

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

4th Quarter 2005

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(October – December 2005)
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See also:

www.PhxAptsForSale.com

Vacancy rates continued their decrease with rent concession and move-in specials reportedly diminishing - resulting in rent growth and stronger cash flow. The demand for apartments is still strong but the high asking prices, combined with higher interest rates, has cooled the market a bit. The demand for apartments to be turned into condos has maintained its feverish pace. Overall, compared to 2004 sales, 2005 saw a 39.6% jump in price/unit and a 29.0% jump in price/sf. This was led by the 100+ size complexes (see page 4).

Kasten/Long Team Update: The Team closed \$49.3M in 2005 and currently has \$45.0M in escrow and \$25.8M in active listings. See web site for details.

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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 (1)	319	- 552	7.4%
2005 (2)	811	- 1,376	7.8%
2005 (3)	1,297	6,337	5.3%
2005 (4)	823	347	5.0%

Vacancy Rate Drops Further to 5.0%

At the end of the 4th quarter of 2005, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units dropped from **5.3% to 5.0%**. Of the 325,122 total multifamily units, there were 16,100 reported as vacant, down from 17,425 reported as vacant for the 3rd quarter with an inventory of 326,100. The maximum vacancy rate for all-size units was 8%, but most were 5%.

# of Units	2005 3rd Qtr.	2005 4th Qtr.
2 - 24	4%	8%
25 - 50	5%	5%
51 - 75	4%	5%
76 - 99	4%	5%
100 - 150	5%	4%
151 - 200	5%	5%
200+	<u>6%</u>	<u>5%</u>
Average	5.3%	5.0%

The highest housing sub-district vacancy rate (7%) was reported in Glendale with rates of 1% to 2% reported in North Paradise Valley, Sun City and Gilbert.

New apartment permits issued for the 4th quarter totaled 823 and included Trillium's 360 units at 20425 N 7th St. in north Phoenix, Mark Taylor's 200 units at 1600 N Arizona Av. in Chandler and MT Builders' 142 units at 16671 N Litchfield Rd. in the Western Suburbs sub-district.

Absorption (347 units) was down from the 3rd quarter's high mark. Total multifamily inventory dropped by 978 with 2,381 apartments reported as being converted to condos (likely a minimum). A total of 1,826 units came on-line (7 projects) in the 4th quarter, five in the Deer Valley/Union Hills area, a 312-unit complex in Superstition Springs and 250 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

Greater Phoenix Apartment Sales

4th Qtr - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
7791 E Osborn Rd Phx, "Scottsdale Greens"	644 504,000	\$52,623,400 \$104.41	12/5/2005 1979	\$5,634,626 \$81,713	9.3 5.7	352 1/1, 128 2/1, 136 2/2, 28 3/2 Condo conversion planned
5150 N 99 th Ave Gndl, "Villas at Camelback"	504 479,124	\$45,500,000 \$94.97	12/15/2005 2002	\$5,853,600 \$90,277	7.8 7.4	120 1/1, 264 2/2, 120 3/2
5205 W Thunderbird Rd Gndl, "Newport Landing"	480 402,707	\$31,376,600 \$77.91	12/6/2005 1996	\$4,251,200 \$65,367	7.4 6.8	221 1/1, 56 2/1.5, 154 2/2, 49 3/2 Condo conversion planned
2121 E Main St Mesa, "Bay Club"	472 391,178	\$20,500,000 \$52.41	11/30/2005 1985	\$3,197,520 \$43,432	6.4	186 1/1, 286 2/2 \$5M renovation planned
3500 N Hayden Rd Scottsdale, "Sunscape"	442 386,000	\$53,040,000 \$137.41	10/28/2005 1979	\$120,000		108 1/1, 144 2/1, 190 2/2 Condo conversion planned
3601 E McDowell Rd Phoenix, "MonteVerde"	435 292,283	\$47,000,000 \$160.80	12/14/2005 2004	\$4,297,740 \$108,045	10.9	265 1/1, 100 2/1, 70 3/2
1535 N Scottsdale Rd Tempe, "Archst. Rio Salado"	404 377,704	\$56,454,000 \$149.47	12/19/2005 1998	\$5,029,912 \$139,737	11.2 5.6	144 1/1, 188 2/2, 72 3/2
8222 N 19 th Ave Phoenix, "Maya Linda"	360 213,539	\$15,860,250 \$74.46	10/31/2005 1982	\$2,430,720 \$44,166	6.5 6.5	108 st, 184 1/1, 12 2/1, 56 2/2 86% occupied
5401 E Van Buren St Phoenix, "Red Rock Villas"	360 320,040	\$39,600,000 \$123.73	10/12/2005 1999	\$110,000		216 1/1, 144 2/2 Condo conversion planned
909 E Camelback Rd Phx, "Reflections on Cmlbk"	360 316,740	\$59,040,000 \$186.40	12/1/2005 2001	\$4,053,935 \$164,000	14.6 3.5	11 st, 210 1/1, 6 2/1, 115 2/2, 18 3/2 Condo conversion planned
10255 E Via Linda Scottsdale, "La Privada"	350 417,843	\$79,600,000 \$190.50	11/16/2005 1985	\$227,428		72 1/1, 278 2/2 Condo conversion planned
10002 N 7 th St Phoenix, "Posada Villarta"	336 352,991	\$23,550,000 \$66.72	12/12/2005 1984	\$70,089	5.7	97 1/1, 212 2/2, 27 3/2
944 W Main St Mesa, "Epernay"	336 227,344	\$17,200,000 \$75.66	12/8/2005 1982	\$2,128,775 \$51,190	8.1 5.8	64 st, 172 1/1, 110 2/2
1033 S Longmore Mesa, "Fiesta Park"	320 234,707	\$15,521,100 \$66.30	10/31/2005 1977	\$2,203,184 \$48,625	7.1 7.5	232 1/1, 88 2/2 89% occupied
5995 N 78 th St Scott, "Scottsdale Crossing"	300 252,700	\$34,500,000 \$136.53	11/29/2005 1982	\$2,664,712 \$115,000	13.0 4.4	92 1/1, 200 2/2, 8 3/2 Condo conversion planned
1941 S Pierpont Dr Glbrt, "Broadstone at Base."	288 273,804	\$36,400,000 \$132.94	12/8/2005 2005	\$126,388		96 1/1, 156 2/1, 36 3/2 Condo conversion planned
8135 N 35 th Ave Phoenix, "Northern Landing"	286 206,750	\$13,700,000 \$66.26	12/15/2005 1982	\$47,902	6.3	174 1/1, 112 2/2 Condo conversion planned
601 S Alma School Rd Mesa, "Crestwood"	276 149,433	\$11,900,000 \$79.63	12/22/2005 1984	\$43,115		255 1/1, 21 2/1
3848 N 3 rd Ave Phoenix, "Hawthorne"	276 259,939	\$39,201,750 \$151.20	10/31/2005 1998	\$2,870,892 \$142,391	13.7 3.4	112 1/1, 140 2/2, 24 3/2 Condo conversion planned
7101 N 19 th Ave Phoenix, "Montevida"	276 225,194	\$30,721,000 \$136.42	12/15/2005 1999	\$2,858,439 \$111,307	10.8 4.3	156 1/1, 90 2/2, 30 3/2 83% occupied
17071 N 12 th St Phoenix, "Cordillera"	272 259,480	\$27,750,000 \$106.94	12/15/2005 1996	\$102,022		96 1/1, 24 2/1, 128 2/2, 24 3/2 Condo conversion planned
10201 N 44 th Dr Gndl, "Rancho Santa Fe"	270 198,580	\$13,950,000 \$70.25	11/28/2005 1985	\$2,124,599 \$51,666	6.6 5.5	30 st, 120 1/1, 32 2/1, 88 2/2
9340 E Redfield Rd Scottsdale, "Sonoran Vista"	264 271,112	\$48,840,000 \$180.15	10/5/2005 1996	\$3,106,846 \$185,000	15.7 3.5	64 1/1, 44 1/1.5, 88 2/2, 44 2/2.5, 24 3/2.5 Condo conversion planned
17211 N 35 th Ave Phoenix, "The Springs"	240 246,053	\$16,450,000 \$66.86	10/28/2005 1981			60 1/1, 149 2/2, 31 3/2 Condo conversion planned
9335 E Baseline Rd Mesa, "Augusta Ranch"	238 245,871	\$24,850,000 \$101.07	11/1/2005 2001	\$2,823,360 \$104,411	8.8 6.6	68 1/1, 170 2/2 Condo conversion planned
2028 W Indian School Rd Phoenix, "Coconut"	236 112,100	\$5,800,000 \$51.74	12/7/2005 1971	\$24,576		106 st, 128 1/1, 1 2/1, 1 2/2
3236 E Chandler Blvd Phoenix, "Mountain Canyon"	228 235,720	\$32,500,000 \$137.88	10/4/2005 1996	\$142,543		76 1/1, 56 2/1, 72 2/2, 24 3/2 Condo conversion planned
9415 N 99 th Ave Peoria, "Sun Wood"	220 186,092	\$14,200,000 \$76.31	12/13/2005 1984	\$1,730,659 \$64,545	8.2 6.9	104 1/1, 116 2/2

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

4th Qtr - 2005

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
14020 N Black Canyon Hwy Phoenix, "Canyon Springs"	203 144,498	\$10,000,000 \$69.21	10/13/2005 1981	\$1,484,820 \$49,261	6.7 6.6	131 1/1, 40 2/1, 32 2/2
17447 N Ave of the Arts Surprise, "Canyon Ridge"	192 182,122	\$13,975,000 \$76.73	10/28/2005 2001			80 1/1, 96 2/2, 16 3/2
200 E Southern Ave Tempe, "Chesapeake"	192 136,816	\$14,300,000 \$104.52	11/16/2005 1986	\$1,685,992 \$74,479	8.5 7.4	152 1/1, 40 2/2 Condo conversion planned
725 N Dobson Rd Chandler, "Crystal Cove"	187 172,380	\$21,700,000 \$125.88	11/22/2005 1995	\$116,042		87 1/1, 88 2/2, 12 3/2 Condo conversion planned
3825 E Camelback Rd Phx, "Arcadia Residences"	184 175,260	\$20,240,000 \$115.49	11/29/2005 1980	\$110,000		92 1/1, 92 2/2 Condo conversion planned
12231 N 19 th St Phoenix, "Paradise Foothills"	180 138,432	\$11,520,000 \$83.22	12/22/2005 1985	\$64,000		95 1/1, 1 2/1.5, 84 2/2
15082 N 59 th Ave Glendale, "Sagewood"	176 112,640	\$9,400,000 \$83.45	12/8/2005 1983	\$1,396,388 \$53,409	6.7 5.6	24 st, 80 1/1, 72 2/2
14602 N 19 th Ave Phoenix, "The Turn"	166 164,652	\$18,500,000 \$112.36	10/27/2005 1999	\$111,445		14 st, 64 1/1, 72 2/2, 16 3/2 Condo conversion planned
3434 E Baseline Rd Phoenix, "The Raven"	160 143,684	\$12,750,000 \$88.74	11/30/2005 1999	\$79,687		58 1/1, 72 2/2, 30 3/2 Condo conversion planned
6770 N 44 th Ave Glendale, "Arroyo Palms"	159 153,081	\$6,900,000 \$45.07	10/3/2005 1975	\$43,396		11 1/1, 36 1/1.5, 28 2/1, 36 2/1.5, 48 3/2
225 N Gilbert Rd Mesa, "Ranch Palos Verdes"	152 134,200	\$13,765,000 \$102.57	11/30/2005 1987	\$1,170,192 \$90,559	11.8 5.1	52 1/1, 100 2/1 Condo conversion planned
650 S Country Club Dr Mesa, "Mesa Ridge"	151 129,552	\$7,000,000 \$54.03	12/23/2005 1974	\$987,521 \$46,357	7.1 6.7	32 1/1, 119 2/2 89% occupied
10030 W Indian School Rd Phx, "Desert Breeze Villas"	144 143,675	\$13,117,125 \$91.53	11/3/2005 1997	\$1,537,920 \$91,319	8.5 4.3	40 1/1, 72 2/2, 32 3/2
1718 S Jentilly Lane Tempe, "Villas in Tempe"	137 148,020	\$9,600,000 \$64.86	12/15/2005 1968	\$1,399,625 \$70,072	6.9 5.7	13 1/1, 83 2/1, 41 3/1 82% occupied
8445 N 23 rd Ave Phoenix, "The Greens"	136 94,936	\$7,400,000 \$77.95	10/31/2005 1980	\$54,411	5.6	96 1/1, 46 2/1.5, 24 2/2
20707 N 67 th Ave Glendale, "Strayhorse"	136 126,128	\$10,500,000 \$83.25	12/19/2005 1998	\$1,479,409 \$77,205	7.1 9.0	44 1/1, 80 2/2, 12 3/2
8080 N 51 st Ave Glendale, "Maplewood"	130 95,745	\$6,240,000 \$65.17	12/9/2005 1984	\$925,440 \$48,000	6.7 6.3	74 1/1, 56 2/2
5877 N Granite Reef Rd Scottsdale, "Pk Scottsdale"	128 100,820	\$12,600,000 \$124.98	11/9/2005 1980	\$98,437		56 1/1, 24 2/1, 48 2/2 Condo conversion planned
7110 E Continental Dr Scottsdale, "Pavillions"	114 108,228	\$9,800,000 \$90.55	12/14/2005 1971	\$954,000 \$85,964	10.3 5.5	38 2/1, 56 2/2, 20 3/2
14203 N 19 th Ave Phoenix, "Sungate"	113 84,835	\$6,450,000 \$76.03	11/30/2005 1981	\$880,675 \$57,079	7.3 6.3	57 1/1, 56 2/1 Condo conversion planned
111 S San Jose Mesa, "Courtyards"	112 67,976	\$4,895,000 \$72.01	10/17/2005 1973	\$702,014 \$43,705	7.0 6.1	111 1/1, 1 2/1
7002 E Palm Lane Scotts, "Palm Villas Condo"	106 82,475	\$7,300,000 \$88.51	10/27/2005 1962	\$819,600 \$68,867	8.9 6.8	4 st, 7 2/1, 95 2/1.5 Condo conversion planned
11640 N 51 st Ave Glendale, "Prairie Point"	102 94,860	\$5,300,000 \$55.87	12/8/2005 1984	\$901,870 \$51,960	5.9 5.6	102 2/2
10860 N 85 th Ave Peoria, "Villas at Montebelle"	100 72,100	\$5,450,000 \$75.59	11/7/2005 1974	\$694,800 \$54,500	7.8	20 1/1, 80 2/1
4343 N 21 st St Phoenix, "Andover Square"	80 97,239	\$12,418,875 \$128.05	10/20/2005 1997	\$1,037,371 \$155,625	12 5.8	20 1/1, 44 2/2, 16 3/2 Condo conversion planned
2433 W Campbell Ave Phoenix, "Canterbury"	76 64,600	\$4,850,000 \$75.08	12/16/2005 1972	\$524,400 \$63,815	9.2	76 2/2
6525 N 15 th Ave Phx, "Palm Verde Fairways"	68 78,511	\$4,900,000 \$62.41	10/31/2005 1969	\$576,720 \$72,058	8.5 6.7	8 1/1, 20 2/2, 40 3/2

Note: There were an additional XX apartment complexes (with 10+ units) reported sold in the 4th quarter of 2005 with a price at or above \$250,000.

CAP Cap Rate (NOI / Sales Price)
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)

Table compiled by: **Kasten / Long Apartment Team**
 RE/MAX Commercial Investment
 Data source: COSTAR, MLS, Pierce-Eislen & personal knowledge
 All information is believed to be accurate but is not guaranteed.

2005 Apartment Sales

Fueled by the 50+% jump in the residential market over the past 18 months, the overall statistics were clearly led by the 100+ apartment size complexes, typically of new or newer construction, being purchased for condo conversion. Most all sizes and ages however, reported a strong increase in both price/sf and price/unit over last year. While the demand for apartments as apartments remained active (but cooling off), prices paid for apartments to be turned into condos were sometimes staggering. The condo craze also filtered to the smaller and older properties, allowing the investor with less capital to take advantage of the opportunity.

Year	Total Sales	Price/unit	Price/sf
2000	219	\$36,870	\$50.25
2001	244	\$40,690	\$53.51
2002	219	\$41,865	\$55.26
2003	286	\$43,579	\$58.65
2004	359	\$51,296	\$67.17
2005	424	\$71,599	\$86.68
1 Year Increase:		39.6%	29.0%
5 Year Increase:		94.2%	72.5%

2005 (2004) Apartment Sales - Price/Unit

Built	Number of Units							
	10 - 19		20 - 49		50 - 99		100+	
	2005	(2004)	2005	(2004)	2005	(2004)	2005	(2004)
1940's	\$48,463	(\$53,990)	---	(\$37,452)	---	---	---	---
1950's	\$73,882	(\$54,744)	\$48,158	(\$48,158)	---	---	---	---
1960's	\$69,579	(\$51,186)	\$45,100	(\$45,100)	\$53,228	(\$43,529)	\$ 55,718	(\$38,884)
1970's	\$55,891	(\$48,747)	\$51,189	(\$51,189)	\$49,967	(\$44,522)	\$ 46,334	(\$39,192)
1980's	\$97,858	(\$49,647)	\$48,111	(\$48,111)	\$56,582	(\$45,815)	\$ 58,571	(\$47,426)
1990's	---	---	---	---	---	(\$103,445)	\$112,925	(\$49,181)
2000's	---	---	---	---	---	---	\$101,022	(\$90,582)
Total Sales	44	(66)	100	(124)	56	(56)	220	(113)
Total Sales Price	\$47M	(\$47M)	\$179M	(\$175M)	\$224M	(\$194M)	\$4.2B	(\$1.6B)
Avg. Price/unit	\$74,813	(\$52,285)	\$57,470	(\$47,311)	\$52,973	(\$48,763)	\$73,789	(\$56,831)
Avg. Price/sf	\$81.37	(\$73.25)	\$76.37	(\$65.44)	\$63.65	(\$65.35)	\$88.81	(\$67.03)

--- Three sales required per category for data entry.
 Data from Costar-Comps. Includes all apartment sales with at least 10 units and purchase price of at least \$250,000.
 Data for 2004 sales is shown in parenthesis.

Kasten / Long Apartment Team - Apartment Activity (as of February 17, 2006)

RECENT APARTMENT CLOSINGS (Since 3rd Qtr Newsletter 11.7.05)

- 16 units, 2515 S College Ave, Tempe \$1,500,000
- 13 units, 3244 N 38th St, Phx (Casa de Susan) \$1,098,000
- 11 units, 1232 N Hayden, Scottsdale \$815,000
- 9 units, 502 E Mariposa, Phx (Tropicana) \$685,000
- 8 units, 1901,07, 11 E Amelia Ave, Phx \$665,000
- 8 units, 2629 & 2637 E Monte Cristo, Phx \$648,000
- 8 units, 521-5 E Mariposa, Phx (Melrose) \$540,000
- 7 units, 1402-6 E Roosevelt, Phx \$538,000
- 7 units, 2513,17,19,21,23 E Willetta, Phx \$329,000

APARTMENTS IN ESCROW

- 236 units, 4802 N 19th Ave, Phx (Pines of Camelback) List: \$13M
- 188 units, 1701 E Eighth St., Tempe (Foxfire) List: BID
- 154 units, 949 S Longmore St, Mesa (Montego Villas) List: \$10.6M
- 30 units, 425 E Brown Rd, Mesa (Mountain Vw) List: \$2.1M
- 27 units, 809 N 5th Ave, Phoenix List: \$1.5M
- 23 units, 3221 N 36th St, Phoenix (Tamarisk) List: \$1.35M
- 17 units, 2532 E Washington St, Phx List: \$850K
- 14 units, 1825 E Don Carlos, Tempe (AZ Sun) List: \$850K
- 12 units, 321 W Pasadena Ave. Phx (Marue) List: \$875K

APARTMENTS "FOR SALE"

- 56 units, 5110 N 19th Ave, Phx (Villager) List: \$3.45M
- 40 units, 2740 W Medlock Dr, Phx (Suntree) List: \$2.1M
- 35 units, 2030 E Broadway, Mesa (Groves at Mesa) List: \$2.3M
- 32 units, 4413 N 27th St, Phoenix (Monterey) List: \$2.8M
- 29 units, 316-340 N 14th Ave, Phx (Dakota) List: \$1.995M
- 26 units, 1840 W Thomas Rd., Phx (Encanto Stes) List: \$2.25M
- 26 units, 248XX W Patton Rd, Wittman (26 A) List: \$2.22M
- 24 units, 529-30 E Mariposa, Phx (Grand Cayman) List: \$1.799M
- 20 units, 3225 W Jefferson, Phx (5 4-plexes) \$309K ea
- 18 units, 512-24 E Mariposa, Phx (Plantation) List: \$1.349M
- 16 units, 1514 E Monroe, Phx (Jasmin Court) List: \$939K
- 16 units, N 17th Ave & Yucca, Phx (4 4-plexes) List:\$415K ea
- 14 units, 328 E Willetta St, Phx (Ritz Towers) List: \$1.085M
- 11 units, 2216 N 16th St, Phx (Westwind) List:\$499K
- 10 units, 26202-4 S Lemon, Queen Creek List: \$575K
- 8 units, 6708 & 14 E Cheery Lynn, Scotts (4-plex) List:\$419.5K ea

See www.PhxAptsForSale.com for details on these properties and all new listings