

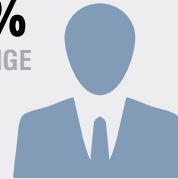
PHOENIX MSA | MULTIFAMILY | Q1 2019 REPORT

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10+ UNIT PROPERTIES		Q1 2019	INCREASE/DECREASE	Q1 2018
Total Sales Volume		\$2.11B	+66%	\$1.28B
A V E R A G E	Price/Unit	\$150,782	+10%	\$137,696
	Price/SF	\$174.60	+2%	\$171.49
	Year Built	1984	+6 yrs	1978
10+	Average Rent	\$1,131	+8.4%	\$1,043
	Occupancy Rate	95.2%	+0.1%	95.1%
	Units Delivered	2,521	+32%	1,912



4.1%
NO CHANGE



UNEMPLOYMENT
Q-O-Q AS OF MARCH 2019 - BLS

+2.8%



EMPLOYMENT GROWTH
Y-O-Y AS OF MARCH 2019 - BLS

\$57,935



MEDIAN HH INCOME
CENSUS

\$29,542



PER CAPITA INCOME
CENSUS

ABI GEONEWS: PHOENIX MSA - Q1 2019 SELECT NEWS

CONTINUED ON PAGE 06



West Valley Poised to be a Key Employment Hub



Phoenix Saw Second Highest Employment Growth in 2018 Among All Metro Areas in the Country



Phoenix Council Set to Hear Downtown Transit Redevelopment Plans

14,372

Units (50+)



UNDER CONSTRUCTION







371,149

Units (10+)



TOTAL INVENTORY
AS OF MARCH 2019

PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
 Phoenix MSA	4.2%	\$57,935	\$29,542	312,565	14,372
 Phoenix	3.5%	\$52,080	\$31,777	136,139	5,213
 Mesa	3.4%	\$52,155	\$26,535	37,670	1,059
 Scottsdale	2.8%	\$80,306	\$56,794	27,583	1,842
 Tempe	3.1%	\$51,829	\$28,602	33,644	2,980
 Glendale	3.5%	\$49,383	\$23,496	23,948	897

PHOENIX MSA - PER CITY ANALYSIS

RENT & OCCUPANCY STATS

	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (Q1 2019)	\$1,036	\$1,007	\$1,462	\$1,329	\$957
% Change (y-o-y)	+8.6%	+10.1%	+8.0%	+5.5%	+9.6%
Occupancy Rate (Q1 2019)	95.2%	96.0%	95.8%	94.8%	95.2%
% Change (y-o-y)	+0.2%	+0.1%	+0.6%	+0.5%	+0.0%
Units Delivered (Q1 2019, 50+)	1,522	--	--	--	--

SALES DATA (100+)

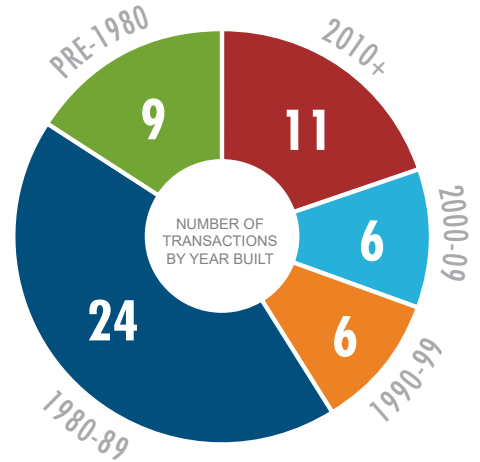
Total Sales Volume (Q1 2019, 100+)	\$783,230,000	\$215,950,000	\$185,300,000	\$249,125,000	\$171,090,000
Total Sales Volume (Q1 2018, 100+)	\$468,270,000	\$22,100,000	\$0	\$324,400,000	\$48,775,000
% Change (y-o-y)	+67%	+877%	--	-23%	+251%
Avg P/U (Q1 2019, 100+)	\$145,663	\$124,827	\$290,439	\$181,976	\$116,388
Avg P/U (Q1 2018, 100+)	\$119,213	\$105,742	--	\$224,654	\$64,517
% Change (y-o-y)	+22%	+18%	--	-19%	+80%

SALES DATA (10-99)

Total Sales Volume (Q1 2019, 10-99)	\$90,399,295	\$8,728,000	\$6,151,000	\$7,335,000	\$7,265,000
Total Sales Volume (Q1 2018, 10-99)	\$80,219,041	\$755,000	\$14,230,000	\$11,733,800	\$635,000
% Change (y-o-y)	+13%	+1,056%	-57%	-37%	+1,044%
Avg P/U (Q1 2019, 10-99)	\$114,141	\$136,375	\$157,718	\$112,846	\$62,629
Avg P/U (Q1 2018, 10-99)	\$83,823	\$75,500	\$209,265	\$136,440	\$63,500
% Change (y-o-y)	+36%	+81%	-25%	-17%	-1%

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2019	INCREASE/DECREASE	Q1 2018
Total Sales Volume	\$1.99B	+72%	\$1.16B
AVERAGE Price/Unit	\$154,056	+6%	\$145,146
AVERAGE Price/SF	\$180.65	+2%	\$177.84
AVERAGE Year Built	1991	+1 yr	1990



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



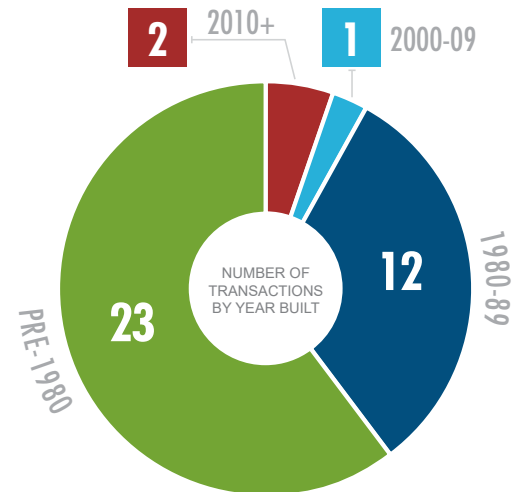
- The Stetson**
Scottsdale, 316 Units | \$97,000,000
\$306,962/Unit | \$344.23/SF | Built 2016
- Avion on Legacy**
Scottsdale, 322 Units | \$83,300,000
\$274,224/Unit | \$289.04/SF | Built 2015
- Broadstone Roosevelt Row**
Phoenix, 316 Units | \$84,200,000
\$266,456/Unit | \$308.18/SF | Built 2018

Q1 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	11	\$242K	\$261
2000-09	6	\$134K	\$133
1990-99	6	\$185K	\$173
1980-89	24	\$117K	\$157
Pre-1980	9	\$107K	\$142

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2019	INCREASE/DECREASE	Q1 2018
Total Sales Volume	\$120M	+5%	\$114M
AVERAGE Price/Unit	\$111,411	+23%	\$90,355
AVERAGE Price/SF	\$112.27	-11%	\$125.69
AVERAGE Year Built	1973	+2 yrs	1971



TOP 3 TRANSACTIONS BY PRICE/UNIT (10-99)

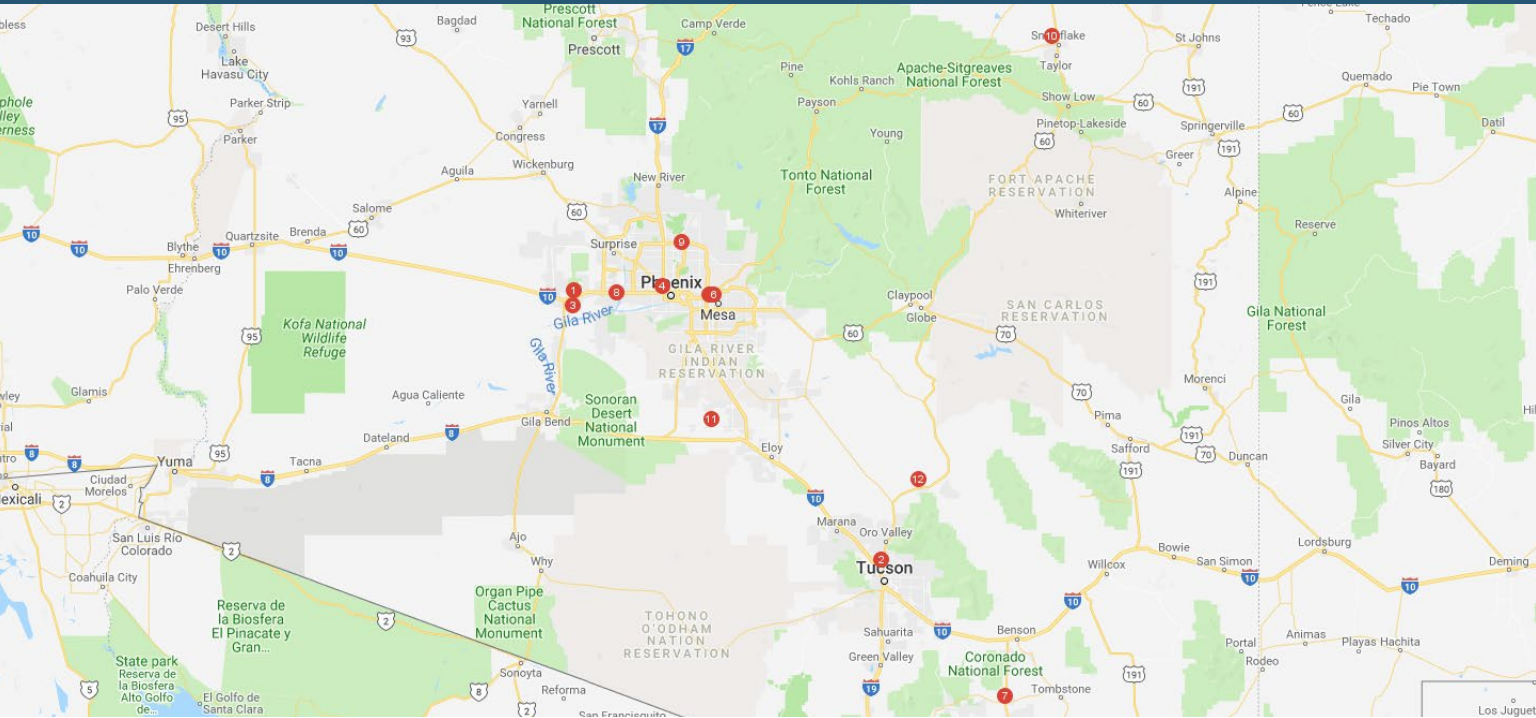


- Zen on 50**
Phoenix, 55 Units | \$16,200,000
\$294,545/Unit | \$264.84/SF | Built 2018
- The Alan**
Mesa, 17 Units | \$4,850,000
\$285,294/Unit | \$222.89/SF | Built 2018
- Rezide Uptown**
Phoenix, 35 Units | \$6,950,000
\$198,571/Unit | \$214.67/SF | Built 1978

Q1 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	\$247K	\$171
2000-09	1	\$163K	\$138
1990-99	--	--	--
1980-89	12	\$81K	\$66
Pre-1980	23	\$104K	\$133

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q1 2019)
Transaction Volume (Q1 2018)
Avg Sales Price / Space (Q1 2019)
Avg Sales Price / Space (Q1 2018)

PHOENIX MSA

\$0
\$36,590,000
\$0
\$76,388

TUCSON MSA

\$6,401,540
\$0
\$45,401
\$0

OTHER AZ MSA

\$0
\$0
\$0
\$0

FAMILY

Transaction Volume (Q1 2019)
Transaction Volume (Q1 2018)
Avg Sales Price / Space (Q1 2019)
Avg Sales Price / Space (Q1 2018)

\$47,630,000
\$12,595,000
\$38,411
\$30,060

\$0
\$0
\$0
\$0

\$2,359,500
\$660,000
\$13,823
\$10,313

Total Transaction Volume (2019 YTD, 50+)

\$47,630,000

\$6,401,540

\$2,359,500

Number of Transactions (2019 YTD, 50+)

9

1

2

MHP INVENTORY (50+)

INVENTORY

Total Spaces
Age Restricted/55+
Family

PHOENIX MSA

81,895
57,707
24,257

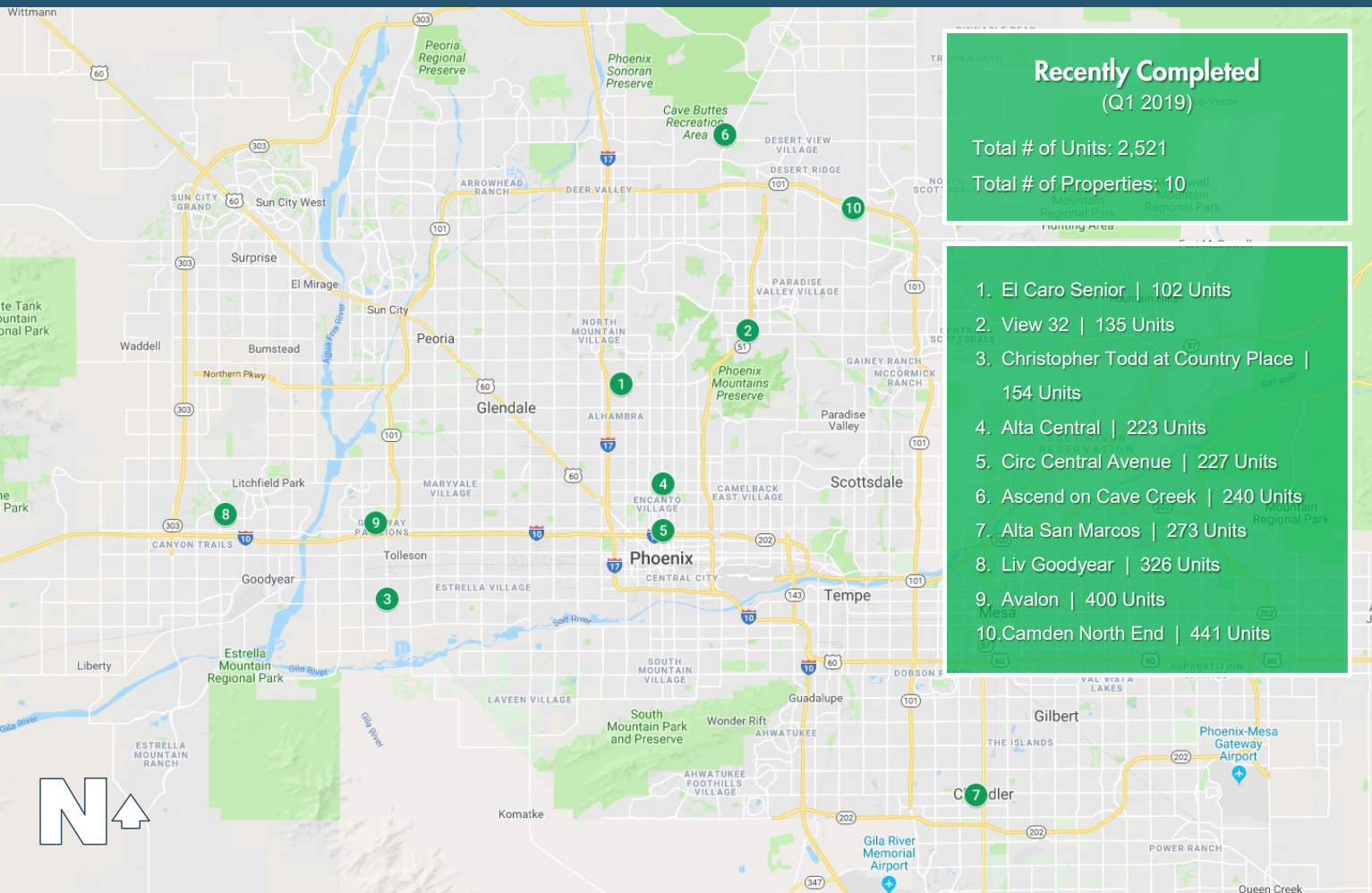
TUCSON MSA

20,990
11,689
9,301

OTHER AZ MSA

29,886
11,900
4,023

COMPLETED CONSTRUCTION



Recently Completed

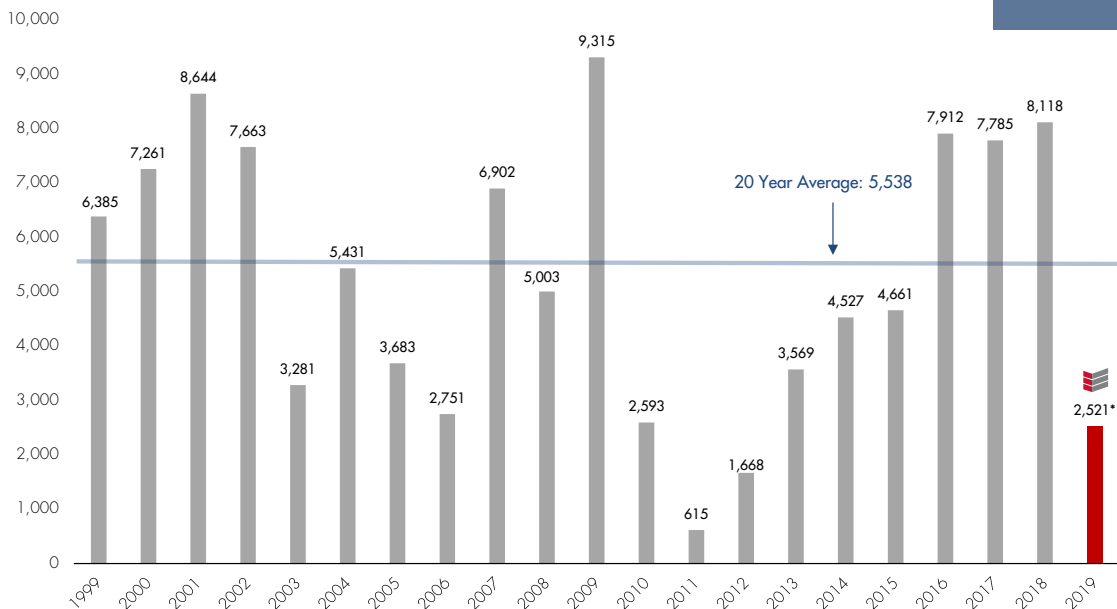
(Q1 2019)

Total # of Units: 2,521

Total # of Properties: 10

1. El Caro Senior | 102 Units
2. View 32 | 135 Units
3. Christopher Todd at Country Place | 154 Units
4. Alta Central | 223 Units
5. Circ Central Avenue | 227 Units
6. Ascend on Cave Creek | 240 Units
7. Alta San Marcos | 273 Units
8. Liv Goodyear | 326 Units
9. Avalon | 400 Units
10. Camden North End | 441 Units

PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q1 2019



TOTAL UNIT INVENTORY

10+ UNIT PROPERTIES: 371,149

50+ UNIT PROPERTIES: 314,191

PRE-LEASE ABSORPTION RATE

16 Units/Property/Month (Q1 2019 Avg)

Under Construction

Total # of Units: 13,894

Total # of Properties: 56

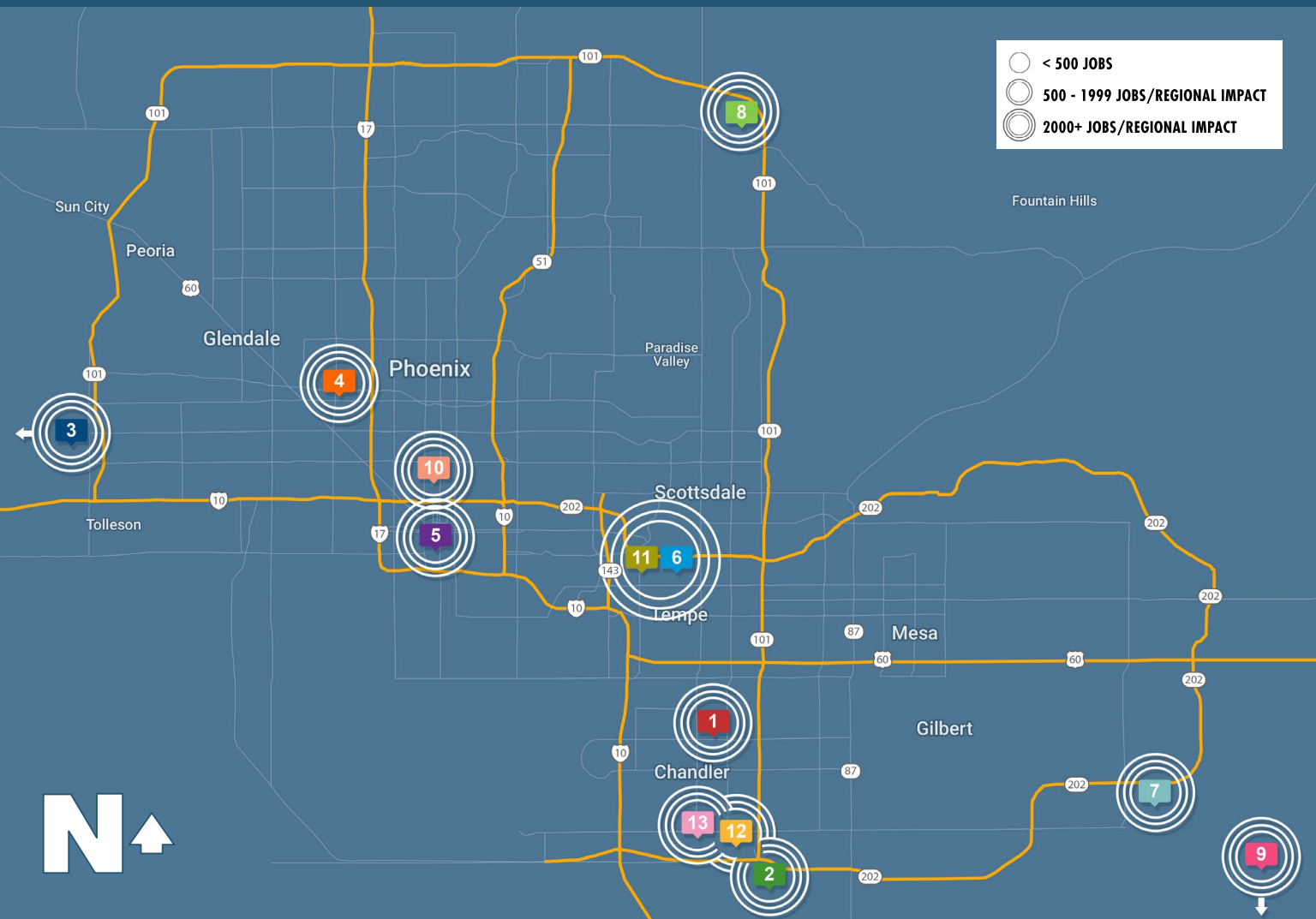
Planned

Total # of Units: 21,672

Total # of Properties: 90

* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

ABI GEONEWS: PHOENIX MSA - Q1 2019 SELECT NEWS



1 Northern Trust | Opening \$95M Regional Operations Center in Tempe | Hiring 1,000

2 Wells Fargo | Opening New Regional Office in Price Corridor to Bring 1,200 Jobs

3 UPS | New Hub to Add Processing Capacity for E-Commerce, Add 1,500 Jobs at Goodyear PV303

4 Grand Canyon University | Continues Massive Expansion | 3,000+ Employees and 14,000+ Students Expected By 2020

5 Quicken Loans | Finalizes Deal to Move 1,100-Plus Jobs to Downtown Phoenix

6 State Farm | Regional Headquarters Brings Total State Farm Phoenix Area Employment to 3,000+

7 Skybridge Arizona | Nation's First Intl Air Cargo Hub to House Both Mexican and US Customs, Expected to Create 17,000 New Jobs

8 Nationwide Insurance | Development Opens 1,000 Acres of Desert to Growth Including 5,500 New Jobs

9 Nikola | Building Hybrid Semi-Truck Manufacturing Plant in Coolidge, as a Result of Anheuser-Busch Pre-Order, to Employ up to 2,000

10 Creighton University | Building \$150M Medical School in Midtown Phoenix

11 ADP | New Office to Bring 1,500 Jobs to Tempe, AZ

12 Allstate | Plans to Hire 2500 in Chandler; May Build Corporate Campus

13 Intel | Investing \$7 Billion in New Factory in Chandler, Employ 3,000 Workers

Regional West Valley | Poised to be a Key Employment Hub

Regional Phoenix | Saw Second Highest Employment Growth in 2018 Among all Metro Areas in the Country

Regional Phoenix | City Council Set to Hear Downtown Transit Redevelopment Plans

BY: ROLAND MURPHY, DIRECTOR OF RESEARCH

Market slowdowns are inevitable at some point, and many thought leaders are projecting the next one could potentially start in the next 18 months — which, coincidentally, is within the general turnaround timeframe for projects in the final planning/construction commencement phase. As a result, many multifamily developers are starting to reconsider the actual ROI of their amenities offerings.

For several years, new community developers and renovation-minded investors have been building and rebuilding multifamily assets with a frantic, frenetic and frenzied eye toward keeping up with the Joneses as far as the latest, greatest and most in-demand amenities all throughout this so-called Decade of the Renter, fueled by shifting demographic mindsets and the market power of the Renter by Choice.

As the boom cycle enters what's likely its final stages before a brief moderation, now is the time to ask: To what degree is amenitization worthwhile, and what's the right balance?

Pickleball:

Essential Offering or Waste of Space?

Full disclosure: I freely admit my contempt for pickleball is irrational. It comes from being saturation bombed as a news editor with announcements that it was/is the coming thing and a nearly essential quality of life value add. While I have no inclination to play the game, I also bear no actual ill will toward its participants, advocates or participatory bodies. (So don't message me about it.)

That said, I think in a lot of cases facility design is a lot like fashion design. Designers come up with an "innovation" because it's fun to create, then shops end up with 200 pairs of bellbottoms (or six pickleball courts) and they have to be marketed as the new "must have" so they don't just sit and languish. As essential as quality design is, left untempered by pragmatic restraint, the field can generate startling feedback loops, thinking it's an [Ouroboros](#) when in reality it's a [Null Set](#).



The most valuable amenities are the ones residents will actually use. Space-occupying, development dollar-hoovering, faddish add-ons like pickleball courts and misted running tracks may look great in the brochure, but are they worth the cost over time for construction and upkeep? In some instances, maybe. As a default, likely not.

If a feature isn't going to be regularly and fully used by a significant percentage of tenants, developers are really just paying for bullet points on the marketing page. Again picking on pickleball, which costs up to \$75,000/per court to build, is that a best use for development **or** marketing dollars?

Putting this column together I read more than three dozen articles and surveys of both owner/developers and tenants. What struck me most, as it always does in these kinds of things, was the disconnect between what's being provided and what's desired by the user.

In order to differentiate themselves, developers and designers have gone hog wild with amenitization, including everything from meditation rooms, mini-soccer fields, putting greens and sky gardens into their projects. At the same time, they have been quietly adjusting layouts and floorplans to cut the square footage of living space to save on materials and labor costs. That seems more than just a little bit backward.

Phoenix Market Metrics:

By the Numbers

From the amenity-saturated to the barebones, the Phoenix market had a pretty solid First Quarter.

For 10-99 unit properties, Q1 saw \$120M in transaction volume, a 5% Year-over-Year increase from Q1 2018. In the 100+ unit category, Q1 took in \$1.99B, an impressive 72% jump over 2018.

Average Price-Per-Unit amounts increased as well, rising 23% YoY to \$111,411 for 10-99 units, and 6% to \$154,056 for 100+. These translated to an Average Price/SF of \$112.27 in 10-99 (down 11%) and \$180.65 (up 2%) in 100+.

Inventory age stayed relatively consistent, with Average Year Built for 10-99 being 1973. For 100+, the Average Year Built was 1991 across the MSA.

The market's occupancy rate remained high. Q1 occupancy for 10+ units was 95.2%, an increase of 0.1% Y-o-Y. Average rent was \$1,131, up \$88 from Q1 2018.

Phoenix MSA demographics continued their upward trends. The Census estimate of total population was 4,737,270. The unemployment rate finished at 4.1%, according to March's

Bureau of Labor Statistics numbers.

Median Household Income was \$57,935, and Per Capita Income came in at \$29,542.

In the realm of new construction for 50+ unit properties, 2,521 units were delivered across 10 projects. Current projections show 21,672 total units in the Planning stages across 90 properties. A total of 13,894 units were listed as Under Construction in 56 properties.

Pre-lease absorption rates are still high across the region at a rate of 16 units/property/month.

Total Unit Inventory for 10+ properties was 371,149, and 50+ came in at 314,191.

Across the MSA, 50+ unit inventories by city were:

- Phoenix: 136,139
- Mesa: 37,670
- Tempe: 33,644
- Scottsdale: 27,583
- Glendale: 23,948

If You Build it They Will Come.

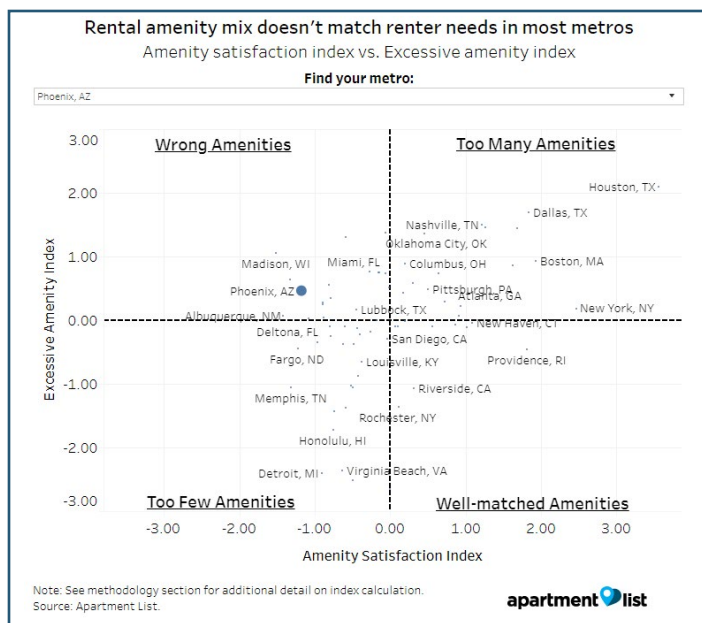
Build it Right and They Will Stay

Of course there are, “Essential,” “Nice-to-have,” and, “What were you thinking?” classes of amenities. Not surprisingly, because they have become so standard over the past 40 years, swimming pools and fitness centers rate highly on the “essential” scale among surveys of prospective tenants, even though they have consistent usage rates of less than 10%.

Even on these default-standard offerings, I have to call shenanigans on this. When you’re looking at markets where 6% describes both the maximum average vacancy and minimum average YoY rent growth, only active infestations of mutant rats hauling carts of demonically possessed cockroaches launching balls of asbestos steeped in anthrax actually warrant an 80%+ “deal killer” score.

Meanwhile, actual residents are looking for things like package delivery centers, apps that manage paying rent and scheduling maintenance/work orders, facility-wide network/cellular connectivity, customizable keyless entry, and open spaces with designated dog-friendly areas.

Some designers and developers are trying to create and deliver [Adnan Khashoggi’s yacht](#), whereas residents really just want a well-appointed hybrid Honda Accord — an ultra-reliable and well, but not ridiculously well, apportioned space — to meet



their daily living needs.

A recent post on Apartment List’s “Rentonomics” page offered up a great example, charting whether multifamily spaces in markets across the country had too many, too few, well matched or wrong amenities for renters’ needs. In Phoenix and Tucson, the amenities came up wrong. In Sacramento, they were too few. Only San Diego had an apparent Goldilocks formula, landing mostly on the line between too few and well matched.

Perhaps the greatest example centers around one obvious quality of living value-add. Nationally, 87 percent of renters want it, according to multiple surveys, but only 13 percent of communities have it as a standard feature, according to Apartment List. It’s not pickleball. It’s not surround-sound equipped digital theaters. It’s not an onsite car wash, and it’s certainly not a rooftop water park.

It’s in-unit washers and dryers. The national spread between desired by tenants and offered by properties is -40%. The gap in Phoenix is a whopping -53%. In Tucson it’s -48%. Sacramento comes in at -48%, and San Diego is at -44%.

Forget zipline courses, adventure rooms, performance stages and artist-in-residence programs. If you want to keep tenants happy, let them pay their rent with the push of a button, pick up their Prime packages on the way to their units, open their door without fumbling for a key, buzz in visitors from their phone, and wash their bellbottoms without leaving the comfort of their globally connected homes.

ABI COMPARATIVE MARKET REVIEW: Q1 2019



PHOENIX

TUCSON

SACRAMENTO

SAN DIEGO

DEMOGRAPHICS

RENT/OCC/CONST (50+)

SALES (50+)

Total Population	4,737,270	1,026,099	2,296,418	3,337,685
Unemployment Rate (as of Mar '18)	4.2%	4.5%	4.1%	3.5%
Employment Growth (y-o-y)	2.8%	1.4%	2.8%	1.4%
Median HH Income	\$57,935	\$48,676	\$62,813	\$70,588
Per Capita Income	\$29,542	\$27,323	\$51,370	\$34,350
Rent (Q1 2019)	\$1,131	\$879	\$1,478	\$1,940
% Increase / Decrease	8.4% ▲	6.9% ▲	5.6% ▲	4.1% ▲
Occupancy (Q1 2019)	95.2%	94.6%	96.3%	95.9%
% Increase / Decrease	0.1% ▲	0.4% ▲	0.1% ▲	-0.5% ▼
Total Inventory (50+)	314,191	69,262	146,013	226,901
Total Under Construction (50+)	14,372	939	3,646	8,714
Units Delivered (50+, Q1 2019)	2,521	290	126	595
Total Sales Volume (Q1 2019)	\$2.04B	\$184M	\$102M	\$528M
y-o-y % Increase / Decrease	+72% ▲	+41% ▲	-70% ▼	+716% ▲
Average P/U (Q1 2019)	\$152,659	\$125,306	\$119,606	\$273,517
y-o-y % Increase / Decrease	+7% ▲	+112% ▲	-12% ▼	+38% ▲

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COLLABORATION & COOPERATION

NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

100+ UNIT PROPERTIES

10-99 UNIT PROPERTIES



SERAFINA AT SOUTH MOUNTAIN

11025 South 51st Street
Phoenix, AZ 85044

Price: \$27,450,000
Units: 183
Year Built: 1985

CABANA AT THE POINTE

1829 East Morten Avenue
Phoenix, AZ 85020

Price: \$22,200,000
Units: 266
Year Built: 1985

BAKERS ACRE

1610-1620 East Apache Boulevard
Tempe, AZ 85281

Price: \$2,650,000
Units: 34
Year Built: 1950

VILLAGE 36 APARTMENTS

3131 - 3139 North 36th Street
Phoenix, AZ 85018

Price: \$1,760,000
Units: 9
Year Built: 1954, 1996

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