



The Knowledge Report

MULTIFAMILY | FOURTH QUARTER | 2009

100+ UNITS



Transaction Activity Grows as Investors Scour State for Exceptional Deals

THE BROADER VIEW

As the new year begins, the battered U.S. economy is struggling to gain its footing. The third and fourth quarters brought much-needed positive news, including rising exports and durable goods orders, rising home sales and positive GDP numbers. Still, the economy struggles to gain jobs, and there is an understanding that a full recovery is still years away. Locally, the Phoenix housing market has seen sales activity grow as the second half of the year progressed. Investors are lining up to reap the benefits of a depressed market and are assessing their portfolios for the right product.

CURRENT CONDITIONS

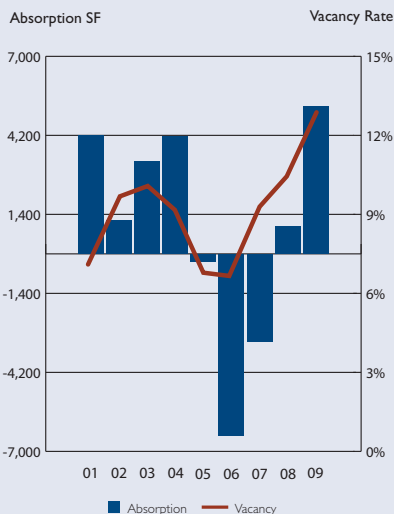
Vacancy among conventionally-operated, stabilized units rose again to 13.4 percent. That is an increase of 0.47 percent from last quarter and represents the second highest rate since the second quarter of 1991. Absorption rose by 531 units this quarter to a total of 5,231 units for all of 2009.

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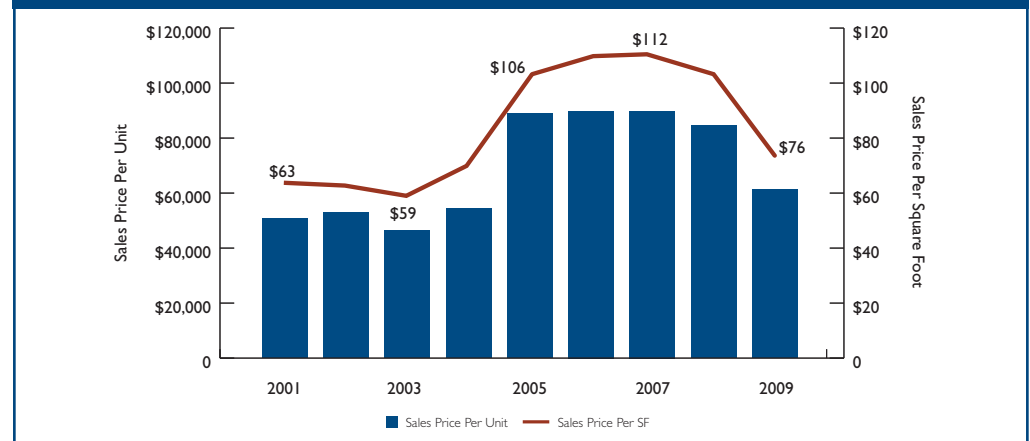
MARKET INDICATORS

| | 2008 Q4 | 2009 Q4 |
|-------------|---------|---------|
| VACANCY | ↑ | ↑ |
| CONCESSIONS | ↓ | ↑ |
| ABSORPTION | ↓ | ↑ |
| RENTS | ↓ | ↓ |
| CAP RATES | ↓ | ↔ |

HISTORIC ABSORPTION & VACANCY



HISTORICAL SALES PRICE PER UNIT AND PRICE PER SF



The Goodyear/Avondale submarket showed the most absorption with 369 units – 69.5 percent of the total.

Rents are down to \$771 per unit this quarter, a drop of \$0.01 per square foot from last quarter. Only two submarkets out of 32 recorded rents per unit over \$900 this quarter.

There were a total of 10 apartment sales (100+ units) that have occurred in the fourth quarter, totaling 2,646 units. Sales averaged \$61,279 per unit or \$76.00 per square foot.

This reflects an increase when compared to the third quarter's \$59,888 per unit and a nearly \$9 increase on a per square foot basis.

With little product in the pipeline and rents remaining competitive, absorption should continue to increase, driving vacancy numbers down. This will create an environment for increased rates later in 2010.

Look for an increase in sales activity as the next year progresses.

TOP FOURTH QUARTER MARKET SALES

| PROPERTY NAME | STREET ADDRESS | UNITS | SALES PRICE | PRICE PER UNIT |
|---------------------|-------------------------------|-------|--------------|----------------|
| San Melia | 14435 S. 48th St., Phoenix | 488 | \$47,824,000 | \$98,000 |
| Paragon at Kierland | 15440 N. 71st St., Scottsdale | 276 | \$34,200,000 | \$123,913 |
| San Brisas | 900 N. Rural Rd., Chandler | 208 | \$19,000,000 | \$91,346 |
| Morgan Park | 8902 N. 19th Ave., Phoenix | 428 | \$18,500,000 | \$43,224 |

KEY MARKET INDICATORS

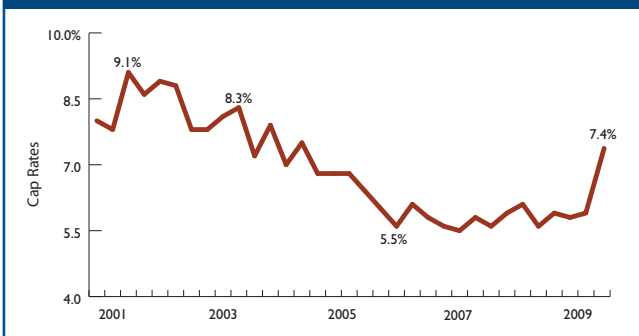
| | |
|-------------------------------------|---------|
| Unemployment ¹ | |
| Phoenix Metro | 8.4% ↓ |
| Arizona | 8.9% ↓ |
| U.S. | 10.0% ↓ |
| Consumer Price Index ² | 0.4% ↑ |
| 30-year Fixed Mortgage ³ | 5.14% ↔ |

¹Arizona Department of Commerce, Nov. 09

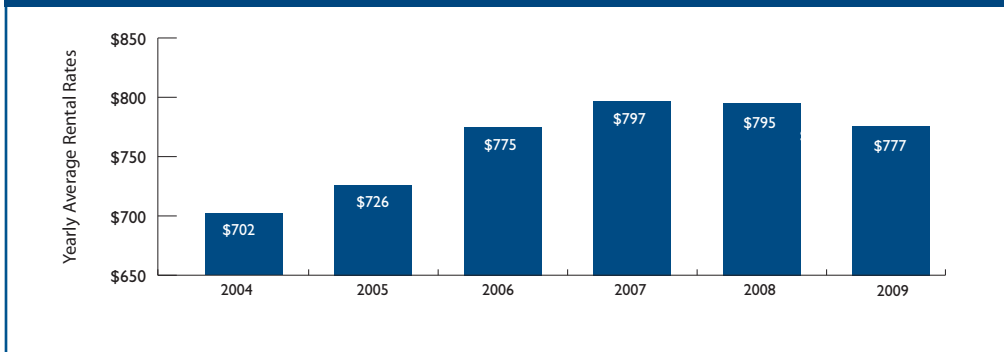
²Bureau of Labor Statistics, Nov. 09

³Freddie Mac Primary Mortgage Market Survey, Dec. 31, 09

HISTORICAL CAP RATES



AVERAGE HISTORICAL RENTS



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COLLIERS INTERNATIONAL

294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

| | |
|--------------------------------|----|
| USA | 94 |
| Canada | 22 |
| Latin America | 17 |
| Asia Pacific | 64 |
| Europe, Middle East and Africa | 97 |

| | |
|--|--|
| \$1.6 billion in revenue | |
| \$48.1 billion in transaction value | |
| 1.1 billion square feet of property under management | |
| 4,660 active agents/brokers | |
| 12,749 professionals | |

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