

Greater Phoenix Apartment Owner's Newsletter

Kasten / Long Apartment Team

RE/MAX Commercial Investment

4th Quarter 2007

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(October – December 2007)
- Vacancy Rate up to 8.5%
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www.PhxAptsForSale.com

The vacancy rate again jumped to 8.5% - as projected. This is a strong increase from 5.3% reported at the end of 2006. The availability of affordable homes to rent, condo reversions plus the new Employer Sanctions Law is driving the increased vacancy. Apartment developers agree that there will be an increased demand for apartments soon, as there were 6,676 permits issued in 2007. The number of apartment sales in the 4th quarter was the fewest in many years. Compared to the 1st half of 2007, the price / unit dropped significantly (see pg 4).

Kasten/Long Team Update: Amidst a Valleywide slowdown of sales, the Team has continued to set high marks when representing apartment owners and continues to be ranked in the top five commercial teams for RE/MAX in the US.

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Vacancy Up Again – Now at 8.5%

At the end of the 4th quarter of 2007 the vacancy rate for all-size, existing (>6 mo.'s) multifamily units increased from 7.4% in the 3rd quarter to 8.5%. Of the 326,273 total multifamily units, there were 27,750 reported as vacant. RealData, another apartment reporting company for 50+ units, reports vacancy Valleywide over 10%.

# of Units	2007 3rd Qtr.	2007 4th Qtr.
2 - 24	7%	2%
25 - 50	6%	4%
51 - 75	5%	6%
76 - 99	5%	6%
100 - 150	6%	8%
151 - 200	7%	8%
200+	8%	9%
Average	7.4%	8.5%

The lowest vacancy rate (6%) was reported in the South Scottsdale and Mountain Park districts. The highest vacancy rate was reported in Union Hills (11%). NW Phoenix, South Phoenix, Gilbert and the Western Suburb districts were reported at 10%. The larger complexes (151-200+) again took the brunt of the increased vacancy rate.

There were 2,115 apartment permits issued in the 4th quarter. This was led by one project in Maryvale (603 units), two projects in Gilbert (339 and 274 units) and one project in Deer Valley (307 units).

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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%
2007(4)	2,115	(4,485)	8.5%

Only one project was completed in the 4th quarter – 204 units by MHT Construction located at 5611 S 32nd St., in South Phoenix.

Vacancy rates for each of the Valley's 32 sub-districts (with map), plus a list of new construction projects and Condo conversions 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

4th Qtr - 2007

ADDRESS CITY "NAME"	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
13201 S Wakial Loop Phoenix, 'Silverado Ranch'	600 553,016	\$64,835,595 \$117.24	12/4/2007 1988	\$108,059		Included 13201 S 48 th St. Two properties sold together at \$117.24/sf. 840 units total.
3730 S Mill Ave. Tempe, 'Saddle Club'	515 377,863	\$41,200,000 \$109.03	12/10/2007 1970	\$80,000		63 st, 204 1/1, 36 2/1, 211 2/2, 1 3/2
15202 N 40 th St Phoenix, 'Alegria'	388 282,464	\$34,000,000 \$120.37	10/11/2007 1986	\$3,303,408 \$87,629	10.3 6.4	220 1/1, 168 2/2
4001 W Camelback Rd Phoenix, 'Estancia del Sol'	349 166,652	\$11,500,000 \$69.01	10/31/2007 1973	\$2,144,364 \$32,951	5.4 5.5	98 st, 228 1/1, 23 2/2 75% occupied
9652 N 31 st Ave Phoenix, 'Metro Village'	290 232,644	\$15,899,999 \$68.34	11/29/2007 1974	\$54,828	5.3	144 1/1, 140 2/1.3, 6 3/2 74% occupied
9450 W Cabela Ave Glendale, 'Metro at Zanjero'	253 244,606	\$41,240,000 \$168.60	11/15/2007 2007	\$3,243,060 \$163,004	12.7	130 1/1, 102 2/2, 15 3/2 21% occupied, condos operated as apts.
13021 S 48 th St. Phoenix., 'Sunstone'	242 192,892	\$22,614,658 \$117.24	12/4/2007 1987	\$93,449		Included 13201 S Wakial Loop. Two properties sold together at \$117.24/sf
1975 E University Drive Tempe, 'Cameron Creek'	211 188,400	\$18,800,000 \$99.79	10/1/2007 1988	\$1,932,360 \$89,100	9.7 6.0	60 1/1, 151 2/2 90% occupancy reported at COE.
3175 N Price Road Chandler, 'Chandler Point'	200 173,248	\$16,600,000 \$95.82	10/19/2007 1983	\$1,736,846 \$83,000	9.6 5.8	80 1/1, 48 2/1, 60 2/2, 12 3/2
3835 N 30 th St Phoenix, 'Jamestown'	142 122,120	\$15,300,000 \$125.29	12/4/2007 1971	\$998,544 \$107,746	15.3	142 2/1 Condo resale, partner buyout
2855 E Broadway Rd Mesa, 'Lindsay Palms'	132 128,836	\$11,850,000 \$91.98	10/12/2007 1999	\$1,367,856 \$89,773	6.6 6.6	36 1/1, 20 2/1, 68 2/2, 8 3/2
6801 N 25 th Dr Phoenix, 'Las Ventanas'	120 91,200	\$5,700,000 \$62.50	12/20/2007 1984	\$826,800 \$47,500	7.2 7.1	48 1/1, 72 2/1 86% occupied
1045 S San Jose Street Mesa, 'Village Green'	108 60,762	\$6,025,000 \$99.16	10/01/2007 1975	\$55,787	6.2	32 studios, 76 1/1 Master Metered
6041 W Thomas Rd Phoenix., 'Windtree'	103 86,190	\$6,100,000 \$70.77	11/20/2007 1982	\$59,223	6.1	32 1/1, 71 2/2
5801 E Albany St Mesa, 'Albany'	96 78,390	\$5,510,000 \$70.29	12/27/2007 1972	\$57,396		96 studios
919 E Lemon St Tempe, 'University Pointe'	90 51,264	\$6,542,857 \$127.63	10/29/2007 1964	\$822,000 \$72,698	8.0 7.3	32 1/1, 26 2/1
1011 E Lemon St Tempe, 'University Square'	76 50,760	\$6,292,857 \$123.97	10/26/2007 1964	\$725,000 \$82,801	8.7 7.3	32 1/1, 42 2/1
7232 N 27 th Ave Phoenix, 'Highland Park'	70 52,350	\$3,500,000 \$66.86	12/14/2007 1974	\$511,200 \$50,000	6.8 6.4	36 1/1, 34 2/1
1019 E Lemon St Tempe, 'University Gardens'	66 36,770	\$4,964,296 \$135.01	10/26/2007 1965	\$585,001 \$75,216	8.5 7.3	28 1/1, 18 2/1
1414 N 34 th St Phoenix, 'Windsong'	66 54,890	\$3,775,000 \$68.77	11/30/2007 1970	\$57,197		5 1/1, 41 2/1, 20 3/1 Master metered, new boiler & chiller
2242 - 2302 E Pinchot Ave Phoenix., 'Knight'	54 45,390	\$2,538,000 \$55.92	12/14/2007 1967	\$336,636 \$47,000	7.4 7.9	22 1/1, 30 2/1, 1 3/2, 1 4/2 Significant deferred maint.
435 E 2 nd St Mesa, 'Pioneer Villas'	44 30,046	\$2,225,000 \$74.05	12/31/2007 1980	\$301,200 \$50,568	7.4 7.5	24 1/1, 20 2/1, 39% vacancy at COE Kasten / Long Team Sale
910 E Lemon Tempe, 'University Place'	36 36,000	\$3,600,000 \$100.00	10/26/2007 1969	\$415,000 \$100,000	6.8 7.3	36 2/2 Master metered
425 N Vinyard Street Mesa, 'El Madrid'	31 21,852	\$1,905,000 \$87.18	11/08/2007 1972	\$277,844 \$61,452	8.4 7.1	2 st., 20 1/1, 1 2/1, 7 2/1.5, 1 3/2 Proforma numbers.
2019 - 2025 E Turney Ave Phoenix., 'Homeside & ...'	29 23,694	\$2,530,000 \$106.78	10/31/2007 1960	\$87,241		Includes two apt. complexes plus a house House was built in 1951.
736 E Turney Avenue Phoenix., 'Carolyn Place'	29 19,050	\$1,130,000 \$59.32	10/16/2007 1944	\$38,966	5.6	24 1/1, 4 2/1, 1 3/2 Much def. Maintenance. Kasten / Long Team Sale
2836 E Van Buren Street Phoenix., 'Pueblo Inn'	22 8,596	\$1,100,000 \$127.97	10/29/07 1959	\$50,000		22 1/1 Buyer plans to rehab and run as apts.

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
1814 W Vogel Avenue Phx., 'Mello Square'	16 11,500	\$610,000 \$53.04	10/24/2007 1983	\$98,387 \$38,125	6.2 10.0	6 1/1, 10 2/1 Proforma #'s. Rehab planned Kasten / Long Team Sale
1225 E Medlock Dr Phoenix, 'Mirada Condos'	15 16,100	\$1,605,000 \$99.69	11/1/2007 1962	\$154,200 \$107,000	11.1 6.5	4 1/1, 8 2/2, 3 3/2 0% occupied, condo mapped, large units
312 E Hatcher Rd Phoenix	15 7,800	\$570,000 \$73.08	11/16/2007 1980	\$38,000		15 1/1 Buyer plans up-scale rehab
13201 N 21 st Pl Phoenix, 'Atree'	12 9,360	\$765,000 \$81.73	12/14/2007 1981	\$75,600 \$63,750	10.1 5.4	12 2/1 Kasten / Long Team Sale
7537 N 21 st Ave Phoenix, 'Rose Vista'	11 9,600	\$755,500 \$78.70	12/28/2007 1961	\$80,700 \$68,682	9.2 6.7	5 1/1, 6 2/1 Proforma Numbers Single level, pool, courtyard
1718 N 26 th Pl Phoenix	10 5,090	\$500,000 \$98.23	11/5/2007 1945	\$50,000		10 1/1

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 & information to apartment owners & buyers. For the past four years, the Team has been ranked in the top five commercial teams worldwide for RE/MAX. **When we represent owners, our agents continue to sell properties well above comparable apartments.**

If you've been reading our quarterly newsletter, it's very obvious that the number of apartment transactions is significantly below previous three-month volumes. Vacancy rates have increased and may continue to increase for another year. Here's what needs to occur to reverse this trend:

Arizona Employer Sanctions Law will need to run its course. The Law that went into effect January 1 has driven many undocumented workers and their families out of Arizona. This hurts the overall economy and reduces the number of tenants. The Law is still being challenged in the legal system, but several courts have already upheld the law.

Sluggish residential home sales coupled with an over supply of inventory has forced investors to put investment-purchased homes on the market as rentals, just to help cover a portion of their loan obligation. This adds to the inventory of available rentals and also puts pressure on rental rates. The "A" and "B" quality properties with the higher rents are catching the brunt of this problem. The projection to return to a normal housing market is estimated at 12 to 18 months.

Failed condo conversions are adding apartments back into the multifamily inventory. We would expect this to be less of an affect going forward, as the apartment to condo craze has past.

While the above factors may be a temporary hitch in cash flow and apartment appreciation, the overall economy is strong and Arizona continues to be the fastest growing state in population nationwide. The lack of apartment building over the past six years will soon create an increased demand for apartments – thus higher rents – and then a sharp increase in value.

If you are considering selling or buying apartments or would simply like more information on the apartment market – please give me a call. Jim Kasten, CCIM - 602 677 0655 JKasten@ccim.net

2007 Apartment Market

Total apartment sales in 2007 dropped 30% compared to 2006. Vacancy rates increased from 5.3% at year-end 2006 to 8.5% at the end of 2007. The increase is due to the abundance of homes that are not selling and now being rented plus the growing impact of the new Arizona Employer Sanctions Law. The price/unit and price/sf in the 1st half of 2007 increased over 2006, but values and sales volume dropped significantly over the 2nd half of 2007 (see chart). Of the 174 properties currently “for sale” in the Valley (as of 2.14.08), 32% have reduced list prices. **Call (or e-mail) us for an up-to-date List.**

Year	Sales	\$/unit	\$/sf	
2002	215	\$41,615	\$56	
2003	300	\$43,321	\$59	
2004	377	\$51,648	\$69	
2005	416	\$52,301	\$75	
2006	318	\$63,227	\$97	
2007	134	\$82,187	\$103	1 st half
2007	92	\$58,323	\$97	2nd half

2007 Apartment Sales

Number of Units

Built	10 - 19		20 - 49		50 - 99		100 - 199		200 +	
	\$/ Unit	\$/ sf	\$/ Unit	\$/ sf	\$/ Unit	\$/ sf	\$/ Unit	\$/ sf	\$/ Unit	\$/ sf
1940 & 1950's	\$67,033	\$109	\$48,826	\$81	---	---	---	---	---	---
1960's	\$78,995	\$97	\$60,347	\$80	\$66,481	\$103	---	---	---	---
1970's	\$71,728	\$102	\$55,917	\$71	\$59,223	\$75	\$73,837	\$91	\$65,122	\$96
1980's	\$58,340	\$80	\$60,035	\$81	\$56,858	\$80	\$72,717	\$94	\$77,525	\$108
1990's	---	---	---	---	---	---	\$123,012	\$120	\$140,621	\$142
2000's	---	---	---	---	---	---	\$146,666	\$156	\$135,059	\$144
Total Sales	37		43		28		40		79	
Total Sales Price	\$34.2M		\$72.7M		\$129.3M		\$505.7M		\$2,626B	

--- Three sales required per category for data entry.

Data from Costar. Includes all apartment sales with at least 10 units and purchase price of at least \$250,000.

Kasten / Long Apartment Team - Apartment Activity (as of February 20, 2008)

RECENT CLOSINGS (Since 11.12.07)

44 units, 435 E 2nd St, Mesa (Pioneer Villas) \$2.225M
 26 units, 3009 N 36th St, Phoenix, (Melbourne) \$1.45M
 25 units, 2216 E Eugie, Phoenix (Eugie Terrace) \$1.851M
 12 units, 13201 N 21st Av, Phoenix (Atree) \$765K
 Retail Bldg, 2659 W Dobbins Rd, Phoenix \$700K

APARTMENTS IN ESCROW

34 units, 5725 N 8th Pl, Phoenix (Villa Jay) List: \$2.495M
 20 units, 829 N 4th Av, Phoenix (La Prada) List: \$1.2M

OTHER PROPERTIES IN ESCROW

Office building, 4109 N 12th St, Phoenix List: \$1.575M

OTHER PROPERTIES “FOR SALE”

Motorcycle Bus + Bldg, 2729 E Indian School Rd, Phx List: \$1.495M
 Retail Bldg, 7162 N 57th Dr, Glendale List: \$750K
 Retail Bldg, 7142 N 57th Dr, Glendale List: \$309K
 Land, 7154 N 57th Dr, Glendale List: \$299.9K
 Land/SFR, 1537 W Denton Ln, Phoenix List: \$249.9
 1 SFR, 1202 E Palm Lane, Phoenix (3/2/1) List: \$349,000

APARTMENTS “FOR SALE”

50 units, 2339 W Northern, Phoenix (Canyon North) List: \$3.4M
 44 units, 1626 W Desert Cove, Phx (Garden Cove) List: \$2.775M
 35 units, 2503 N 52nd St, Phoenix (Olivewood) List: \$2.73M
 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: \$1.089M
 16 units, 2980 W Foothills Dr, Phx (Foothill Villas) List: \$929K
 14 units, 4822 E Holly St, Phoenix (Jennifer) List: \$895K
 14 units, 7108 N 80th Ave, Glendale List: \$645K
 12 units, 520 E Pierson St, Phoenix (Woodbrier) List: \$860K
 12 units, 605 W Pierson St, Phoenix List: \$799K
 12 units, 2948-3008 N 38th St, Phx (Panorama Village) List: \$595K
 12 units, 2216 N 16th St, Phoenix (Westwind) List: \$429K
 9 units, 1811 & 1817 N 51st St, Phoenix, List: \$659K
 9 units, 2414-2416 W Coolidge, Phoenix, List: \$525K
 8 units, 3205 E Earll Dr, Phoenix, List: \$649K
 7 units, 6804 N 23rd Ave, Phoenix List: \$429K
 7 units, 1533 W Denton Ln, Phoenix List: \$350K
 6 units, 7561 N 27th Ave, Phoenix List: \$539K

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