

# Q1 2010 Light Rail Market Report

## Metro Phoenix

### Housing Report

(Housing activity within a quarter-mile of each light rail station)

**Phoenix** reported **11 single family detached** (SFD) houses sold in Q1 within a quarter mile radius of the light rail stations. The average sale price was \$150,909 and the average size was 1,419 sf at \$103.03 per square foot. Average time on market was 38 days. The most expensive house sold for \$351,000 near the Central & McDowell Station. It was bank owned with 2,260 sf, 3 bedroom and 3 bathrooms, located at 2040 North Alvarado. There were **41 condo** sales with an average price of \$106,390 and an average price per square foot of \$94.82. The average unit size was 1,018 sf and the time on market was 101 days. The highest selling condo price was on the second floor of the Portland Place Condos, 204 W. Portland St. It sold for \$360,000 with 1,563 SF, 2 bedrooms and 2.5 bathrooms. The Portland Place condos have regularly been the highest priced condos sold in the Phoenix Metro area.



*Portland Place Condos*



*Lofts at Orchidhouse*



*Bridgeview at Hayden Ferry*

In **Tempe**, 7 SFD homes sold with an average price of \$135,786 and an average price of \$100.13 per square foot. Average time on market for these homes was 85 days. Similar to condo sales there were also 7 SFD homes sold, however, the average sales price was more than double at \$228,643. The average cost was \$156.27 per square foot and the average condo size was 1,306 square feet. Tempe's top condo sale for Q1 near the rail was on the 5<sup>th</sup> floor of the Lofts at Orchidhouse, located at 21 E. 6<sup>th</sup> St. This loft sold for \$950,000; it has 2 bedrooms and 2 bathrooms and 1,492 sf. It boasts a large patio with a stunning view of downtown Tempe. Also of note, a 2,413 square foot condo sold for \$700,000 at Bridgeview at Hayden Ferry Lakeside.

In **Mesa** there was only 1 SFD home that sold near the only Mesa Station (Sycamore & Main St.) for \$77,000 with 1,700 square feet.

Overall, the average sale price for homes in the Metro Phoenix area was at \$175,000.

### Multi Family

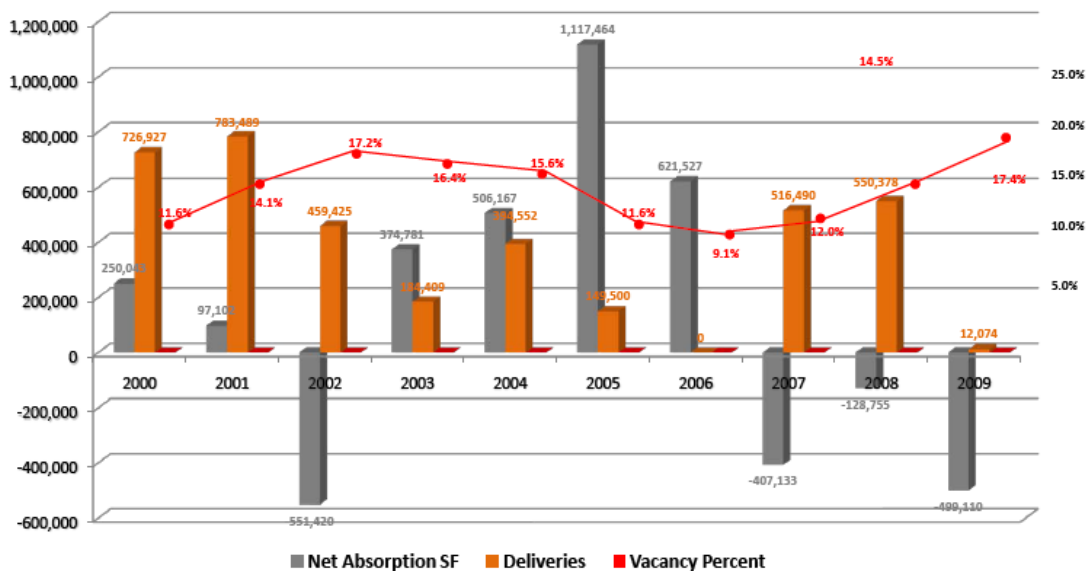
In Maricopa County, apartment complexes experienced a decline in price through the end of 2009. The first quarter of 2010 showed an increase in sales volume from the previous quarter. Average sale price per unit for Q1 of 2010 in Maricopa County was \$34,979 per unit. The 1<sup>st</sup> quarter saw an increase in sales volume each month with \$39 million in sales volume in January, \$83.16 million in February, and \$91.73 million in sales volume for March. Within a quarter mile of the light rail station an apartment complex sold in the 1<sup>st</sup> Q of 2010. This apartment complex was located near the 7<sup>th</sup> Ave & Camelback Station, 605 W. Pierson, with 12 units for \$429,000.

There are currently 4 apartments within .25 miles from a light rail station with a median asking price of \$41,000 per unit. One of the more significant multi-family properties is the Center Point in Tempe which is currently on the market after it failed to sell at auction earlier this year. It has 370 units and is being repositioned as a multi-family project.

### The Office Market (Submarkets: Phoenix, Tempe, and Mesa)

The Light Rail Corridor Office market vacancy increased to 19.0% in the first quarter of 2010. That marks an increase of 3.0% over the previous quarter's vacancy rate. Vacancy rates in the Light Rail Corridor have been on a steady increase since 2007 when the market experienced a drop. Before then, the vacancy rate had decreased to 9.1% for 2006. The highest vacancy rates for all Light Rail Corridor submarkets can be found in Tempe (24.0%). The lowest of the submarkets is Mesa (which does not represent much office space), which was still high at 12.0%. The vacancy rate in the Light Rail Corridor is significantly less than the Metropolitan Phoenix area which reported 21.8% vacant space, an increase from the second quarter of 2009 at 20.5%.

**Light Rail Office Properties, Vacancy/Net Absorption/Construction, 2000-2009**



Information Compiled By: LightRailConnect.com  
Information contained herein has been obtained from other sources we deem reliable. We have no reason to doubt the accuracy, but we do not guarantee it.

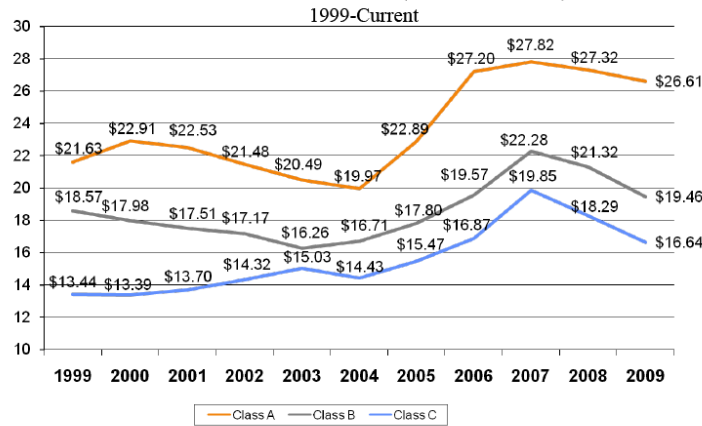
Net absorption for the Light Rail Corridor was negative (48,813) square feet for the first quarter of 2010. The market gained empty space in the first quarter of 2010. Net absorption in the first quarter of 2010 totaled a negative (48,813) square feet. The Phoenix City submarket reported that the majority of negative absorption for the first quarter totaled negative (47,761) square feet. Tempe reported negative absorption of (2,063) for the first quarter of 2010. The entire Metro Phoenix area reported a net absorption of negative (98,708) square feet in the first quarter. That compares to a positive 377,216 square feet in the fourth quarter 2009, and a negative (505,360) square feet in the third quarter 2009.

Office lease rates in the Light Rail Corridor, which have steadily decreased since 2007, increased in the first quarter of 2010 to an average rate of \$23.78 per square foot, full service. The lowest

rates along the light rail in the first quarter were found in the Mesa submarket at \$10.80 per square foot. In comparison, Class A space in the Metro Phoenix Area was slightly under \$26 per square foot.

## Light Rail Office Properties

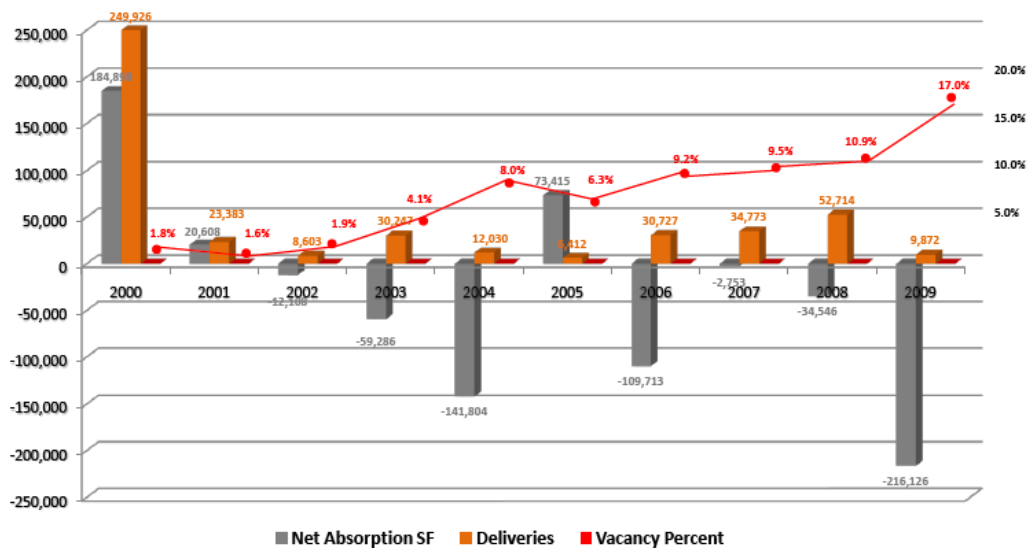
### RENTAL RATES (Full Service)



## The Retail Market

The Light Rail Corridor Retail market vacancy rate in the first quarter of 2010 decreased to 15.0% from 17.0% in the second quarter of 2009. This is up from the year end 2008 vacancy rate of 10.9%. The highest vacancy rate was reported in the Mesa submarket at 22%. The Metro Phoenix Area retail vacancy rate increased slightly to 12.4% in the first quarter 2010, up from 12.0% in the fourth quarter.

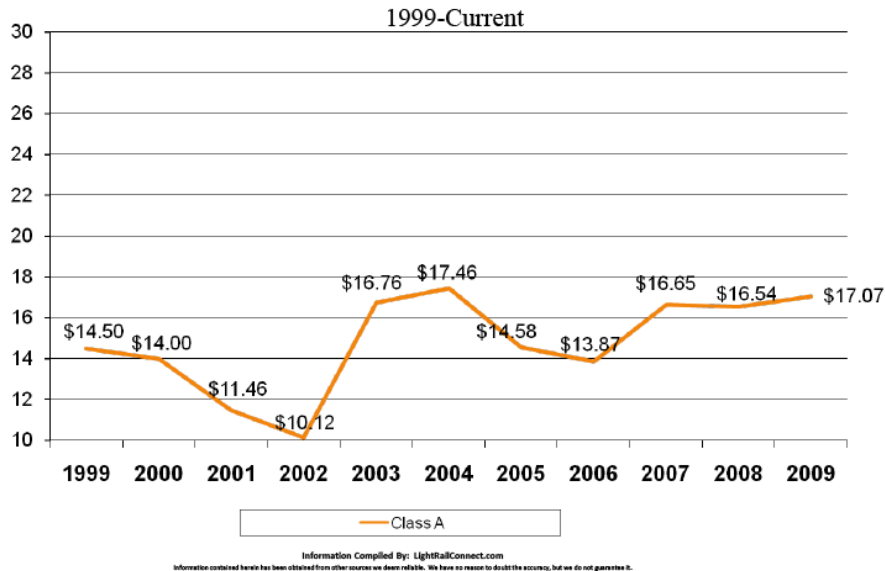
Light Rail Retail Properties, Vacancy/Net Absorption/Construction, 2000-2009



Absorption for the Light Rail Corridor was negative (22,078) square feet in the first quarter, compared to negative (92,914) square feet in the second quarter. The Mesa submarket reported positive absorption for the first quarter while the Phoenix submarket ended with 13.0% vacancy and reported negative (18,453) square feet. Tempe experienced 18% vacancy and reported negative (13,577) square foot absorption. The overall Metro Phoenix Area market reported negative (681,990) square feet, which has been negative since the third quarter of 2008 when absorption was positive at 2,053,304 square feet.

## Light Rail Retail Properties

### RENTAL RATES (NNN)



Rental rates for retail space in the Light Rail Corridor increased slightly in the first quarter, which is most likely due to new available space that was not quoted before. In the Metro Phoenix market we can expect this trend of rental rates to decrease at least in the short term.

### Land Sales

There are no land sales on record for Q1. This is down from 2 transactions that occurred Q4 of 2009.

There are approximately 28 land parcels for sale within a quarter mile of the 28 light rail stations. The largest 2 parcels are listed at the Sycamore and Main Street Station for \$16-\$12 per square foot, 6.85 and 6.08 acres respectively. Phoenix has 18 parcels for sale, Tempe has 5, and 4 parcels are listed in Mesa. The average asking price for Phoenix, Tempe and Mesa are \$65/sf, \$28/sf, and \$13.00/sf respectively.

#### Definitions and Terms:

**Light Rail Corridor:** The area measured by a 0.25 mile radius from a light rail station. Planned track extensions in Mesa and Phoenix are not included until the tracks are built and serviced by the train.

**Net Absorption:** The net change in occupied space over a given period of time.

**Submarkets:** This report provides information on the three submarkets in Phoenix, Tempe and Mesa in the light rail corridor.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically

vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

**Rental Rates:** The annual costs of occupancy for a particular space quoted on a per square foot basis.

**Class A:** A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market.

*If you would like any more information about real estate research in the light rail corridor or have any questions please visit our site at [www.LightRailConnect.com](http://www.LightRailConnect.com) or call us at 602-224-RAIL. The following sources were used gathering information for this report: Arizona Regional MLS, Costar.*