

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

2nd Quarter 2007

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(April – June 2007)
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www.PhxAptsForSale.com

Vacancy rates inched up to 5.9% as the condo reversions continue to be absorbed. The number of permitted apartments for the year has maintained a record pace – validating our premise that the supply of apartments will not meet the demand from the relentless population boom. The number of apartment sales is roughly at last year's levels but significantly below 2005's banner year.

Kasten/Long Team Update:

After working two years with Terry Kass, Scott Kane will be our lead agent for the smaller apartment communities. Contact Scott at: 602 445 4110 office, 602 717 2542 cell, SKane@AZProperty.com.

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Vacancy Up a Half Point to 5.9%

At the end of the 2nd quarter of 2007 the vacancy rate for all-size, existing (>6 mo.'s) multifamily units increased from 5.4% to 5.9%. Of the 325,486 total multifamily units, there were 19,150 reported as vacant.

# of Units	2006 4th Qtr.	2007 1st Qtr.
2 - 24	2%	3%
25 - 50	5%	4%
51 - 75	5%	5%
76 - 99	5%	5%
100 - 150	5%	7%
151 - 200	6%	6%
200+	6%	6%
Average	5.4%	5.9%

The lowest vacancy rate (4%) was reported in Central Phoenix and the highest vacancy rate (8%) was reported in the Western Suburbs.

There were 1,531 apartment permits issued in the 1st quarter. This was led by Trillium's 708 units at 24250 N 23rd Av. (Deer Valley), Alliance's 314 units at 2505 E Williams Field Rd (Gilbert) and Fairfield's 168 units at 11142 N 165th Dr. in the western suburbs.

Four projects totaling 1,103 units were completed in the 2nd quarter as follows: 309 units at 7455 N 95th Av (Glendale), 296 units at 1456 E Germann Rd (Gilbert), 258 units at 2222 S Dobson Rd (Chandler) and 240 units at 8092 W Paradise Ln (Sun City / Peoria).

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	4,997	9,230	7.9%
2005	3,250	4,756	5.0%
2006	3,922	(4,653)	5.3%
2007(1)	1,778	2,909	5.4%
2007(2)	1,531	(942)	5.9%

The total multifamily inventory increased by 833 units from the previous quarter. Four apartments were removed from the inventory for condos (792 units) while four condo complexes reverted back to apartments (1,044 units). Rent growth was reported at a meager 0.1% increase for the quarter.

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 Source for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, AZ R.E. Center
- Arizona State University's Polytechnic Campus

Greater Phoenix Apartment Sales

2nd Qtr - 2007

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
Bascom 12 property portfolio	5,178	\$427,500,858	6/1/2007	\$82,561		\$44.5M Seller upgrades \$50M Buyer upgrades planned
1450 E Bell Rd Phx, 'Saratoga Ridge'	856 732,464	\$70,400,000 \$96.11	6/22/2007 1984	\$8,303,136 \$82,243	8.5 6.3	384 1/1, 192 2/1, 232 2/2, 48 3/2 \$8.2M Seller upgrades
4227 N 27 th Ave Phx, 'Willow Springs'	468 282,652	\$24,500,000 \$86.68	4/9/2007 1986	\$3,723,840 \$52,350	6.6 6.0	252 1/1, 108 2/1, 108 2/2 \$1.1M Seller upgrades, value added
1106 W Bell Rd Phx, 'Desert Star'	437 176,681	\$17,480,000 \$98.94	4/19/2007 1983	\$2,769,600 \$40,000	6.3 8.0	144 st, 288 1/1, 5 2/1
11050 N Biltmore Dr Phx, 'Lakes at Metro'	420 257,790	\$22,850,000 \$88.64	6/21/2007 1975	\$54,405	5.5	77% occupied
30 W Carter Dr Tempe, 'Flagstone'	376 248,912	\$35,000,000 \$140.61	4/19/2007 1985	\$3,621,108 \$93,085	9.7 5.8	96 st, 108 1/1, 172 2/2
13820 S 44 th St Phx, 'Trilium Mtn Pk Ranch'	360 435,840	\$51,900,000 \$119.08	6/28/2007 1996	\$144,167	5.3	
2255 W Germann Rd Chndlr, 'San Palacio'	352 326,416	\$58,000,000 \$177.69	5/24/2007 2006	\$164,773	4.7	
110 E Greenway Pkwy Phx, 'The Boulevard'	294 282,712	\$38,000,000 \$134.41	6/27/2007 1994	\$145,038	4.8	
7850 W McDowell Rd Phx, 'Broadston Desert Sky'	288 280,096	\$38,160,000 \$136.24	5/21/2007 2007	\$3,306,204 \$132,500	11.5 5.2	96 1/1, 128 2/1, 64 3/2 65% occupied
11459 N 28 th Dr Phx, 'Waterfront'	288 189,121	\$18,647,000 \$98.60	5/3/2007 1979	\$1,989,773 \$64,747	9.4 5.6	216 1/1, 36 2/1, 36 2/2
3600 W Ray Rd Chndlr, 'San Ventura'	272 262,984	\$40,700,000 \$154.76	5/10/2007 1997	\$149,632	5.2	
4800 S Alma School Rd Chndlr, 'Water Side Ocotillo'	272 260,250	\$38,500,000 \$147.93	4/3/2007 1999	\$141,544	3.5	68 1/1, 156 2/2, 48 3/2 FKA Laguna Villas, condo reversion
5120 E Hampton Ave Mesa, 'Bala Desertscape'	266 269,763	\$32,000,000 \$118.62	4/27/2007 2000	\$3,091,938 \$120,301	10.3 5.3	132 1/1, 128 2/2, 6 3/2 Buyer assumed loan
9340 E Redfield Rd Scotts, 'Sonoran Vista'	264 271,112	\$49,010,000 \$180.77	6/7/2007 7996	\$185,644		Court-ordered receivership, condo reversion 50% occupied
3045 N 67 th Ave Phx, 'Quail Point'	264 196,032	\$15,000,000 \$76.52	6/8/2007 1988	\$56,818	5.8	
6131 N 27 th Ave Phx, 'Foxwood'	260 177,108	\$15,555,000 \$87.83	5/15/2007 1982	\$1,758,511 \$59,827	8.8 6.1	56 st, 120 1/1, 84 2/2
250 S Elizabeth Cir Chndlr, 'Greentree Place'	256 223,576	\$22,750,000 \$101.76	4/18/2007 1987	\$88,867	10.5 5.6	112 1/1, 16 2/1, 104 2/2, 24 3/2
105 N Links Dr Avndl, 'Club Coldwater Spgs'	251 228,621	\$33,600,000 \$146.97	6/7/2007 2004	\$2,463,840 \$133,865	13.6 5.3	100 1/1, 20 2/1, 111 2/2, 20 3/2
9335 E Baseline Rd Mesa, 'Augusta Ranch'	238 245,871	\$31,700,000 \$128.93	6/20/2007 2002	\$133,193	4.8	
2020 E Inverness St Mesa, 'Windemere'	224 192,073	\$22,450,000 \$116.88	6/7/2007 1986	\$100,223	5.5	
1502 E Osborn Rd Phx, 'Park on Osborn'	186 133,406	\$12,000,000 \$89.95	6/12/2007 1953	\$64,516		FKA 'Evergreen Terrace'
5959 W Greenway Rd Gndl, 'Greentree'	184 327,148	\$15,700,000 \$47.99	4/13/2007 1986	\$85,326	6.0	128 1/1, 56 2/2
1408 N Central Ave Avondale, 'The Legacy'	168 155,741	\$11,950,000 \$76.73	5/31/2007 1978	\$71,131	5.2	
3421 W Dunlap Ave Phx, 'Phoenician Palms'	166 175,862	\$11,288,000 \$64.19	4/10/2007 1973	\$68,000	5.0	8 1/1, 28 2/1, 76 2/2, 36 3/2, 1/ 4/2
1145 W Baseline Rd Tempe, 'Casa Royal'	161 120,875	\$13,757,000 \$113.81	5/18/2007 1982	\$85,447	6.1	
949 S Longmore Mesa, 'Montego Villas'	154 133,500	\$14,565,000 \$109.10	6/29/2007 1979	\$1,225,224 \$94,578	11.9 6.2	40% occupied, condo reversion \$2.7M in seller upgrades

CAP Cap Rate (NOI / Sales Price)
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)

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 - 2007

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1010-1044 E Orange St Tempe, 'Carriage House'	147 106,722	\$10,500,000 \$98.39	4/30/2007 1963	\$1,364,640 \$71,429	7.7 5.8	Portion is master metered \$650K in seller upgrades
222 W Clarendon Ave Phx, 'Clarendon Park'	138 96,984	\$17,000,000 \$175.29	5/31/2007 2002	\$123,188	5.0	
1718 S Jentilly Ln Tempe, 'The Villas'	137 148,020	\$15,150,000 \$102.35	5/31/2007 1968	\$1,425,180 \$110,584	6.3 5.8	12 1/1, 60 2/1, 23 2/2, 42 3/2
10 W Minnezona Ave Phx, 'Lexington on Central'	131 140,012	\$19,257,000 \$137.54	4/13/2007 2000	\$1,516,980 \$147,000	12.7 5.0	55 1/1, 76 2/2
3425 E Chandler Blvd Phx, 'Santa Rosa'	112 121,880	\$16,500,000 \$135.38	4/10/2007 1997	\$1,253,280 \$147,321	13.2	32 1/1, 72 2/2, 8 3/2 75% occupied, condo reversion
6500 W Olive Ave Gndl, 'The Courtyards'	108 65,736	\$5,300,000 \$80.63	5/30/2007 1979	\$49,074	7.7 5.2	24 st, 36 1/1, 48 2/1
4333 N 27 th Ave Phx, 'Sunset Ridge'	96 62,400	\$4,512,000 \$72.31	4/20/2007 1985	\$610,560 \$47,000	7.2 7.1	48 1/1, 48 2/1
4815 E Thomas Rd Phx, 'Silktree'	86 53,800	\$5,550,000 \$103.16	5/15/2007 1980	\$735,048 \$64,535	7.6 5.7	70 1/1, 16 2/2 Condo mapped
2026 S Hammond Dr Tempe, 'Campus Court'	81 61,055	\$6,000,000 \$98.27	5/14/2007 1981	\$684,060 \$74,074	8.8 6.9	1 st, 20 1/1, 60 2/1
5920 W Laurie Ln Gndl, 'Peppertree Lane'	60 44,550	\$3,275,000 \$73.51	4/26/2007 1983	\$420,840 \$54,583	8.3 6.2	30 1/1, 30 2/2
10525 W Monterosa St Phx, 'Sierra Verde Villas'	58 58,369	\$6,950,000 \$119.07	6/28/2007 1999	\$119,828		1 1/1, 46 2/2, 11 3/2 0% occupied, condo mapped
7125 N 19 th Ave Phx, 'Villa Ventura'	50 45,000	\$4,375,000 \$97.22	5/21/2007 1970	\$420,000 \$87,500	10.4 6.4	50 2/1 Kasten / Long Apartment Team Sale
2835 W Northern Ave Phx, 'Northern Palms'	49 32,400	\$1,725,000 \$53.24	5/8/2007 1954	\$266,220 \$35,204	6.5	48 1/1, 1 2/1 41% occupied
1521 W Denton Ln Phx, 'Goldcrest'	44 30,592	\$2,550,000 \$83.36	5/3/2007 1987	\$311,712 \$57,955	8.2 6.4	28 1/1, 16 2/2
2732 W Medlock Dr Phx, 'Villa Rose'	40 31,600	\$2,175,000 \$68.83	4/30/2007 1982	\$54,375	6.1	12 1/1, 28 2/1
3318 N 18 th Ave Phx, 'Mulberry'	36 33,492	\$2,010,000 \$60.01	5/16/2007 1964	\$326,160 \$55,833	6.2 7.0	12 1/1, 24 2/1.5 Condo conversion planned
4848 E Holly St Phx, 'Garden Terrace'	32 27,346	\$2,250,000 \$82.28	6/22/2007 1984	\$233,520 \$70,313	9.6 5.5	
4025 N 40 th St Phx, 'Tropic Isle'	29 14,533	\$1,300,000 \$89.45	5/30/2007 1966	\$207,060 \$44,828	6.3 6.6	29 1/1 master metered Kasten / Long Apartment Team Sale
3822 N 28 th St Phx	28 23,100	\$2,050,000 \$88.74	6/29/2007 1971	\$201,600 \$73,214	10.5 6.0	28 2/1
6293 N 80 th Ave Gndl, 'Setting Sun'	28 21,700	\$1,876,000 \$86.45	4/3/2007 1983	\$191,280 \$67,000	9.5 6.0	28 2/1
2150 W Missouri Ave Phx, 'Christtown Villa'	28 30,130	\$1,772,500 \$58.83	4/30/2007 1960	\$217,740 \$63,304	8.6 6.1	5 1/1, 15 2/2, 8 3/2
1917 E Broadway Rd Tempe, 'Country Club'	27 22,370	\$2,035,000 \$90.97	5/18/2007 1963	\$75,370	4.6	
1896 E Hayden Ln Tempe, 'Hayden N Tempe'	24 17,200	\$1,760,000 \$102.33	5/24/2007 1985	\$73,333	6.3	4 1/1, 20 2/1
1340 E Highland Ave Phx, 'Highland Arms'	24 15,590	\$1,375,000 \$88.20	5/31/2007 1978	\$146,024 \$57,292	9.3 5.8	1 st, 19, 4 2/1 75% occupied
31 W 2 nd St Mesa, 'Irving Manor'	20 15,672	\$1,300,000 \$82.95	4/19/2007 1960	\$145,200 \$65,000	9.8 6.1	12 1/1, 8 2/1 Kasten / Long Apartment Team Sale

The Greater Phoenix – Apartment Owner's Newsletter has been published every quarter since June 1999. The Kasten / Long Apartment Team strives to provide the best possible service and information to apartment owners and buyers. For the past three years, the Team has been ranked in the top five commercial teams worldwide for RE/MAX – a tribute to the dedication of each of the Team members. **If you are considering selling or buying apartments – please give us a call. Jim Kasten, CCIM (602 677 0655).**

The Apartment Market

The local economy is strong, mortgage interest rates are reasonable and the vacancy rate is at 5.9%. Population growth is still out-pacing construction of new apartments and absorption of condo reversions is slow – but progressing.

Mortgage interest rates for residential loans have increased, in part due to many lenders bailing out of the marketplace. Foreclosures are up across the country, many due to past over-aggressive lending practices. This has created a “tighter” money supply and tougher loan requirements. Since this will prevent many “would be” home buyers from obtaining loans, it should keep more tenants in place – and help the occupancy rates.

Apartment lenders remain keen on the Phoenix market, evidenced by Washington Mutual (WaMu) just opening a local office and aggressively seeking business. Conduit (non-recourse) lenders have offered ten-year fixed rates near 6%, while full-recourse lenders such as Impac, Wash. Fed., WaMu,

ABN-Amro have offered rates between 6.5% to 7%, with flexible fixed-rate terms (3 to 7 years). With less apartment sales activity, lenders are competing for loans for quality buyers, and now finally have the time to really move quickly, if needed.

The number of apartment sales (10+ units) in the 2nd quarter of 2007 totaled 88, including a portfolio sale of 12 large complexes. The average quarterly sales in 2005 was 113 and for 2006 it was 87.

The Team tracks all apartments (10+ units) advertised “for sale” on a weekly basis. At present, there are 172. This was similar to a year ago, but many more than the 107 in August of 2005. Many of the currently advertised properties have reduced their original list price.

Jim Kasten, CCIM

For new listings and quarterly updates by e-mail, please contact Jim at jkasten@ccim.net

Kasten / Long Apartment Team - Apartment Activity (as of August 10, 2007)

RECENT CLOSINGS (Since 5.17.07)

50 units, 7125 N 19th Ave, Phoenix (Villa Ventura) \$4.375M
44 units, 830 N Alma School Rd, Mesa (Mesa Mtn View) \$3.1M
29 units, 4025 N 40th St, Phoenix (Tropic Isle) \$1.3M
20 units, 4021 N 40th St, Phoenix (Tidewood) \$970K
12 units, 13034 N 22nd St, Phoenix (Sugar Loaf) \$803K
4 units, 2743 E Tierra Buena Ln, Phoenix \$350K
4 units, 1414 E Adams St. Phoenix \$215K

APARTMENTS IN ESCROW

26 units, 1503 W Missouri, Phoenix, (Villa Marian)
25 units, 2216 E Eugie, Phoenix (Eugie Terrace) List: \$1.9M
16 units, 1814 W Vogel, Phoenix (Mellow Square) List: \$819K
12 units, 13201 N 21st Av, Phoenix (Atree) List: \$799K
11 units, 2216 N 16th St, Phoenix (Westwind) List: \$499K
4 units, 6625 W Ocotillo, Glendale (4-plex) List: \$269K
4 units, 1418 E Adams St, Phx (4-plexes) List: \$229K

OTHERS IN ESCROW

Office Bldg, 4120 N 20th St, Phoenix List: \$1.25M
Office Bldg, 616 E Southern Av, Mesa List: \$1.25M
Office Bldg, 4109 N 12th St, Phoenix List: \$880K
1 SFR, 6615 W Beverly Ln, Glendale List: \$299K

See www.PhxAptsForSale.com for details on these properties and all new listings

APARTMENTS “FOR SALE”

50 units, 2339 W Northern, Phoenix (Canyon North) List: \$3.55M
36 units, 5510 N 35th Dr, Phoenix (Silver Oaks) List: \$2.499M
20 units, 10705-10821 N 15th Ave, Phoenix List: \$1.21M
20 units, 829 N 4th Av, Phoenix (La Prada) List: \$1.2M
20 units, 3225 W Jefferson, Phoenix (5 4-plexes) List: \$264.5K ea
16 units, 1804 W Tuckey, Phoenix (Villa St Loraine) List: \$1.275M
14 units, 4822 E Holly St, Phoenix (Jennifer) List: \$895K
14 units, 7108 N 80th Ave, Glendale List: \$669K
12 units, 520 E Pierson St, Phoenix (Woodbrier) List: \$860K
12 units, 1015 S 17th Av, Phoenix (Grier Place) List: \$524K
11 units, 3151 N 37th St, Phoenix (Courtyard) List: \$950K
9 units, 1811 & 1817 N 51st St, Phoenix, List: \$689K
8 units, 1007 E Roma Ave, Phoenix (Roma Empire) List: \$679K
8 units, 1040 E Fairmount Ave, Phoenix List: \$415K
7 units, 6804 N 23rd Ave, Phoenix List: \$429K
4 units, 1901 & 1907 E Amelia, Phoenix List: \$378K
4 units, 3420 E Cambridge, Phoenix (4-plex) List: \$250K
3 units, 425, 425.5 & 427 N 18th Dr, Phoenix List: \$225K

OTHER PROPERTIES “FOR SALE”

Retail Bldg, 2659 W Dobbins Rd, Phoenix List: \$845K
Retail Bldg, 7142 N 57th Dr, Glendale List: \$309K

1 SFR, 1202 E Palm Lane, Historic Phoenix (3/2/1+) List: \$333,000
1 Condo, 11640 N Tatum Blvd #1056, Phx, (2/2/2) List: \$329,900
1 SFR, 12450 N 28th St, Phoenix (3/2/2pool) List: \$279,900
1 SFR, 681 E Temple St, Chandler (3/3/2) List: \$219,900