

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

2nd Quarter 2004

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(April – June 2004)
- Vacancy up slightly to 9.1%
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See also:

www.PhxAptsForSale.com

For the 2nd quarter of 2004, vacancy rates adjusted upward just a smidge, from 8.9% to 9.1%. With only 632 new units being added in the 2nd quarter, admittedly, we were surprised that rates increased. The slight increase may be due to mortgage interest rates dropping, after having inched upwards, and tenants again jumping on the opportunity to purchase a home.

Permitting for new apartments dropped to a record low for a quarter (647), a good sign for the future. Owners continued to take advantage of the strong buying pressure, primarily from California investors, with both number of sales and property values at increased levels during the 2nd quarter.

Kasten/Long Team Stats To-date: Closed: \$25.8M – 547 units; In Escrow: \$20.2M – 441 units; Listed: \$4.9M – 103 units. Closed sales through July rank the Team 2nd in RE/MAX Commercial teams nationwide.

| | | | | |
|-------------------------|-----------------------|---------------------|-------------------|--------------------|
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Vacancy About the Same

- Permitting and Absorption Both Low -

At the end of the 2nd quarter of 2004, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units in the greater Phoenix area increased slightly from 8.9% to 9.1%. Of the 328,555 total multifamily units, there were 29,875 reported as vacant. The vacancy rate dropped 4% in the 25 - 50 size range but increased in the mid-size complexes (76 - 150).

| # of Units | 2004 1st Qtr. | 2004 2nd Qtr. |
|----------------|---------------|---------------|
| 2 - 24 | 6% | 6% |
| 25 - 50 | 10% | 6% |
| 51 - 75 | 8% | 8% |
| 76 - 99 | 8% | 10% |
| 100 - 150 | 8% | 9% |
| 151 - 200 | 9% | 9% |
| 200+ | <u>9%</u> | <u>9%</u> |
| Average | 8.9% | 9.1% |

The highest vacancy rate was reported for S. Paradise Valley, N. Black Canyon, Sun City and Gilbert districts (12%). The lowest vacancy rate was reported for Uptown Phoenix, Maryvale and East Mesa (6%).

Permitting for new apartments for the 2nd qtr. 2004 (647) was substantially below the typical 1,500 to 2,000 units reported for most of the past ten years. Two new projects dominated the permitting; Inland Empire's 298 units at 7205 W McDowell Rd., and Picerne's 247 units at 105 N Links Drive in the Western Suburbs.

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% |

It's great to see that permitting for new apartment construction continued to stay at low levels. The impact of the reduced supply will be a strong factor for lower vacancy rates over at least the next few years.

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** under "Market Data".

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

2nd Qtr - 2004

| ADDRESS CITY "NAME" | UNITS SIZE (SF) | SOLD PRICE PRICE / SF | SALE DATE YEAR BLT. | GSI PRICE / UNIT | GRM CAP | COMMENTS |
|---|--------------------|--------------------------|------------------------|-------------------------|------------|--|
| 3830 Lakewood Pkwy E, Phoenix, "Portofino" | 440 403,820 | \$33,473,250 \$82.89 | 5/21/2004 1995 | \$4,559,539 \$76,075 | 7.3 6.3 | 180 1/1, 220 2/2, 40 3/2 |
| 4140 N Central Ave, Phoenix, "Jefferson on Cntrl" | 414 365,484 | \$31,500,000 \$86.19 | 6/30/2004 1999 | \$76,086 | 6.0 | 240 1/1, 162 2/1 2/2, 12 3/2 |
| 411 E Indian School Rd, Phx, "Emperian @ Steele Pk" | 399 362,187 | \$31,000,000 \$85.59 | 6/30/2004 1999 | \$77,694 | 6.0 | 1 st, 188 1/1, 192 2/1 2/2, 18 3/2 |
| 575 W Pecos Rd, Chandler, "Stonebridge Rch" | 392 350,696 | \$32,500,000 \$92.67 | 5/5/2004 2002 | \$4,421,232 \$82,908 | 7.3 7.4 | 224 1/1, 156 2/1 2/2, 12 3/2 90% occupied |
| 16601 N 16 th St, Phoenix, "San Pedregal" | 348 363,581 | \$34,400,000 \$94.61 | 6/16/2004 2001 | \$98,850 | | 125 1/1, 167 2/2, 56 3/2 |
| 2400 N Arizona Ave, Chandler, "San Cierra" | 332 336,590 | \$31,540,000 \$93.70 | 4/30/2004 2004 | \$3,749,100 \$95,000 | 8.4 6.4 | 120 1/1, 172 2/2, 40 3/2 88% occupied |
| 2475 W Pecos Rd, Chandler, "Cantera" | 288 250,636 | \$24,480,000 \$97.67 | 6/15/2004 2002 | \$85,000 | | 192 1/1, 88 2/1 2/2, 8 3/2 |
| 6565 W Bethany Home Rd, Glendale, "Bethany Village" | 276 96,150 | \$8,600,000 \$89.44 | 4/28/2004 1983 | \$8,600,000 \$31,159 | 5.9 6.5 | 236 1/1, 40 2/1 2/2 |
| 999 E Baseline Rd, Tempe, "Lakefront @ WBay" | 244 204,044 | \$14,782,000 \$72.45 | 4/26/2004 1975 | \$2,211,425 \$60,581 | 6.6 6.8 | 20 st, 60 1/1, 152 2/1 2/2, 12 3/2 86% occupied |
| 1727 W Emelita Ave, Mesa, "Sandstone" | 238 146,320 | \$8,650,000 \$59.12 | 5/19/2004 1986 | | | 104 st, 104 1/1, 30 2/2 |
| 14830 N Black Canyon Hwy, Phoenix, "Meadow Green" | 236 155,856 | \$8,400,000 \$53.90 | 5/26/2004 1981 | \$1,515,120 \$35,593 | 5.5 6.5 | 28 st, 112 1/1, 96 2/2 |
| 2225 W Frye Rd, Chandler, "Stonegate Vig" | 234 248,998 | \$18,900,000 \$75.90 | 5/28/2004 1998 | \$2,609,334 \$80,769 | 7.2 6.7 | 59 1/1, 142 2/2, 33 3/2 85% occupied, Bankruptcy sale |
| 15645 N 35 th Ave, Phoenix, "Adagio" | 208 174,432 | \$13,050,000 \$74.81 | 4/22/2004 1996 | | | 96 1/1, 104 2/1 2/2, 8 3/2 |
| 645 N Country Club Dr, Mesa, "Sandal Ridge" | 196 134,360 | \$6,170,000 \$45.92 | 6/11/2004 1979 | \$31,479 | 7.1 | 24 st, 96 1/1, 76 2/1 2/2, |
| 5302 E Van Buren St, Phoenix, "Belafloa" | 185 170,640 | \$16,100,000 \$94.35 | 4/30/2004 2002 | | 5.5 | 112 1/1, 73 2/2 |
| 5959 W Greenway Rd, Glendale, "Greentree" | 184 132,720 | \$8,900,000 \$67.06 | 4/01/2004 1986 | | 6.75 | 128 1/1, 56 2/2 |
| 10851 N 43 rd Ave, Phoenix, "Silver Creek" | 174 134,820 | \$10,050,000 \$74.54 | 4/29/2004 1984 | | | 80 1/1, 94 2/2 |
| 1821 E Covina St, Mesa, "Covina Court" | 164 112,970 | \$5,900,000 \$52.23 | 6/3/2004 1979 | \$35,975 | | 76 1/1, 88 2/2 |
| 3535 W Campbell Rd, Phoenix, "Orange Arbor" | 164 81,830 | \$3,300,000 \$40.33 | 4/1/2004 1975 | | | 110 st, 52 1/1, 1 2/1, 1 2/2 65% occupied, Master metered |
| 222 W Clarendon Ave, Phoenix, "Clarendon Park" | 138 96,984 | \$9,950,000 \$102.59 | 6/11/2004 2001 | \$1,404,650 \$72,101 | 7.0 7.0 | 36 st, 18 1/1, 84 2/2 84% occupied |
| 3851 N 28 th St, Phoenix, "Fairmount Green" | 117 96,500 | \$4,955,000 \$51.35 | 4/23/2004 1973 | \$42,350 | 7.5 | 82 1/1, 35 2/1 |
| 1137 & 1140 E Orange St, Tmpe, "Bali Lanai/Palm Vla" | 110 95,390 | \$4,475,000 \$46.91 | 5/10/2004 1968 | \$860,160 \$40,681 | 5.2 6.7 | 52 1/1, 58 2/2 86% occupied |
| 4647 E Francisco Dr, Phoenix, "Canyon View" | 91 100,184 | \$9,000,000 \$89.83 | 6/2/2004 1997 | \$98,901 | 6.2 | 14 1/1, 63 2/2, 14 3/2 |
| 1411 E Orangewood Ave, Phx, "Legacy@ Squaw Pk" | 88 96,062 | \$9,000,000 \$93.69 | 6/4/2004 1997 | \$102,272 | | 18 1/1, 44 2/2, 26 3/2 |
| 5959-6003 W Olive Ave, Glendale, "Sunflower" | 88 50,816 | \$3,400,000 \$66.91 | 4/20/2004 1974 | | | 26 st, 56 1/1, 6 2/1 |
| 1224 E Evergreen St, Mesa, "Mesa Terrace" | 86 76,024 | \$3,755,000 \$49.39 | 5/26/2004 1979 | | | 86 2/2 54% occupied |
| 2015 W Union Hills Dr, Phoenix, "Camino Vlg I & II" | 78 75,400 | \$4,000,000 \$53.05 | 6/16/2004 1979 | \$562,000 \$51,282 | 7.1 7.1 | 20 1/1, 56 2/1 2/2, 2 3/2 |
| 6711 N 35 th Ave, Phoenix, "Cedar Springs" | 75 63,000 | \$4,230,000 \$67.14 | 6/14/2004 1970 | \$56,400 | 6.3 | 75 2/1 |

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

2nd Qtr - 2004

| ADDRESS CITY "NAME" | UNITS SIZE (SF) | SOLD PRICE PRICE / SF | SALE DATE YEAR BLT. | GSI PRICE / UNIT | GRM CAP | COMMENTS |
|---|--------------------|--------------------------|------------------------|--------------------------|-------------|---|
| 4422 N 36 th St Phoenix, "Escondido" | 75 38,664 | \$3,250,000 \$84.06 | 6/17/2004 1979 | \$43,333 | | 12 st, 63 1/1 |
| 6141 N 59 th Ave Glendale, "Desert Crest" | 66 54,720 | \$2,665,000 \$48.70 | 5/4/2004 1985 | \$502,620 \$40,378 | 5.3 10.0 | 6 1/1, 60 2/1 |
| 4848 N 36 th St Phx, "Pavillions on Cmlbk" | 64 154,072 | \$9,000,000 \$58.41 | 4/12/2004 1994 | \$1,030,800 \$140,625 | 8.7 7.3 | 16 1/1, 30 2/2, 18 3/2 |
| 1701 N Palo Verde Dr Goodyear, "Country Aire" | 60 60,000 | \$2,550,000 \$34.16 | 5/28/2004 1983 | \$492,950 \$42,500 | 5.1 8.9 | 1 1/1, 59 2/1 85% occupied, Master metered |
| 4526 N Black Canyon Hwy Phoenix, "Burton Place" | 58 26,540 | \$2,050,000 \$77.24 | 5/24/2004 1964 | \$35,344 | | 41 st, 4 1/1, 13 2/1 |
| 2551 W McLellan Blvd Phoenix, "Fig Tree" | 57 41,855 | \$2,166,000 \$51.75 | 4/16/2004 1970 | \$38,000 | | 15 1/1, 42 2/1 |
| 1855 E Don Carlos Ave Tempe, "Casa Grande" | 56 42,900 | \$2,491,000 \$58.07 | 4/7/2004 1987 | \$44,482 | 7.2 | 52 2/1, 4 3/1.5 78% occupied |
| 330 S Beck Ave Tnp, "Reserve @ Town Lk" | 55 45,955 | \$2,725,000 \$59.30 | 4/21/2004 1981 | \$402,300 \$49,545 | 6.7 6.7 | 24 1/1, 31 2/1 87% occupied |
| 5024 E Thomas Rd Phoenix, "Carlton Court" | 45 30,570 | \$1,840,000 \$60.19 | 5/7/2004 1963 | \$329,588 \$40,888 | 5.5 10.5 | 8 st, 20 1/1, 15 2/1, 2 3/2 85% occupied |
| 1515 W Missouri Ave Phoenix, "Acacia Gardens" | 44 38,500 | \$1,900,000 \$49.35 | 6/1/2004 1973 | \$43,181 | | 33 1/1, 11 2/2 |
| 630 N Alma School Rd Mesa, "Mesa Mtn View" | 44 36,275 | \$2,285,000 \$62.99 | 6/21/2004 1986 | \$301,310 \$51,931 | 7.5 6.9 | 17 1/1, 27 2/2 |
| 6101 N 60 th Ave Glendale, "Heatherbrae" | 38 27,480 | \$1,250,000 \$45.49 | 6/3/2004 1984 | \$32,894 | | 10 1/1, 28 2/1 |
| 4200 N 38 th St Phx, "Phoenix Courtyard" | 36 27,810 | \$2,175,000 \$78.21 | 4/27/2004 1963 | \$253,200 \$60,416 | 8.5 7.3 | 18 1/1, 18 2/1 89% occupied |
| 1815 W Colter St Phoenix, "Casa Valia" | 35 28,800 | \$1,595,000 \$55.38 | 4/15/2004 1919 | \$45,571 | 7.0 | 35 2/1 |
| 3002 W Camelback Rd Phx, "Fountain on Camelbk" | 34 22,800 | \$1,340,000 \$58.77 | 4/23/2004 1944 | \$222,960 \$39,411 | 6.0 10.1 | 18 1/1, 16 2/1 |
| 6630 N 27 th Ave Phoenix, "Garden Springs" | 32 31,360 | \$1,380,000 \$44.01 | 6/16/2004 1984 | \$233,350 \$43,125 | 5.9 6.8 | 32 2/2 89% occupied |
| 6220 & 6228 W Ocotillo Rd Glendale, "Ocotillo Oasis" | 32 23,520 | \$1,575,000 \$66.96 | 6/15/2004 1984 | \$200,400 \$49,218 | 7.8 6.0 | 16 1/1, 16 2/1 |
| 4402 N 36 th St Phoenix, "Sunny Palms" | 31 25,916 | \$1,471,000 \$56.76 | 6/30/2004 1962 | \$242,249 \$47,451 | 6.0 8.4 | 14 1/1, 12 2/1 2/2, 5 3/2 85% occupied |
| 607-627 W 19 th St Tempe, "Place of Tempe" | 30 20,512 | \$1,690,500 \$82.42 | 4/14/2004 1964 | \$56,350 | 5.6 | 16 1/1, 14 2/1 |
| 3011 & 3025 N 38 th St Phx, "Wyndham / Montego" | 29 20,754 | \$1,340,000 \$64.57 | 4/30/2004 1977 | \$46,206 | | 13 1/1, 16 2/1 2/2 |
| 3822 N 28 th St Phoenix, "Hyde Park" | 28 22,400 | \$1,550,000 \$69.20 | 6/30/2004 1971 | \$209,875 \$55,357 | 7.3 6.0 | 28 2/1.25 |
| 3410 W Rose Ln Phoenix, "Plaza West" | 28 22,600 | \$1,275,000 \$56.42 | 4/12/2004 1962 | \$45,535 | | 16 1/1, 12 2/2 |
| 2150 W Missouri Ave Phoenix, "Christown Villa" | 28 26,960 | \$1,125,000 \$41.73 | 4/26/2004 1960 | \$40,178 | | 5 1/1, 15 2/2, 8 3/2 64% occupied |
| 1840 W Thomas Rd Phoenix, "Encanto Suites" | 26 29,800 | \$1,500,000 \$50.34 | 6/7/2004 1962 | \$218,300 \$57,692 | 6.8 8.5 | 20 2/2, 6 3/2 88% occupied |
| 1908 N 32 nd St Phoenix, "Hidden Gardens" | 26 17,100 | \$990,000 \$57.89 | 6/25/2004 1983 | \$145,300 \$38,076 | 6.8 8.8 | 2 st, 22 1/1, 2 2/2 46% occupied |
| 1221 N 85 th Pl Scottsdale, "Los Porticos" | 24 19,200 | \$1,500,000 \$78.13 | 4/16/2004 1984 | \$62,500 | 6.5 | 8 1/1, 16 2/2 |
| 301 E Townley Ave Phoenix, "Townley Square" | 23 7,200 | \$579,750 \$80.52 | 5/5/2004 1980 | \$110,220 \$25,206 | 5.2 8.8 | 23 1/1 |

Additional Sales (10 to 22 units) posted on the web site (www.PhxAptsForSale.com) under "Market Data" – "Newsletters".

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)

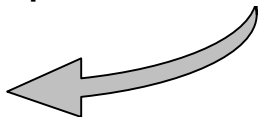
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 RE/MAX Commercial Investment
 Data source: COSTAR, MLS, Pierce-Eislen & personal knowledge
 All information is believed to be accurate but is not guaranteed.

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2nd Quarter - 2004 Apartment Sales



Apartment Investment Climate

The current “buying frenzy” atmosphere for apartments has many apartment owners realizing strong profits. Even the appraisers are finally catching-up to the seller’s market and applying lower cap rates to support the increased values.

The question for existing apartment owners is obviously, **should I sell now** and take advantage of the low interest rates and strong seller’s market, **or wait** and see if the market continues upwards, as we believe it will. One of our Team, Scott Trevey, recently made the decision to sell his 42-unit property (Tuscany). I asked him why he made this decision, especially since the property was performing very well. His response was as follows:

“We purchased Tuscany two years ago. With an appreciation of more than \$500,000 (25%), we decided to lock-in the profit and use the equity to purchase another property via a 1031 tax-deferred exchange. We considered pulling-out the equity with a refinance but the lower LTV for refi’s would not have generated much cash. Although we are also buying into a seller’s market, using the Team’s resources, we have already identified a couple properties with upside potential – ones we can add value to. We believe this strategy will increase our real estate net worth more quickly.”

Scott Trevey (602 445 4114)

Jim Kasten, CCIM (602 445 4113)

Kasten / Long Apartment Team - Apartment Activity (as of August 23, 2004)

RECENT APARTMENT CLOSINGS (Since May 13, 2004)

90 units, 15425 N 25th St, Phoenix (Alderwood) \$3,412,500
42 units, 625 N Alma School, Chandler (Tuscany) \$2,675,000
26 units, 1840 W Thomas, Phoenix (Encanto Suites) \$1,500,000
24 units, 4415 & 4420 N 8th Ave, Phoenix (Pebble Run) \$1,025,000
24 units, 1827 E Lemon, Tempe (Vallejo) \$900,000
14 units, 1825 E Don Carlos Ave, Tempe (AZ Sun) \$640,000
10 units, 559 & 603 S Bellview, Mesa \$465,000
22 units, 1121 S 17th Ave, Phoenix (Casa del Sol) \$407,000
4 units, 6004 W Alice Ave, Glendale (Alice) \$231,950
4 units, 6637 W Myrtle Ave, Glendale (Myrtle) \$225,000
4 units, 1026 E McKinley, Phoenix \$217,500
4 units, 1145 W Tonto, Phoenix \$180,000

APARTMENTS IN ESCROW

156 units, 1620 W Southern, Mesa (Newport Mesa) List: \$7,300,000
118 units, 8802 W Peoria Ave, Peoria (Country Village) List: \$3,950,000
40 units, 2740 W Medlock, Phoenix (Suntree) List: \$1,895,000
32 units, 3413-35 N 27th St, Phoenix (Monterey) List: \$2,175,000
18 units, 3311 N 18th St, Phoenix (La Promenade) List: \$800,000
12 units, 4608 N 73rd St, Scottsdale (Sunny Palms) List: \$795,000
16 units, 1514 E Monroe St, Phoenix (Viva) List: \$675,000
7 units, 4133 N 23rd Ave, Phoenix (Artisan) List: \$400,000
7 units, 4327 W Berridge Ln, Glendale (Sundance) List: \$325,000
4-4plexes, 301-3 E Ludlow+, Avondale (Casa Lomas) List: \$289,900 ea
2-4-plexes, 8910 N 3rd St, Phoenix List: \$190,000 ea

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

41 Units, 4313 N 19th Ave, Phoenix, (Centre Arms) List: \$ 2,065,000
24 units, 510 E Hatcher, Phoenix (Lincoln View) List: \$1,195,750
19 units, 10305 N 15th Ave, Phoenix (Casa Palomas) List: \$885,000

13 units, 1595 W Mountain View, Phoenix (Mtn Vw) List: \$525,000
6 units, 422 E Hatcher, Phoenix List: \$265,000
5 units + large garage, 2348 E Pierce St., Phoenix List: \$220,000