

GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

2nd QTR 2010

Vacancy rates eased a bit, likely due to the larger, upscale communities reporting stronger occupancy. This may finally be the result of foreclosed homeowners now moving into apartments. Residential and commercial foreclosures are still abundant with little immediate relief in sight. The default volume on CMBS loans in Arizona is the highest in the country (\$2.2billion). Financing for purchases is still tough, especially for the smaller (< 100 units), however, many lenders are providing buyers of their properties with restructured loans and favorable terms.

KASTEN LONG COMMERCIAL GROUP: Our Group has been working extensively with banks and special servicing agents, both to help owners with short sales and in the marketing and sale of many REO assets. We're also very sensitive to protect an owner participating in a short sale to be certain the lender waives their ability for a deficiency judgment.

Vacancy Rates Down Slightly to 11.9%

Vacancy rates for the 2nd Qtr of 2010 for all-size, existing (>6 mo.'s) multifamily units decreased from 12.3% in the 1st quarter to **11.9%**. Of the 339,509 total multifamily units, there were 40,550 reported as vacant with 2,283 absorbed. The total inventory gained 1,383 units.

# of Units	2009 4th Qtr.	2010 1st Qtr.
2 - 24	9%	11%
25 - 50	16%	15%
51 - 75	13%	13%
76 - 99	12%	14%
100 - 150	12%	12%
151 - 200	12%	11%
200+	<u>12%</u>	<u>11%</u>
Average	12.3%	11.9%

The highest vacancy rates (17% to 27%) for the 2nd quarter were reported for Maryvale, NW Phoenix, CW Phoenix, Uptown and South PV. North Scottsdale, North PV, Mountain Park, Gilbert, Chandler, Sky Harbor, Superstition Springs and South Tempe Districts reported single digit vacancies.

One project was permitted by Mickelberg Architects in North Tempe in the 2nd qtr.: 2428 E Apache Bl. (75 u). Four projects were completed (total 1,626 units): JBL Partners at 1949 E Univ. (225 u), MT Builders at 28425 N Blk Canyon (304 u), CANV Const. at 3800 El Mirage Rd., (715 u) and Clark-Wayland Builders at 16485 N Stadium (382 u).

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	5.5%
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%
2010 (2)	75	2,283	11.9%

There are 2,044 units currently under construction. Based on the reported multifamily rent index by ASU, rental rates decreased 0.2% for the 2nd qtr.

KLCG Occupancy Survey: Information directly from owners of "C" properties reported an overall vacancy rate of **21.4%**. Call or see our web site for details.

Vacancy rates for each of the Valley's 32 districts, a list of new construction projects and the KLCG occupancy survey, are posted under "Apartments - Market Data" at 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

2nd Qtr - 2010

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	\$43,500,000 \$84.96	5/4/2010 2001	\$84,961	6.4	224 1/1, 272 2/2, 16 3/2 \$17M dn.
4104 E Broadway Rd Mesa, 'Argenta'	394 270,832	\$18,150,000 \$67.02	6/25/2010 1986	\$3,434,232 \$46,066	5.3 9.1	103 1/1, 220 2/1, 71 2/2 REO sale, cash
1666 S Extension Rd Mesa, 'Verona Park'	304 248,224	\$15,200,000 \$61.24	6/25/2010 1981	\$2,807,232 \$50,000	5.4 9.1	152 1/1, 152 2/2 REO sale, cash
1903 N Country Club Dr Mesa, 'Casa Carranza'	272 121,000	\$4,600,000 \$38.02	4/29/2010 1979	\$16,912	2.3	106 st, 166 1/1, master metered - chillers 80% occupied, REO sale, buyer assumed loan
1333 N 24 th St Phoenix, 'Monterra'	258 199,975	\$16,650,000 \$83.26	5/20/2010 2000	\$64,535	5.3	30 st, 117 1/1, 88 2/2, 23 3/2 Cash
2811 W Deer Valley Rd Phoenix, 'Ridge Gate'	216 187,968	\$12,960,000 \$68.95	4/28/2010 1998	\$60,000	6.5	48 1/1, 56 2/1, 112 2/2 Quick resale, \$5.549M dn
9393 E Palo Brea Dr Sctsd, 'Desert Parks Vista'	202 216,366	\$32,630,000 \$150.81	6/11/2010 2005	\$3,524,196 \$161,535	9.3 5.3	89 1/1, 87 2/2, 8 2/2.5, 18 3/2 Cash
3030 N 35 th Ave Phoenix, 'Sans Souci'	181 72,570	\$2,000,000 \$27.56	5/17/2010 1978	\$11,050		172 1/1, 9 2/1. Resale from purch. on 4/20 for \$1.445M, 70% occupied, m/m, seller financing
4903 W Thomas Rd Phoenix, 'Seville Gardens'	180 94,500	\$1,710,000 \$18.10	5/14/2010 1977	\$9,500		88 st, 90 1/1, 2 2/1, resale from REO purch. on 4/30 for \$1.25M. 61% occ., master mtr, cash
2408 W Myrtle Av Phoenix, 'Canyontree'	169 98,005	\$1,675,000 \$17.09	6/23/2010 1971	\$9,911		49 st, 70 1/1, 25 2/1, 24 2/2, 1 3/2 60% occupied, REO sale, cash
1940 W University Dr Mesa, 'Brook View'	158 93,580	\$3,250,000 \$34.73	4/28/2010 1971	\$20,570		55 st, 102 1/1, 1 2/2. Master metered, \$0 dn, buyer assumed modified loan – exist. lender
15615 N 35 th Av Phoenix, 'Rancho Encanto'	144 92,572	\$5,225,000 \$56.44	4/6/2010 1983	\$36,285		116 1/1, 28 2/2 75% occupied, cash
5312 E Taylor St Phoenix, 'Papago Vista'	135 86,215	\$4,325,000 \$50.17	6/28/2010 1986	\$32,037		80 1/1, 23 2/1, 32 2/2. \$432.5 dn, buyer assumed loan
8818 S Central Av Phoenix, 'Due South'	128 58,944	\$1,400,000 \$23.75	5/21/2010 1986	\$10,938		116 1/1, 12 2/1, Resale from March 2010 50% occupied, seller financed
6801 N 25 th Dr Phoenix, 'Las Ventanas'	120 91,200	\$2,250,000 \$24.67	4/15/2010 1984	\$699,923 \$18,750	3.2 4.6	48 1/1, 72 2/1, FKA Oxford Place 65% occupied, REO sale, cash
6738 N 45 th Av Glendale, 'Norwood Village'	117 92,724	\$2,100,000 \$22.65	6/29/2010 1971	\$17,949		97 2/1, 20 3/1 REO sale, cash
1915 E Broadway Rd Mesa, 'Palm Gardens'	97 70,180	\$1,550,000 \$22.09	6/9/2010 1973	\$546,048 \$15,979	3.5 5.8	16 1/1, 80 2/1, 1 3/1 Short sale, cash KLCG SALE
4115 E Indian School Rd Phoenix, 'Colonia'	85 53,490	\$3,525,000 \$65.90	6/24/2010 1983	\$41,471		1 st, 69 1/1, 15 2/2 \$353K dn, buyer assumed loan
4336 N 35 th Av Phoenix, 'Silver Tree'	82 59,152	\$1,825,000 \$30.82	5/27/2010 1986	\$22,256		\$180K dn, buyer assumed modified loan from existing lender
1850 E Maryland Av Phoenix, 'Villa Vallejo'	71 25,823	\$2,185,000 \$84.61	6/14/2010 1970	\$30,775		1 1/1, 70 2/1, Condos Cash
4301 N 23 rd Av Phoenix, 'Sandalwood Sq'	67 57,231	\$1,150,000 \$20.09	4/30/2010 1998	\$17,164		2 st, 21 1/1, 4 2/1, 39 2/2, 1 3/2 High vacancy, short sale, cash
3025 N 32 nd St Phoenix, 'Stone Ridge'	61 25,536	\$823,500 \$32.25	6/21/2010 1968	\$362,400 \$13,500	2.3 9.0	31 st, 28 1/1, 2 2/1 67% occupied, cash,
2135 W Campbell Av Phoenix, 'Cypress Woods'	61 56,750	\$1,001,000 \$17.64	6/24/2010 1972	\$16,410	8.0	5 st, 1 1/1, 55 2/1 REO sale, cash
6320 N 63 rd Av Glendale, 'Gibraltar House'	56 36,540	\$700,000 \$19.16	4/19/2010 1963	\$302,400 \$12,500	2.3 4.1	28 1/1, 28 2/1 REO sale, cash, central hot water
109 E Brinker Dr Avondale, 'Parkside''	54 40,704	\$650,000 \$15.97	6/23/2010 1964	\$12,037	8.5	12 1/1, 26 2/1, 16 3/1, Short Sale \$300K Dn, \$350K hard money KLCG SALE

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
3816 E McDowell Rd Phoenix, 'Harbor View'	52 29,822	\$1,050,000 \$35.21	6/24/2010 1981	\$20,192		52 1/1 REO sale, cash
1510 N 48 th St Phoenix, 'Horizons'	51 48,450	\$950,000 \$19.61	4/14/2010 1986	\$18,627		51 2/2 Short sale, \$1.1M private financing
3710 E McDowell Rd Phoenix, 'Papago View'	51 27,250	\$765,000 \$28.07	4/28/2010 1979	\$15,000		51 1/1, Deferred maintenance Quick Resale from T.S. purchase 4/1 - \$697K
1030 N 3 rd St Phoenix, "Continental"	48 22,788	\$1,050,000 \$46.08	6/24/2010 1964	\$21,875		40 st, 8 1/1 Cash
120 W Dobbins Rd Phoenix, 'Casa Monte Vista'	45 38,250	\$719,000 \$18.80	5/10/2010 1985	\$151,200 \$15,978	4.8	45 2/1, Quick resale from all cash, REO purchase on 4/20 for \$610K
1107 E University Dr Mesa, 'Sunridge Manor'	45 31,611	\$1,725,000 \$54.57	5/14/2010 1984	\$38,333		1 1/1, 44 2/2. \$0 Dn with two new loans, both for \$950K.
1100 E Lemon St Tempe, 'The Regency'	44 27,618	\$2,515,000 \$91.06	4/20/2010 1963	\$57,159		44 st, 4 1/1. Condos, \$658,750 dn, financing by existing lender. REO sale, 2009 renovation
4138-4146 N Longview Av Phoenix, 'Palm Vista'	40 27,200	\$925,000 \$34.01	5/26/2010 1982	\$23,125		8 1/1, 32 2/1 High vac., REO sale, deferred maint., cash
8940 N 8 th St Phoenix, 'Lincoln Ridge'	40 25,600	\$650,000 \$25.39	6/30/2010 1985	\$211,200 \$16,250	3.0 9.5	24 1/1, 16 2/1 40% occupancy, REO sale, cash
1015 S Stanley Pl Tempe, 'Sago Gardens'	33 27,216	\$1,250,000 \$45.93	6/15/2010 1963	\$37,879		33 2/1, \$750K dn plus new loan REO sale
2608-2618 E Roosevelt St Phoenix, 'Garden'	32 19,956	\$550,000 \$27.56	5/13/2010 1963	\$17,188		26 1/1, 6 2/1 REO sale, high vacancy, cash, deferred maint
2432 W Turney Av Phoenix, 'Villa De Ninas'	30 28,333	\$575,000 \$20.29	5/18/2010 1974	\$19,167		22 1/1, 8 2/2 Cash
929 E Bethany Home Rd Phoenix, 'Toscana'	24 15,000	\$757,000 \$50.47	4/8/2010 1970	\$31,542		15 1/1, 1 2/1, 1 2/2, 1 3/2 40% occupied, buyer assumed loan
5927 W Rose Ln Glendale, 'Delana'	21 12,846	\$270,000 \$21.02	4/19/2010 1963	\$12,857		12 1/1, 7 2/1, 2 3/1, 66% occupied, cash Resale from T.S. purchase on 4/15 for \$236K
150 E Virginia Av Phoenix, 'The Palms'	20 11,910	\$675,000 \$56.68	5/14/2010 1961	\$142,320 \$33,750	4.7 8.4	6 st, 12 1/1, 2 2/2 60% occupied, short sale, cash, \$25K seller cr
255 N Gilbert Rd Mesa	20 18,120	\$555,000 \$30.63	4/12/2010 1987	\$27,750		20 st, Condos REO sale, cash
4220 N 25 th St Phoenix, 'Villa Maria'	17 13,920	\$650,000 \$46.70	5/17/2010 1961	\$118,680 \$38,235	5.5 8.2	16 2/1, 1 3/2 REO sale
3141 N 37 th St Phoenix, 'Sir John's'	14 11,340	\$400,000 \$35.27	5/11/2010 1967	\$92,400 \$28,571	4.3 10.0	14 2/1 REO sale, cash KLCG SALE
3201 N 36 th St Phoenix, 'Rita Roy'	13 15,026	\$310,000 \$20.63	4/15/2010 1961	\$23,846		9 1/1, 4 2/1 Short sale, cash
620 N 4 th Ave Phoenix	12 18,570	\$2,065,000 \$111.20	5/28/2010 2009	\$172,083		6 2/1.5, 6 2/2, \$700K dn, fin. By existing lender. REO sale
312 E Kinderman Dr Avondale	12 8,318	\$120,000 \$14.43	6/30/2010 1969	\$10,000		REO sale, cash
2916 E Monroe St Phoenix	11 3,969	\$116,611 \$29.38	6/4/2010 1944	\$10,601		20% cash down.
1809 E Broadway Rd Mesa	10 7,000	\$260,000 \$37.14	5/17/2010 1972	\$26,000		
7015 N 80 th Av Glendale	10 6,800	\$145,000 \$21.32	4/13/2010 1985	\$14,500		1 1/1, 4 2/1, 5 3/
902 S 28 th Av Phoenix, 'Desert Blossom'	10 5,916	\$116,000 \$19.61	4/16/2010 1983	\$11,600		9 2/1 70% occupied, REO sale, cash

The Apartment Market

Apartment sales activity increased its momentum with 47 apartment sales (10+ units) in the 2nd quarter. Of these, 16 sales had 100+ units. In comparison, there were only 19 (10+ unit) apartment sales in the 2nd qtr of 2009, 8 with 100+ units. In addition, we tracked eight Trustee Sale, 3rd party purchases and four, partial-property, bulk condo sales. A few transactions were financed by new lenders, but most were the result of existing lenders trying to minimize the write-down of their existing loan by providing buyers with very favorable, new loans. If lenders would just do this for their existing borrowers (residential and commercial) – the economic meltdown would be gone. We typically only see lenders offering forbearance and or slight payment restructuring – but seldom any reduction in the loan amount. This still leaves owners with marginal cash flow (at best) and little incentive to keep the property. Strategic defaults and foreclosures may become more common for residential to large corporate holdings, if banks continue down this same path.

Short sales are still common and we have been very successful at convincing lenders to waive their right for a deficiency judgment. It's really pretty simple logic. Banks pay less for short sales (no foreclosure fees), obtain a higher price (no REO stigma) with no threat of the borrower declaring bankruptcy. A BK would not only tie-up a property in foreclosure, but would likely result in the lender not obtaining any funds. Doing a short sale with a deficiency judgment possible for six years – makes no sense for a seller to consider. If you're in this position, please read Meg Steiner's article in our 4th qtr 2009 newsletter - posted on our web site www.KLCommercialGroup.com. **If a receiver is to be appointed to your property, don't loose your ability to market and short sale your property – AND your leverage to negotiate the deficiency judgment.**

Partnerships and Note Sales are becoming more common. Some of the prices being accepted by lenders for quality apartments are too good to pass up. We've put together partnerships for acquisition. The purchase of Notes, especially via on-line auctions, is risky and requires dedicated research, but these offer significant upside in value. Let us know if you have an interest in partnerships or Note Sales.

Don't forget to sign-up for our weekly apartment e-zine – see web site "send me updates".

KASTEN LONG COMMERCIAL GROUP Activity

PHOENIX APARTMENTS "FOR SALE"

100 11600 N 75th Avenue	\$6,400,000	8 317 N 17th Dr	\$365,000
54 2508 W Elm St	\$1,100,000	6 305 S Hobson	\$99,900
47 6702 N 17th Ave	\$920,000	4 6713-25 W Palmaire	2 each @ \$139,900
44 2820-44 W Augusta	\$880,000	4 251 N 93rd St	\$139,000
40 2848 E Greenway Rd	\$800,000	4 7002 N 68th Dr	\$134,900
34 5725 N 8 th Place	\$975,000	4 3363 W Harmont	\$125,000
34 2522 W Highland	\$629,000	4 7105-9 N 68th Dr	2 each @ \$110,000
33 6220 W Ocotillo Rd	\$850,000	4 7105 N 68th Dr	\$110,000
18 4207-4213 N 9th St	\$449,000	4 6434-54 S 22nd St	5 each @ \$109,000
18 1736 E Brill St	\$320,000	4 2829 E Adams St	\$103,000
17 45 N Lyn Rae Dr	\$439,000	4 2838 E Adams St	\$103,000
12 1541-45 W Roosevelt	\$135,000	4 2842 E Adams St	\$103,000
9 502 E Mariposa	\$245,000	3 3436 E Melvin St	\$79,000
9 715 & 721 W Cinnabar	\$209,000		

OTHER PROPERTIES "FOR SALE"

Community Center / Church

401 E Mohave St Phx \$595,000

Commercial Land

9.26A SWC 107th Ave & Olive Peoria \$2.825M
 1.49A SWC 107th Ave & Olive Peoria \$650,000
 317 N 17th Dr Phx \$65,000

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