

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

1st Quarter 2006

IN THIS ISSUE ...

- Apartment Sales
(January – March 2006)
- Vacancy Rate Plummetts to 3.7%
- Market Overview

See also:

www.PhxAptsForSale.com

How's that for a vacancy rate! 3.7% is clearly the lowest in many years. Add to this a 2.3% growth in rental rates – and the apartment market is gaining real strength. Rising interest rates have slowed the resale market, however, and may keep values from increasing until the improved cash flow can off-set the increased debt service. The volume of apartment sales was still strong in the 1st quarter, but many acquisitions are slated for condo conversion. Overall, inventory of apartments on the market is up about 20% from last quarter.

Kasten/Long Team Update: The Team closed \$49.3M in 2005. To-date, the Team has closed \$41.7M making us the **#1 ranked Commercial Team** for RE/MAX USA. See web site for details.

Jim Kasten, CCIM	Jan Long, CCIM	Scott Trevey, CCIM	Terry Kass, CCIM
Tel: 602 445 4113	602 445 4115	602 445 4114	602 445 4124
Cell: 602 677 0655	602 432 9882	480 205 0862	602 703 5277
JKasten@	JLong@	STrevey@	TKass@azproperty.com

Vacancy Rate Plummetts to 3.7%

At the end of the 1st quarter of 2006, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units dropped from **5.0% to 3.7%**. Of the 322,446 total multifamily units, there were 11,800 reported as vacant, down from 16,100 reported as vacant for the 4th quarter with an inventory of 325,122. Vacancy rates for all size complexes ranged between 3% and 4%!

# of Units	2005 4th Qtr.	2006 1st Qtr.
2 - 24	8%	3%
25 - 50	5%	4%
51 - 75	5%	4%
76 - 99	5%	4%
100 - 150	4%	3%
151 - 200	5%	3%
200+	<u>5%</u>	<u>4%</u>
Average	5.3%	3.7%

The highest sub-district vacancy rate was reported in S. Paradise Valley and Mountain Park (7%). Almost all of the remaining 29 sub-districts ranged from 2% to 4%. The greatest reduction in apartment inventory from the 4th qtr. 2005 was North Scottsdale (952 units), followed by Western Suburbs (360), Uptown Phoenix (358) and East Camelback (346), due in most part to condo conversion.

There were 1,196 permits issued with projects started in the 1st quarter. This included Contrawest's 308 units and TCR's 251 units, both in Glendale and MT Builder's two projects of 484 units and 112 units in Chandler.

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	4,997	9,230	7.9%
2005	3,250	4,756	5.0%
2006 (1)	1,266	1,624	3.7%

Absorption was reported at 1,266 units with 3,376 units officially reported as removed from the multifamily inventory for condo conversion. Our 1st qtr. sales data shows an additional 2,000 for conversion. Rent rates were reported to have increased **2.3%** over the previous quarter.

A total of 850 units came on-line (3 projects) in the 1st quarter. This included a 202-unit in North Scottsdale, a 320-unit in the Sky Harbor area and 328-units in the Western Suburbs.

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's Polytechnic Campus
- Greater Phoenix Blue Chip Economic Forecast