



Real Estate Investment Newsletter – December 2004

Update on Phoenix – a Look at 2004 and 2005

A year ago I devoted a newsletter to the Phoenix market. This month we revisit our analysis of Phoenix to see how the market has changed in 2004 and what we can expect going forward in 2005. In addition to rental market and investment market conditions, this time we’ll look at the single family home market in a bit more detail for those of you looking to invest in new construction. I’ll finish up with my conclusions about its potential for returns going forward.

Rental Market Conditions

Vacancy in Phoenix depends on the location and class of property. Overall vacancy peaked in the second quarter at 10%. This is reflected in our data for recently listed Class C properties. Since then, vacancy has dropped back to about 8.3%. The highest vacancy submarket is Northwest Phoenix at 12%; East Mesa has the lowest vacancy at 4%. The area I follow most closely, East Camelback, is now at 6%.

The following table is based on a sample of 60 properties at various times throughout the year:

	Median Asking Rent	Median Size (Sq. Feet)	Median Ask Ren4t/S.F.
1 Bedroom	470	600	\$.78
2 Bedroom	575	800	\$.70

These asking rents do not take into account concessions. Because of the relatively high vacancy and the number of new properties built in the last three years, free rent for signing a lease is the norm in this market. In 2004, renters could generally expect one month free rent when signing a one year lease. Operators in neighborhoods along the Valley’s fringe, however, are competing against houses priced in the low-to-mid-\$100,000s, and are therefore forced to

Berkeley Investment Advisors

Real Estate Investment Newsletter – December 2004

offer two or more months of free rent. The significant loss of revenue caused by the combination of high vacancy and free rent concessions, has a silver lining: big potential for growth in income in the future once occupancy comes back.

Based on estimates of new construction in 2004 there are 1,463,932 housing units in the Metro area. Two thirds of these units (993,158) are single family homes. Apartment units represent 25% (369,700 units) of the housing stock. The rest are mobile homes and “other” housing units. Of this supply, about 87,000 new single family units and 10,400 new multi-family units were built in the last 2 years. Despite high vacancy rates, rising prices have encouraged developers to continue construction activity.

Going forward, rising prices for houses will divert developers to focus on single family homes rather than apartments. Looking at building permits, which foreshadow completions, we see that multifamily permits have declined sharply while single family homes have accelerated.

Permits for:	2000	2001	2002	2003	2004 est.
Single Family	33,107	33,428	35,360	47,285	59,025
Multifamily	8,691	8,656	6,957	6,823	4,187

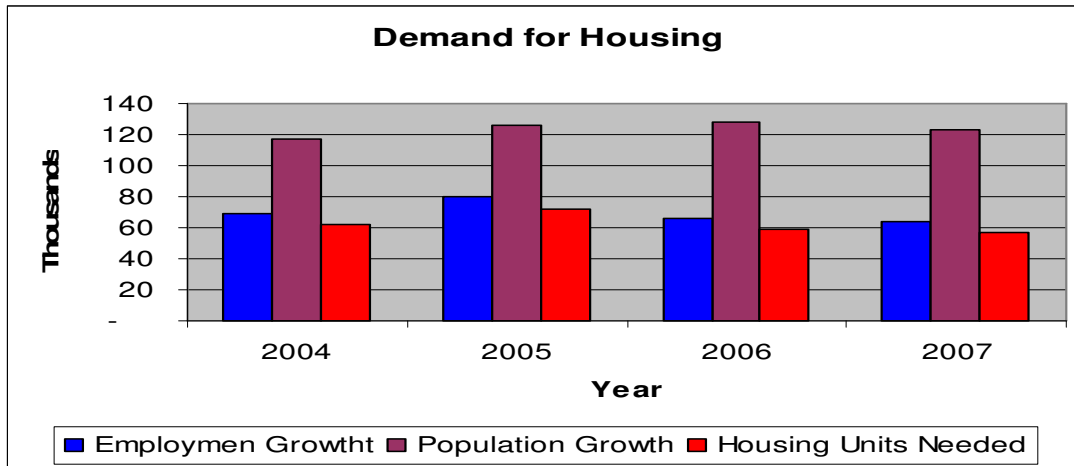
(This year was estimated based on totals through 9/30/04). Extrapolating from 2004 multifamily permits, I expect new multi-family unit deliveries to decline to 3,200 in 2005 compared to about 5,560 in 2004. This slow down will further reduce vacancy, and, with the help of job and population growth, eliminate concessions over time. I estimate 50,689 single family home completions in 2004 and 57,579 completions in 2005.

Turning to the demand side – according to Newsweek Magazine - Phoenix is projected to be the 2nd largest “job engine” in the U.S. through 2025. Phoenix jumped from 43rd to 3rd in the Milken Institute’s 2004 annual ranking of best performing cities. Employment grew by 68,700 jobs in 2004; population increased by 117,000. The University of Arizona Economic & Business Research center forecasts 4.8% job growth in 2005 which would mean 80,000 new jobs. They have also projected 3.4% population growth, meaning 126,500 new residents in 2005. After accounting for 2nd home purchases¹, these numbers should translate into demand for about 61,800 units in 2004 and 71,800 units in 2005.² Over the next three years employment is forecast to grow by 3.5% and population by 3.3% annually.³

¹ I assume 2nd homes account for 10% of single family home demand. This is consistent with national numbers.

² Based on a ratio of 1.2 jobs per housing unit.

³ Source: University of Arizona Economic and Business Research, October 2004.



Based on these estimates, new demand exceeds supply by 3,800 units in 2004 and 9,400 units in 2005. As I will explain below, the shortfall is actually much larger in 2005 for apartments. The result has been the decline in apartment vacancies in 2004 and a much larger decline in apartment vacancies forecast for 2005.

Single Family Homes versus Apartments

So far we've looked at housing units demanded in total, but what matters for apartment owners is the number of apartments needed. Although 68% of the population in Phoenix owns their home, immigration is driving population growth. My thesis is that a higher proportion of new residents are buying homes because they are either retired or moving for good jobs that will enable them to buy houses. Looking at total demand and the number of apartments absorbed in 2004, I estimate that owner occupied housing accounted for 80% (45,800) of new households in 2004. I estimate another 4,580 houses were purchased as 2nd homes. This implies that 9,679 apartments were absorbed by new demand in 2004.

While single family homes are a substitute for apartments for families that can afford to buy, certain parts of the population cannot or will not cross over to home ownership. House prices in Phoenix appreciated 21% on average in 2004. This large jump tends to price more households out of the home market – thus diverting more demand to the rental sector. In addition, I expect mortgage rates to move up over the next few years. This will further increase the cost of owning relative to renting and divert a higher proportion of demand to the rental sector. The table on the following page illustrates the effects of mortgage rate increases on affordability for the listed income groups.

Berkeley Investment Advisors

Real Estate Investment Newsletter – December 2004

Maximum House Affordable by income by mortgage rate

Annual Income:	35,000	40,000	45,000	50,000	55,000	60,000	65,000
Mortgage Rate 5.75%	107,365	122,703	138,041	153,379	168,717	184,055	199,392
6.50%	101,234	115,696	130,158	144,620	159,081	173,543	188,005
7.25%	95,593	109,249	122,905	136,561	150,217	163,874	177,530
Buying Power Drop in \$	11,772	13,454	15,136	16,818	18,499	20,181	21,863
Buying Power Drop as %	11%	11%	11%	11%	11%	11%	11%

Renters are typically in the lower income range in the table - \$35,000 annual income and below. Although the median house price in Phoenix is \$180,000, new “starter” houses are available on the fringes of the valley or in less desirable areas that sell for \$100,000. The table shows that at the current mortgage rate, 5.75%, a household with income of \$35,000, or even a bit less, would be able to afford the starter house. If rates rise to 7.25% or higher (which is very possible over the next 2-3 years), these starter homes would be affordable only by households with more than \$35,000 in annual income. Since 37% of households in Phoenix have income below \$35,000, this decrease in single family home affordability would eliminate the possibility of home ownership for a significant portion of the renter population⁴ and divert housing demand to apartments. Higher income households may also choose to remain renters rather than moving to less desirable locations.

Therefore, for 2005, I expect the proportion of new demand going into owner occupied houses to drop to 75%. Thus I expect new demand for 50,125 owner occupied homes in 2005 and net new 2nd home purchases of 5,013. With most of the remaining new demand falling on apartments, I forecast absorption of 15,166 units in 2005. This will drop apartment vacancy by more than 3%! The table below summarizes the supply vs. demand forecast:

	Forecast New Units		Estimated Demand		Excess Production	
	2004	2005	2004	2005	2004	2005
Single Family Homes	50,689	57,579	50,380	55,138	309	2,442
Apartments	5,560	3,278	9,679	15,166	(4,119)	(11,888)
Other Housing Units	1,771	1,542	1,771	1,542	0	0
Total	58,020	62,399	61,830	71,846	(3,810)	(9,446)

Although there are more houses being built than demanded, investors will easily absorb the excess production - so long as job growth (the driver of demand) is as strong as expected.

⁴ I estimate that an increase in mortgage rates of 2% would reduce the potential demand for new “starter” single family houses by 10-15%.

Investment Market Conditions

According to CoStar there were 310 apartment building sales (>\$250K) in the first 9 months of 2004. This already exceeds the record of 286 sales set in 2003. The majority of buyers are from out of state. Californians accounted for 50% of the dollar volume as they shifted money from their over-priced home market to Phoenix in search of higher returns going forward. There is significant competition for properties priced at projected capitalization rates above 6.5%. Exhibit A provides data on 67 sales in 2004. The 2004 median unit price for this sample is \$45,714 which comes to \$61.55 per square foot. This is up from \$39,350 per unit and \$59.23 per square foot in our sample last year. Gross rent multipliers ranged from 5.0 to 9.9 but data was not available for all properties. Cap rates are not available at all. If consistently estimated, I expect they would fall in a range of 5% to 7.5% depending on perceived desirability of the property and its location.

Condominium prices have been following house prices up and conversions have become very popular. Those doing the conversions are in the market in force and are bidding up prices on properties with the potential for conversion. Developers are also planning several new condominium towers in central Scottsdale, the Camelback Corridor and downtown Tempe but with prices from low-to-mid \$200,000s to well over \$1 million, these will compete with houses rather than rental properties.

The city of Phoenix has developed a plan for major redevelopment of its downtown and a transformation has begun. The city has positioned the downtown to benefit from two knowledge economy anchors. In 2002, \$90 million was raised to jump-start the bioscience industry. As a result the Phoenix Bioscience Center at Copper Square (downtown) has just been completed. This is the headquarters for the International Genomics Consortium and the Translational Genomics Research Institute. Arizona State University will build a major new campus in downtown Phoenix. It will take many years but eventually there will be 15,000 students and 1,100 faculty and staff. These anchors and many other initiatives are driving investment dollars into the downtown area and creating good investment opportunities for those willing to bet on the revitalization of the area.

South Scottsdale submarket will benefit from a new research center. The Arizona State University (ASU) Scottsdale Center for New Technology and Innovation will replace a long vacant Los Arcos Mall at McDowell and Scottsdale roads. The project will be built over the next decade, creating more than 4,000 jobs, and spurring demand for high-end units.

Many new single family homes are being built in the Southern part of the metro area (Phoenix, Chandler, Gilbert, Mesa) and there are also significant single family developments in the West and Northwest areas of the valley (Surprise, Avondale, El Mirage, Peoria). Developments in the West are commuter towns where residents must drive to more central areas for their jobs. We like the townhouses scheduled to be built in south Phoenix over the next year.

Exhibit B shows 2004 property listings along with valuation metrics and estimated returns. The stabilized return estimates shown here are fully leveraged (i.e. as if first year of ownership) assuming market vacancy and market rents but with rent concessions. Note that estimated returns are dependent upon financing. Therefore, because returns have not been estimated with consistent financing assumptions, some properties with lower capitalization rates may show higher forecast returns.

Conclusions

Strong job and population growth should continue and this will drive house prices higher – although probably at a slower pace than 2004 if interest rates do go up. The high level of apartment vacancies and rent concessions provide significant upside to net operating income and cash flows for apartment investors. The widely expected rise in interest rates will reduce housing affordability and shift demand towards rentals. Thus, Phoenix apartments are particularly appealing at this time because they provide investors with a natural hedge against higher interest rates. An increase in interest rates will increase apartments' cash flows enough to offset the negative effect that the rate increase would normally have on valuations. Prices have moved up, but deals can still be had by investors who can act quickly. I project double digit returns for reasonably price properties.

Featured Investment Opportunity

Berkeley Investment Advisors is currently in negotiations with developers to allow our clients to purchase newly constructed homes as investments. If you are interested, let us know and we'll keep you updated on the expected availability of all such opportunities.

Contact Information

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**Berkeley Investment Advisors
December 2004 Newsletter**

Exhibit A

2004 Apartment Building Sales in Phoenix

Name	Address	Price in \$1,000's	Sale Date	Built	Units	Square Feet	Gross Rent Multiplier	Price Per Unit in \$1,000's	Price per Square Foot	Avg S.F. per unit
Villa Rose	2732 W. Medlock Dr.	1,760	9/28/2004	1982	40	31,600	6.8	44.00	55.70	790
Oak Court	546 W. Glenrosa Ave.	910	9/17/2004	1957	33	16,500	6.5	27.58	55.15	500
Desert Villas	1826 N. 51st Street	1,560	9/17/2004	1984	29	23,528	8.3	53.79	66.30	811
Mountain View	425 E. Brown Rd.	1,552	9/17/2004	1973	30	27,278		51.73	56.69	909
Villa Riviera	3040 N. 2nd Street	1,825	9/15/2004	1957	38	28,182		48.03	64.78	742
Blue Palms	4127 N. 9th Avenue	605	Sep-04	1962	11	6,710		55.00	90.16	610
Pasadena Garden	320 W Pasadena Ave.	1,450	8/27/2004	1958	28	17,078	9.6	51.79	84.90	610
Papago View	3710 E. McDowell Rd.	1,920	8/26/2004	1979	50	27,250	6.2	38.40	70.46	545
Puerta del Sol	3605 W Osborn Rd	1,920	8/26/2004	1984	112	75,248		17.14	25.52	672
Sunray	1621 W. Denton Lane	1,395	Aug-04	1985	28	22,580		49.82	61.78	806
Town Lake	1218-46 W 4th St.	1,330	7/30/2004	1963	28	17,179		47.50	77.42	614
Glenview Estate	7002 N. 76th Ave.	1,300	7/23/2004	1964	32	26,800	5.7	40.61	48.49	838
Imperial Arms	3738 W. McDowell Rd.	1,365	7/21/2004	1980	36	18,874	6.6	37.92	72.32	524
Montego	3025 N. 36th Street	1,350	7/9/2004	1961	30	18,855	6.2	45.00	71.60	629
Hyde Park	3822 N 28th Street	1,550	6/30/2004	1971	28	22,400	7.3	55.36	69.20	800
Sunny Palms	4402 N 36th Street	1,471	6/30/2004	1962	31	25,916	6.0	47.45	56.76	836
Hidden Gardens	1908 N 32nd Street	990	6/25/2004	1983	26	17,100	6.8	38.08	57.89	658
Garden Springs	6630 N. 27th Ave.	1,380	6/16/2004	1984	32	31,360	5.9	43.13	44.01	980
Ocotillo Oasis	6220 & 6228 W. Ocotillo	1,575	6/15/2004	1984	32	23,520	7.8	49.22	66.96	735
Oak Street Apts.	4621 E. Oak Street	1,200	6/10/2004		21	16,800	8.3	57.14	71.43	800
Encanto Suites	1840 W. Thomas Road	1,500	6/7/2004	1962	26	29,800	6.8	57.69	50.34	1,146
Heatherbrae	6101 N 60th Ave.	1,250	6/3/2004	1984	38	27,480		32.89	45.59	723
Missouri Village	1515 W. Missouri Ave.	1,900	6/1/2004	1973	44	33,439		43.18	56.82	760
Carlton Court	5024 E. Thomas Road	1,840	5/7/2004	1963	45	30,570	5.5	40.89	60.19	679
Townley Square	301 E. Townley Ave.	580	5/5/2004	1980	23	7,200	5.2	25.21	80.52	313
Sydney	3031 N. 36th Street	1,360	May-04	1970	30	22,114		45.33	61.50	737
Holly Gardens	2014 - 2020 N. 49th St.	481	May-04	1965	8	5,380		60.13	89.41	672
Christown Villa	2150 W. Missouri Ave.	1,125	4/26/2004	1960	28	26,960		40.13	41.73	963
Fountain on Camelbk	3002 W. Camelback Rd.	1,340	4/23/2004	1944	34	22,800	6.4	39.41	58.77	671
Los Porticos	1221 N 85th Place	1,500	4/16/2004	1984	24	19,200		62.50	78.13	800
Casa Valia	1815 W. Colter Stret	1,595	4/15/2004	1919	35	28,800		45.57	55.38	823
Place of Tempe	607-627 W. 19th St.	1,690	4/14/2004	1964	30	20,512		56.35	82.42	684
Plaza West	3410 W. Rose Lane	1,275	4/12/2004	1962	28	22,600		45.54	56.42	807
Wyndham / Montego	3011 & 3025 N 38th St.	1,340	Apr-04	1977	29	20,754		46.21	64.57	716
Phoenix Courtyards	4200 N. 38th Street	2,175	Apr-04	1963	36	27,810	8.6	60.42	78.21	772
Cherry Lynn	3927 E. Cherry Lynn Lane	545	Apr-04	1958	8	7,100		68.13	76.76	888
Casa Quieta	2745 West Colter Street	1,025	3/31/2004	1969	33	27,059	5.0	32.03	37.88	820
Country Club	1917 E. Broadway Rd.	1,320	3/30/2004	1963	27	22,370		48.89	59.01	829

**Berkeley Investment Advisors
December 2004 Newsletter**

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Name	Address	Price in \$1,000's	Sale Date	Built	Units	Square Feet	Gross Rent Multiplier	Price Per Unit in \$1,000's	Price per Square Foot	Avg S.F. per unit	
Oak Villas	2301 & 2309 N. 28th St.	510	3/26/2004	1985	10	9,950	7.4	51.00	51.26	995	
	736 E. Turney Avenue	977	3/18/2004	1944	29	18,446		33.69	52.97	636	
Yesenia's Apts.	3034 N. 37th Street	660	3/16/2004	1971	13	10,073	9.9	50.77	65.52	775	
Hampton Court	426 West 9th Street	720	3/12/2004	1964	27	12,168	5.1	26.67	59.17	451	
Irving Manor	31 W. 2nd Street	1,075	3/12/2004	1960	20	15,672	8.9	53.75	68.59	784	
Highland West	502-526 W. Highland Ave.	1,275	3/12/2004	1946	40	23,960		31.88	53.21	599	
Desert Oasis	2947 N. 39th Street	525	3/12/2004	1960	11	8,880	7.3	47.73	59.66	807	
Rosewood	5810 S 40th Street	1,730	3/5/2004	1980	52	25,725		33.27	67.25	495	
Oakdale	2302 N. 27th Street	1,800	3/5/2004	1963	55	44,281	5.0	32.73	40.65	805	
	9923 & 9237 N. 8th St.	1,365	2/24/2004	1981	32	19,360	7.2	42.66	70.51	605	
	5502 N. 27th Ave.	740	2/11/2004	1953	28	24,304		26.43	30.45	868	
Villa Nicole	1014 S. Farmer Ave.	1,459	2/6/2004	1971	24	18,000	7.9	60.79	81.06	750	
Monterey	4413-4435 N. 27th St.	1,625	2/6/2004	1964	32	26,400		50.78	61.55	825	
Aztec	3611 N. 5th Avenue	730	2/6/2004	1961	12	15,250	8.2	60.83	47.87	1,271	
Villa Pacifica	4207 N. 27th Street	572	2/6/2004	1959	12	9,000		47.67	63.56	750	
Garden Groves	9316 E. Balsam Avenue	1,300	2/2/2004	1965	42	22,558		30.95	57.63	537	
Monterey	4413 N. 27th Street	1,625	Feb-04	1964	32	26,401		50.78	61.55	825	
	1233 N. 35th Street	1,300	Jan-04	1985	32	25,344		40.63	51.29	792	
	2980 W. Foothill Drive	640	1/30/2004	1951	14	10,756		45.71	59.50	768	
Saville	424 W. 9th Street	688	1/30/2004	1987	12	9,318		57.29	73.78	777	
Cheryl Drive	10024-10044 N. 18th Ave.	565	1/15/2004	1961	16	8,000	5.9	35.31	70.73	500	
	4632 N. 73rd Street	675	1/14/2004	1958	14	7,834		56.25	86.16	560	
Mtn Prospect	1222 E. Mountain View	1,600	1/14/2004	1985	38	29,754	6.4	42.11	53.77	783	
	534 E. Huntington Drive	1,100	1/13/2004	1967	16	14,639		68.75	75.14	915	
Tuscany	4607 & 4613 N. 74th St.	815	1/9/2004	1958	12	7,700		67.92	105.84	642	
Turney 8-plex	829-833 E. Turney Ave.	391	1/9/2004	1948	8	4,756		48.88	82.23	595	
Mariana	908 S. Mariana Street	2,000	1/8/2004	1959	67	26,765		29.85	74.72	399	
Del Rey	2814 E Roosevelt St	1,554	1/8/2004	1963	42	25,888		37.00	60.03	616	
Stone Ridge	3025 N. 32nd Street	2,000	1/5/2004	1968	60	23,907		33.33	83.66	398	
Average								6.9	45.44	63.74	727
Median								6.8	45.71	61.55	750
High								9.9	68.75	105.84	1,271
Low								5.0	17.14	25.52	313
Count								31	67	67	67

**Berkeley Investment Advisors
December 2004 Newsletter**

Exhibit B

Phoenix Apartments Recently Listed for Sale										
Price	Address	Total # of Units	Annual Gross Rents	Year Built	Unit Price	Current Gross Rent Multiple	Proforma Cap Rate	Vacancy	Estimated Stabilized return	Cash on Cash
\$ 999,000	546 W Glenrosa Ave	33	185,000	1956	30,273	6.3	7.6%	5%	16%	9.4%
\$ 720,000	1724 E. Cambridge	16	95,040	1986	45,000	7.3	7.4%	0%	18%	5.0%
\$ 750,000	3406 N 38th Street	15	92,760	1973	50,000	8.1	7.3%	40%	17%	5.2%
\$ 900,000	1827 E Lemon St, Tempe	24	149,520	1961	37,500	6.0	7.2%	8%	17%	4.2%
\$ 885,000	1908 North 32nd St	26	140,400	1983	34,038	6.3	7.1%	10%	17%	3.8%
\$ 1,090,000	2432 West Turney Ave.	30	222,840	1974	36,333	4.9	7.1%	10%	17%	4.0%
\$ 720,000	426 W 9th St., Mesa	27	141,344	1964	26,667	5.1	7.1%	15%	17%	3.9%
\$ 1,370,000	3002 W. Camelback	34	210,960	1960	40,294	6.5	7.0%	9%	24%	2.8%
\$ 1,265,000	4401 N 12th St.	40	198,900	1966	31,625	6.3	7.0%	10%	18%	3.5%
\$ 1,375,000	4615 N. 39th Avenue	28	212,400	1975	49,107	6.5	6.9%	7%	20%	3.3%
\$ 1,245,000	322 N. 14th Avenue	31	193,368	1976	40,161	6.4	6.7%	7%	14%	2.6%
\$ 2,400,000	6535, 6545, 6555 N. 17th Ave.	48	423,600	1968	50,000	5.7	6.6%	10%	13%	3.4%
\$ 1,500,000	3738 E. MCDowell Road	36	213,750	1980	41,667	7.0	6.6%	10%	18%	5.5%
\$ 715,000	301 East Townley Ave	23	110,220	1980	31,087	8.1	6.6%	35%	15%	2.0%
\$ 776,000	1744 Glendale Ave.	16	101,220	1956	48,500	7.4	6.6%	5%	19%	2.2%
\$ 1,300,000	7012 N 76th Avenue	32	223,188	1962	40,625	5.8	6.5%	10%	16%	5.0%
\$ 3,375,000	4333 N 27th Ave	96	558,770	1985	36,198	6.0	6.5%	13%	15%	0.4%
\$ 1,000,000	2417 W. Campbell Ave.	24	144,000	1983	41,667	6.9	6.4%	10%	15%	1.6%
\$ 1,500,000	1840 W. Thomas Road	26	218,396	1962	57,692	6.9	6.3%	12%	19%	5.1%
\$ 1,470,000	1641 E Grovers Ave	30	173,100	1986	49,000	8.5	6.3%	6%	18%	1.3%
\$ 835,000	4424 12th Street	20	118,500	1956	41,750	7.0	6.3%	8%	14%	1.2%
\$ 625,000	13235 N 21st Place	12	79,200	1985	52,083	7.9	6.3%	8%	18%	1.3%
\$ 3,100,000	17609 N. 19th Avenue	55	403,000	1984	56,364	7.7	6.2%	10%	11%	4.1%
\$ 1,125,000	1859 E. Broadway Road	22	139,920	1972	51,136	8.0	6.2%	8%	14%	4.1%
\$ 3,100,000	1322 N. La Jolla Blvd.	69	523,776	1964	44,928	5.9	6.2%	10%	16%	4.2%
\$ 589,000	1833 N. 1st Place	14	87,000	1958	42,071	6.8	6.2%	10%	15%	-1.6%
\$ 730,000	612 N. 39th Avenue	16	110,396	1963	45,625	6.6	6.1%	10%	15%	3.8%
\$ 650,000	715 East Vogel Street	16	97,344	1983	40,625	6.7	6.1%	6%	18%	4.1%
\$ 900,000	621 N 30th Place	24	134,280	1958	37,500	6.7	6.0%	15%	16%	3.6%
\$ 1,050,000	6026 N. 21st Avenue	20	138,996	1963	52,500	7.6	6.0%	5%	15%	3.7%
\$ 2,900,000	6805 North 27th Avenue	71	489,900	1985	40,845	5.9	6.0%	40%	18%	1.8%
\$ 2,166,055	9316 E. Balsam Avenue	43	255,000	1975	50,373	8.5	5.9%	9%	13%	3.8%
\$ 960,000	2501 W Elm Street	20	124,800	1964	48,000	7.5	5.9%	6%	12%	0.8%
\$ 925,000	1545 W Denton, Phoenix	22	131,400	1984	42,045	7.0	5.9%	24%	12%	1.0%
\$ 1,270,000	2101-2221 W. Heatherbrae	31	204,300	1962	40,968	6.2	5.9%	16%	13%	1.0%
\$ 1,150,000	21420 N. 23rd Avenue	28	169,200	1985	41,071	6.8	5.8%	10%	18%	3.9%
\$ 3,325,000	2950 E. Greenway	62	406,068	1985	53,629	8.2	5.8%	7%	15%	0.7%
\$ 799,000	6516 N. 17th Avenue	16	108,600	1964	49,938	7.4	5.8%	10%	15%	3.9%

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December 2004 Newsletter**

Exhibit B

Phoenix Apartments Recently Listed for Sale											
Price	Address	Total # of Units	Annual Gross Rents	Year Built	Unit Price	Current Gross Rent Multiple	Proforma Cap Rate	Vacancy	Estimated Stabilized return	Cash on Cash	
\$ 1,495,000	2745 W. Colter Street	32	214,200	1969	46,719	7.0	5.7%	50%	17%	3.9%	
\$ 899,000	1525 W. Indian School Road	18	119,376	N/A	49,944	7.5	5.7%	0%	16%	3.7%	
\$ 230,000	908 E. Turney	5	29,220	1950	46,000	7.9	5.7%	10%	13%	4.6%	
\$ 590,000	2947 N 39th St.	11	74,880	1960	53,636	7.9	5.6%	0%	11%	0.3%	
\$ 1,080,000	6730 N. 17th Avenue	18	147,060	1969	60,000	7.3	5.5%	0%	9%	3.5%	
\$ 745,000	645 West Hazelwood	15	102,060	1959	49,667	7.3	5.5%	15%	13%	3.2%	
\$ 629,000	1514 E. Monroe	16	85,800	1961	39,313	7.3	5.5%	8%	10%	1.0%	
\$ 875,000	454 East 4th Avenue	32	124,500	1985	27,344	7.0	5.4%	40%	10%	3.5%	
\$ 585,000	10034 N 18th Ave	16	93,600	1961	36,563	6.1	5.4%	15%	11%	-2.1%	
\$ 1,175,000	4020 Parkway Ave.	24	143,880	1960	48,958	8.2	5.3%	20%	10%	1.0%	
\$ 1,399,000	1914 W. Hayward	26	190,008	1962	53,808	7.4	5.2%	12%	9%	1.0%	
\$ 559,000	2125 E. Lemon Street	11	62,652	1960	50,818	8.9	5.1%	7%	11%	2.7%	
\$ 375,000	921-927 S. 35th Avenue	10	52,080	1950	37,500	7.2	5.0%	10%	16%	6.3%	
\$ 1,350,000	3025 N. 36th Street	30	205,260	1961	45,000	6.6	4.9%	9%	11%	2.1%	
\$ 1,380,000	365 W. Pierson Street	28	213,960	1961	49,286	6.4	4.7%	15%	10%	1.2%	
\$ 255,000	3150 E. Cicero Street	4	26,400	1984	63,750	9.7	4.5%	8%	24%	5.3%	
\$ 1,550,000	6101 N. 60th Avenue	38	244,440	1984	40,789	6.3	4.5%	7%	7%	0.7%	
\$ 1,037,000	480 E. Peppertree Avenue	17	112,560	1984	61,000	9.2	4.4%	9%	13%	2.6%	
\$ 999,000	819 S. Stapley	18	108,960	1973	55,500	9.2	3.9%	10%	3%	1.4%	
\$ 1,400,000	2705-2749 W. Tuckey Lane	28	134,400	1963	50,000	10.4	3.7%	14%	14%	2.2%	
\$ 1,100,000	3221 N. 36th Street	23	150,984	1961	47,826	7.3	3.2%	9%	6%	-3.0%	
\$ 1,350,000	510 West Highland.	40	202,000	1950	33,750	6.6	2.7%	5%	5%	0.0%	
						Average	7.2	5.9%	12%	14%	3%
						Median	7.0	6.0%	10%	15%	3%
						High	10.4	7.6%	50%	24%	9%
						Low	4.9	2.7%	0%	3%	-3%
						Count	60	60	60	60	60