



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

1st QTR 2010

Vacancy rates eased off a bit to 12.3% with a 50% drop in the 2 – 24 unit size properties. Permitting for new apartments and recent completions remained low – a good sign for the future. Owners unable to survive the economy, or inability to negotiate with their lenders for a restructured loan, continue to fuel the supply of REO, Trustee and Short Sales. The depressed sale prices, often paid by “cash” and or with a revised loan from the existing lender, continue to put pressure on rental rates on nearby apartment communities. Lenders are also appointing receivers for delinquent assets more quickly than in the past. Be careful!

KASTEN LONG COMMERCIAL GROUP: In the 1st quarter, our Group participated in more brokered apartment transactions in metro Phoenix than any other local brokerage. We are pleased to announce the addition of another apartment specialist, Justin Bland, to our group (see page 3).

Vacancy Rates Decline to 12.3%

Vacancy rates for the 1st Qtr of 2010 for all-size, existing (>6 mo.'s) multifamily units decreased from 14.2% in the 4th quarter to **12.3%**. Of the 338,126 total multifamily units, there were 41,450 reported as vacant and a whopping 7,938 absorbed. The total inventory gained 1,788 units.

# of Units	2009 4 th Qtr.	2010 1 st Qtr.
2 - 24	18%	9%
25 - 50	17%	16%
51 - 75	13%	13%
76 - 99	12%	12%
100 - 150	14%	12%
151 - 200	15%	12%
200+	14%	12%
Average	14.2%	12.3%

The highest vacancy rates (20% to 25%) for the 1st quarter were reported for Maryvale, NW Phoenix and Sky Harbor Districts. North Scottsdale, North PV, Mountain Park, Gilbert, Chandler, South Phoenix and South Tempe Districts all reported single digit vacancies.

Two projects were permitted by NRP Group in Phoenix the 1st quarter: 3330 E Van Buren St. (80 units) and 2140 E Broadway Rd. (68 units). Two projects were completed in the 1st qtr.: Sun American's 299 units at 1900 E Apache Blvd. in Tempe, and Trillium's 724 unit project at 24250 N. 23rd Av. in Phoenix.

KASTEN LONG COMMERCIAL GROUP

- Specializing in apartment brokerage since 1998. [100+ and less units]
- \$750 Million in apartment sales by our agents.
- Work with owners and lenders to restructure loans (**FREE SERVICE**).

CONTACT US – Short Sales, Market Valuations, Negotiating with Lenders, Buying Opportunities & Management.

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	637	(5,319)	14.2%
2010 (1)	180	7,938	12.3%

There are only 3,067 units currently under construction - mostly in Deer Valley, North Tempe and the Western Suburbs Districts. Based on the reported multifamily rent index by ASU, rental rates increased 1.3% for the 1st qtr. For older complexes, both small and large, we have often seen rental rates decrease 20% or more across the Valley and vacancy rates far above the 12.3% reported by ASU.

Vacancy rates for each of the Valley's 32 districts, plus a list of new construction projects, are posted under "Apartments - 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

Greater Phoenix Apartment Sales

1st Qtr - 2010

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
10847 W Olive Ave Peoria, 'Trillium Villas'	340 327,311	\$27,500,000 \$84.02	3/10/2010 2008	\$3,334,800 \$80,882	8.2	200 1/1, 100 2/2, 40 3/2 Short Sale, Cash, refi planned
3816 N 83 rd Ave Phoenix, 'Casa Real'	256 237,111	\$5,600,000 \$23.62	1/29/2010 1986	\$21,875	7.3	57 1/1, 179 2/2, 20 3/2 50% occupied, REO, Cash
20401 N 19 th Ave Phoenix, 'Palm Court'	256 220,891	\$13,696,000 \$62.92	2/10/2010 1998	\$53,500		Sold with Ridge Gate
7250 S Kyrene Rd Tempe, 'Elliot's Crossing'	247 182,166	\$11,850,000 \$65.05	3/12/2010 1987	\$2,087,700 \$47,976	5.7 5.5	167 1/1, 24 2/1, 56 2/2 \$3.35M down, \$8.5M loan
11620 E Sahuaro Dr Scottsdale, 'Cabrillo'	224 186,000	\$12,600,000 \$67.74	1/29/2010 1987	\$2,386,560 \$56,250	5.3 6.5	128 1/1, 96 2/2 Short Sale, \$3.13M down, \$21.6M loan
4644 N 22 nd St Phoenix, 'La Terraza'	224 134,138	\$9,470,000 \$70.60	2/18/2010 1997	\$42,277		56 1/1, 168 2/2 Condo mapped
3030 N 7 th St Phoenix, 'Country Club'	222 138,750	\$3,800,000 \$27.39	2/10/2010 1959	\$17,117		42 st, 114 1/1, 56 2/1, 8 3/1, 2 3/2.5 86% occup., REO, \$800K dn, \$3.0M priv. loan
2811 W Deer Valley Rd Phoenix, 'Ridge Gate'	216 187,968	\$11,880,000 \$63.20	2/10/2010 1998	\$2,084,640 \$55,000	5.7 6.5	48 1/1, 56 2/1, 112 2/2 87% occup., purch. with Palm Court, \$445K dn
20245 N 32 nd Drive Phoenix, 'Bayside'	176 143,014	\$9,416,000 \$64.49	3/2/2010 1999	\$1,251,840 \$53,500	7.5	64 1/1, 48 2/1, 64 2/2 78% occupied, \$200k deferred maint., Cash
8818 S Central Ave Phoenix, 'Due South'	128 58,944	\$1,100,000 \$18.66	3/5/2010 1986	\$545,664 \$8,594	2.0	116 1/1, 12 2/1 REO, \$300K down, \$800K priv. loan
6131 N 16 th St Phoenix, 'Mission Palms'	125 104,081	\$3,600,000 \$34.60	3/19/2010 1975	\$28,800		49 1/1, 26 2/1.5, 50 2/2 Condo mapped, assumed \$3.6M modified loan
5215 W Peoria Ave Glendale, 'Cedar Court'	116 77,408	\$4,600,000 \$59.43	1/8/2010 1986	\$906,720 \$39,655	5.1 9.1	80 1/1, 36 2/2 \$850K down, assumed \$3.75M loan
4222 W Osborn Rd Phoenix, 'Mission Gardens'	88 79,200	\$1,625,000 \$20.52	2/1/2010 1963	\$18,466		88 2/2, AKA Osborn Manor
7232 N 27 th Ave Phoenix, 'Highland Park'	70 52,350	\$1,625,000 \$31.04	1/25/2010 1974	\$23,214		26 1/1, 34 2/1, 67% occupied, Short Sale, \$100K down, assumed modified \$1.525M loan
1322 N La Jolla Blvd Goodyear, 'La Jolla Court'	69 51,525	\$1,204,000 \$22.08	3/15/2010 1964	\$411,300 \$17,449	2.9	26 1/1, 43 2/1, 61% occupied REO, \$517,500 deferred, Cash
2726 W Augusta Ave Phoenix, 'El Descanso'	68 50,800	\$1,255,500 \$24.71	3/29/2010 1983	\$466,800 \$18,463	2.7	36 1/1, 32 2/1, FKA Augusta Suntree 66% occupied, Cash KLCG SALE
3501 W Missouri Ave Phx, 'Missouri Meadows'	62 39,400	\$1,054,000 \$26.75	3/24/2010 1979	\$301,680 \$17,000	3.5	60 1/1, 2 2/2 57% occupied, REO, Cash
4526 N Black Canyon Hwy Phoenix, 'Chelsey Park'	58 31,300	\$685,000 \$21.88	1/20/2010 1964	\$11,810		39 st, 4 1/1, 15 2/1 26% occupied, Master Meter, Cash
2740 W Colter St Phoenix, 'Casa Loma'	34 26,078	\$557,000 \$21.36	2/26/2010 1979	\$16,382		34 2/1, 46% occupied Short Sale, Cash KLCG SALE
278 S Tegner St Wickenburg, 'Kokopelli Vlg'	31 20,334	\$1,290,000 \$63.44	3/31/2010 1997	\$200,340 \$41,613	6.4	25 1/1, 6 2/1 60% occupied
5410 S 3 rd St Phoenix, 'Southview'	24 15,600	\$445,000 \$28.53	2/8/2010 1986	\$18,542		24 2/1
2417 W Campbell Ave Phoenix, 'Landing Pointe'	24 15,600	\$260,000 \$16.67	3/9/2010 1983	\$136,800 \$10,833	1.9	24 2/1 8% occupied, Short Sale, Cash
3131 N Black Canyon Hwy Phoenix, 'Casa Blanca'	21 13,184	\$550,000 \$41.72	1/21/2010 1985	\$105,000 \$26,190	5.2 11.0	11 1/1, 10 2/1 60% occupied, \$200K down, seller carry
6542 N 17 th Ave Phx, 'Huntington Gardens'	16 16,496	\$694,000 \$42.07	2/1/2010 1964	\$113,400 \$43,375	6.1	2 1/1, 2 2/1, 10 2/2, 2 3/2 75% occupied, Cash
6802 N 17 th Ave Phoenix, 'Villa Serena'	16 18,096	\$420,000 \$23.21	2/24/2010 1963	\$139,200 \$26,250	3.0	4 1/1, 12 2/1.5 REO, Cash, high vacancy, def. maint.

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, BREW 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
1510 E Monroe St Phoenix, 'Jasmin Court'	16 8,800	\$200,000 \$22.73	3/26/2010 1981	\$12,500		2 st, 10 1/1, 4 2/1, Short Sale, 1031 exchange, \$184,250 down
3011 N 38 th St Phoenix, 'Wyndham'	15 8,630	\$330,000 \$38.24	2/24/2010 1971	\$96,228 \$22,000	4.4 7.9	13 1/1, 1 2/1, 1 2/2, 75% occupied Short Sale, Cash KLCG SALE
3029 N 38 th St Phoenix, 'Montego'	14 12,127	\$470,000 \$33.57	2/24/2010 1971	\$109,128 \$33,571	4.7 7.8	13 2/1, 1 3/2, 75% occupied Short Sale, part of Wyndam KLCG SALE
605 W Pierson St Phoenix, 'Pierson'	12 10,403	\$429,000 \$41.24	2/26/2010 1958	\$82,800 \$35,750	5.4 7.4	4 1/1, 4 2/1, 4 3/2 \$150K down, \$279K new loan KLCG SALE
3145 E Cypress St Phoenix, 'Cypress Arms'	12 6,192	\$220,000 \$35.53	1/19/2010 1975	\$79,200 \$18,333	2.8 10.9	12 1/1, high vacancy REO, \$24K down, \$196K new loan
3703 N 9 th Pl Phoenix	11 6,600	\$257,000 \$38.94	3/1/2010 1959	\$67,500 \$23,364	3.8	7 1/1, 4 2/1
9221-9225 N 5 th St Phoenix, '5 th Street'	10 4,725	\$160,000 \$33.86	3/16/2010 1965	\$54,000 \$16,000	3.0 4.2	10 1/1 70% occupied, Cash

PARTIAL CONDO SALES

3830 Lakewood Pkwy Phoenix, 'Portofino'	78 403,820	\$5,400,000	2/16/2010 1995	\$69,230		Condo mapped 78 of 440 Cash
14815 N Fountain Hills Blvd Ftn Hills, 'Eagles Landing'	30 35,971	\$2,750,000 \$76.45	3/10/2010 2007	\$91,667		17% occupied, REO, 30 of 38 unit condo project, \$100K down, \$2.667M priv. loan

Introducing our newest Group member... Welcome aboard, Justin!

Justin Bland, Apartment Specialist

480.559.5767 cell / 602.759.1203 office

Justin@KLCommGroup.com



We are pleased to announce that Justin Bland has joined our group. Justin has nine years experience in owning and managing apartments and has brokered more than \$50 Million in apartment sales. Prior to starting his real estate career, Justin served eight years with the US Marine Corps. He carries his discipline, hard work, organizational skills and strong ethics into his real estate practice. Justin will be a valuable asset for both apartment owners and investors.

"After visiting with several commercial brokerages, I knew right away that the Kasten Long Commercial Group was the best place for me to further my career. The Team's knowledge of apartments and the resources provided are incredible, and I quickly realized that all the information I ever needed and wanted was right here at my fingertips. Coupled with the Team's reputation of serving the client first made my decision to join very easy. I am very excited and look forward to a long career with the Kasten Long Commercial Group." - Justin



Apartment Management Services Now Available

We have teamed-up with a local, family-run management group with 20+ years experience owning and managing apartments. Several of our associates have used this management team in the past and have been very pleased their results. For more information, please contact Jim Kasten (602.445.4113, Jim@KLCommGroup.com) or Bob Beatty (602.639.0141, Bob@TheBeattyGroup.com).

WHAT'S HAPPENING IN THE PHOENIX APARTMENT MARKET?

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

Or sign up for "SEND ME UPDATES" at: www.KLCommercialGroup.com

The Apartment Market

Apartment sales activity maintained its momentum from the previous quarter with 32 transactions plus five 3rd party purchases at trustee sales (10+units). Almost every transaction was lender controlled, either via a short sale or REO. Building permits and newly completed apartment complexes remained at minimal numbers – which is good for the future when demand returns. ASU reported a decline in vacancy. This could be due to a shortage of available single family homes for displaced owners or may also be that the properties with high vacancies have now been purchased by new owners that are not part of the survey.

Market Dynamics:

Buyers: Obviously this is a great time to be a buyer with prices far below recent years, especially if you have cash. In some cases, existing lenders are offering leveraged financing with a restructured loan. Lenders typically ask for a bit of a premium in price over “all cash” offers. **Let us know if you would like a list of all available apartments “for sale”.** In addition, we also track apartments being offered via auctions, Trustee sales and Note sales directly from lenders or by auction.

Owners: With rents decreasing and cash flow dwindling, many owners are still facing tough times. The increase in the number of apartment transactions from last year is almost solely from owners that could not hang on. For borrowers with recourse loans, the looming possibility of a “deficiency judgment” is of concern. If you missed last quarter’s advice regarding this, Attorney Meg Steiner, provided valuable insight (Meg@azlawyers.com).

We have now helped more than 20 owners restructure their loans – **if you need help, let us know – it’s a free service.** The less REO and short sales at depressed prices, the better for both owners and lenders. There is no norm, but we often see a 20% to 30% reduction in payment for a few years. OF NOTE: lenders would rather work with borrowers before payments are delinquent.

Lenders: FDIC and Banking Commission rules and regs seem to be in constant flux. Both lenders and asset managers (typically for CMBS loans) have also been easier to work with for short sales. Maybe they are under pressure from above or maybe we’re getting better at knowing what they need. We continue to be hopeful that the Feds may someday allow the CMBS servicing agents the ability to restructure loans and not be forced to either foreclose or do a short sale.

The Shadow Market continues: In addition to the overall lack-luster economy and many apartments being sold at low prices, the “shadow market” is still competing for tenants and causing higher apartment vacancies. As of mid-May, the number of residential REO and short sales was about 17,000 – a pace similar to last year. Many of these continue to be investor purchases to be used as rentals.

KASTEN LONG COMMERCIAL GROUP Activity

PHOENIX APARTMENTS “FOR SALE”

100	11600 N 75th Avenue	\$6.4M	ss
97	1915 E Broadway	\$1.552M	ss
94	111 N Mesa Dr	\$3.3M	ss
28	2615 E Greenway Rd	\$695K	
26	1840 W Thomas Rd	\$945K	ss
24	1123 E Sierra Vista Ave	\$1.298M	
15	1010 E Maryland Ave	\$1.05M	
12	1126 E Maryland Ave	\$794K	
8	317 N 17th Dr	\$385K	
6	305 S Hobson	\$149K	
4	926 W McDowell	\$300K	
4	7109 N 68th Dr	\$125K	
4	7105 N 68th Dr	\$125K	
3	82 W Culver	\$225K	
3	94 W Culver	\$225K	
3	98 W Culver	\$225K	

OTHER PROPERTIES “FOR SALE”

<u>Community Center / Church</u>			
401 E Mohave St	Phx	\$600K	
<u>Commercial Land</u>			
9.26A SWC 107th Ave & Olive	Peoria	\$2.99M	
1.49A SWC 107th Ave & Olive	Peoria	\$780K	
<u>Single Family Residence</u>			
4214 E Everett Dr - ss	Phx	\$160K	

“ss” - short sale

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

KASTEN LONG COMMERCIAL GROUP

Jim Kasten, CCIM
 602 445 4113 office
 602 677 0655 cell
Jim@KLCommGroup.com

Jan Long, CCIM
 602 445 4115 office
 602 432 9882 cell
Jan@KLCommGroup.com

Scott Trevey, CCIM
 602 445 4114 office
 480 205 0862 cell
Scott@KLCommGroup.com

Terry Kass, CCIM, CPM
 602 445 4124 office
 602 703 5277 cell
Terry@KLCommGroup.com

Dan Dulin, Apartment Specialist
 602 445 4120 office
 623 565 8511 cell
Dan@KLCommGroup.com

Jim Richardson, Apt Specialist
 602 759 1201 office
 602 743 5763 cell
JRichardson@KLCommGroup.com

Linda Fritz-Salazar, Assoc. Broker
 602 759 1204 office
 602 989 9487 cell
Linda@KLCommGroup.com

Justin Bland, Apartment Specialist
 602 759 1203 office
 480 559 5767 cell
Justin@KLCommGroup.com

Scott Kane, CSSN, CNE
 602 445 4110 office
 602 717 2542 cell
SKane@KLCommGroup.com

Monica Kane, GRI, Op Manager
 Residential Specialist
 602 445 4141 office
 602 717 1226 cell
Monica@KLCommGroup.com