



## PHOENIX MSA | MULTIFAMILY | Q3 2019 REPORT

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10+ UNIT PROPERTIES		Q3 2019	INCREASE/DECREASE	Q3 2018
Total Sales Volume		\$2.13B	+11.1%	\$1.91B
A V E R A G E	Price/Unit	\$167,456	+20.7%	\$138,772
	Price/SF	\$198.73	+21.0%	\$164.20
	Year Built	1981	+2 Yrs	1979
	Average Rent	\$1,176	+7.2%	\$1,097
Occupancy Rate		95.3%	+0.1%	95.2%
Units Delivered		1,895	-41.4%	3,236

### ABI GEONEWS: PHOENIX MSA - SELECT NEWS

CONTINUED ON PAGE 06



Investors Still Scooping up Apartments in Metro Phoenix, Even as Cap Rates Decrease



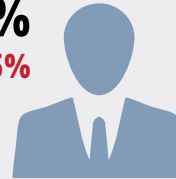
North Phoenix Biomedical Campus Takes Shape



Apartment industry Pumps Billions into Phoenix Economy, Report Says

**4,737,270** **POPULATION**  
CENSUS

**3.8%**  
**-0.5%**



**UNEMPLOYMENT**  
Q-0-Q AS OF SEP 2019 - BLS

**2.4%**



**EMPLOYMENT GROWTH**  
Y-0-Y AS OF SEP 2019 - BLS

**\$57,935**



**MEDIAN HH INCOME**  
CENSUS

**\$29,542**



**PER CAPITA INCOME**  
CENSUS

**14,728**

Units (50+)



**UNDER CONSTRUCTION**  
YARDI

**331,307**







Units (10+)



**TOTAL INVENTORY**  
AS OF SEP 2019 - YARDI



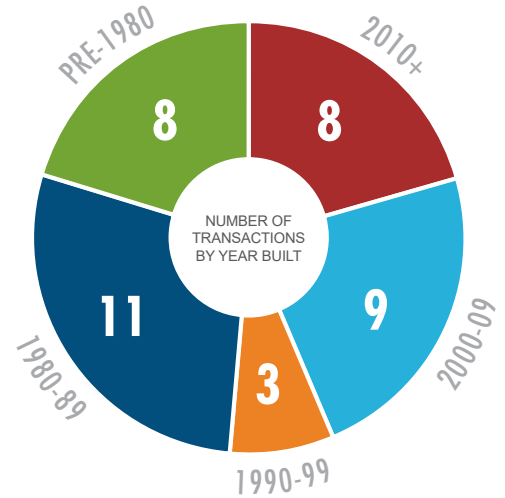
# PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+		
				TOTAL INVENTORY	UNDER CONSTRUCTION	
	Phoenix MSA	3.8%	\$57,935	\$29,542	305,359	14,728
	Phoenix	4.2%	\$52,080	\$31,777	138,125	5,192
	Mesa	4.1%	\$52,155	\$26,535	38,157	694
	Scottsdale	3.4%	\$80,306	\$56,794	28,193	1,068
	Tempe	3.7%	\$51,829	\$28,602	34,372	3,131
	Glendale	6.0%	\$49,383	\$23,496	24,421	553

PHOENIX MSA - PER CITY ANALYSIS		Phoenix	Mesa	Scottsdale	Tempe	Glendale
RENT & OCCUPANCY STATS	Average Rent (Q3 2019)	\$1,077	\$1,053	\$1,489	\$1,359	\$983
	% Change (y-o-y)	+6.7%	+8.3%	+6.4%	+5.6%	+4.5%
	Occupancy Rate (Q3 2019)	94.9%	96.1%	95.4%	94.8%	95.1%
	% Change (y-o-y)	-0.3%	+0.4%	+0.3%	0.0%	-0.3%
	Units Delivered (Q3 2019, 50+)	454	261	609	--	--
SALES DATA (100+)	Total Sales Volume (Q3 2019, 100+)	\$717,156,333	\$85,750,000	\$141,250,000	\$298,150,000	\$127,946,000
	Total Sales Volume (Q3 2018, 100+)	\$432,943,242	\$308,160,000	\$0	\$452,326,149	\$208,174,119
	% Change (y-o-y)	+65.6%	-72.2%	--	-34.1%	-38.5%
	Avg P/U (Q3 2019, 100+)	\$141,843	\$148,872	\$219,332	\$295,491	\$150,880
	Avg P/U (Q3 2018, 100+)	\$134,705	\$133,692	\$0	\$156,082	\$130,681
	% Change (y-o-y)	+5.3%	+11.4%	--	+89.3%	+15.5%
SALES DATA (10-99)	Total Sales Volume (Q3 2019, 10-99)	\$129,771,055	\$18,600,000	\$27,500,000	\$0	\$2,785,000
	Total Sales Volume (Q3 2018, 10-99)	\$127,532,912	\$23,425,000	\$13,945,000	\$6,594,000	\$15,500,000
	% Change (y-o-y)	+1.8%	-20.6%	+97.2%	--	-82.0%
	Avg P/U (Q3 2019, 10-99)	\$108,595	\$147,619	\$165,663	\$0	\$73,289
	Avg P/U (Q3 2018, 10-99)	\$90,129	\$97,199	\$138,069	\$124,415	\$215,278
	% Change (y-o-y)	+20.5%	+51.9%	+20.0%	--	-66.0%

# 100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2019	INCREASE/DECREASE	Q3 2018
<b>Total Sales Volume</b>	<b>\$1.93B</b>	<b>+12.5%</b>	<b>\$1.71B</b>
<b>AVERAGE Price/Unit</b>	<b>\$174,583</b>	<b>+19.9%</b>	<b>\$145,631</b>
<b>AVERAGE Price/SF</b>	<b>\$205.13</b>	<b>+20.9%</b>	<b>\$169.68</b>
<b>AVERAGE Year Built</b>	<b>1994</b>	<b>+3 Yrs</b>	<b>1991</b>



## TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



### Sterling 920 Terrace

Tempe, 260 Units | \$115,000,000  
\$422,308/Unit | \$379.38/SF | Built 2018

### Novel Rio Salado

Tempe, 209 Units | \$66,250,000  
\$316,986/Unit | \$262.32/SF | Built 2019

### Alta Camelback

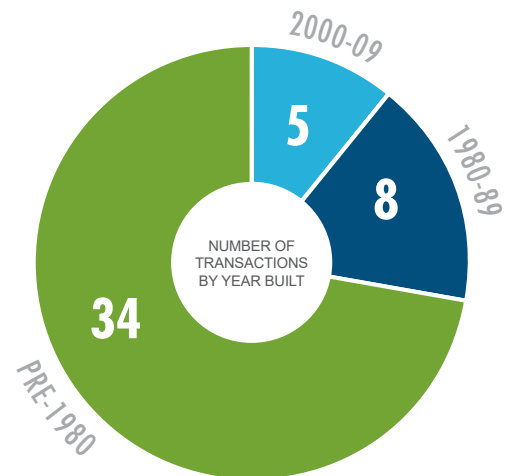
Phoenix, 237 Units | \$63,800,000  
\$269,198/Unit | \$290.33/SF | Built 2018

## Q3 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	8	\$272K	\$276
2000-09	9	\$181K	\$190
1990-99	3	\$149K	\$163
1980-89	11	\$140K	\$179
Pre-1980	8	\$133K	\$206

# 10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2019	INCREASE/DECREASE	Q3 2018
<b>Total Sales Volume</b>	<b>\$197M</b>	<b>-0.7%</b>	<b>\$198M</b>
<b>AVERAGE Price/Unit</b>	<b>\$119,664</b>	<b>+21.3%</b>	<b>\$98,654</b>
<b>AVERAGE Price/SF</b>	<b>\$151.04</b>	<b>+17.7%</b>	<b>\$128.37</b>
<b>AVERAGE Year Built</b>	<b>1971</b>	<b>+1 Yr</b>	<b>1970</b>



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

= ABI Multifamily Transaction



### The Tides at Downtown Gilbert

Gilbert, 42 Units | \$10,450,000  
\$250,952/Unit | \$218.79/SF | Built 2005

### Capri

Scottsdale, 13 Units | \$2,600,000  
\$200,000/Unit | \$250.41/SF | Built 1959

### The Winfield of Scottsdale

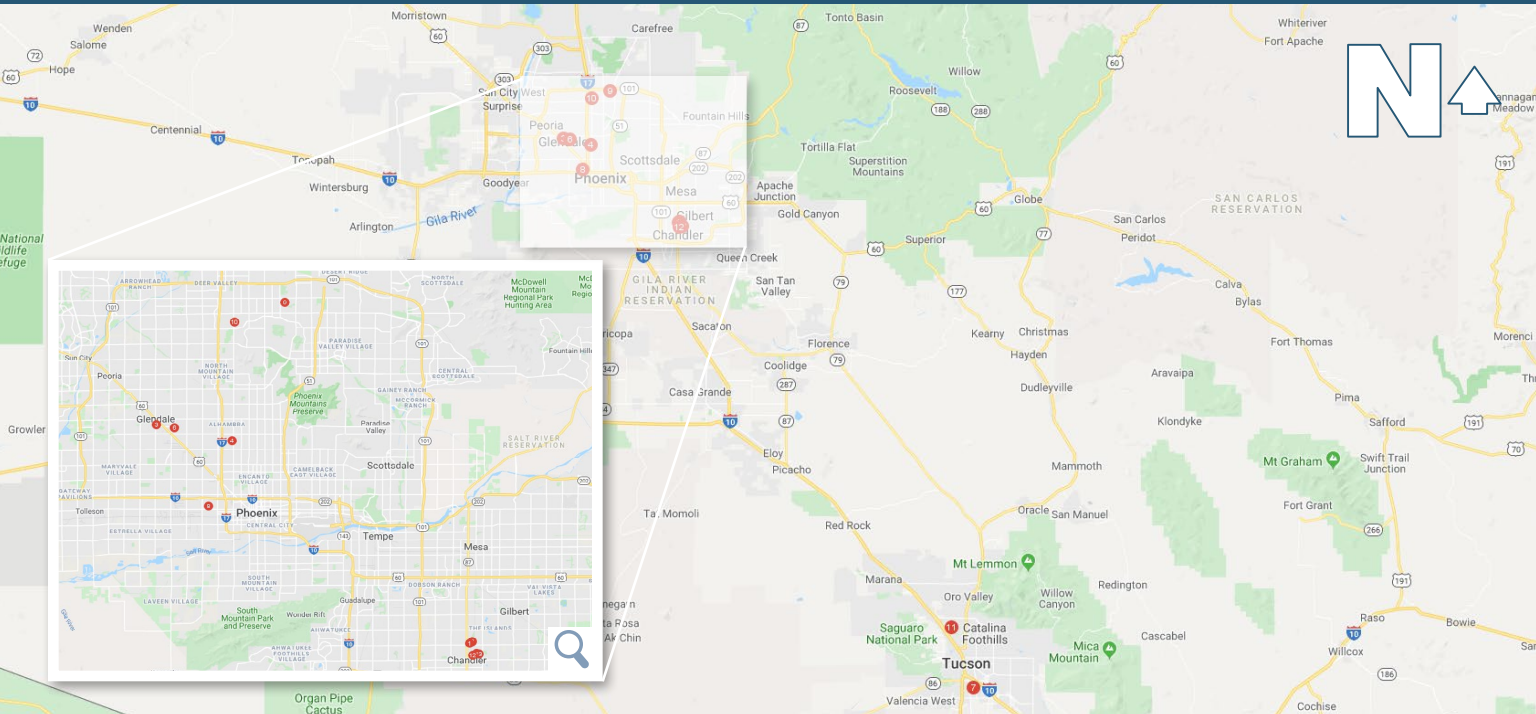
Scottsdale, 95 Units | \$18,300,000  
\$192,623/Unit | \$246.83/SF | Built 1970

## Q3 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	5	\$159K	\$148
1990-99	--	--	--
1980-89	8	\$117K	\$159
Pre-1980	34	\$109K	\$150



# ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



## MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q3 2019)

\$0

\$18,500,000

\$0

Transaction Volume (Q3 2018)

\$195,635,000

\$0

\$0

Avg Sales Price / Space (Q3 2019)

\$0

\$71,984

\$0

Avg Sales Price / Space (Q3 2018)

\$59,391

\$0

\$0

FAMILY

Transaction Volume (Q3 2019)

\$77,875,000

\$1,813,235

\$0

Transaction Volume (Q3 2018)

\$71,599,000

\$0

\$0

Avg Sales Price / Space (Q3 2019)

\$67,895

\$33,578

\$0

Avg Sales Price / Space (Q3 2018)

\$60,472

\$0

\$0

Total Transaction Volume (2019 YTD, 50+)

\$77,875,000

\$20,313,235

\$0

Number of Transactions (2019 YTD, 50+)

11

2

0

## MHP INVENTORY (50+)

INVENTORY

Total Spaces

82,868

22,531

18,818

Age Restricted/55+

57,764

11,987

9,166

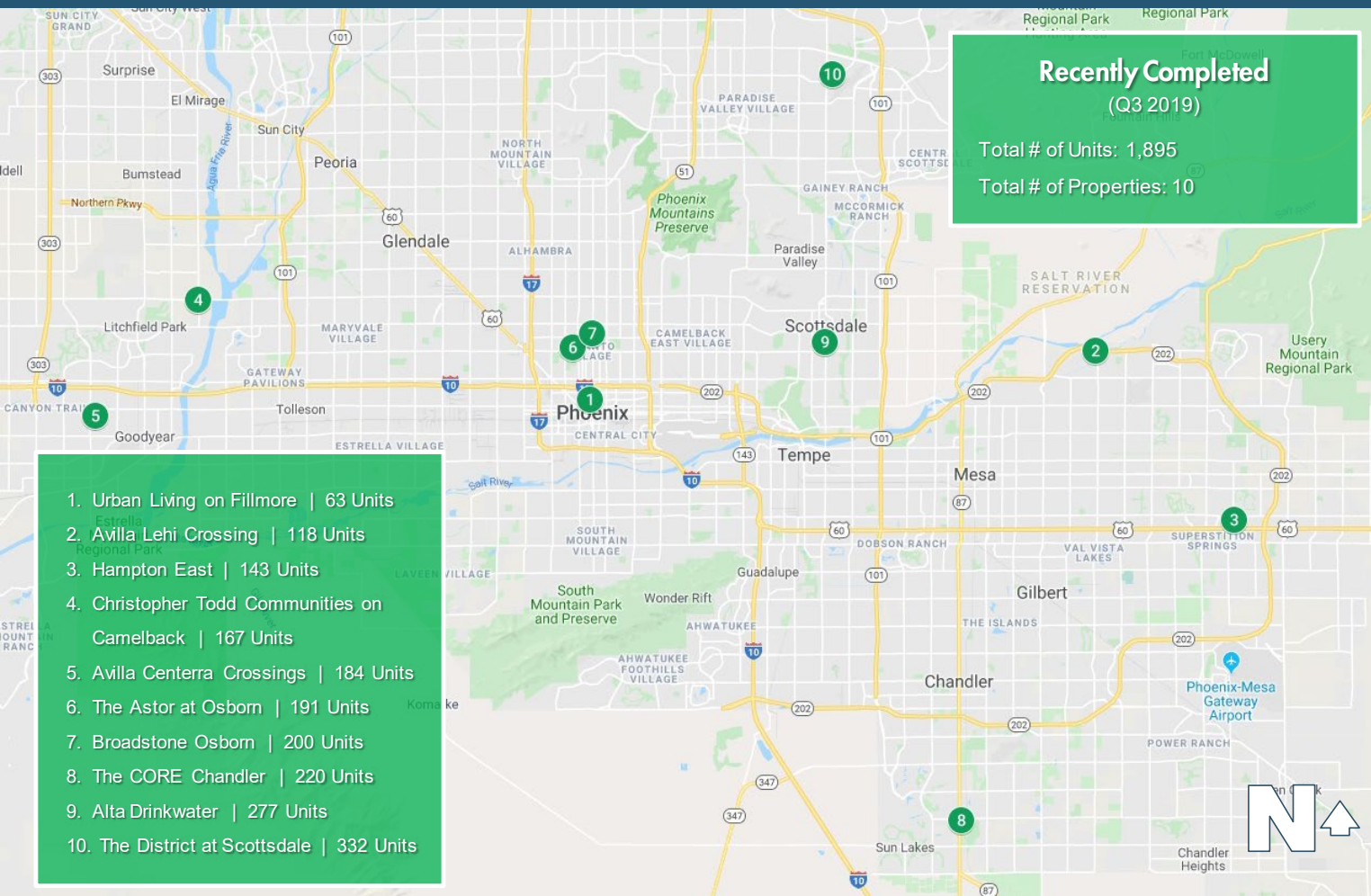
Family

24,683

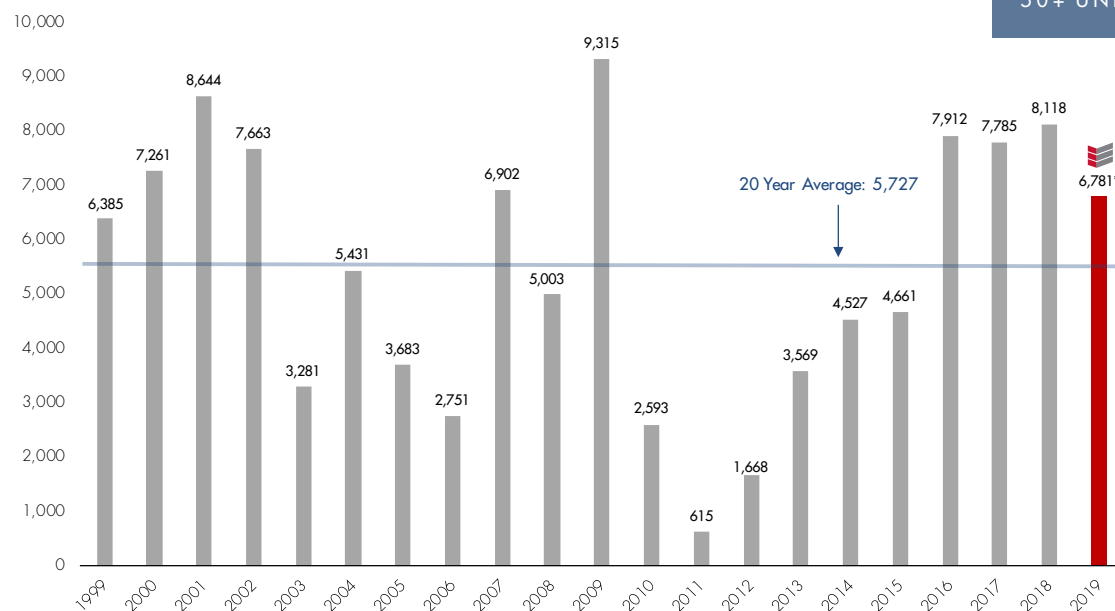
9,773

9,572

# COMPLETED CONSTRUCTION



## PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q3 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: **331,307**

50+ UNIT PROPERTIES: **307,928**

### PRE-LEASE ABSORPTION RATE

**15**  
Units/Property/Month  
(Q3 2019 Avg)

### Under Construction

Total # of Units: 14,728

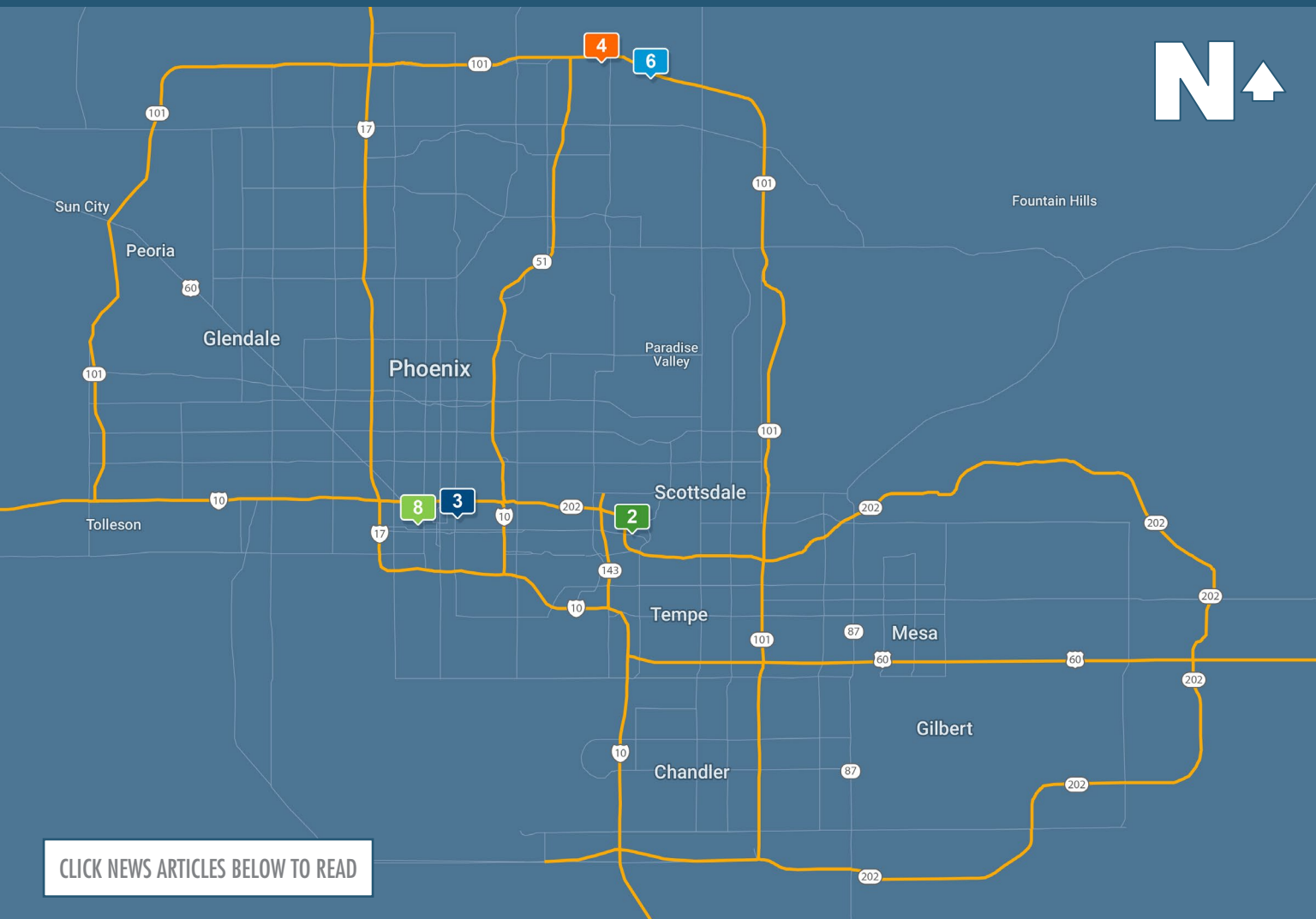
Total # of Properties: 57

### Planned

Total # of Units: 22,738

Total # of Properties: 99

# ABI GEONEWS: PHOENIX MSA - SELECT NEWS



Regional

## City of Phoenix

City Council Approves Funding for Affordable Housing and Continuing Light Rail Expansion

Regional

## National Apartment Association | NMHC

Apartment industry Pumps Billions into Phoenix Economy, Report Says

2

## Banyan Residential

Luxury Multifamily Proposed for 54th St & Washington

8

## Mortenson | Hyatt

Hotel Planned for Downtown Phoenix Parking Lot

3

## Newcrestimage | LaPour Partners

AC Hotel by Marriott Breaks Ground at Arizona Center

Regional

## John Burns Real Estate Consulting

Report: The Percentage of People in Phoenix who can Afford a Home

4

## Life Care Services | Sagewood

Sagewood Launches \$100 Million Phase II

Regional

## ABI | ABI in the News

100-Plus Unit Apartment Sales Pick Up in Phoenix

Regional

## Multiple Industrial Companies

Phoenix a Strategic Pick for Industrial Investment

Regional

## HotPads

Rents Moving Higher in the Sun Belt - PHX Hits National Parity

6

## Mayo Clinic | ASU

North Phoenix Biomedical Campus Takes Shape

Regional

## Phoenix Council

Investors Still Scooping up Apartments in Metro Phoenix, Even as Cap Rates Decrease





# Busy Times Where to Start?



BY: ROLAND MURPHY, DIRECTOR OF RESEARCH

**A**s a reporter and an analyst, you are always on the lookout for things like riots, fires and mudslides because they're riveting to report and write about.

As someone who actually cares about the areas you cover, you want things to be slow, incremental and even placid.

Q3 gave a fair amount of both and, unusually, did it in all the markets we cover. Following is a quick look at many of the happenings we've been following.

## National Rents

In major markets across the U.S., rent growth has slowed or retreated slightly. While we tend to make a point of trying to ignore analysts who look at nine weeks of data and pretend that's a broad enough set to predict a trend, it does merit discussion.

While certainly not saturating, Class A vacancies have begun to inch up over the last two years in major markets like New York, LA, Washington (D.C.) and Seattle. An interesting quote in the "Emerging Trends in Real Estate® 2020" report noted, "It has largely to do with the finite limits of that more price-elastic group that can tolerate pass-along costs in their monthly rents, versus a far-larger and much faster-growing universe of people whose household incomes set lower rent tolerance levels."

More people are moving out of their parents' basements and moving into their own place, but even people who can afford it are looking at other-than-top-tier properties. As we have noted here repeatedly, that's putting more pressure on availability in Class B and even Class C properties.

In still hot markets like Arizona in general and Phoenix in particular, that's going to have continuing impacts on affordability and continue fueling the drive toward value-add renovations, particularly in the face of labor shortages and land costs in highly desirable submarkets, compared to completing and pressing new unit deliveries into the markets.

## What's Up with California?

California is exceptionally fortunate that it has an economy larger than most developed nations to absorb the scope and breadth of its policy practices, even though it's anyone's guess how long that will remain the case if it continues its business-hostile ways from the past three-plus decades.

Most recently, the state has passed and scheduled a rent control process that has investors worried about what to do next. Short version: Rent growth is capped at 5% per year for properties older than 15 years. That's likely going to gut the renovation and value-add market.

Combined with a slew of 18 new laws intended to create tax exemptions during construction, ease permitting, simplify zoning and remove other barriers to creating new and affordable housing, rent control could, potentially, fuel new development, particularly given the rent control statute's exemption for properties newer than 15 years.

However, no amount of legislation is going to overcome the three harshest realities slowing development in California and around the country: 30 years of shunning trade skill training across the U.S. has created a horrifying lack of workers to execute projects; land prices are continuing to increase, and everything from concrete to rebar to drywall to nails is getting more expensive.

On the California upside, however, a 9/27 GlobeSt discussion with David Harrington of Matthews Real Estate Investment Services noted an interesting possibility as a result of the new state regulation: California properties, even those that haven't traditionally raised rents on a year-over-year basis, could now start implementing 5% bumps every year like clockwork. For properties with secure and stable debt, that's not the worst potential ROI outcome.

Oregon and New York also passed rent control measures this year, and many experts are concerned this could be the beginning

of a national trend that could hamper the industry across the board.

The field of Democratic Party 2020 presidential candidates is still huge, and candidates are reaching far and wide to issue proposals that will get them noticed. Toward that end, a couple of the more prominent aspirants have floated the trial balloon of federal-level rent control. Details have been scant, but the idea could be appealing to younger voters starting their careers and having trouble affording the \$1,189 national average for a two-bedroom.

Industry opinions on the idea have ranged from denial and dismissal to amusement to abject terror.

## Phoenix Market Metrics:

### *By the Numbers*

While rent growth is slowing nationwide, Phoenix has remained largely immune, and as a result the transaction appetite is still heavy.

For 10-99 unit properties, Q3 saw a transaction volume of more than \$197 Million, which represented a 0.7% Year-over-Year decrease from Q3 2018. In the 100+ unit category, Q3 brought in \$1.93 Billion, up 12.5% over 2018.

Average Price-Per-Unit amounts were up in the 10-99 segment, rising 21.3% YoY to \$119,664, and up 19.9% to \$174,583 for 100+. These translated to an Average Price/SF of \$154.04 in 10-99 (up 17.7%) and \$205.13 (up 20.9%) in 100+.

Inventory age remained relatively consistent Year-over-Year, with Average Year Built for 10-99 being 1971, versus 1970 for the same quarter last year. Average Year Built in 100+ was 1994, compared to 1991 in 2018.

The market's occupancy rate remained high. Q3 occupancy for 10+ units was 95.3%, an increase of 0.1% YoY. Average rent was \$1,176 up 7.2% (\$79) from Q3 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 3.8%, 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, only 1,895 units were delivered across 10 projects, bringing the year-to-date count to 6,781 units at 30 properties, and making the odds of exceeding our start of the year projection of 8,500 deliveries appear highly unlikely.

An estimated 22,738 units are in the Planning stages across 99 properties. A total of 14,728 units were listed as Under

Construction in 57 properties.

Pre-lease absorption rates are still high across the region at a rate of 15 units/property/month.

Total Unit Inventory for 10+ properties was 331,307, and 50+ came in at 307,928.

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

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

## What's in Store for Arizona?

Most experts at a recent conference in Los Angeles said they aren't particularly worried about California's 5% cap. However, if that turns out to be the beginning of the more sweeping changes some experts anticipate, and they have the effect of driving down transaction volume, it will likely turn up the heat for investment in Arizona as more investors look for new outlets.

In addition to sitting at or near the top for demographic appeal, owners and developers looking to invest in Arizona are also benefiting from the current environment of falling interest rates. Coupled with a relative abundance of capital, the area's investment and development boom should continue and likely accelerate even as cap rates continue to compress.

While Arizona enjoys a favorable climate in terms of both weather and opportunity, and despite an attractively balanced mix of eager investors across the private, institutional and foreign sectors, accessing that abundance of capital continues to be a challenge for new development.

At Bisnow's Phoenix State of the Market event in September, several panelists lamented what they called, "An East Coast stranglehold," on development capital. They explained an ongoing challenge in getting projects funded, particularly in office but also in multifamily, is that major lenders rely on national actuarial formulations and don't fully take into account the currently exceptional deviations from the norm Arizona brings to the table.

"If rent growth slows from 3% down to, say, 1.5% nationally, that's all the money guys are going to look at," said one panel member. "It's frustrating when we're seeing rent growth at 7% and occupancy over 95%. Come on, guys, we're filling every unit we build, and we can fill a lot more if you just look at us realistically and realize we're in a perfect environment to build and absorb more and faster than nearly anywhere else."



# ABI COMPARATIVE MARKET REVIEW: Q3 2019



PHOENIX

TUCSON

SACRAMENTO

SAN DIEGO

DEMOGRAPHICS	Total Population	4,737,270	1,026,099	2,371,109	3,370,979
	Unemployment Rate (as of Sep 2019)	3.8%	4.1%	3.0%	2.7%
	Employment Growth (y-o-y)	2.4%	3.1%	1.4%	1.8%
	Median HH Income	\$57,935	\$48,676	\$74,403	\$82,786
	Per Capita Income	\$29,542	\$27,323	\$33,548	\$34,350
RENT/OCC/CONST (50+)	Rent (Q3 2019)	\$1,176	\$918	\$1,392	\$1,840
	% Increase/Decrease	+7.2%	+8.1%	+4.0%	+3.0%
	Occupancy (Q3 2019)	95.3%	94.5%	95.6%	95.5%
	% Increase/Decrease	+0.1%	NO CHANGE	NO CHANGE	NO CHANGE
	Total Inventory (50+)	307,928	67,053	147,242	231,916
SALES (50+)	Total Under Construction (50+)	14,728	1,156	3,074	7,810
	Units Delivered (50+, Q3 2019)	1,895	154	0	549
	Total Sales Volume (Q3 2019)	\$2.03B	\$193M	\$499M	\$313M
	y-o-y % Increase/Decrease	+11.1%	-37.4%	+25.2%	+34.6%
	Average P/U (Q3 2019)	\$171,381	\$111,993	\$193,833	\$224,284
	y-o-y % Increase/Decrease	+21.3%	-3.6%	+17.1%	+34.5%

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200+ YEARS OF COMBINED MULTIFAMILY BROKERAGE EXPERIENCE

SEASONED ADVISORS WITH REGIONAL INSIGHT

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



#### ROSEWOOD

5150 West Eugie Avenue  
Glendale, AZ 85304

Price: \$18,696,000  
Units: 152  
Year Built: 1984



#### THE TIDES AT DOWNTOWN GILBERT

36 East Vaughn Avenue  
Gilbert, AZ 85234

Price: \$10,540,000  
Units: 42  
Year Built: 2005



#### CAPRI

6847 East 4th Street  
Scottsdale, AZ 85251

Price: 2,600,000  
Units: 13  
Year Built: 1959

### APARTMENT BROKERAGE & ADVISORY FIRM

ABI Multifamily is a brokerage and advisory services firm that focuses exclusively on apartment investment transactions. The experienced advisors at ABI Multifamily have completed billions of dollars in sales and thousands of individual multifamily transactions.

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