

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

1st Quarter 2004

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(January – March 2004)
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See also:

www.PhxAptsForSale.com

For the 1st quarter of 2004, vacancy rates tumbled to 8.9%. This rate may still be high, but that's a 0.7% drop in 3 months (1.5% over the past full year). With overall permitting still at reduced levels, a lesser number of apartments ready for completion and interest rates starting to move upwards, we expect vacancy rates to further decline. The primary concern for apartment values, however, may switch in the 2nd quarter from vacancy issues to the effect of rising interest rates. Rates are still relatively low, but the trend is up.

Team update – Congrats to Jan, Scott and Terry. All three are having a banner start to 2004. Their 100% dedication to doing the best job possible has added value to many apt. owners and buyers. **Team Stats to-date: Closed: \$13.3M – 265 units; In Escrow: \$17.4M – 394 units; and Listed: \$14.5M – 297 units.**

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Vacancy Drops to 8.9%

- Permitting at 50% Level of Previous Years -

At the end of the 1st quarter of 2004, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units in the greater Phoenix area decreased from 9.6% to 8.9%. Of the 327,923 total multifamily units, there were 29,200 reported as vacant. The vacancy rate decreased in the mid to large-size complexes, with a 2% drop in the 200+ category.

# of Units	2003 4th Qtr.	2004 1st Qtr.
2 - 24	5%	6%
25 - 50	9%	10%
51 - 75	9%	8%
76 - 99	9%	8%
100 - 150	9%	8%
151 - 200	10%	9%
200+	<u>11%</u>	<u>9%</u>
Average	9.6%	8.9%

The highest vacancy rate was reported for the Glendale and adjacent Central West Phoenix districts (12%). The lowest vacancy rates were reported for south Paradise Valley (5%) and Maryvale districts (6%).

Permitting for new apartments for the 1st qtr. 2004 (1,089) was above the 1st qtr. 2003 (521), but still down about 50% when compared to the past ten years' activity. Of the five new projects, the two largest were R&L Builders' 264 units at 8701 W Van Buren St., and Fairfield Development's 324 units at 34808 N 32nd Dr.

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%

Most of the new construction permits continue to be on the margins of the metro area. This, combined with the lower permitting numbers, will further help the vacancy concerns in the cores of the cities. In the 1st qtr., there were 1,769 units completed, but these were in the pipeline at the time new construction eased-off due to rising vacancy. Note that the 1st qtr. absorption almost equaled all of 2003.

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.

Data Sources for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, A.Z.R.E. Center
W.P. Carey School of Business, ASU (Member)
- Greater Phoenix Blue Chip Economic Forecast

Greater Phoenix Apartment Sales

1st Qtr - 2004

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
4424 E Baseline Rd Phoenix, "South Creek"	528 472,952	\$28,650,000 \$60.58	2/10/2004 1985	\$5,030,049 \$54,261	5.7 7.2	160 1/1, 316 2/2, 52 3/2 73% occupied
909 E Camelback Road Phoenix, "Reflections on Cmlbk"	360 319,474	\$33,500,000 \$104.86	3/10/2004 2002	\$93,056		11 st, 210 1/1, 121 2/2, 18 3/2
2928 E Osborn Road Phoenix, "Hazeltree"	302 214,983	\$7,000,000 \$32.56	3/31/2004 1971	\$2,431,896 \$23,178	2.9 8.7	23, st, 99 1/1, 32 2/1, 148 2/2 80% occupied, master metered
4750 N Central Ave Phx, "Camelback Towers"	254 183,250	\$15,000,000 \$81.86	1/21/2004 1963	\$59,055	8.1	64 st, 126 1/1, 64 2/1 \$5M renovation planned
7250 S Kyrene Road Tempe, "Elliott's Crossing"	247 220,296	\$12,850,000 \$58.33	1/23/2004 1987	\$2,008,905 \$52,024	6.4 6.9	127 1/1, 24 2/1, 56 2/2 81% occupied
1930 N Country Club Dr Mesa, "Bayview"	204 169,878	\$13,050,000 \$76.82	1/20/2004 2000	\$1,905,480 \$63,970	6.8 8.0	50 1/1, 154 2/2 87% occupied
3175 N Price Road Chandler, "Chandler Pointe"	200 173,248	\$8,300,000 \$47.91	2/26/2004 1983	\$1,552,560 \$41,500	5.3 6.9	80 1/1, 48 2/1, 60 2/2, 12 3/2 75% occupied, \$200K deferred maintenance
5402 E Washington St Phoenix, "Mandarina"	180 142,264	\$15,475,000 \$108.78	2/18/2004 2002	\$2,022,592 \$85,972	7.6 6.9	110 1/1, 70 2/2 83% occupied
5830 N 67 th Avenue Glendale, "Bethany Park"	172 133,460	\$6,700,000 \$50.20	3/4/2004 1984	\$1,194,036 \$38,953	5.6 8.1	124 1/1, 48 2/2
5957 W Keim Dr Glendale, "Walnut Grove"	160 132,910	\$4,337,500 \$32.63	3/24/2004 1962	\$27,109		16 st, 42 1/1, 90 2/1 40% occ, undisclosed deferred maintenance
4730 N 19 th Avenue Phoenix, "Terra Villa"	140 85,890	\$3,920,000 \$45.64	1/14/2004 1973	\$968,364 \$28,000	4.0 7.8	46 st, 72 1/1, 22 2/1 77% occupied
3802 N 27 th Street Phoenix, "Amber Ridge"	138 96,819	\$5,600,000 \$57.84	3/12/2004 1985	\$1,017,820 \$40,579	5.5 8.7	54 1/1, 84 2/2 88% occupied
6545 N 19 th Avenue Phx, "Brookfield Terrace"	135 102,782	\$4,060,000 \$39.50	3/31/2004 1969	\$30,074	5.8	135 1/1 86% occupied
3331 W Taylor Street Phoenix, "CA Sunrise Villas"	132 96,150	\$4,950,000 \$51.48	1/30/2004 1963	\$905,700 \$37,500	5.5 9.6	3 st, 49 1/1, 50 2/1, 16 2/1.5, 4 3/1, 10 3/2
5615 W Acoma Dr Glendale, "Acoma Casitas"	113 125,226	\$7,350,000 \$58.69	2/6/2004 1985	\$1,050,184 \$65,044	7.0 6.5	43 2/2, 70 2/2.5
3211 E Pinchot Avenue Phoenix, "Pinchot Suites"	104 58,693	\$2,550,000 \$43.45	2/20/2004 1972	\$24,519		104 1/1 60% occupied, master metered
4333 N 27 th Avenue Phoenix, "Sunset Ridge"	96 62,400	\$3,325,000 \$53.29	3/23/2004 1985	\$34,635	6.3	48 1/1, 48 2/1
2026 S Hammond Drive Tempe, "Hammond"	81 60,400	\$2,850,000 \$47.19	3/25/2004 1980	\$35,185	7.8	1 st, 20 1/1, 60 2/1
454 W Brown Road Mesa, "Rio Vista"	80 72,562	\$3,850,000 \$53.06	1/6/2004 1972	\$48,125	8.6	80 2/2
3402 N 32 nd Street Phoenix, "Emerald Park"	74 72,050	\$3,030,000 \$42.05	3/8/2004 1969	\$472,800 \$40,945	6.4 8.0	58 2/2, 16 3/2 90% occupied
1320 E Highland Avenue Phoenix, "Villa Royale"	73 62,050	\$4,300,000 \$69.30	1/12/2004 1968	\$580,548 \$58,904	7.4 7.6	73 2/1
3802 N 28 th Street Phoenix, "Summit Court"	72 62,820	\$4,025,000 \$64.07	3/2/2004 1969	\$55,902		59 2/1.5, 13 3/2 \$400K deferred maintenance
350 W 13 th Place Mesa, "Country Club Greens"	68 61,930	\$3,276,720 \$52.91	1/26/2004 1986	\$520,800 \$48,187	6.3 7.4	8 1/1, 60 2/2 89% occupied
2726 W Augusta Avenue Phoenix, "Augusta Suntree"	68 50,800	\$3,100,000 \$61.02	2/26/2004 1983	\$470,160 \$45,588	6.6 8.0	36 1/1, 32 2/1
908 S Mariana Street Tempe, "Mariana"	67 26,765	\$2,000,000 \$74.72	1/8/2004 1959	\$29,850		44 st, 23 1/1
1805 W Cortez Street Phoenix, "Vista Village"	60 45,300	\$2,900,000 \$64.02	2/9/2004 1980	\$48,333		60 2/1
3025 N 32 nd Street Phoenix, "Stone Ridge"	60 23,907	\$2,000,000 \$83.66	1/5/2004 1968	\$33,333		28 st, 30 1/1, 2/1
2302 N 27 th Street Phoenix, "Oakdale"	55 44,281	\$1,800,000 \$40.65	3/5/2004 1963	\$358,980 \$32,727	5.0 9.8	12 st, 8 1/1, 33 2/1.5, 2 3/2

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

1st Qtr - 2004

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
5810 S 40 th Street Phoenix, "Rosewood"	52 25,725	\$1,730,000 \$67.25	3/5/2004 1980	\$294,720 \$33,269	5.9 8.8	51 st, 1 3/3
7125 N 19 th Avenue Phoenix, "Villa Ventura"	50 45,000	\$2,650,000 \$58.89	2/26/2004 1970	\$362,583 \$53,000	7.3 8.0	50 2/1
2016 - 2038 W Cactus Rd Phoenix, "Garden Villas"	48 40,320	\$2,550,000 \$63.24	1/30/2004 1963	\$374,400 \$53,125	6.8 7.5	48 2/1.5 90% occupied
2814 E Roosevelt St Phoenix, "Del Rey"	42 25,888	\$1,554,000 \$60.03	1/8/2004 1963	\$37,000		42 2/1
9316 E Balsam Avenue Mesa, "Garden Groves"	42 22,558	\$1,300,000 \$57.63	2/2/2004 1965	\$249,300 \$30,952	5.2 7.6	19 1/1, 22 2/1, 1 3/1 74% occupied
502-526 W Highland Avenue Phoenix, "Highland West"	40 23,960	\$1,275,000 \$53.21	3/12/2004 1946	\$201,960 \$31,875	6.3 7.9	2 st, 35 1/1, 3 2/1
1222 E Mountain View Road Phoenix, "Mtn Prospect"	38 29,754	\$1,600,000 \$53.77	1/14/2004 1985	\$250,800 \$42,105	6.4 8.4	38 2/1 90% occupied
4413-4435 N 27 th Street Phoenix, "Monterey"	32 26,400	\$1,625,000 \$61.55	2/6/2004 1964	\$50,781		16 1/1, 16 2/1
9223 & 9237 N 8 th Street Phoenix	32 19,360	\$1,365,000 \$70.51	2/24/2004 1981	\$190,080 \$42,656	7.2 8.0	16 1/1, 16 2/1
1233 N 35 th Street Phoenix	32 25,344	\$1,300,000 \$51.29	1/16/2004 1985	\$40,625		
2745 W Colter Street Phoenix, "Casa Quieta"	32 27,200	\$1,025,000 \$37.68	3/31/2004 1969	\$204,600 \$32,031	5.0 8.0	32 1/1 15% occupied
736 E Turney Avenue Phoenix	29 18,446	\$977,000 \$52.97	3/18/2004 1944	\$33,689		
5502 N 27 th Avenue Phoenix	28 24,304	\$740,000 \$30.45	2/11/2004 1953	\$26,428		
1917 E Broadway Road Tempe, "Country Club"	27 22,370	\$1,320,000 \$59.01	3/30/2004 1963	\$24,000 \$48,888	6.0	6 1/1, 19 2/1, 2 2/2
426 W 9 th Street Mesa, "Hampton Court"	27 12,168	\$720,000 \$59.17	3/12/2004 1964	\$153,480 \$26,666	4.7 8.8	26 st, 1 1/1 master metered
1014 S Farmer Avenue Tempe, "Villa Nicole"	24 18,000	\$1,459,000 \$81.06	2/6/2004 1971	\$185,700 \$60,791	7.9 7.5	24 2/1
31 W 2 nd Street Mesa, "Irving Manor"	20 15,672	\$1,075,000 \$68.59	3/12/2004 1960	\$121,200 \$53,750	8.9 7.4	
534 E Huntington Drive Tempe	16 14,639	\$1,100,000 \$75.14	1/13/2004 1967	\$68,750		
10024-10044 N 18 th Avenue Phoenix, "Cheryl Drive"	16 8,000	\$565,000 \$70.63	1/15/2004 1961	\$95,400 \$35,312	5.9 7.5	8 st, 8 1/1 82% occupied
2980 W Foothill Drive Phoenix	14 10,756	\$640,000 \$59.50	1/30/2004 1951	\$45,714		
4632 N 73 rd Street Scottsdale	12 7,834	\$675,000 \$86.16	1/14/2004 1958	\$56,250		6 1/1, 6 2/1 41% occupied
424 W 9 th Street Tempe, "Saville"	12 9,318	\$687,500 \$73.78	1/30/2004 1987			12 2/1
3611 N 5 th Avenue Phoenix, "Aztec"	12 14,400	\$730,000 \$50.69	2/6/2004 1961	\$88,800 \$60,833	8.2 6.3	12 2/2 75% occupied
4607 & 4613 N 74 th Street Scottsdale, "Tuscany"	12 7,700	\$815,000 \$105.84	1/9/2004 1958	\$67,916		8 1/1, 2 2/1, 2 2/2 renovated
4207 N 27 th Street Phoenix, "Villa Pacifica"	12 9,000	\$572,000 \$63.56	2/6/2004 1959	\$47,666		1 1/1, 11 2/1 50% occupied
2947 N 39 th Street Phoenix, "Desert Oasis"	11 8,880	\$525,000 \$59.66	3/12/2004 1960	\$72,132 \$47,727	7.3 6.0	2 1/1, 9 2/2 86% occupied
2301 & 2309 N 28 th Street Phoenix, "Oak Villas"	10 9,950	\$510,000 \$51.26	3/26/2004 1985	\$69,089 \$51,000	7.4 7.6	1 1/1, 1 2/1, 5 2/1.5, 3 2/2

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)

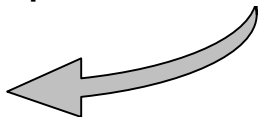
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1st Quarter - 2004 Apartment Sales



Apartment Investment Climate

The year started with a strong increase in buying pressure from California investors. We estimated at least double (maybe triple) the number of CA buyers compared to last fall. On any reasonable investment property, it was the norm to receive multiple full-price offers. We expect this pressure to continue, but possibly ease-off a bit if interest rates continue to inch upwards.

While increased interest rates will decrease cash flow, the overall effect should be a benefit to the market. As rates increase, fewer tenants will be able to move from apartments into starter homes – resulting in decreased vacancies – resulting in less move-in specials, fewer rent

concessions, decreased advertising costs and an overall stronger cash flow. Recall that vacancies are already falling due to both fewer apartments currently in the construction pipeline and the industry's on-going reduction in new construction permits.

The best thing for the apartment industry may actually be an increase in mortgage interest rates. While buyers may be taken-back a bit by the recent interest rate increase, cash flow over the long-term and apartment values should continue to increase nicely.

Jim Kasten, CCIM (602 445 4113)

Kasten / Long Apartment Team - Apartment Activity (as of May 13, 2004)

APARTMENTS IN ESCROW

126 units, 3030 E Broadway Rd, Mesa (Desert View) List: \$6,500,000
118 units, 882 W Peoria Ave, Peoria (Country Village) List: \$3,950,000
26 units, 1840 W Thomas, Phoenix (Encanto Suites) List: \$1,500,000
24 units, 4415 & 4420 N 8th Ave, Phoenix (Pebble Run) List: \$1,100,000
24 units, 1827 E Lemon, Tempe (Vallejo) List: 900,000
22 units, 1121 S 17th Ave, Phoenix (Casa del Sol) List: \$429,000
18 units, 3311 N 18th St, Phoenix (La Promenade) List: \$800,000
14 units, 1825 E Don Carlos Ave, Tempe (AZ Sun) List: \$650,000
10 units, 559 & 603 S Bellview, Mesa List: \$460,000
2-4-plexes, 8910 N 3rd St, Phoenix List: \$175,000 ea
4-plex, 1026 E McKinley, Phoenix List: \$217,500

RECENT APARTMENT CLOSINGS (Since Feb. 18, 2003)

50 units, 7125 N 19th Ave, Phoenix (Villa Ventura) \$2,650,000
44 units (11 4-plexes), Avondale (Casa Lomas) \$2,748,500
44 units, 1626 W Desert Cove, Phoenix (Garden Cove) \$2,100,000
40 units, 510 W Highland Ave, Phx (Highland West) \$1,275,000
20 units, 31 W 2nd St, Mesa (Irving Manor) \$1,075,000
8 units, 5329 N 12th St, Phoenix \$415,000
4-plex, 6221 E Greenway Street, Mesa \$355,000
4-plex, 7014 E Palm Lane, Scottsdale \$270,000
4-plex, 260 W 8th Ave #20, Mesa \$219,000
4-plex, 7153 N 57th Dr, Glendale \$295,000

APARTMENTS "FOR SALE" (see www.PhxAptsForSale.com for Details and All New Listings)

156 units, 1620 W Southern, Mesa (Newport Mesa) List: \$7,300,000
40 units, 2740 W Medlock, Phoenix (Suntree) List: \$1,895,000
13 units, 1595 W Mountain View, Phoenix (Mtn Vw) List: \$525,000

42 units, 625 N Alma School, Chandler (Tuscany) List: \$2,675,000
24 units, 510 E Hatcher, Phoenix (Lincoln View) List: \$1,195,750
11 units, 2216 N 16th St, Phoenix (Westwind) List: \$399,000