



GREATER PHOENIX

APARTMENT OWNER'S NEWSLETTER

1st QTR 2011

Vacancy rates have now dropped for five consecutive quarters (9.7%), the high being at the end of 2009 (14.2%). Permitting for new construction in Q1 was a staggering low 4 units and absorption was strong with 2,154 units. Sales activity kept pace with the end of 2010 – 48 regular apartment sales (10+ units). The bottom of the apartment market was mid-to-late last year. Going forward we expect a further decline in vacancy rates, increased rental growth and, with the increasing numbers of investors in the market, a continued rise in values.

KASTEN LONG COMMERCIAL GROUP: In addition to the 15 apartment closings for the group in Q1, we are still actively helping owners with short sales, providing Broker Price Opinions to lenders and servicing agents, as well as helping owners and lenders restructure Note terms. For buyers, in addition to evaluating all apartments on the market, we also track trustee sales, auctions and Note sales.

Vacancy Rates Continue Decline – 9.7%

Vacancy rates for the 1st quarter for all-size, existing (>6 mo.'s) multifamily units decreased from 10.3% in the 4th quarter to **9.7%**. Of the 345,260 total multifamily units, there were 33,625 reported as vacant. The total inventory gained 429 units and 2,154 units were absorbed!

# of Units	2010 4th Qtr.	2011 1st Qtr.
2 - 24	8%	2%
25 - 50	11%	11%
51 - 75	11%	10%
76 - 99	9%	7%
100 - 150	10%	9%
151 - 200	10%	8%
200+	10%	10%
Average	10.3%	9.7%

The highest vacancy rates (23% and 19%) for the 1st quarter were again reported for NW Phoenix and CW Phoenix respectively. East Mesa, North Scottsdale, Mountain Park and Superstition Springs reported the lowest vacancy rates (4% to 5%).

Permitting for new apartments has been declining for the past two years. **For the 1st quarter of 2011, there were only 4 units permitted.** Mark-Taylor is reported to be in the initial permitting stage for three projects: 229 units in Tempe, 383 units in Chandler and 360-375 units in Scottsdale.

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.
- Working 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	Absorbed	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%
2011 (1)	4	2,154	9.7%

There are only 206 units currently under construction, one project in North Tempe, one in Uptown Phoenix and the third in Sky Harbor. Rental rates increased 1.7% from the 4th qtr.

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 - 2011

ADDRESS CITY 'NAME'	UNITS SIZE (SF)	SOLD PRICE PRICE / SF	SALE DATE YEAR BLT.	GSI PRICE / UNIT	GRM CAP	COMMENTS
815 N 52 nd St Phx, 'Peaks @ Papago Park'	768 592,374	\$46,000,000 \$77.65	2/1/2011 1990	\$6,461,580 \$89,896	7.1 6.6	360 1/1, 203 2/1, 189 2/2, 16 3/2 86% occupied
7002 W Indian School Rd Phx, 'San Marina'	400 299,520	\$9,009,000 \$30.08	3/1/2011 1986	\$2,265,312 \$22,523	3.9 8.6	120 1/1, 144 2/1, 136 2/2 REO sale, affordable housing project, all cash
3320 E University Dr Mesa, 'Genoa Lakes'	361 343,757	\$21,300,000 \$61.96	3/15/2011 1986	\$3,418,404 \$59,003	6.2 6.7	105 1/1, 208 2/2, 48 3/2 SS, lender discounted loan amount
8809 S Pointe Pky E Phx, 'Pointe @ S Mountain'	364 310,088	\$22,700,000 \$73.21	2/3/2011 1988	\$2,837,640 \$62,363	8.0 6.7	206 1/1, 30 2/1, 128 2/2 All cash
1300 W Warner Rd Gilbert, 'Bayside @ Islands'	272 237,950	\$23,392,000 \$98.31	1/3/2011 1989	\$2,481,000 \$86,000	9.4 5.8	96 1/1, 144 2/2, 32 3/2
4707 E McDowell Rd Phx, 'Monterey Village'	252 168,340	\$7,400,000 \$43.96	1/27/2011 1983	\$2,500,440 \$29,365	3.0 9.0	12 st, 140 1/1, 100 2/2, all cash SS, property has Land Use Restriction Agreemnt
4802 N 19 th Av Phx, 'Camelback @ the Stop'	236 209,376	\$5,100,000 \$24.36	3/10/2011 1973	\$1,295,568 \$21,610	3.9	20 1/1, 80 2/1, 124 2/2, 12 3/2 REO sale, Phx Neighborhood Stabilization Pro.
1949 E University Dr Tempe, 'Block 1949'	225 264,555	\$52,000,000 \$196.56	3/15/2011 2010	\$231,111		25 st, 10 1/1.15, 64 2/2, 27 3/3, 99 4/4 Student housing
6534 W Montebello Av Gndl, 'Montebello'	217 114,060	\$2,650,000 \$23.23	1/10/2011 1963	\$934,212 \$12,212	2.8	49 ST, 144 1/1, 22 2/1, 2 3/1 66% occupied, deferred maintenance, all cash
1155 W Grove Pky Tempe, 'Elliot Point'	216 217,960	\$17,000,000 \$78.00	2/28/2011 1995	\$1,915,920 \$78,704	8.9 5.5	136 2/2, 66 3/2, 14 4/2 Cash
4748 W Sierra Vista Dr Gndl, 'Maryland Lakes'	196 154,400	\$5,150,000 \$33.35	3/28/2011 1984	\$1,082,448 \$26,276	4.8	76 1/1, 120 2/2 60% occupied, BK sale
11142 N 165 th Dr Surp, 'Wyngate @ Sycamore'	168 165,432	\$13,000,000 \$78.58	2/28/2011 2008	\$1,785,036 \$77,381	7.3 7.1	96 1/1, 60 2/2, 12 3/2
7021 W McDowell Rd Phx, 'Ventana Palms'	160 137,152	\$5,800,000 \$42.29	3/15/2011 1989	\$1,062,480 \$36,250	5.5	52 1/1, 40 2/1, 68 2/2 REO sale
4201 N 35 th Av Phx, 'Tamarak Garden'	144 75,336	\$2,071,960 \$27.50	2/23/2011 1984	\$14,389		72 st, 60 1/1, 12 2/1 Master metered, REO sale
3434 E McDowell Rd Phx, 'Papago Place'	128 91,784	\$2,400,000 \$26.15	1/6/2011 1985	\$749,664 \$18,750	3.2	36 1/1, 92 2/1 REO sale, all cash
10860 N 85 th Av Gndl, 'Villas @ Montebella'	100 72,100	\$1,750,000 \$24.27	1/18/2011 1974	\$17,500		20 1/1, 80 2/1 50% occupied
3443 E University Dr Mesa, 'Val Vista Gardens'	98 82,582	\$6,100,000 \$73.87	1/13/2011 1986	\$743,784 \$62,245	8.2	2 st, 34 1/1, 62 2/2
6575 W Ocotillo Rd Phx, 'Woodridge Manor'	72 69,678	\$1,300,000 \$18.66	02/25/2011 1984	\$507,600 \$18,056	2.6	18 2/1, 36 2/2, 18 3/2 20% occupied, deferred maintenance, all cash
2135 W Campbell Av Phx, 'Cypress Woods'	61 56,750	\$1,275,000 \$22.47	02/25/2011 1972	\$430,800 \$20,902	3.0	5 st, 1 1/1, 55 2/1 All cash
1805 W Cortez St Phx, 'Vista Village'	60 40,560	\$1,900,000 \$46.84	02/23/2011 1986	\$409,680 \$31,667	4.6 9.0	60 2/1 REO sale, all cash
1718 E Roeser Rd Phx, 'So Mountain Terrace'	56 34,839	\$1,252,196 \$35.94	03/30/2011 1969	\$21,590		Being razed, then rebuilt by non-profit Financed by City of Phoenix
2936 N 34 th Pl Phx, 'Newcastle'	45 20,540	\$620,000 \$30.19	01/25/2011 1972	\$13,778		14 st, 31 1/1, all cash 78% occupied, master meter, receivership sale
8111 W Glendale Av Gndl, 'Stadium Court'	44 24,340	\$750,000 \$30.81	02/25/2011 1973	\$17,045		43 1/1, 1 2/1 Deed in Lieu of Foreclosure, all cash
2820-2844 W Augusta Av Phx, 'Augusta Cove'	44 33,900	\$662,500 \$19.54	03/08/2011 1972	\$15,057		11 1/1, 30 2/1, 3 3/1
137 E Coronado Rd Phx, 'Coronado Garden'	43 27,380	\$975,000 \$35.61	03/31/2010 1971	\$316,020 \$22,674	3.1 6.6	4 st, 22 1/1, 17 2/1 REO sale, 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
900 N 95 th Av Tolleson, 'Tolleson Garden'	40 29,426	\$820,948 \$27.90	02/23/2011 1976	\$20,524		8 1/1, 32 2/1 Afford. housing, USDA Rural Dev subsidized
1222 E Mountain View Rd Phx, 'Mountain Prospect'	38 29,754	\$820,000 \$27.56	01/21/2011 1985	\$273,600 \$21,579	3.0 4.9	38 2/2
1942-2014 W Berridge Ln Phx	34 27,480	\$580,000 \$21.11	02/15/2011 1963	\$209,400 \$17,059	2.8 9.0	4 st, 8 1/1, 20 2/1, 2 3/2 38% occupied, REO sale
6220 W Ocotillo Rd Gndl, 'Ocotillo Oasis'	33 24,648	\$699,000 \$28.36	02/01/2011 1984	\$196,300 \$21,182	3.6	16 1/1, 16 2/1, 1 3/2
9836 N Central Av Phx, 'Central Mountain Villas'	32 32,400	\$1,500,000 \$46.30	01/21/2011 1964	\$300,000 \$48,875	5.0	22 2/2, 10 3/2 70% occupied, seller financing
1727 W Cholla St Phx, 'Villa Angela'	32 30,450	\$430,000 \$14.12	01/10/2011 1986	\$172,800 \$13,438	2.5	32 2/1 All cash, recorded on Quit Claim Deed
1925 E Hayden Ln Tempe, 'Hayden Terrace'	30 21,000	\$975,000 \$46.43	03/04/2011 1982	\$187,200 \$32,500	5.2	30 2/1 Seller financing
802 W Maryland Av Phx, 'Geronimo'	28 20,104	\$967,500 \$48.12	02/28/2011 1964	\$188,400 \$34,554	5.1	4 1/1, 24 2/1 All cash, 1031 for seller, defer maintenance
4231 N 13 th Pl Phx, 'Paseo Del Verde'	26 16,780	\$400,000 \$23.84	03/11/2011 1982	\$172,200 \$15,385	2.3	2 st, 22 2/1, 2 2/2
529-530 E Mariposa St Phx, 'Grand Cayman'	24 15,360	\$485,000 \$31.58	03/03/2011 1964	\$177,600 \$20,208	2.7	14 1/1, 8 2/1, 2 2/1.5
1920 N 32 nd St Phx, 'Majestic Palms'	24 12,800	\$374,000 \$29.22	02/04/2011 1981	\$121,200 \$15,583	3.1	20 1/1, 4 2/1 70% occupied
2232 E Roosevelt St Phx, 'Roosevelt Place'	23 16,629	\$340,000 \$20.45	02/10/2011 1984	\$14,783		23 2/1 All cash
1545 W Denton Ln Phx, 'Heritage Park'	22 16,700	\$330,000 \$19.76	03/08/2011 1984	\$127,392 \$15,000	2.6	10 1/1, 12 2/1 All cash
2507 W Maryland Av Phx, 'Maryland Palms'	22 14,753	\$300,000 \$20.33	03/10/2011 1965	\$193,920 \$13,636	1.5 9.8	1 st, 19 1/1, 2 2/1 32% occupied, REO sale, 1031 for buyer
2927 N 34 th Pl Phx, 'Wellington'	21 15,287	\$330,000 \$21.59	03/25/2011 1968	\$15,714		19 1/1, 2 2/1 \$15k for hail damaged roof
4410 N Longview Av Phx, 'Montego Bay'	21 14,7821	\$400,000 \$27.06	02/25/2011 1986	\$19,048		4 st, 5 1/1, 12 2/2 48% occupied, REO sale, all cash
45 N Lyn Rae Dr Mesa, 'L & S'	17 11,010	\$404,000 \$36.69	01/28/2011 1981	\$94,248 \$23,765	4.3	9 1/1, 8 2/1
2148 E Polk St Phx, 'Polk Street'	16 5,945	\$125,000 \$21.03	02/15/2011 1953	\$78,000 \$7,813	1.6	15 1/1, 1 2/1 REO sale, all cash
2326 E Pinchot Av Phx, 'Pinchot Arms'	12 9,400	\$225,000 \$23.94	03/4/2011 1958	\$66,480 \$18,750	3.4	4 1/1, 8 2/1 42% occupied, REO sale
901 E Pierce St Phx, 'Pierce'	12 4,032	\$125,000 \$31.00	03/30/2011 1963	\$54,000 \$10,417	2.3	11 st, 1 1/1 50% occupied, all cash
1232 N Hayden Rd Scotts, 'Hayden'	11 5,712	\$355,000 \$62.15	03/24/2011 1963	\$66,000 \$32,276	5.4	11 1/1 All cash, deferred maintenance
1649 E Oak St Phx	10 6,458	\$123,000 \$19.05	01/18/2011 1950	\$12,300		8 1/1, 2 2/1
2502 E Broadway Rd Mesa, 'Palm Tree'	10 8,256	\$180,000 \$21.80	02/16/2011 1972	\$18,000		
3511 W Rovey Av Phx, 'Innsbruck'	10 6,700	\$103,000 \$15.37	03/03/2011 1969	\$68,400 \$10,300	1.5	1 st, 3 1/1, 6 2/1 0% occupied, deferred maintenance

The Apartment Market

The rebound of the apartment market has started. Sometime mid-to-late 2010 was likely the bottom. With five consecutive quarters of declining vacancy rates and a steady increase of savvy investor pressure pushing up prices, our market is poised for continued growth. Combine this with the lack of permitting for new apartments (only 4 units in the 1st quarter) and only 206 units in the construction pipeline, the lack of supply with the increasing demand will sustain value growth. As noted on the front page of this newsletter, developers will soon initiate permitting for more apartments as they also realize that there will be a shortfall in supply.

Apartment sales in the 1st quarter again were strong with 48 regular sales (10+ units), 10 third party acquisitions at trustee sales, five partial condo sales, one portfolio sale with 3 properties and one partially finished condo project. Of the 48 regular sales, 23 used "all cash". Financing for the other 25 regular sales was typically either from the existing lender or a new loan. In several cases, ownership was obtained by buying the Note and then obtaining a "deed in lieu" from the borrower.

Lenders are starting to creep back into the market. There were new loans provided for all size units, but mostly for properties that had good historical financials. Some of the large, class "A" properties are being financed and sold for surprisingly low cap rates for this market – mostly on the bet for increased rents. Hard to medium-hard money is available as bridge financing for fix and flips. We even have reasonable financing sources for Canadian investors.

A sign of the times: Linda had a 75-unit listing and was struggling for a good offer late last fall. After the buyer declined the property, she put the property back on the market last month and was hit by six full-price offers in three days. If you're debating about getting into this market – it's time to be serious.

Jim Kasten, CCIM, Owner/Designated Broker.

KASTEN LONG COMMERCIAL GROUP Activity

PHOENIX APARTMENTS "FOR SALE"

96	820 E Brown Rd, Mesa	SOLD	\$2,208,000	4	1846 E Harvard St	\$134,000
75	4422 N 36th St	SOLD	\$2,650,000	4	416 N Williams, Mesa	SOLD \$130,000
18	4207-4213 N 9th St	SOLD	\$399,000	4	1138 E McKinley St	\$129,000
16	2030 N 36th Street		\$325,000	4	8818 N 4th St	\$129,000
12	522-528 E Pierson		\$340,000	4	2015 W Turney Ave	\$129,000
7	25 N Brooks St, Mesa		\$199,900	4	6450 S 22nd St	SOLD \$99,900
7	6804 N 23rd Ave	PEND	\$129,900	4	2905 E Monroe St	PEND \$69,900
4	5315 W Campbell Ave		\$189,900	3	1411 N 33rd St	\$109,000
4	2115 W Morten Av		\$175,000	3	3436 E Melvin St	\$59,000
4	7014 E Palm Lane, Scotts	PEND	\$150,000	3	2833 E Chipman Rd	PEND \$32,000
4	365 E 6th Ave, Mesa	PEND	\$149,000	2	10001 N 18th Avenue	PEND \$74,900
4	602 E San Juan	PEND	\$139,900	2	1322 W North Lane	PEND \$74,900

KASTEN LONG COMMERCIAL GROUP

(Specializing in Apartment
Brokerage since 1998)

Jim Kasten, CCIM, Designated Broker
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, Assoc Broker
602 445 4124 office
602 703 5277 cell
Terry@KLCommGroup.com

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

Lorelei Carter, Assistant to TK
602 445 4110 office
708 334 0206 cell
Lorelei@KLCommGroup.com

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

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

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