

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

1st Quarter 2003

IN THIS ISSUE ...

- Apartment Sales
(Jan. – Mar. 2003)
- Vacancy Rate climbs to 10.0%
- New apt. permits remain low
- Apartment Investment Climate

Also see:

www.PhxAptsForSale.com

Vacancy rates in the 1st quarter again moved to a new record level, increasing 0.6%, to set a new, ten-year high of 10.0%. Realizing that this vacancy is creating a heavy financial burden for some apartment owners, we remain optimistic for the future. Our optimism is supported by the continued decline in new apartment permitting plus Arizona being 2nd only to Nevada, in the western States, in population growth (2.2%) and job growth (2.3%).

Team update – New Office on Camelback and 28th St.

By June 1, we will have moved to a new RE/MAX Commercial Investment office at 28th St. and Camelback Rd. We're pleased with this location as it is more convenient for almost all of our clients. You can't miss the location and the red RE/MAX sign!

Jim Kasten, CCIM

Tel: 602 445 4113
Cell: 602 677 0655
jkasten@ccim.net

Jan Long, CCIM

602 445 4115
602 432 9882
jlong@azproperty.com

Scott Trevey

602 445 4114
480 205 0862
strevey@azproperty.com

Vacancy Rate Climbs to 10.0%

- Permitting at Very Reduced Rate -

At the end of the 1st quarter of 2003, the vacancy rate for all-size multifamily units in the greater Phoenix area climbed from 9.4% to 10.0%. Of the 323,615 total multifamily units, there were 32,425 reported as vacant. The vacancy rate for medium and large complexes remained similar to last quarter, but the smaller properties saw a sharp increase in the 1st quarter of 2003.

# of Units	2002 4th Qtr.	2003 1st Qtr.
2 - 24	6%	10%
25 - 50	6%	9%
51 - 75	8%	8%
76 - 99	7%	7%
100 - 150	9%	9%
151 - 200	8%	9%
200+	<u>10%</u>	<u>10%</u>
Average	9.4%	10.0%

The highest vacancy rate was reported for Union Hills (16%) and the lowest rate (5%) was reported for south P.V. and east Mesa. The industry is doing what it can to eliminate the problem – reduce future building! In the 1st quarter, there were **only 521 permits** for new apartments. When compared to the typical 2,000+ that had been permitted each quarter for many years, this is a strong slow-down and a continuation of the reduced permit activity last year!

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	5,351	4,273	9%
2003 (1)	521	- 144	10.0%

Although the decrease in new apartment permitting will reduce the supply in future years and translate to lower vacancy levels, construction already in the pipeline continues to support the over-supply. In the 1st quarter, 536 units came on-line and a 466-unit complex broke ground in Tempe.

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.

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

1st Qtr - 2003

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
5205 W Thunderbird Rd Glendale, "Newport Landing"	480 402,618	\$2,960,000 \$73.52	3/24/2003 1996	\$4,465,018 \$61,666	6.63 8.62%	221 1/1, 56 2/1.5, 154 2/2, 49 3/2
4620 W McDowell Rd Phoenix, "Desert Sky"	274 159,948	\$7,000,000 \$43.76	3/4/2003 1985	\$25,547	10.5%	32 st, 130 1/1, 64 2/1, 48 2/2 80% occupied
5454 W Indian School Rd Phoenix, "Casa Verde"	268 178,560	\$8,300,000 \$46.48	3/3/2003 1983	\$30,970	8.9%	184 1/1, 84 2/2
1891 N Litchfield Rd Goodyear, "Palm Val. Lux."	264 239,912	\$19,100,000 \$79.61	1/31/2003 1996	\$2,857,571 \$72.61	6.68 8.72%	80 1/1, 136 2/2, 48 3/2
15611 N 31 st St Phoenix, "Paradise Falls"	220 171,845	\$9,800,000 \$57.03	2/11/2003 1986	\$1,700,000 \$44,545	5.76 8.11%	108 1/1, 28 2/1, 84 2/2
4140 W McDowell Rd Phoenix, "Desert Wind"	216 136,976	\$5,616,000 \$41.00	3/4/2003 1987	\$26,000		128 1/1, 88 2/2 90% occupied (formerly Quail Run & Quail Hollow)
2827 N 51 st Ave Phoenix, "Venetian"	213 144,626	\$5,713,000 \$39.50	2/28/2003 1981	\$1,338,500 \$26,821	4.27 8.25%	43 st, 96 1/1, 74 2/2 85% occupied (formerly Beachwood Apts)
262 E Brown Rd Mesa, "Grand Court"	174 171,225	\$4,500,000 \$26.28	1/31/2003 1986	\$25,862		Senior housing Sale leaseback
5190 N 55 th Ave Glendale, "Courts at Colter"	156 116,808	\$6,650,000 \$56.93	3/26/2003 1987	\$1,038,240 \$42,628	6.41 8.78%	60 1/1, 96 2/2,
1620 W Southern Ave Mesa, "Newport Mesa"	156 110,960	\$6,500,000 \$58.58	3/28/2003 1974	\$1,309,980 \$41,666	4.96 9.59%	32 st, 76 1/1, 48 2/2 Master Metered
375 N Federal St Chandler, "Club Cancun"	140 128,816	\$10,450,000 \$81.12	2/7/2003 1996	\$1,522,570 \$74,642	6.86 7.78%	40 1/1, 88 2/2, 2 2+2, 10 3/2 80% occupied
3802 N 27 th St Phoenix, "Amber Ridge"	138 96,816	\$5,050,000 \$52.16	2/3/2003 1985	\$937,162 \$36,594	5.39 9.29%	54 1/1, 84 2/2 (formerly The Courtyards)
544 E Southern Ave Mesa, "Penny Lane"	136 114,824	\$5,800,000 \$50.51	3/7/2003 1985	\$1,057,440 \$42,647	5.48 11.14%	64 1/1, 72 2/2
77 W Coolidge St Phoenix, "Shadows"	120 92,430	\$3,200,000 \$34.62	2/28/2003 1974	\$26,666	10.0%	76 1/1, 44 2/2 Buyer reported to be spending \$1M in upgrades
3653 N 6 th Ave Phoenix, "Phoenix"	100 93,200	\$4,758,000 \$51.05	3/21/2003 1960	\$832,640 \$47,580	5.71 7.97%	6 st, 24 1/1, 49 2/2, 21 3/2
523 W 9 th St Mesa, "Sonoran Heights"	89 64,990	\$2,850,000 \$43.85	3/19/2003 1984	\$603,480 \$32,022	4.72 10.45%	40 1/1, 49 2/1 (\$200K in recent upgrades)
1224 E Evergreen St Mesa, "La Casa Mesa"	86 76,196	\$3,640,000 \$47.77	1/17/2003 1979	\$648,528 \$42,325	5.61 9.48%	86 2/2 70% occupied \$100,000+est deferred maint
3010 W Camelback Rd Phoenix, "Garden Lane"	72 61,924	\$2,400,000 \$38.76	3/11/2003 1973	\$487,200 \$33,333	4.93 9.1%	26 1/1, 46 2/2 90% occupied
6805 N 27 th Ave Phoenix, "Brentwood II"	71 46,860	\$2,645,000 \$56.44	1/29/2003 1985	\$462,815 \$37,253	5.72 9.39%	71 2/1 (\$150K in recent upgrades)
245 N 56 th St Mesa, "Golf View"	60 51,448	\$2,600,000 \$50.54	1/31/2003 1985	\$43,333		
1628 E Broadway Rd Mesa, "Parkview"	60 39,364	\$1,750,000 \$44.46	2/14/2003 1981	\$412,200 \$29,166	4.25 10.03%	42 1/1, 18 2/1 90% occupied
633 W 1 st Ave Mesa, "First Avenue"	52 36,995	\$1,740,000 \$47.03	1/16/2003 1982	\$33,461		8 1/1, 44 2/1 80% occupied purchased out of receivership
925 S Longmore Mesa, "Fiesta Villas"	52 49,660	\$3,700,000 \$74.51	3/11/2003 1988	\$468,000 \$71,153	7.91 8.03%	52 2/2
3132 N 32 nd St Phoenix, "Hermosa"	50 25,257	\$1,900,000 \$75.23	3/31/2003 1980	\$307,320 \$38,000	6.18 8.3%	5 st, 44 1/1 1 2/1
6535 N 17 th Ave Phoenix, "Mark Manor"	48 52,320	\$2,450,000 \$46.83	3/31/2003 1968	\$423,432 \$51,041	5.79 9.54%	12 2/2, 36 3/2
3602 E Monte Vista Rd Phoenix, "Villa Martel"	37 32,580	\$1,250,000 \$38.37	2/25/2003 1974	\$273,800 \$33,783	4.57 10.22%	2 1/1, 24 2/1, 11 3/2 significant deferred maintenance
1130 E Butler Dr Phoenix, "Hillside Terrace"	36 34,308	\$1,980,000 \$57.71	1/23/2003 1972	\$288,300 \$55,000	6.87 8.62%	36 2/2
436 W 8 th St Mesa, "Olive Tree Vista"	36 23,760	\$1,270,000 \$53.45	1/30/2003 1986	\$218,160 \$35,277	5.82 9.17%	36 1/1

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.

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1220 E Medlock Dr Phoenix, "Adobe Sands"	35 25,200	\$1,785,000 \$70.83	3/13/2003 1978	\$231,900 \$51,000	7.7	15 1/1, 20 2/1
536 E Portland St Phoenix, "Lexington"	32 16,275	\$1,125,000 \$69.12	1/22/2003 1963	\$186,300 \$35,156	6.04 9.31%	18 st, 13 1/1, 1 2/1, master metered, formerly "Trade Winds". 100% renovated.
2850 E Baseline Rd Mesa, "Lindsay Villas"	32 25,152	\$1,850,000 \$73.55	2/26/2003 1986	\$266,880 \$57,812	6.93	32 2/2 78% occupied
403-457 E 9 th Ave Mesa	32 23,030	\$1,885,375 \$81.87	3/31/2003 1984	\$58,918		
425 N Vineyard Mesa, "El Madrid"	31 21,800	\$1,325,000 \$60.78	2/14/2003 1968	\$224,892 \$42,741	5.89 8.53%	1 st, 19 1/1, 1 2/1, 7 2/1.5, 2 2/2, 1 3/2 Vacancy + loss to lease est. at 11.2%
2940 N 40 th St Phoenix, "Tahiti Palms"	27 22,500	\$1,275,000 \$56.67	3/4/2003 1963	\$181,800 \$47,222	7.01 8.12%	10 1/1, 16 2/2, 1 3/2
2333 W Glenrosa Ave Phoenix, "Willow Glen"	26 25,848	\$1,200,000 \$46.43	2/10/2003 1974	\$188,520 \$46,153	6.36 10.0%	22 2/1, 4 3/2
1503 W Missouri Ave Phoenix, "Villa Marian"	26 21,500	\$867,500 \$40.35	3/24/2003 1967	\$167,400 \$33,365	5.18 9.32%	8 1/1, 18 2/2
1065 W 1 st St Tempe, "River Run"	25 18,650	\$1,550,000 \$83.11	2/14/2003 1986	\$195,300 \$62,000	7.94 7.96%	9 1/1, 16 2/1
90 W Yavapai St Wickenburg, "West. Garden"	24 22,899	\$1,030,000 \$44.98	1/29/2003 1966	\$154,664 \$42,916	6.66 10.53%	12 1/1, 12 2/1, Recently remodeled.
6740 W Montebello Ave Glendale	24 15,456	\$825,000 \$53.38	2/14/2003 1974	\$34,375		1 1/1, 23 2/2
3520 N 70 th St Scottsdale, "Tres Palmas"	24 14,760	\$1,060,000 \$71.82	3/28/2003 1948	\$148,800 \$44,166	7.12 7.5%	6 st, 16 1/1, 2 2/1
770 E Portland St Phoenix, "Arrowhead"	23 17,300	\$940,000 \$54.34	1/27/2003 1961	\$150,250 \$40,869	6.26 9.0%	4 st, 12 1/1, 7 2/1 90% occupied, recent remodeling.
1610 W Pasadena Ave Phoenix, "Margeo"	23 11,918	\$755,250 \$63.37	2/24/2003 1948	\$32,836		4 st, 18 1/1, 1 2/1
321 W Medlock Dr Phoenix, "Tropicana"	22 18,250	\$1,025,000 \$56.16	3/24/2003 1959	\$183,600 \$46,590	5.58 8.91%	17 1/1, 5 2/1 Master Metered
3510 N Miller Rd Scottsdale, "Sun Val. Gard."	20 18,106	\$1,200,000 \$66.28	1/14/2003 1955	\$60,000		Seller financed.
357 W Pierson St Phoenix, "Aristo Arms"	20 16,306	\$900,000 \$55.19	2/28/2003 1958	\$45,000		
6002 W Glendale Ave Glendale, "Glen Court"	20 14,816	\$845,000 \$57.03	3/12/2003 1981	\$42,250		14 1/1, 6 2/1
1116 E Lemon St Tempe, "Asrama"	18 9,300	\$720,000 \$77.42	3/19/2003 1960	\$104,400 \$40,000	4.54	17 1/1, 1 2/1 Almost 0% occupied, needed \$5,000/unit (est.) for renovation.
4811-5 N 15 th Ave Phoenix, "Clara"	17 9,838	\$475,000 \$48.28	1/24/2003 1958	\$27,941		5 st, 10 1/1, 1 2/1, 1 3/1
16226 N 31 st St Phoenix	16 13,840	\$750,000 \$54.19	2/3/2003 1984	\$46,875		
750 E 1 st Ave Mesa	16 6,868	\$402,000 \$58.53	2/24/2003 1978	\$25,125	7.05%	8 st, 8 1/1
3120 E Paradise Ln Phoenix, "Garden Vw Villas"	15 17,160	\$995,000 \$57.98	1/22/2003 1985	\$66,333		
1032 E Trails End Pl Chandler	14 11,727	\$600,700 \$51.22	1/13/2003 1986	\$42,907		12 2/1, 2 3/2
1803 N 31 st Pl Phoenix, "Spanish"	14 9,200	\$500,000 \$54.35	2/21/2003 1958	\$81,596 \$35,714	6.13 13.64%	6 1/1, 8 2/1, Seller financed.

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)

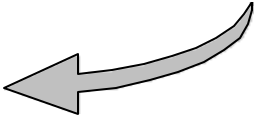
Table compiled by: Kasten / Long Apartment Team
 RE/MAX Commercial Investment
 Data source: COMPS, MLS and personal knowledge
 All information is believed to be accurate but is not guaranteed.

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 www.PhxAptsForSale.com under "Market Data".

Kasten / Long Apartment Team
RE/MAX Commercial Investment
2801 E Camelback Road, Suite 106
Phoenix, AZ 85016

Presorted Std
US Postage
Paid
Phoenix, AZ
Permit #2318

**1st Quarter - 2003
All Apartment Sales**



Apartment Investment Climate

Vacancy rates continued upwards but we remain optimistic for the long-term. We base this optimism on the somewhat better job and population growth rates compared to the other western States, plus the continued reduced permitting for new apartments (see page 1). Despite the possible rosy future, 2003 and 2004 could remain a financial burden for many apartment owners, especially those that are highly leveraged and those with struggling management companies.

The competition for tenants, especially good tenants, remains a battle. In addition to the over supply of apartments, many of the quality tenants have now purchased homes, taking advantage of the low interest

rates. So, not only is the relative supply of tenants reduced, but the overall quality of the tenant is lower. As a result, managers continue to readjust their tenant guidelines and often need to provide expensive rent concessions. Having said this, we continue to see examples of properties with low vacancies merely by keeping their property in better condition than the competition and by being attentive to tenant's needs.

Need a recommendation for a good manager – maybe I can help.

Jim Kasten, CCIM
602 445 4113 office (602 677 0655 cell) jkasten@ccim.net

Kasten / Long Apartment Team - Apartment Activity

(see: www.PhxAptsForSale.com for all new listings)

APARTMENTS CURRENTLY IN ESCROW

26 units, 2104 E Fairmount Av., Phx. (Loma Linda) List: \$1.2M
16 units, 1814 W Vogel, Phx. (Vogel Square) List: \$550,000
18 units, 2503 E Clarendon, Phx. (Clarendon Arms) List: \$950,000
10 units, 2203 E McKinley St., Phoenix, List: \$359,000
4 units, 2843 E Grandview Rd., Phoenix, List: \$249,643
4 units, 2845 E Grandview Rd., Phoenix, List: \$249,643
4 units, 2847 E Grandview Rd., Phoenix, List: \$249,643
4 units, 1224 S Smith Rd., Tempe, List: \$188,000
4 units, 1230 S Smith Rd., Tempe, List: \$186,000
3 units, 6738 E Osborn Rd., Scottsdale, List: \$218,500

RECENT APARTMENT CLOSINGS (Since Feb. 15, 2003)

156 u, 1620 W Southern, Mesa, (Newport Mesa) \$6.5M
27 units, 2529 E Van Buren St., Phx. (Sun Villa) \$335,000
19 units, 1231 E Colter St., Phx. (Water Song) \$830,000
12 units, 4646 N 73rd St., Scottsdale, \$705,000
12 units, 4830 E. Virginia, Phx. (Camelback View) \$443,500
10 units, 1204 W 5th St., Tempe (Palm Breeze) \$465,000
8 units, 6714 N 60th Av., Glendale, \$285,000
7 units, 2136 W Amelia, Phoenix, \$242,500
5 4-plexes, 443, 446, 501, 512 S Hall and 1729 E 5th Av., Mesa
(Park Mesa) each 4-plex: \$229,000
4 units, 746 E Mission Lane, Phoenix, \$150,000

Apartment Activity as of May 23, 2003