

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

3rd Quarter 2005

IN THIS ISSUE ...

- Apartment Sales
(July – September 2005)
- Vacancy Drops to 5.3%
- Strong Absorption
- Apartment Investment Climate

See also:

www.PhxAptsForSale.com

Vacancy rate now at 5.3% - WOW. Say goodbye to “move-in specials” and cash flow-draining rent concessions and say hello to strong occupancy and “at last” an opportunity for rent growth. For the past five years, tenants have been in control. This will now give way to landlords being back in charge. If you haven't yet raised rents and you're at 95%+ occupancy, this might be something to consider.

Kasten/Long Team Update: Stats To-date: Closed: \$47.2M – 773 units; In Escrow: \$23.6M – 376 units; Listed: \$24.8M – 455 units. Congratulations to Scott Trevey and Terry Kass for receiving the Certified Commercial Investment Member (CCIM) designation. This reinforces the Team's commitment to obtain the knowledge required to provide the best service possible. Carol Sharp has also joined the Team as an assistant to Scott.

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@ccim.net			

Vacancy Rate Plummets to 5.3% Absorption Very Strong

At the end of the 3rd quarter of 2005, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units dropped from **7.8% to 5.3%**. Of the 326,100 total multifamily units, there were 17,425 reported as vacant, down from 25,575 reported as vacant for the 2nd quarter. The maximum vacancy rate for all-size units was 6%!

# of Units	2005 2nd Qtr.	2005 3rd Qtr.
2 - 24	7%	4%
25 - 50	12%	5%
51 - 75	6%	4%
76 - 99	9%	4%
100 - 150	6%	5%
151 - 200	7%	5%
200+	8%	6%
Average	7.8%	5.3%

The highest vacancy rate (9%) was reported in South Paradise Valley with the lowest rate (3%) reported in North Paradise Valley, Sun City and North Tempe.

New apartment permits issued for the 3rd quarter totaled 1,297. This was an increase over the first two quarters, but still relatively low. Four new projects dominated: Island Empire's 280 units at 6405 W. McDowell; WP South's 240 units at 19635 N. Cave Creek; T-A Wallick's 178 units at 3606 E Van Buren and TCR SW's 163 units at 7677 W. Paradise Lane (Sun City).

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%
2005 (3)	1,297	6,337	5.3%

Absorption was a staggering 6,337. Total multifamily inventory dropped by 1,813 and 3,578 apartments were reported as being converted to condos. A total of 795 units came on-line (3 projects) in the 3rd qtr., two in the Deer Valley/Union Hills area and a 246-unit complex in North Mesa.

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

Greater Phoenix Apartment Sales

3rd Qtr - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
15801 S 48 th St Phoenix, "Andante"	576 509,928	\$58,760,000 \$115.23	8/12/2005 2001	\$5,955,837 \$102,013	10.6 5.1	408 1/1, 168 2/2 81% occupied
2902 W Sweetwater Ave Phoenix, "Legacy Park"	520 464,658	\$41,250,000 \$88.78	9/29/2005 1999	\$4,416,720 \$79,326	9.3 6.4	198 1/1, 274 2/2, 48 3/2
2220 E Beardsley Rd Phx, "Monteviejo Ap Homes"	480 330,048	\$50,500,000 \$153.01	9/21/2005 2005	\$4,831,920 \$105,208	10.5 5.3	102 st, 162 1/1, 36 2/1, 144 2/2, 18 3/2, 18 4/2
102 W Palomino Dr Chandler, "Club Oasis"	460 361,188	\$25,750,000 \$71.29	7/20/2005 1985	\$3,685,440 \$55,978	7.0	160 1/1, 300 2/2 \$4.14M earmarked for renovations
3830 Lakewood Pkwy E Phx, "Portofino Apt Homes"	440 403,820	\$50,600,000 \$125.30	9/16/2005 1995	\$4,628,400 \$115,000	10.9	180 1/1, 220 2/2, 40 3/2 87% occupied, condo conversion planned
11050 N Biltmore Dr Phx, "Lakes at Metro"	420 257,790	\$16,750,000 \$64.98	9/30/2005 1975	\$2,695,636 \$39,880	5.6 4.0	78 st, 201 1/1, 72 2/1, 36 2/1.5, 33 2/2
9330 W McDowell Rd Phx, "RdHawk@SheelyFms"	408 367,650	\$41,500,000 \$112.88	7/6/2005 2002	\$4,077,807 \$101,715	10.2 5.5	264 1/1, 42 2/1, 90 2/2, 12 3/2 85% occupied
2020 E Broadway Rd Tempe, "Willow Creek"	402 286,492	\$20,100,000 \$70.16	8/19/2005 1983	\$50,000	6.0	32 st, 214 1/1, 40 2/1, 116 2/2
265 N Gilbert Rd Mesa, "University Green"	388 312,952	\$22,150,000 \$70.78	9/21/2005 1984	\$57,087	6.0	224 1/1, 48 2/1, 116 2/2
15202 N 40 th St Phoenix, "The Ridge"	380 278,420	\$23,750,000 \$85.30	7/22/2005 1986	\$62,500	6.6	44 st, 168 1/1, 168 2/2
13421 N 43 rd Ave Phoenix, "Renaissance"	360 321,930	\$21,470,000 \$66.69	9/1/2005 1984	\$3,140,410 \$59,638	7.4 6.3	180 1/1, 180 2/2 83% occupied
17722 N 79 th Ave Glnd, "Springs@Arrowhead"	360 321,516	\$42,850,000 \$133.27	9/16/2005 1998	\$3,846,682 \$119,027	12.1 4.6	148 1/1, 148 2/2, 64 3/2 83% occupied, condo conversion planned
4001 W Camelback Rd Phx, "Estancia del Sol"	349 166,641	\$8,470,048 \$50.83	7/1/2005 1973	\$2,143,956 \$24,269	4.1 6.6	98 st, 228 1/1, 23 2/2 (aka Centertree) 79% occupied, master metered
7009 E Acoma Dr Scottsdale, "San Mateo"	348 316,000	\$61,000,000 \$193.04	8/25/2005 1994	\$4,125,560 \$175,287	15.8 3.8	160 1/1, 152 2/2, 36 3/2 79% occupied, condo conversion planned
3535 W Tierra Buena Ln Phoenix, "Avalon Hills"	348 248,152	\$19,460,000 \$78.42	8/25/2005 1985	\$2,831,600 \$55,919	7.2 6.5	140 1/1, 104 2/1, 104 2/2 84% occupied
711 N Evergreen Rd Mesa, "Sienna at Riverview"	340 295,432	\$27,600,000 \$93.42	7/1/2005 1998	\$3,322,800 \$81,176	8.3	204 1/1, 16 2/1, 120 2/2
11545 N F L Wright Blvd, Scottsdale, "Joshua Tree"	330 261,092	\$39,000,000 \$149.37	9/30/2005 1988	\$118,181		166 1/1, 164 2/2 Condo conversion planned
2222 N McQueen Rd Chandler, "Chandler Place"	320 357,691	\$22,403,000 \$62.63	7/28/2005 1996	\$3,091,200 \$70,009	7.3 8.1	50 1/1, 250 2/2, 20 3/2
6706 N Dysart Rd Glendale, "Vineyards"	300 228,040	\$14,600,000 \$64.02	9/23/2005 1982	\$48,666	6.4	104 1/1, 8 2/1, 188 2/2
2825 E Marconi Ave Phoenix, "Palomino Pointe"	288 325,314	\$17,300,000 \$53.18	9/1/2005 1983	\$2,531,808 \$60,069	6.8	28 1/1, 74 2/1.5, 116 2/2, 70 3/3 (aka Paradise Club)
3939 W Windmills Blvd Chandler, "San Tierra Lux"	284 277,232	\$21,850,000 \$78.81	8/1/2005 1989	\$2,650,560 \$76,936	8.2 8.0	92 1/1, 176 2/2, 16 3/2
3330 W Greenway Rd Phoenix, "Oak Ridge"	282 191,350	\$15,400,000 \$80.48	8/10/2005 1984	\$2,128,136 \$54,609	7.5 6.8	30 st, 172 1/1, 24 2/1, 56 2/2
2155 E Liberty Ln Phx, "San Riva @ Foothills"	280 247,032	\$32,200,000 \$130.35	7/15/2005 1999	\$3,165,934 \$115,000	10.9 5.3	188 1/1, 80 2/2, 12 3/2 76% occupied, condo conversion planned
1720 E Thunderbird Rd Phx, "Condo at the Cliffs"	276 204,484	\$20,131,950 \$97.03	7/11/2005 1987	\$1,706,328 \$72,941	11.8 5.5	100 1/1, 176 2/2
4802 N 12 th St Phx, "Camelback Cove"	270 176,682	\$13,300,000 \$75.28	9/26/2005 1981	\$1,896,744 \$49,259	7.0 5.7	48 st, 146 1/1, 40 2/1.75, 36 2/2
4505 S Hardy Dr Tempe, "Greenwood Village"	270 238,768	\$18,900,000 \$79.16	9/23/2005 1984	\$2,402,400 \$70,000	7.9 6.4	64 1/1, 172 2/2, 34 2/2.5
3511 E Baseline Rd Phx, "Shadow Mtn Villas"	265 222,963	\$15,600,000 \$69.97	9/15/2005 1986	\$58,867	5.0	48 1/1, 128 2/1, 89 2/2
11105 N 115 th St Scottsdale, "Casa Santa Fe"	264 222,440	\$23,750,000 \$106.77	7/29/2005 1988	\$90,304		136 1/1, 100 2/2, 28 3/2 Condo conversion planned

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 - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1441 S Lindsay Rd Mesa, "Vlg @ Lindsay Park"	256 238,536	\$16,675,000 \$69.91	7/15/2005 1997	\$2,400,028 \$65,136	7.3 7.9	88 1/1, 136 2/2, 32 3/2 88% occupied
3816 N 83 rd Ave Phoenix, "Casa Real"	256 237,111	\$12,200,000 \$51.45	7/20/2005 1986	\$1,657,612 \$47,656	8.1 4.8	57 1/1, 179 2/2, 20 3/2
5335 E Shea Blvd Scottsdale, "City Place"	240 233,060	\$44,500,000 \$190.94	9/27/2005 1993	\$2,935,551 \$185,416	16.2 3.6	96 1/1, 106 2/2, 38 3/2 88% occupied, condo conversion planned
2225 W Frye Rd Chandler, "Stonegate Vlg"	234 249,988	\$26,525,000 \$106.11	7/14/2005 1998	\$2,780,280 \$113,354	9.5	59 1/1, 142 2/2, 33 3/2 Condo conversion planned
1801 N 83 rd Ave Phoenix, "Casa Anita"	224 199,704	\$13,750,000 \$68.85	8/19/2005 1986	\$1,671,000 \$61,383	9.0 5.8	72 1/1, 152 2/2
235 E Ray Rd Chandler, "Palm Trails"	221 227,116	\$21,950,000 \$96.65	9/20/2005 2001	\$2,131,332 \$99,321	10.3 5.9	173 2/2, 48 3/2
2929 W Yorkshire Dr Phx, "Springs @ Yorkshire"	216 218,852	\$24,250,000 \$110.81	9/23/2005 1999	\$112,268		88 1/1, 100 2/1, 28 3/2 Condo conversion planned
3001 N Black Canyon Hwy Phx, "Rancho Encanto"	210 168,240	\$8,132,000 \$48.34	7/18/2005 1973	\$1,407,600 \$38,723	5.8	40 1/1, 168 2/2, 2 3/2
5020 W Thunderbird Rd Glendale, "Sunrise Village"	196 164,100	\$10,800,000 \$65.81	7/22/2005 1984	\$1,480,800 \$55,102	7.3	76 1/1, 120 2/2
4444 N 7 th Ave Phoenix	184 113,896	\$6,885,000 \$60.45	7/7/2005 1979	\$1,355,867 \$37,418	5.4 7.5	9 st, 138 1/1, 36 2/2, 1 3/2 Master metered
5959 W Greenway Rd Glendale, "Greentree"	184 132,720	\$10,900,000 \$82.13	7/29/2005 2003	\$1,498,384 \$59,239	7.8 5.6	128 1/1, 56 2/2 86% occupied
5860 N 67 th Ave Glendale, "Bethany Park"	172 133,460	\$8,050,000 \$60.32	8/30/2005 1984	\$992,799 \$46,802	8.3 5.6	124 1/1, 48 2/2
1331 W Baseline Rd Mesa, "Dobson Bay Club"	166 201,536	\$11,750,000 \$58.30	8/26/2005 1983	\$1,805,960 \$70,783	6.6 7.6	36 1/2, 95 2/2, 35 3/2.5 88% occupied, condo conversion planned
8550 E McDowell Rd Scottsdale, "The Scottsdale"	160 132,358	\$12,000,000 \$90.66	7/19/2005 1985	\$1,397,124 \$75,000	8.6 6.1	12 st, 72 1/1, 76 2/2
2134 E Broadway Rd Tempe, "Arpeggio Rental"	156 151,904	\$18,500,000 \$121.79	8/1/2005 1997	\$1,718,368 \$118,589	11.3 4.5	68 1/1, 56 2/2, 32 3/2 87% occupied, rental condominiums
5704 W Thomas Rd Phoenix, "Veranda"	156 94,952	\$7,450,000 \$78.46	9/30/2005 1986	\$1,154,957 \$47,756	6.7 7.1	80 1/1, 76 2/1 88% occupied
949 S Longmore Mesa, "Montego Villas"	154 131,188	\$8,075,000 \$61.55	7/1/2005 1979	\$1,299,720 \$52,435	6.2	30 1/1, 24 2/1, 100 2/2
1340 N Recker Rd Mesa, "Alta Place"	152 134,520	\$9,250,000 \$68.76	7/29/2005 1986	\$1,249,080 \$60,855	7.6 7.1	76 1/1, 76 2/2
8560 W Peoria Ave Peoria, "Cedar Meadows"	144 127,872	\$7,895,000 \$61.74	7/26/2005 1985	\$1,054,080 \$54,826	7.5 6.0	144 2/1
4704 E Paradise Vlg Pkwy N Phoenix, "Paradise Point"	136 130,920	\$10,325,000 \$78.87	7/19/2005 1984	\$1,254,960 \$75,919	8.2 6.5	40 1/1, 96 2/2 85% occupied, condo conversion planned
740 W Elm St Phoenix, "Esplanade"	132 114,300	\$7,500,000 \$65.62	8/12/2005 1984	\$1,042,135 \$56,818	7.7 6.5	24 1/1, 108 2/2 Condo conversion planned
4529 W Ocotillo Rd Glnd, "Maryland Gardens"	120 90,323	\$6,450,000 \$71.41	8/31/2005 1983	\$783,499 \$53,750	8.9 6.0	72 1/1, 48 2/2
1901 E Osborn Rd Phoenix, "Hidden Village"	108 73,776	\$6,450,000 \$87.43	7/29/2005 1982	\$720,072 \$59,722	9.0 5.4	78 1/1, 30 2/1.75
2625 E Indian School Rd Phoenix, "Biltmore Palms"	106 84,726	\$6,975,000 \$82.32	7/13/2005 1982	\$891,568 \$65,801	8.2 6.4	52 1/1, 54 2/2 88% occupied
16802 N 31 st St Phoenix, "Sun Terrace"	96 92,160	\$8,250,000 \$89.52	8/18/2005 2000	\$950,400 \$85,937	8.7	96 2/2 Condo conversion planned
56 N Extension Rd Mesa, "Shadow Run"	80 52,120	\$3,725,000 \$71.47	7/14/2005 1984	\$498,624 \$46,562	7.5 6.2	64 1/1, 16 2/2
454 W Brown Rd Mesa, "Rio Vista"	80 72,560	\$4,200,000 \$57.88	7/29/2005 1972	\$624,000 \$52,500	6.7 7.9	80 2/2

Note: There were an additional 31 apartment complexes (with 10+ units) reported sold in the 3rd 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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 Data source: COSTAR, MLS, Pierce-Eislen & personal knowledge
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The Apartment Market (November 2005) – “Vacancy Rates at Five Year Low”

The biggest news from the past quarter was the sharp decline in vacancy rates. ASU reported a 2.5% decrease to 5.3% (for all size units). RealData, Inc. also reported a 1.28% drop to 7.29 (50-99 units) and a 1.49% drop to 6.85% (100+ units). These are the lowest reported vacancy rates for five years. The overall reason is a reduced supply relative to an ever-increasing demand. For the past several years, construction of new apartment projects has been 50% to 60% of previous years, while over the same period, the population increase has not backed off. Couple this with the thousands of tenants that have recently been (and will continue to be) displaced as apartments are converted into condominiums – and the projection should be a further drop in vacancy.

The strong occupancy will mean owners will be back in the driver’s seat. Not only will “move-in specials” and “rent concessions” diminish, but owners will be able to enforce stricter living policies. Rent growth, which has been essentially stagnant for a number of years, is also expected to increase over the next few months. If you’re at 95%+ occupancy – raise your rents. All of these “good news” items will mean increased cash flow – something that will be important to sustain the continued value appreciation as long-term interest rates move upwards.

Both long and short-term interest rates have moved up slightly and are expected to continue this trend till sometime next Spring. The projection is for Alan Greenspan, or his replacement, Ben Bernanke, to continue to check inflation concerns with at least two more quarter-point bumps in the Fed cost of funds. This equates to a Fund rate of about 4.5%, which by definition, means a 7.5% Prime rate. The Feds believe “neutral inflation” is good for a healthy economy. If they overcorrect, rates could be lowered. A CPI of less than 3.0% would suggest such an overcorrection.

Locally, the economy in metro Phoenix is strong. The Valley has the education base, business-friendly environment and sun-belt weather to continue to attract employers and sustain the population boom. Although the median price of a house has jumped 40% to 50% over the past year, the current price of \$263,000 is still below many neighboring major cities. Housing prices continued to increase over the past quarter – but at a reduced rate (7.6%) – all of which is favorable for sustaining a healthy economy and a strong apartment market.

Jim Kasten, CCIM

Kasten / Long Apartment Team - Apartment Activity (as of 11.7.05)

RECENT APARTMENT CLOSINGS (Since 2nd Qtr Newsletter 8.8.05)

159 units, 6770 N 44th Ave, Phoenix (Arroyo Palms) \$6,900,000
105 units, 7002 E Palm Ln, (Palm Villas of Scottsdale) \$7,300,000
16 units, 6542 N 17th Ave, Phoenix (Huntington Gardens) \$750,000
4-4-plexes, 210-234 S Lazona Dr, Mesa \$400,000 ea
3 4-plexes, 2413-2437 E Amarillo St, Casa Grande \$240,000 ea
11 units, 3703 N 9th Pl, Phoenix \$635,000
8 units, 326 W Earll Dr, Phoenix \$575,000
4-plex, 7014 E Palm Lane, Scottsdale \$435,000
4-plex, 1866 S Monterey St, Apache Junction \$325,000
4-plex, 1145 W Tonto St, Phoenix \$295,000

APARTMENTS IN ESCROW

236 units, 4802 N 19th Ave, Phx (Pines of Camelback) List: \$13M
32 units, 4413 N 27th St, Phoenix (Monterey) List: \$2.8M
27 units, 809 N 5th Ave, Phoenix List: \$1.5M
17 units, 2532 E Washington St, Phx List: \$850,000
16 units, 2515 S College Ave, Tempe List: \$1.5M
13 units, 3244 N 38th St, Phx (Casa de Susan) List: \$1.2M
11 units, 1232 N Hayden, Scottsdale List: \$825,000
9 units, 502 E Mariposa, Phx (Tropicana) List: \$699,000
4-plex, 6637 W Myrtle, Glendale List: \$309,600
4-plex, 2725 E Southgate Ave, Phx List: \$365,000
3-plex, 2723 E Southgate Ave, Phx List: \$275,000

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

144 unit mini-storage, Flagstaff (AAA Discount) List: \$1,575,000
40 units, 2740 W Medlock Dr, Phoenix (Suntree) List: \$2,200,000
24 units, 4415 & 4420 N 8th Ave, Phx (Moon River) List \$ 1,575,000
24 units, 529 & 530 E Mariposa, Phx (Grand Cayman) List: \$1,799,000
22 units, 1121 S 17th Ave, Phoenix (Casa Del Sol) List: \$595,000
19 units, 10305 N 15th Ave, Phoenix (Casa Palomas) List: \$ 1,149,000
18 units, 512-524 E Mariposa, Phx (Plantation) List: \$1,349,000
4 4-plexes, 1642-7 W Yucca & 11229-35 N 17th Ave, Phx List: \$499k ea
4 4-plexes, 315-21 S Shouse, Mesa List: \$400,000 ea

14 units, 328 E Willetta St, Phoenix (Ritz Towers) List: \$1,195,000
14 units, 1825 E Don Carlos, Tempe (AZ Sun) List: \$850,000
12 units, 321 W Pasadena Ave, Phx (Marue) List: \$ 875,000
10 units, 9826-9830 N 7th Ave, Phoenix List: \$550,000
8 units, 521-525 E Mariposa, Phx (Melrose) List: \$549,000
2 4-plexes, 6708-14 E Cheery Lynn, Scottsdale List: \$435,000 ea
2 4-plexes, 2629-37 E Monte Cristo, Phoenix List: \$329,900 ea
4-plex, 6801 E Avalon, Scottsdale List: \$455,000
4-plex, 6644 E Earll, Scottsdale List: \$425,000
4-plex, 2738 E Tierra Buena, Phoenix, List: \$375,000