

PHOENIX MSA | MULTIFAMILY | Q2 2019 REPORT

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10+ UNIT PROPERTIES	Q2 2019	INCREASE/DECREASE	Q2 2018
Total Sales Volume	\$1.95B	+26.8%	\$1.54B
AVERAGE Price/Unit	\$154,050	+2.9%	\$149,694
Price/SF	\$183.65	+0.6%	\$182.53
Year Built	1979	+5 Yrs	1974
Average Rent	\$1,163	+8.8%	\$1,069
Occupancy Rate	95.6%	+0.4%	95.2%
Units Delivered	2,365	+42.1%	1,664

ABI GEONEWS: PHOENIX MSA - SELECT NEWS

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Phoenix Riding \$3.5B Bioscience wave with Jobs, New Space, Research



Why PHX is So Hot

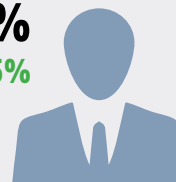


Phoenix Apartment Rent Growth Remains Elevated

4,737,270

POPULATION
CENSUS

4.6%
+0.5%



UNEMPLOYMENT
Q-Q AS OF JUNE 2019 - BLS

3.3%



EMPLOYMENT GROWTH
Y-Q AS OF JUNE 2019 - BLS

\$57,935



MEDIAN HH INCOME
CENSUS

\$29,542



PER CAPITA INCOME
CENSUS

14,192
Units (50+)









UNDER CONSTRUCTION
YARDI

328,632
Units (10+)



TOTAL INVENTORY
AS OF JUNE 2019 - YARDI

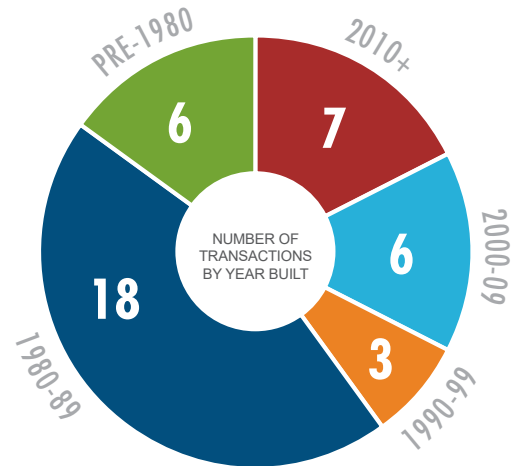
PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+		
				TOTAL INVENTORY	UNDER CONSTRUCTION	
	Phoenix MSA	4.6%	\$57,935	\$29,542	305,359	14,192
	Phoenix	3.5%	\$52,080	\$31,777	137,415	5,293
	Mesa	3.4%	\$52,155	\$26,535	37,774	812
	Scottsdale	2.8%	\$80,306	\$56,794	27,583	1,672
	Tempe	3.1%	\$51,829	\$28,602	34,235	3,033
	Glendale	3.5%	\$49,383	\$23,496	24,492	553

PHOENIX MSA - PER CITY ANALYSIS		Phoenix	Mesa	Scottsdale	Tempe	Glendale
RENT & OCCUPANCY STATS	Average Rent (Q2 2019)	\$1,068	\$1,045	\$1,483	\$1,363	\$981
	% Change (y-o-y)	+9.1%	+10.5%	+9.2%	+6.2%	+8.0%
	Occupancy Rate (Q2 2019)	95.4%	96.4%	95.4%	94.8%	95.4%
	% Change (y-o-y)	+0.2%	+0.4%	+0.4%	+0.7%	-0.2%
	Units Delivered (Q2 2019, 50+)	878	104	--	495	344
SALES DATA (100+)	Total Sales Volume (Q2 2019, 100+)	\$460,724,972	\$118,950,000	\$325,850,000	\$240,220,000	\$112,497,250
	Total Sales Volume (Q2 2018, 100+)	\$512,930,000	\$50,300,000	\$160,100,000	\$186,500,000	\$52,750,000
	% Change (y-o-y)	-10.2%	+136.5%	+103.5%	+28.8%	+113.3%
	Avg P/U (Q2 2019, 100+)	\$117,352	\$133,802	\$262,148	\$212,021	\$112,049
	Avg P/U (Q2 2018, 100+)	\$140,992	\$138,567	\$217,527	\$207,222	\$119,344
	% Change (y-o-y)	-16.8%	-3.4%	+20.5%	+2.3%	-6.1%
SALES DATA (10-99)	Total Sales Volume (Q2 2019, 10-99)	\$117,633,725	\$16,475,000	\$7,550,000	\$17,985,000	\$2,956,247
	Total Sales Volume (Q2 2018, 10-99)	\$90,296,910	\$21,051,500	\$17,720,000	\$27,420,000	\$32,395,000
	% Change (y-o-y)	+30.3%	-21.7%	-57.4%	-34.4%	-90.9%
	Avg P/U (Q2 2019, 10-99)	\$110,766	\$93,608	\$145,192	\$113,113	\$75,801
	Avg P/U (Q2 2018, 10-99)	\$84,390	\$117,606	\$128,406	\$117,682	\$109,074
	% Change (y-o-y)	+31.3%	-20.4%	+13.1%	-3.9%	-30.5%

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2019	INCREASE/DECREASE	Q2 2018
Total Sales Volume	\$1.78B	+32.8%	\$1.34B
AVERAGE Price/Unit	\$160,450	-1.0%	\$162,091
AVERAGE Price/SF	\$189.88	-3.0%	\$195.69
AVERAGE Year Built	1993	+1 Yr	1992



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



Carter

Scottsdale, 365 Units | \$117,800,000
\$322,740/Unit | \$378.88/SF | Built 2018

The Core Scottsdale

Scottsdale, 282 Units | \$80,400,000
\$285,106/Unit | \$303.58/SF | Built 2017

Sonoran Vista

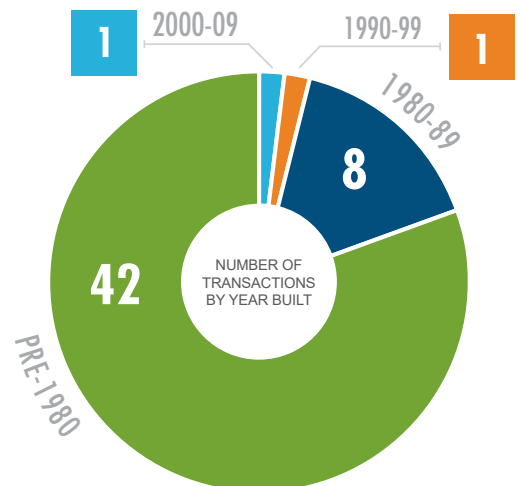
Scottsdale, 264 Units | \$67,000,000
\$253,788/Unit | \$247.13/SF | Built 1996

Q2 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	7	\$243K	\$248
2000-09	6	\$168K	\$193
1990-99	3	\$183K	\$217
1980-89	18	\$122K	\$158
Pre-1980	6	\$107K	\$140

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2019	INCREASE/DECREASE	Q2 2018
Total Sales Volume	\$170M	-14.0%	\$198M
AVERAGE Price/Unit	\$108,781	+10.2%	\$98,697
AVERAGE Price/SF	\$137.40	+9.5%	\$125.51
AVERAGE Year Built	1967	+1 Yr	1966



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

= ABI Multifamily Transaction



Mariposa Palms

Phoenix, 10 Units | \$2,025,000
\$202,500/Unit | \$256.33/SF | Built 1951

Sir John's

Phoenix, 14 Units | \$2,700,000
\$192,857/Unit | \$226.89/SF | Built 1967

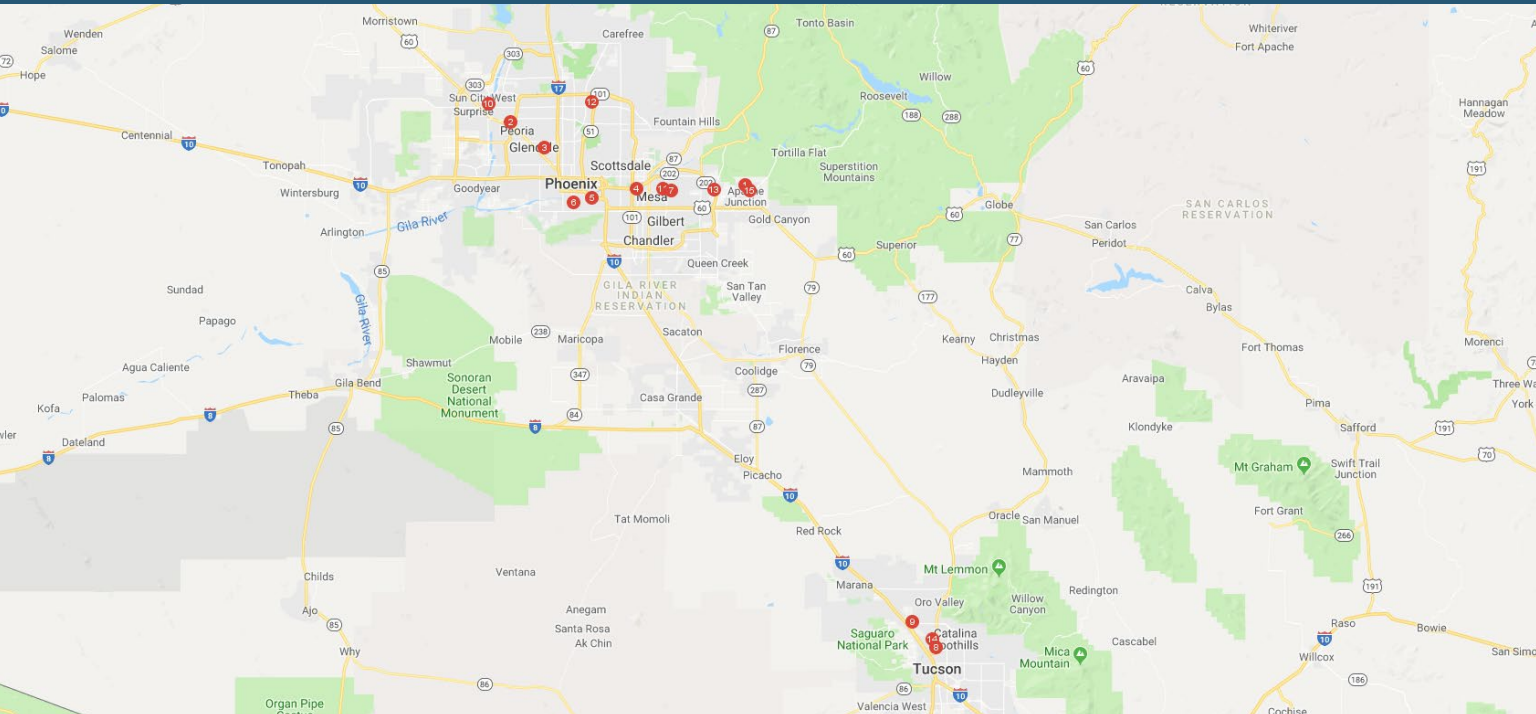
Arcadia Modern

Phoenix, 27 Units | \$5,167,000
\$191,370/Unit | \$241.38/SF | Built 1963

Q2 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	1	\$139K	\$124
1990-99	1	\$138K	\$121
1980-89	8	\$95K	\$95
Pre-1980	42	\$110	\$162

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q2 2019)

PHOENIX MSA

\$49,177,018

TUCSON MSA

\$7,956,000

OTHER AZ MSA

\$0

Transaction Volume (Q2 2018)

\$29,372,190

\$3,400,000

\$5,800,000

Avg Sales Price / Space (Q2 2019)

\$47,560

\$61,674

\$0

Avg Sales Price / Space (Q2 2018)

\$61,065

\$37,363

\$20,423

FAMILY

Transaction Volume (Q2 2019)

\$67,360,480

\$7,390,000

\$0

Transaction Volume (Q2 2018)

\$46,758,190

\$8,700,000

\$700,000

Avg Sales Price / Space (Q2 2019)

\$69,949

\$31,191

\$0

Avg Sales Price / Space (Q2 2018)

\$58,157

\$20,358

\$11,290

Total Transaction Volume (2019 YTD, 50+)

\$116,537,498

\$15,346,000

\$0

Number of Transactions (2019 YTD, 50+)

12

3

0

MHP INVENTORY (50+)

INVENTORY

Total Spaces

82,665

22,420

18,832

Age Restricted/55+

57,955

11,930

9,180

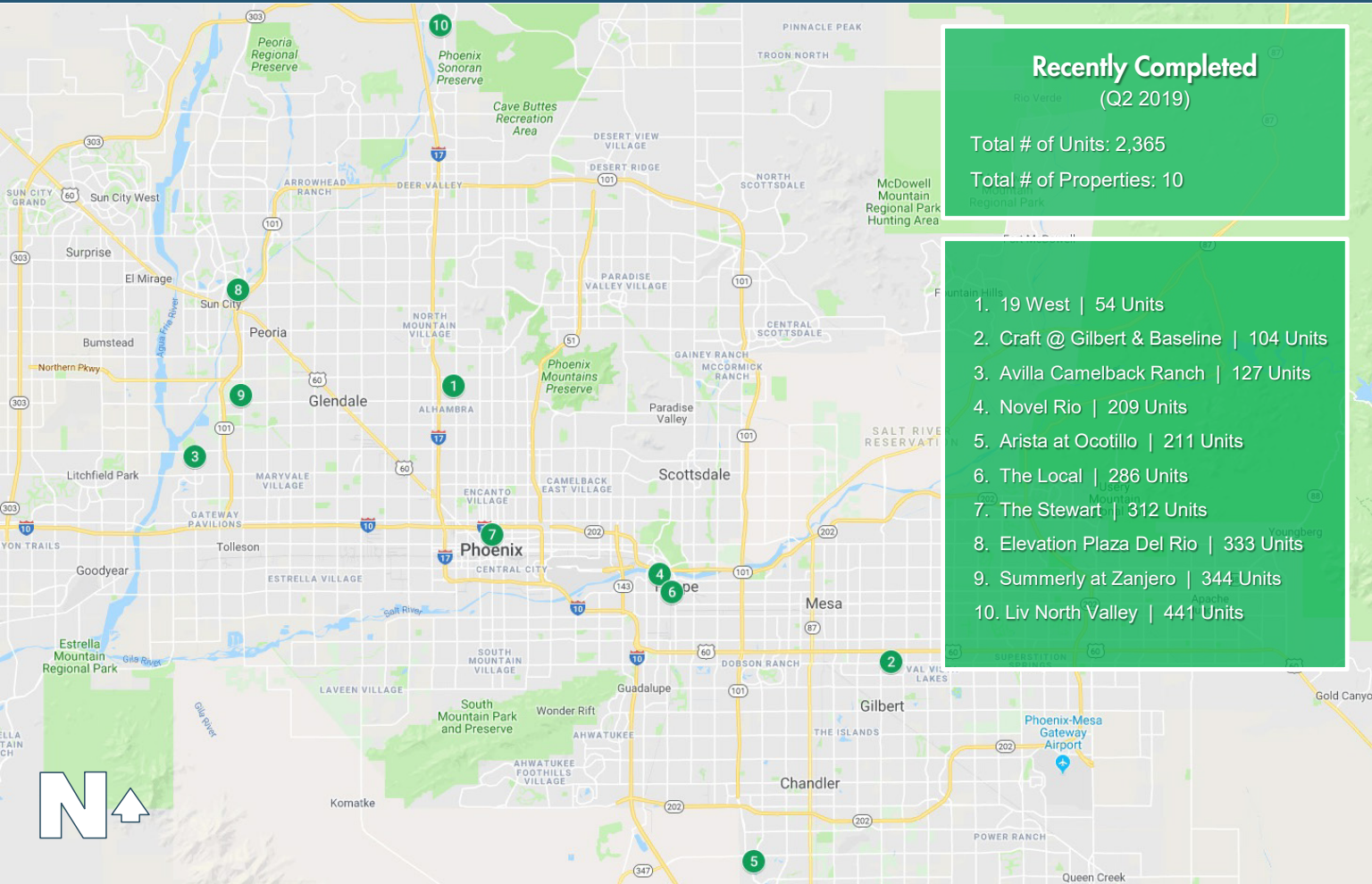
Family

24,440

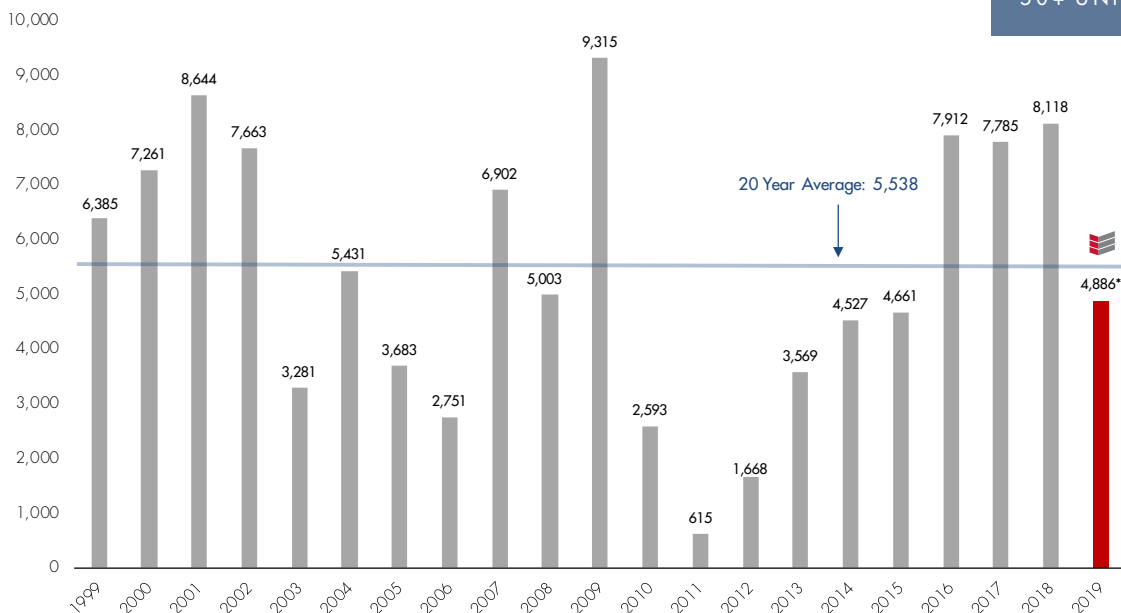
9,719

9,572

COMPLETED CONSTRUCTION



PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q2 2019



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

TOTAL UNIT INVENTORY

10+ UNIT PROPERTIES: **328,632**

50+ UNIT PROPERTIES: **305,359**

PRE-LEASE ABSORPTION RATE

17
Units/Property/Month
(Q2 2019 Avg)

Under Construction

Total # of Units: 14,442

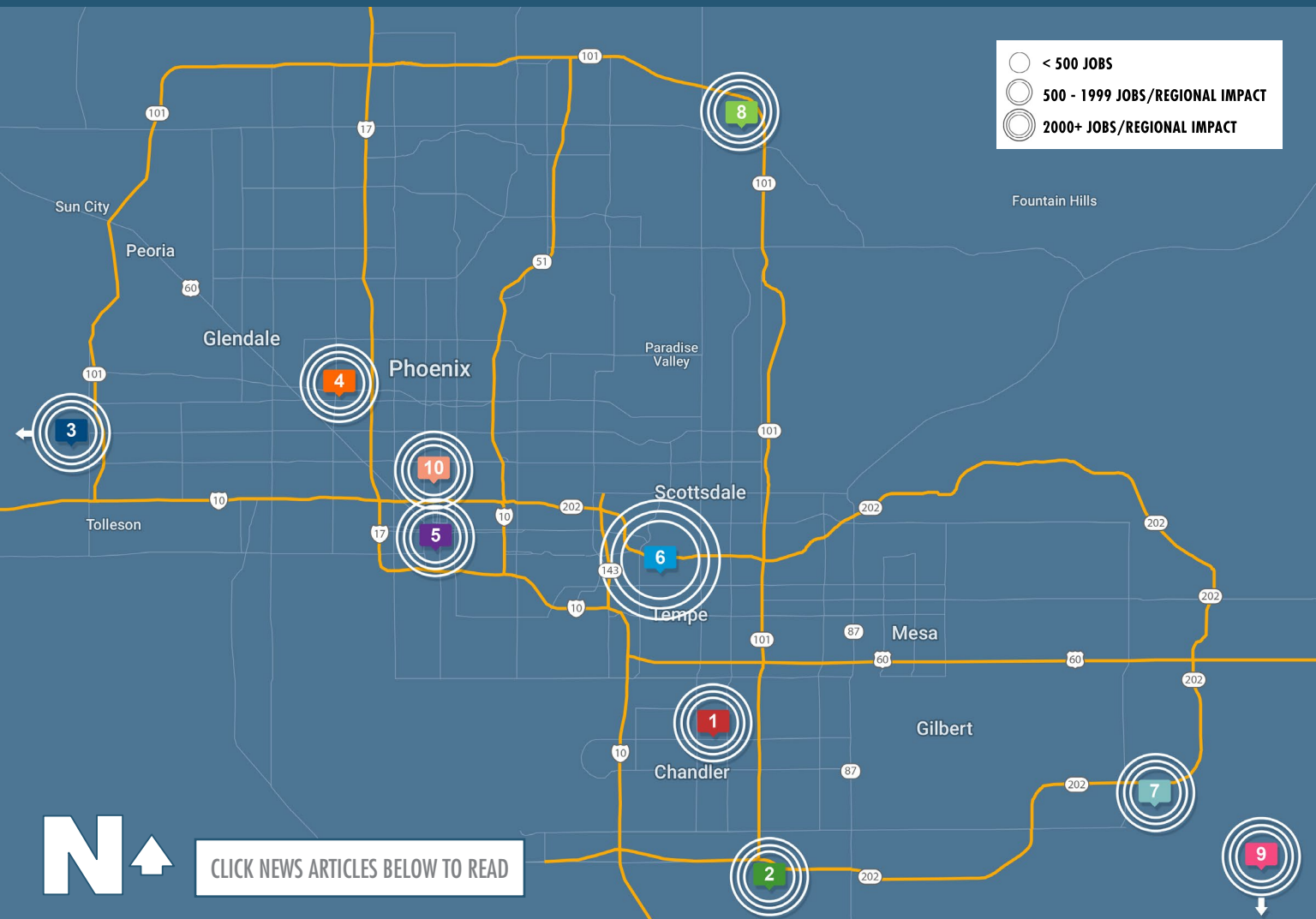
Total # of Properties: 59

Planned

Total # of Units: 18,992

Total # of Properties: 90

ABI GEONEWS: PHOENIX MSA - 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

Regional **Multiple Bioscience Companies** | Phoenix Riding \$3.5B Bioscience wave with Jobs, New Space, Research

Regional **Phoenix** | Why PHX is So Hot

Regional **Phoenix** | Phoenix Apartment Rent Growth Remains Elevated

Regional **West Valley** | Poised to be a Key Employment Hub

Regional **Phoenix** | Phoenix saw second highest employment growth in 2018

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

BY: ROLAND MURPHY, DIRECTOR OF RESEARCH

Going into 2019, pundits, prognosticators and trend data purveyors were cautiously hedging their bets and warning everyone to be on the lookout for a fairly boring year. “Like 2018, but more so,” was about as far as most would stick their necks out. But many warned that recessionary horrors lay just beyond the horizon.

For the first most part, they’ve been proven right. There was a little excitement when the Fed started moving on raising interest rates, but the resulting panic in the stock market disco was more extreme than when John Travolta’s polyester suit caught fire. (The movie edit that plays in my head is a lot more interesting than the one you saw on the screen.) As a result, Big Money Dance Off continues.

Here be Dragons

Legend has it that back in the old days of exploration and cartography, mapmakers, when they ran out of known coastlines and features, would throw in a fanciful drawing of a hideous beast, label the region in question with, “Here be Dragons,” and go on about their business.

With the longest recovery in history now clocking in at 120 months-plus, the economic and market analytics punditry are well into uncharted territory these days. As a result, the warnings of impending dragon attack and/or sky collapse are pinging around like happy little neutrons at Chernobyl in April of ’86.

Give them long enough, and they’ve gotta smack into something, right? And since everything has been so good for so long, that’s gotta mean disaster is looming, right?

No. Despite predictions of dragons, leviathan, kraken, various sea serpents and even Cthulhu itself, the multifamily market waters remain enchantingly navigable.



Phoenix Market Metrics:

By the Numbers

Rounding the Horn of Q2 and sailing into the Second Half, the Phoenix market continues to move ahead on following seas.

For 10-99 unit properties, Q2 saw a transaction volume of more than \$170 Million, which represented a 14% Year-over-Year decrease from Q2 2018. In the 100+ unit category, Q2 brought in \$1.78 Billion, up 32.8% over 2018.

Average Price-Per-Unit amounts were up in 10-99, rising 10.2% YoY to \$108,781 for 10-99 units, and down 1% to \$160,450 for 100+. These translated to an Average Price/SF of \$137.40 in 10-99 (up 9.5%) and \$189.88 (down 3%) in 100+.

Inventory age remained consistent Year-over-Year, with Average Year Built for 10-99 being 1967, versus 1966 for the same quarter last year. Average Year Built in 100+ was 1993, compared to 1992 in 2018.

The market’s occupancy rate remained high. Q2 occupancy for 10+ units was 95.6%, an increase of 0.4% Y-o-Y. Average Rent was \$1,163, up an impressive 8.8% (\$94) from Q2 2018.

Phoenix MSA demographics continued their solid trends. The Census estimate of total population was 4,737,270. The unemployment rate finished the quarter at 4.6%, according to 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, a relatively anemic 2,365 units were delivered across 10 projects, bringing the year-to-date count to 4,886 units at 20 properties. An estimated 18,992 units are in the Planning stages across 90 properties. A total of 14,442 units were listed as Under Construction in 59 properties.

Pre-lease absorption rates are still high across the region at a rate of 17 units/property/month.

Total Unit Inventory for 10+ properties was 328,632, and 50+ came in at 305,359.

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

- **Phoenix:** 137,415
- **Mesa:** 37,774
- **Tempe:** 34,235
- **Scottsdale:** 27,583
- **Glendale:** 24,492

Portents of DOOM!

Unless you're Kevin Bacon at the end of "Animal House", you're not going to get a lot of attention by saying, "Remain calm. All is well."

As a result, a couple different things happen. Either pundits obsess about single data points or unusual deviations in order to justify their air time or column space, or outlets take the one cautionary item in a report that's mostly sunshine, lollipops and rainbows and make that their clarion call.

There are too many examples of the former to count, much less critique, so I'll use an example of the latter as a case study. A recent dire and eye-catching headline in Multi-Housing News read: "[JPMorgan Chase's Head of CRE: Prepare for a Correction.](#)"

Now, when Al Brooks is warning you to duck and cover, you pay attention. The thing is, though, Brooks' responses in the Q&A that made up the bulk of the article were almost all pretty low key and upbeat.

Asked right off the bat about the biggest challenges facing multifamily, Brooks warned one of the biggest issues at the moment is the increasing need to build a higher number of affordable units in major markets, a common theme that's been raised for years, including in multiple past editions of this report.

In all the other questions, save one (sorta), Brooks' comments paint the picture of a healthy market with low vacancy, highly available capital, excellent adoption of new tech to streamline processes and a range of other positives that generally reinforce a justifiably confident outlook for CRE in general and multifamily in particular.

The only even remotely cautionary comment he made was in response to a question concerning what risks lenders need to be aware of given current conditions.

Brooks is quoted as saying: "The multifamily segment continues to see activity in major markets. However, commercial real estate developers and investors should be prepared for a future correction. Although the multifamily segment is benefiting from lower rates and a strong economy, it's important to maintain a fortress balance sheet for the long term and be ready for anything in a changing and uncertain marketplace."

That's it. Don't put all your eggs in one basket and, remember, anything can happen.



But What About the Fed?!

As much as I don't like to talk about the Federal Reserve and monetary policy, only because such discussions tend to go down the rabbit hole of quasi-alchemistic arcania moments after the thesis statement is uttered, this time around it warrants a brief mention.

In the second half of 2018 the Fed pulled up its Big Kid underpants and moved to reduce its balance sheets and gently nudge up interest rates. Shortly thereafter, in what looked for all the world like an orchestrated tantrum, the stock market lost its metaphorical mind.

Trying to remove the flailing rugrat from the cereal aisle, where it was causing an embarrassing scene, and get it into the mini-van, Chairman Powell and Company backed off and chose to leave rates at 2.5 percent at the end of the year, even promising a cookie in the form of a new rate cut if the market behaved. Thrilled the bad behavior worked, stocks on major indices broke records and Treasury yields dropped.

One of the harbingers of doom some were forecasting due to the Fed's earlier assertive policy announcement was that commercial real estate prices were going to get pushed downward. Well, rack up another missed opportunity for correct tea leaf interpretation. Since the Fed was beaten back, CRE remains one of the few investment types to continue generating appreciable returns and cash flow.

Kinda like before, only more so.

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ABI COMPARATIVE MARKET REVIEW: Q2 2019



		PHOENIX	TUCSON	SACRAMENTO	SAN DIEGO
DEMOGRAPHICS	Total Population	4,737,270	1,026,099	2,296,418	3,337,685
	Unemployment Rate (as of June 2019)	4.6%	5.0%	3.8%	3.3%
	Employment Growth (y-o-y)	3.2%	1.7%	1.8%	1.7%
	Median HH Income	\$57,935	\$48,676	\$67,902	\$70,588
	Per Capita Income	\$29,542	\$27,323	\$33,548	\$34,350
RENT/OCC/CONST (50+)	Rent (Q2 2019)	\$1,163	\$891	\$1,517	\$1,979
	% Increase/Decrease	+8.8%	+7.2%	+6.0%	+3.5%
	Occupancy (Q2 2019)	95.6%	94.7%	96.4%	96.2%
	% Increase/Decrease	+0.4%	+0.3%	NO CHANGE	-0.4%
	Total Inventory (50+)	305,359	66,759	129,505	184,413
	Total Under Construction (50+)	14,192	969	3,550	8,717
	Units Delivered (50+, Q2 2019)	1,112	0	186	362
SALES (50+)	Total Sales Volume (Q2 2019)	\$1.86B	\$87M	\$247M	\$203M
	y-o-y % Increase/Decrease	+29.9%	-64.1%	NO CHANGE	-55.6%
	Average P/U (Q2 2019)	\$156,564	\$72,963	\$167,814	\$331,312
	y-o-y % Increase/Decrease	+0.8%	-15.8%	+4.6%	+6.6%

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COLLABORATION & COOPERATION

NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

100+ UNIT PROPERTIES

10-99 UNIT PROPERTIES



AVALON

2005 North 103rd Avenue
Avondale, AZ 85392

Price: \$80,000,000
Units: 400
Year Built: 2019

ARTISAN PARK

9350 North 67th Avenue
Glendale, AZ 85302

Price: \$22,600,000
Units: 198
Year Built: 1984

TEMPE TERRACE

1130 East Orange Street
Tempe, AZ 85281

Price: \$5,460,000
Units: 39
Year Built: 1963

THE RETRO ON 32ND STREET

3025 North 32nd Street
Phoenix, AZ 85018

Price: \$5,350,000
Units: 62
Year Built: 1968

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ASSOCIATE

DALLIN HAMMOND
ASSOCIATE

PHOENIX HEADQUARTERS

5227 North 7th Street
Phoenix, AZ 85014
602.714.1400

SACRAMENTO OFFICE

2251 Douglas Blvd, Suite 115
Roseville, CA 95661
916.330.4040
CA Lic #02015648

SAN DIEGO OFFICE

1012 2nd Street, Suite 100
Encinitas, CA 92024
858.256.7690
CA Lic #02015648

TUCSON OFFICE

1650 North Kolb Road, Suite 230
Tucson, AZ 85715
520.265.1945

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