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PHOENIX MSA | MULTIFAMILY | Q3 2020 REPORT

10+ UNIT PROPERTIES	Q3 2020	INCREASE/DECREASE	Q3 2019
Total Sales Volume	$1.3B	-38.6%	$2.16B
AVERAGE Price/Unit	$171,662	+4.7%	$163,913
AVERAGE Price/SF	$205.58	+6.1%	$193.85
AVERAGE Year Built	1980	-1 Yr	1981
Average Rent	$1,255	+4.7%	$1,199
Occupancy Rate	95.4%	+0.3%	95.1%
Units Delivered	3,567	+88.2%	1,895

4,857,962
POPULATION
CENSUS

6.3%
-2.4%
UNEMPLOYMENT
Q-O-Q AS OF SEPT 2020 - BLS

-2.4%
EMPLOYMENT GROWTH
Y-O-Y AS OF OCT 2020 - BLS

$64,427
MEDIAN HH INCOME
CENSUS

$32,438
PER CAPITA INCOME
CENSUS

23,996
Units (50+)
UNDER CONSTRUCTION
YARDI

340,799
Units (10+)
TOTAL INVENTORY
AS OF OCT 2020 - YARDI

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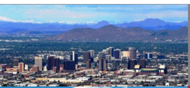
CONTINUED ON PAGE 06

PBJ — Big Apartment Deals Coming Back on Track

Amazon Plans to Open 11 New Fulfillment Centers Across Metro Phoenix by Years End

$250M Legacy Sports Park Breaks Ground in Mesa

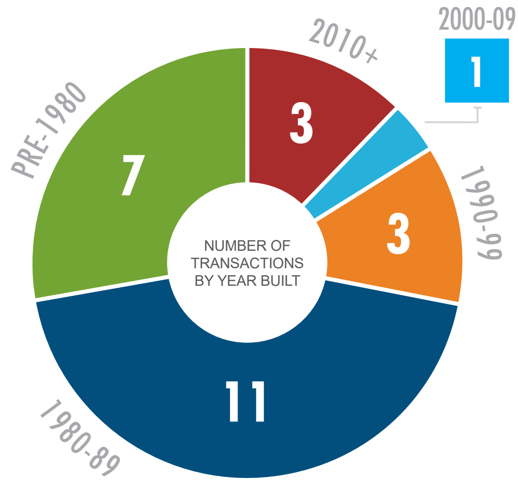
PHOENIX MSA - PER CITY ANALYSIS

	PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+ TOTAL INVENTORY	50+ UNDER CONSTRUCTION
	Phoenix MSA	6.3%	$64,427	$32,482	316,776	23,996
	Phoenix	6.5%	$61,506	$31,096	141,012	9,275
	Mesa	5.7%	$48,259	$26,535	38,593	1,866
	Scottsdale	5.4%	$72,455	$56,794	28,818	2,292
	Tempe	5.7%	$51,829	$27,705	36,912	2,433
	Glendale	6.2%	$49,383	$24,586	24,786	880

	PHOENIX MSA - PER CITY ANALYSIS	Phoenix	Mesa	Scottsdale	Tempe	Glendale
RENT & OCCUPANCY STATS	Average Rent (Q3 2020)	$1,161	$1,142	$1,552	$1,457	$1,075
	% Change (y-o-y)	+5.5%	+6.5%	+1.5%	+3.6%	+6.5%
	Occupancy Rate (Q3 2020)	95.1%	96.4%	94.3%	94.9%	95.4%
	% Change (y-o-y)	+0.2%	+0.5%	-1.3%	0.0%	+0.2%
	Units Delivered (Q3 2020, 50+)	1,714	--	--	1,108	313
SALES DATA (100+)	Total Sales Volume (Q3 2020, 100+)	$513,250,000	$95,000,000	$0	$210,500,000	$111,975,000
	Total Sales Volume (Q3 2019, 100+)	$738,269,553	$85,750,000	$157,500,000	$298,150,000	$127,946,000
	% Change (y-o-y)	-30.5%	+10.8%	--	-29.4%	-12.5%
	Avg P/U (Q3 2020, 100+)	$169,950	$174,632	$0	$204,767	$133,941
	Avg P/U (Q3 2019, 100+)	$141,539	$148,872	$161,704	$296,077	$150,880
	% Change (y-o-y)	+20.1%	+17.3%	--	-30.8%	-11.2%
SALES DATA (10-99)	Total Sales Volume (Q3 2020, 10-99)	$140,695,380	$25,120,000	$0	$15,433,500	$8,300,000
	Total Sales Volume (Q3 2019, 10-99)	$129,771,055	$18,600,000	$27,500,000	$0	$2,785,000
	% Change (y-o-y)	+8.4%	+35.1%	-100.0%	--	+198.0%
	Avg P/U (Q3 2020, 10-99)	$149,835	$124,975	$0	$142,903	$118,571
	Avg P/U (Q3 2019, 10-99)	$108,595	$147,619	$165,663	$0	$73,289
	% Change (y-o-y)	+38.0%	-15.3%	-100.0%	--	+61.8%

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2020	INCREASE/DECREASE	Q3 2019
Total Sales Volume	$1.12B	-42.9%	$1.97B
AVERAGE Price/Unit	$178,000	+4.4%	$170,435
AVERAGE Price/SF	$214.44	+7.5%	$199.46
AVERAGE Year Built	1988	-6 Yrs	1994



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)

The Vertex
Tempe, 213 Units | $71,000,000
$333,333/Unit | $292.60/SF | Built 2015

Elux at Tramonto
Phoenix, 138 Units | $34,700,000
$251,446/Unit | $222.60/SF | Built 2018

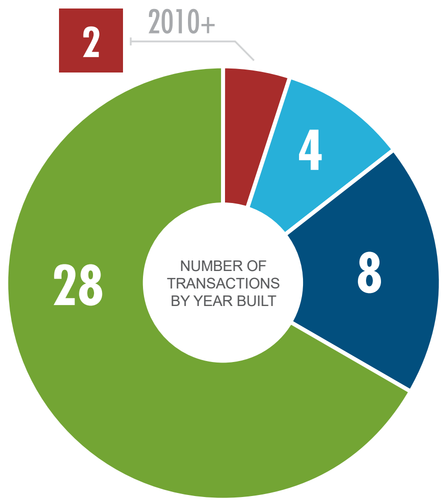
Avana Coronado
Chandler, 321 Units | $79,000,000
$246,106/Unit | $255.83/SF | Built 1999

Q3 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	$266K	$259
2000-09	1	$216K	$212
1990-99	3	$228K	$244
1980-89	11	$151K	$198
Pre-1980	7	$142K	$188

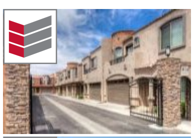
10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2020	INCREASE/DECREASE	Q3 2019
Total Sales Volume	$205M	+3.6%	$198M
AVERAGE Price/Unit	$143,643	+20.9%	$118,764
AVERAGE Price/SF	$167.65	+11.5%	$150.40
AVERAGE Year Built	1975	+5 Yrs	1970



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

= ABI Multifamily Transaction



Monterosa Villas
Phoenix, 19 Units | $6,947,500
$365,658/Unit | $158.55/SF | Built 2013

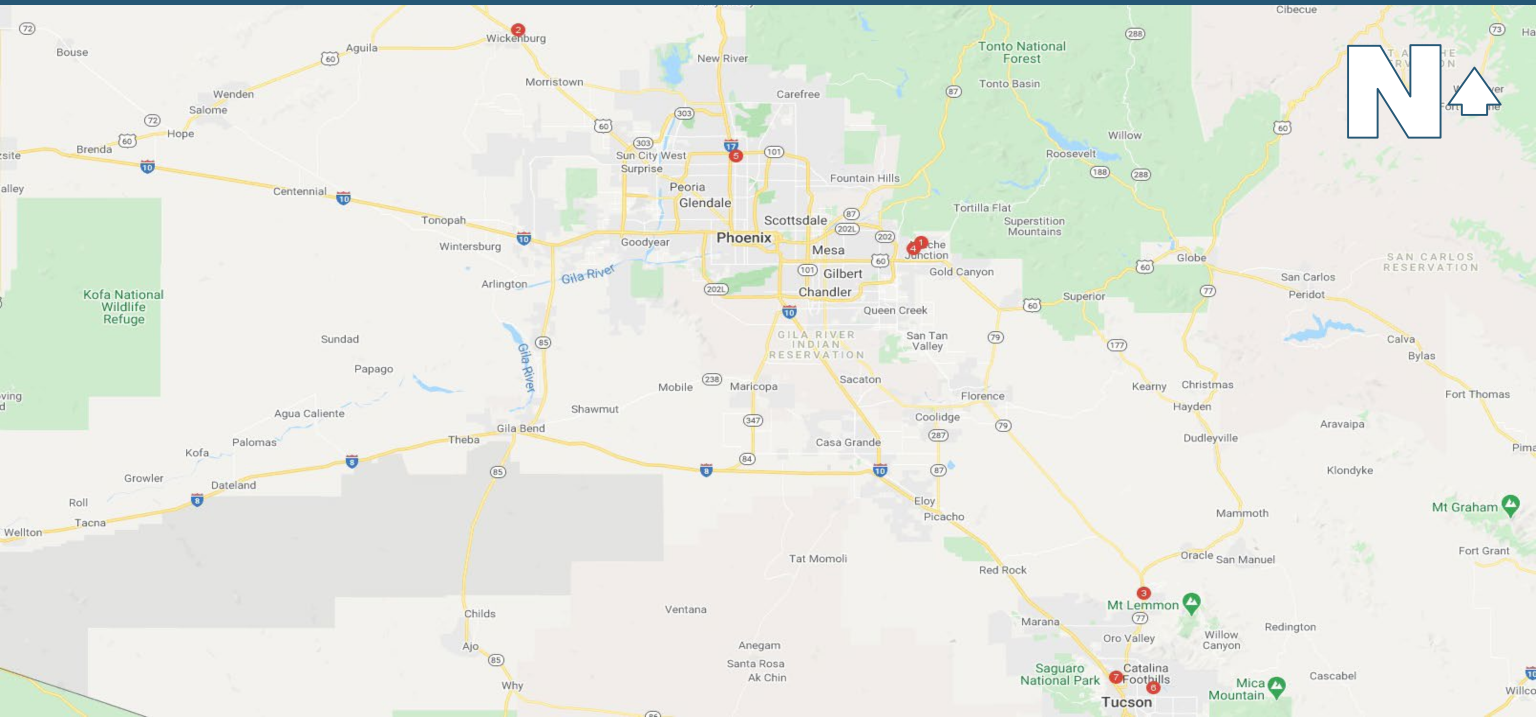
Moon Mountain Apartments
Phoenix, 34 Units | $8,500,000
$250,000/Unit | $265.11/SF | Built 2019

The Stills
Phoenix, 12 Units | $2,610,000
$217,500/Unit | $237.90/SF | Built 1964

Q3 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	$291K	$204
2000-09	4	$172K	$165
1990-99	--	--	--
1980-89	8	$122K	$163
Pre-1980	28	$136K	$166

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS

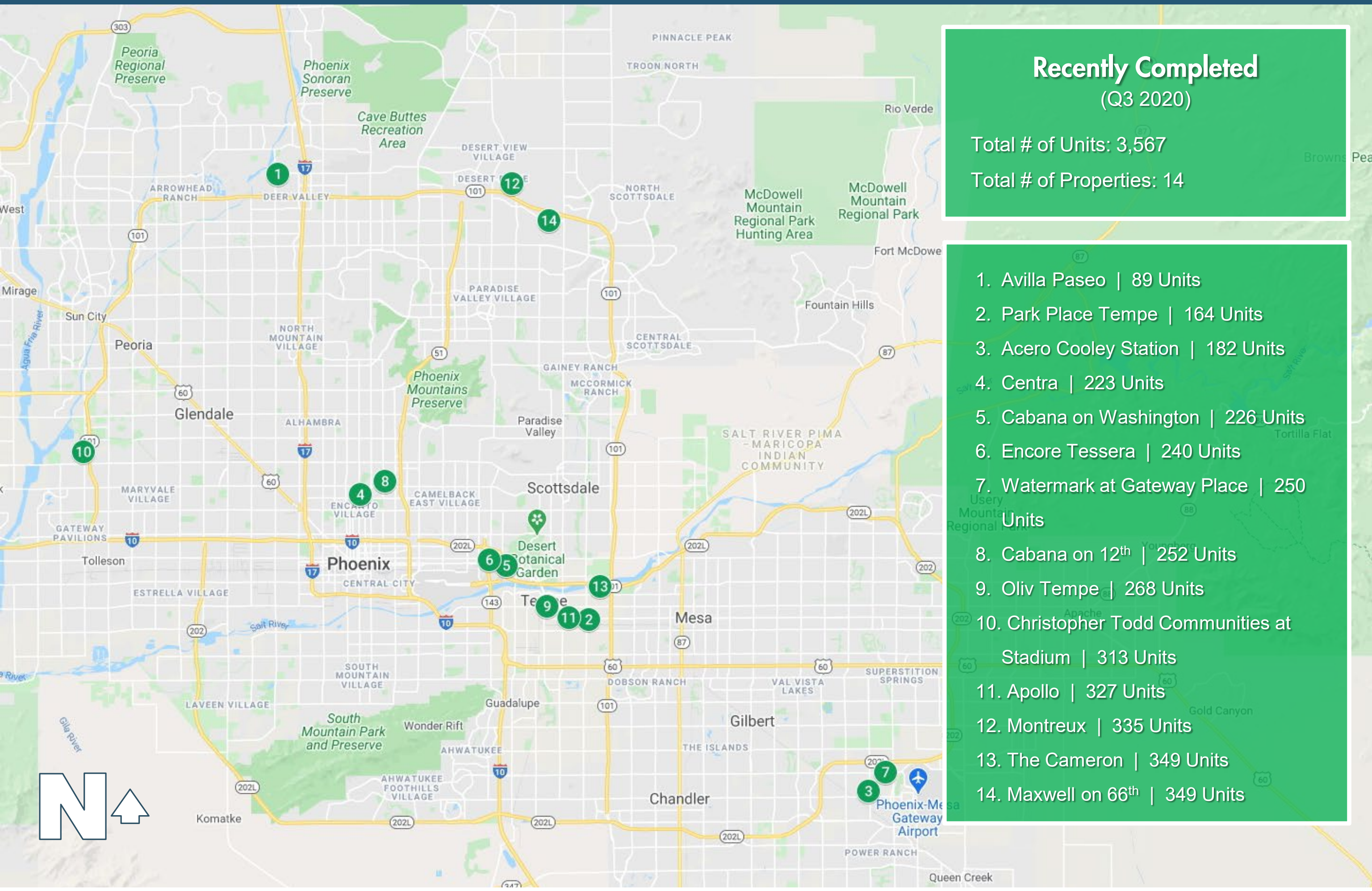


MHP SALES VOLUME (50+)

		PHOENIX MSA	TUCSON MSA	OTHER AZ MSA
AGE RESTRICTED/55+	Transaction Volume (Q3 2020)	$89,000,000	$6,265,000	$0
	Transaction Volume (Q3 2019)	$0	$18,500,000	$0
	Avg Sales Price / Space (Q3 2020)	$74,539	$40,160	--
	Avg Sales Price / Space (Q3 2019)	--	$71,984	--
FAMILY	Transaction Volume (Q3 2020)	$8,200,000	$0	$0
	Transaction Volume (Q3 2019)	$77,875,000	$1,813,235	$0
	Avg Sales Price / Space (Q3 2020)	$49,697	--	--
	Avg Sales Price / Space (Q3 2019)	$66,220	$33,578	--
	Total Transaction Volume (2020 YTD, 50+)	$97,200,000	$6,265,000	$0
	Number of Transactions (2020 YTD, 50+)	4	3	0

MHP INVENTORY (50+)

		PHOENIX MSA	TUCSON MSA	OTHER AZ MSA
INVENTORY	Total Spaces	87,534	22,353	30,522
	Age Restricted/55+	61,856	12,059	12,369
	Family	25,678	10,294	18,153



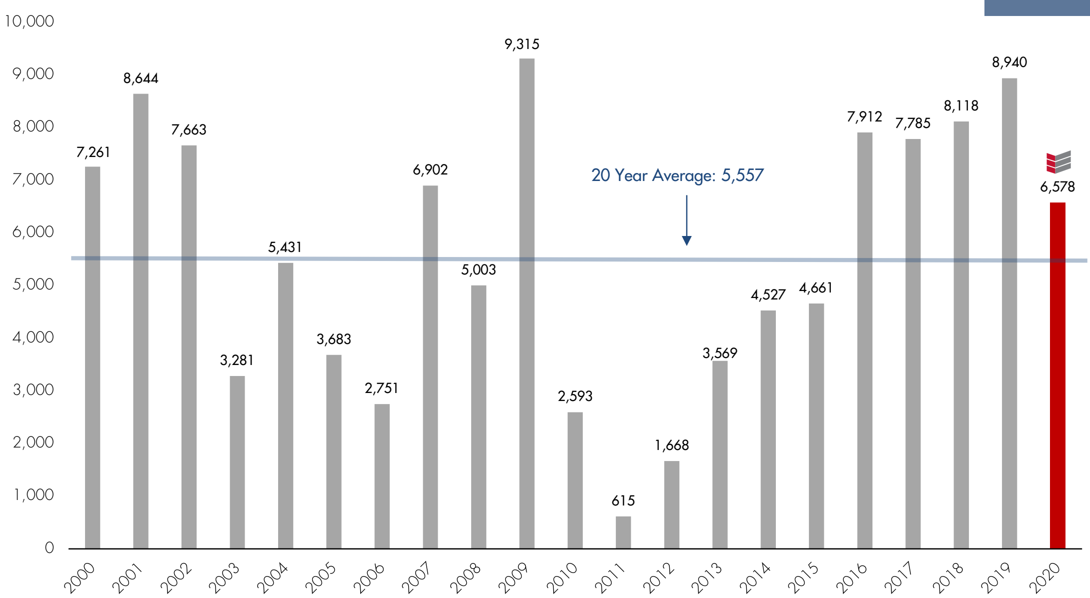
Recently Completed
(Q3 2020)

Total # of Units: 3,567

Total # of Properties: 14

1. Avilla Paseo | 89 Units
2. Park Place Tempe | 164 Units
3. Acero Cooley Station | 182 Units
4. Centra | 223 Units
5. Cabana on Washington | 226 Units
6. Encore Tessera | 240 Units
7. Watermark at Gateway Place | 250 Units
8. Cabana on 12th | 252 Units
9. Oliv Tempe | 268 Units
10. Christopher Todd Communities at Stadium | 313 Units
11. Apollo | 327 Units
12. Montreux | 335 Units
13. The Cameron | 349 Units
14. Maxwell on 66th | 349 Units

PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE
Q3 2020



*** 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: **340,799**

50+ UNIT PROPERTIES: **316,776**

PRE-LEASE ABSORPTION RATE

18

Units/Property/Month (Q3 2020 Avg)

Under Construction

Total # of Units: 23,635

Total # of Properties: 103

Planned

Total # of Units: 32,387

Total # of Properties: 129

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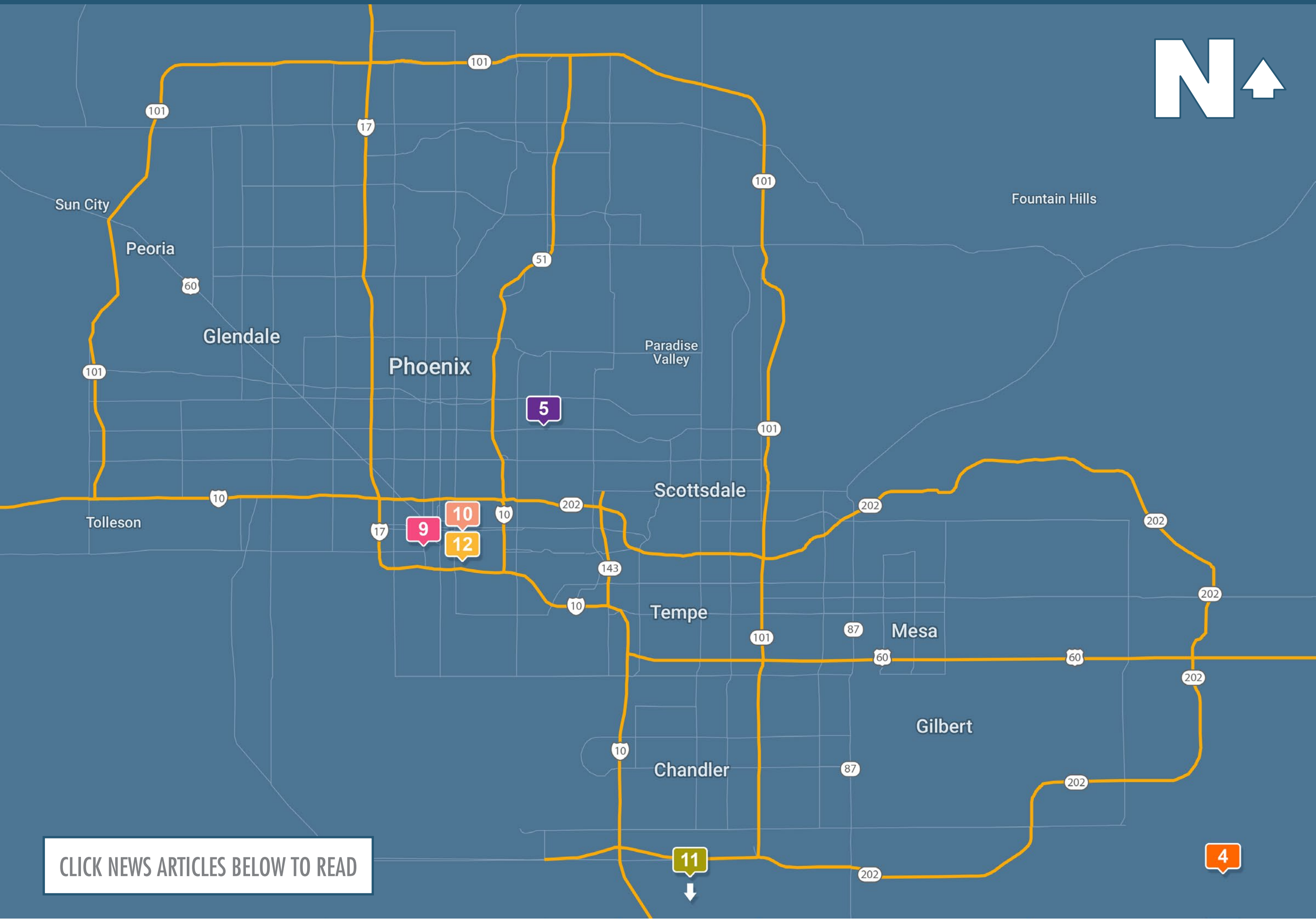

Regional **City of Phoenix**
City Council Approves Funding for Affordable Housing and Continuing Light Rail Expansion

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Big Apartment Deals Coming Back on Track

Regional **Amazon**
Amazon Plans to Open 11 New Fulfillment Centers Across Metro Phoenix by Years End

4 **Legacy Cares, Inc.**
$250M Legacy Sports Park Breaks Ground in Mesa

5 **Urban Communities LLC**
Phoenix workforce housing development planned for Arcadia area

Regional **ABI | ABI in the News**
How the coronavirus is slowing phoenix metro

Regional **Phoenix Council**
Phoenix embarks on $3B bioscience capital projects, creating 7,000 jobs

Regional **City of Phoenix**
Focus on Phoenix: Multifamily Sector Shows Promise Despite Turbulence

9 **City of Phoenix**
Here Are The Projects Driving The Boom In Downtown Phoenix Development

10 **Phoenix Council**
Phoenix City Council Votes Unanimously To Approve Controversial $85M Condo Tower

11 **Nacero Inc.**
Nacero $3B Casa Grande Plant Will Create 2,000 Construction Jobs

12 **True North Studio**
23-Story High-Rise Planned for Downtown Phoenix 'Opportunity Zone'

ABInsight®

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Phoenix Multifamily Market on the Upswing in Q3

Reimagining Apartment Community Amenities

The Covid-19 pandemic has and will continue to change the way we do things for the foreseeable future. One of those changes may be a shift in the amenities for future and existing apartment properties. Multifamily real estate developers are starting to reevaluate which apartment amenities are most valuable to renters in light of the pandemic.

Prior to the virus changing the way we live, work, and play, a survey conducted by Greystar showed the highest rated amenities among renters were swimming pools, multi-use common areas, pet-friendly features, and soundproof walls. Other highly ranked amenities were in-unit washers and dryers, hardwood floors, balconies, and stainless-steel appliances.

Today, renters are prioritizing more space over past popular amenities due to the rise of remote working and more time spent at home due to stay-at-home orders and increased avoidance of public spaces due to the virus. Amenities like strong Wi-Fi connectivity, in-unit desk or home office setups, and coworking spaces that are socially distanced, divided, and more private are becoming a point of focus for developers and property management companies. So too are amenities like 24/7 package locker rooms, improved HVAC and air filtration systems, and outdoor fitness areas. Balconies have also maintained a high rating, giving renters more private outdoor space.

Some existing properties are starting to convert community lounge areas as on-property makeshift learning areas for children, as they conform to the new norm of online schooling. Others are changing their furniture in communal areas to flex pieces that can be easily maneuvered and separated to promote social distancing as well as giving residents the ability to reserve lounge spots to host small gatherings.

To reduce contact and virus spread within communal apartment areas, contactless entry/smart access key fobs and motion censored doors, sink faucets, and toilets are all being implemented to create a no-touch environment. Some developers are taking it to the next level and creating specialized ionization systems in communal areas that can sanitize rooms of any left-behind germs with the touch of a button.

Some multifamily developers believe that certain Covid-related features, like work-from-home amenities, will be here to stay, with others seen as short-term tweaks to combat the virus. They believe the current concern of density will slowly diminish with time.

Between 2008 and 2018, the average new apartment unit size decreased by 5% from about 1,000 square feet to about 950 square feet, according to RENTCafé. Now, with a dramatic shift in everyday life upon us, time will tell if we witness a rebound in the average size of apartments, as more personal space is becoming a clear priority to the average renter.

Government Aid on the Horizon

As economic drivers improve and the country returns to some much-needed normalcy that hasn't been felt in some time, major markets around the nation are heading toward the path of recovery, barring another major shutdown.

Some people can escape mandatory shutdowns and venture out in their communities with limited restrictions. Jobs lost as a result of the pandemic have started to make a comeback, granting people the ability to return to work in some capacity.

That being said, millions of Americans are still in need of financial relief. The CARES Act proved to provide monumental support to people struggling to pay their rent and bills due to Covid-19. Once the additional unemployment benefits came to an end on July 31st, many remained in need of continued assistance.

The good news is that there is a second stimulus package on the horizon and, it's not a matter of if but when it will be passed. Negotiations on the details of a second stimulus package have stalled due to the presidential election, but that gridlock may dissolve as everything continues to sort out. Specific components of the stimulus are continuing to be hashed out, such as the total cost of the bill. Luckily, both sides agree on another round of stimulus checks and some form of additional unemployment benefits that will provide resources directly to individuals and families in need.

The passage of the next stimulus will be immensely impactful to the multifamily market by helping Americans, who have been hit hardest, keep up with their rent payments, thus minimizing delinquencies, evictions, and vacancies. The timing of the financial relief remains unclear, but many are hopeful it will be passed before or just after the new year.

The State of The Phoenix Multifamily Market

After a rough second quarter, the Phoenix MSA is reporting a strong rebound to pre-pandemic levels. The sudden rebound is a result of the state's strong economy.

More businesses are flocking to Arizona than ever before, especially from California. The increase in more advanced industries has transformed Phoenix into an exceptionally diverse job market that once struggled to diversify its economic drivers. Christine Mackay, director of Phoenix Community and Economic Development for the City of Phoenix, said "Arizona is a top-tier business destination today, and that's something new…We're winning more new business than we see head to other locations."

Like businesses, people are relocating to Arizona, creating a higher demand for housing. The rise of remote working has enabled highly skilled workers to leave their expensive dense markets for a more affordable market that presents a favorable quality of life for all age groups.

The strength of the state's economy is not going unnoticed. Out-of-state investors are making their presence well known in the Phoenix multifamily market including big-equity firms like Tides Equities and Western Wealth Capital.

Multifamily deal flow is returning to the healthy levels witnessed in Q1 with a wave of large acquisitions coming through this quarter. Third quarter rent and occupancy rates have exceeded Q1 levels, following a dip in Q2 -- something that was not expected to happen before 2021.

Multifamily deliveries had the strongest quarter of the year by far, completing almost 3,600 units across the Valley, putting Phoenix on pace to beat last year's total of about 9,000 units. On top of that, the multifamily development pipeline is reporting historic highs in both planned and under construction developments.

Some development trends seen across the metro include a high increase in properties under construction in the Downtown Phoenix area that may help fill in the typically sprawling and spacious city. In the West Valley, the rise of large single-family for rent or "build to rent" properties that coincide well with the flat desert landscape is underway. This new style of professionally managed multifamily properties features small, detached units that specialize in attracting the growing niche of people who are renters by choice.

Although Covid cases are rising in Arizona again, multifamily investors can feel a sense of confidence and resilience after seeing how well the Phoenix market overcame the shutdowns during the peak of the pandemic, compared to other major markets across the nation.

Phoenix Market Metrics: By the Numbers

Q3 2020 witnessed a robust bounce back in apartment data trends compared to the somewhat poor numbers reported in Q2, during the height of the pandemic. Q3 sales actually matched Q1 sales volume with $1.33B in total sales for 10+ unit properties.

For 10-99 unit properties, Q3 saw a transaction volume of approximately $205 Million, which represented a 3.6% Year-over-Year Increase from Q3 2019. In the 100+ unit category, Q3 brought in $1.12 Billion, down 42.9% YoY.

Average Price-Per-Unit amounts were up significantly in the 10-99 segment, rising 20.9% YoY to $143,643, and showing a slight increase of 4.4% to $178,000 for 100+. This translated to an Average Price/SF of $167.65 in 10-99 (up 11.5%) and $214.44 (up 7.5%) in 100+.

Inventory age saw an increase in 10-99 and a decrease in 100+ Year-over-Year. Average Year Built for 10-99 reported the year 1975, versus 1970. The Average Year Built in 100+ reported the year 1988, compared to 1994 in Q3 2019.

The market's occupancy rate took a jump in the right direction. Q3 occupancy for 10+ units was 95.4%, an increase of 0.3% YoY. Average rent took a positive jump as well, reporting $1,255, up $56 (4.7%) from last year.

Phoenix MSA demographics continued their solid trends as well. The Census estimate of total population was 4,857,962. The unemployment rate finished the quarter at 6.3%, according to Bureau of Labor Statistics numbers.

Median Household Income was $64,427, and Per Capita Income came in at $32,482.

In the realm of new construction for 50+ unit properties, a superb 3,567 units were delivered across 14 projects for the quarter. This represented an 88.2% increase for Q3 2019's number of 1,895 units.

Currently, an astounding 32,387 units are estimated to be in the Planning stages across 129 properties. Another massive total of 23,996 units were listed as Under Construction across 103 properties.

Pre-lease absorption rates were high this quarter at a rate of 18 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 316,776.

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

- **Phoenix:** **141,012**
- **Mesa:** **38,593**
- **Tempe:** **36,912**
- **Scottsdale:** **28,818**
- **Glendale:** **24,786**

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COLLABORATION & COOPERATION

NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

100+ UNIT PROPERTIES

SEVENTEEN 805 APARTMENTS
17805 North 40th Street
Phoenix, AZ 85032

Price: $29,750,000
Units: 138
Year Built: 1984

THE VICINITY APARTMENTS
6131 North 16th Street
Phoenix, AZ 85016

Price: $24,150,000
Units: 125
Year Built: 1975

10-99 UNIT PROPERTIES

MOON MOUNTAIN APARTMENTS
1500 West Thunderbird Road
Phoenix, AZ 85023

Price: $8,500,000
Units: 34
Year Built: 2019

THE HARLOW APARTMENTS
1917 East Broadway Road
Tempe, AZ 85282

Price: $4,975,000
Units: 27
Year Built: 1963, 1982

APARTMENT BROKERAGE & ADVISORY FIRM

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