

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

3rd Quarter 2007

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(July - September 2007)
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Apartment Markets

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The vacancy rate jumped to 7.4% across the Valley and is projected to increase over the short-term due to: 1. tenants renting vacant homes that are not selling; 2. condo reversions; and 3. the new Arizona law affecting illegal workers (see page 4). Apartment transactions in the 3rd quarter were less than previous quarters, but there were still 55 sales. The 2.3% annual rent growth is a positive sign plus the strength of Arizona's economy will support strong apartment value in the future.

Kasten/Long Team Update:

Tim Hatlestad, our broker, was inducted at the National President of the CCIM organization. A huge honor. Congratulations.

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Vacancy Up to 7.4%

At the end of the 3rd quarter of 2007 the vacancy rate for all-size, existing (>6 mo.'s) multifamily units increased from 5.9% to 7.4%. Of the 327,233 total multifamily units, there were 24,225 reported as vacant. This represents a multifamily inventory net increase of 1,747 units and 5,075 vacancies compared to the previous quarter.

# of Units	2007 2nd Qtr.	2007 3 rd Qtr.
2 - 24	3%	7%
25 - 50	4%	6%
51 - 75	5%	5%
76 - 99	5%	5%
100 - 150	7%	6%
151 - 200	6%	7%
200+	<u>6%</u>	<u>8%</u>
Average	5.9%	7.4%

The lowest vacancy rate (5%) was reported in the South Scottsdale and East Mesa districts and the highest vacancy rates were reported in Metrocenter and Central West Phoenix (10% & 12% respectively). The larger complexes (151- 200+) took the brunt of the increased vacancy rate.

There were 1,988 apartment permits issued in the 3rd quarter. This was led by one project in South Tempe (408 units) and three projects in the Western Suburbs totaling 824 units. Seven projects were completed in the 3rd quarter with a total of 1,988 units. Four projects were in western Phoenix, with others in Gilbert, Union Hills and east Phoenix.

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%
2007(2)	1,531	(942)	5.9%
2007(3)	1,252	(3,328)	7.3%

Rent growth was reported at a 0.6% increase over the 2nd quarter with a combined 2.3% growth over the past 12 months.

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

3rd Qtr - 2007

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
300 E Warner Rd Chandler, 'Biscayne Bay'	512 475,720	\$61,900,000 \$130.12	8/21/2007 2001	\$5,458,560 \$120,898	11.3 5.5	224 1/1, 172 2/2, 16 3/2
1033 N Parkside Dr Tempe, 'Trillium/Rio Salado'	466 445,242	\$85,000,000 \$190.91	9/17/2007 2006	\$6,590,916 \$182,403	12.9 5.3	112 st, 171 1/1, 120 2/2, 63 3/2 Sale inc improvements & leasehold on land
2323 E Apache Blvd Tempe, 'University House'	400 379,528	\$44,750,000 \$117.91	9/7/2007 2000	\$111,875	5.5	192 1/1, 132 2/2, 76 3/2
2140 W Thunderbird Rd Phx, 'Fairways/Cave Creek'	376 268,400	\$31,166,000 \$116.12	9/27/2007 1981	\$82,888		48 st, 168 1/1, 160 2/2
1320 N McQueen Rd, Chandler, 'Autumn Creek'	360 264,464	\$31,974,600 \$120.90	8/1/2007 1986	\$88,818		56 st, 96 1/1, 208 2/2 Part of Portfolio Sale
15251 S 50 th St Phx, 'Renaissance at S Mtn'	312 284,980	\$37,000,000 \$129.83	8/29/2007 1998	\$3,398,976 \$118,590	10.9 3.5	156 1/1, 132 2/2, 24 3/2 85% occupied, \$1M cash infusion planned
1350 E Northern Ave Phoenix, 'La Mirada'	300 234,720	\$15,488,000 \$65.99	8/31/2007 1973	\$51,627		72 1/1, 108 2/1, 72 2/2, 48 3/2 Condo mapped for future condo sales
4101 W Union Hills Dr Gndl, 'Union Hills Estates'	282 203,568	\$24,610,512 \$120.90	8/1/2007 1985	\$87,271		102 1/1, 180 2/2 Part of Portfolio Sale
4221 E McDowell Rd Phoenix, 'Spanish Oaks'	275 116,024	\$14,600,000 \$125.84	7/31/2007 1981	\$53,091	6.5 6.9	275 st Master metered
4505 S Hardy Dr Tempe, 'Greenwood Village'	270 238,170	\$29,700,000 \$124.70	8/9/2007 1984	\$110,000	5.3	64 1/1, 172 2/2, 34 2/2.5
4411 E Chandler Blvd, Phx, 'Allegro / Foothill Gtwy'	264 234,558	\$32,700,000 \$139.41	7/30/2007 1996	\$3,19,381 \$123,864	10.8 5.5	102 1/1, 30 2/1, 120 2/2, 12 3/2
1441 S Lindsay Rd Mesa, 'Village / Lindsay Pk'	256 238,536	\$25,400,000 \$106.48	9/12/2007 1997	\$2,628,000 \$99,219	9.7 5.5	88 1/1, 136 2/2, 32 3/2 89% occupied
2101 N Evergreen St Chandler, 'Pheasant Run'	248 197,440	\$22,850,000 \$115.73	8/31/2007 1985	\$2,287,056 \$92,137	10.0	108 1/1, 68 2/1, 72 2/2
1700 N 103 rd Ave Avondale, 'Vlg / Gateway'	240 208,243	\$29,340,000 \$140.89	8/14/2007 2004	\$2,679,360 \$122,250	10.9	80 1/1, 48 2/1, 80 2/2, 32 3/2 85% occupied
6534 W Montebello Ave Glendale, 'Montebello'	217 114,608	\$11,772,000 \$102.72	8/15/2007 1963	\$54,249		49 st, 144 1/1, 22 2/1, 2 3/1 20% occupied, high vacancy property
9350 N 67 th Ave Peoria, 'Northwest Garden'	198 159,078	\$14,150,000 \$88.95	9/27/2007 1984	\$1,630,680 \$71,465	6.7 6.5	67 1/1, 64 2/1, 67 2/2
1820 W Lindner Ave Mesa, 'La Costa'	194 202,342	\$22,312,000 \$110.27	7/13/2007 1979	\$2,338,292 \$115,010	9.5 6.4	194 2/2 14% occupied Condo reversion, formerly 'Emerald Springs'
2045 E Broadway Rd Tempe, 'Timber Lake'	180 156,280	\$13,400,000 \$85.74	7/19/2007 1972	\$74,444		46 1/1, 106 2/1, 28 2/2
3409 S Rural Rd Tempe, 'Paxton on Rural'	172 148,750	\$15,500,000 \$104.20	9/27/2007 1972	\$1,768,896 \$90,116	8.8 4.5	12 st, 70 1/1, 89 2/2, 1 3/2
7677 W Paradise Ln Peoria, 'Alexan Bella Vista'	163 179,639	\$27,679,000 \$154.08	9/25/2007 2006	\$169,810	5.3	65 1/1, 85 2/2, 13 3/3 75% occupied, all units have garages
5656 N 17 th Ave Phoenix, 'Parkwood'	160 98,948	\$8,660,000 \$87.52	8/30/2007 1973	\$54,125	5.4	138 1/1, 22 2/2
2454 W Campbell Ave Phoenix, 'Casa De Flores'	156 115,440	\$10,185,000 \$88.23	8/7/2007 1973	\$65,288	6.1	52 1/1, 104 2/1
5704 W Thomas Rd Phoenix, 'The Veranda'	156 96,897	\$8,487,500 \$87.59	8/23/2007 1986	\$1,250,784 \$54,407	6.8 7.1	80 1/1, 76 2/1
5190 N 55 th Ave Glendale, 'Courts at Colter'	156 116,808	\$8,400,000 \$71.91	8/28/2007 1987	\$1,113,120 \$53,946	8.1 6.7	60 st, 96 2/2
13610 N 51 st Ave Glendale, 'Glenridge'	135 94,644	\$9,575,000 \$101.17	8/30/2007 1985	\$1,085,240 \$70,926	8.8 4.2	12 st, 75 1/1, 12 2/1, 36 2/2
77 W Coolidge St Phoenix, 'Monarch'	120 92,430	\$9,000,000 \$97.37	8/31/2007 1974	\$75,000	5.9	76 1/1, 44 2/2
650 S 80 th St Mesa, 'Sun Villa'	99 57,050	\$4,415,000 \$77.39	7/16/2007 1976	\$44,596		45 st, 54 1/1 High vacancy property, 55+ community

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.

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
16802 N 31 st St Phoenix, 'Sun Terrace'	96 93,621	\$10,000,000 \$106.81	9/7/2007 2000	\$104,167	11.2 4.7	96 2/2
454 W Brown Rd Mesa, 'Rio Vista'	80 80,000	\$4,300,000 \$53.75	8/17/2007 1972	\$53,750	6.8	80 2/2
5615 N 7 th St Phoenix, 'Sunshine Terrace'	74 41,240	\$4,000,000 \$96.99	7/19/2007 1971	\$589,620 \$54,054	7.4 7.2	17 st, 57 1/1 Master metered
9423 N 17 th Ave Phoenix, 'Palm Meadows'	72 50,040	\$4,100,000 \$81.93	7/11/2007 1985	\$492,480 \$56,944	8.3 6.7	18 1/1, 54 2/1
1415 E Apache Blvd Tempe, 'Sunset Villas'	63 48,320	\$4,150,000 \$85.89	9/14/2007 1971	\$65,873	6.1	12 st, 29 1/1, 22 2/1 Master metered
1805 W Cortez St Phoenix, 'Vista Village'	60 45,000	\$3,300,000 \$73.33	9/14/2007 1986	\$447,766 \$55,000	7.4 6.4	60 2/1
6721 N 25 th Dr Phoenix, 'Wilshire Place'	48 32,240	\$2,712,000 \$84.12	8/10/2007 1983	\$334,080 \$56,500	8.1 6.1	24 1/1, 24 2/1
241 E 1 st Ave Mesa, 'Mesa Town Square'	46 32,000	\$2,350,000 \$73.44	7/13/2007 1966	\$51,087	7.0	38 1/1, 8 2/1
830 N Alma School Rd Mesa, 'RiverView'	44 36,275	\$3,100,000 \$85.46	7/19/2007 1986	\$336,000 \$70,455	6.6	17 1/1, 27 2/2 FKA Mesa Mountain View Kasten/Long Apartment Team Sale
4446 N 36 th St Phoenix, 'Arcadia Cove'	34 24,458	\$2,300,000 \$94.04	8/2/2007 1964	\$229,440 \$67,647	10.0 5.3	18 1/1, 8 1/1.5, 8 2/2
21239 N 24 th Ave Phoenix, 'Sunlight Vista'	34 30,686	\$2,145,000 \$69.90	7/31/2007 1983	\$63,088		34 2/1
3002 W Camelback Rd Phx, 'Fountains /Camelback'	34 24,064	\$1,830,000 \$76.05	9/21/2007 1944	\$233,400 \$53,824	6.9 7.9	18 1/1, 16 2/1
2021 S Granada Dr Tempe, 'Bali Hai'	30 22,318	\$1,900,000 \$85.13	7/12/2007 1958	\$216,480 \$63,333	8.8 5.5	16 1/1, 14 2/1.5
2940 N 40 th St Phoenix, 'Tahiti Palms'	27 22,500	\$1,868,000 \$83.02	7/13/2007 1963	\$192,300 \$69,185	9.7	10 1/1, 16 2/1.5, 1 3/2 Condo conversion planned in 2 years
1503 W Missouri Ave Phoenix, 'Villa Marian'	26 21,500	\$1,600,000 \$74.42	9/27/2007 1967	\$195,600 \$61,538	8.2 6.5	8 1/1, 18 2/2, deferred maintenance Kasten/Long Apartment Team Sale
3439 N 37 th St Phoenix, 'Madelines'	24 15,992	\$900,000 \$56.28	9/4/2007 1955 / 1968	\$37,500		10 1/1, 2 2/1
7119 N 67 th Ave Glndl, 'Transitional Living'	22 8,480	\$725,000 \$85.50	7/6/2007 1958	\$32,955		22 st Recovery house
312 W Missouri Ave Phoenix, 'Country Belle'	18 13,320	\$1,316,000 \$98.80	9/24/2007 1946	\$73,111		18 2/1
129 W Maryland Ave Phoenix, 'Olivia'	17 14,011	\$2,550,000 \$182.00	9/28/2007 1956	\$150,000		1 st, 12 1/1, 4 2/1 Buyer plans to redevelop for school use
19125 E Pegasus Dr Qn Crk, 'Pegasus /San Tan'	16 11,200	\$1,460,000 \$130.36	9/14/2007 2003	\$91,250		16 2/1 four fourplexes
3219 N 67 th Pl Scotts, 'ScottsdaleShadows'	15 10,450	\$1,019,000 \$97.51	7/5/2007 1958	\$67,933	6.3	8 st, 5 1/1, 2 2/1
3141 N 37 th St Phoenix, 'Sir John's'	14 11,340	\$995,000 \$87.74	8/9/2007 1967	\$71,071	6.5	14 2/1
3110 N 40 th St Phoenix, 'Malone Manor'	13 12,768	\$985,000 \$77.15	7/13/2007 2003	\$99,300 \$75,769	9.9	4 1/1, 8 2/2, 1 3/2 Condo conversion planned in 2 years
13030 N 22 nd St Phoenix, 'Sugarloaf'	12 7,200	\$803,000 \$111.53	8/10/2007 1983	\$86,400 \$66,917	9.3 6.9	12 2/1 Kasten/Long Apartment Team Sale
3140 E Monte Vista Rd Phx, 'Monte Vista Manor'	12 6,219	\$646,000 \$103.88	8/9/2007 1975	\$79,200 \$53,833	7.4	12 1/1
2125 E Lemon St Tempe, 'Lemon Tree'	11 7,508	\$730,000 \$97.23	9/28/2007 1960	\$75,000 \$66,364	9.7 6.6	4 1/1, 6 2/1, 1 3/1
6037 E Hollyhock St Phoenix	10 5,740	\$835,000 \$145.47	8/29/2007 1962	\$83,500		9 1/1, 1 2/1
921-927 S 35 th Ave Phoenix, 'Casa Del Pueblo'	10 3,800	\$350,000 \$92.11	7/24/2007 1950	\$51,000 \$35,000	8.9 9.3	10 1/1

The Greater Phoenix Brokerage and Apartment Markets

The Brokerage Market (Slower – lots of inventory)

The inventory of apartments advertised “for sale” has been increasing annually: Nov. 2005 (130 complexes - \$572M; Nov. 2006 (169 complexes - \$775M; Nov. 2007 (210 complexes - \$1.5B). Of the current complexes for sale, 30% have had price reductions. The average number of apartment sales per quarter in 2005 was 113 and in 2006 it was 87. 3rd qtr. 2007 had only 55 sales. There are a number of solid properties for sale with reasonable cash flow that are being ignored. At some point, prices will increase and opportunities will be more expensive.

The Apartment Market (Temporary Bad News)

The vacancy rate jumped from 5.9% to 7.4% in the 3rd quarter. Our market is affected by three abnormal and temporary factors. 1. There is an oversupply of homes for sale including many spec homes purchased by investors over the past few years. The MLS reports that of the +55,000 homes

For new listings and quarterly updates by e-mail, please contact Jim at jkasten@ccim.net.

currently for sale, 30% are vacant. After sitting empty without being able to be sold, many are being rented. 2. Many failed condo conversions are coming back into the multifamily inventory. 3. The new Arizona law that prohibits companies from employing illegal workers is driving many undocumented residents south of our border. This law is being challenged with a ruling expected by January. These factors will plague us for a bit longer producing a further increase in vacancies plus a return to rent concessions and move-in specials.

The Future (Slow – then STRONG)

For the short-term, cash flow will be sluggish with values about where they are. As the temporary negative issues diminish, the overpowering strength of the local economy and relentless population influx coupled with the continued shortfall of new apartment construction should kick-start appreciable rent growth and overall appreciation.

Jim Kasten, CCIM

Kasten / Long Apartment Team - Apartment Activity (as of November 9, 2007)

RECENT CLOSINGS (Since 8.10.07)

36 units, 5510 N 35th Dr, Phoenix (Silver Oaks) \$2.4M
29 units, 730+ E Turney, Phoenix (Carolyn Place) \$1.11M
26 units, 1503 W Missouri, Phoenix, (Villa Marian) \$1.6M
16 units, 1814 W Vogel, Phoenix (Mellow Square) \$610K
12 units, 13034 N 22nd St, Phoenix (Sugar Loaf) \$803K
12 units, 1015 S 17th Av, Phoenix (Grier Place) \$480K
8 units, 1040 E Fairmount Ave, Phoenix \$400K
4 units, 1418 E Adams St, Phx (4-plexes) \$215K
Office Bldg, 4120 N 20th St, Phoenix \$930K
Office Bldg, 616 E Southern Av, Mesa: \$1.209M
Office Bldg, 4109 N 12th St, Phoenix \$820K
1 SFR, 6615 W Beverly Ln, Glendale List: \$293K

APARTMENTS IN ESCROW

25 units, 2216 E Eugie, Phoenix (Eugie Terrace) List: \$1.9M
20 units, 829 N 4th Av, Phoenix (La Prada) List: \$1.2M
12 units, 13201 N 21st Av, Phoenix (Atree) List: \$799K

OTHERS IN ESCROW

Retail Bldg, 2659 W Dobbins Rd, Phoenix List: \$845K

APARTMENTS “FOR SALE”

50 units, 2339 W Northern, Phoenix (Canyon North) List: \$3.55M
35 units, 2503 N 52nd St, Phoenix (Olivewood) List: \$2.73M
34 units, 5725 N 8th Pl, Phoenix (Villa Jay) List: \$2.63M
24 units, 529-530 E Mariposa, Phx (Grand Cayman) List: \$1.54M
20 units, 10705-10821 N 15th Ave, Phoenix List: \$1.21M
16 units, 1804 W Tuckey, Phoenix (Villa St Loraine) List: \$1.275M
14 units, 4822 E Holly St, Phoenix (Jennifer) List: \$895K
14 units, 7108 N 80th Ave, Glendale List: \$669K
12 units, 520 E Pierson St, Phoenix (Woodbrier) List: \$860K
12 units, 2948-3008 N 38th St, Phx (Panorama Village) List: \$595K
12 units, 2216 N 16th St, Phoenix (Westwind) List: \$469K
9 units, 1811 & 1817 N 51st St, Phoenix, List: \$689K
8 units, 1007 E Roma Ave, Phoenix (Roma Empire) List: \$679K
7 units, 6804 N 23rd Ave, Phoenix List: \$429K
7 units, 1533 W Denton Ln, Phoenix List: \$350K
4 units, 1901 & 1907 E Amelia, Phoenix List: \$378K
4 units, 695 N Arrowhead Dr, Phoenix List: \$408K
4 units, 6609 W Ocotillo, Glendale (4-plex) List: \$299K
3 units, 425, 425.5 & 427 N 18th Dr, Phoenix List: \$225K

OTHER PROPERTIES “FOR SALE”

Retail Bldg, 7142 N 57th Dr, Glendale List: \$309K

1 SFR, 12450 N 28th St, Phoenix (3/2/pool) List: \$279,900

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