

PHOENIX MSA | MULTIFAMILY | Q1 2020 REPORT

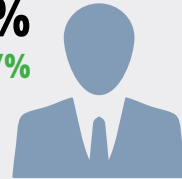
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10+ UNIT PROPERTIES	Q1 2020	INCREASE/DECREASE	Q1 2019
Total Sales Volume	\$1.39B	-35.2%	\$2.15B
AVERAGE	Price/Unit	+15.7%	\$150,153
	Price/SF	+21.4%	\$177.11
	Year Built	-1 Yr	1984
Average Rent	\$1,235	+8.2%	\$1,141
Occupancy Rate	95.1%	-0.4%	95.5%
Units Delivered	1,399	-45.9%	2,587

4,857,962  **POPULATION**
CENSUS

4.7%
+0.7%



UNEMPLOYMENT
Q-O-Q AS OF MAR 2020 - BLS

2.7%



EMPLOYMENT GROWTH
Y-O-Y AS OF MAR 2020 - BLS

\$64,427



MEDIAN HH INCOME
CENSUS

\$32,482



PER CAPITA INCOME
CENSUS

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ABI in the News: How the Coronavirus Is Slowing Phoenix Metro



23-Story High-Rise Planned for Downtown Phoenix 'Opportunity Zone'



Nacero \$3B Casa Grande Plant Will Create 2,000 Construction Jobs

19,730

Units (50+)



UNDER CONSTRUCTION
YARDI







335,006

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	4.7%	\$64,427	\$32,482	310,916	19,730
 Phoenix	5.0%	\$61,506	\$31,096	139,317	7,094
 Mesa	4.1%	\$48,259	\$26,535	38,658	1,140
 Scottsdale	3.4%	\$72,455	\$56,794	28,657	1,964
 Tempe	3.8%	\$51,829	\$27,705	34,726	3,070
 Glendale	4.3%	\$49,383	\$24,586	24,528	553

PHOENIX MSA - PER CITY ANALYSIS

RENT & OCCUPANCY STATS

	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (Q1 2020)	\$1,141	\$1,103	\$1,592	\$1,426	\$1,046
% Change (y-o-y)	+9.0%	+8.9%	+7.6%	+7.0%	+8.6%
Occupancy Rate (Q1 2020)	94.7%	96.0%	95.9%	95.0%	94.9%
% Change (y-o-y)	-0.6%	-0.2%	+0.1%	-0.1%	-0.5%
Units Delivered (Q4 2020, 50+)	258	346	--	259	53

SALES DATA (100+)

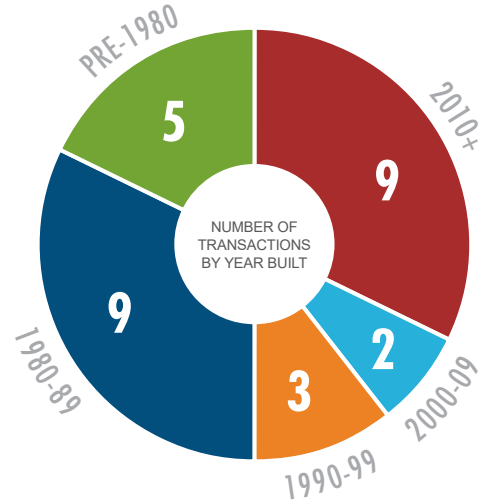
Total Sales Volume (Q1 2020, 100+)	\$535,175,000	\$62,600,000	\$19,000,000	\$296,661,111	\$60,206,000
Total Sales Volume (Q1 2019, 100+)	\$783,230,000	\$215,950,000	\$185,300,000	\$249,125,000	\$172,320,000
% Change (y-o-y)	-31.7%	-71.0%	-89.7%	+19.1%	-65.1%
Avg P/U (Q1 2020, 100+)	\$170,928	\$136,087	\$172,727	\$212,813	\$138,724
Avg P/U (Q1 2019, 100+)	\$145,609	\$124,827	\$290,437	\$179,098	\$107,767
% Change (y-o-y)	+17.4%	+9.0%	-40.5%	+18.8%	+28.7%

SALES DATA (10-99)

Total Sales Volume (Q1 2020, 10-99)	\$98,690,000	\$55,228,450	\$4,000,000	\$20,500,000	\$900,000
Total Sales Volume (Q1 2019, 10-99)	\$91,749,295	\$8,728,000	\$6,151,000	\$7,335,000	\$6,035,000
% Change (y-o-y)	+7.6%	+532.8%	-35.0%	+179.5%	-85.1%
Avg P/U (Q1 2020, 10-99)	\$131,062	\$162,916	\$166,667	\$227,778	\$90,000
Avg P/U (Q1 2019, 10-99)	\$113,974	\$136,375	\$157,718	\$112,846	\$61,582
% Change (y-o-y)	+15.0%	+19.5%	+5.7%	+101.8%	+46.1%

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2020	INCREASE/DECREASE	Q1 2019
Total Sales Volume	\$1.21B	-40.5%	\$2.03B
AVERAGE Price/Unit	\$179,424	+17.0%	\$153,368
AVERAGE Price/SF	\$224.76	+24.6%	\$180.39
AVERAGE Year Built	1996	+5 Yrs	1991



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



West Sixth

Tempe, 375 Units | \$123,000,000
\$328,000/Unit | \$319.91/SF | Built 2011

Arista at Ocotillo

Chandler, 211 Units | \$65,000,000
\$308,057/Unit | \$268.27/SF | Built 2019

Broadstone Osborn

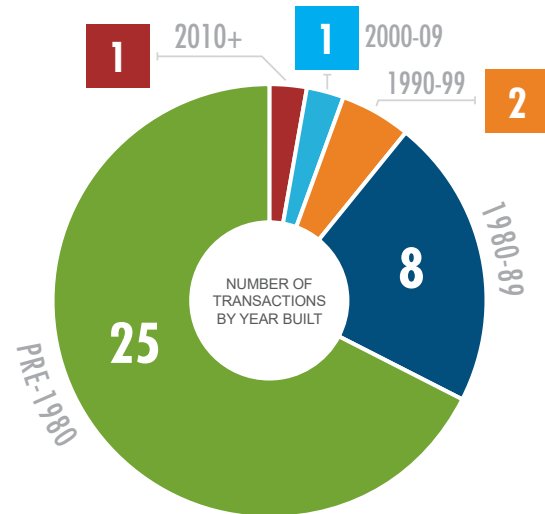
Phoenix, 200 Units | \$60,000,000
\$300,000/Unit | \$351.26/SF | Built 2019

Q1 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	9	\$273K	\$279
2000-09	2	\$208K	\$215
1990-99	3	\$219K	\$217
1980-89	9	\$133K	\$185
Pre-1980	5	\$126K	\$181

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2020	INCREASE/DECREASE	Q1 2019
Total Sales Volume	\$186M	+54.3%	\$120M
AVERAGE Price/Unit	\$144,296	+30.1%	\$110,892
AVERAGE Price/SF	\$167.64	+23.6%	\$135.58
AVERAGE Year Built	1974	+2 Yrs	1972



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



Dolce Villagio

Tempe, 37 Units | \$11,500,000
\$310,811/Unit | \$220.49/SF | Built 2007

The Presidio Apartments

Mesa, 71 Units | \$16,000,000
\$225,352/Unit | \$188.53/SF | Built 2020

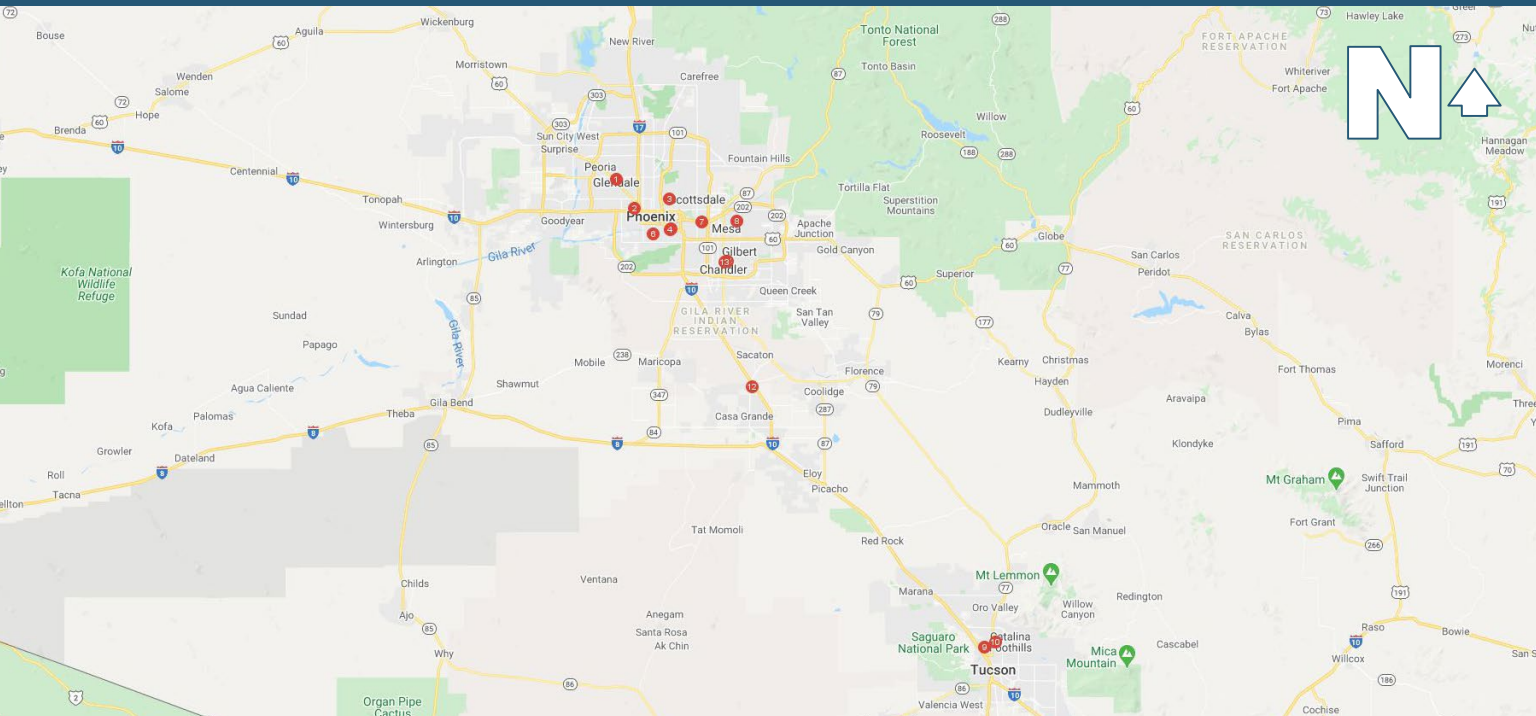
Arcadia Palms

Phoenix, 34 Units | \$6,700,000
\$197,059/Unit | \$275.36/SF | Built 1964

Q1 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$225K	\$189
2000-09	1	\$311K	\$220
1990-99	2	\$160K	\$152
1980-89	8	\$147K	\$166
Pre-1980	25	\$124K	\$164

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q1 2020)
Transaction Volume (Q1 2019)
Avg Sales Price / Space (Q1 2020)
Avg Sales Price / Space (Q1 2019)

PHOENIX MSA

\$15,000,000
\$0
\$44,118
--

TUCSON MSA

\$0
\$6,401,540
--
\$45,401

OTHER AZ MSA

\$0
\$0
--
--

FAMILY

Transaction Volume (Q1 2020)
Transaction Volume (Q1 2019)
Avg Sales Price / Space (Q1 2020)
Avg Sales Price / Space (Q1 2019)

\$57,082,000
\$47,630,000
\$66,998
\$38,411

\$5,450,000
\$6,050,000
\$42,570
\$12,983

\$0
\$0
--
--

Total Transaction Volume (2020 YTD, 50+)

\$72,082,000

\$5,450,000

\$0

Number of Transactions (2020 YTD, 50+)

12

2

0

MHP INVENTORY (50+)

INVENTORY

Total Spaces
Age Restricted/55+
Family

PHOENIX MSA

83,737
58,830
24,907

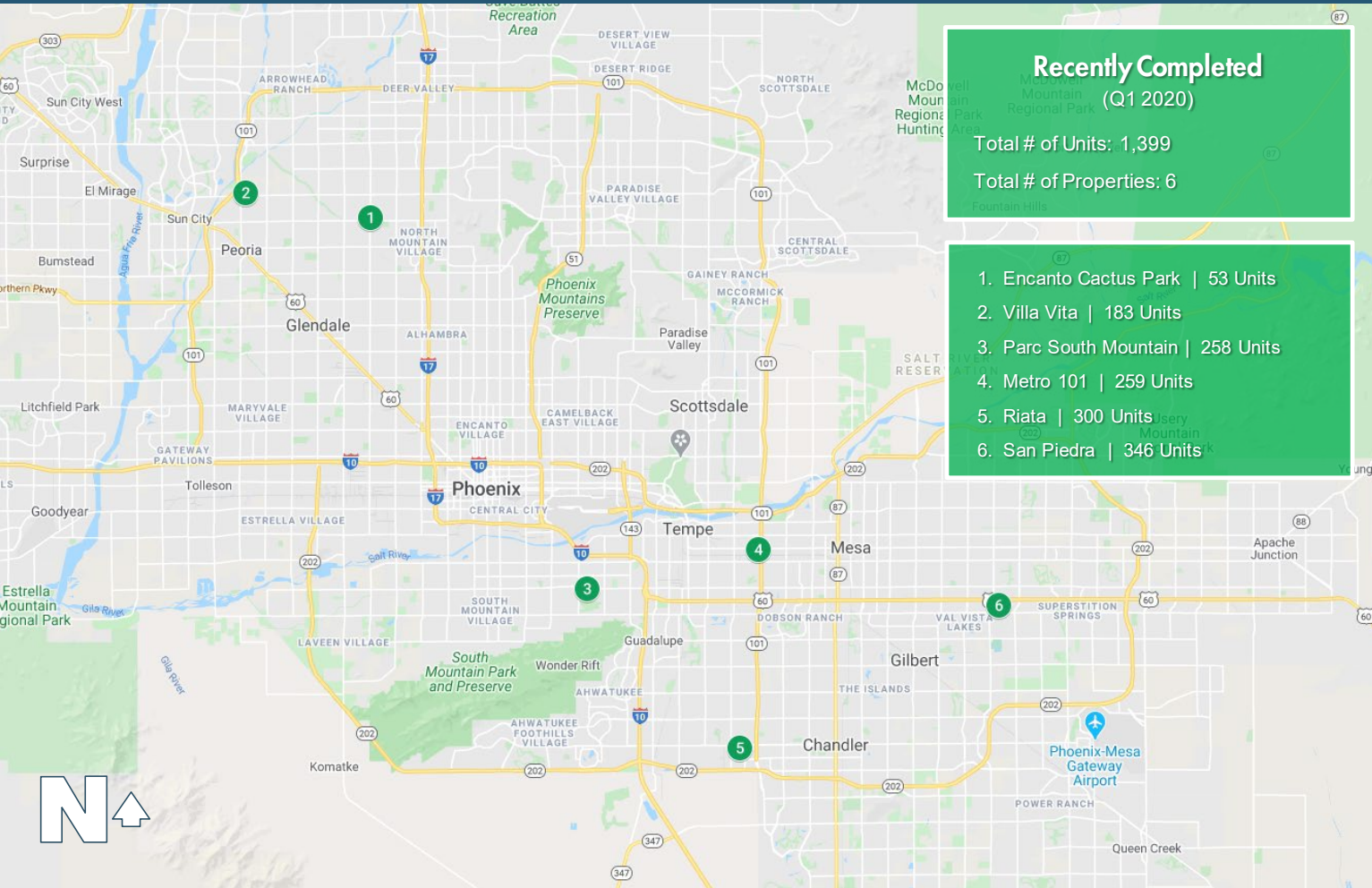
TUCSON MSA

22,348
12,039
10,309

OTHER AZ MSA

18,818
9,166
9,572

COMPLETED CONSTRUCTION

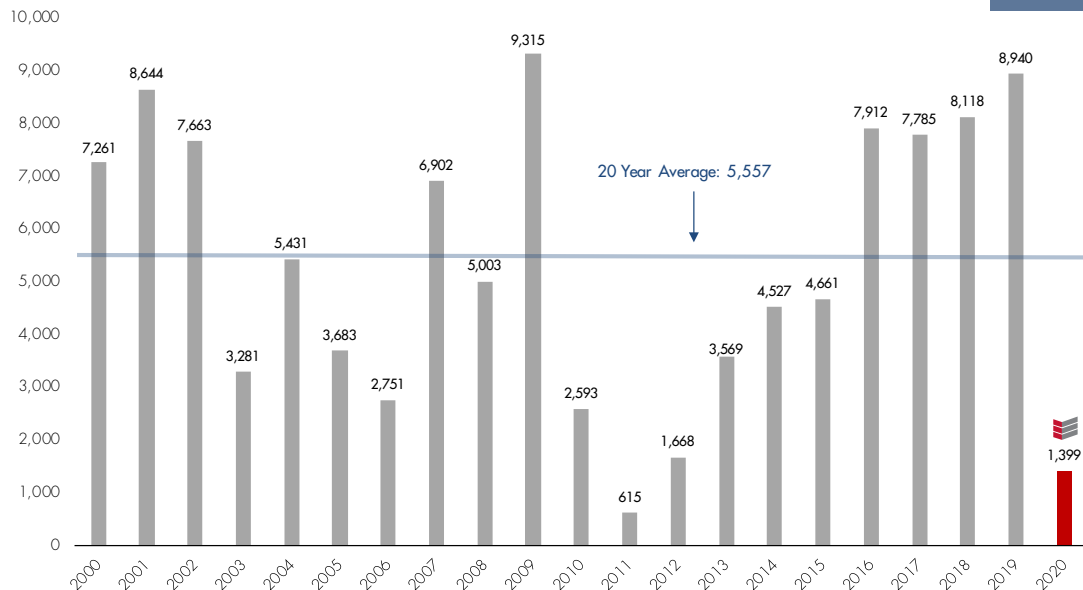


Recently Completed
(Q1 2020)

Total # of Units: 1,399
Total # of Properties: 6

1. Encanto Cactus Park | 53 Units
2. Villa Vita | 183 Units
3. Parc South Mountain | 258 Units
4. Metro 101 | 259 Units
5. Riata | 300 Units
6. San Piedra | 346 Units

PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q1 2020



TOTAL UNIT INVENTORY

10+ UNIT PROPERTIES: **335,006**

50+ UNIT PROPERTIES: **310,983**

PRE-LEASE ABSORPTION RATE

11

Units/Property/Month
(Q1 2020 Avg)

Under Construction

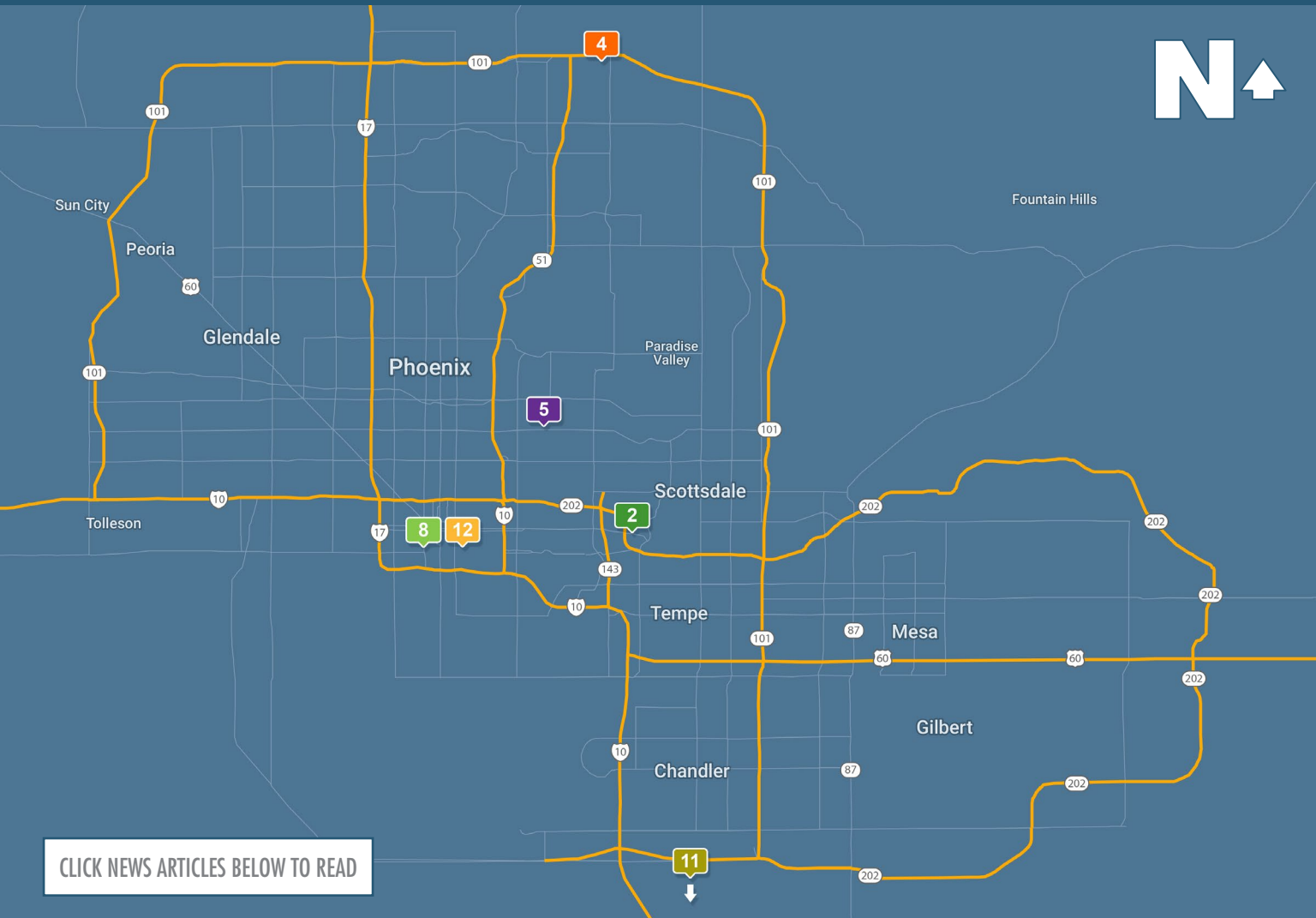
Total # of Units: 19,730
Total # of Properties: 79

Planned

Total # of Units: 23,347
Total # of Properties: 93

* 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



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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

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100-Plus Unit Apartment Sales Pick Up in Phoenix

5 **Urban Communities LLC**
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 Multifamily Market & Initial Repercussions of COVID-19



BY: DREW RICCIARDI, RESEARCH MANAGER

COVID-19 Impact on Multifamily

COVID-19 has engulfed the globe before our very eyes. Only a couple months ago, our nation's economic markets were robust, multifamily development was on pace for a healthy year, and job growth continued a consistent rise. Now, with the economy experiencing a degree of turbulence, the multifamily industry observes from a daunting position of uncertainty.

Will renters be able to pay their rent?

New data is beginning to help diminish that position of uncertainty. According to the National Multifamily Housing Council's latest Rent Payment Tracker data, 80% of Phoenix MSA renters paid in April. In May, 86.2% paid their landlords compared to 89% in May 2019. That is great news relative to our current unprecedented events.

Government aid seems to be a major factor in the increase in rent paid and the fact that rent and home payments are typically a person's first priority. The finish to June and July rent payments will be even more telling for multifamily.

The Government Steps in to Help

The U.S. Government helped assist the common tax-paying American by passing the CARES Act with a one-time stimulus check (depending on income) of \$1,200 for individuals, \$2,400 for married couples, \$500 for each dependent child, and an extra \$600 a week for unemployment assistance until July 31.

The FED acted by cutting interest rates for short-term lending down to near zero along with a number of programs to improve money markets, incentivize businesses not to lay off employees, and to add more credit facilities.

State and local governments have imposed moratoriums on evictions while providing rental payment assistance programs.

Industry leaders are lobbying for more financial assistance for renters. Amherst, a data and analytics firm, projects American renters may need up to \$12 billion each month for the next three to six months.

The downside of all this new money being injected into the

economy is inflation. In the immediate future, goods and materials will be less expensive because of a surplus of current existing inventory. Once current inventory is sold off, the cost to produce the next production runs of goods and materials will increase.

Risk is a Component of an Interest Rate

Multifamily lending has also felt the repercussions of this pandemic. An interesting roundtable discussion with industry leaders provided by Multifamily Executive Magazine helped paint a picture of lending moving forward.

"The silver lining is multifamily is one of the few property types that has somewhat functional capital markets with a majority of the financing liquidity being provided by the agencies like Freddie Mac, Fannie Mae, and the Department of Housing and Urban Development," says Robert Hart, President and CEO of TruAmerica. "Due to uncertainty of future rent projections, new household information, and occupancies because of the pandemic...the agencies and most banks are quoting higher spreads, using index floors, and requiring mortgage payment escrow reserves for up to twelve months depending on the type of loan requested."

CEO and Chairman of Waterton, David Schwartz, stated, "Agency lenders are still active, but spreads are up and underwriting is factoring in reality, banks will still lend, but on a relationship basis, no other real lending out there...debt funds are gone, CMBS is gone, and insurance companies are more or less out of the market."

On the construction side, development has been impacted significantly. Severity varies state by state, but factors like a disruption in the supply chain, lack of new construction financing, the closing of local government offices, and the delay of public planning & zoning hearings have complicated the entitlement and approval process. This does not help the existing housing shortage the U.S. currently faces.

It is abundantly clear that opening the country's economy is critical to avoid unemployment, multifamily's largest threat.

Where We Were Going vs. Where We Are Now

At the start of 2020, the common consensus around the industry (including myself) was that we were in store for another extraordinary year for multifamily.

In my 2019 Year-End Report, I spoke about the Fannie Mae 2020 Multifamily Forecast having a bright outlook. According to Fannie Mae researchers, “driven in part by consumer spending, job growth, and low interest rates, the 2020 outlook for the multifamily sector remains positive.”

CBRE projected national multifamily deliveries to be the second most units delivered in the past twelve years at 280,000 units.

In the Phoenix MSA, the combination of rent growth, healthy occupancy rates, lower cost of living, and high renter demand contributed to the positive outlook in 2020. Newmark Knight Frank Research had Phoenix leading all markets in multifamily total returns in 2019.

According to the National Multifamily Report by Yardi Matrix, Phoenix rents increased 7.6% year over year in March, just as COVID-19 hit, leading the entire nation in rent growth.

New construction deliveries were projected to outperform the record year witnessed in 2019 to help address the major supply/demand imbalance felt in the Valley (demand outpacing supply).

Now that the effects of COVID-19 have set in, the 2020 multifamily outlook has been altered. Investors are being patient while this plays out. The majority of listings have been taken off market, numerous deals have fallen out of escrow, and buyers are demanding prices be cut 5%-15% due to the risk factor. Rent growth and occupancy rates will eventually drop.

The development pipeline is full of planned and under-construction properties, but the timeline for the completion of these projects is unclear. Affordable housing inventory remains a problem, especially considering affordable housing demand is likely to spike.

Moving forward, developers may consider co-working to be multifamily’s hottest new amenity, with the recent surge of corporate offices trending towards remote working.

Arizona’s stay-at-home order expires May 15th with some “non-essential” retail operations, like salons and restaurants, opening gradually before that date. Some states have already begun phase one of opening their economies. I foresee states to slowly start to open, with Northeast markets trailing behind.

Unemployment numbers will begin to drop with businesses opening their doors to the public again. That said, Phoenix Economic Development Director Christine Mackay believes a startling one in four small businesses in the city may never reopen.

The real effects will be highlighted in Q2 2020 data. As long as the nation does not experience a major setback, investors’ and

lenders’ fear of the unknown will subside. The economy pre-COVID-19 was healthy as can be, and because of that, there is a great chance that the Coronavirus Recession will be shaped more like a “V” or a small “U” rather than an “L”. Optimistically, the path to normality could return around the start of 2021.

Phoenix Market Metrics: By the Numbers

Q1 2020 witnessed a healthy start in the first two months with a poor finish in the month of March as a result of the initial effects of COVID-19.

For 10-99 unit properties, Q1 saw a transaction volume of approximately \$186 Million, which represented a 54.3% Year-over-Year Increase from Q1 2019. In the 100+ unit category, Q1 brought in \$1.21 Billion, down 40.5% YoY.

Average Price-Per-Unit amounts were up in the 10-99 segment, rising 30.1% YoY to \$144,296, and up 17.0% to \$179,424 for 100+. These translated to an Average Price/SF of \$167.64 in 10-99 (up 23.6%) and \$224.76 (up 24.6%) in 100+.

Inventory age saw an increase Year-over-Year, with Average Year Built for 10-99 being 1974, versus 1972. Average Year Built in 100+ was 1996, compared to 1991 in Q1 2019.

The market’s occupancy rate took a hit. Q1 occupancy for 10+ units was 95.1%, a decrease of 0.4% YoY. Average rent was \$1,235, up \$94 (8.2%) 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 4.7%, 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, 1,399 units were delivered across 6 projects to start the year. A disappointing number considering 2,587 units were delivered by this time last year.

Currently, an estimated 23,347 units are in the Planning stages across 93 properties. A total of 19,730 units were listed as Under Construction in 79 properties.

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

Total Unit Inventory for 50+ unit properties came in at 310,983.

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

- **Phoenix:** 139,317
- **Mesa:** 38,658
- **Tempe:** 34,726
- **Scottsdale:** 28,657
- **Glendale:** 24,528

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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

LAS HADAS APARTMENTS

9240 East Redfield Road
Scottsdale, AZ 85260

Price: \$19,000,000
Units: 110
Year Built: 1987

FERNWOOD COURT APARTMENTS

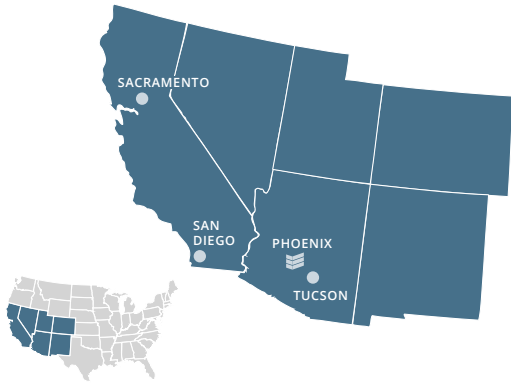
15430 North 25th Street
Phoenix, AZ 85032

Price: \$6,150,000
Units: 32
Year Built: 2010

SCOTTSDALE TOWNHOUSE APARTMENTS

3212 North 70th Street
Scottsdale, AZ 85251

Price: \$6,050,000
Units: 25
Year Built: 1973



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