

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

2nd Quarter 2003

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(April – June 2003)
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Also see:

www.PhxAptsForSale.com

Vacancy rates in the 2nd quarter again moved to a new record level, increasing 0.4%, to set another ten-year high of 10.4%. Permitting for new construction continued to be focused outside the central areas of each of the cities in the greater Phoenix area. Apartment sales maintained their feverish pace as owners appear to be selling before interest rates climb or we loose the buying pressure from California investors.

Team update –

For those of you who have worked with us, you know that we strive to provide the best service possible to apartment owners. This dedication, plus much hard work, has resulted in year-to-date sales totaling 373 units (\$15.5M). We've also added another broker who could be a strong asset for many owners. **Terry Kass** runs T & M Management, a family-owned company. We have 1st-hand experience with Terry's ability to keep vacancies low, work very well with owners, and add value to struggling properties.

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Vacancy Up Slightly to 10.4% - Permitting Still at Reduced Rate -

At the end of the 2nd quarter of 2003, the vacancy rate for all-size multifamily units in the greater Phoenix area climbed from 10.0% to 10.4%. Of the 324,273 total multifamily units, there were 33,900 reported as vacant. The vacancy rate was up for all complexes except for the smaller properties (2 to 24 units) that remained at 10%.

# of Units	2003 1st Qtr.	2003 2nd Qtr.
2 - 24	10%	10%
25 - 50	9%	11%
51 - 75	8%	9%
76 - 99	7%	10%
100 - 150	9%	11%
151 - 200	9%	10%
200+	10%	11%
Average	10.0%	10.4%

The highest vacancy rate was reported for North Tempe and North Mesa (14%) and the lowest rate was reported for south P.V (7%). Deer Valley and South Tempe were also relatively low with an 8% reported vacancy.

Permits for new apartments increased to 1,621 during the 2nd Qtr., but this was still below the 2,000/qr. that was typical of the seven years previous to 2002. The primary areas for new development continue to be Union Hills (355 units) and the western Suburbs/Maryvale (432 units).

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%
2003 (2)	1,621	- 817	10.4%

The continued rise in vacancy rates was not unexpected, as large, recently completed complexes are struggling for stabilization. With permitting for new apartments having been curtailed since the 4th Qtr of 2001, absorption should be stronger going forward – resulting in reduced vacancy rates soon.

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
W.P. Carey School of Business, ASU (Member)
- Greater Phoenix Blue Chip Economic Forecast

Greater Phoenix Apartment Sales

2nd Qtr - 2003

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
7791 E Osborn Rd Scotts, "Scottsdale Greens"	644 504,000	\$41,000,000 \$81.35	6/16/2003 1979	\$4,876,368 \$63,664	8.4 7.6%	352 1/1, 128 2/1, 136 2/2, 28 3/2
5104 E Van Buren St Phoenix, "Wyndham Park"	461 181,460	\$12,286,000 \$67.71	5/19/2003 1983	\$2,616,636 \$26,650	4.7	168 st, 288 1/1, 4 2/1, 1 2/2
7002 W Indian School Rd Phoenix, "San Marina"	400 299,520	\$13,550,000 \$45.24	6/30/2003 1986	\$2,958,960 \$33,875	4.6 11.5%	120 1/1, 144 2/1, 136 2/2
2601 N 36 th St Phoenix, "Arborwood"	325 260,338	\$13,337,500 \$51.23	6/10/2003 1972	\$2,410,200 \$41,038	5.5	5 st, 184 1/1, 3 2/1, 94 2/2, 39 3/2 \$3.5M renovation planned
10 E Bell Rd Phoenix, "Crystal Creek"	273 192,839	\$12,775,000 \$66.25	6/27/2003 1984	\$2,313,828 \$46,794	5.52 8.8%	48 st, 97 1/1, 36 2/1, 92 2/2
825 W Queen Creek Rd Chandler, "Ocotillo Springs"	272 213,257	\$17,192,312 \$80.62	4/2/2003 1998	\$2,519,808 \$63,207	6.8	76 1/1, 168 2/2, 28 3/2
10030 N 43 rd Ave Glendale, "Spring Meadow"	271 173,657	\$8,800,000 \$50.67	4/15/2003 1981	\$1,853,640 \$32,472	4.8 9.0%	205 1/1, 34 2/1, 32 2/2
10201 N 44 th Dr Gindl, "Rancho Santa Fe"	270 199,220	\$9,238,000 \$46.37	5/19/2003 1985	\$1,817,640 \$34,214	5.1	30 st, 120 1/1, 28 2/1, 92 2/2
4505 S Hardy Dr Tempe, "Greenwood Village"	270 238,768	\$14,600,000 \$61.15	6/24/2003 1984	\$2,187,000 \$54,074	6.7 6.8%	64 1/1, 172 2/2, 34 2/2.5
14950 W Mountain Vw Blvd Surp., "Vlg @ Sun City Gran"	252 244,613	\$12,100,000 \$49.47	5/15/2003 1998	\$2,661,120 \$48,015	4.6	84 1/1, 42 1+den/1, 42 1+den/1.5, 84 2/2 180 units to become condos, 72 to be rented
4949 W Northern Ave Glendale, "Northern Lakes"	234 158,256	\$9,000,000 \$26.87	5/14/2003 1985	\$1,673,010 \$38,461	5.4 8.4%	30 st, 120 1/1, 84 2/2 50% new roofs + \$60K landscape prior COE
1801 N 83 rd Ave Phoenix, "Casa Anita"	224 199,704	\$8,200,000 \$41.06	4/30/2003 1986	\$1,814,472 \$36,607	4.5 10.7%	72 1/1, 152 2/2
2524 W Glenrosa Ave Phoenix, "Canyon Woods"	224 143,776	\$5,900,000 \$41.04	5/12/2003 1984	\$1,311,744 \$26,339	4.5 7.5%	160 1/1, 32 2/1, 32 2/2 90% occupancy
10 W Minnezona Ave Phoenix, "Lexington on Ctrl"	131 140,012	\$12,609,000 \$90.06	6/5/2003 2000	\$1,527,984 \$96,251	8.3	55 1/1, 76 2/2 90% occupancy
1287 N Alma School Rd Chandler, "Cambric Court"	126 117,180	\$8,250,000 \$70.40	4/30/2003 2001	\$1,129,464 \$65,476	7.3	42 1/1, 84 2/2
510 E McKellips Rd Mesa, "Colores Del Sol"	120 114,320	\$8,429,400 \$73.74	4/23/2003 2000	\$1,190,853 \$70,245	7.1 7.1%	16 1/1, 64 2/2, 40 3/2
2225 W Indian School Rd Phoenix, "Sandpainter"	116 67,104	\$4,000,000 \$59.61	4/18/2003 1979	\$660,000 \$34,482	6.1 7.6%	24 st, 64 1/1, 20 2/1, 8 2/2
2303 E Flower St Phoenix, "Courtyard @ 24 th "	114 105,000	\$4,300,000 \$40.64	6/13/2003 1972	\$1,041,048 \$37,719	4.1	57 1/1, 57 2/1 High vacancy rate, master metered
4336 N 35 th Ave Phoenix, "Silver Tree"	98 59,152	\$3,410,000 \$57.65	4/3/2003 1986	\$559,800 \$34,795	6.1 8.4%	16 st, 42 1/1, 40 2/2
820 E Brown Rd Mesa, "Aspen Ridge"	96 88,000	\$3,550,000 \$40.34	5/1/2003 1972	\$673,920 \$36,979	5.3 10.2%	16 1/1, 80 2/1
4120 W Osborn Rd Phoenix, "Poco Jardin I"	77 52,778	\$2,318,000 \$43.92	4/2/2003 1983	\$487,872 \$30,103	4.8	1 st, 30 1/1, 46 2/1, 87% occupancy, some deferred maintenance
602 E Mission Lane Phoenix, "Mission Place"	74 51,530	\$1,675,000 \$32.51	6/13/2003 1983	\$444,000 \$22,635	3.8	28 1/1, 46 2/1 0% occupancy, \$250k remodeling planned
5712 N 67 th Ave Glendale, "La Mesa"	70 49,200	\$2,950,000 \$59.96	6/6/2003 1985	\$425,040 \$42,142	6.9	46 1/1, 24 2/2
7625 N 19 th Ave Phoenix, "Los Olivos"	64 71,360	\$3,287,500 \$46.07	6/17/2003 1968	\$513,796 \$51,367	6.4 10.4%	50 2/2, 14 3/2
4001 E Portland St Phoenix, "Palm Park"	56 38,500	\$1,550,000 \$40.26	6/5/2003 1962	\$27,678	10.1%	42 1/1, 14 2/1
5350 N 17 th Ave Phoenix, "Solano Park"	48 29,540	\$2,000,000 \$67.70	4/16/2003 1987	\$283,800 \$41,666	7.1 8.6%	33 1/1, 15 2/1
5343 E Taylor St Phoenix, "Papago Fairways"	47 36,480	\$2,730,000 \$74.84	5/2/2003 1989	\$397,320 \$58,085	6.9 9.1%	23 1/1, 24 2/1 2-bedroom units have a fireplace
241 E 1 st Ave Mesa, "Mesa Town Square"	46 32,000	\$2,010,000 \$62.81	4/18/2003 1966	\$348,720 \$43,695	5.8 7.6%	38 1/1, 8 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.

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
80 W Maryland Ave Phoenix, "Maryland Court"	42 35,750	\$2,925,000 \$81.82	4/15/2003 1986	\$386,700 \$69,642	7.6 8.5%	16 1/1, 26 2/2
4902 E Willetta St Phoenix, "Mountain Manor"	40 25,900	\$1,827,500 \$70.56	6/13/2003 1960	\$223,200 \$45,687	8.2 8.8%	30 1/1, 10 2/1
4220 E Almeria Rd Phoenix, "Orangetree"	39 39,110	\$1,985,000 \$50.75	6/19/2003 1960	\$322,056 \$50,897	6.2 9.6%	16 2/1, 14 1.5, 9 3/1.5
1031 E Lemon St Tempe, "Cortez Palms"	36 20,384	\$1,315,000 \$64.51	4/2/2003 1964	\$198,600 \$36,527	6.6 8.5%	28 1/1, 7 2/1, 1 3/1
3738 E McDowell Rd Phoenix, "Imperial Arms"	36 19,500	\$1,250,000 \$64.10	5/19/2003 1980	\$208,999 \$34,722	6.0 8.0%	11 st, 25 1/1
2510 W Highland Ave Phoenix, "Williams Crossing"	34 26,506	\$1,372,500 \$51.78	5/20/2003 1964	\$40,367	9.5%	18 1/1, 16 2/1
1000 S Dorsey Ln Tempe, "Kenwood Arms"	32 24,576	\$1,479,500 \$60.20	4/28/2003 1961	\$46,234		
4029 W McDowell Rd Phoenix, "Casa West"	32 22,275	\$1,225,000 \$54.99	6/20/2003 1968	\$38,281		1 1/1, 31 2/1
3734 W Camelback Rd Phoenix, "Westside Palms"	32 23,650	\$1,330,000 \$56.24	6/30/2003 1982	\$41,562		13 1/1, 19 2/1
2432 W Turney Ave Phoenix, "Villa de Ninas"	30 23,902	\$860,000 \$35.98	6/13/2003 1974	\$206,400 \$28,666	4.2 8.9%	22 1/1, 8 2/2 master metered
6725 N 17 th Ave Phoenix, "La Casa"	29 26,836	\$1,500,000 \$55.90	4/23/2003 1971	\$207,300 \$51,724	7.2 9.2%	1 1/1, 12 2/1, 16 2/2 "Senior Housing"
5236 W Peoria Ave Glendale, "Sunset Estates"	29 29,070	\$1,820,000 \$62.61	6/20/2003 1984	\$235,860 \$62,758	7.7	8 2/1, 21 2/2
837 E Montecito Ave Phoenix, "Los Jardines"	28 20,392	\$1,160,000 \$56.89	4/8/2003 1981	\$188,460 \$41,428	6.2 8.4%	12 1/1, 16 2/1
1621 W Denton Ln Phoenix, "Sun Ray"	28 24,060	\$1,215,000 \$50.50	5/27/2003 1985	\$177,600 \$43,392	6.8 8.4%	10 1/1, 12 2/1, 6 2/2 86% occupancy
2537 W Georgia Ave Phoenix, "Rainbow Village"	28 22,400	\$834,000 \$37.23	6/9/2003 1982	\$184,340 \$29,785	4.5 10.5%	28 2/1 Some deferred maintenance
2615 E Greenway Rd Phoenix, "Running Brook"	28 18,710	\$1,105,000 \$59.06	6/20/2003 1981	\$169,200 \$39,464	6.5 8.6%	12 1/1, 16 2/1
1142 E Bethany Home Rd Phoenix, "Bethany Palms"	22 23,606	\$1,125,000 \$47.66	5/12/2003 1958	\$51,136	9.3%	22 2/2 80% occupancy, renovations planned
3605 N 36 th St Phoenix, "Ward Manor"	22 17,600	\$1,375,000 \$78.13	6/26/2003 1986	\$62,500		22 2/1
4224 N 12 th St Phoenix, "12 th Street Villas"	20 12,338	\$675,000 \$54.71	5/2/2003 1956	\$33,750		6 st, 10 1/1, 4 2/1
44 S Home Mesa, "Chula Vista"	20 16,200	\$620,000 \$38.27	6/10/2003 1959	\$124,800 \$31,000	5.0 7.8%	6 1/1, 14 2/1
1231 E Colter St Phoenix, "Water Song"	19 10,037	\$830,000 \$82.69	5/16/2003 1957	\$116,700 \$43,684	7.1 8.9%	17 1/1, 2 2/1, Non-profit buyer. Financed by City of Phoenix.
651 E Commonwealth Pl Chandler, "Buena Vista"	18 13,636	\$865,000 \$63.44	4/30/2003 1986	\$132,600 \$48,055	6.5 10.0%	2 1/1, 16 2/1
6817 N 17 th Ave Phoenix, "Silver Oaks"	18 13,759	\$750,000 \$54.51	5/15/2003 1962	\$124,500 \$46,875	6.0 9.5%	1 1/1, 15 2/1
1814 W Vogel Ave Phoenix, "Vogel Square"	16 11,500	\$515,000 \$44.78	5/29/2003 1983	\$83,172 \$32,187	6.2 10.9%	6 1/1, 10 2/1 Est. \$30K in deferred maintenance.
4646 N 73 rd St Scottsdale	12 8,400	\$705,000 \$83.93	4/7/2003 1958	\$94,248 \$58,750	7.5 7.8%	6 1/1, 6 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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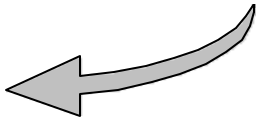
Data for some of the sales listed above plus additional data for apartment sales that were not yet reported as of the printing date of the newsletter will be posted on: www.PhxAptsForSale.com under "Market Data".

Kasten / Long Apartment Team

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2nd Quarter - 2003 Apartment Sales



Apartment Investment Climate

Of all the discussions we have with apartment owners, the decision of whether to sell now or sometime in the future is the most common question. If the economy improves, the thought is that vacancy rates will decrease and values will rise. There are signs this is happening, for example: over the past 12 months, Phoenix was 3rd in Job Growth compared to 28 major cities nationwide; Metro Phoenix unemployment is forecast to drop to about 4.7% by year's end; Population Growth is forecast to be 2.6%, second highest in the nation behind Nevada; and New Apartment Construction has remained at reduced levels. Somewhat off-setting these positives is the decline in Personal Income and the current high Unemployment Rate (over 6%).

While these are all important factors, I believe the Metro Phoenix market will be most affected by the California real estate market. Every day we have calls from CA investors with the same story – just sold a property, need a 1031 exchange and there is nothing to buy in CA. Of the 53 apartment sales shown on pages 2 & 3, half were purchased by CA buyers. While this continues to be great for AZ sellers, if the CA real estate market declines (and it's at staggering levels now), the current buying pressure from CA buyers may disappear. This coupled with increasing interest rates and monies going back into the stock market could set our local market back a bit. The message: “don't be greedy”!

Jim Kasten, CCIM

Kasten / Long Apartment Team - Apartment Activity (as of August 18, 2003)

(see: www.PhxApartmentsForSale.com for details on all our Apartments “FOR SALE”)

RECENT APARTMENT CLOSINGS (Since May 15, 2003)

26 units, 2104 E Fairmount Av., Phoenix (Loma Linda) \$1.2M
16 units, 1814 W Vogel, Phoenix (Vogel Square) \$515,000
12 units, 2455-2485 E Clarendon, Phoenix, \$546,000
10 units, 2203 E McKinley St., Phoenix, \$320,000
7 units, 2513 E Willetta St. Phoenix, \$215,000
4 units 504 S Hall, Mesa (Park Mesa) \$239,000
4 units, 2843 E Grandview Rd., Phoenix, \$246,333
4 units, 2845 E Grandview Rd., Phoenix, \$246,333
4 units, 2847 E Grandview Rd., Phoenix, \$246,334
3 units, 6738 E Osborn Rd., Scottsdale, \$218,600

Year-To-Date Closings

Total Units: 373; Total Sales: \$15,547,100

APARTMENTS IN ESCROW

20 units, 534 E Huntington Dr., Tempe List: (Casa Brentwood) \$1.2M
19 units, 3233 N 37th St, Phx. (Mustang) List: \$1,050,000
18 units, 2503 E Clarendon, Phx. (Clarendon Arms) List: \$950,000
17 units, 4002 N Kalarama, Scottsdale (Kalarama) List: \$975,000
24 units, 6802 N 44th Av, Glendale (Tracy Condo's) List: \$912,000

APARTMENTS “FOR SALE”

40 units, 2740 W Medlock Dr., Phx. (Suntree) List: \$1,975,000
15 units, 4150 N 28th St, Phx. (Shadow Ridge) List: \$794,000
16 units, 54-110 S Allen, Mesa (Sherwood) List: \$700,000
2 4-plexes, 7220-7224 E Bellevue St, Scottsdale List: \$230,000 each
5 units, 1739 E Cheery Lynn Dr, Phoenix List: \$179,000
5 4-plexes, 1641 W Yucca St, Phoenix List: \$229,000 each
5 units + comm. garage, 2348 E Pierce St, Phoenix List: \$200,000
4-plex, 200 E Lawrence Blvd., Avondale List: \$250,000