

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

2nd Quarter 2006

IN THIS ISSUE ...

- Apartment Sales
(April – June 2006)
- Vacancy Rate Still Low at 3.9%
- Market Overview - Soft

www.PhxAptsForSale.com

The low vacancy rate has held (3.9%) and is projected to remain near this level. Rent growth is finally a reality – and overall cash flow is increasing. All that's great, but the overall market has softened with the number of advertised "for sale" apartment complexes having increased about 50% over the last year. The number of buyers has decreased significantly from last year and sale prices are flattening.

Kasten/Long Team Update:

To-date, the Team has closed \$53.3M (824 units) keeping us the #1 ranked Commercial Deal for RE/MAX in the U.S.

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@	JLong@	STrevey@	TKass@AZProperty.com

Vacancy Rate Remains Low – 3.9%

At the end of the 2nd quarter of 2006, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units increased slightly from 3.7% to 3.9%. Of the 321,018 total multifamily units, there were 12,675 reported as vacant.

# of Units	2006 1st Qtr.	2006 2nd Qtr.
2 - 24	3%	7%
25 - 50	4%	8%
51 - 75	4%	4%
76 - 99	4%	5%
100 - 150	3%	4%
151 - 200	3%	4%
200+	4%	4%
Average	3.7%	3.9%

The lowest sub-district vacancy rates were reported in Sky Harbor and Sun City (1% & 2% respectively). All of the remaining sub-districts in metro Phoenix ranged from 3% to 5%.

Of the 32 sub-districts, 10 reported reduction in apartment inventory from Q1 06. The greatest reduction was in South Tempe (440), Mountain park (352) and Chandler, due in most part to condo conversion.

There were 1,267 apartment permits issued in the 2nd quarter. This was led by CANV's 301 units at 12115 W Van Buren, Trillium's 270 units at 4950 E Van Buren, and Picerne's 260 units at 4200 W Pebblecreek Pw.

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	3,250	4,756	5.0%
2006 (1)	1,266	1,624	3.7%
2006 (2)	1,267	-2,303	3.9%

Absorption was reported at a negative 2,303 units with 3,175 units reported as removed from the multifamily inventory for condo conversion. Rental rates were reported to have increased **3.3%** in the 2nd qtr and **5.6%** from six months ago.

A total of 507 units were completed in the 2nd quarter. This included the 302 units at 2100 N 145th Av in Goodyear (Alexan Palm Valley) and the 205 units at 2506 W Dunlap Av (Arete).

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 Source for Vacancy and Demographics:

- Phoenix Metropolitan Housing Study, AZ R.E. Center
Arizona State University's Polytechnic Campus

Greater Phoenix Apartment Sales

2nd Qtr - 2006

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
Maricopa County Portfolio 7 Mark-Taylor communities	2176 2,193,093	\$407,402,029 \$185.77	6/28/2006 1995-2000	\$14,699,906 \$187,225	3.6	San Montego, San Melia , Tradition, Paragon & Legends , San Brisas, San Palmas
6201 W Olive Ave, Gindl, "Olive Tree"	762 428,487	\$37,725,000 \$88.04	6/29/2006 1985	\$5,032,800 \$49,507	7.5	678 1/1, 84 2/1 Condo conversion prohibited by CC&R's
19920 N 23 rd Ave Phx, "Bacara" & "Montelena"	629 460,525	\$80,800,000 \$175.45	5/31/2006 2005	\$128,457		78 st, 210 1/1, 25 2/1, 222 2/2, 58 3/2, 36 4/2
4722 E Bell Rd, Phx, "Saddleback"	582 315,060	\$43,225,000 \$137.20	6/29/2006 1984	\$74,269		528 1/1, 54 2/1 Bulk/Portfolio sale
2145 W Broadway Rd, Mesa, "Tradewind"	480 390,843	\$22,300,000 \$57.06	6/5/2006 1973			48 st, 136 1/1, 48 2/1, 192 2/2, 56 3/2 (aka Mesa Ridge)
1133 W Baseline Rd, Tempe, "La Contenta"	472 402,636	\$41,000,000 \$101.83	6/19/2006 1983	\$86,864	5.5	200 1/1, 120 2/1, 131 2/2, 20 3/2
8330 N 19 th Ave Phx, "Sands Point"	432 339,852	\$25,700,000 \$75.62	4/21/2006 1985	\$3,526,816 \$59,490	7.3 6.4	264 1/1, 48 1/1.5, 120 2/2 88% occupied
8902 N 19 th Ave, Phx, "Morgan Park"	428 289,935	\$28,728,000 \$99.34	6/15/2006 1989	\$3,901,428 \$67,289	7.4 7.1	272 1/1, 156 2/2 87% occupied, \$3M renovation planned
2140 W Thunderbird Rd, Phx, "Northridge"	376 291,328	\$24,200,000 \$83.07	4/19/2006 1981	\$2,290,940 \$64,361	10.6 4.3	48 st, 168 1/1, 160 2/2
2912 E Indian School Rd, Phx, "Brandywood"	356 152,800	\$16,675,000 \$109.13	6/13/2006 1979	\$2,508,832 \$46,839	6.7 6.1	108 st, 188 1/1 88% occupied
34807 N 32 nd Dr, Phx, "Ironhorse / Tramonto"	324 293,448	\$40,600,000 \$138.36	4/13/2006 2005	\$125,308	5.0	216 1/1, 36 2/1, 60 2/2, 12 3/2
17625 N 7 th St, Phx, "North Park Village"	320 318,171	\$24,937,500 \$78.58	5/19/2006 1984	\$3,381,008 \$78,125	7.4 4.6	56 1/1, 184 2/2, 80 3/2 67% occupied, Condo conversion planned
6801 E Camelback Rd, Scottsdale, "Orchidtree"	278 224,974	\$36,000,000 \$160.02	6/9/2006 1971	\$129,496		Being razed for Scottsdale project The Promenade on Camelback
3221 W El Camino Dr, Phx, "Vista Ventana"	275 187,663	\$14,025,000 \$74.74	4/21/2006 1982			83 st, 144 1/1, 48 2/2
1903 N Country Club Dr, Mesa, "Casa Carranza"	272 121,001	\$11,371,500 \$94.21	6/13/2006 1977	\$1,923,660 \$41,911	5.9 6.2	104 st, 166 1/1, 2 2/2
3600 W Ray Rd, Chandler, "San Ventura"	272 262,984	\$33,000,000 \$125.48	5/1/2006 1997	\$121,323	5.0	104 1/1, 144 2/2, 24 3/2
8530 N 22 nd Ave, Phx, "Rancho Viejo"	266 207,156	\$17,485,000 \$84.41	5/26/2006 1985	\$65,733	5.5	152 1/1, 114 2/2
1333 N 24 th St, Phx, "Monterra"	258 199,986	\$22,019,812 \$110.39	4/25/2006 2002	\$2,623,080 \$85,562	8.4 5.7	30 st, 117 1/1, 88 2/2, 23 3/2
4707 E McDowell Rd, Phx, "Heather Ridge"	252 163,140	\$11,700,000 \$71.72	5/30/2006 1983	\$46,428		12 st, 140 1/1, 100 2/2 \$1.7M renovation planned
1727 W Emelita Ave, Mesa, "Sandstone"	238 146,331	\$12,718,125 \$87.14	4/12/2006 1988	\$1,704,060 \$53,571	7.5 7.5	104 st, 104 1/1, 30 2/2
3030 N 7 th St, Phx, "Country Club"	222 149,150	\$11,295,000 \$75.73	6/14/2006 1949			40 st, 446 1/1, 56 2/1, 10 3/1 Condo conversion planned, master metered
2634 N 51 st Ave, Phx, "Paseo Del Sol"	215 99,510	\$8,840,000 \$88.84	6/14/2006 1981	\$1,600,500 \$41,116	5.5 6.2	78 st, 137 1/1 86% occupied, master metered
11885 W McDowell Rd, Avondale, "Crystal Springs"	200 201,180	\$22,400,000 \$111.34	6/14/2006 2001	\$112,000		68 1/1, 112 2/2, 20 3/3
2323 W Dunlap Ave, Phx, "Dunlap Square"	192 149,656	\$12,900,000 \$86.20	4/28/2006 1984	\$67,187		92 1/1, 100 2/2
2015 W Cactus Rd, Phx, "Fountain Creek"	186 150,181	\$11,503,170 \$76.79	4/17/2006 1986	\$1,521,440 \$62,000	7.6 8.6	94 1/1, 40 2/1.25, 2/2 Condo conversion planned
5402 E Washington St, Phx, "Mandarina"	180 142,264	\$20,500,000 \$144.10	4/10/2006 2002	\$113,888	5.3	110 1/1, 70 2/2
29862 N Tatum Blvd, Cave Creek, "Azure Creek"	160 141,259	\$26,533,500 \$188.32	4/5/2006 2003	\$166,250	4.2	104 1/1, 56 2/2 Condo conversion planned
5008 E Thomas Rd, Phx, "Wyndham Place"	155 95,602	\$8,650,000 \$90.48	6/2/2006 1979	\$882,916 \$55,806	9.8 4.5	20 st, 102 1/1, 17 2/1, 16 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

2nd Qtr - 2006

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
1400 N Alma School Rd, Chandler, "Kachina"	152 120,008	\$14,491,260 \$120.75	4/7/2006 1986	\$95,337	5.5	80 1/1, 72 2/2
10227 N 32 nd Ln, Phx, "Metro Gardens"	144 113,736	\$6,300,000 \$55.30	6/5/2006 1980	\$43,750	5.9	16 st, 48 1/1, 32 2/1, 16 2/1.5, 32 2/2
10001 N 7 th St, Phx, "North Mountain"	140 83,400	\$6,100,000 \$73.14	5/26/2006 1982	\$43,571		24 st, 88 1/1, 28 2/1
6545 N 19 th Ave, Phx, "Brookfield Terrace"	135 81,270	\$5,750,000 \$70.75	4/12/2006 1969	\$964,500 \$42,592	5.9 7.7	135 1/1
226 N Hobson, Mesa, "Park Village"	118 95,480	\$6,012,000 \$62.97	4/11/2006 1973	\$1,017,893 \$50,949	5.9 7.4	66 1/1, 16 2/1, 36 2/2 Master metered
2625 E Indian School Rd, Phx, "Biltmore Palms"	106 84,726	\$9,165,000 \$108.17	5/23/2006 1982	\$86,462		52 1/1, 54 2/2
3443 E University Dr, Mesa, "Val Vista Gardens"	98 82,582	\$6,525,000 \$79.01	6/2/2006 1986	\$753,771 \$66,581	8.7 5.6	2 st, 34 1/1, 62 2/2
1248 S Vineyard, Mesa, "Country Park Villas"	97 82,592	\$4,950,000 \$59.93	5/5/2006 1971	\$721,872 \$51,030	6.9 7.1	16 1/1, 80 2/1, 1 2/2
16804 N 42 nd Ave, Phx, "Juniper Meadows"	72 76,896	\$7,600,000 \$98.83	5/18/2006 2005	\$105,555	5.6	72 2/2
3545 E Van Buren St, Phx, "Casa Sonoran"	67 35,448	\$2,665,000 \$75.18	5/1/2006 1963	\$39,776		67 st
13620 N 7 th St, Phx, "Sevilla Villas"	66 53,680	\$5,550,000 \$103.39	5/23/2006 2004	\$84,090		Condominiums
3501 W Missouri Ave, Phx, "Missouri Meadows"	62 40,000	\$3,300,000 \$82.50	4/17/2006 1979	\$375,600 \$53,225	8.8 6.3	60 1/1, 2 2/1
4526 N Black Canyon Hwy, Phx, "Burton Place"	58 26,750	\$2,135,000 \$79.81	4/27/2006 1964	\$390,960 \$36,810	5.5 7.6	41 st, 4 1/1, 13 2/1 60% occupied, Master metered
724 E Devonshire Ave, Phx	54 24,850	\$2,356,000 \$94.81	4/21/2006 1983	\$43,629		20 st, 34 1/1 Condo conversion planned
1125 E Broadway Rd, Tempe, "Tamaron"	54 43,423	\$5,735,625 \$132.45	6/15/2006 1987	\$458,999 \$106,481	12.5 5.2	34 1/1, 20 2/2
3807 N 30 th St, Phx, "Californian"	48 58,469	\$2,786,000 \$47.65	5/1/2006 1975	\$360,000 \$58,041	7.7 6.9	48 1/1 Condo conversion planned
405 N 40 th Ave, Phx, "Desert Meadowlark"	45 29,250	\$1,880,000 \$64.27	4/13/2006 1971	\$41,777	7.5	45 2/2
137 E Coronado Rd, Phx, "Coronado Garden"	43 26,257	\$2,750,000 \$104.73	5/4/2006 1971	\$294,144 \$63,953	9.4 5.1	4 st, 18 1/1, 21 2/1 Master metered
1911 N 26 th Pl, Phx, "Tamarac I & II"	38 28,350	\$1,850,000 \$65.26	5/18/2006 1983	\$48,684		2 1/1, 35 2/1, 1 3/1
2521 W Elm St, Phx, "Paradise Gardens"	34 25,414	\$2,040,000 \$80.27	4/28/2006 1964	\$217,520 \$60,000	9.4 6.6	12 1/1, 22 2/1
3734 W Camelback Rd, Phx, "Westside Palms"	32 23,650	\$1,680,000 \$71.04	5/26/2006 1982	\$189,540 \$52,500	8.9 6.6	13 1/1, 19 2/1
1241 N 48 th St, Phx, "Delano Place"	32 23,480	\$2,000,000 \$85.18	6/2/2006 1986	\$62,500	6.0	12 1/1, 20 2/2 Condo conversion planned
425 E Brown Rd, Mesa, "Mountain View"	30 27,378	\$2,020,000 \$73.78	4/17/2006 1973	\$212,400 \$67,333	9.5 6.1	18 2/1, 12 3/2 Kasten / Long Apt Team Sale
3025 N 38 th St, Phx, "Montego/Wyndam"	29 21,450	\$1,900,000 \$88.58	5/16/2006 1971	\$65,517	6.0	13 1/1, 14 2/1, 2 2/2
114 E Portland St, Phx, "Edgewater"	25 11,779	\$1,400,000 \$118.86	4/28/2006 1960	\$133,536 \$56,000	10.5 4.9	22 st, 2 1/1, 1 2/1
1424 S Jentilly Ln, Tempe, "Raintree"	24 21,200	\$2,100,000 \$99.06	5/31/2006 1981	\$192,000 \$87,500	10.9 5.4	8 1/1, 16 2/2 Condo conversion planned
9740 W Montebello Ave, Glendale, "Montebello"	24 15,456	\$1,410,000 \$91.23	5/10/2006 1974	\$158,700 \$58,750	8.9 6.4	1 1/1, 23 2/1

Note: There were an additional 34 apartment complexes (with 10+ units) reported sold in the 2nd quarter of 2006 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.

The Apartment Market Softens – Cash Flow Critical

For the past several years, our market has been driven by out-of-state investors, mostly from California. For various reasons, most of these buyers are now gone, including their “buying frenzy” that pushed prices upwards. As a result, except for certain locations and property types, apartment values are flattening. Inventory of advertised apartments “for sale” has increased about 50% since the beginning of the year and investors are now more attentive to “actual” cash flow rather than speculative appreciation.

Here are a few of the reasons for the loss of buyers:

1. mortgage interest rates are up, which not only decreases cash flow, but also lessens the LTV provided by lenders,
2. banks and institutions are offering increased returns for deposited monies,
3. there is a perception that metro Phoenix values have peaked, and
4. Tenant in Common (TIC’s) offer an attractive alternative, especially for 1031-driven monies.

Cash flow is less important for certain areas, such as downtown Phoenix and downtown Scottsdale, with their extensive on-going and planned development. These and several other areas still command speculative pricing.

Many complexes are still being purchased for condo conversion where operational cash flow is also less important. 2nd qtr. sales (pages 2 & 3) note that at least 1,436 units were recently purchased for conversion and likely this is an under estimate. Additionally, there were 3,175 units withdrawn from the multifamily inventory in the 2nd qtr (list posted on our web site). Financing for conversions is tightening especially for larger complexes. End-use sales have slowed considerably since last year, but condos with good locations and attractive pricing are doing ok.

Some buyers are still keen on metro Phoenix due to the recent low vacancy rates, decreased rent incentives and the overall strong economy. So the perception of “peaked values” may not be correct. For the present, however, “Real” cash flow is critical for obtaining strong value.

2nd qtr. data supports the continuation of low vacancy rates. Permitting for new apartments is still at relatively low levels and more units continue to be taken out of the multifamily inventory than being added from new construction.

Jim Kasten, CCIM

Kasten / Long Apartment Team - Apartment Activity (as of August 16, 2006)

RECENT APARTMENT CLOSINGS (Since 1st Qtr Newsletter 5.18.06)

68 units, 350 W 13th Place, Mesa (Country Club Greens) \$4.75M
26 units, 1840 W Thomas Rd., Phx (Encanto Suites) \$2.1M
18 units, 512-24 E Mariposa, Phx (Plantation) \$1.27M
16 units, N 17th Ave & Yucca, Phx (4 4-plexes) \$347K ea
15 units, 2838+ E Adams St, Phx (El Molino) \$550K
10 units, 26202-4 S Lemon, Queen Creek \$570K
8 units, 6440-4 S 22nd St, Phoenix (2 4-plexes) \$225K ea
4 units, 2623 E Monte Cristo, Phoenix (4-plex) \$325K

APARTMENTS IN ESCROW

68 units, 350 W 13th Place, Mesa (Country Club Greens) List: \$5.125M
35 units, 2030 E Broadway, Mesa (Groves at Mesa) List: \$2.3M
19 units, 3233 N 37th St, Phoenix, (Mustang) List: \$1.9M
16 units, 6542 N 17th Ave, Phx (Huntington Gardens) List: \$1.395M
12 units, N 40th St & Moreland, Phx (3 4-plexes) List: \$285K ea
11 units, 2216 N 16th St, Phoenix (Westwind) List: \$499K
8 units, 6708 & 14 E Cheery Lynn, Scotts (4-plex) List: \$350K ea
4 units, 2442 E Monroe, Phx (4-plex) List: \$320K
4 units, 3241 W Jefferson, Phoenix (4-plex) List: \$319K

APARTMENTS “FOR SALE”

40 units, 2740 W Medlock, Phoenix (Suntree) List:\$2.1M
20 units, 829 N 4th Av, Phoenix, (La Prada) List: \$1.2M
16 units, 3225 W Jefferson, Phoenix (4 4-plexes) List: \$319K ea
16 units, 1514 E Monroe, Phx (Jasmin Court) List: \$899K
16 units, 1707 W Vogel, Phoenix List: \$825K
14 units, 2104 E Eugie Terr, Phx (Terrace Hills), List: \$1.358M
14 units, 6528 N 17th Ave, Phx(Galaxy Townhomes) List:\$1.315M
13 units, 1595 W Mountain View, Phx (Mtn View) List: \$650K
12 units, 316 W Roosevelt, Phx (Kenilworth Bldg) List: \$1.725M
12 units, 605 W Pierson St, Phoenix (Pierson) List: \$1.068M
12 units, 2948-3008 N 38th St, Phx (Panorama Vlg) List: \$734.5K
10 units, 1328 S Priest Dr, Tempe, (RES FIN) List: \$985K
8 units, 16040 N 27th St #1, 2, Phx (4-plexes) List: \$559K ea
8 units, 1501 & 05 E Harvard St, Phx (4-plexes) List: \$329K ea
8 units, 1414 & 1418 E Adams St, Phx (4-plexes) List: \$249.9K ea
4 units, 6801 E Avalon, Scottsdale (4-plex) List: \$425K
4 units, 2743 E Tierra Buena, Phx (4-plex) List: \$365.9K
4 units, 4115 E Moreland, Phx (4-plex) List: \$279.9K

OTHER PROPERTTIES “FOR SALE”

9+ acres, 19184 S Arizona Av, Chandler List: \$4,650,000
3+ acres, 19222 S Arizona Av, Chandler List: \$1,546,540
3 bldgs, Historic Glendale Retail Portfolio List: \$1,948,000
1 SFR, 12450 N 28th St, Phoenix (3/2/2pool) List: \$295,000
1 SFR, 9158 W Berkeley Rd, Phoenix (4/2/2) List: \$264,000

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