

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

3rd Quarter 2002

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(July – Sept. 2002)
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Also see:

www.PhxAptsForSale.com

Vacancy rates dropped slightly during the 3rd quarter of 2002 but permitting for new apartment construction increased. The total number of apartment sales was substantially greater than previous quarters, as owners took advantage of the competition between the current abundance of buyers and their ability to pay higher prices with the low mortgage rates.

Please see our web site (www.PhxAptsForSale.com) for current listings, previous newsletters, an expanded list of 3rd Quarter 2002 sales and a recent presentation made to the Scottsdale Association of Realtors on the apartment market.

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Vacancy Rate Dips to 8.5%

- Permitting back to normal levels -

At the end of the 2nd quarter of 2002, the vacancy rate for all-size multifamily units in the greater Phoenix area dipped from 8.7% to 8.5%. Of the 319,363 total multifamily units, there were 27,300 reported as vacant.

# of Units	2002 2nd Qtr.	2002 3rd Qtr.
2 - 24	6%	9%
25 - 50	6%	7%
51 - 75	6%	6%
76 - 99	8%	7%
100 - 150	8%	7%
151 - 200	8%	8%
200+	9%	9%
Average	8.7%	8.5%

Areas with the highest reported vacancies (11%) were S. Paradise Valley and Gilbert. The lowest vacancy rate (6%) was reported in the Western Suburbs. The stronger than normal absorption was seen mostly in mid-size apartments (76 to 150 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 (1)	694	2,137	8%
2002 (2)	1,439	439	8.7%
2002 (3)	2,337	2,426	8.5%

Permits for new apartment construction in the 3rd quarter increased again, back to the levels from previous years (see chart above). The most active areas for new permits were Deer Valley (492), the Western Suburbs (435) and Chandler (392).

Data Sources for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, A.Z.R.E. Center, College of Business, ASU
- Greater Phoenix Blue Chip Economic Forecast

**** Happy Holidays ****

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
10350 W McDowell Rd Avondale "Aventura"	408 368,436	\$30,500,000 \$82.78	8/28/2002 2001	\$4,481,376 \$74,754	6.81 8.36%	228 1/1, 168 2/2 2/1, 12 3/2. Exp. est. \$3,166/u (\$3.51/sf), 14% vacancy at COE
4001 W Camelback Rd Phoenix "Centertree"	349 155,854	\$6,960,000 \$44.66	9/26/2002 1973	\$19,942		98 st, 228 1/1, 23 2/2, Some upgrades needed.
4127 E Indian School Rd. Phoenix "Villa Manana"	260 212,818	\$10,475,000 \$49.22	8/29/2002 1970	\$2,194,155 \$40,288	4.77 7.95%	113 1/1, 147 2/1 2/2, Exp. est. \$3,518/u (\$4.30/sf).
4111 N Drinkwater Blvd Scottsdale "Alexan Scotts."	250 228,930	\$29,000,000 \$126.68	7/24/2002 2000	\$3,728,102 \$116,000	7.8 8.79%	140 1/1, 84 2/2, 26 3/2, Exp. est. \$3,627/u ((\$3.96/sf).
1464 S Stapley Dr Mesa "Indigo Springs"	240 222,870	\$18,500,000 \$83.01	8/6/2002 1999	\$77,083		90 1/1, 120 2/2, 30 3/2
1010 N 48 th St Phx "Commons at Papago."	200 120,000	\$4,700,000 \$39.17	8/28/2002 1982	\$23,500		100 1/1, 100 2/1, Buyer paid \$540,000 prepay, \$350,000 est. def. maint., 85 vac.,
3302 N 7 th St Phoenix "Acappella"	195 190,976	\$14,400,000 \$75.40	9/26/2002 2000	\$73,846		102 1/1, 93 2/1 2/2
6241 N 27 th Ave Phoenix "Palm Aire"	186 124,899	\$6,138,000 \$49.14	9/19/2002 1982	\$33,000	8.0%	93 1/1, 93 2/1
2408 W Myrtle Ave Phoenix "Canyontree"	169 98,005	\$5,800,000 \$59.18	8/29/2002 1971	\$997,000 \$34,319	5.82 9.8%	49 st, 70 1/1, 49 2/1 2/2, 1 3/2, Exp. est. \$2,240/u (\$3.86/sf)
29862 N Tatum Blvd Phoenix "Azure"	160 141,248	\$14,500,000 \$102.66	7/31/2002 2001	\$1,920,360 \$90,625	7.55 8.28%	104 1/1, 56 2/2, Exp. est. \$3,476/u (\$3.97/sf).
2454 W Campbell Ave Phoenix "Emerald Park"	156 115,440	\$4,300,000 \$37.25	8/2/2002 1972	\$27,564		52 1/1, 104 2/1 55% occupied and sold fully upgraded and rehabbed at sale.
5350 E Taylor St Phoenix "Papago Park"	134 105,880	\$5,550,000 \$52.42	7/15/2002 1985	\$41,417	9.0%	64 1/1, 70 2/2. Def. maint. for approx. 30 units.
520 E 2 nd St Mesa "Park Village"	118 95,480	\$3,750,000 \$39.28	7/30/2002 1973	\$981,880 \$31,779	3.82 9.99%	66 1/1, 52 2/1 2/2, Exp. est. \$4,010/u (\$4.96/sf), master metered.
7110 E Continental Dr Scottsdale "Pavillions"	114 108,228	\$5,300,000 \$48.97	9/5/2002 1971	\$46,491		94 2/1 2/2, 20 3/2, 40% vacant at time of sale.
6041 W Thomas Rd Phoenix "Windtree"	103 86,190	\$2,625,000 \$30.46	8/16/2002 1982	\$25,485		32 1/1, 71 2/2, Landlord pays utilities
3550 E Campbell Phoenix "Cascades"	95 93,341	\$6,950,000 \$74.46	8/20/2002 1966	\$73,157		12 st, 36 1/1, 47 2/2, Sold for \$6,125,000 on August 1, 2002.
6003 W Olive Ave Glendale "Sunflower"	88 55,000	\$2,275,000 \$41.36	7/10/2002 1974	\$461,523 \$25,852	4.93 8.73%	26 st, 56 1/1, 6 2/1, Est. exp. \$2,478/u (\$3.96/sf).
5615 N 7 th St Phoenix "El Jardin Verde"	75 42,350	\$2,350,000 \$55.49	9/30/2002 1972	\$31,333	7.41%	
1320 E Highland Ave Phoenix "Villa Royale"	73 67,160	\$3,225,000 \$48.02	8/30/2002 1968	\$541,992 \$44,178	5.95 9.25%	73 2/1, Est. exp. \$2,703/u (\$2.94/sf).
9431 N Cave Creek Rd Phoenix	70 45,519	\$2,135,500 \$46.91	8/27/2002 1966	\$30,507	8.0%	10 st, 36 1/1, 24 2/1.5 2/2 Studio apts are master metered. 40% vacant at COE.
1805 W Cortez St Phoenix "Vista Village"	60 45,900	\$2,585,000 \$56.32	9/12/2002 1986	\$43,083		60 2/1
3501 E Camelback Rd Phoenix "The Orchards"	57 62,120	\$6,100,000 \$98.20	8/28/2002 1995	\$762,940 \$107,017	8.00 7.62%	22 1/1, 27 2/2, 8 3/2, Exp. est. \$4,577/u (\$4.20/sf).
2501 W Ocotillo Rd Phoenix "Lodge @ Winding."	54 33,200	\$1,600,000 \$48.19	7/8/2002 1982	\$29,629	9.00%	6 1/1, 48 2/1
2040 W Cactus Rd Phoenix "Cactus Place"	48 40,320	\$1,599,500 \$39.67	8/29/2002 1975	\$33,322		38% vac at COE. Approx. \$250,000 def. maint.
405 N 40 th Ave Phoenix "40 th Avenue"	45 30,425	\$1,300,000 \$42.73	7/31/2002 1971	\$287,450 \$28,888	4.52 10.00%	45 2/2, Est. ext. \$2,850/u (\$4.22/sf).
1010-1020 E Orange St Tempe "Orange"	45 30,624	\$1,485,000 \$48.49	7/31/2002 1962	\$330,000 \$33,000	4.50 9.31%	4 st, 24 1/1, 17 2/1, Est. exp. \$3,536/u (\$5.20/sf), master metered.
1107 E University Dr Mesa "Sunridge Manor"	45 31,500	\$1,825,000 \$57.94	9/30/2002 1984	\$288,900 \$40,555	6.32 10.12%	45 2/1
1633 W Missouri Ave Phoenix "Phoenician Town."	44 42,240	\$2,181,500 \$51.65	8/27/2002 1964	\$305,653 \$49,579	7.14 8.76%	44 2/1.5
1620 N 51 st St Phoenix "Casa Hermosa"	44 28,400	\$1,500,000 \$52.82	9/30/2002 1980	\$266,000 \$34,090	5.64 10.73%	36 1/1, 8 2/1, Exp. est. \$2,110/u (\$3.27/sf)

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1515 W Missouri Ave Phoenix "Missouri Village"	44 31,900	\$1,100,000 \$34.48	8/29/2002 1973	\$316,976 \$25,000	3.47 12.10%	33 1/1, 11 2/2, Est. exp. \$3,651/u (\$5.05/sf).
4540 E Belleview St Phoenix "Belleview Estates"	42 32,288	\$1,945,000 \$53.60	7/10/2002 1981	\$306,180 \$46,309	6.35 9.59%	21 1/1, 21 2/1
4313 N 19 th Ave Phoenix "Centre Arms"	41 20,953	\$1,350,000 \$64.43	9/4/2002 1985	\$222,900 \$32,926	6.06 9.06%	12 st, 29 1/1, Est. exp. \$2,182/u (\$4.27/sf).
1530 E Sahuaro Dr Phoenix "Crest"	40 30,000	\$1,625,000 \$54.17	9/5/2002 1985	\$270,000 \$40,625	6.02 8.74%	40 2/1, Exp. est. \$2,725/u, (\$3.63/sf), buyer was non-profit organization.
4220 E Almeria Rd Phoenix "Orangetree"	39 39,110	\$1,960,000 \$50.12	7/17/2002 1960	\$50,256		30 2/1 2/1.5, 9 3+1/5
1110 E Highland Ave Phoenix "Highland Villas"	39 19,250	\$1,211,250 \$62.92	9/13/2002 1972	\$250,000 \$31,057	4.85 10.67%	5 st, 33 1/1, 1 2/1, Exp. est. \$2,800/u (\$5.67/sf).
21626 N 23 rd Ave Phoenix "Hacienda"	36 25,344	\$1,100,000 \$43.40	7/11/2002 1984	\$30,555		14 1/1, 22 2/1, Possible condo conversion.
825 N 2 nd Ave Phoenix "Hilton"	34 18,100	\$850,000 \$46.96	7/12/2002 1954	\$163,200 \$25,000	5.21 12.36%	28 st, 1 1/1, 5 2/1, Ext. est. \$1,328/u (\$2.49/sf).
5725 N 8 th Place Phoenix "Villa Jay"	34 30,300	\$1,700,000 \$56.11	7/24/2002 1968	\$255,000 \$50,000	6.67 9.54%	34 2/1
1312 S Hardy Dr Tempe "Corsican"	30 27,000	\$1,500,000 \$55.56	7/16/2002 1971	\$203,973 \$50,000	7.35 9.0%	30 2/1, 2001 Exp. \$3,755/u (\$4.30/sf). 9.0% cap is proforma.
607-627 W 19 th St Tempe "Place of Tempe"	30 21,002	\$1,360,000 \$64.76	7/23/2002 1984	\$45,333	9.38%	4 st, 12 1/1, 14 2/1
9645 N 11 th Ave Phoenix "Desert Winds"	30 17,100	\$860,000 \$50.29	8/1/2002 1989	\$28,666	10.0%	15 1/1, 15 2/1 10% vacancy at COE.
3031 N 36 th St Phoenix "Sydney"	30 22,114	\$1,100,000 \$49.74	9/19/2002 1970	\$36,666		20 1/1, 8 2/1, 2 3/2
3011 N 38 th St Phx "Montego/Wyndham"	29 21,450	\$1,166,200 \$54.37	9/30/2002 1977	\$170,600 \$40,213	6.84 8.0%	13 1/1, 16 2/1 2/2, Exp. est. \$2,363/u (\$3.20/sf).
1623 W Denton Ln Phoenix "Keswick"	28 24,100	\$1,105,900 \$45.89	7/2/2002 1979	\$39,496	9.25%	4 1/1, 24 2/1
6807 N 45 th Ave Glendale "Franciscan"	28 25,200	\$1,100,000 \$43.65	8/27/2002 1965	\$39,285		No real estate brokers.
513-549 W 9 th Pl Mesa "Partridge Place"	28 24,640	\$1,330,000 \$53.98	8/30/2002 1963	\$172,200 \$47,500	7.72 7.93%	28 2/1, Exp. est. \$2,349/u (\$2.67/sf).
365 W Pierson St Phoenix "Pierson Place"	28 16,080	\$1,000,000 \$62.19	9/30/2002 1960	\$202,320 \$35,714	4.94 11.23%	8 1/1, 20 2/1, Exp. est. \$2,489/u (\$4.34/sf).
1206 E Lemon St Tempe "Lemon Springs"	27 21,634	\$1,250,000 \$57.78	7/29/2002 1963	\$221,490 \$46,296	5.64 9.56%	27 2/1, Exp. est. \$3,337/u (\$4.17/sf), sub metered for electric and gas.
1412 N 35 th St Phoenix "Willeta Apts"	27 21,306	\$700,000 \$32.85	8/6/2002 1960	\$136,671 \$25,925	5.12 6.33%	10 1/1, 17 2/1, Exp. est. \$2,031/u (\$2.57/sf).
2321 N 52 nd St Phoenix "Casitas del Cielo"	24 19,200	\$1,050,000 \$54.69	8/9/2002 1971	\$172,512 \$43,750	6.09 9.38%	24 2/1, Est. exp. \$2,365/u (\$2.96/sf), approx. \$65,000 def. maint.
807 E Dunlap Ave Phoenix "Dunlap Manor"	22 16,078	\$740,000 \$46.03	9/3/2002 1984	\$33,636		11 1/1, 11 2/1 No real estate brokers
819 N Revere St Mesa "Eucalyptus Manor"	22 15,375	\$1,000,000 \$65.04	9/27/2002 1970	\$141,750 \$45,454	7.05 8.0%	1 st, 14 1/1, 7 2/1, Exp. est. \$2,467/u (\$3.29/sf)
7125 N 55 th Ave Glendale "Glendale Village"	21 13,116	\$655,000 \$49.94	8/1/2002 1945	\$118,405 \$31,190	5.53 10.99%	10 1/1, 10 2/1, 1 3/1, Exp. est. \$1,886/u (\$3.02/sf)
1941 W Morten Ave Phoenix "Morten"	20 14,425	\$775,000 \$53.73	7/3/2002 1969	\$116,200 \$38,750	6.67 11.76%	13 1/1, 7 2/1
6501 N 17 th Ave Phoenix "Hialeah"	20 25,560	\$1,105,000 \$43.23	8/3/2002 1964	\$155,760 \$55,250	7.09 9.52%	20 2/2, Exp. est. \$2,530/u (\$1.96/sf), condo mapped.
10305 N 15 th Ave Phoenix	20 8,230	\$526,500 \$63.97	8/9/2002 1939	\$128,609 \$27,710	4.09 11.87%	16 1/1, 3 2/1
16042 N 31 st St Phoenix "Stonebridge"	19 13,585	\$705,000 \$51.90	8/30/2002 1983	\$133,380 \$37,105	5.29 9.98%	19 2/1, Est. exp. \$2,616/u (\$3.66/sf), no real estate brokers.

Additional apartment data for smaller complexes are posted on: www.PhxAptsForSale.com under "Market Data"

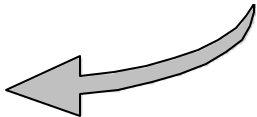
GSI Gross Scheduled Annual Income (Assumes 0% vacancy)
GRM Gross Rent Multiplier (Sales Price / GSI)
NOI Net Operating Income (Total income less vacancy and Expenses)
CAP Cap Rate (NOI / Sales Price)

Table compiled by: Kasten / Long Apartment Team
 RE/MAX Commercial Investment
 Data source: COMPS, MLS and personal knowledge
 All information is believed to be accurate but is not guaranteed.

Kasten / Long Apartment Team
RE/MAX Commercial Investment
6424 E. Greenway Parkway
Scottsdale, AZ 85254

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3rd Quarter - 2002 Apartment Sales



Apartment Investment Climate

During the 3rd quarter, it was evident that apartment owners continued to take advantage of the strong “seller’s market” as the number of apartment sales was up substantially over previous quarters. The current low interest rates have provided buyers with projected cash-on-cash returns that are far better than banks and more dependable than the slippery stock market. Until the economy rebounds and/or interest rates increase, the current buying frenzy should continue.

Vacancies continue to be a problem, especially when competition for tenants requires owners to offer costly move-in specials. The large complexes, especially those

in competition with newly constructed apartments, are affected the most, with “economic vacancy” often in the 10% to 20% range. Permits for new apartment construction have concentrated in the northern and western portions of Phoenix and the expanding portions of the east Valley. This should help ease the vacancy issue in metro Phoenix in the future.

Apartment managers have recently reported a firming-up of occupancy in central and east Phoenix, but increased vacancies in apartments renting to foreign students near ASU due to a decrease in foreign students returning for the fall semester.

- Jim Kasten, CCIM

Kasten / Long Apartment Team - Current Apartment Activity

(see: www.PhxAptsForSale.com for all new listings)

APARTMENTS OFFERED FOR SALE

19 units, 1231 E Colter St., Phx. (Water Song) List: \$874,000
17 1/1, 2 2/1, GSI: \$115,500 Great location
32 units, 443 – 517 S Hall, Mesa (Park Mesa), 8 4-plexes
all 2/1 (864sf), on sep. parcels, List: \$222K – \$239K ea.
16 units, 1814 W Vogel, Phx. (Vogel Square) List: \$550,000
6 1/1, 10 2/1, GSI: \$81,528
12 units, 4830 E. Virginia, Phx. (Camelback View) List: \$475,000
8 1/1, 4 2/1, GSI: \$64,560 East Phoenix location
10 units, 1204 W 5th St., Tempe (Palm Breeze) List: \$475,000
10 1/1, GSI: \$55,000, Great loc. & cond. (stg. potential)
4 units, 746 E Mission, Ln., Phx. List \$175,000
4 units, 3 1/1, 1 2/1, GSI: \$14,160 (rents very low)

Flyers for each property are on www.PhxAptsForSale.com

RECENT APARTMENT CLOSING (Since 9.19.02)

48 units, 320 W Brown Rd., Mesa (Cottonwood) \$2.17M
42 units, 625 N Alma School Rd., Chandler (Tuscany) \$2.0M
18 units, 5624 N 6th St., Phoenix (Camel Square) \$817,000
6 units, 7606 W Palmaria Av., Glendale \$275,000

APARTMENTS IN ESCROW

155 units, 2107 E Broadway, Mesa (Broadway Vill.) List: \$7.7M
26 units, 2104 E Fairmount Av., Phx. (Loma Linda) List: \$1.2M
20 units, 1346 E Mtn. View, Phx. (Mtn. Acres) List: \$795,000
18 units, 1441 E Polk St., Phx. (Polk Terrace) List: \$575,000
8 units, 6714 N 60th Av., Glendale List: \$285,000
4 units, 4821 E Willetta, Phx., List: \$175,000

Apartment Activity as of: December 4, 2002