

PHOENIX MSA | MULTIFAMILY | Q2 2020 REPORT

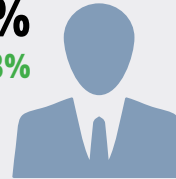
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10+ UNIT PROPERTIES	Q2 2020	INCREASE/DECREASE	Q2 2019
Total Sales Volume	\$714.4M	-65.1%	\$2.05B
A V E R A G E	Price/Unit	+7.4%	\$156,922
	Price/SF	+6.6%	\$185.19
	Year Built	+1 Yr	1979
Average Rent	\$1,233	+5.4%	\$1,170
Occupancy Rate	95.0%	-0.4%	95.4%
Units Delivered	1,612	-31.8%	2,365

4,857,962  **POPULATION**
CENSUS

9.7%
+5.3%



UNEMPLOYMENT
Q-Q AS OF JUNE 2020 - BLS

-3.0%



EMPLOYMENT GROWTH
Y-Q-Y AS OF JUNE 2020 - BLS

\$64,427



MEDIAN HH INCOME
CENSUS

\$32,438



PER CAPITA INCOME
CENSUS

ABI GEONEWS: PHOENIX MSA - SELECT NEWS

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Focus on Phoenix: Multifamily Sector Shows Promise Despite Turbulence



Here Are The Projects Driving The Boom In Downtown Phoenix Development



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

21,305
Units (50+)









UNDER CONSTRUCTION
YARDI

336,882
Units (10+)



TOTAL INVENTORY
AS OF MAY 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	9.7%	\$64,427	\$32,482	312,859	21,305
 Phoenix	5.1%	\$61,506	\$31,096	140,031	8,671
 Mesa	4.3%	\$48,259	\$26,535	38,601	1,473
 Scottsdale	3.4%	\$72,455	\$56,794	28,657	1,962
 Tempe	3.8%	\$51,829	\$27,705	35,731	2,876
 Glendale	4.3%	\$49,383	\$24,586	24,473	880

PHOENIX MSA - PER CITY ANALYSIS

RENT & OCCUPANCY STATS

	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (Q2 2020)	\$1,144	\$1,118	\$1,531	\$1,438	\$1,050
% Change (y-o-y)	+6.3%	+6.9%	+2.3%	+5.2%	+6.9%
Occupancy Rate (Q2 2020)	94.7%	96.1%	94.8%	94.9%	94.8%
% Change (y-o-y)	-0.5%	-0.2%	-0.7%	+0.1%	-0.5%
Units Delivered (Q2 2020, 50+)	648	--	--	360	--

SALES DATA (100+)

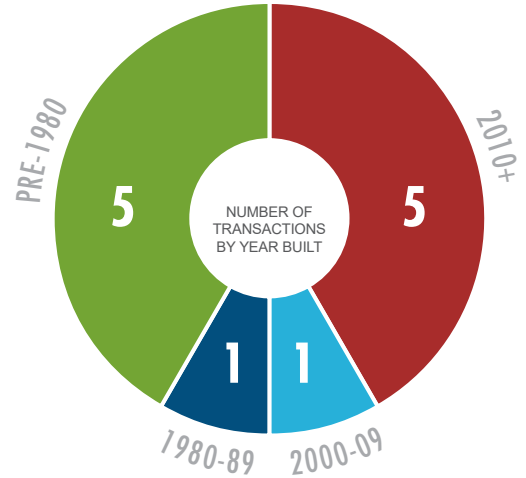
Total Sales Volume (Q2 2020, 100+)	\$174,534,000	\$41,500,000	\$0	\$144,700,000	\$55,407,000
Total Sales Volume (Q2 2019, 100+)	\$460,724,972	\$118,950,000	\$325,850,000	\$334,020,000	\$112,497,250
% Change (y-o-y)	-62.1%	-65.1%	-100.0%	-56.7%	-50.7%
Avg P/U (Q2 2020, 100+)	\$123,171	\$207,500	\$0	\$211,241	\$219,000
Avg P/U (Q2 2019, 100+)	\$117,352	\$133,802	\$262,148	\$222,680	\$112,161
% Change (y-o-y)	+5.0%	+55.1%	-100.0%	-5.1%	+95.3%

SALES DATA (10-99)

Total Sales Volume (Q2 2020, 10-99)	\$66,175,108	\$8,765,000	\$8,700,000	\$15,625,000	\$3,300,000
Total Sales Volume (Q2 2019, 10-99)	\$122,848,725	\$16,475,000	\$7,550,000	\$16,185,000	\$2,956,247
% Change (y-o-y)	-46.1%	-46.8%	+15.2%	-3.5%	+11.6%
Avg P/U (Q2 2020, 10-99)	\$142,312	\$113,831	\$212,195	\$220,070	\$94,286
Avg P/U (Q2 2019, 10-99)	\$112,191	\$93,608	\$145,192	\$114,787	\$65,694
% Change (y-o-y)	+26.8%	+21.6%	+46.1%	+91.7%	+43.5%

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2020	INCREASE/DECREASE	Q2 2019
Total Sales Volume	\$610.3M	-67.4%	\$1.87B
AVERAGE Price/Unit	\$172,938	+5.8%	\$163,514
Price/SF	\$200.95	+5.1%	\$191.24
Year Built	1996	+2 Yrs	1994



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



Jefferson Town Lake

Tempe, 244 Units | \$73,200,000
\$300,000/Unit | \$385.92/SF | Built 2019

Park Place at Fountain Hills

Fountain Hills, 230 Units | \$63,250,000
\$275,000/Unit | \$277.66/SF | Built 2018

Christopher Todd Communities at Marley Park

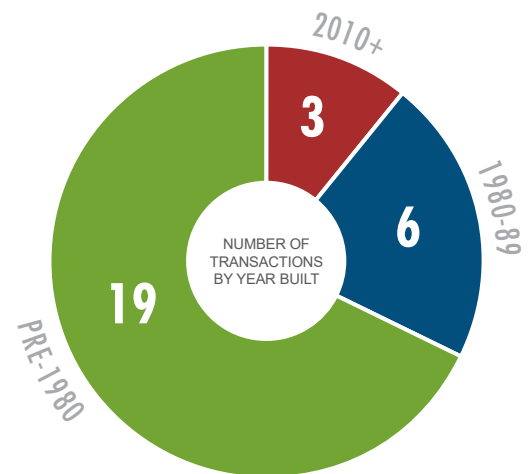
Suprise, 173 Units | \$41,693,000
\$241,000/Unit | \$270.47/SF | Built 2019

Q2 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	\$245K	\$255
2000-09	1	\$219K	\$227
1990-99	--	--	--
1980-89	1	\$160K	\$157
Pre-1980	5	\$121K	\$164

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2020	INCREASE/DECREASE	Q2 2019
Total Sales Volume	\$104M	-40.1%	\$174M
AVERAGE Price/Unit	\$146,659	+34.0%	\$109,424
Price/SF	\$178.31	+29.1%	\$138.13
Year Built	1974	+6 Yrs	1968



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



4th Street West Townhomes

Tempe, 15 Units | \$7,000,000
\$466,667/Unit | \$289.10/SF | Built 2018

Lyra Residence

Phoenix, 18 Units | \$8,106,000
\$450,333/Unit | \$255.87/SF | Built 2019

Mode 39 Arcadia Townhomes

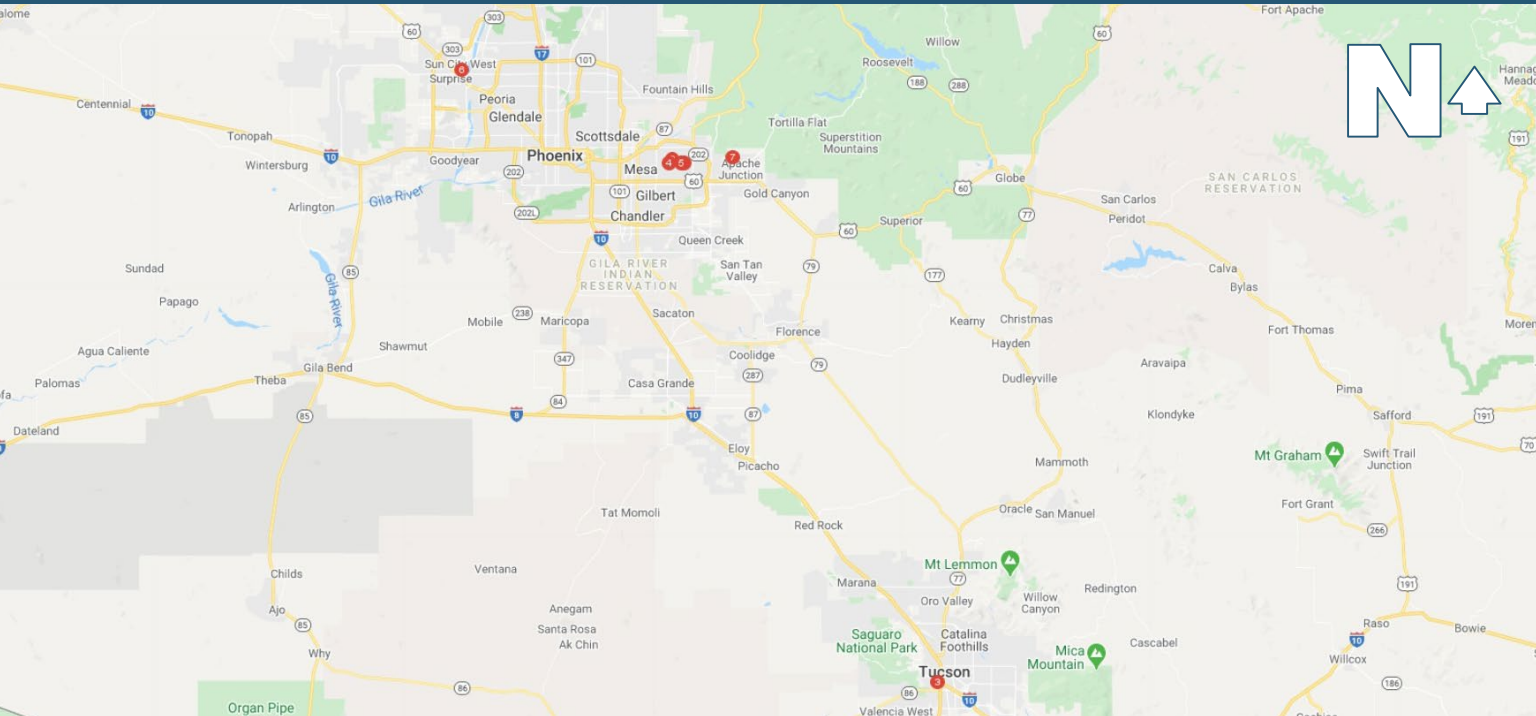
Phoenix, 13 Units | \$3,700,000
\$284,615/Unit | \$176.23/SF | Built 1964

= ABI Multifamily Transaction

Q2 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	\$327K	\$233
2000-09	--	--	--
1990-99	--	--	--
1980-89	6	\$108K	\$150
Pre-1980	19	\$137K	\$173

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q2 2020)
Transaction Volume (Q2 2019)
Avg Sales Price / Space (Q2 2020)
Avg Sales Price / Space (Q2 2019)

PHOENIX MSA

\$188,550,000
\$49,177,018
\$137,628
\$47,560

TUCSON MSA

\$30,000,000
\$7,956,000
\$71,770
\$61,674

OTHER AZ MSA

\$0
\$0
--
--

FAMILY

Transaction Volume (Q2 2020)
Transaction Volume (Q2 2019)
Avg Sales Price / Space (Q2 2020)
Avg Sales Price / Space (Q2 2019)

\$45,700,000
\$70,485,480
\$141,925
\$68,632

\$0
\$7,390,000
--
\$20,358

\$0
\$0
--
--

Total Transaction Volume (2020 YTD, 50+)

\$234,250,000

\$30,000,000

\$0

Number of Transactions (2020 YTD, 50+)

6

1

0

MHP INVENTORY (50+)

INVENTORY

Total Spaces
Age Restricted/55+
Family

PHOENIX MSA

86,363
60,662
25,701

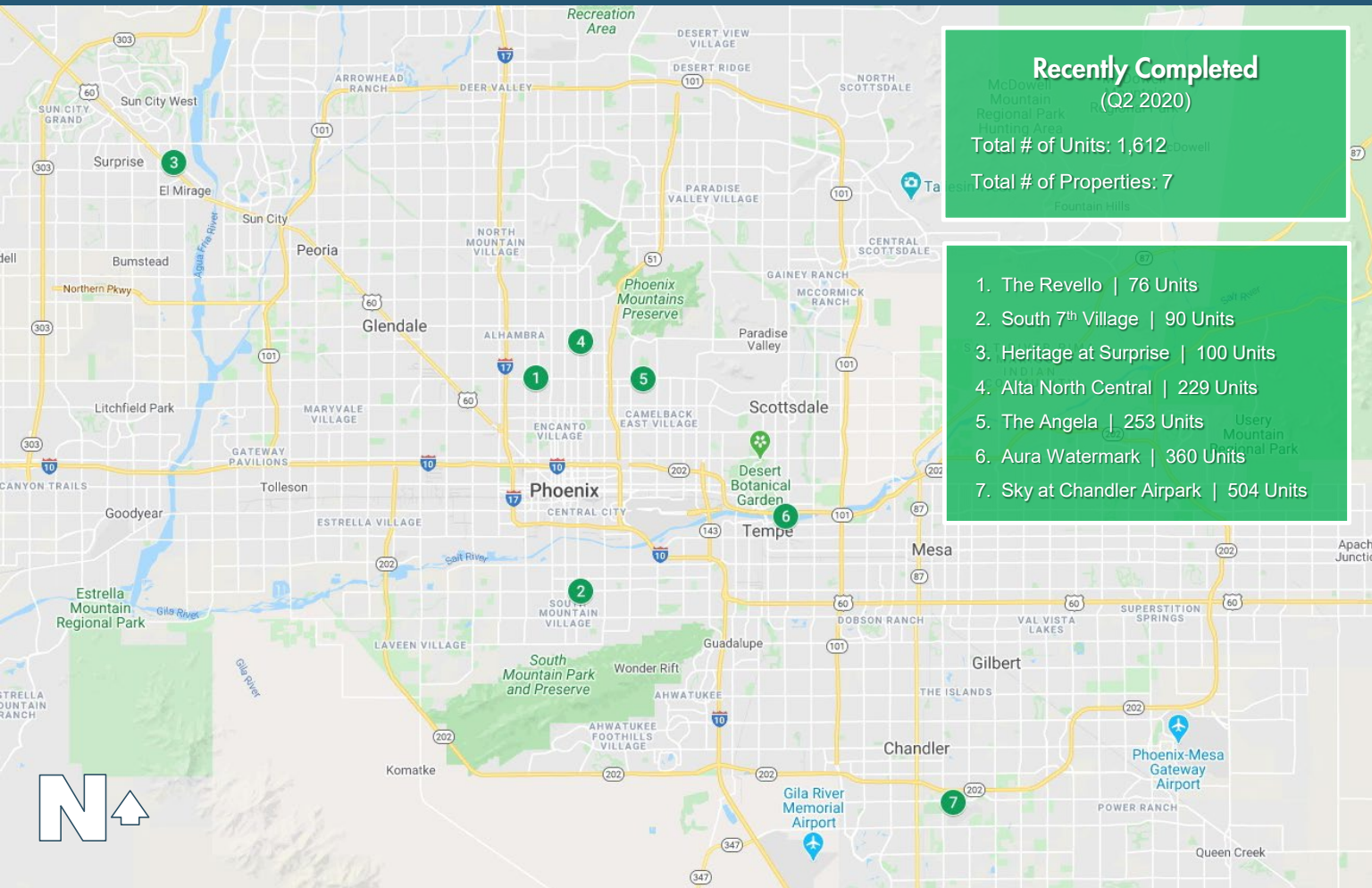
TUCSON MSA

22,309
11,962
10,347

OTHER AZ MSA

30,591
12,369
18,222

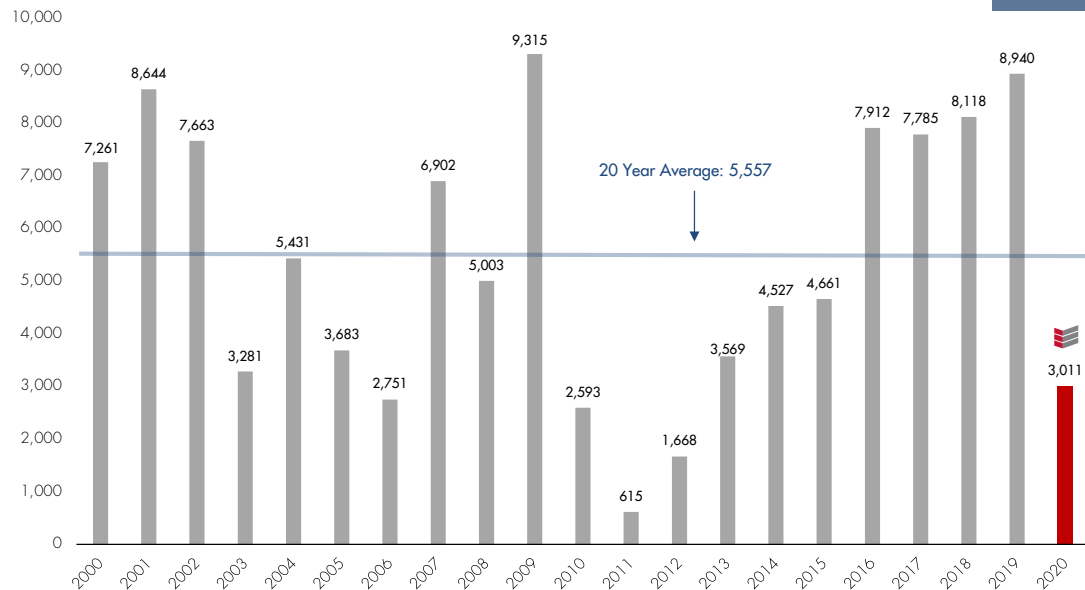
COMPLETED CONSTRUCTION



Recently Completed
(Q2 2020)
Total # of Units: 1,612
Total # of Properties: 7

1. The Revello | 76 Units
2. South 7th Village | 90 Units
3. Heritage at Surprise | 100 Units
4. Alta North Central | 229 Units
5. The Angela | 253 Units
6. Aura Watermark | 360 Units
7. Sky at Chandler Airpark | 504 Units

PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q2 2020



TOTAL UNIT INVENTORY
10+ UNIT PROPERTIES: **336,882**
50+ UNIT PROPERTIES: **312,859**

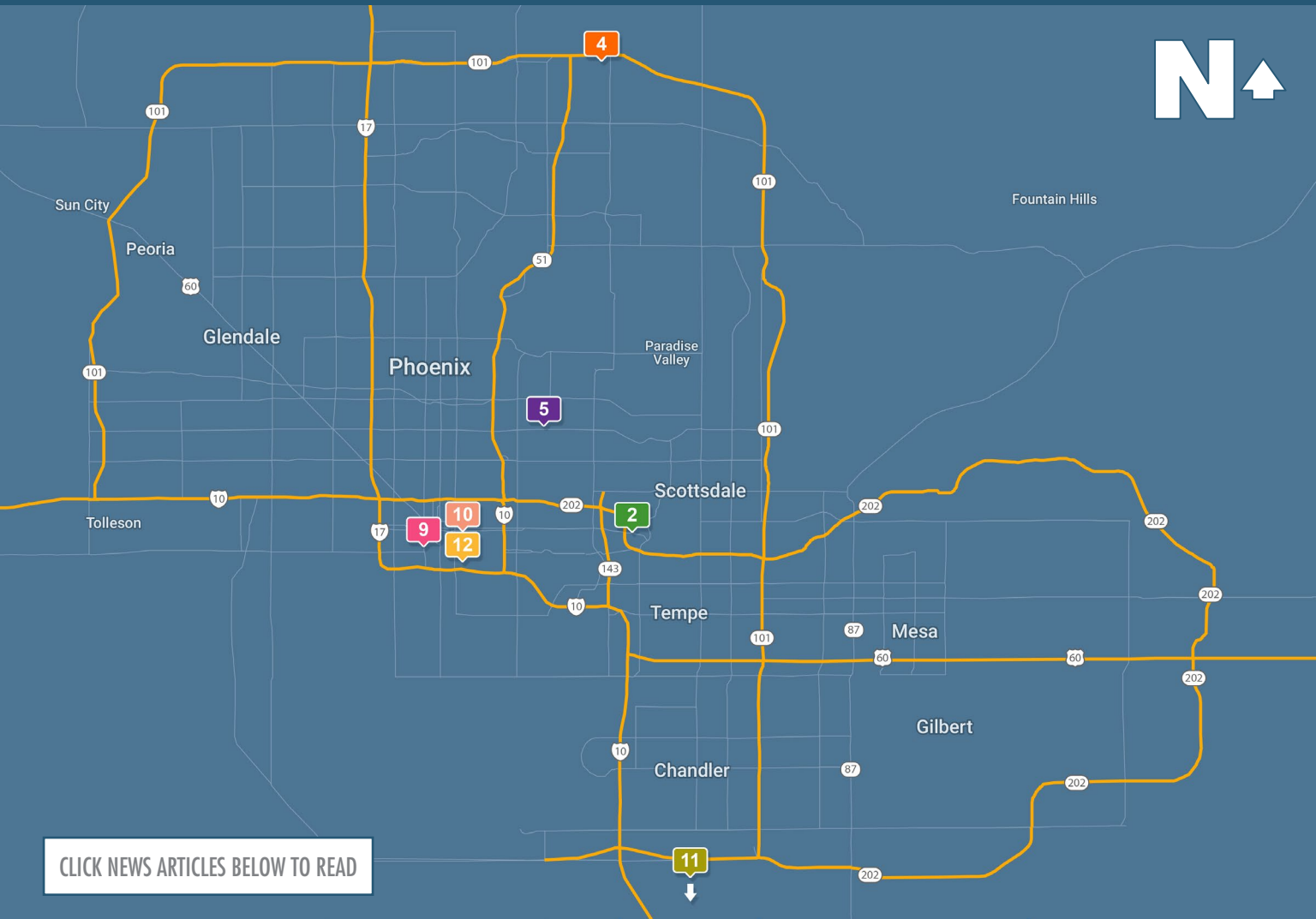
PRE-LEASE ABSORPTION RATE
11
Units/Property/Month
(Q2 2020 Avg)

Under Construction
Total # of Units: 21,305
Total # of Properties: 90

Planned
Total # of Units: 23,165
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 - SELECT NEWS



CLICK NEWS ARTICLES BELOW TO READ

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

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

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

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Here Are The Projects Driving The Boom In Downtown Phoenix Development

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Sagewood Launches \$100 Million Phase II

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

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Phoenix workforce housing development planned for Arcadia area

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

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

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

The Ongoing Impact of COVID-19 on the Multifamily Market

BY: DREW RICCIARDI, RESEARCH MANAGER

By the end of the first quarter of 2020, the initial repercussions of the COVID-19 Pandemic had settled in and it was clear the second quarter would feel the wrath of the Pandemic. The nation witnessed the sharpest quarterly contraction post-WWII, with unemployment rates reaching historical highs and the GDP significantly declining.

Still, among most industry leaders, there is a consensus that the multifamily industry has weathered the storm for now, and a quick recovery will soon ensue. This is based on the assumptions that the virus is sufficiently contained and there are no more economic shutdowns that diminish employment any further.

National Impact

Industry experts project the multifamily market to reach its floor towards the end of 2020. Yardi Matrix reports anticipate a strong rebound in 2021, largely based on the strength the industry had at the start of 2020. Yardi Matrix foresees national rents dropping further in the second half of 2020 but recovering in 2021 with vacancy rates following a similar path as luxury units struggle to lease-up at this time.

By the end of June, the national average rent decreased \$12 since January, according to Yardi Matrix's latest June National Multifamily Report. For the first time since December of 2010, year-over-year rent growth was negative in June.

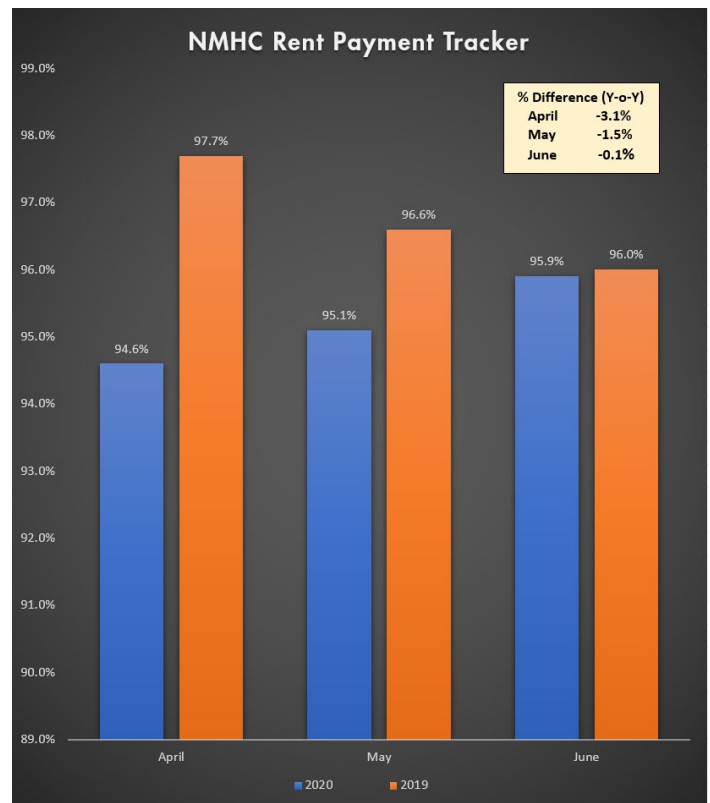
Multifamily construction took a hit from COVID-19 as well. According to Moody's Analytics, by the end of 2020, forecasted deliveries nationally were approximately 300,000 units. Now, construction delays have decreased that forecast to about 240,000 units.

A survey compiled by the National Multifamily Housing Council (NMHC), including 61 responses from multifamily construction firms, reported 57% of them experiencing construction delays. Of those construction delays, 83%

were attributed to permitting delays.

Due to the closing of businesses and stay-at-home orders put in place by state officials to fight the spread of the virus, the U.S. eliminated 25 million jobs from February to April. As a result, multifamily real estate experts were worried about renters' ability to pay rent on time.

With the help of the CARES Act granting Americans direct payments and extending unemployment benefits, monthly rent payments have been nearly on par compared to last year. According to the NMHC Rent Payment Tracker, there was a slight decrease in monthly rent payments compared to 2019 but not enough of a decrease to be alarmed, given the state of the world.



A clear trend shows the monthly gap in percentage difference year-over-year shrinking from April to June.

Now, with some unemployment benefits expiring, the industry's previous fear of a wave of delinquent rents has reared its ugly head again. Luckily, a second stimulus package from Washington seems imminent, but the components are unclear.

Government Aid

The Federal Government has made it clear they are determined to use every resource at their disposal to help combat this economic downturn.

President Trump signed an executive order extending the eviction moratorium, establishing a payroll tax holiday, extending unemployment benefits, and deferring student loan payments through 2020. However, implementation seems like another potential quagmire.

Under the executive order, the unemployment bonus is extended at a reduced level of \$300 per week instead of \$600, with states having the option to contribute \$100 more. States also have to apply and be approved by FEMA to receive the funds. FEMA has approved eight states for grant funding, with Arizona being one of the states and the first to start making payments.

Reports suggest the President's executive order may be contested legally as some deem it unconstitutional.

The Federal Reserve took action by leaving interest rates near zero and plan to hold them there for the foreseeable future. The central bank said in a post-meeting statement that they will continue to keep low rates in place until they are "confident that the economy has weathered recent events."

These low rates have created a rush to refinance multifamily properties. Many big banks and life insurance companies have been more cautious in lending, but Fannie Mae and Freddie Mac have been willing to grant loans with interest rates fixed at a spread during a time with historically low-interest rates.

Jerome Powell, the Fed chair, said the central bank is committed to using all its resources to "provide some relief and stability to ensure that the recovery will be as strong as possible and to limit lasting damage to the economy."

Since the start of the pandemic, the Fed has implemented nine emergency lending programs and plans to extend them through the end of 2020.

As of writing this, another stimulus package sounds like almost a guarantee at this point. The components of

the stimulus package are still being hashed out between political parties, but House Speaker Nancy Pelosi indicated that splitting the bill in pieces as a "skinny bill" may be a possibility to grant aid to Americans quicker.

A second stimulus check of up to \$1,200 for qualified citizens, similar to the CARES Act qualifications, seems to be agreed upon. Items that are being disagreed upon, but are a possibility in a new bill, include funding for schools, unemployment benefits, funding for the US Postal Service, liability protection against coronavirus-related cases, changes to the Payroll Protection Program, return-to-work payments, employee retention tax credit, eviction moratorium, and payroll tax cuts.

The State of the Phoenix Multifamily Market

At the start of the quarter, stay-at-home orders and economic shutdowns were in full effect across the nation, Phoenix being one of them. The national unemployment rate hit an unimaginable 14.7% as businesses closed their doors, leaving millions of Americans out of work.

That being said, Phoenix managed to withstand the temporary downturn far better than the majority of major markets in the United States. Phoenix presents a diverse job market that provided job security during the shutdown, with 60% of the private sector working in either bioscience, healthcare, manufacturing, technology, or business and financial services. In no uncertain terms, Phoenix as a whole is in a much more favorable position compared to the dynamics that existed over a decade ago during the Great Recession.

Arizona Governor Doug Ducey's more relaxed definitions of essential businesses, compared to other markets, permitted businesses, like manufacturing and construction, to remain open and retain jobs.

According to the U.S. Bureau of Labor Statistics, of all U.S. metros with over one million in population, Phoenix and Dallas had the lowest year-over-year April job loss at 7.6%.

For multifamily, the Arizona governor extended the eviction moratorium until the end of October to ensure renters impacted by COVID-19 can access rental assistance programs.

A more glaring and immediate impact on multifamily was a significant slowdown in deal flow compared to last year. Sales volume in the Phoenix MSA dropped 65% YoY. Rent and occupancy rates are expected to slightly decline and then regain momentum in 2021.

On the other hand, while teleworking has become the new

normal, expect more migration to Arizona from residents with college degrees and high levels of professional skills, fleeing more expensive and high-density markets, now that remote working has freed them up to work from essentially anywhere.

Christine Mackay, director of Phoenix Community and Economic Development, said “what we see is that workers in other markets where housing affordability is already a serious problem may decide to telework from places with a better quality of life and more affordable housing options. Phoenix offers that environment.”

In terms of development, the Phoenix City Council helped aid Phoenix development by approving deadline extensions to offer developers flexibility on projects. Deliveries are down 32% compared to this time last year when deliveries were projected to outpace 2019 in 2020. That being said, Yardi Matrix still projects 10,699 units to be delivered by years end, a 19% increase from 2019. This is a result of the planned and under construction pipeline being loaded with units set to be delivered to help resolve the ongoing problem of demand outpacing supply.

Going into the fall, many people had questions about student housing for the next fall semester. Surprisingly, strong demand persists for Arizona’s largest universities.

Chris Fiscus, a spokesman for Arizona State University, said “at this point, the number of students submitted paperwork to live in university housing is in line with past semesters.”

Jessica Morin, director of market analytics for CoStar Group in Phoenix, stated “preleasing for fall 2020 at ASU’s Tempe campus is at 66%, above the 56% preleasing activity nationwide.” Grand Canyon University has 73% of students coming from out of state that will all need a place to live.

The possibility of an uptick in off-campus student housing leases may also become a reality with parents preferring their children to live in a more secluded one-bedroom apartment than a packed dormitory.

As of now, ASU, GCU, and UA plan to hold in-person classes this fall with special guidelines and protocols in place to promote a safe environment for students. However, things can change in a blink of an eye, as we have all seen throughout this troubling pandemic.

Barring any major setback, data shows a path to a quicker recovery for the Phoenix multifamily market compared to an already projected quick recovery for the rest of the nation.

Phoenix Market Metrics: By the Numbers

As expected, Q2 2020 data was severely impacted in some volume metrics from the effects of COVID-19, but maintained healthy growth in both Average Price-Per-Unit and Average Price/SF.

For 10-99 unit properties, Q2 saw a transaction volume of approximately \$104 Million, which represented a 40.1% Year-over-Year decrease from Q2 2019. In the 100+ unit category, Q2 brought in \$610 Million, down 67.4% YoY.

Average Price-Per-Unit amounts were up in both segments. For 10-99, an increase of 34.0% was reported YoY at \$146,659. 100+ data witnessed an increase of 5.8% at \$172,938. These translated to an Average Price/SF of \$178.31 in 10-99 (up 29.1%) and \$200.95 (up 5.1%) in 100+.

Inventory age saw an increase Year-over-Year for the 10-99 segment, with an Average Year Built of 1974, versus 1968. Average Year Built in 100+ had a slight increase of 2 years YoY at 1996.

The market’s occupancy rate took a hit. Q2 occupancy for 10+ units was 95.0%, a decrease of 0.4% YoY. Average rent was \$1,233, up \$63 (5.4%) from last year.

Phoenix MSA demographics continued their solid trends. The Census estimate of total population was 4,857,962. The unemployment rate finished the quarter at a high 9.7%, according to Bureau of Labor Statistics numbers.

Median Household Income was \$64,427, and Per Capita Income came in at \$32,438.

In the realm of new construction for 50+ unit properties, 1,612 units were delivered across 7 projects this quarter. Q2 2019 delivered 2,365 units across 10 projects.

An estimated 23,165 units are in the Planning stages across 90 properties. A total of 21,305 units were listed as Under Construction in 90 properties -- very high totals for both property status designations.

Pre-lease absorption rates finished low this quarter at a rate of 11 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 312,859.

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

- **Phoenix:** 140,031
- **Mesa:** 38,601
- **Tempe:** 35,731
- **Scottsdale:** 28,657
- **Glendale:** 24,473

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NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

100+ UNIT PROPERTIES

10-99 UNIT PROPERTIES



MONTEREY VILLAGE APARTMENTS

4707 East McDowell Road
Phoenix, AZ 85008

Price: \$26,450,000
Units: 252
Year Built: 1983

DESERT WILLOW APARTMENTS

2025 West Indian School Road
Phoenix, AZ 85015

Price: \$20,700,000
Units: 280
Year Built: 1973

MONTEROSA VILLAS

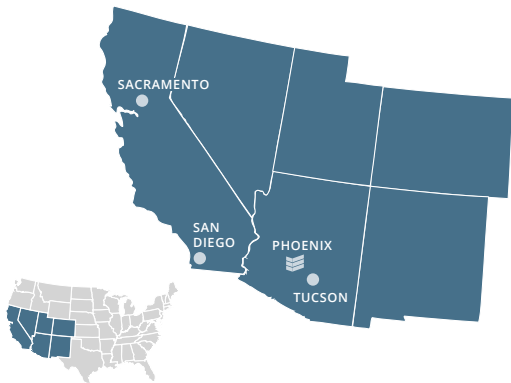
4112 - 4114 North 22nd Street
Phoenix, AZ 85016

Price: \$6,947,500
Units: 19
Year Built: 2013

MODERN RETRO LIVING

2122 East Fairmount Avenue
Phoenix, AZ 85016

Price: \$4,470,000
Units: 23
Year Built: 1956



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