



PHOENIX MSA | MULTIFAMILY | YE 2019 REPORT

PHOENIX MSA OVERVIEW	01
PHOENIX MSA - PER CITY ANALYSIS	02
MULTIFAMILY PROPERTY ANALYSIS: 100+ & 10-99 UNITS	03
ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS	04
COMPLETED CONSTRUCTION & PLANNED PROJECTS	05
ABI GEONEWS: PHOENIX MSA - SELECT NEWS	06
ABInsight® THE END OF AN ERA OR JUST THE BEGINNING?	07-08
ABI COMPARATIVE MARKET REVIEW: YE 2019	09

10+ UNIT PROPERTIES YE 2019 INCREASE/DECREASE YE 2018

A V E R A G E	Total Sales Volume	\$8.27B	+25.2%	\$6.60B
	Price/Unit	\$161,374	+12.4%	\$143,521
	Price/SF	\$191.79	+9.7%	\$174.86
	Year Built	1981	+4 Yrs	1977
	Average Rent	\$1,185	+9.0%	\$1,087
	Occupancy Rate	95.3%	+0.1%	95.2%
	Units Delivered	8,874	+8.7%	8,162

ABI GEONEWS: PHOENIX MSA - SELECT NEWS

CONTINUED ON PAGE 06



Phoenix grapples with some of nation's fastest-rising rents



Phoenix workforce housing development planned for Arcadia area

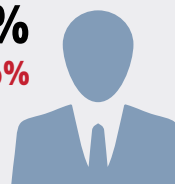


Phoenix embarks on \$3B bioscience capital projects, creating 7,000 jobs

4,737,270

POPULATION
CENSUS

3.7%
-0.6%



UNEMPLOYMENT
Q-Q AS OF DEC 2019 - BLS

3.2%



EMPLOYMENT GROWTH
Y-Q AS OF DEC 2019 - BLS

\$57,935



MEDIAN HH INCOME
CENSUS

\$29,542



PER CAPITA INCOME
CENSUS

15,896

Units (50+)



UNDER CONSTRUCTION
YARDI

334,233







Units (10+)



TOTAL INVENTORY
AS OF JAN 2020 - YARDI



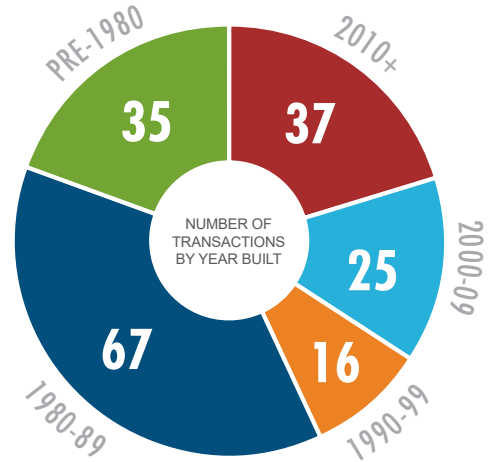
PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS		UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+ TOTAL INVENTORY UNDER CONSTRUCTION	
	Phoenix MSA	3.7%	\$57,935	\$29,542	310,213	15,896
	Phoenix	5.0%	\$53,482	\$31,777	138,963	6,050
	Mesa	4.0%	\$48,259	\$26,535	37,973	1,079
	Scottsdale	3.4%	\$72,455	\$56,794	28,307	1,142
	Tempe	3.8%	\$51,829	\$28,602	34,468	3,338
	Glendale	4.3%	\$52,451	\$23,496	24,598	553

PHOENIX MSA - PER CITY ANALYSIS		Phoenix	Mesa	Scottsdale	Tempe	Glendale
RENT & OCCUPANCY STATS	Average Rent (YE 2019)	\$1,088	\$1,056	\$1,517	\$1,389	\$997
	% Change (y-o-y)	+9.0%	+10.2%	+8.4%	+8.8%	+8.1%
	Occupancy Rate (YE 2019)	95.1%	96.0%	95.6%	94.9%	95.2%
	% Change (y-o-y)	+0.1%	+0.2%	+0.3%	+0.3%	-0.3%
	Units Delivered (Q4 2019, 50+)	597	--	301	300	--
SALES DATA (100+)	Total Sales Volume (YE 2019, 100+)	\$2,520,264,340	\$556,050,000	\$1,070,300,000	\$881,295,000	\$638,963,250
	Total Sales Volume (YE 2018, 100+)	\$2,317,766,306	\$487,520,000	\$281,350,000	\$1,325,107,598	\$328,679,119
	% Change (y-o-y)	+8.7%	+14.1%	+280.4%	-33.5%	+94.4%
	Avg P/U (YE 2019, 100+)	\$137,277	\$135,954	\$269,869	\$225,973	\$133,926
	Avg P/U (YE 2018, 100+)	\$137,439	\$131,336	\$179,547	\$188,252	\$105,346
	% Change (y-o-y)	-0.1%	+3.5%	+50.3%	+20.0%	+27.1%
SALES DATA (10-99)	Total Sales Volume (YE 2019, 10-99)	\$488,214,362	\$71,453,000	\$67,443,000	\$34,750,000	\$19,731,247
	Total Sales Volume (YE 2018, 10-99)	\$399,268,338	\$46,831,500	\$51,695,000	\$77,897,800	\$49,030,000
	% Change (y-o-y)	+22.3%	+52.6%	+30.5%	-55.4%	-59.8%
	Avg P/U (YE 2019, 10-99)	\$118,874	\$119,487	\$177,016	\$138,446	\$74,458
	Avg P/U (YE 2018, 10-99)	\$89,422	\$103,610	\$155,240	\$138,608	\$126,041
	% Change (y-o-y)	+32.9%	+15.3%	+14.0%	-0.1%	-40.9%

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
Total Sales Volume	\$7.55B	+27.4%	\$5.92B
AVERAGE Price/Unit	\$166,760	+10.4%	\$151,043
AVERAGE Price/SF	\$196.53	+7.9%	\$182.13
AVERAGE Year Built	1993	+3 Yrs	1990



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



Sterling 920 Terrace

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



The District at Scottsdale

Scottsdale, 332 Units | \$124,000,000
\$373,494/Unit | \$344.78/SF | Built 2019



Alta Drinkwater

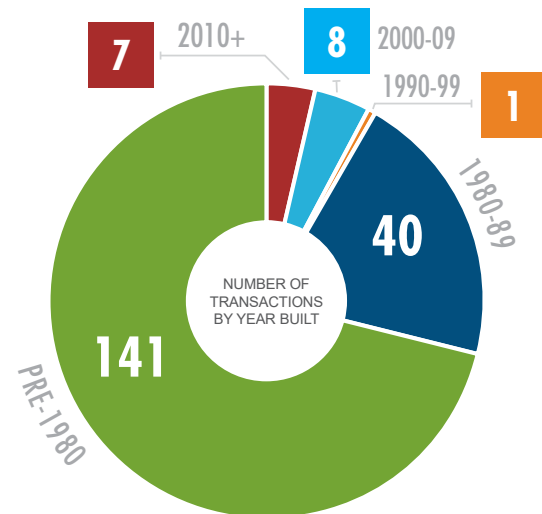
Scottsdale, 277 Units | \$96,150,000
\$347,112/Unit | \$225.89/SF | Built 2019

YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	37	\$260K	\$263
2000-09	25	\$167K	\$176
1990-99	16	\$183K	\$190
1980-89	67	\$127K	\$166
Pre-1980	35	\$112K	\$168

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
Total Sales Volume	\$721M	+6.2%	\$679M
AVERAGE Price/Unit	\$120,410	+20.4%	\$100,017
AVERAGE Price/SF	\$152.94	+17.9%	\$129.67
AVERAGE Year Built	1971	+1 Yr	1970



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



Aeries

Scottsdale, 16 Units | \$7,800,000
\$487,500/Unit | \$284.34/SF | Built 2019



The Newport (17 of 38)

Tempe, 17 Units | \$7,450,000
\$438,235/Unit | \$252.33/SF | Built 2015



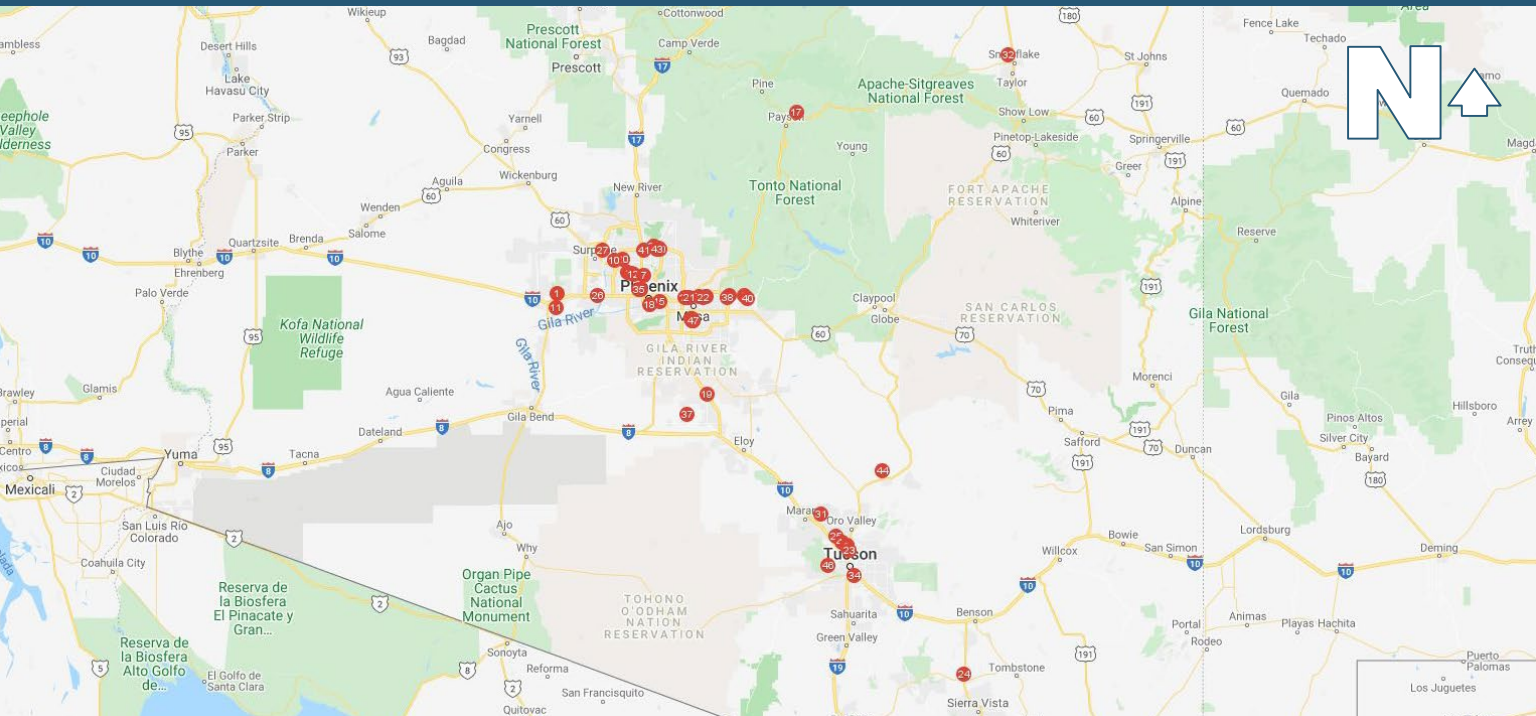
South on 37th Street

Phoenix, 14 Units | \$4,620,000
\$330,000/Unit | \$183.77/SF | Built 2019

YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	7	\$305K	\$274
2000-09	8	\$163K	\$147
1990-99	1	\$138K	\$121
1980-89	40	\$100K	\$122
Pre-1980	141	\$112K	\$158

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (YE 2019)

PHOENIX MSA

\$84,312,218

TUCSON MSA

\$46,582,540

OTHER AZ MSA

\$12,750,000

Transaction Volume (YE 2018)

\$285,047,190

\$3,400,000

\$0

Avg Sales Price / Space (YE 2019)

\$56,358

\$56,191

\$47,398

Avg Sales Price / Space (YE 2018)

\$62,061

\$37,363

\$0

FAMILY

Transaction Volume (YE 2019)

\$203,465,480

\$15,253,235

\$2,359,500

Transaction Volume (YE 2018)

\$122,296,500

\$7,341,000

\$700,000

Avg Sales Price / Space (YE 2019)

\$57,639

\$17,274

\$13,824

Avg Sales Price / Space (YE 2018)

\$45,396

\$21,655

\$11,290

Total Transaction Volume (2019 YTD, 50+)

\$287,777,698

\$61,835,775

\$15,109,500

Number of Transactions (2019 YTD, 50+)

37

8

3

MHP INVENTORY (50+)

INVENTORY

Total Spaces

82,523

22,226

18,818

Age Restricted/55+

57,760

12,039

9,166

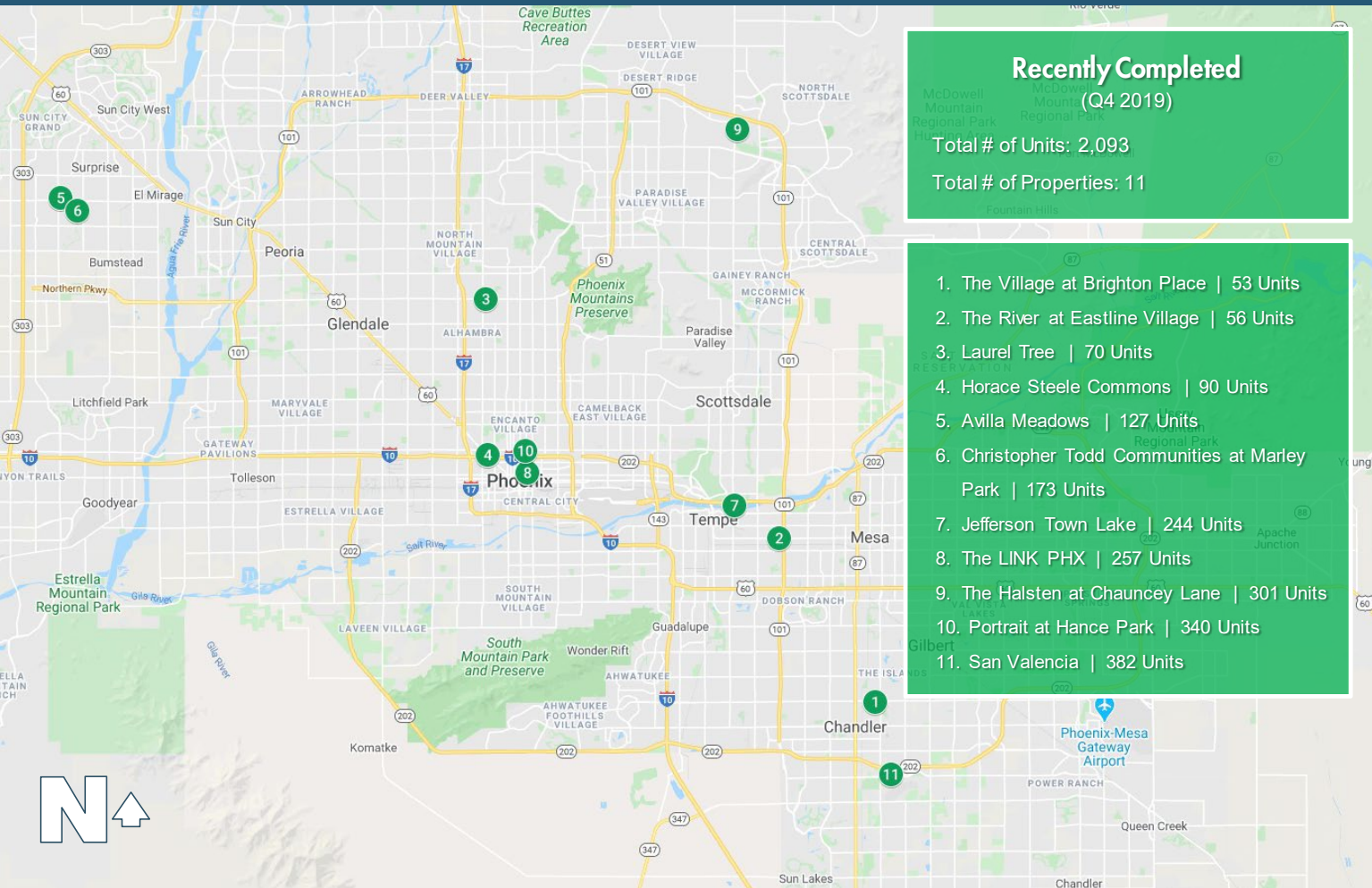
Family

24,763

10,187

9,572

COMPLETED CONSTRUCTION



Recently Completed

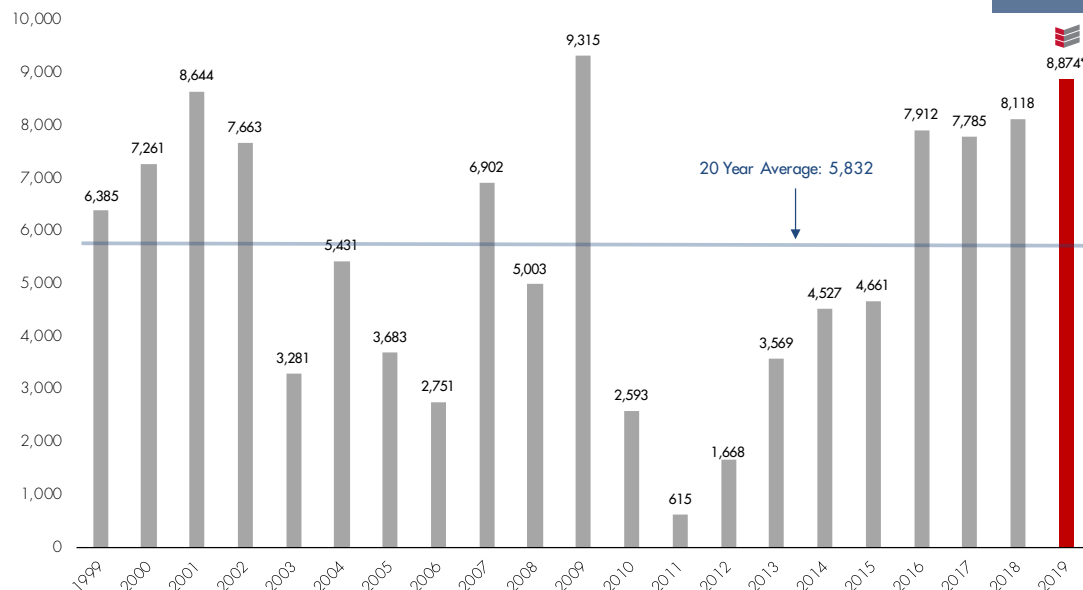
(Q4 2019)

Total # of Units: 2,093

Total # of Properties: 11

1. The Village at Brighton Place | 53 Units
2. The River at Eastline Village | 56 Units
3. Laurel Tree | 70 Units
4. Horace Steele Commons | 90 Units
5. Avilla Meadows | 127 Units
6. Christopher Todd Communities at Marley Park | 173 Units
7. Jefferson Town Lake | 244 Units
8. The LINK PHX | 257 Units
9. The Halsten at Chauncey Lane | 301 Units
10. Portrait at Hance Park | 340 Units
11. San Valencia | 382 Units

PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE YEAR END 2019



TOTAL UNIT INVENTORY

10+ UNIT PROPERTIES: 334,149

50+ UNIT PROPERTIES: 310,213

PRE-LEASE ABSORPTION RATE

16

Units/Property/Month
(YE 2019 Avg)

Under Construction

Total # of Units: 15,896

Total # of Properties: 65

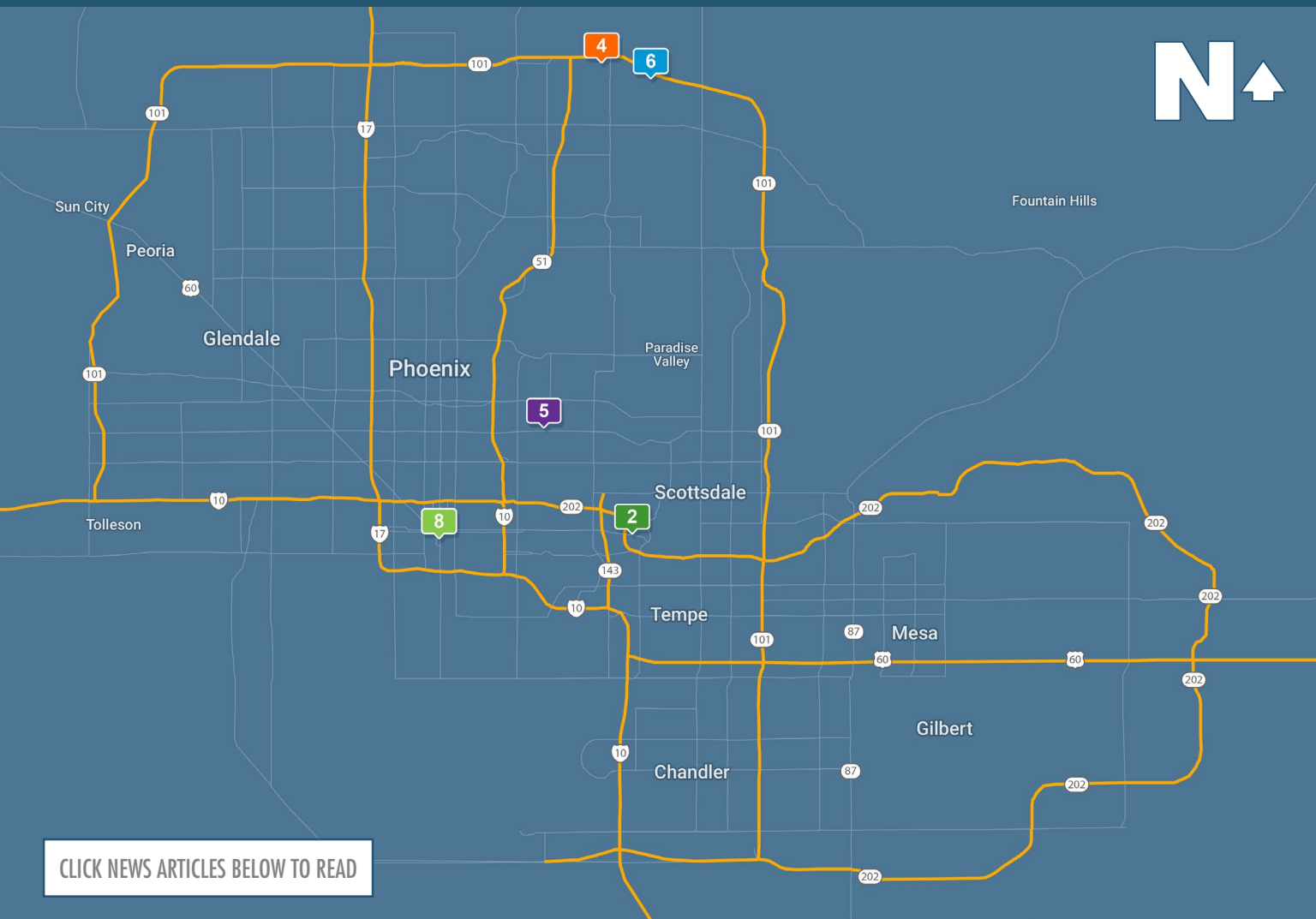
Planned

Total # of Units: 23,388

Total # of Properties: 98

* 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 - SELECT NEWS



Regional

City of Phoenix

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

Regional

Phoenix Council

Phoenix embarks on \$3B bioscience capital projects, creating 7,000 jobs

2

Banyan Residential

Luxury Multifamily Proposed for 54th St & Washington

8

Phoenix Council

A development boom aims to transform Downtown Phoenix into an urban mecca

Regional

City of Phoenix

Phoenix grapples with some of nation's fastest-rising rents

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

5

Urban Communities LLC

Phoenix workforce housing development planned for Arcadia area

Regional

HotPads

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

6

Mayo Clinic | ASU

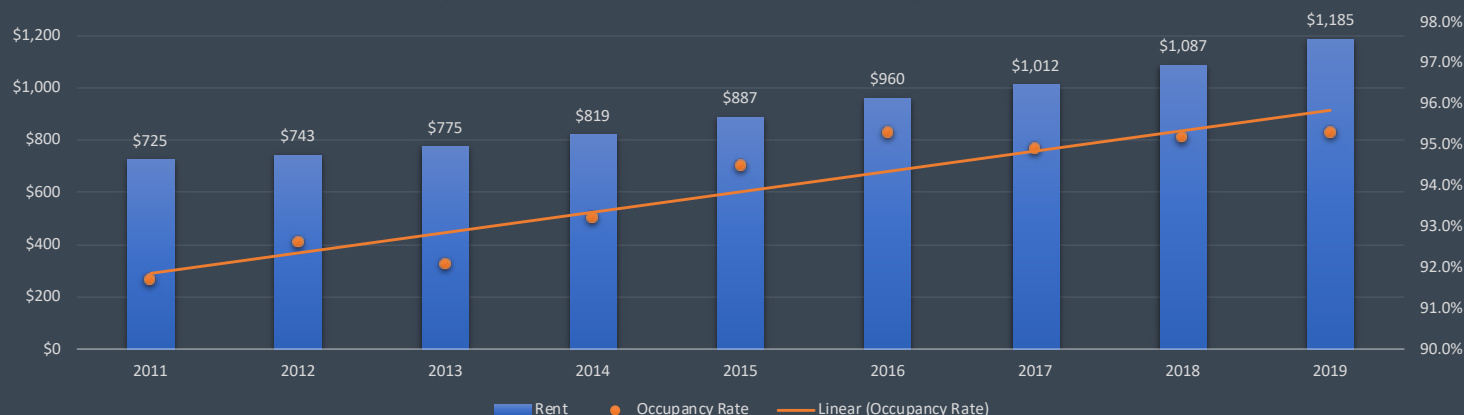
North Phoenix Biomedical Campus Takes Shape

Regional

Phoenix Council

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

Phoenix Average Rent and Occupancy Change Y-O-Y (2011 - 2019)



BY: DREW RICCIARDI, RESEARCH MANAGER

With the year and decade coming to an end, where does the housing market stand in comparison to the horrific ending of the previous decade from the 2008 crash? Are we to expect another Roaring Twenties or an economic drought?

Across the major markets we cover, a vast pool of data reflects a healthy and thriving housing market at the end of 2019 and gives us a good idea of what is in store for the year to come.

National Overview

2019 was a very strong economic year for the real estate industry. We saw low interest rates that seem to be sticking around, a healthy consumer saving rate, homeownership rate on the rise again, high employment growth, and vacancy rates reaching historic lows in all types of housing.

After the year concluded, many reputable sources started forecasting a similar trend for 2020, with a rather bright outlook for the immediate future -- the 2020 Fannie Mae Multifamily Forecast being one of them.

Doug Duncan, Fannie Mae's senior vice president & chief economist, forecasts a full-year 2020 economic growth at 2.1% and expects the Federal Reserve will not raise interest rates this year. Duncan also expects consumer demand will re-establish housing construction as a significant contributor to economic growth this year.

The Fannie Mae forecast states "rent appreciation and income growth rates have recently converged, implying that rental property markets are currently balanced, but we expect strength in multifamily construction to persist as solid job growth and demographic trends continue to boost demand, while low interest rates are likely to continue enabling corresponding increases in supply."

On the development front, demand is outpacing supply. Construction costs, such as labor and materials, remain high and

on the rise. Lower interest rates are helping mask the construction cost problem to some extent, but developers are still somewhat cautious to build.

The market is desperate for more affordable housing and less class A. Some experts believe 2020 could be a very active year for affordable housing development. The principal and managing director of capital markets at NRP, George Currall, said "affordability is an enormous concern for many renters and the industry is working hard to create the supply that will remedy demand-driven rent increases." Currall continued to say "more specifically, 2020 will be The NRP Group's biggest year yet for both our moderate and low-income product. Our goal is to continue meeting the needs of residents with incomes below their area median income."

Multifamily: Best Investment During Eventual Slowdown

Investors and analysts are always trying to predict when, where, and why the next economic downturn will take place. While these questions are always subject to a fair amount of speculation and chance, one thing that industry experts seem to agree on is that the next recession will be nowhere near as dire or impactful as The Great Recession of 2008.

Still, a recession is a recession, and with the fear of storm clouds brewing on the horizon, many investors are left wondering which asset classes offer the best shelters in which to weather any upcoming storm. Some experts suggest multifamily is the safest bet going into a potential downturn.

Nat Kunes, SVP of investment management at AppFolio, said: "multifamily is a safe bet in the real estate investment ecosystem because, historically, it's always been an in-demand asset class." Kunes goes on to say "Unlike retail property, the value of which might shift dramatically depending on larger, economic factors,

multifamily is generally shielded from significant market swings. People need housing, and as a number of potential homebuyers continue to get priced out of the market, multifamily renting remains a top choice for many Americans.”

With fears of a market correction looming in the distance, multifamily development plans remain robust and apartment rents project to continue to surge in an upward trend. According to RealPage data, about 550,000 new apartment units are planned to be completed in the next 18 to 24 months nationwide. Despite that, leasing-up new class A developments may prove challenging in a slowdown.

Phoenix Market Metrics:

By the Numbers

For 2019, the Phoenix MSA witnessed increases across the board in all major categories in comparison to 2018.

For 10-99 unit properties, 2019 saw a transaction volume of approximately \$721 Million, which represented a 6.2% Year-over-Year Increase from 2018. In the 100+ unit category, 2019 brought in \$7.55 Billion, up 27.4% over 2018.

Average Price-Per-Unit amounts were up in the 10-99 segment, rising 20.4% YoY to \$120,410, and up 10.4% to \$166,760 for 100+. These translated to an Average Price/SF of \$152.94 in 10-99 (up 17.9%) and \$196.53 (up 7.9%) in 100+.

Inventory age saw a slight increase Year-over-Year, with Average Year Built for 10-99 being 1971, versus 1970. Average Year Built in 100+ was 1993, compared to 1990 in 2018.

The market's occupancy rate remained high. 2019 occupancy for 10+ units was 95.3%, an increase of 0.1% YoY. Average rent was \$1,185, up \$98 (9.0%) from 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 3.7%, 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 solid 8,874 units were delivered across 41 projects, overcoming the start of the year projection of 8,500 deliveries.

ABI Multifamily forecasts approximately 9,200 units to be delivered in 2020, which historically, is an extremely healthy number to achieve considering that amount has been reached only once in the past 20 years.

Currently, an estimated 23,388 units are in the Planning stages across 98 properties. A total of 15,896 units were listed as Under Construction in 65 properties.

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

Total Unit Inventory for 10+ unit properties is 334,223, and 50+ came in at 310,213.

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

- **Phoenix:** 138,963
- **Mesa:** 37,973
- **Tempe:** 34,468
- **Scottsdale:** 28,307
- **Glendale:** 24,598

Arizona Outlook

More expensive markets are starting to notice how affordable Phoenix is. Phoenix is one of the top rent growth markets in the country as well as the fastest-growing city in the country in terms of population increases. Tucson has also shown steady rent and occupancy growth year after year.

Bruce E. Beverly, CEO of Great American Title Agency said “Phoenix is becoming a top destination, especially for people living in high cost areas like Los Angeles, San Francisco and Seattle. Phoenix's more reasonably priced housing, lower cost of living, available workforce and stable climate forecasts a growing economy and stronger housing growth in 2020, provided interest rates don't rise too quickly.”

A tidal wave of migration is followed by a strong demand for supply. Phoenix has one of the worst housing supply/demand imbalances across the nation due to high construction costs, rising job growth, and large moving rates. Despite the clear imbalance, the 2019 year saw the most units delivered in ten years. Like the housing market as a whole, the lack of affordable housing remains a serious problem.

For multifamily investors, business is good. As a result of California rent control drying up the value-add market and the noticeably high occupancy rates, rent growth, job growth and population growth in Arizona, more money is flooding from California to Arizona than ever before. In addition, there is strong investor interest from many other markets throughout the country that are experiencing the squeeze on a variety of factors.

A national study from Newmark Knight Frank Research on multifamily total returns over the past twelve months showed a national average of 5.51% and Phoenix leading all markets with an average of 13.65% (the next highest being 9.49%).

It is clear experts and investors are well aware how hot the Phoenix housing market is currently, and will be throughout next year. 2020 promises to be another great year for multifamily in Arizona.

ABI COMPARATIVE MARKET REVIEW: YE 2019



PHOENIX

TUCSON

SACRAMENTO

SAN DIEGO

DEMOGRAPHICS

RENT/OCC/CONST (50+)

SALES (50+)

Total Population

4,737,270

1,026,099

2,375,770

3,376,860

Unemployment Rate (as of Dec 2019)

3.7%

4.1%

3.6%

3.1%

Employment Growth (y-o-y)

3.2%

1.7%

1.6%

2.3%

Median HH Income

\$57,935

\$48,676

\$75,921

\$82,692

Per Capita Income

\$29,542

\$27,323

\$33,548

\$34,350

Rent (YE 2019)

\$1,185

\$920

\$1,406

\$1,861

% Increase/Decrease

+9.0%

+8.4%

+3.4%

+3.2%

Occupancy (YE 2019)

95.3%

94.7%

94.9%

95.0%

% Increase/Decrease

+0.1%

+0.2%

+0.5%

+0.1%

Total Inventory (50+)

310,213

67,202

143,277

227,478

Total Under Construction (50+)

15,896

1,190

2,721

7,177

Units Delivered (50+, YE 2019)

8,874

803

1,505

3,925

Total Sales Volume (YE 2019)

\$7.88B

\$655M

\$1.12B

\$1.66B

y-o-y % Increase/Decrease

+26.5%

-27.1%

-30.7%

+28.6%

Average P/U (YE 2019)

\$163,991

\$110,375

\$173,311

\$271,490

y-o-y % Increase/Decrease

+11.4%

+20.6%

+0.1%

+9.4%



ABI Multifamily
Apartment Brokerage & Advisory Firm ©

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COLLABORATION & COOPERATION

NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

100+ UNIT PROPERTIES

10-99 UNIT PROPERTIES



TOWN CENTER APARTMENTS

22280 South 209th Way
Queen Creek, AZ 85142

Price: \$33,500,000

Units: 176

Year Built: 2009



LAS HADAS APARTMENTS

9240 East Redfield Road
Scottsdale, AZ 85260

Price: \$19,000,000

Units: 110

Year Built: 1987



SUN CREST APARTMENTS

111 North Mesa Drive
Mesa, AZ 85203

Price: \$10,600,000

Units: 94

Year Built: 1964



STATION 19

7625 North 19th Avenue
Phoenix, AZ 85021

Price: \$10,126,000

Units: 61

Year Built: 1968

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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