

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

3rd Quarter 2003

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(July – September 2003)
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See also:

www.PhxAptsForSale.com

There are signs that the reduced construction activity over the past two years is finally easing pressure on vacancy, especially for the smaller properties. Although an overall reduction of 0.3% is not much, the smaller size properties reported at least a 1% drop in vacancy. Most of the new apartments are large (greater than 150 units) and most (65%) are being built on the fringes of the cities. Since these are the properties with the highest vacancy rates, it appears that the core areas for the various cities may be turning the corner on the vacancy issue.

Team update –

The Team continued at record pace with 9 closings this quarter plus putting 15 properties into escrow. With our professional and extensive marketing, we continue to maximize owner's profits. Considering selling? Please let us know.

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Vacancy Drops Slightly to 10.1% - Permitting Still at Reduced Rate -

At the end of the 3rd quarter of 2003, the vacancy rate for all-size multifamily units in the greater Phoenix area decreased from 10.4% to 10.1%. Of the 324,876 total multifamily units, there were 32,900 reported as vacant. The vacancy rate decreased for all complexes except for the larger properties.

# of Units	2003 2nd Qtr.	2003 3rd Qtr.
2 - 24	10%	9%
25 - 50	11%	9%
51 - 75	9%	8%
76 - 99	10%	9%
100 - 150	11%	9%
151 - 200	10%	11%
200+	<u>11%</u>	<u>11%</u>
Average	10.4%	10.1%

The highest vacancy rate was reported for the western Suburbs (17%) and the lowest rate was reported for Metrocenter, Sky Harbor and East Mesa (7%).

There were only 670 permits issued for new apartments during the 3rd quarter. Activity was led by Mark-Taylor's 276 units at 1720 E Broadway in N. Tempe (just east of ASU) and an additional 165 units for their 497 unit property at 6901 E Chauncey Lane in the Union Hills and I-17 area. The western Suburbs also reported continued permitting with 168 units (MT Builders).

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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%
2003 (3)	670	1,603	10.1%

Although the overall vacancy rate only dropped 0.3%, the bulk of the high vacancies were reported from new construction in western Phoenix and suburbs farther west. Of the 1,561 new apartment completions in the 3rd quarter, 1,194 were from these western Phoenix areas.

Vacancy rates for each of the Valley's 32 sub-districts plus a list of 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

3rd Qtr - 2003

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
600 W Grove Pkwy Tempe, "Signature Place"	440 477,114	\$33,100,000 \$69.38	8/4/2003 1996	\$3,004,320 \$75,227	11.0	220 1/1, 40 2/1, 160 2/2, 20 3/2 GSI est. (max) Proforma
875 W Pecos Rd Chandler, "Pillar@ Pecos Spr"	346 314,330	\$28,700,000 \$91.31	9/25/2003 2002	\$3,542,136 \$82,947	8.1 7.2%	184 1/1, 160 2/2, 12 3/2 90% occupancy GSI est.
5210 E Hampton Ave Mesa, "Stone Canyon"	392 358,168	\$26,750,000 \$74.69	9/2/2003 2000	\$2,958,960 \$68,239	8.5 7.5%	196 1/1, 196 2/2 90% occupancy; Proforma GSI
3411 N 16 th St Phoenix, "Arioso City Lofts"	312 311,352	\$23,482,360 \$75.42	7/21/2003 1999	\$3,486,600 \$75,263	6.7	162 1/1, 150 2/2 Proforma GSI
3161 W Cheryl Dr Phoenix, "Smoketree"	280 189,880	\$11,132,000 \$58.63	8/7/2003 1974	\$2,255,956 \$39,757	4.9 8.8%	86 st, 148 1/1, 46 2/2
5601 W McDowell Rd Phoenix, "Marble Creek"	244 206,080	\$9,750,000 \$47.31	9/16/2003 1985	\$1,504,467 \$39,959	6.5 4.8%	108 1/1, 48 2/1, 88 2/2 Master metered
4140 N 78 th St Scottsdale, "Heathertree"	244 221,640	\$10,400,000 \$46.92	8/4/2003 1972	\$2,195,966 \$42,622	4.7 7.8%	106 1/1, 138 2/2 Master metered
3999 S Dobson Rd Chandler, "Cornerstone Rnch"	224 198,176	\$18,850,000 \$95.12	8/1/2003 2001	\$2,513,848 \$84,151	7.5 7.0%	152 1/1, 72 2/2 80.5% occupancy
3001 N Black Canyon Hwy Phoenix, "Rancho Encanto"	214 172,400	\$6,500,000 \$37.70	9/17/2003 1973	\$1,310,880 \$30,373	4.9	4 st, 40 1/1, 168 2/2, 2 3/2 Seller financing; GSI/GRM estimated
8130 W Indian School Rd Phoenix, "Terrace Park"	213 175,224	\$7,500,000 \$42.80	8/18/2003 1984	\$35,211		16 1/1, 124 2/1, 72 2/2, 1 3/2
2121 W Royal Palm Rd Phoenix, "The Links"	207 181,150	\$10,315,000 \$56.94	7/1/2003 1980	\$132,153 \$49,830	6.5 8.3%	13 st, 56 1/1, 42 1/1.5, 48 2/1, 48 2/2 87% occupancy; GSI/GRM estimated
15600 N FLW Blvd, Scotts., "Alexan @ FLW"	200 221,122	\$23,000,000 \$104.02	8/26/2003 2002	\$115,000	6.5%	
18660 N Cave Creek Rd Phoenix, "Ventura Vista"	170 169,836	\$14,300,000 \$84.20	7/16/2003 2000	\$1,889,960 \$84,117	7.6 7.4%	62 1/1, 84 2/2, 24 3/2 87% occupancy
14602 N 19 th Ave Phoenix, "The Turn"	166 181,228	\$12,084,200 \$66.68	9/29/2003 1999	\$1,719,936 \$72,796	7.0 7.5%	14 st, 80 1/1, 56 2/2, 16 3/2 GSI estimated
17602 N Cave Creek Rd Phoenix, "Desert Sunrise"	165 113,400	\$5,280,000 \$46.56	9/24/2003 1985	\$1,114,500 \$32,000	4.7 8.4%	24 st, 72 1/1, 69 2/2 83% occupancy
625 W 1 st St Tempe, "Hayden Place"	163 115,060	\$7,400,000 \$64.31	7/1/2003 1985	\$1,234,650 \$45,398	6.0 7.3%	41 st, 18 1/1, 104 2/2
4530 N 23 rd Ave Phoenix, "Sundowner"	156 156,000	\$3,850,000 \$24.68	8/5/2003 1973	\$24,679		52 1/1, 104 2/1 Master Metered; Seller financing
5704 W Thomas Rd Phoenix, "Veranda"	156 94,952	\$6,190,500 \$65.20	9/16/2003 1986	\$1,050,000 \$39,682	5.9 7.5%	80 1/1, 76 2/1 GRM estimated
15010 N 59 th Ave Glendale, "Country Gables"	139 84,462	\$6,650,000 \$78.73	7/16/2003 1984	\$1,041,692 \$47,841	6.4 7.4%	95 1/1, 44 2/2 86% occupancy
4230 E University Dr Mesa, "Heatherbrook"	128 100,928	\$4,500,000 \$44.59	8/14/2003 1986	\$35,156	8.3%	48 1/1, 80 2/2
7841 N 59 th Ln Glendale, "Stone View"	122 85,916	\$4,135,000 \$48.13	8/26/2003 1974	\$905,952 \$33,893	4.6 9.0%	60 1/1, 62 2/1 90% occupancy; Master Metered; Seller fin.
950 E Southern Ave Mesa, "Pebble Creek"	122 79,160	\$4,600,000 \$58.11	8/28/2003 1985	\$37,704	5.2%	10 st, 52 1/1, 44 2/1, 16 2/2
4937 W Myrtle Ave Glendale, "Brook Creek"	112 83,528	\$5,100,000 \$61.06	8/13/2003 1985	\$811,200 \$45,535	6.3 8.6%	40 1/1, 32 2/1, 40 2/2 GRM estimated
6041 W Thomas Rd Phoenix, "Windtree"	103 86,190	\$4,190,000 \$48.61	8/18/2003 1982	\$642,890 \$40,679	6.5 7.6%	32 1/1, 71 2/2
708 N Country Club Dr Mesa, "Brittany Place"	92 47,297	\$3,125,000 \$66.07	8/11/2003 1970	\$635,100 \$33,967	4.9 8.3%	31 st, 60 1/1, 1 2/1 Master Metered; GRM estimated
6201 N 16 th St Phoenix, "La Paz"	92 74,984	\$3,600,000 \$48.01	8/21/2003 1971	\$39,130	8.0%	45 1/1, 47 2/1
4343 N 21 st St Phoenix, "Andover Square"	80 92,688	\$9,900,000 \$106.81	8/22/2003 1999	\$1,243,632 \$123,750	7.9 6.8%	20 1/1, 44 2/2, 16 3/2 GRM estimated
424 W Brown Rd Mesa, "Concorde Condos"	76 68,552	\$3,250,000 \$47.41	9/19/2003 1972	\$42,763		76 2/2 to be resold as condominiums

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 - 2003

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
9423 N 17 th Ave Phoenix, "Palm Meadows"	72 50,040	\$2,647,500 \$52.91	7/7/2003 1985	\$36,770		18 1/1, 54 2/1
6525 N 15 th Ave Phoenix, "Palos Verdes Fair"	68 74,612	\$3,600,000 \$48.25	7/30/2003 1969	\$632,284 \$52,941	5.7 9.3%	8 1/1, 20 2/2, 40 3/2 Master Metered
2726 W Augusta Ave Phoenix, "Augusta Suntree"	68 50,800	\$2,015,000 \$39.67	7/1/2003 1983	\$487,200 \$29,632	4.1	36 1/1, 32 2/1 GSI/GRM estimated 80% occupied; acquired thru Fannie Mac
1818 N 40 th St Phoenix, "Palm Lane Gar. "	63 54,000	\$2,275,000 \$42.13	8/25/2003 1981	\$366,660 \$36,111	6.2 8.0%	39 1/1, 24 2/1 Seller financed
2950 E Greenway Rd Phoenix, "Park Greenvale"	62 41,325	\$2,675,000 \$64.73	7/15/2003 1985	\$43,145	8.1%	1 st, 32 1/1, 29 2/1
5920 W Laurie Ln Glendale, "Peppertree Lane"	60 45,000	\$2,250,000 \$50.00	7/25/2003 1982	\$311,982 \$37,500	7.2	30 1/1, 30 2/2
2501 W Ocotillo Rd Phoenix, "Winding Creek"	54 39,000	\$2,090,000 \$53.59	7/22/2003 1982	\$379,620 \$28,703	5.5 9.3%	6 1/1, 48 2/1
4410 N Longview Ave Phoenix, "Palm Court"	52 39,200	\$2,240,000 \$57.14	7/29/2003 1986	\$337,176 \$43,076	6.6 7.9%	4 st, 8 1/1, 40 2/2
2835 W Northern Ave Phoenix, "Northern Palms"	49 32,400	\$1,665,000 \$51.39	9/22/2003 1954	\$302,400 \$33,979	5.5 8.1%	48 1/1, 1 2/1 87% occupancy
1620 N 51 st St Phoenix, "Casa Hermosa"	44 28,400	\$1,615,000 \$56.87	9/19/2003 1980	\$241,200 \$36,704	6.7	36 1/1, 8 2/1 GSI/GRM estimated
2211 S McClintock Dr Tempe, "McClintock T/H"	44 46,860	\$2,985,000 \$63.70	8/22/2003 1963	\$409,200 \$67,840	7.3 8.2%	44 2/1.5 US Bankruptcy sale
1213 E 8 th St Tempe, "8 th St Manor"	43 46,763	\$3,078,125 \$65.82	8/1/2003 1998	\$400,000 \$71,584	7.7 8.3%	43 2/2 All cash sale.
1602 E Ocotillo Rd Phoenix, "Villa de Seville"	42 27,310	\$2,430,000 \$88.98	7/10/2003 1980	\$296,580 \$57,857	8.2 6.5%	41 1/1, 1 2/1
3044 E Fillmore St Phoenix, "Celebrity"	41 28,700	\$1,125,000 \$39.20	7/28/2003 1986	\$228,432 \$27,439	4.9 9.0%	41 2/1
4401 N 12 th St Phoenix, "Brookview"	40 22,600	\$1,050,000 \$46.46	7/7/2003 1966	\$196,800 \$26,250	5.3	10 st, 29 1/1, 1 2/2 62% occupancy; GRM/GSI estimated.
4138 N Longview Ave Phoenix, "Palm Vista"	40 27,200	\$1,825,000 \$67.10	8/29/2003 1982	\$266,400 \$45,625	6.9	8 1/1, 32 2/1
1011 E Orange St Tempe, "Park Terrace"	40 24,524	\$1,540,000 \$62.80	7/3/2003 1963	\$309,600 \$38,500	5.0 8.4%	22 1/1, 18 2/1
1911 N 26 th Pl Phoenix, "Tamarac I & II"	38 28,350	\$1,200,000 \$42.33	9/2/2003 1983	\$261,402 \$31,578	4.6 10.8%	2 1/1, 35 2/1, 1 3/1
4308 N Longview Ave Phoenix, "Regency"	36 27,312	\$1,575,000 \$57.67	8/27/2003 1985	\$244,776 \$43,750	6.4 9.0%	8 1/1, 28 2/2
1422 N 5 th St Phoenix, "Central Palms"	36 20,520	\$1,650,000 \$80.41	9/17/2003 1967	\$249,264 \$45,833	6.6 8.7%	36 1/1
7604 N 61 st Ave Glendale, "Bel Aire T/H"	36 37,584	\$1,900,000 \$50.55	7/9/2003 1984	\$293,800 \$52,777	6.5 8.8%	36 2/2
9836 N Central Ave Phoenix, "Central Mtn Villas"	32 32,600	\$1,800,000 \$55.21	7/25/2003 1964	\$262,800 \$56,250	6.9 9.0%	21 2/1, 11 3/2 GSI/GRM estimated
1241 N 48 th St Phoenix, "Delano Place"	32 25,880	\$1,325,000 \$51.20	8/13/2003 1986	\$221,760 \$41,406	6.0	12 1/1, 20 2/1 72% occupancy; GSI/GRM estimated
4221 & 4227 N 24 th St Phoenix, "Biltmore 24"	31 18,426	\$1,220,000 \$66.21	8/14/2003 1966	\$192,360 \$39,354	6.3	2 st/2, 9 st, 12 1/1, 8 2/2 2/2 are Master Metered; GSI/GRM estimated
2610 W Georgia Ave Phoenix, "Tara Manor"	30 20,830	\$1,300,000 \$62.41	8/29/2003 1981	\$144,562 \$43,333	9.0 7.6%	22 1/1, 8 2/1
1623 W Missouri Ave Phoenix, "Missouri Crest"	29 22,000	\$1,105,000 \$50.23	8/4/2003 1966	\$165,720 \$38,103	6.7 7.5%	20 1/1, 8 2/1.5, 1 3/2
2104-2122 E Fairmount Ave Phoenix, "Loma Linda Gard"	26 20,757	\$1,100,000 \$52.99	7/18/2003 1964	\$195,608 \$42,307	5.6 9.3%	1 st, 1 1/, 23 2/1, 1 3/2

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)

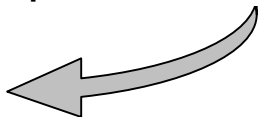
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3rd Quarter - 2003 Apartment Sales



Apartment Investment Climate

Interest rates have stayed down, permitting for new apartments has kept to low levels and unemployment dropped by 0.4% to 5.6%. Add to this the slight decrease in vacancy rates combined with an increase in average rental rate (0.3%), and the apartment market in the greater Phoenix area looks to be improving. With Arizona being 2nd in population growth in the US for the 9th consecutive year, I would say that the underlying reason for the current high vacancy rate is primarily related to the low-interest mortgage rates.

So, where have the tenants gone? They've purchased new homes with easy-qualifying, inexpensive money. Things like the new "Patriot Act", higher home prices and the forecast tightening of money, should all reduce

the tenant-flow into new homes. This, combined with increased interest rates and reduced new apartment construction, should keep the vacancy rates falling. As occupancy strengthens, rental rates and overall apartment cash-flows should increase.

For those with vacancy problems, the timing for these more favorable economics may be slower than desired. What is somewhat amazing is that even with the current high vacancy rate, we still have a strong seller's market. We continue to believe this is due to the lack of alternative investment options and the abundance of investors seeking to purchase apartments as they cash-out of their high-dollar, California properties.

Jim Kasten, CCIM

Kasten / Long Apartment Team - Apartment Activity (as of November 7, 2003)

(see: www.PhxAptsForSale.com for details on all our Apartments "FOR SALE")

RECENT APARTMENT CLOSINGS (Since August 18, 2003)

19 units, 3233 N 37th St, Phoenix (Mustang) \$1,050,000
18 units, 2503 E Clarendon, Phx. (Clarendon Arms) \$925,000
17 units, 4002 N Kalarama, Scottsdale (Kalarama) \$965,000
6 units, 422 E Hatcher, Phoenix \$209,000

APARTMENTS "FOR SALE"

5 4-plexes, 1641 W Yucca St, Phoenix List: \$229,000 each
3 4-plexes, 9372, 9376 W Van Buren, Tolleson List: \$210,000 each
10 units, 8910 N 3rd St, Phoenix List \$315,000
4 units + comm. garage, 2348 E Pierce St, Phoenix List: \$200,000

Year-To-Date Closings

Total Units: 433; Total Sales: \$18,621,100

APARTMENTS IN ESCROW

44 units (11 4-plexes), Avondale (Casa Lomas) List: \$2,750,000
41 units, 4313 N 19th Ave, Phoenix (Centre Arms) List: \$1,785,000
16 units, 54-110 S Allen, Mesa (Sherwood) List: \$700,000
11 units, 9450 N 17th Ave, Phoenix List: \$370,000
2 4-plexes, 7220-7224 E Bellevue St, Scottsdale List: \$230,000 ea

Please let us know if you are considering selling. We have many pre-approved buyers with 1031 time criteria seeking properties in the greater Phoenix area. We would also be pleased to evaluate your apartments with the hope of being able to provide full marketing exposure.