



The Knowledge Report

MULTIFAMILY | THIRD QUARTER | 2009



Phoenix Multifamily Market Awakens Despite Economic Realities

THE BROADER VIEW

With few exceptions, predictions that the economy has begun to revive is now the preferred constant when discussing the current state of affairs. With commercial real estate being a lagging indicator, recovery is many quarters in the future. One bright spot on the horizon is the rapid recovery of the Phoenix housing market and awakening of the multifamily sector. Sales of existing homes and permits are up substantially over past quarters. In addition, prime multifamily properties are now very attractive to private investors.

CURRENT CONDITIONS

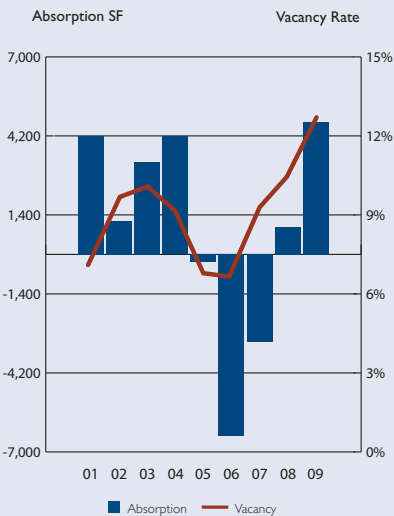
Vacancy among conventionally-operated, stabilized units remains high at 12.95 percent; however, that is a gradual decline of 0.05 percent from last quarter. Although the drop is welcome, it remains the highest vacancy rate for a third quarter period since 1989. Absorption improved over the past quarter to 2,535 units. The North Tempe submarket had the largest increase of 546 units and the West Central Phoenix submarket experienced the largest

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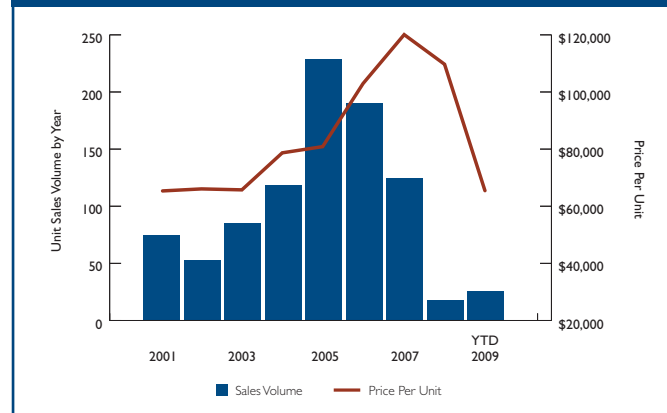
MARKET INDICATORS

	2008 Q3	2009 Q3
VACANCY	↑	↓
CONCESSIONS	↓	↑
ABSORPTION	↑	↑
RENTS	↓	↓
CAP RATES	↓	↓

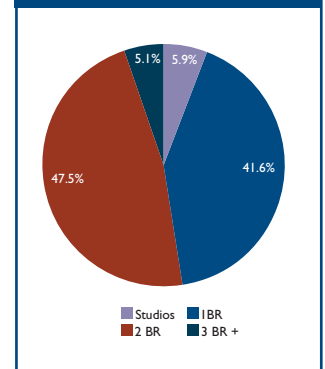
HISTORIC ABSORPTION & VACANCY



HISTORICAL PRICE PER UNIT AND SALES VOLUME



PHOENIX METRO UNIT MIX



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decrease at 170 units. This is the largest absorption for a third quarter since 2005.

Rents continue to fall this quarter and are down to \$776 per unit and experiencing a drop to \$0.92 per square foot (psf). This is the fifth consecutive quarter of decreases over the previous year.

There were a total of 11 apartment sales (100 units +) that have occurred in the third quarter, totaling 2,746 units. Sales averaged

\$59,888 per unit or \$67.10 psf. This reflects a slight decrease when compared to the second quarter's \$60,045 per unit, but a \$0.26 increase on psf basis.

Property owners continue to reposition their product as a competitive housing alternative. This has proven successful as absorption levels have increased. In the meantime, investors see great opportunities to be had as multifamily sales continue to grow steadily more each quarter.

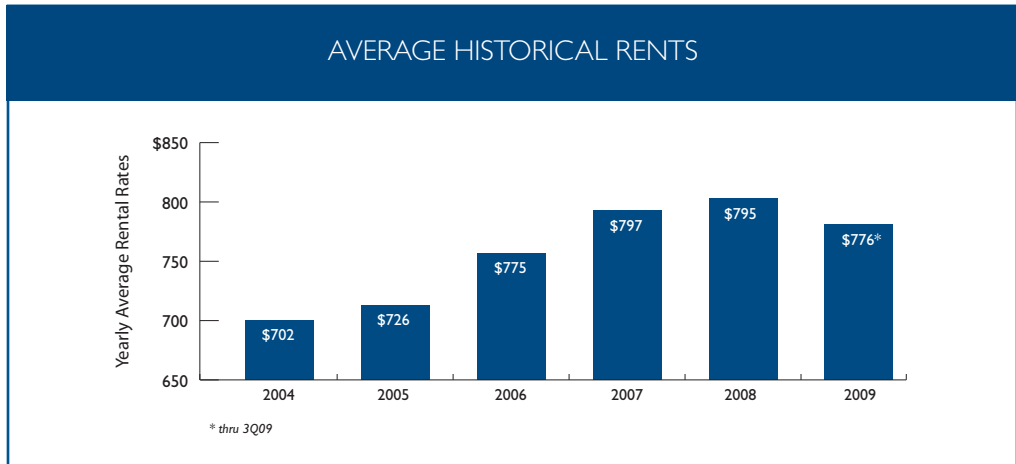
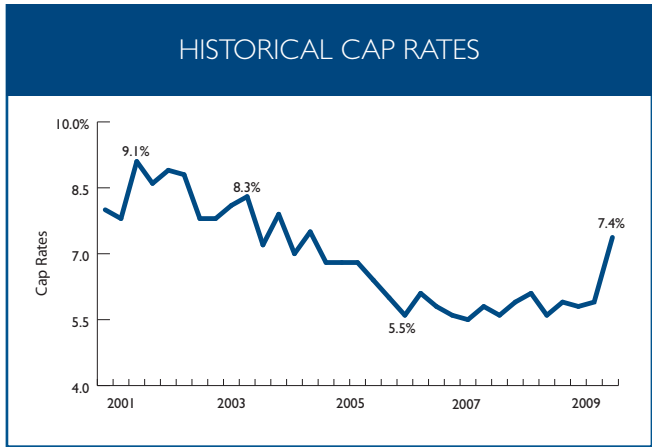
TOP THIRD QUARTER MARKET SALES

PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE PER UNIT
Indigo Palms	3777 E. McDowell Rd., Phoenix	432	\$30,000,000	\$69,444
San Tropez	2700 N. Hayden Rd., Scottsdale	316	\$29,000,000	\$91,772
Desert Mirage	1333 W. Guadalupe Rd., Gilbert	258	\$17,900,000	\$69,380
Springs at Alta Mesa	1865 N. Higley Rd., Mesa	200	\$15,000,000	\$75,000

KEY MARKET INDICATORS

Unemployment ¹	
Phoenix Metro	8.5% ↑
Arizona	9.2% ↑
U.S.	9.8% ↑
Consumer Price Index ²	
	0.2% ↑
30-year Fixed Mortgage ³	
	5.03% ↓

¹Arizona Department of Commerce, Sept 09
²Bureau of Labor Statistics, Sept 09
³Freddie Mac Primary Mortgage Market Survey, Oct 29, 09



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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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