



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

4th QTR 2010

Vacancy rates dropped for the fourth straight quarter having now decreased from 14.2% to 10.3% since the end of last year. Permitting for new construction in 2010 was the lowest in more than a decade and absorption topped 20,000, far above previous years. Apartment sales remained strong with 54 regular sales (10+ units) in the 4th qtr. and 188 for the year. This does not include trustee, partial condo or portfolio sales. Prices remain depressed, but a ground swell of investor pressure should soon help support increased values.

KASTEN LONG COMMERCIAL GROUP: For the year, the Group closed 51 apartment communities with a total of 843 units. Sizes ranged from 4 to 97 units. We continue to increase our lender and special servicer contacts – providing us further insight to help owners restructure their loans and keep their properties. We assisted nine borrowers in 2010 in their efforts to restructure loans – a free service. Let us know if we can help.

Vacancy Rates Decline Further – 10.3%

Vacancy rates for the 4th Qtr of 2010 for all-size, existing (>6 mo.'s) multifamily units decreased from 10.8% in the 3rd quarter to **10.3%**. Of the 344,831 total multifamily units, there were 35,350 reported as vacant with 3,424 absorbed. For all of 2010, the total inventory gained 8,493 units and 20,743 units were absorbed!

# of Units	2010 3rd Qtr.	2010 4th Qtr.
2 - 24	15%	8%
25 - 50	17%	11%
51 - 75	13%	11%
76 - 99	11%	9%
100 - 150	12%	10%
151 - 200	11%	10%
200+	11%	10%
Average	10.8%	10.3%

The highest vacancy rates (18% and 21%) for the 4th quarter were reported for NW Phoenix and CW Phoenix respectively. East Mesa and Chandler reported the lowest vacancy rates (4% to 5%).

Of the 72 new permits issued in the 4th quarter, Biltmore Architectur led the way with its 66 units at 1050 N 16th Dr., in Maryvale. Toful Construction had the only project completed. This was 28 units at 6839 N. 63rd Avenue in Glendale.

KASTEN LONG COMMERCIAL GROUP

- **The Largest, Independent, Local Commercial Apartment Brokerage**
- Specializing in apartment brokerage since 1998. \$750 Million in apartment sales by our agents.
- Work with owners and lenders to restructure loans (**FREE SERVICE**).

SERVICES: Property Valuations, Short Sales, Lender Negotiations, Buying Opportunities & Management.

Multifamily Data - Greater Phoenix Area

Year	Permits	Absorp.	Vacancy
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	408	20,743	10.3%

There are only 140 units currently under construction, one project in North Tempe and one in Uptown Phoenix. Rental rates decreased 1.0% from the 3rd qtr. with a net gain of 2.3% for the year. In addition to the larger and newer communities having increased occupancy, the smaller and older communities are starting to also realize absorption.

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

4th Qtr - 2010

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
2145 W Broadway Rd Mesa, 'Tradewinds'	480 390,843	\$21,000,000 \$53.73	11/5/2010 1973	\$3,724,584 \$45,750	5.6 8.1	24 st, 160 1/1, 143 2/1, 153 2/2 73% occupied, \$3.0M dn, \$18.0M loan
5205 W Thunderbird Rd Glendale, 'Coves @ Newport'	480 396,384	\$5,825,000 \$58.78	12/27/2010 1987	\$3,463,680 \$48,542	1.7	221 1/1, 56 2/1.5, 154 2/2, 49 3/2 REO sale with 25% partial interest
3202 W Bell Rd Phoenix, 'Diamonte on Bell'	454 364,672	\$19,600,000 \$53.75	12/14/2010 1985	\$3,191,808 \$43,172	6.1	196 1/1, 258 2/2, all cash REO fka 'Bell Lakes'
111 N Gilbert Rd Mesa, 'Orange Grove'	396 263,144	\$11,825,000 \$44.94	11/1/2010 1984	\$2,805,600 \$29,861	4.2 8.7	132 1/1, 264 2/1, 78% occupied, REO \$2.25M dn, assumed \$9.6M loan
7749 E Camelback Rd Scottsdale, 'The Cortesian'	332 294,732	\$17,000,000 \$57.68	10/15/2010 1971	\$3,006,266 \$25,602	5.7 9.9	144 1/1, 44 2/1, 44 2/1.5, 72 2/2, 28 2/ CM, \$3.4M dn, \$13.6M loan
1717 W Glendale Av Phoenix, 'Santa Fe Springs'	310 225,427	\$6,435,000 \$28.55	11/10/2010 1974	\$1,998,840 \$20,758	3.2 9.3	63 st, 96 1/1, 64 2/1, 90 2/2 New loans for City of Phoenix
801 N 59 th Av Phoenix, 'Ridge @ Sun Valley'	264 259,512	\$13,675,000 \$52.70	12/29/2010 2004	\$51,799	6.0	176 2/2, 88 3/2 \$4.79M dn, \$8.89M loan
3045 N 67 th Av Phoenix, 'Villa De Cortez'	264 227,825	\$6,800,000 \$29.85	12/17/2010 1988	\$1,637,124 \$25,758	4.2 9.7	119 1/1, 73 2/1, 72 2/2 REO, all cash
4111 N Drinkwater Blvd Scottsdale, 'The Palladium'	250 262,614	\$42,300,000 \$161.07	12/14/2010 2000	\$3,571,618 \$169,200	11.8 5.5	139 1/1, 95 2/2, 59 3/2 All cash
6801 W Ocotillo Rd Glendale, 'Summerhill Place'	232 176,224	\$5,500,000 \$31.21	12/1/2010 1985	\$23,707		88 1/1, 144 2/2, REO \$1.925M dn, \$3.575M loan
2045 E Broadway Rd Tempe, 'Centrado'	180 155,368	\$9,100,000 \$58.57	12/17/2010 1972	\$1,505,352 \$50,556	6.4	46 1/1, 106 2/1, 28 2/2 REO, new loan for entire purchase price
17602 N Cave Creek Rd Phoenix, 'Desert Sunrise'	165 113,400	\$4,650,000 \$41.01	11/17/2010 1985	\$1,006,200 \$28,182	4.6 8.5	24 st, 72 1/1, 69 2/2 REO, \$2.65M dn, \$2.0M loan
4321-4341 N 24 th St Phoenix, 'Biltmore Center'	149 88,996	\$5,100,000 \$57.31	12/17/2010 1979	\$1,213,272 \$34,228	4.2 7.2	33 st, 86 1/1, 30 2/1 CM, 75% occupied, REO, all cash
1010-1044 E Orange St Tempe, 'CrossRoads'	148 106,124	\$4,800,000 \$45.23	10/12/2010 1963	\$1,324,800 \$32,432	3.6 7.0	4 st, 51 1/1, 92 2/1, 1 3/1 MM partial, REO, \$1.2M dn, \$3.6M loan
4529 W Ocotillo Rd Glendale, 'Maryland Gardens'	120 88,896	\$4,300,000 \$48.37	11/29/2010 1983	\$715,680 \$35,833	6.0 5.8	72 1/1, 48 2/2 \$1.02M dn, plus revised loan
16815 N 29 th St Phoenix, 'Harbor Ridge'	107 88,275	\$2,400,000 \$27.19	10/29/2010 1985	\$693,360 \$22,430	3.5	107 2/1 \$300K dn, \$2.1M revised loan
7126 E Osborn Rd Scottsdale, 'Ten Wine Lofts'	82 120,732	\$19,500,000 \$161.51	10/25/2010 2009	\$1,910,746 \$237,805	10.2 6.5	16 1/1, 5 1/1.5, 61 2/2, New Condos 0% occupied, REO
10421 N 33 rd Av Phoenix, 'Royal Suites'	80 40,940	\$1,030,000 \$25.16	11/23/2010 1980	\$535,800 \$12,875	1.9 14.7	80 1/1, New loan for City of Phoenix 50% occupied, REO, MM
400 N 96 th Av Tolleson, 'Sundancer'	76 66,160	\$1,750,000 \$26.45	10/28/2010 1985	\$23,026		24 1/1, 52 2/2 CM, 1 st \$1.14M, 2 nd \$710K
2433 W Campbell Av Phoenix, 'Canterbury'	76 64,600	\$1,150,000 \$17.80	12/2/2010 1972	\$15,132		76 2/2 REO, all cash
2130 W Indian School Rd Phoenix, 'Indian Canyon'	72 51,102	\$1,375,000 \$26.91	11/9/2010 1982	\$453,600 \$19,097	6.3 10.4	18 1/1, 54 2/1, fka Sun Quest 71% occupied, all cash
9423 N 17 th Av Phoenix, 'Palm Meadows'	72 52,200	\$1,150,000 \$22.03	12/15/2010 1985	\$388,800 \$15,972	3.0 9.6	18 1/1, 54 2/1 All cash
2950 E Greenway Rd Phoenix, 'Park Greenvale'	62 40,690	\$850,000 \$20.89	11/12/2010 1985	\$332,856 \$13,710	2.6 12.4	32 1/1, 30 2/1 All cash
16621 N 25 th St Phoenix, 'Rancho La Fluente'	56 31,325	\$650,000 \$20.75	10/12/2010 1978	\$236,280 \$11,607	2.8 9.3	55 1/1, 1 2/1 REO, all cash, fka Keen
3816 E McDowell Rd Phoenix, 'Harbor View'	52 30,033	\$955,000 \$31.80	12/30/2010 1981	\$18,365		52 1/1 All cash

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
405 N 40 th Av Phoenix, 'Desert Meadowlark'	45 29,250	\$500,000 \$17.09	10/29/2010 1971	\$270,000 \$11,111	1.9	45 2/2, Senior Center, \$100K dn, \$400K loan 50% occupied, SS
1547 E Broadway Rd Mesa, 'Park Villa'	42 35,632	\$850,000 \$23.85	12/17/2010 1984	\$292,500 \$20,238	2.9	11 1/1, 31 2/2 \$85K dn, \$765K revised loan
2848 E Greenway Rd Phoenix, 'Greenway Villa'	40 27,400	\$652,000 \$23.80	12/23/2010 1981	\$16,300		8 1/1, 32 2/1 Cash plus private loan
1110 E Highland Av Phoenix, 'Highland Villa'	39 23,409	\$520,000 \$22.21	11/5/2010 1972	\$264,300 \$13,333	2.0	5 st, 33 1/1, 1 2/1, REO All cash
7150 N 27 th Av Phoenix, 'Glen Vista'	35 18,204	\$640,000 \$35.16	11/3/2010 1964	\$234,840 \$18,286	2.7	1 st, 34 1/1 \$160K dn, \$480K loan
5725 N 8 th Pl Phoenix, 'Villa Jay'	34 30,294	\$850,000 \$28.06	12/30/2010 1968	\$224,400 \$25,000	3.8	34 2/1 REO, cash, low occ., def. maintenance
2510 W Highland Av Phoenix, 'Williams Crossing'	34 26,506	\$455,000 \$17.17	12/23/2010 1964	\$13,382		18 1/1, 16 2/1 SS, 50% occ., def. maintenance
9645 N 11 th Av Phoenix, 'Desert Winds'	30 19,600	\$345,000 \$17.60	11/10/2010 1989	\$142,800 \$14,167	2.4	16 1/1, 14 2/1 \$35K dn, \$310K private loan
9645 N 11 th Av Phoenix, 'Desert Winds'	30 19,600	\$425,000 \$21.68	12/8/2010 1989	\$142,800 \$14,167	3.0	16 1/1, 14 2/1 Cash (Quick flip)
2615 E Greenway Rd Phoenix, 'Running Brook'	28 18,710	\$675,000 \$36.08	11/23/2010 1981	\$151,920 \$24,107	4.4	12 1/1, 16 2/1 \$145K dn, \$530K seller financing
1412 N 35 th St Phoenix, 'Willetta'	27 19,996	\$388,500 \$19.43	10/19/2010 1960	\$158,100 \$14,389	2.5	10 1/1, 17 2/1 52% occupied, REO, all cash
1840 W Thomas Rd Phoenix, 'Encanto Suites'	26 29,988	\$685,000 \$22.84	10/29/2010 1962	\$231,648 \$26,346	3.0 8.9	20 2/2, 6 3/2 \$68.5K dn, \$616.5K revised loan
1503 W Missouri Av Phoenix, 'Missouri Manor'	26 21,500	\$585,000 \$27.21	12/1/2010 1967	\$178,200 \$22,500	3.3 11.9	8 1/1, 18 2/2, REO, fka 'Villa Marian' \$250K dn, \$335K revised loan
2417 W Campbell Av Phoenix, 'Buena Vida'	24 15,600	\$569,000 \$36.47	11/18/2010 1983	\$151,200 \$23,708	3.8	24 2/1 \$170.7K dn, \$398.3K private loan
2232 E Roosevelt St Phoenix, 'Roosevelt Place'	23 16,629	\$265,000 \$15.94	12/16/2010 1984	\$11,522		23 2/1, REO \$20,484 dn, \$244,516 new loan
4917 E Holly St Phoenix, 'Holly'	22 19,328	\$500,000 \$25.87	12/10/2010 1963	\$22,727		22 2/2, \$70K dn, \$430K new loan REO, deferred maintenance
3015 E Paradise Ln Phoenix, 'Sunflower Villa'	21 18,750	\$315,000 \$16.80	12/30/2010 1985	\$15,000		1 1/1, 20 2/1 Distress sale, \$105K dn, \$210K priv. loan
4231-7 N 27 th St Phoenix, 'La Ville'	19 16,150	\$760,000 \$47.06	10/19/2010 1966	\$142,500 \$40,000	5.3	19 2/1 SS, \$0 dn, \$760K revised loan
336 E Willetta St Phoenix, 'Royal Willetta'	18 10,900	\$860,000 \$78.90	12/21/2010 1964	\$47,778		10 st, 8 1/1 All cash
635 N 4 th Av Phoenix, 'Georgia Arms'	18 7,640	\$356,000 \$46.60	10/8/2010 1949	\$101,820 \$19,778	3.5	16 st, 2 1/1, \$216K dn, \$140K seller fin. 78% occupied, seller financed
1736 E Brill St Phoenix, 'Brill Square'	18 9,520	\$265,000 \$27.84	10/12/2010 1983	\$94,320 \$14,722	2.8	12 1/1, 6 2/1 SS, all cash
49-61 E Ingram St Mesa	15 11,124	\$245,000 \$22.02	10/27/2010 1973	\$16,333		15 1/1, all cash 13% occupied, REO
7101 N 67 th Ave Glendale, 'Spanish Hills'	15 9,050	\$190,000 \$20.99	12/10/2010 1953	\$72,300 \$12,667	2.6	11 1/1, 4 2/1 \$40K dn, \$150K private loan 70% occupied, REO
1701 N 7 th Av Phoenix	12 8,255	\$275,000 \$33.31	10/29/2010 1930	\$82,800 \$22,917	3.3	2 st, 2 1/1, 8 2/1 SS, all cash
35 N May st Mesa, 'May Gardens'	12 6,776	\$230,000 \$33.94	12/22/2010 1981	\$56,136 \$19,167	4.1 9.6	10 1/1, 2 2/1 \$80K dn, \$150K new loan
13030 N 22 nd St Phoenix, 'Sugarloaf'	12 7,200	\$200,000 \$27.78	11/15/2010 1983	\$86,400 \$16,667	2.3	12 2/1 All cash



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The Apartment Market

Apartment sales activity again was strong in the 4th quarter with 54 (10+ unit) regular sales (traditional, short and REO), two partial condos, and three portfolio sales that included 14 complexes. For the year, there were 188 regular sales, plus 19, 3rd party trustee sales, 16 partial condo sales, and 4 portfolios that included 16 apartment complexes. In comparison, total apartment sales (10+ units) in 2008 were 75 and in 2009 there were only 57.

Of the 188 regular sales in 2010, 69 (37%) were 100+ units and 119 (63%) ranged in size from 10 to 100 units. Of the 188 sales, 86 (46%) were reported as “all cash” transactions. When financing was provided, it was usually by the existing lender offering favorable terms to the new buyer in return for a 25% to 30% premium over an “all cash” price. The lender’s motivation was to minimize the write-down of the existing loan. While each transaction was different, it was typical to see 2010 sale prices, for properties built in the 1960’s – 1980’s, of 25% to 35% of the past high sales price.

The Shadow Market may play an increased role in 2011. Several years ago, the thought was that apartment vacancies would decrease from families that had lost their home to foreclosure or short sale. In 2008 and 2009, however, vacancies increased. It now appears that the decrease in vacancy rates and monstrous absorption in 2010 (20,000+) was finally due exactly to this scenario. One of the reasons being that there was now a shortage of houses available to rent. CoreLogic, a reputable data reporting agency, recently noted that 54.7% of the homes with mortgages in the greater Phoenix area are under water. Phoenix has one of the highest percentage of the 25 largest US metropolitan areas. In 2011, there is a projection for an increase in REO houses to hit the Phoenix market. A portion of these will be purchased by investors and turned into rentals. The increased supply combined with a slightly reduced credit criteria for tenants, could cause a rise in vacancy rates.

The good news, and there is some, is that the market continues to overcorrect downward – providing a strong opportunity for investors for houses and most all commercial entities. The increased volume of apartment transactions in 2010, however, is a sign of increased investor activity and that these prices may not stay down much longer.

Jim Kasten, CCIM, Owner/Designated Broker.

KASTEN LONG COMMERCIAL GROUP Activity

PHOENIX APARTMENTS “FOR SALE”

96	820 E Brown Rd, Mesa		\$2,600,000	4	1902 W Michigan	PEND	\$145,000
75	4422 N 36 th St	PEND	\$2,650,000	4	416 N Williams	PEND	\$140,000
40	2848 E Greenway Rd	SOLD	\$652,000	4	2241 N 29 th Pl	PEND	\$129,900
34	2522 W Highland	SOLD	\$455,000	4	2235 N 29 th Pl	PEND	\$129,900
34	5725 N 8th Place	SOLD	\$850,000	4	251 N 93rd St	SOLD	\$118,000
24	529-530 E Mariposa	PEND	\$485,000	4	6434 S 22nd St	PEND	\$99,900
18	4207-4213 N 9th St		\$449,000	4	6440 S 22nd St		\$99,900
17	45 N Lyn Rae Dr, Mesa	SOLD	\$404,000	4	6444 S 22nd St		\$99,900
12	522-528 E Pierson		\$375,600	4	6450 S 22nd St		\$99,900
12	35 N May	SOLD	\$230,000	4	6454 S 22nd St		\$99,900
9	715 & 721 W Cinnabar	SOLD	\$130,000	4	2829 E Adams St		\$79,900
9	502 E Mariposa	SOLD	\$225,000	4	2838 E Adams St		\$79,900
				3	2842 E Adams St		\$79,900
				3	3436 E Melvin St		\$59,000

KASTEN LONG COMMERCIAL GROUP

(Specializing in Apartment
Brokerage since 1998)

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