

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

2nd Quarter 2005

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(April – June 2005)
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Still at Reduced Levels
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See also:

www.PhxAptsForSale.com

Vacancy rates in the 2nd quarter of 2005 increased slightly to 7.8%. The increase is a bit surprising as another 811 apartments were converted to condos and taken out of the multifamily inventory. With permitting for new construction remaining at reduced levels, we still expect vacancy rates and rental concessions to decrease.

New and resale home prices jumped to new levels (see back page) providing strong economics for converting apartments into condominiums. At least 5,000 apartments are slated for conversion in 2005 with more to follow. Apartments suitable for conversion are realizing exceptional sale prices.

Kasten/Long Apartment Team (2004 #1 commercial team for RE/MAX)

To-date, the team has closed \$27.8 million in 63 transactions.

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Vacancy Rate Bumps to 7.8%

At the end of the 2nd quarter of 2005, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units in the greater Phoenix area increased slightly from 7.4% to 7.8%, due mainly to a negative absorption of 1,376 units. Of the 327,913 total multifamily units, there were 25,575 reported as vacant. The vacancy rate ranged between 6% and 9% for all size units, except for the 25 to 50 unit size that reported an unusual high of 12%. The highest vacancy rate was reported in the Northwest Phoenix and Uptown Districts (14%) while the lowest rate was reported in the North Scottsdale and Central West Phoenix Districts (4%).

# of Units	2005 1st Qtr.	2005 2nd Qtr.
2 - 24	7%	7%
25 - 50	7%	12%
51 - 75	7%	6%
76 - 99	8%	9%
100 - 150	7%	6%
151 - 200	7%	7%
200+	<u>8%</u>	<u>8%</u>
Average	7.4%	7.8%

Permitting for new apartments for the 2nd quarter was 811 units, a continuation of the reduced apartment activity over the past few years (see table). Permitting was led by Gray Palmer's 529 units at 1001 E Playa Del Norte (north Tempe) and TA Wallick's 148 units at 730 W Vogel Av., in Phoenix (Sunnyslope). Rental rates, which reported a 2.1% increase last quarter, were still positive, but only with a 0.2% increase.

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	4,997	9,230	7.9%
2005 (1)	319	- 552	7.4%
2005 (2)	811	- 1,376	7.8%

Five apartment projects were fully completed in the 2nd quarter with a total of 874 units. Completions were led by Island Empire's 298 units at 7205 W. McDowell Rd. (Phoenix), Picerne's 251 units at 105 N. Links (W. Suburbs) and Gray Palmer's 233 units at 19940 N. 23rd Av. (north Phoenix).

Vacancy rates for each of the Valley's 32 sub-districts (with map) and 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 (sponsor)
- Greater Phoenix Blue Chip Economic Forecast

Greater Phoenix Apartment Sales

2nd Qtr - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
13229 S 48 th St Phx, "Presidio at South Mtn"	842 745,908	\$64,500,000 \$86.47	6/27/2005 1991	\$7,714,582 \$76,603	9.0 5.9	124 st, 326 1/1, 300 2/2, 8 2/2.5, 84 3/2 84% occupied
1960 W Keating Av Mesa, "Frwy at Dobson LK"	576 457,134	\$30,550,000 \$66.83	4/29/2005 1980	\$53,038		336 1/1, 80 2/1, 160 2/2 \$8.5M renovation planned
38730 S Mill Av Tempe, "Saddle Club"	515 415,206	\$26,691,500 \$64.29	5/3/2005 1970	\$4,370,260 \$51,828	6.3 7.7	63 st, 204 1/1, 36 2/1, 211 2/2, 1 3/2 86% occupied
300 E Warner Rd Chand, "Biscayne Bay"	512 542,032	\$45,600,000 \$84.13	4/28/2005 2001	\$5,300,848 \$89,062	8.6 6.1	224 1/1, 272 2/2, 16 3/2
30 W Carter Dr Tempe, "Superstition Park"	376 248,912	\$20,000,000 \$80.35	5/4/2005 1985	\$3,238,728 \$53,191	6.5 6.7	96 st, 108 1/1, 172 2/2 Master meter, \$1M renovation planned
868 S Arizona Av Chand, "Hacienda Del Sol"	374 145,636	\$12,035,000 \$82.64	6/30/2005 1985	\$32,179	4.4	124 st, 248 1/1, 2 2/1 \$4M renovation planned
1701 E Colter St Phx, "Camelback Square"	367 319,191	\$52,481,000 \$164.42	4/25/2005 2004	\$143,000		20 st, 96 1/1, 231 2/2, 20 3/2 Condo conversion
7749 E Camelback Rd Scotts, "The Cortesian"	332 291,280	\$28,100,000 \$96.47	4/28/2005 1971	\$3,860,924 \$84,638	7.8 6.2	144 1/1, 72 2/1, 16 2/1.5, 100 2/2 Master meter
1802 W Maryland Av Phx, "Jefferson Est /Maryld"	330 324,523	\$28,200,000 \$86.90	4/19/2005 2001	\$85,454	6.8	124 1/1, 41 2/1, 128 2/2, 27 3/2
1814 E Bell Rd Phx, "La Serena at Toscana"	324 331,776	\$24,050,000 \$72.49	6/15/2005 2002	\$3,100,032 \$74,228	8.0 7.8	72 1/1, 72 2/1, 180 2/2 Formerly "Tuscany Cove"
6900 E Princess Dr Phx, "Bacaro / Princess Dr"	312 287,316	\$44,616,000 \$155.29	4/25/2005 2004	\$143,000		56 1/1, 212 2/2, 44 3/2 Condo conversion
1666 S Extension Rd Mesa, "Sunridge"	304 248,224	\$16,050,000 \$64.66	6/1/2005 1981	\$2,305,275 \$52,796	7.6 6.2	152 1/1, 152 2/2
4127 E Indian School Rd Phx, "Arcadia Del Sol"	260 212,818	\$14,100,000 \$66.25	4/19/2005 1970	\$54,230	5.4	113 1/1, 69 2/1, 78 2/2 Formerly "Villa Manana"
16630 N Reems Rd Surprise, "Villas / Mtn Vista"	256 260,632	\$23,800,000 \$91.32	6/1/2005 2003	\$92,968	6.3	88 1/1, 148 2/1, 20 3/2 85% occupied
1330 W Broadway Rd Tempe, "The Greenery"	240 184,752	\$8,750,000 \$47.36	5/16/2005 1971	\$36,458		96 1/1, 108 2/1, 36 2/1.5 Master meter, bond financing
6441 W McDowell Rd Phx, "Stonybrook"	232 163,200	\$9,800,000 \$60.05	6/7/2005 1986	\$42,241	5.8	172 1/1, 60 2/2
1653 S Harris Dr Mesa, "Trails East"	209 152,710	\$8,604,478 \$56.35	6/24/2005 1983	\$41,169	6.3	112 1/1, 97 2/2
7750 N 12 th St Phx, "Vista Del Monte"	176 145,925	\$8,500,000 \$58.25	4/13/2005 1972	\$1,439,328 \$48,925	5.9 7.8	1 st, 120 2/1, 55 3/1 Master meter, condo conversion
1780 W Missouri Av Phx, "Ocotillo"	173 96,586	\$6,450,000 \$66.78	5/12/2005 1973	\$1,235,817 \$37,283	5.5 7.8	62 st, 85 1/1, 26 2/1 Master meter
3409 S Rural Rd Tempe, "LaQuinta"	172 148,750	\$9,605,000 \$64.57	5/27/2005 1972	\$55,843	6.8	12 st, 70 1/1, 89 2/2, 1 3/2
18660 N Cave Creek Rd Phx, "Ventura Vista"	170 169,836	\$16,700,000 \$98.33	5/27/2005 2003	\$98,235	5.3	10 st, 52 1/1, 84 2/2, 24 3/2
5020 W Peoria Av Glendale, "Ridgepoint"	164 108,852	\$8,837,500 \$81.19	6/22/2005 1986	\$53,887	6.1	96 1/1, 32 2/1.25, 36 2/2
2122 W Butler Dr Phx, "Cedar Ridge"	150 92,904	\$7,300,000 \$78.58	5/31/2005 1982	\$1,031,256 \$48,666	7.7 6.5	32 st, 62 1/1, 24 2/1, 32 2/2
950 S Terrace Rd Tempe, "University Crossrd"	150 116,800	\$8,165,000 \$69.91	6/28/2005 1968	\$1,441,200 \$54,433	5.9 7.5	82 1/1, 68 2/2 Master meter
17646 N Cave Creek Rd Phx, "Paradise Palms"	142 108,550	\$5,900,000 \$54.35	6/3/2005 1985	\$921,356 \$41,549	6.8 3.5	46 1/1, 95 2/1
2828 W Camelback Rd Phx, "Serrano Village"	124 93,388	\$4,400,000 \$47.12	5/25/2005 1973	\$936,792 \$35,483	4.8 8.3	40 st, 24 1/1, 12 2/1.5, 24 2/2, 24 3/2 Formerly "Sun Shadows"
1120 S Sycamore Mesa, "Sycamore Shadows"	120 103,055	\$6,300,000 \$61.13	6/21/2005 1978	\$52,500	6.3	1 1/1, 119 2/2
5215 W Peoria Av Glendale, "Cedar Court"	116 77,408	\$6,950,000 \$89.78	5/25/2005 1978	\$848,478 \$59,913	8.6 6.2	80 1/1, 36 2/2

Table compiled by: **Kasten / Long Apartment Team**, RE/MAX Commercial Investment Data source: COSTAR, MLS, Pierce-Eislen and personal knowledge.
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Greater Phoenix Apartment Sales

2nd Qtr - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
4937 W Myrtle Av Glendale, "Brook Creek"	112 83,528	\$5,510,000 \$65.97	6/14/2005 1985	\$896,880 \$49,196	6.7 7.1	40 1/1, 32 2/1, 40 2/2
2938 N 61 st Pl Scotts, "Shadow Bend Cnd"	108 99,568	\$8,950,000 \$89.89	6/28/2005 1979	\$82,870		24 1/1, 32 2/1, 36 2/2, 16 3/2 Condominiums
1915 E Broadway Rd Mesa, "Palm Gardens"	97 70,180	\$3,900,000 \$55.57	4/22/2005 1973	\$641,259 \$40,206	6.2 6.1	16 1/1, 80 2/1, 1 3/1
1120 W Broadway Rd Tempe, "Broadway Park"	76 65,600	\$3,800,000 \$57.93	4/13/2005 1972	\$581,200 \$50,000	6.9 7.9	14 1/1, 62 2/2
4302 N 103 rd Av Phx	76 67,362	\$4,290,000 \$63.69	4/29/2005 1979	\$56,447		
9601 N 17 th Av Phx, "North 17"	72 50,400	\$3,400,000 \$67.46	4/5/2005 1984	\$47,222		36 1/1, 36 2/1
1207 N 48 th St Phx, "Santorini Villa"	60 41,720	\$3,235,000 \$77.54	4/21/2005 1984	\$393,600 \$53,916	8.2 6.9	32 1/1, 28 2/1
2302 N 27 th St Phx, "Oakdale"	55 49,220	\$2,450,000 \$49.78	6/1/2005 1963	\$44,545		12 st, 8 1/1, 33 2/1.5, 2 3/2
109 E Brinker Dr Avondale, "Parkside"	54 40,704	\$1,900,000 \$46.68	4/28/2005 1964	\$35,185	4.4	12 1/1, 26 2/1, 16 3/1 Deferred maintenance
1125 E Broadway Rd Tempe, "Tamaron"	54 43,256	\$4,375,000 \$101.14	5/27/2005 1985	\$417,820 \$81,018	10.5 5.8	34 1/1, 20 2/2
810 E Colter St Phx, "The Kensington"	52 46,856	\$3,150,000 \$67.23	5/24/2005 1962	\$60,576	4.3	6 st, 16 1/1, 24 2/2, 6 3/2 Condominiums
3132 N 32 nd St Phx, "Hermosa"	50 25,257	\$2,250,000 \$89.08	4/21/2005 1980	\$307,200 \$45,000	7.7 6.8	5 st, 44 1/1, 1 2/1
1702 E Monte Vista Rd Phx, "Atrium"	44 37,216	\$2,400,000 \$64.49	4/28/2005 1985	\$316,800 \$54,545	7.6 7.0	44 2/2 Condo conversion, formerly "Monte Vista"
1108 E Highland Av Phx, "Highland Terrace"	39 31,875	\$1,815,000 \$56.94	4/27/2005 1985	\$46,538		27 1/1, 12 2/2
1123 E Sierra Vista Dr Phx, "Maryland East"	36 29,800	\$1,900,000 \$63.76	4/11/2005 1959	\$52,777	4.3	3 st, 11 1/1, 8 2/1, 14 2/2 Master meter, 84% occupied
5510 N 35 th Ave Phx, "Silver Oaks"	36 30,758	\$3,195,000 \$103.88	4/11/2005 1959	\$294,720 \$88,750	10.8 6.4	28 1/1, 8 3/2
1015 S Stanley Pl Tempe, "Cypress Gardens"	33 36,036	\$2,100,000 \$58.28	6/10/2005 1963	\$283,140 \$63,636	7.6 7.1	33 2/1 86% occupied
3212 N 70 th St Scotts, "Scotts Townhouse"	27 25,800	\$2,225,000 \$86.24	5/24/2005 1973	\$232,300 \$82,407	9.8 6.6	1 1/1, 25 2/1.5, 1 3/1
2740 W Colter St Phx, "Casa Loma"	34 27,200	\$1,600,000 \$58.82	4/29/2005 1979	\$212,160 \$47,058	7.5 7.2	34 2/1
2745 W Colter st Phx	32 90,535	\$1,495,000 \$16.51	4/26/2005 1969	\$46,719		
2101-2221 W Heatherbrae Phx, "Partners Court"	31 24,800	\$1,689,500 \$68.13	6/30/2005 1963	\$54,500		
365 W Pierson St Phx, "Pierson Place"	28 16,080	\$1,280,000 \$79.60	4/29/2005 1960	\$173,340 \$45,714	7.4 6.1	8 1/1, 20 2/1 Master meter
3524 N Miller Rd Scotts, "Sir Lancelot"	28 24,500	\$1,792,000 \$73.14	4/27/2005 1958	\$64,000	3.9	28 2/2
2535 W Highland Av Phx, "S & K"	26 16,400	\$1,080,000 \$65.85	4/18/2005 1964	\$146,754 \$41,538	7.5 7.7	2 st, 23 1/1, 1 2/1
1601 W Missouri Av Phx, "Las Pasadas"	26 20,700	\$1,508,000 \$72.85	5/10/2005 1979	\$58,000		10 1/1, 16 2/1
1065 W 1 st St Tempe, "River Run"	25 18,650	\$1,800,000 \$96.51	4/25/2005 1986	\$189,000 \$72,000	9.5 5.9	9 1/1, 16 2/1
510 E Hatcher Rd Phx, "Lincoln View"	24 15,600	\$978,000 \$62.69	5/13/2005 1985	\$128,160 \$40,750	7.6 7.5	12 1/1, 12 2/1

Note: There were an additional 17 apartment complexes that sold in the 2nd quarter of 2005 with a price at or above \$250,000.

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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The Apartment Market (August 2005) – “Relentless Buying Pressure From CA”

The “California-driven” real estate buying frenzy has fueled the boom not only for apartments but also for single family homes, and more recently, condominiums. The median sales price over the past year (Q204 to Q205) is now up 26.1% for new homes (\$190,733 up to \$240,609) and **38.5%** for resale homes (\$170,000 up to \$235,500), the strongest appreciation being over the past four months. AZ Republic reports the June to June increase for resale homes at **43%**. Wow!

The sharp home value increase has further heightened the “condo craze”. While the norm has been to evaluate a property based on cash flow, cap rates and price per unit, apartment-to-condo converters look more closely at price per sf. Quality apartment complexes in good areas are selling for \$100/sf or more with units reselling as condo’s for \$200 to \$250/sf. The preference is for newer (less than 20 years old) 50+ size complexes, but we’re also seeing a number of smaller and older properties being purchased in the \$60 to \$70/sf range and being resold as condo’s in the \$130 to \$160/sf range.

Across the Valley, regardless of condo-potential, size or age, the buying pressure to purchase apartments has been relentless. The “seller’s market” is still alive and well! Values continue to escalate as cap rates and cash-on-cash returns are starting to be put aside in hopes of continued

escalation in value. The investor’s focus is changing from income sensitive to speculation.

The local economy is strong, in-part due to the amount of new construction and real estate activity in general. Although the “prime rate” has been increased from 4.0% to 6.5% over the past 13 months, the long-term rates (mostly tied to the yield on the benchmark 10-year note) have held fairly low levels. With oil prices hitting \$66 per barrel, expect additional hikes in the short-term rates. Long-term rates, however, may hold for a bit.

Going forward, we expect vacancy rates, rent concessions and move-in specials to decrease with rental rates starting to increase slowly. We base this on supply & demand and non-affordability combined with our strong population growth. We have had reduced construction of new apartments for the past three years and the total number of available apartment units is decreasing due to condo conversions. As single-family homes, and now condos, jump in value, the affordability of a tenant being able to purchase will be reduced.

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Kasten / Long Apartment Team - Apartment Activity (as of August 8, 2005)

RECENT APARTMENT CLOSINGS (Since 4th Qtr Newsletter 5.17.05)

35 units, 2030 E Broadway, Mesa (The Groves) \$1,550,000
32 units, 12630 N 103rd Ave, Sun City \$1,425,000
22 units, 806 E Carol Ave, Phoenix (Sunny Haven) \$1,150,000
13 units, 6615 N 7th St, Phoenix, \$1,315,000
3 4-plexes, 2843 - 2849 E Grandview, Phoenix \$340,000 ea
3 4-plexes, 9372 W Van Buren & 9361 W Polk, Tolleson \$277K ea
11 units, 4241 N 26th St, Phoenix (Glenrosa Palms) \$595,000
8 units, 5329 N 12th St, Phoenix \$575,000
2 4-plexes, 1414-8 E Adams, Phoenix \$225,000 ea
7 units, 6804 N 23rd Ave, Phoenix \$318,000
7 units, 4218 N 17th St, Phoenix (Los Arboles) \$325,000
5 units, 2210 W Hayward Ave, Phoenix \$429,000
4-plex, 2949 E Coronado Rd, Phoenix \$339,000
4-plex, 2638 E Monte Cristo, Phoenix \$275,000
3-plex, 821 E Fountain, Mesa \$370,000
3-plex, 2601 E Monte Cristo, Phoenix \$206,000
2-plex, 11237 N 18th Dr, Phoenix \$209,000

APARTMENTS IN ESCROW

159 units, 6770 N 44th Ave, Phoenix (Arroyo Palms) List: \$6,900,000
105 units, 7002 E Palm Ln, (Palm Villas of Scottsdale) List: \$7,500,000
16 units, 6542 N 17th Ave, Phoenix (Huntington Gardens) List: \$900,000
4 4-plexes, 210-234 S Lazona Dr, Mesa List: \$1,625,000
14 units, 1825 E Don Carlos, Tempe (AZ Sun) List: \$850,000
3 4-plexes, 2413-2437 E Amarillo St, Casa Grande List: \$240,000 ea
11 units, 1232 N Hayden, Scottsdale List: \$825,000
11 units, 3703 N 9th Pl, Phoenix List: \$625,000
8 units, 326 W Earll Dr, Phoenix List: \$575,000
4-plex, 7014 E Palm Ln, Scottsdale List: 425,000
4-plex, 2738 E Tierra Buena, Phoenix, List: \$375,000
4-plex, 1866 S Monterey St, Apache Junction List: \$325,000

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

144 unit mini-storage, Flagstaff (AAA Discount) List: \$1,640,000
40 units, 2740 W Medlock Dr, Phoenix (Suntree) List: \$2,200,000
22 units, 1121 S 17th Ave, Phoenix (Casa Del Sol) List: \$695,000
19 units, 10305 N 15th Ave, Phoenix (Casa Palomas) List: \$1,149,000

3 4-plexes, 2623-37 E Monte Cristo, Phoenix List: \$295,000 ea
10 units, 9826-9830 N 7th Ave, Phoenix List: \$550,000
4-plex, 6801 E Avalon, Scottsdale List: \$455,000
4-plex, 6637 W Myrtle, Glendale List: \$285,000