 \$57.89	10/22/2002 1973	\$115,971 \$21,521	4.27 12.0%	20 st, 3 st-furnished
3810 N Maryvale Pkwy Phoenix, "Graybriar Condos"	23 188,888	\$863,000 \$45.69	12/2/2002 1983	\$160,160 \$37,521	5.39 10.13%	10 1/1, 13 2/2
3601 N 5 <sup>th</sup> Ave Phoenix, "Shorewood"	21 25,165	\$1,225,000 \$48.68	12/24/2002 1960	\$176,820 \$58,333	6.93 8.51%	7 1/1, 14 2/2
1014 E Spence Ave Tempe, "Sunrise"	20 16,000	\$1,050,000 \$65.63	10/17/2002 1983	\$129,030 \$52,500	8.14 6.32%	10 1/1, 10 2/1
301 W Pasadena Ave Phoenix, "Royal Pasadena"	20 19,219	\$924,000 \$48.06	12/31/2002 1959	\$127,200 \$46,200	7.26 10.0%	10 1/1, 9 2/2, 1 3/2
1930 W Myrtle Ave Phoenix, "Palm View Manor"	20 19,060	\$825,000 \$43.28	10/22/2002 1962	\$124,200 \$41,250	6.64 8.5%	20 2/1
1441 E Polk St Phoenix, "Polk Terrace"	18 9,792	\$500,000 \$51.06	12/9/2002 1984	\$27,777		
4331 N 26 <sup>th</sup> St Phoenix, "Dahle-Hi"	12 8,250	\$580,000 \$70.30	12/6/2002 1961	\$48,333	7.71%	1 st, 11 1/1 NOI \$44,718
4607 N 74 <sup>th</sup> St Scottsdale	12 7,700	\$360,000 \$46.75	11/26/2002 1958	\$30,000		Property was vacant at COE, buyer plans to upgrade, refurbish at a cost of \$200,000.
7537 N 21 <sup>st</sup> Ave Phoenix	11 9,350	\$525,000 \$56.15	11/7/2002 1961	\$47,727	7.0%	5 1/1, 6 2/1
1808 N 31 <sup>st</sup> St Phoenix, "Coronado Square"	10 8,228	\$345,000 \$41.93	10/17/2002 1972	\$34,500		8 2/1

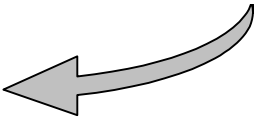
**GSI** Gross Scheduled Annual Income (Assumes 0% vacancy)  
**GRM** Gross Rent Multiplier (Sales Price / GSI)  
**NOI** Net Operating Income (Total income less vacancy and Expenses)  
**CAP** Cap Rate (NOI / Sales Price)

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

Data for some of the sales listed above plus additional data for apartment sales that were not yet reported as of the printing date of the newsletter will be posted on are posted on: [www.PhxAptsForSale.com](http://www.PhxAptsForSale.com) under "Market Data".

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## Apartment Investment Climate

The multifamily market continues to be driven by investors seeking a better alternative for their money compared to the stock market or bank interest rates. This demand, combined with the low-interest mortgage rates, has sustained a strong “seller’s market” over the past year.

This remains somewhat of a surprise as the 4<sup>th</sup> quarter of 2002 again reported a ten-year high for vacancy rates at 9.4%. So a question might be, “Are buyer’s being perceptive or are they taking a risk?” The fact is, there are many reasons why the economy of the greater Phoenix area should continue to improve.

Here are some of the reasons:

1. permits for the construction of new apartments dropped significantly in 2002 and are projected to remain at lower levels in 2003;
2. the price being paid for apartments in surrounding states, especially California, is far above the Phoenix area;
3. metro Phoenix job growth continues to be relatively strong. The rate for Nov. 2001 to Nov. 2002 was 5.7%. This growth rate ranked 5<sup>th</sup> in cities nationwide with populations in excess of 1,000,000; and
4. Arizona’s population increased 2.8% over the past year, second fastest in the US behind Nevada.

- Jim Kasten, CCIM

## Kasten / Long Apartment Team - Apartment Activity

(see: [www.PhxAptsForSale.com](http://www.PhxAptsForSale.com) for all new listings)

### APARTMENTS CURRENTLY IN ESCROW

156 u, 1620 W Southern, Mesa, (Newport Mesa), List: \$6.567M  
26 units, 2104 E Fairmount Av., Phx. (Loma Linda) List: \$1.2M  
19 units, 1231 E Colter St., Phx. (Water Song) List: \$874,000  
16 units, 1814 W Vogel, Phx. (Vogel Square) List: \$550,000  
12 units, 4830 E. Virginia, Phx. (Camelback View) List: \$475,000  
10 units, 1204 W 5<sup>th</sup> St., Tempe (Palm Breeze) List: \$475,000  
10 units, 2203 E McKinley St, Phx., List: \$359,000  
4 units, 443 S Hall, Mesa (Park Mesa) List: \$229,000  
4 units, 446 S Hall, Mesa (Park Mesa) List: \$229,000  
4 units, 501 S Hall, Mesa (Park Mesa) List: \$229,000  
4 units, 746 E Mission, Ln., Phx. List: \$175,000

### RECENT APARTMENT CLOSING (Since 9.20.02)

48 units, 320 W Brown Rd., Mesa (Cottonwood) \$2.17M  
42 units, 625 N Alma School Rd., Chandler (Tuscany) \$2.0M  
18 units, 5624 N 6<sup>th</sup> St., Phoenix (Camel Square) \$817,000  
20 units, 1346 E Mtn. View, Phx. (Mtn. Acres) \$704,000  
18 units, 1441 E Polk St., Phx. (Polk Terrace) \$500,000  
6 units, 7606 W Palmar Av., Glendale \$275,000  
4 units, 4821 E Willetta, Phoenix \$175,000  
4 units, 517 S Hall St., Mesa (Park Mesa) \$229,000  
4 units, 507 S Hall St., Mesa (Park Mesa) \$229,000

*Apartment Activity as of: February 14, 2003*