

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

3rd Quarter 2004

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(July – September 2004)
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See also:

www.PhxAptsForSale.com

It's great to see the continued drop in vacancy rates. We expect the rate to drop further as new apt. permitting has been reduced for the past two years. Combine this with the robust reports for the Phoenix economy and population growth, and the apartment market appears quite healthy. Cap rates on sales have dropped below 7.0%, but as mortgage rates increase, cap rates may inch upwards. In time, the reduced cash flow from higher loan payments should be off-set by reduced vacancy rates, decreased move-in specials and rent growth.

Kasten/Long Team Update: Stats To-date: Closed: \$54.7M – 1,225 units; In Escrow: \$13.5M – 226 units. The Team is now the #1 commercial team for RE/MAX worldwide. Although we appreciate the recognition, we're more pleased to have been able to help many apartment owners.

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Vacancy Rate Drops to 8.3%

Permitting Still Low - Absorption Strong

At the end of the 3rd quarter of 2004, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units in the greater Phoenix area dropped from 9.1% to 8.3%. Of the 329,482 total multifamily units, there were 27,325 reported as vacant. The vacancy rate increased in the smaller size apts., but there was a 3% drop in the 76-99 size and a 1% drop in the 100 – 150 and 200+ units.

# of Units	2004 2nd Qtr.	2004 3rd Qtr.
2 - 24	6%	10%
25 - 50	6%	8%
51 - 75	8%	8%
76 - 99	10%	7%
100 - 150	9%	8%
151 - 200	9%	9%
200+	9%	8%
Average	9.1%	8.3%

The highest vacancy rates were reported in Northwest Phoenix (12%): 19th to 43rd Av – Indian School to Glendale and adjacent Christown (11%). The lowest vacancy rates were reported for Maryvale (5%) and East Mesa (4%).

Permitting for new apartments for the 3rd qtr. (1,390) was double last qtr., but still relatively low. Three new projects dominated; Gray Palmer's 435 units at 3601 E McDowell Rd., Spanos's 328 units at 4410 N 99th Av., and R&L Builder's 300 units at 8915 E Guadalupe in Superstition Springs (SE Valley).

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%
2004 (3)	1390	3,477	8.3%

Year-to-Date absorption reached 7,121; more than every full-year absorption since 1996! A total of 718 units came on-line (5 projects) in the 3rd qtr., the largest being Mark Taylor's 276 units at 1720 E Broadway in Tempe.

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, AZ R.E. Center
Arizona State University East (Member)
- Greater Phoenix Blue Chip Economic Forecast

Greater Phoenix Apartment Sales

3rd Qtr - 2004

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1450 E Bell Rd, Phoenix, "Terracina"	856 814,576	\$42,650,000 \$52.36	9/15/2004 1984	\$7,022,683 \$49,824	6.0 6.5	384 1/1, 192 2/1, 232 2/1.75, 48 3/1.75 77% occupied
1215 E Vista Del Cerro Dr, Tempe, "Desert Palm Vig"	512 433,696	\$24,000,000 \$55.34	7/16/2004 1980	\$46,875	6.0	240 1/1, 80 2/1, 152 2/2, 40 3/2 SP inc purchase of 1216 Vista Del Cerro Dr
3010 W Yorkshire Dr, Phoenix, "Deer Valley I"	496 418,272	\$39,449,343 \$94.32	9/17/2004 1996	\$79,534	6.0	204 1/1, 48 2/1, 152 2/2, 92 3/2
6901 E Chauncey Ln, Phoenix, "Desert Club"	497 488,600	\$64,250,000 \$131.50	7/20/2004 2003	\$129,275	5.5	18 st, 220 1/1, 211 2/2, 48 3/2 87% occupied
3777 E McDowell Rd, Phoenix, "Indigo Palms"	432 251,488	\$36,000,000 \$143.14	9/17/2004 2001	\$83,333		All cash sale
19645 N 31 st Ave, Phoenix, "Deer Valley Vlg II"	336 731,484	\$28,750,657 \$93.30	9/17/2004 2000	\$85,567	6.0	156 1/1, 48 2/1, 108 2/2, 24 3/2
5901 W Behrend Dr, Glendale, "Arrowhead High."	336 336,747	\$36,288,000 \$107.76	9/8/2004 2000	\$108,000		123 1/1, 173 2/2, 40 3/2
2825 E Marconi Ave, Phoenix, "Paradise Club"	288 258,612	\$12,100,000 \$46.79	9/9/2004 1983	\$42,013		28 1/1, 74 2/1.5, 116 2/2
8011 N 7 th St, Phoenix, "Las Brisas"	274 278,272	\$24,000,000 \$86.25	8/11/2004 1992	\$3,199,376 \$87,591	7.5 5.9	62 1/1, 170 2/2, 42 3/2 79% occupied, buyer to condominiumize
15095 N Thompson Peak, Scotts, "Signature at Scott."	268 254,052	\$25,500,000 \$100.37	8/31/2004 1995	\$95,149		84 1/1, 64 2/1, 104 2/2, 16 3/2 \$13K+ to be put into ea unit -condo convers.
2601 W Claremont St, Phoenix, "Hunters Glen"	264 231,552	\$10,700,000 \$46.21	8/24/2004 1985	\$40,530		264 2/2 55% occupied, deferred maintenance
701 W Grove Pkwy, Tempe, "Pinnacle Grove"	247 204,732	\$13,200,000 \$64.47	8/27/2004 1987	\$2,032,481 \$53,441	6.4 6.3	167 1/1, 28 2/1, 52 2/2 84% occupied
3030 N 7 th St, Phoenix, "Country Club"	222 139,392	\$7,850,000 \$56.32	7/26/2004 1949	\$35,360		40 st, 116 1/1, 56 2/1, 10 3/1 Master meter
886 N Cofco Center Ct, Phoenix, "Palazzo TH"	214 226,346	\$22,684,000 \$100.22	8/6/2004 2001	\$106,000	5.7	88 1/1, 119 2/2, 7 3/2
3606 E Baseline Rd, Phoenix, "Retreat at Raven"	192 204,136	\$17,350,000 \$84.99	8/30/2004 2002	\$2,398,872 \$90,364	7.2 7.3	58 1/1, 104 2/2, 30 3/2 86% occupied
1502 E Osborn Rd, Phoenix, "Evergreen Terr"	186 133,395	\$8,100,000 \$60.72	7/1/2004 1953	\$1,356,199 \$43,548	5.9 7.0	9 st, 91 1/1, 86 2/1 85% occupied
2330 W Glenrosa Ave, Phoenix, "Promenade" +	182 136,500	\$6,000,000 \$43.96	7/23/2004 1985	\$32,967	6.0	182 2/1 73% occupied, +Includes "Glenrosa Garden"
4045 W Bell Rd, Phoenix, "So Sun Apt Villas"	168 169,592	\$13,200,000 \$77.83	7/19/2004 2002	\$78,571	6.8	24 1/1, 128 2/2, 163/2 \$375,000 credit for improvements in price
3434 E Baseline Rd, Phoenix, "The Raven"	160 143,740	\$10,650,000 \$74.09	8/31/2004 1999	\$1,637,439 \$66,562	6.5 3.9	58 1/1, 72 2/2, 30 3/2 61% occupied
1620 W Southern Ave, Mesa, "Newport Mesa"	156 110,960	\$7,175,000 \$64.66	9/28/2004 1974	\$1,064,560 \$45,993	6.7 6.9	32 st, 76 1/1, 46 2/1 Master meter
333 E Van Buren St, Avondale, "Mountain Vw"	150 88,396	\$5,120,435 \$57.93	8/12/2004 1984	\$34,136		18 st, 68 1/1, 40 2/1, 24 2/2
4221 W Dunlap Ave, Phoenix, "Villa Serena"	137 117,732	\$6,200,000 \$52.66	8/27/2004 1982	\$45,255		63 1/1, 74 2/2
1750 E Bell Rd, Phoenix, "Desert Springs"	135 85,557	\$6,500,000 \$75.97	8/27/2004 1984	\$48,148	6.8	96 1/1, 39 2/1
3450 W Missouri Ave, Phoenix, "Briarwood"	126 68,520	\$4,700,000 \$68.59	7/8/2004 1983	\$753,500 \$37,301	6.2 7.0	120 1/1, 4 2/1, 2 2/2
2529 W Campbell Ave, Phoenix, "Vista del Prado" +	122 104,420	\$3,355,000 \$32.13	7/21/2004 1972	\$27,500		122 2/1 Distress Sale 40% occupied, + Includes "Casa del Norte"
4405 N 103 rd Ave, Phoenix, "Villa de Paz"	120 99,200	\$7,500,000 \$75.60	9/28/2004 1984	\$906,036 \$62,500	8.2 6.5	8 1/1, 112 2/1
8802 W Peoria Ave, Peoria, "Country Village"	118 80,903	\$3,950,000 \$48.82	9/29/2004 1975	\$33,474	5.8	74 1/1, 44 2/1
3605 W Osborn Rd, Phoenix, "Puerta del Sol"	112 75,248	\$1,920,000 \$25.52	8/26/2004 1984	\$17,142		56 1/1, 56 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

3rd Qtr - 2004

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
11640 N 51 st Ave, Glendale, "Prairie Point"	102 93,949	\$4,450,000 \$47.37	7/26/2004 1984	\$918,183 \$43,627	4.8 7.3	102 2/2 78% occupied
4802 N 15 th Ave, Phoenix, "Pinewood Vlg"	93 58,410	\$3,565,000 \$61.03	8/31/2004 1973	\$645,600 \$38,333	5.5 7.8	5 st, 87 1/1, 1 2/1
1321 E Mountain View Rd, Phoenix, "Loma Bonita"	92 73,600	\$3,230,000 \$43.89	7/28/2004 1983	\$35,108		3 1/1, 86 2/1, 3 3/1 80% occupied
2502 E Greenway Rd, Phoenix, "Alderwood"	90 38,732	\$3,412,500 \$88.11	7/16/2004 1981	\$37,916		1 st, 8 1/1, 81 2/1 10% occupied, recent foreclosure
400 N 96 th Ave, Tolleson, "Sundancer"	76 66,160	\$3,500,000 \$52.90	8/16/2004 1985	\$46,052		24 1/1, 52 2/2
5712 N 67 th Ave, Glendale, "La Mesa Village"	70 49,800	\$3,600,000 \$72.29	9/24/2004 1985	\$51,428	6.2	44 1/1, 26 2/1
7141 N 16 th St, Phoenix	68 59,324	\$3,762,500 \$63.42	8/25/2004 1970	\$55,330		54 1/1, 14 2/2 Planned condo conversion
4111 N 21 st St, Phoenix, "Verrandas"	68 62,706	\$4,600,000 \$73.36	7/30/2004 1987	\$480,000 \$67,647	9.5 4.5	46 1/1, 22 2/1
1024 E Orange St, Tempe, "The Fountains"	63 52,580	\$2,850,000 \$54.20	8/31/2004 1963	\$45,238		Buyer plans to redevelop & release the property as a private dorm for ASU students
3501 W Missouri Ave, Phoenix, "Missouri Meadow"	62 40,000	\$2,852,000 \$71.30	9/20/2004 1979	\$46,000		60 1/1, 2 2/1
16602 N 25 th St, Phoenix, "Autumn Park Con"	62 62,786	\$2,850,000 \$45.39	7/30/2004 1986	\$45,967		Planned condo conversion
1025 W Cochise Dr, Phoenix, "Cochise"	55 40,400	\$2,690,000 \$66.58	8/16/2004 1983	\$48,909		10 1/1, 29 2/1, 15 2/2 Refurbished after foreclosure
1510 N 48 th St, Phoenix, "Horizons"	51 48,450	\$2,200,000 \$45.41	8/30/2004 1986	\$43,137	7.8	51 2/2 85% occupied
3710 E McDowell Rd, Phoenix, "Papago View"	50 27,250	\$1,920,000 \$70.46	8/26/2004 1979	\$305,160 \$38,400	6.2 8.0	15 1/1, 35 2/1
625 N Alma School Rd, Chandler, "Tuscany"	42 27,440	\$2,675,000 \$97.49	8/20/2004 1973	\$307,740 \$63,690	8.6 7.5	5 st, 20 1/1, 17 2/1
2732 W Medlock Dr, Phoenix, "Villa Rose"	40 31,600	\$1,760,000 \$55.70	9/28/2004 1982	\$255,600 \$44,000	6.8 7.4	12 1/1, 28 2/1 Master meter
3040 N 2 nd St, Phoenix, "Villa Riviera"	38 28,182	\$1,825,000 \$64.76	9/15/2004 1957	\$48,026	5.8	28 1/1, 10 2/1
3738 W McDowell Rd, Phoenix, "Imperial Arms"	36 18,874	\$1,365,000 \$72.32	7/21/2004 1980	\$206,350 \$37,916	6.6 7.0	11 st, 25 1/1
1420 E Bethany Home Rd, Phoenix, "Bethany Gardens"	35 31,500	\$2,280,000 \$72.38	7/6/2004 1978	\$240,636 \$65,142	9.4 6.0	35 2/2
546 W Glenrosa Ave, Phoenix, "Oak Court"	33 16,500	\$910,000 \$55.15	9/17/2004 1957	\$138,846 \$27,575	6.5 7.6	33 1/1
4413-35 N 27 th St, Phoenix, "Monterey"	32 26,400	\$2,075,000 \$78.60	9/7/2004 1964	\$240,000 \$64,843	8.6 7.2	16 1/1, 16 2/1
7002 N 76 th Ave, Glendale, "Glenview Estate"	32 26,800	\$1,299,500 \$48.49	7/23/2004 1964	\$226,337 \$40,609	5.7 7.7	1 1/1, 30 2/1, 1 3/2 87% occupied
3025 N 36 th St, Phoenix, "Montego"	30 18,855	\$1,350,000 \$71.60	7/9/2004 1961	\$215,750 \$45,000	6.2 6.5	22 1/1, 6 2/1, 2 3/2 85% occupied, Master meter
425 E Brown Rd, Mesa, Mountain View"	30 27,378	\$1,552,000 \$56.69	9/17/2004 1973	\$51,733	6.0	18 2/1, 12 3/2 60% occupied
1826 N 51 st St, Phoenix, "Desert Villas"	29 23,528	\$1,560,000 \$66.30	9/17/2004 1984	\$187,140 \$53,793	8.3 6.9	21 1/1, 8 2/1
320 W Pasadena Ave, Phx, "Pasadena Garden"	28 17,078	\$1,450,000 \$84.90	8/27/2004 1958	\$150,000 \$51,785	9.6 5.9	8 1/1, 6 2/1, 2 2/2, 4 3/2
1218-46 W 4 th St, Tempe, "Town Lake"	28 17,179	\$1,330,000 \$77.42	7/30/2004 1963	\$47,500		9 st, 17 1/1, 2 2/1

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)

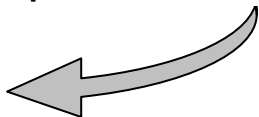
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3rd Quarter - 2004 Apartment Sales



Apartment Investment Climate

Low interest rates and the relentless buying pressure from California investors continue to drive the strong “seller’s market”. Short-term rates (such as “Prime” – going from 4.0% to 5.0%) have been increasing. Long-term rates also increased, but then dropped back due to investor uncertainty and money going back into bonds. Eventually long-term rates will increase again and prices may “wobble”. Rising new home cost, higher mortgage rates, bank tightening - all combined with a lesser supply of new apartments in an area with an ever expanding population, should result in decreased vacancy rates, reduced “move-in” specials and an increased cash flow – off-setting the higher interest rates.

The greater Phoenix economy is boasting “boomtown” economics. Mid-year employment was up 2.63%, 2nd highest in the nation behind Washington DC and permits for new homes were reported to be leading the country. Population growth is projected to be 2.9% next year – that’s about a 100,000 net increase annually. Apartment sales have been strong all year. Through the 3rd quarter, there were 310 reported sales (>\$250K) compared to last year’s record number of 286 for the entire year (Costar). Apartment owners are expected to continue to take advantage of the very favorable economics and the strong “seller’s market” – as long as it lasts.

Jim Kasten, CCIM (602 445 4113)

Kasten / Long Apartment Team - Apartment Activity (as of November 4, 2004)

RECENT APARTMENT CLOSINGS (Since August 24, 2004)

236 units, 4802 N 19 th Ave, Phx (Pines on Camelback) \$7,800,000	8 units, 2616-2624 E Monte Cristo, Phx \$ 519,800
156 units, 1620 W Southern, Mesa (Newport Mesa) \$7,175,000	8 units, 8910 & 8912 N 3 rd St, Phoenix \$380,000
118 units, 8802 W Peoria Ave, Peoria (Country Village) \$3,950,000	7 units, 4133 N 23 rd Ave, Phoenix (Artisan) \$400,000
40 units, 2740 W Medlock, Phoenix (Suntree) \$1,800,000	7 units, 4327 W Berridge Ln, Glendale (Sundance) \$335,000
32 units, 3413-35 N 27 th St, Phoenix (Monterey) \$2,075,000	4 units, 522 N 4 th St, Avondale (Casa Lomas) \$289,900
18 units, 3311 N 18 th St, Phoenix (La Promenade) \$795,000	4 units, 6221 N 10 th Pl, Phoenix, \$279,900
16 units, 2001-2019 N 49 th St, Phoenix, \$1,099,600	4 units, 2101 E Osborn, Phoenix, \$274,000
16 units, 1514 E Monroe St, Phoenix (Viva) \$675,000	
14 units, 3703 N 69 th St, Scottsdale, (Azura East Condos) \$1,300,000	
12 units, 4608 N 73 rd St, Scottsdale (Sunny Palms) \$795,000	

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

35 units, 2030 E Broadway, Mesa, (The Groves) List: \$ 1,825,000	14 units, 1825 E Don Carlos, Tempe (AZ Sun) List: \$665,000
24 units, 510 E Hatcher, Phoenix (Lincoln View) List: \$1,149,000	6 units, 422 E Hatcher, Phoenix List: \$265,000
15 units, 2829-2833 E Adams, Phoenix (El Molino) List: \$629,000	