



## PHOENIX MSA | MULTIFAMILY | Q1 2021 REPORT

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### 10+ UNIT PROPERTIES Q1 2021 INCREASE/DECREASE Q1 2020

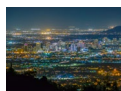
A V E R A G E	Total Sales Volume	\$2.2B	+55.3%	\$1.43B
	Price/Unit	\$209,649	+15.7%	\$181,220
	Price/SF	\$251.23	+15.6%	\$217.27
	Year Built	1981	-3 Yrs	1984
	Average Rent	\$1,320	+7.1%	\$1,232
	Occupancy Rate	95.8%	+0.6%	95.2%
	Units Delivered	2,965	+101.7%	1,470

### ABI GEONEWS: PHOENIX MSA - SELECT NEWS

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Valley's light rail getting another extension



Phoenix leads nation with biggest net inflow in 2020

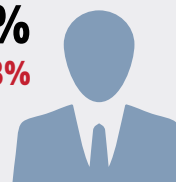


GPEC: Valley could add 5,400 manufacturing jobs in next four years

4,948,203

**POPULATION**  
2019 ACS 1-YEAR ESTIMATE

6.1%  
-0.3%



**UNEMPLOYMENT**  
Q-O-Q AS OF MAR 2021 - BLS

-2.4%



**EMPLOYMENT GROWTH**  
Y-O-Y AS OF MAR 2021 - BLS

\$63,883



**MEDIAN HH INCOME**  
2019 ACS 5-YEAR ESTIMATE

\$32,522



**PER CAPITA INCOME**  
2019 ACS 5-YEAR ESTIMATE

31,533

Units (50+)



**UNDER CONSTRUCTION**  
YARDI







346,229

Units (10+)



**TOTAL INVENTORY**  
AS OF DEC 2020 - YARDI

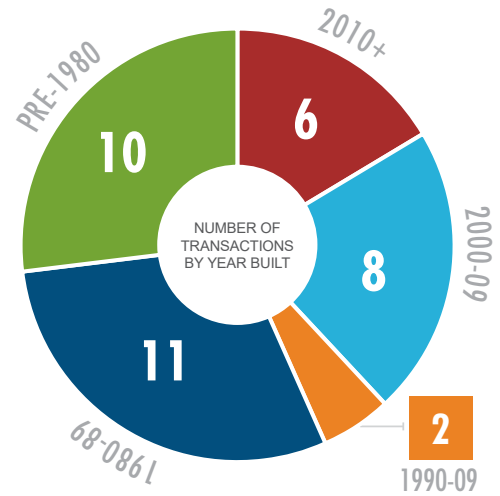
# PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS		UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+ TOTAL INVENTORY      UNDER CONSTRUCTION	
	Phoenix MSA	6.1%	\$63,883	\$32,522	321,926	31,533
	Phoenix	6.6%	\$57,459	\$29,343	142,604	10,838
	Mesa	6.1%	\$58,181	\$29,500	39,693	2,289
	Scottsdale	4.7%	\$88,213	\$62,682	28,631	4,403
	Tempe	5.4%	\$57,994	\$31,753	37,135	2,620
	Glendale	7.0%	\$55,020	\$25,561	24,473	1,789

PHOENIX MSA - PER CITY ANALYSIS		Phoenix	Mesa	Scottsdale	Tempe	Glendale
RENT & OCCUPANCY STATS	Average Rent (Q1 2021)	\$1,214	\$1,192	\$1,650	\$1,515	\$1,146
	% Change (y-o-y)	+6.9%	+8.2%	+3.9%	+6.2%	+10.0%
	Occupancy Rate (Q1 2021)	95.4%	96.2%	95.8%	96.1%	95.7%
	% Change (y-o-y)	+0.5%	+0.1%	+0.4%	+1.1%	+0.7%
	Units Delivered (Q1 2021, 50+)	536	672	300	430	--
SALES DATA (100+)	Total Sales Volume (Q1 2021, 100+)	\$904,500,000	\$273,665,000	\$17,600,000	\$388,875,000	\$0
	Total Sales Volume (Q1 2020, 100+)	\$535,175,000	\$62,600,000	\$19,000,000	\$296,661,111	\$60,206,000
	% Change (y-o-y)	+69.0%	+337.2%	-7.4%	+31.1%	--
	Avg P/U (Q1 2021, 100+)	\$209,375	\$182,809	\$134,351	\$235,825	--
	Avg P/U (Q1 2020, 100+)	\$170,928	\$136,087	\$172,727	\$212,813	\$138,724
	% Change (y-o-y)	+22.5%	+34.3%	-22.2%	+10.8%	--
SALES DATA (10-99)	Total Sales Volume (Q1 2021, 10-99)	\$123,181,665	\$45,067,000	\$2,800,000	\$29,360,000	\$0
	Total Sales Volume (Q1 2020, 10-99)	\$98,620,000	\$56,798,450	\$4,000,000	\$20,500,000	\$900,000
	% Change (y-o-y)	+24.9%	-20.7%	-30.0%	+43.2%	--
	Avg P/U (Q1 2021, 10-99)	\$151,329	\$176,043	\$200,000	\$184,654	--
	Avg P/U (Q1 2020, 10-99)	\$129,763	\$160,902	\$160,000	\$227,778	\$90,000
	% Change (y-o-y)	+16.6%	+9.4%	+25.0%	-18.9%	--

# 100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2021	INCREASE/DECREASE	Q1 2020
<b>Total Sales Volume</b>	<b>\$1.99B</b>	<b>+60.6%</b>	<b>\$1.24B</b>
<b>AVERAGE Price/Unit</b>	<b>\$216,651</b>	<b>+14.7%</b>	<b>\$188,844</b>
<b>AVERAGE Price/SF</b>	<b>\$260.77</b>	<b>+14.9%</b>	<b>\$226.97</b>
<b>AVERAGE Year Built</b>	<b>1991</b>	<b>-6 Yrs</b>	<b>1997</b>



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



### Montreux

Phoenix, 335 Units | \$117,000,000  
\$349,254/Unit | \$326.30/SF | Built 2020



### Almeria at Ocotillo

Chandler, 389 Units | \$129,500,000  
\$332,905/Unit | \$329.45/SF | Built 2014



### The Bungalows on Jomax

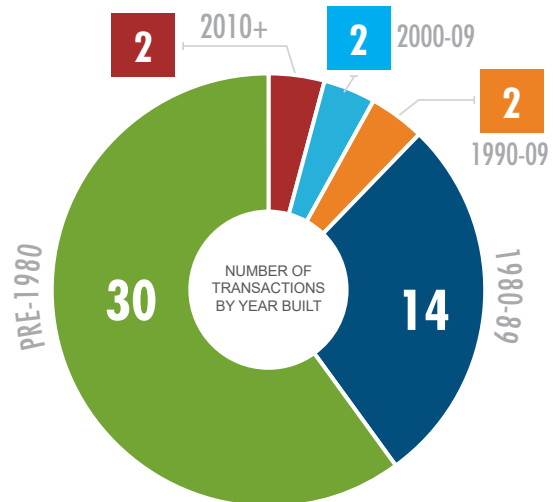
Phoenix, 141 Units | \$42,000,000  
\$297,872/Unit | \$296.86/SF | Built 2020

## Q1 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	6	\$300K	\$303
2000-09	8	\$246K	\$261
1990-09	2	\$217K	\$251
1980-89	11	\$180K	\$238
Pre-1980	10	\$151K	\$244

# 10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2021	INCREASE/DECREASE	Q1 2020
<b>Total Sales Volume</b>	<b>\$225M</b>	<b>+20.3%</b>	<b>\$187M</b>
<b>AVERAGE Price/Unit</b>	<b>\$163,113</b>	<b>+14.1%</b>	<b>\$143,016</b>
<b>AVERAGE Price/SF</b>	<b>\$189.89</b>	<b>+12.1%</b>	<b>\$169.40</b>
<b>AVERAGE Year Built</b>	<b>1973</b>	<b>-1 Yr</b>	<b>1974</b>



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



### ARA Residences

Phoenix, 50 Units | \$22,050,250  
\$441,005/Unit | \$250.57/SF | Built 2020



### Oleander Lofts

Tempe, 12 Units | \$4,510,000  
\$375,833/Unit | \$238.20/SF | Built 2009



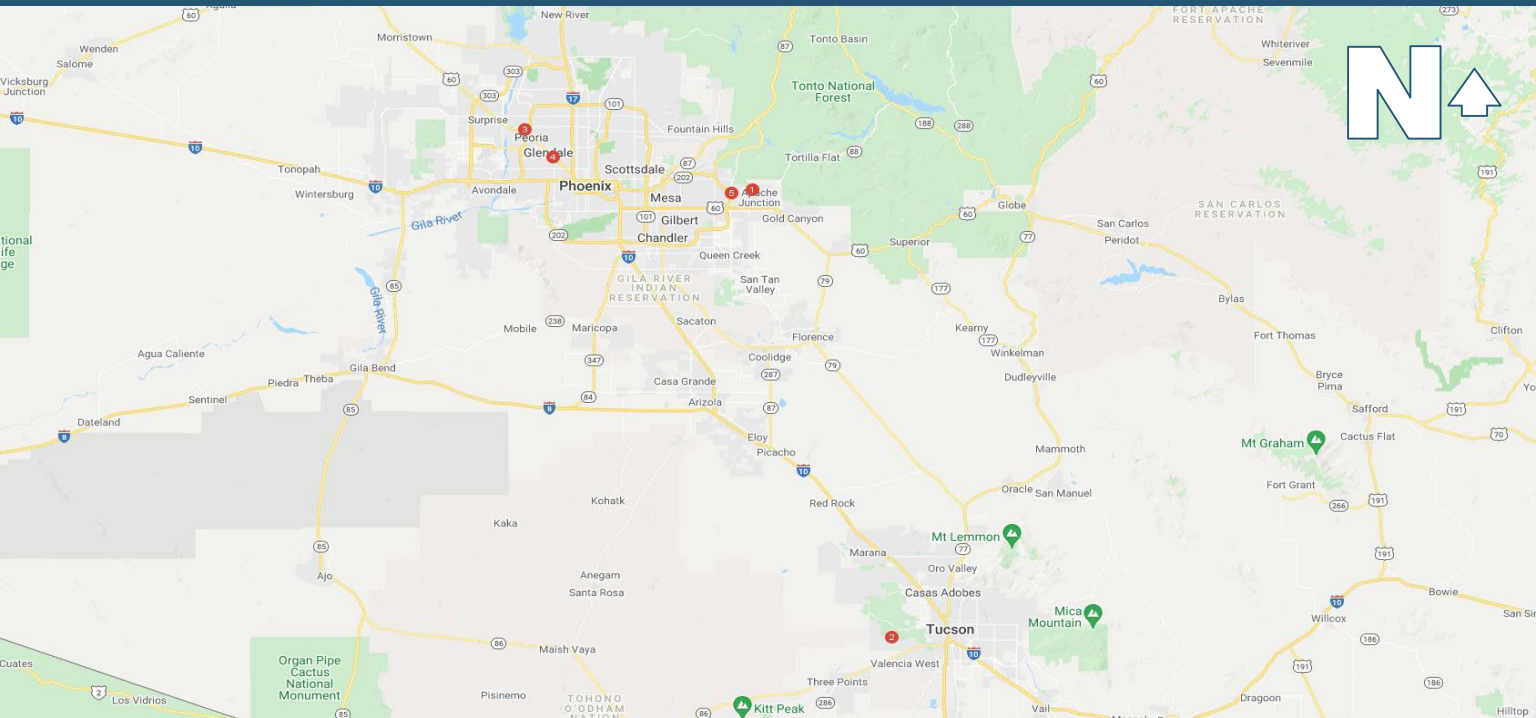
### Village Greens of Queen Creek

Queen Creek, 50 Units | \$15,250,000  
\$305,000/Unit | \$292.07/SF | Built 2020

## Q1 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	\$373K	\$266
2000-09	2	\$255K	\$213
1990-09	2	\$120K	\$129
1980-89	14	\$122K	\$152
Pre-1980	30	\$152K	\$206

# ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



## MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q1 2021)

### PHOENIX MSA

\$52,681,107

### TUCSON MSA

\$4,500,000

Transaction Volume (Q1 2020)

\$15,000,000

\$0

Avg Sales Price / Space (Q1 2021)

\$107,512

\$19,565

Avg Sales Price / Space (Q1 2020)

\$44,118

--

FAMILY

Transaction Volume (Q1 2021)

\$12,440,000

\$0

Transaction Volume (Q1 2020)

\$57,082,000

\$5,450,000

Avg Sales Price / Space (Q1 2021)

\$53,621

--

Avg Sales Price / Space (Q1 2020)

\$66,998

\$42,578

Total Transaction Volume (2021 YTD, 50+)

\$65,121,107

\$4,500,000

Number of Transactions (2021 YTD, 50+)

4

1

## MHP INVENTORY (50+)

INVENTORY

Total Spaces

### PHOENIX MSA

88,053

### TUCSON MSA

22,396

Age Restricted/55+

62,307

12,098

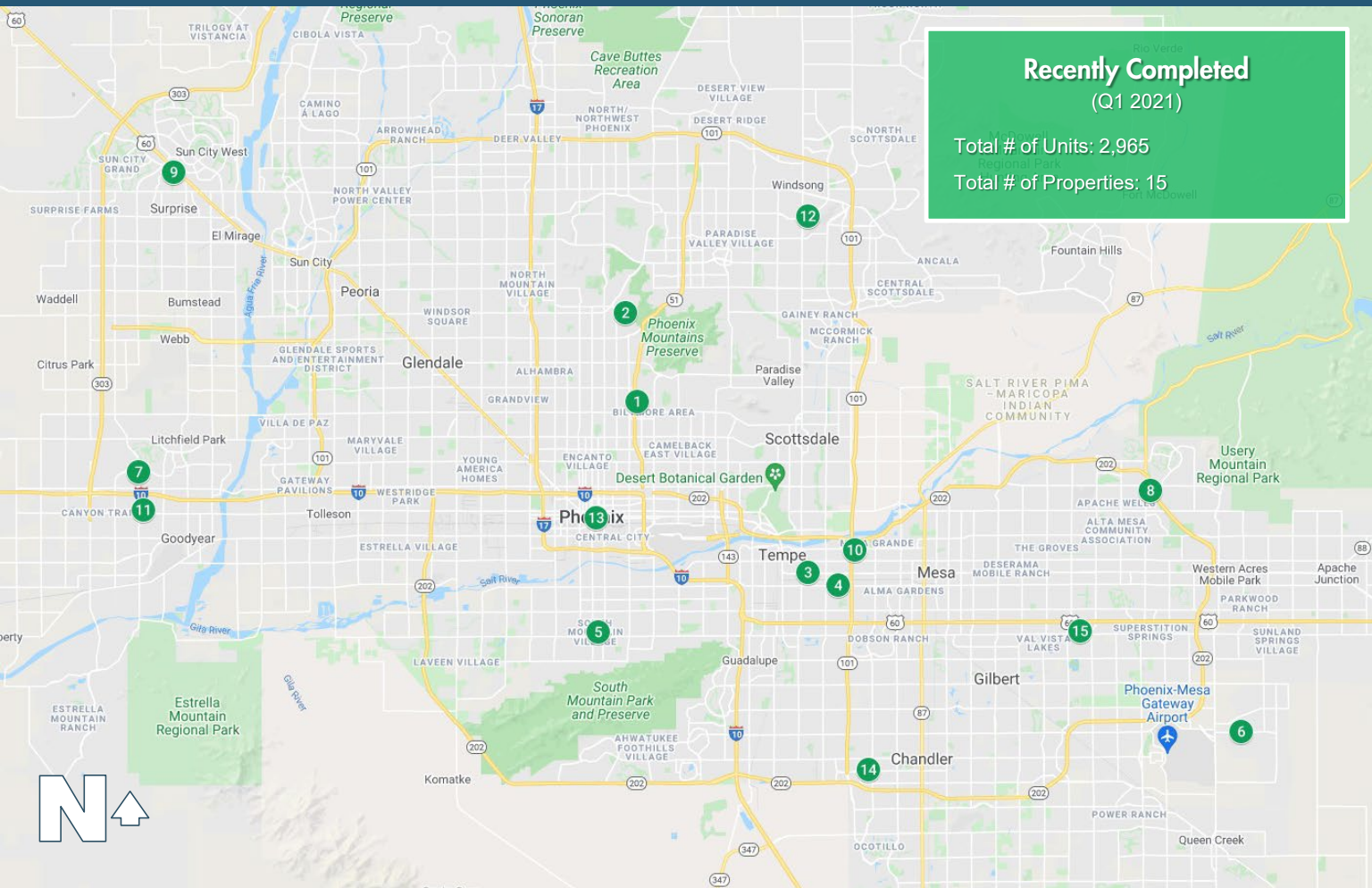
Family

25,746

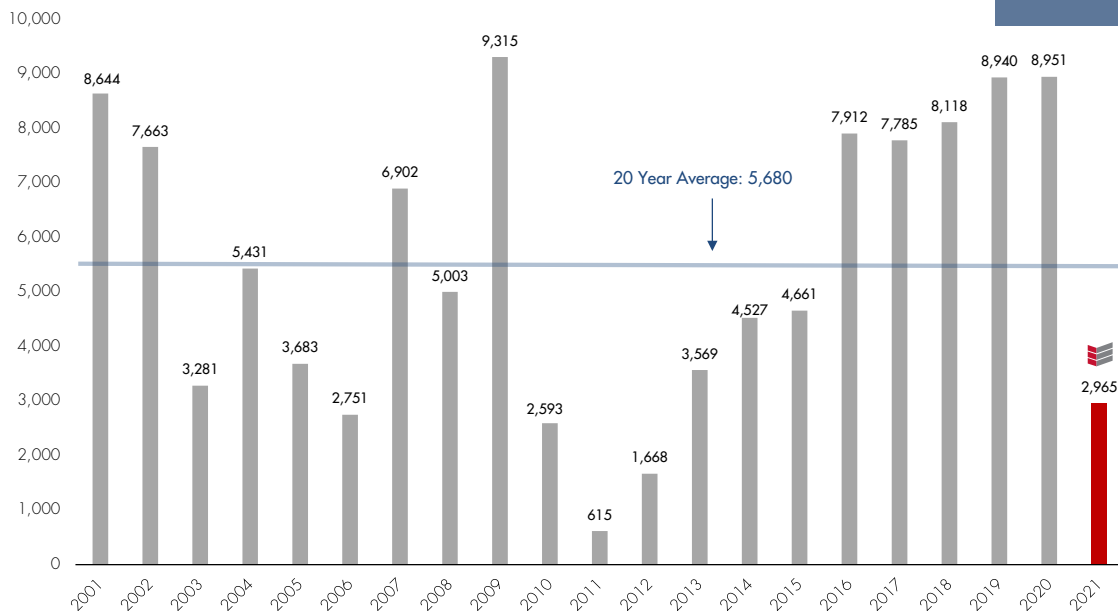
10,298



# COMPLETED CONSTRUCTION



## PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q1 2021



\* 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: **346,229**

50+ UNIT PROPERTIES: **321,926**

### PRE-LEASE ABSORPTION RATE

**14**

Units/Property/Month  
(Q1 2021 Avg)

### Under Construction

Total # of Units: 31,533

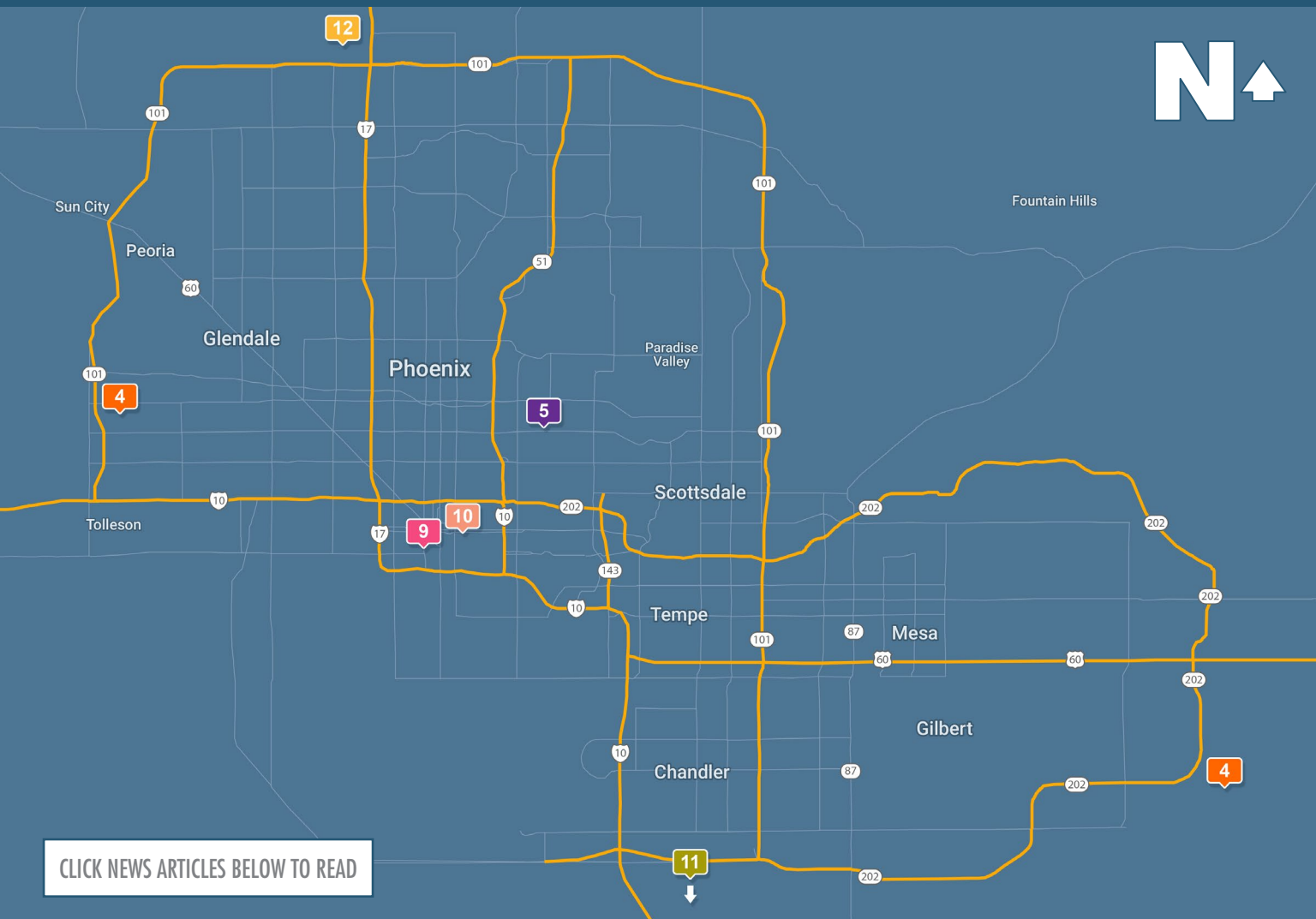
Total # of Properties: 133

### Planned

Total # of Units: 24,603

Total # of Properties: 97

# ABI GEONEWS: PHOENIX MSA - SELECT NEWS



Regional

## City of Phoenix

GPEC: Valley could add 5,400 manufacturing jobs in next four years

Regional

## Phoenix Council

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

Regional

## City of Phoenix

Valley's light rail getting another extension

Regional

## City of Phoenix

COVID-19 Hasn't Deterred Apartment Development in Phoenix

Regional

## Amazon

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

9

## City of Phoenix

Here Are The Projects Driving The Boom In Downtown Phoenix Development

4

## Legacy Cares, Inc. / Crystal Lagoons

Deals for 2 Game-Changing Projects Could Redefine Both Sides of Valley

10

## Phoenix Council

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

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

## City of Phoenix

Phoenix leads nation with biggest net inflow in 2020

12

## Taiwan Semiconductor Manufacturing Co. Ltd.

Taiwan Semiconductor Buys North Phoenix Land For \$89M, Will Create More Than 1,600 Jobs





BY: DREW RICCIARDI, ABI RESEARCH MANAGER

# The COVID-19 Recovery Coming Quicker Than Expected

## The National Recovery Effort

As a miserable unforgettable year is joyously placed in the rearview mirror, previous pandemic restrictions are beginning to fade rapidly as COVID-19 vaccinations continue to cycle throughout the nation.

The economy is starting to heat up with unemployment rates dropping and significant recovery of COVID-19-related job loss persists. 916,000 jobs were added in March, and unemployment is down to 6%, according to Yardi Matrix.

Apartments are stabilizing as rent rates return to pre-pandemic levels. Most markets experienced positive net absorption and the highest recorded rent collection rates in over a year.

Urban cores and gateway markets like San Francisco, New York City, and Los Angeles, which were hit hardest by strict restrictions and an exodus of people migrating to less dense, more affordable markets, have slowly begun to recover.

Multifamily deal flow manifested strong investor interest for sunbelt markets like Phoenix, Dallas, Austin, and Atlanta. Generally, northern markets saw more of a decline in sales volume.

Overall, national multifamily sales volume witnessed a decline year-over-year but projects to show an increase next quarter.

## Investors Focusing on Hot Phoenix Market

Contrary to the nation's decline in total multifamily sales volume, Phoenix multifamily sales have been red hot.

Phoenix's resilience demonstrated throughout the pandemic, paired with extremely favorable demographic and economic trends, has made Phoenix one of the top multifamily investment markets in the nation.

Out-of-state companies continue to target Phoenix either to relocate their headquarters or open new facilities. These factors have played a big role in superb job growth.

According to a study by the Arizona Office of Economic Opportunity, Arizona's job growth is projected to outpace the nation from 2019 to 2029 by adding an estimated 550,000 jobs.

The Greater Phoenix Economic Council expects a full job

recovery by the third quarter of 2021 and a large wave of manufacturing jobs to be created in upcoming years, as Phoenix establishes itself as a national semiconductor hub.

Phoenix is also providing aid to small businesses and renters in need. GoDaddy, the BBB, and the city of Phoenix are teaming up in providing interest-free loans up to \$15,000 to small businesses in the Phoenix area. Maricopa County and individual cities in the Valley have launched rental aid programs with more than \$135 million in funds for renters hit hardest from the pandemic.

Rent growth in Phoenix continues to outperform almost all other major markets placing in the top three for year-over-year rent growth. According to Real Page, Inc., Phoenix has finished in the top 5 for year-over-year rent growth among large U.S. metros since 2015, including multiple first-place finishes.

New multifamily units delivered started the year extremely robust by doubling the number of units delivered a year ago. In addition, multifamily construction starts seem to continue to increase despite the rise of construction costs and shortage of labor.

Expect the Phoenix MSA to flourish economically for years to come.

## Proposed Tax Reform's Potential Effects on CRE

President Biden's American Families Plan proposal contains new tax proposals that may be frightening to some institutional investors. Here are the proposed changes:

Implement a raise to the top-tier income tax rate from 37% to 39.6%. The long-term capital gains rate would also increase exponentially from 23.8% to 39.6% for taxpayers with an income above \$1 million. With the addition of Net Investment Income Tax (NIIT) of 3.8%, the final rate would be 43.4%.

The plan could put an end to the step-up in basis, which allows one to reduce or eliminate capital gains tax on inherited assets. The proposed rule would make inherited assets of \$1 million or more subject to the hiked capital gains tax rate.

1031 exchanges may become a thing of the past for investors attempting to escape capital gains tax. The proposal will institute a cap of \$500k on 1031 exchanges.

The 1031 exchange rule allows an owner to defer capital gains tax if the proceeds of a property sale are used to purchase another property deemed like-kind within 180 days. According to the National Association of Realtors,

1031 exchanges accounted for roughly 12% of CRE transactions between 2016 and 2019.

1031 exchanges help create economic activity by adding jobs/labor from value-add investments and supplying federal, state and local tax revenue.

Currently, the proposal is facing an uphill battle in Congress, as members from both parties are wary of the proposed tax reforms.

If the American Families Plan is successful, it may steer multifamily investors to reassess their portfolios and strategies, hindering significant economic growth.

## Strained Housing Supply Forcing Buyer Patience

A large portion of the Millennial Generation is at an age where they are looking to buy their first home, but strong demand, low supply, and record low interest rates have caused home prices to rise swiftly. These key factors are forcing some to continue renting until the market cools.

Data provided by realtor.com showed the national inventory of homes was 53% lower than a year ago in March 2020. The data also indicated there were 117,000 fewer new listings compared to recent years.

Redfin reported the average home sold in the past year sold for 1% more than its asking price.

Current demand is vastly outpacing the existing supply of housing. Construction costs like lumber, steel, concrete, and labor continue to skyrocket as a result of pandemic-induced supply chain constraints and inflation.

According to the National Association of Home Builders, lumber prices have increased a whopping 250% in a single year. These cost increases may impede future home building at a time when low supply is a current issue.

It will be interesting to see if these factors delay new multifamily construction, but no data currently indicates that to be the case, as multifamily deliveries continue to perform well. But one thing is for sure it will cost more to build, and replacement costs will rise, forcing rents to increase in order to compensate.

The current situation bodes well for the influx of the new build-to-rent communities developers have been incredibly bullish on. This hybrid concept provides newly built single-family detached rental units in a community with common area luxury amenities.



## Phoenix Market Metrics: By the Numbers

2021 started the year with a bang reporting an extremely high multifamily sales volume and deal flow numbers. If this trend continues, 2021 will be Phoenix's hottest year for multifamily ever recorded.

For 10-99 unit properties, Q1 2021 saw a transaction volume of approximately \$225 Million, which represented a 20.3% Year-over-Year increase from Q1 2020. In the 100+ unit category, Q1 2021 brought in about \$2 Billion, significantly up 60.6% YoY.

Average Price-Per-Unit amounts increased in the 10-99 segment, rising 14.1% YoY to \$163,113, and showing another robust increase of 14.7% to \$216,651 for 100+. This translated to an Average Price/SF of \$189.89 in 10-99 (up 12.1%) and \$260.77 (up 14.9%) in 100+.

Inventory age saw a decrease in both segments Year-over-Year. Average Year Built for 10-99 reported the year 1973, versus 1974. The Average Year Built in 100+ reported the year 1991, versus 1997.

The market's occupancy rate made a large jump. Q1 2021 occupancy finished at 95.8%, a 0.6% increase from Q1 2020. Average rent took one of the largest leaps in the nation, reporting \$1,320, up \$88 (7.1%) from last year.

Phoenix MSA demographics continued their solid trends. The Census estimate of total population was 4,948,203. The unemployment rate finished the year at 6.1%, gradually decreasing from the COVID-19 unemployment hike, according to Bureau of Labor Statistics numbers.

Median Household Income was \$63,883, and Per Capita Income came in at \$32,522.

In the realm of new construction for 50+ unit properties, a robust 2,965 units were delivered across 15 projects for the

year. This represented a booming 101.7% increase compared to Q1 2020 deliveries to help catch up with the strong demand.

Currently, a large pipeline of 24,603 units is estimated to be in the Planning stages across 97 properties. Another massive total of 31,533 units is listed as Under Construction across 133 properties.

Pre-lease absorption rates were high this quarter at a rate of 14 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 321,926.

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

- **Phoenix: 142,604**
- **Mesa: 39,693**
- **Tempe: 37,135**
- **Scottsdale: 28,631**
- **Glendale: 24,473**

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# ABI COMPARATIVE MARKET REVIEW: Q1 2021



DEMOGRAPHICS	Total Population	4,948,203	1,047,279	2,365,946	3,334,380
	Unemployment Rate (as of Mar 2021)	6.1%	6.7%	6.9%	6.9%
	Employment Growth (y-o-y)	-2.4%	-2.4%	-5.3%	-7.4%
	Median HH Income	\$63,883	\$53,379	\$87,541	\$93,676
	Per Capita Income	\$32,522	\$29,707	\$35,563	\$34,103
RENT/OCC/CONST (50+)	Rent (Q1 2021)	\$1,320	\$1,004	\$1,577	\$1,938
	% Increase/Decrease	+7.1%	+8.1%	+9.2%	+4.2%
	Occupancy (Q1 2021)	95.8%	96.3%	96.4%	96.2%
	% Increase/Decrease	+0.6%	+1.5%	+1.6%	+1.4%
	Total Inventory (50+)	321,926	68,020	148,284	234,405
SALES (50+)	Total Under Construction (50+)	31,533	1,765	3,820	10,066
	Units Delivered (50+, Q1 2021)	2,867	0	157	1,455
	Total Sales Volume (Q1 2021)	\$2.09B	\$209M	\$137M	\$220M
	y-o-y % Increase/Decrease	+55.1%	-57.1%	-71.0%	-11.8%
	Average P/U (Q1 2021)	\$214,729	\$100,036	\$161,951	\$292,123
	y-o-y % Increase/Decrease	+16.8%	-31.5%	-46.3%	-13.9%

## LEADING MULTIFAMILY BROKERAGE TEAM IN THE WESTERN US

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



#### PARKWOOD APARTMENTS

6751 West Indian School Road  
Phoenix, AZ 85033

Price: \$69,250,000

Units: 344

Year Built: 2001



#### DESERT POINT APARTMENTS

6405 West McDowell Road  
Phoenix, AZ 85035

Price: \$47,750,000

Units: 280

Year Built: 2006



#### REVIVAL ON INDIAN SCHOOL

930 West Indian School Road  
Phoenix, AZ 85013

Price: \$8,232,000

Units: 96

Year Built: 1957



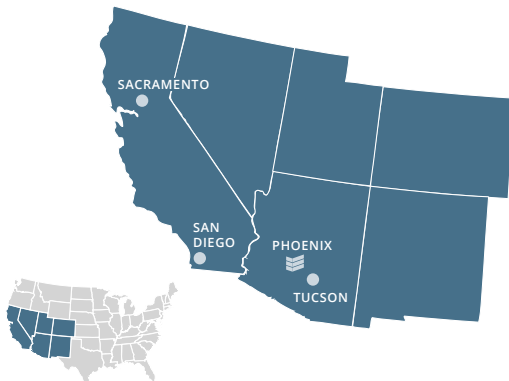
#### 5TH AVE PHX

626 North 5th Avenue  
Phoenix, AZ 85003

Price: \$10,600,000

Units: 45

Year Built: 1961



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ABI Multifamily incorporates a global approach with regional real estate expertise to successfully complete any multifamily transaction, regardless of size and complexity.

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