

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

1st Quarter 2007

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(January – March 2007)
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Vacancy rates remained low (5.4%) with strong absorption (2,909) in the 1st quarter. Rents were up 0.9% and we expect continued rent growth as demand outpaces supply. The number of apartment sales was down 20% from the 4th qtr of 2006, but activity is expected to increase in the near future as the lack of apartments needed to support the projected population will drive-up both rental rates and property values (see page 4).

Kasten/Long Team Update:

At year-end, the Kasten / Long Team ranked Number 2 in the US and Number 3 Worldwide for all RE/MAX Commercial teams.

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Vacancy Remains Low: 5.4%

At the end of the 1st quarter of 2007, the vacancy rate for all-size, existing (>6 mo.'s) multifamily units increased from 5.3% to 5.4%. Of the 324,653 total multifamily units, there were 17,375 reported as vacant.

# of Units	2006 4th Qtr.	2007 1st Qtr.
2 - 24	3%	2%
25 - 50	4%	5%
51 - 75	4%	5%
76 - 99	5%	5%
100 - 150	5%	5%
151 - 200	5%	6%
200+	<u>6%</u>	<u>6%</u>
Average	5.3%	5.4%

The lowest vacancy rate (3%) was reported in South Paradise Valley and the highest vacancy rate (8%) was reported in South Scottsdale. Valleywide, all other sub-districts still reported a fairly tight 5%-7% vacancy range.

There were 1,778 apartment permits issued in the 1st quarter. This was led by three projects in the Union Hills area (700 units), two projects in west Glendale (600 units), one project in North Tempe (308 units) and one project in South Phoenix (204 units).

Four projects were completed in the 1st quarter as follows: Sun City (163 units), Maryvale (288 units), Western Suburbs (142 units) and Union Hills (240 units).

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	3,922	(4,653)	5.3%
2007(1)	1,778	2,909	5.4%

The total multifamily inventory increased by 3,359 units from the previous quarter. The increase was led by 2,584 condo units reverting back to apartments. The condo market is still alive however, as three complexes with 736 units total were removed from the inventory. The relatively high number of permits issued is a bit of a worry, but absorption was quite strong and rent growth was reported at 0.9%.

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

1st Qtr - 2007

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
5115 N 40 th St Phx, 'Mirage on Camelback'	556 373,248	\$45,000,000 \$120.56	2/20/2007 1970	\$5,728,680 \$80,935	7.9 5.6	168 st, 280 1/1, 108 2/2 \$10M in refurbishing from 2002-2005
2220 E Beardsley Rd Phx, 'Monte Viejo'	480 330,048	\$59,391,243	2/14/2007 2004	\$4,617,720 \$123,732	12.9 3.9	102 st, 162 1/1, 180 2/1, 18 3/1, 18 4/1
2929 N 70 th St Sctsd, 'Monaco Old Town'	472 416,040	\$76,000,000 \$182.67	1/31/2007 1994	\$161,017	4.8	176 1/1, 232 2/2, 64 3/2
3202 W Bell Rd Phx, 'Bell Lakes'	454 369,254	\$37,860,000 \$102.53	3/26/2007 1985	\$83,293	10.9 4.5	196 1/1, 257 2/2
2020-2030 E Broadway Rd Tempe, 'Willow Creek'	402 286,492	\$34,094,000 \$119.01	3/13/2007 1983	\$84,811	5.7	32 st, 214 1/1, 40 2/1, 116 2/2
4104 E Broadway Rd Mesa, 'Chelsea Park Place'	396 291,329	\$27,650,000 \$94.91	1/17/2007 1986	\$69,823	4.7	102 1/1, 222 2/1, 72 2/2
265 N Gilbert Rd Mesa, 'University Green'	388 312,952	\$33,300,000 \$106.41	1/17/2007 1984	\$85,825	5.2	234 1/1, 164 2/2
909 W Colter St Phx, 'Somerset Villas'	384 256,000	\$23,232,000 \$90.75	3/13/2007 1972	\$3,244,232 \$60,500	6.8	320 1/1, 64 2/2
3134 S Market St Gilbert, 'Azul @ Spectrum'	360 332,508	\$54,000,000 \$162.40	3/29/2007 2006	\$150,000		168 1/1, 84 2/1, 96 2/2, 12 3/2 25% occupied
711 N Evergreen Rd Mesa, 'Sienna @ Riverview'	340 295,432	\$46,405,622 \$157.08	2/28/2007 1998	\$136,487	4.8	220 1/1, 120 2/2
9259 E Raintree Dr Sctsd, 'Broadstone Horizon'	330 291,492	\$45,300,000 \$155.41	2/12/2007 1986	\$137,273	5.0	168 1/1, 162 2/2 38% occupied, Condo reversion
15555 N FL Wright Blvd Scottsdale, 'Regents'	321 376,451	\$52,965,000 \$140.70	1/26/2007 1998	\$3,645,456 \$165,000	13.4 4.8	122 1/1, 163 2/2, 36 3/2
550 E McKellips Rd Mesa, 'Windscape'	313 203,612	\$15,800,000 \$77.60	2/14/2007 1987	\$50,479	7.5 5.7	27 st, 184 1/1, 62 2/1, 39 2/2, 1 3/3
2100 N 145 th Ave Gdyr, 'Alexan Palm Valley'	302 289,569	\$41,000,000 \$141.59	1/12/2007 2005	\$135,762	5.2	76 1/1, 214 2/2, 12 3/2 60% occupied
5332 E Baseline Rd Mesa, 'Colonial Grand'	300 267,900	\$41,298,484 \$154.16	3/1/2007 2002	\$3,033,984 \$137,662	13.6 5.2	188 1/1, 36 2/1, 64 2/2, 12 3/2 Formerly aka 'Sandbridge'
2150 S Arizona Ave Chandler, 'Olive Grove'	289 289,528	\$32,400,000 \$111.91	2/5/2007 2001	\$112,111	5.2	72 1/1, 176 2/2, 41 3/2
1651 S Dobson Rd Mesa, 'Quail Creek'	270 159,386	\$15,450,000 \$96.93	2/28/2007 1979	\$57,435	5.7	66 st, 139 1/1, 31 2/1, 31 2/2
3004 S Market St Gilbrt, 'Borrego @ Spectrum'	264 245,868	\$39,600,000 \$161.06	3/29/2007 2006	\$150,000		120 1/1, 54 2/1, 78 2/2, 12 3/2 25% occupied
2225 W Frye Rd Chandler, 'Symphony'	234 249,988	\$34,164,000 \$136.66	1/18/2007 1998	\$146,000		59 1/1, 142 2/2, 33 3/2
4949 W Northern Ave Glendale, 'Northern Lakes'	234 158,256	\$12,475,000 \$78.83	1/3/2007 1985		6.1	30 st, 120 1/1, 84 2/2
6801 W Ocotillo Rd Glendale, 'Summerhill Place'	232 176,224	\$13,150,000 \$74.62	3/30/2007 1985	\$1,657,167 \$56,681	7.9 6.2	88 1/1, 144 2/2
4140-4141 W McDowell Rd Phx, 'Desert Wind'	216 136,976	\$13,700,000 \$100.02	2/26/2007 1987	\$63,426	9.4 6.6	128 1/1, 56 2/1, 32 2/2 Condo mapped
11875 W McDowell Rd Avondale, 'Crystal Springs II'	200 196,662	\$20,400,000 \$103.73	1/4/2007 2002	\$102,000	5.0	68 1/1, 112 2/2, 20 3/2 Part of an assemblage
1055 W Baseline Rd Mesa, 'Waterford Place'	200 190,731	\$20,100,000 \$105.38	2/1/2007 1984	\$100,500		100 1/1, 100 2/2
1010 N 48 th St Phx, 'Las Vistas @ Papago'	199 130,000	\$12,300,000 \$94.62	2/26/2007 1982	\$61,809	6.8	99 1/1, 100 2/1
645 N Country Club Dr Mesa, 'Sandal Ridge'	196 134,491	\$12,010,000 \$89.30	2/26/2007 1979	\$61,276		24 st, 112 1/1, 12 2/1, 48 2/2
12231 N 19th St Phx, 'Paradise Foothills'	180 138,992	\$16,400,000 \$117.99	1/11/2007 1985	\$1,558,796 \$91,111	5.7	94 1/1, 1 2/1.5, 85 2/2

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 and
 personal knowledge. All information is believed to be
 accurate but is not guaranteed.

Greater Phoenix Apartment Sales

1st Qtr - 2007

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
16630 N 43 rd Ave Phx, 'Cantamar'	180 177,560	\$23,750,000 \$133.76	3/15/2007 1997	\$1,896,000 \$131,944	11.9 4.9	64 1/1, 88 2/2, 28 3/2
7077 W McDowell Rd Phx, 'Sunpointe'	152 122,232	\$9,900,000 \$80.99	1/17/2007 1984	\$65,132	5.4	64 1/1, 88 2/2
3802 N 27 th St Phx, 'Amber Ridge'	138 96,819	\$7,935,000 \$81.96	2/9/2007 1985	\$971,280 \$57,500	5.5	54 1/1, 84 2/2
544 E Southern Ave Mesa, 'Penny Lane'	136 114,824	\$9,510,000 \$82.82	2/26/2007 1985	\$69,926		64 1/1, 72 2/2
825 W Osborn Rd Phx, 'Barrington Regent'	123 111,428	\$13,140,000 \$117.92	3/29/2007 1980	\$106,829	9.4 6.1	57 1/1, 36 1/1.5, 24 2/2, 6 3/2
11600 N 75 th Ave Peoria, 'Land Pointe'	100 81,384	\$7,525,000 \$92.46	3/9/2007 1985	\$75,250	7.6	100 2/2
111 N Mesa Dr Mesa, 'Sun Crest'	94 91,550	\$5,700,000 \$62.26	3/21/2007 1985	\$817,200 \$60,638	8.4 7.5	12 1/1, 82 2/2 Kasten / Long Apartment Team Sale
2935 N 18 th Pl Phx, 'La Villeta'	92 45,422	\$7,020,000 \$154.55	1/24/2007 1974	\$76,304	10.0	92 1/1 82% Occupied, Senior Housing
15425 N 25 th St Phx, 'Alderwood'	90 69,100	\$4,500,000 \$65.12	3/26/2007 1981	\$50,000		1 st, 8 1/1, 81 2/1
2110 N 32 nd St Phx, 'Monte Vista Gardens'	88 46,992	\$4,170,000 \$88.74	2/28/2007 1982	\$47,386		44 st, 44 1/1 30% occupied
9601 N 17 th Ave Phx, 'North 17'	72 57,960	\$4,150,000 \$71.60	2/2/2007 1984	\$57,639	6.5	36 1/1, 36 2/1
2529 W Campbell Ave Phx, 'Vista Del Prado'	72 63,000	\$4,050,000 \$64.28	1/25/2007 1972	\$56,250	6.4	72 2/1
1701 N Palo Verde Dr Goodyear, 'Country Aire'	60 44,880	\$3,865,000 \$86.12	2/7/2007 1983	\$64,417	6.8	60 2/1 Condo mapped
3132 N 32 nd St Phx, 'Hermosa'	50 26,885	\$3,000,000 \$111.59	2/28/2007 1980	\$60,000	6.5	5 st, 44 1/1, 1 2/1
2525 W Campbell Ave Phx, 'Casa Del Norte'	50 42,500	\$2,725,000 \$64.12	1/25/2007 1980	\$54,500	6.4	50 2/1
789 Bogger St Phx, 'Derrick Park'	48 31,604	\$2,850,000 \$90.18	1/23/2007 1987	\$59,375	9.7 5.3	33 1/1, 15 2/2 Formerly AKA 'Solano Park'
2740 W Medlock Dr Phx, 'Suntree'	40 29,340	\$1,860,000 \$63.39	2/6/2007 1982	\$46,500	8.4 7.2	12 1/1, 28 2/1 Kasten / Long Apartment Team Sale
1815 W Colter St Phx, 'Casa Valia'	35 28,800	\$1,900,000 \$65.97	1/25/2007 1970	\$54,286	8.4 6.6	35 2/1 Needed lots of work
2501 W Elm St Phx, 'Sun West'	20 16,800	\$1,005,000 \$59.82	2/28/2007 1964	\$50,250	7.4 6.4	1 1/1, 19 2/1
2939 N 36 th St Phx, 'Avanti'	30 16,788	\$1,600,000 \$95.31	1/26/2007 1981	\$53,333		28 1/1, 2 2/1
2043 N 51 st St Phx, 'Hidden Village'	24 18,975	\$1,300,000 \$68.51	2/23/2007 1979	\$54,167	9.3 4.5	23 1/1, 1 3/2 75% occupied, \$200K deferred maintenance
3233 N 37 th St Phx, 'Mustang'	19 17,856	\$1,738,500 \$97.36	2/22/2007 1964	\$91,500	7.8 4.6	18 2/1, 1 3/2 Condo conversion planned Kasten / Long Apartment Team Sale
7101 N 67 th Ave Glendale	15 8,268	\$755,000 \$91.31	1/25/2007 1953	\$50,333		11 1/1, 4 2/1
1815 W Sahuaro Dr Phx, 'Arbor Homes'	14 5,812	\$600,000 \$103.23	3/30/2007 1959	\$42,857	10.3 5.5	4 st, 9 1/1, 1 2/1 Planned assisted living housing
4226 N 27 th St Phx, 'Holiday Resort'	10 8,340	\$770,000 \$92.33	3/7/2007 1971	\$77,000	10.3 6.2	1 st, 8 2/1, 1 3/2

The Greater Phoenix – Apartment Owner's Newsletter has been published every quarter since June 1999. The Kasten / Long Apartment Team strives to provide the best possible service and information to apartment owners and buyers. For the past three years, the Team has been ranked in the top five commercial teams worldwide for RE/MAX – a tribute to the dedication of each of the Team members. **If you are considering selling or buying apartments – please give us a call. Jim Kasten, CCIM (602 677 0655).**

The Apartment Market – Reduced Activity but Bright Future

The number of apartment sales was down 23% in 2006 compared to 2005. It was also down 20% in the 1st quarter of 2007 (58 sales) compared to the 4th quarter of 2006 (73 sales). Obviously, this means there were less buyers, but while this trend seems dismal for the apartment market, the reasons for the lesser activity are weak and the future looks strong.

Reasons for activity decline include the following: **1.** There is a perception that values have topped-out – but this is sparked by the press as it relates to residential home sales; **2.** Long-term interest rates have increased, but only about a half percent over this time last year. At present, money is plentiful and lenders are competing for business. Some are extending loan terms to 40 years, or cutting DCR's to provide higher LTV's to get business; and **3.** There are now other options for “money” paying a reasonable return, not to mention an improving stock market – however, none satisfy 1031 exchanges.

The Reasons for an Optimistic Future are far more compelling: **1.** The economy is strong. Unemployment is reported at 3.3% (Feb. '07) and Maricopa is one of the fastest growing counties in the US. AZ, in fact, is now ranked the fastest growing state in the US; **2.** The population is projected to increase 1.3 million

by 2020. To meet this demand, using the current ratio of apartments to total population, the County will need an average of 8,500 units built per year, not including replacing complexes that become obsolete. The last five years has only seen half that development rate. Lack of supply plus the cost to build new units will fuel rent growth; and **3.** Higher interest rates will drive more families into renting. Market rates are currently stable and the Feds have not raised the Cost of Funds since June of last year. If gas prices hold (or increase), the cost of goods will increase causing inflation fears followed by higher rates.

Condo Market

Although the activity to turn apartments into condos has slowed, it's still alive. The housing market, in part, will control this market. Between May of 2004 and July of 2005, the median home price jumped from \$150,000 to \$250,000 (67% increase). Since that time, the median home price has remained at this level. Entry-level priced condos in good areas, offering new-home style amenities, will still fill the gap for price-sensitive buyers. The Arizona MLS, in-fact, reported about 800 condo/townhome sales per month for the 1st quarter of 2007.

Jim Kasten, CCIM

Kasten / Long Apartment Team - Apartment Activity (as of May 17, 2007)

RECENT CLOSINGS (Since 2.17.07)

94 units, 111 N Mesa Dr, Mesa (Sun Crest) \$5.7M
20 units, 31 W 2nd St, Mesa (Irving Manor) \$1.3M
20 units, 10821 & 10705 N 15th Ave, Phoenix \$650K
19 units, 3233 N 37th St, Phoenix (Mustang) \$1,738,500
14 units, 6528 N 17th Av, Phx (Townhome) \$1.225M
8 units, 4218 N 12th St, Phoenix \$651K
4 units, 536 W 9th St, Mesa \$439.9K
Retail Bldg, 7150 N 58th Ave, Glendale \$400K

APARTMENTS IN ESCROW

50 units, 7125 N 19th Ave, Phoenix (Villa Ventura) List: \$4.45M
29 units, 4025 N 40th St, Phoenix (Tropic Isle) List: \$1.595M
25 units, 2216 E Eugie Terrace, Phx (Eugie Terrace) List: \$1.9M
24 units, 529-530 E Mariposa, Phx (Grand Cayman) List: \$1.649M
20 units, 4021 N 40th St, Phoenix (Tidewood) List: \$1.15M
14 units, 13034 N 22nd St, Phoenix (Sugar Loaf) List: \$850K
14 units, 7108 N 80th Ave, Glendale List: \$695K
11 units, 2216 N 16th St, Phoenix (Westwind) List: \$499K
8 units, 1414 & 1418 E Adams St, Phx (4-plexes) List: \$249.9K ea
4 units, 2743 E Tierra Buena Ln, Phoenix List: \$355K
4 units, 3420 E Cambridge, Phoenix (4-plex) List: \$279K

APARTMENTS “FOR SALE”

50 units, 2339 W Northern, Phx (Canyon North) List: \$3.75M
40 units, 2470 W Medlock, Phx (El Paraiso) List: \$2.75M
20 units, 829 N 4th Av, Phoenix, (La Prada) List: \$1.2M
20 units, 3225 W Jefferson, Phoenix (5 4-plexes) List: \$289K ea
16 units, 1804 W Tuckey, Phoenix (The Villa) List: \$1.275M
16 units, 631 N 4th Av, Phoenix List: \$1.075M
16 units, 1814 W Vogel, Phoenix (Mellow Square) List: \$849K
15 units, 2130 W Washington, Phoenix List: \$775K
12 units, 13201 N 21st Av, Phoenix (Atree) List: \$799K
12 units, 1901 E Amelia, Phoenix List: \$767K
12 units, 1015 S 17th Av, Phoenix (Grier Place) List: \$ 524K
11 units, 3151 N 37th St, Phx (Courtyard) List: \$950K
9 units, 2414-2416 W Coolidge, Phoenix, List: \$525,000
8 units, 1040 E Fairmount Av, Phoenix List: \$465K
8 units, 1918 & 1922 E Adams St, Phx (4-plexes) List: \$249K ea
4 units, 2202 E Taylor, Phoenix List: \$329K
4 units, 6649 W Ocotillo, Glendale (4-plex) List: \$299K
4 units, 6625 W Ocotillo, Glendale (4-plex) List: \$289K
4 units, 2206 E Taylor, Phoenix List: \$269K
3 units, 425, 425.5 & 427 N 18th Dr, Phoenix List: \$245K
3 units, 347 E Vogel, Phoenix (3-plex) List: \$240K

OTHER PROPERTIES “FOR SALE”

Office Bldg, 4120 N 20th St, Phoenix List: \$1.25M
Retail Bldg, 7146 N 57th Ave, Glendale List: \$1.15M
Land, 339 E Portland, Phoenix, (13,300sf) List: \$1.1M
Retail Bldg, 2659 W Dobbins Rd, Phx List: \$945K
Office Bldg, 4109 N 12th St, Phoenix List: \$880K
Retail Bldg, 7142 N 57th Dr, Glendale List: \$349K
1 SFR, 18086 W Las Cruces, Goodyear (3/2/3Vu's) List: \$484,500
1 SFR, 1202 E Palm Lane, Historic Phoenix (3/2/1) List: \$359,000
1 SFR, 12450 N 28th St, Phoenix (3/2/2pool) List: \$279,900

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