



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

3rd QTR 2009

Vacancy rates remain high with little sign of immediate relief. At some point, there will be a shortage of apartments based on the huge decline in permits for new construction. The volume of apartment transactions is strong – as investors take advantage of the depressed prices. Prices are pressured by the continued flood of REO and short sale opportunities. Investor purchased REO homes are still providing an on-going supply of rentals (the “Shadow Market”) adding to our rental inventory.

KASTEN LONG COMMERCIAL GROUP: We are pleased to announce that Dan Dulin and Jim Richardson have joined our group. Both are very experienced agents with many years of apartment brokerage and a combined track record of more than \$250 Million in apartment sales (see page 3).

Vacancy Rates Still High - 13.4%

At the end of the 3rd quarter of 2009 the vacancy rate for all-size, existing (>6 mo.'s) multifamily units ebbed slightly from 13.8% in the 2nd quarter to **13.4%**. Of the 335,191 total multifamily units, there were 44,825 reported as vacant. The total inventory gained 1,942 units.

# of Units	2009 2nd Qtr.	2009 3rd Qtr.
2 - 24	13%	13%
25 - 50	9%	16%
51 - 75	11%	13%
76 - 99	11%	11%
100 - 150	12%	12%
151 - 200	15%	14%
200+	14%	13%
Average	13.8%	13.4%

All size complexes are still experiencing high vacancy issues with the larger size units gaining some support. The area south of Indian School Road between 19th and 43rd Avenues reported 21% vacancy. The North Scottsdale, Mountain Park, South Tempe and Gilbert were the only Districts that reported single digit vacancies.

There were only 46 apartment permits issued in the 3rd quarter led by MT Builders 42 units at 3930 N 24th Avenue, in Phoenix. There were five projects totaling 1,425 units completed in the 3rd quarter. These are located in Deer Valley, Western Suburbs, Gilbert and two in the Union Hills Districts.

WE KNOW APARTMENTS

Kasten Long Commercial Group

- Agents have closed more than \$550 Million in apartment sales.
- Working with owners and lenders to restructure loans (**FREE SERVICE**).

CALL US – Short Sales, Market Valuations, Negotiating with Lenders, Buying Opportunities.

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	6,675	(5,846)	8.5%
2008	6,365	(4,466)	10.8%
2009 (1)	349	(4,419)	12.6%
2009 (2)	214	(2,439)	13.8%
2009 (3)	46	3,167	13.4%

Based on the reported multifamily rent index, rental rates decreased 1.8% in the 3rd quarter, with a cumulative decrease of 6.4% 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 under “Apartment Market Data” on www.KLCommercialGroup.com

Data Source for Vacancy and Demographics:

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

Greater Phoenix Apartment Sales

3rd Qtr - 2009

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
3777 E McDowell Rd Phoenix, 'Indigo Palms'	432 385,872	\$30,000,000 \$77.75	7/21/2009 2002	\$3,980,764 \$69,444	7.5 6.7	124 1/1, 16 2/1, 238 2/2, 54 3/2 Assumed loan
4225 E University Dr Mesa, 'Falcon Glen'	402 339,936	\$14,250,000 \$41.92	8/19/2009 1985	\$3,138,389 \$35,448	4.5 8.1	81 1/1, 2 2/1, 239 2/1.5, 80 2/2 REO sale, 75% occupied, deferred maint.
2700 N Hayden Rd Scottsdale, 'San Tropez'	316 331,548	\$29,000,000 \$87.47	8/7/2009 1989	\$3,724,884 \$91,772	7.8 8.5	132 1/1, 144 2/2, 40 3/2 Assumed loan
6801 E Camelback Rd Scottsdale, 'Orchidtree'	278 224,974	\$16,000,000 \$71.12	7/2/2009 1971	\$57,554		53 st, 138 1/1, 78 2/2, 9 3/2 0% occupied, possible redevelopment
1333 W Guadalupe Rd Gilbert, 'Desert Mirage'	258 270,243	\$17,900,000 \$66.24	8/5/2009 1998	\$59,380		6 st, 72 1/1, 144 2/2, 36 3/2
20003 N 23 rd Ave Phx, 'Wickertree'	226 154,792	\$9,500,000 \$61.37	8/20/2009 1983	\$1,886,304 \$42,035	5.0 8.8	146 1/1, 80 2/2
1865 N Higley Rd Mesa, 'Alta Mesa'	200 196,640	\$15,000,000 \$76.28	8/5/2009 2000	\$2,406,048 \$75,000	6.2 6.9	8 st, 64 1/1, 96 2/2, 32 3/2
2330-2332 W Glenrosa Ave Phoenix, 'The Promenade'	182 136,500	\$3,000,000 \$21.98	9/22/2009 1985	\$1,004,640 \$16,484	3.0 2.3	182 2/1 ALL CASH REO sale, 58% occupied, deferred maint.
7611 S 36 th St Phoenix, 'Montana'	134 120,597	\$7,600,000 \$63.02	8/5/2009 1998	\$56,716	6.9	40 1/1, 81 2/2, 13 3/2
2855 E Broadway Rd Mesa, 'Lindsay Palms'	132 128,836	\$10,201,210 \$79.18	9/25/2009 1999	\$1,218,288 \$77,282	8.4	36 1/1, 20 2/1, 68 2/2, 8 3/2 75% occupied, distressed, buyer assumed loan
6301 N 64 th Dr Glendale	88 72,011	\$1,700,000 \$23.61	7/13/2009 1972	\$618,000 \$19,318	2.8 8.0	29 1/1, 51 2/1, 8 3/2 REO sale, 77% occupied, master metered
4120 W Osborn Rd Phoenix, 'Poco Jardin 1'	77 53,106	\$1,800,000 \$33.89	8/28/2009 1983	\$489,636 \$23,377	3.7 10.6	31 1/1, 30 2/1, 16 2/2 ALL CASH Short sale
3545 E Van Buren St Phoenix, 'Casa Sonoran'	66 33,865	\$1,225,000 \$36.17	7/27/2009 1963	\$18,561		65 1/1, 1 2/1 REO sale, 40% occupied, master metered
5510 N 35th Ave Phoenix, 'Silver Oaks'	36 30,758	\$750,000 \$24.38	9/22/2009 1959	\$285,120 \$20,833	4.9 1.0	26 2/1, 10 3/2 ALL CASH Short sale, 12% occupied KLCG Sale
4711 N 15 th St Phx, 'Camelback Springs'	28 19,950	\$504,000 \$25.26	7/17/2009 1964	\$180,000 \$18,000	2.8	18 1/1, 10 2/2 ALL CASH REO sale, 0% occupied
9430 N 11 th Ave Phoenix, 'Hatcher Square'	22 15,070	\$550,000 \$36.50	7/1/2009 1984	\$145,200 \$25,000	3.8	22 2/1 ALL CASH Short sale, 0% occupied
1403 E 8 th St Tempe, 'Tempe Manor'	20 9,620	\$750,000 \$77.96	8/28/2009 1960	\$138,000 \$37,500	5.4	20 1/1 ALL CASH 60% occupied
716 E Turney Ave Phoenix, 'Turney Studios'	16 6,750	\$350,000 \$51.85	7/8/2009 1948	\$98,400 \$21,875	3.6	15 st, 1 2/1
645 W Hazelwood St Phoenix, 'Hazelwood'	15 9,934	\$525,000 \$52.85	8/18/2009 1959	\$92,196 \$35,000	5.7 8.1	13 1/1, 2 2/1 87% occupied KLCG Sale
5623 W Myrtle Ave Glendale, 'Annex'	15 8,892	\$300,000 \$33.74	7/31/2009 1965	\$20,000		1 1/1, 13 2/1, 1 3/1

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 Commercial Group**
 Data source: COSTAR, ARLMS, 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
3234 N 38 th St Phoenix	14 14,258	\$805,000 \$56.46	8/21/2009 1962	\$111,000 \$57,500	7.3	13 2/1, 1 3/2 Resale from an all cash purchase on 7/30/09 for \$750,000.
307-309 W Mariposa St Phoenix	13 12,078	\$520,000 \$43.05	9/17/2009 1968	\$96,816 \$40,000	5.4	5 1/1, 2 1/1.5, 5 2/1, 1 3/1 KLCG SALE
2340 W Coolidge St Phoenix, 'Coolidge'	12 8,975	\$440,000 \$49.03	8/24/2009 1966	\$36,667		1 1/1, 11 2/1
2129-2137 E Taylor St Phoenix	10 4,760	\$125,000 \$26.26	9/4/2009 1959	\$12,500		High vacancy property ALL CASH

Introducing our new Group members...Welcome aboard, Gentlemen!



Dan Dulin
623.565.8511
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Dan graduated from Arizona State University in 1992 and has since managed 13,000 apartment units across 8 states. After moving to apartment sales in 2000, he quickly proved himself as a market leader in Phoenix by closing over *100 million dollars* in investment transactions. Today, Dan remains exclusively focused on selling apartment properties with **Kasten Long Commercial Group** and has an extensive apartment sales track record.

*"I joined the **Kasten Long Commercial Group** to have the flexibility to address client needs on a tailored individual basis instead of the one-size-fits-all solution that you find in a traditional monolithic commercial brokerage house. There is no tension around here because everyone is pulling the rope in the same direction."* - Dan



Jim Richardson
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Jim moved to Arizona in 1978. Apartment sales have been his specialty for over 30 years. He has extensive experience in all investment markets including distressed and 'short sale' situations that affect the sales and ownership of apartments. He is knowledgeable in apartment financing. Jim is a top producer in commercial sales and a previous Century 21 Lifetime Centurion Award top production winner.

*"We Know Apartments' is more than the slogan of the **Kasten Long Commercial Group**. I joined the firm because of its extensive market knowledge and compiled data library. The **Group's** outstanding long-term reputation translates into superior service for clients investing in Arizona income properties, especially in today's market."* - Jim

WANT TO BE KEPT UP TO DATE ON THE PHOENIX APARTMENT MARKET?

Call or e-mail Jim Kasten 602.677.0655 / Jim@KLCommGroup.com

Or sign up for weekly UPDATES at
www.KLCommercialGroup.com

The Apartment Market

Some Good News: The number of new building permits for apartments in the 3rd quarter was only 46. Typically, this number is 1,500 to 2,000. In addition, the number of new projects in the pipeline is diminishing quickly. When jobs and tenants return - rents and apartment values will increase. If you are a buyer with cash, there are short sale and lender-owned (REO) opportunities flooding the market. This continues to drive prices down. In the 3rd quarter, for properties that were purchased between 2003 and 2007, and were built between 1960 and 1985, the average “all cash” sale was only 45% of the previous purchase price.

The Economic Elephant - Owners and Lenders are Being Crushed:

Although the reported vacancy rate is about the same as last quarter, from the number of REO and short sales, it's obvious that many owners are having severe vacancy and cash flow problems. Almost every day we hear a repeat of the same story. With decreasing cash flow due to increasing vacancies, strained collections, etc., owners use reserve monies to support the mortgage payments until the only way to make the payment is to hedge on maintenance. When this happens, almost every property has quickly gone into a downward spiral. This has been the “defining moment” and at this point, all equity is lost.

So what could an owner do to avoid the “defining moment”? Owners should be in contact with their lenders long before maintenance funds are reduced. Lenders and owners are now partners and both need to understand that the greater Phoenix economy and our apartment market are far worse than either appreciate. It's an economic elephant – too big for either to handle alone.

Neither lenders nor owners are at fault – but both need to work together as early as possible – long before the “defining moment”. Owners need to stay on top of the property and lenders need to adjust loan payments if needed. If that's not in the bank's guidelines, the bank needs to know that the result of not changing their guidelines will cost them plenty.

Our Group has been able to help a number of owners work with lenders. We do this for free as a service to our industry. We're happy to share what we know or help owners any way we can. We are also very sensitive to owners with recourse loans facing possible deficiency judgments. We can help - call us anytime.

KASTEN LONG COMMERCIAL GROUP Activity

APARTMENTS “FOR SALE”

34 units, 5725 N 9th Pl, Phx, List: \$1.050M - ss
 34 units, 2740 W Colter St, Phx List: \$1.050M - ss
 28 units, 2615 E Greenway Rd, Phx List: \$950K - ss
 18 units, 4207-4213 N 9th St, Phx List: \$599K
 17 units, 45 N Lyn Rae Dr, Mesa List: \$450K - ss
 16 units, 1703 W Mountain Vw, Phx List: \$799K
 16 units, 312 E Hatcher, Phx List: \$670K
 15 units, 3011 N 38th St, Phx List: \$425K - ss
 14 units, 3029 N 38th St, Phx List: \$515K - ss
 12 units, 605 W Pierson, Phx List: \$445K
 4 units, 2503 N 16th St, Phx List: \$375K - ss

4-plex – Short Sale Division (Scott Kane – agent)

4 units, 4830 E Willetta, Phx List: \$125K - ss
 4 units, 4824 E Willetta, Phx List: \$125K - ss
 4 units, 1918 E Adams St, Phx List: \$80K - ss
 4 units, 1922 E Adams St, Phx List: \$80K - ss
 4 units, 1540 W Desert Cove, Phx List: \$75K - ss
 4 units, 11 E Southgate, Phx List: \$49K
 2 units, 2419 E Oak St, Phx List: \$89.9K
 2 units, 1901 E Amelia, Phx List: \$48.5K - ss
 2 units, 1907 E Amelia, Phx List: \$48.5K - ss

OTHER PROPERTIES “FOR SALE”

Commercial Bldg

4010 N 19th Ave, Phx List: \$350K

Community Center / Church

401 E Mohave St, Phx List: \$675K

Single Family Residence

5206 W Pecan Rd, Laveen List: \$139K
 8803 W Monroe St, Peoria List: \$124.9K
 4201 N 20th St #101, Phx, List: \$79.9K - ss
 6240 N 63rd Ave #248, Gld List: \$40K - ss

ADDITIONAL GROUP SALES

4 units, 1831 N Spring St, Phx SOLD: \$145K
 4 units, 1131 N 40th St, Phx SOLD: \$53K - ss
 4 units, 4101 E Belleview St, Phx SOLD: \$50K - ss
 SFR, 5206 W Pecan Rd, Laveen SOLD: \$96.5K

For details on all our listings:
www.KLCommercialGroup.com

“ss” – short sale

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