ABI Multifamily
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PHOENIX MSA | MULTIFAMILY | Q1 2022 REPORT

10+ UNIT PROPERTIES	Q1 2022	INCREASE/DECREASE	Q1 2021
Total Sales Volume	$3.2B	+44.8%	$2.23B
AVERAGE Price/Unit	$302,832	+45.1%	$208,683
AVERAGE Price/SF	$360.07	+42.0%	$253.49
AVERAGE Year Built	1981	+1 Yr	1980
Average Rent	$1,669	+25.3%	$1,332
Occupancy Rate	95.6%	-0.4%	96.0%
Units Delivered	2,772	-9.3%	3,055

4,948,203
POPULATION
2019 ACS 1-YEAR ESTIMATE

2.4%
-0.2%
UNEMPLOYMENT
Q-O-Q AS OF MAR 2022 - BLS

3.7%
EMPLOYMENT GROWTH
Y-O-Y AS OF MAR 2022 - BLS

$67,068
MEDIAN HH INCOME
2020 ACS 5-YEAR ESTIMATE

$34,378
PER CAPITA INCOME
2020 ACS 5-YEAR ESTIMATE

37,979
Units (50+)
UNDER CONSTRUCTION
YARDI

365,354
Units (10+)
TOTAL INVENTORY
AS OF APR 2022 - YARDI

ABI GEONEWS: PHOENIX MSA - SELECT NEWS
CONTINUED ON PAGE 06

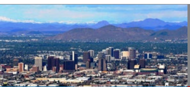
LG Energy Solution

$1.4B LG battery plant that could become Queen Creek's largest employer gets go-ahead

New documents reveal freight giant BNSF Railway Co.'s plans for regional industrial rail hub for massive property in Phoenix metro

Hundreds of jobs expected as Northrop Grumman expands its Arizona satellite-manufacturing plant

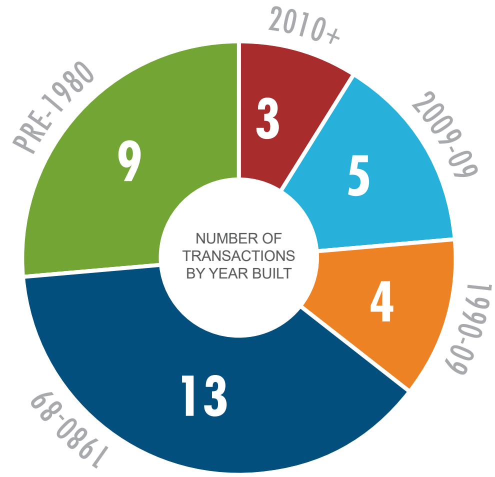
PHOENIX MSA - PER CITY ANALYSIS

	PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	TOTAL INVENTORY (50+)	UNDER CONSTRUCTION (50+)
	Phoenix MSA	2.4%	$67,068	$34,378	333,007	37,979
	Phoenix	2.6%	$60,914	$31,427	148,457	12,417
	Mesa	2.4%	$61,640	$30,903	41,340	2,904
	Scottsdale	1.9%	$91,042	$64,992	29,124	4,227
	Tempe	2.1%	$61,290	$33,205	38,044	3,066
	Glendale	2.6%	$56,991	$26,395	25,184	2,394

	PHOENIX MSA - PER CITY ANALYSIS	Phoenix	Mesa	Scottsdale	Tempe	Glendale
RENT & OCCUPANCY STATS	Average Rent (Q1 2022)	$1,540	$1,528	$2,134	$1,863	$1,440
	% Change (y-o-y)	+25.7%	+27.2%	+27.8%	+22.1%	+24.8%
	Occupancy Rate (Q1 2022)	95.3%	96.0%	95.4%	95.7%	95.5%
	% Change (y-o-y)	-0.3%	-0.3%	-0.5%	-0.4%	-0.4%
	Units Delivered (Q1 2022, 50+)	771	557	356	0	286
SALES DATA (100+)	Total Sales Volume (Q1 2022, 100+)	$1,379,720,000	$132,125,000	$368,500,000	$247,080,000	$311,550,000
	Total Sales Volume (Q1 2021, 100+)	$904,500,000	$273,665,000	$17,600,000	$388,875,000	$0
	% Change (y-o-y)	+52.5%	-51.7%	+1993.8%	-36.5%	--
	Avg P/U (Q1 2022, 100+)	$300,593	$246,043	$477,332	$370,991	$253,912
	Avg P/U (Q1 2021, 100+)	$209,375	$182,809	$134,351	$235,825	--
	% Change (y-o-y)	+43.6%	+34.6%	+255.3%	+57.3%	--
SALES DATA (10-99)	Total Sales Volume (Q1 2022, 10-99)	$329,298,575	$48,100,000	$13,974,999	$50,494,610	$41,730,000
	Total Sales Volume (Q1 2021, 10-99)	$130,105,665	$48,837,000	$2,800,000	$29,360,000	$0
	% Change (y-o-y)	+153.1%	-1.5%	+399.1%	+72.0%	--
	Avg P/U (Q1 2022, 10-99)	$237,932	$322,819	$291,146	$297,027	$171,728
	Avg P/U (Q1 2021, 10-99)	$148,862	$175,673	$200,000	$184,654	--
	% Change (y-o-y)	+59.8%	+83.8%	+45.6%	+60.9%	--

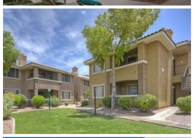
100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

		Q1 2022	INCREASE/DECREASE	Q1 2021
	Total Sales Volume	$2.71B	+36.1%	$1.99B
AVERAGE	Price/Unit	$317,958	+46.8%	$216,651
AVERAGE	Price/SF	$371.24	+40.6%	$264.03
AVERAGE	Year Built	1990	-1 Yr	1991



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)

Roadrunner on McDowell
Scottsdale, 356 Units | $193,500,000
$540,503/Unit | $455.15/SF | Built 2021



Mountainside
Phoenix, 288 Units | $132,500,000
$460,069/Unit | $473.04/SF | Built 1996

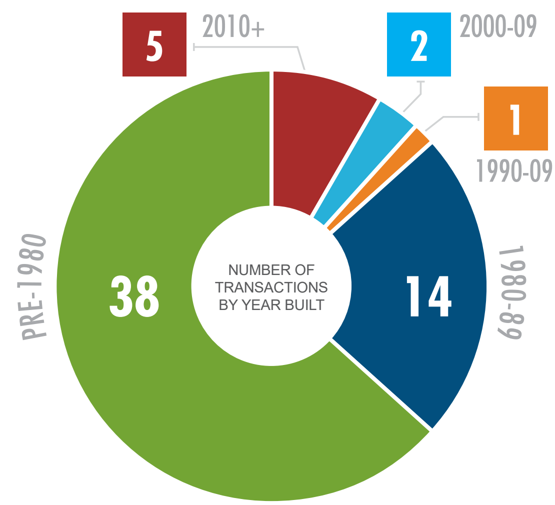
Stadium Vue Townhomes
Peoria, 163 Units | $72,350,000
$443,865/Unit | $402.78/SF | Built 2006

Q1 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	$445K	$465
2000-09	5	$358K	$368
1990-99	4	$396K	$395
1980-89	13	$277K	$341
Pre-1980	9	$236K	$359

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

		Q1 2022	INCREASE/DECREASE	Q1 2021
	Total Sales Volume	$517M	+117.8%	$237M
AVERAGE	Price/Unit	$242,409	+52.0%	$159,494
AVERAGE	Price/SF	$313.30	+65.5%	$189.35
AVERAGE	Year Built	1976	+3 Yrs	1973



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

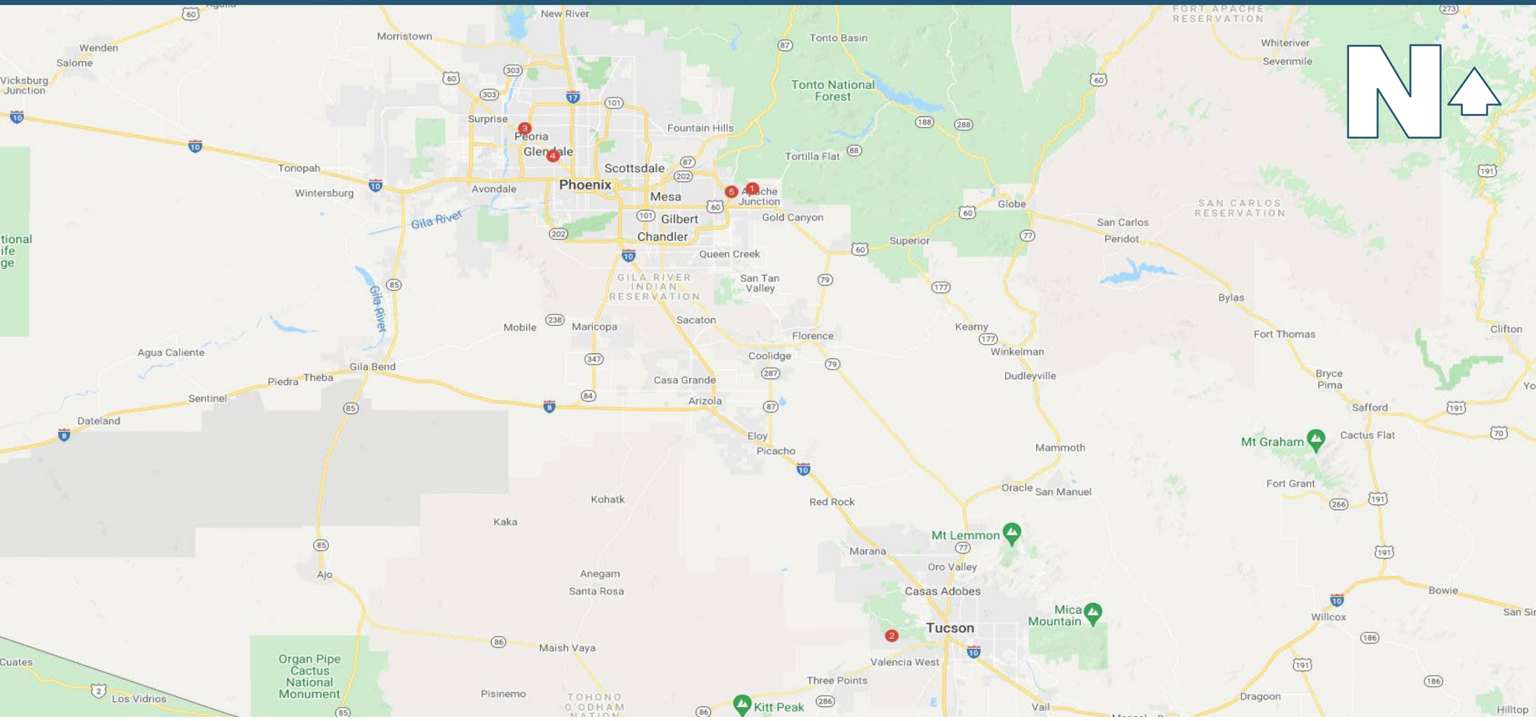
Lofts on 8th
Tempe, 28 Units | $17,250,000
$616,071/Unit | $328.40/SF | Built 2020

Encanto Hazelwoods
Phoenix, 22 Units | $12,800,000
$581,818/Unit | $315.35/SF | Built 2021

Lyra Residences
Phoenix, 18 Units | $9,958,700
$553,261/Unit | $314.35/SF | Built 2019

Q1 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	$504K	$347
2000-09	2	$189K	$187
1990-99	1	$257K	$275
1980-89	14	$205K	$272
Pre-1980	38	$236K	$352

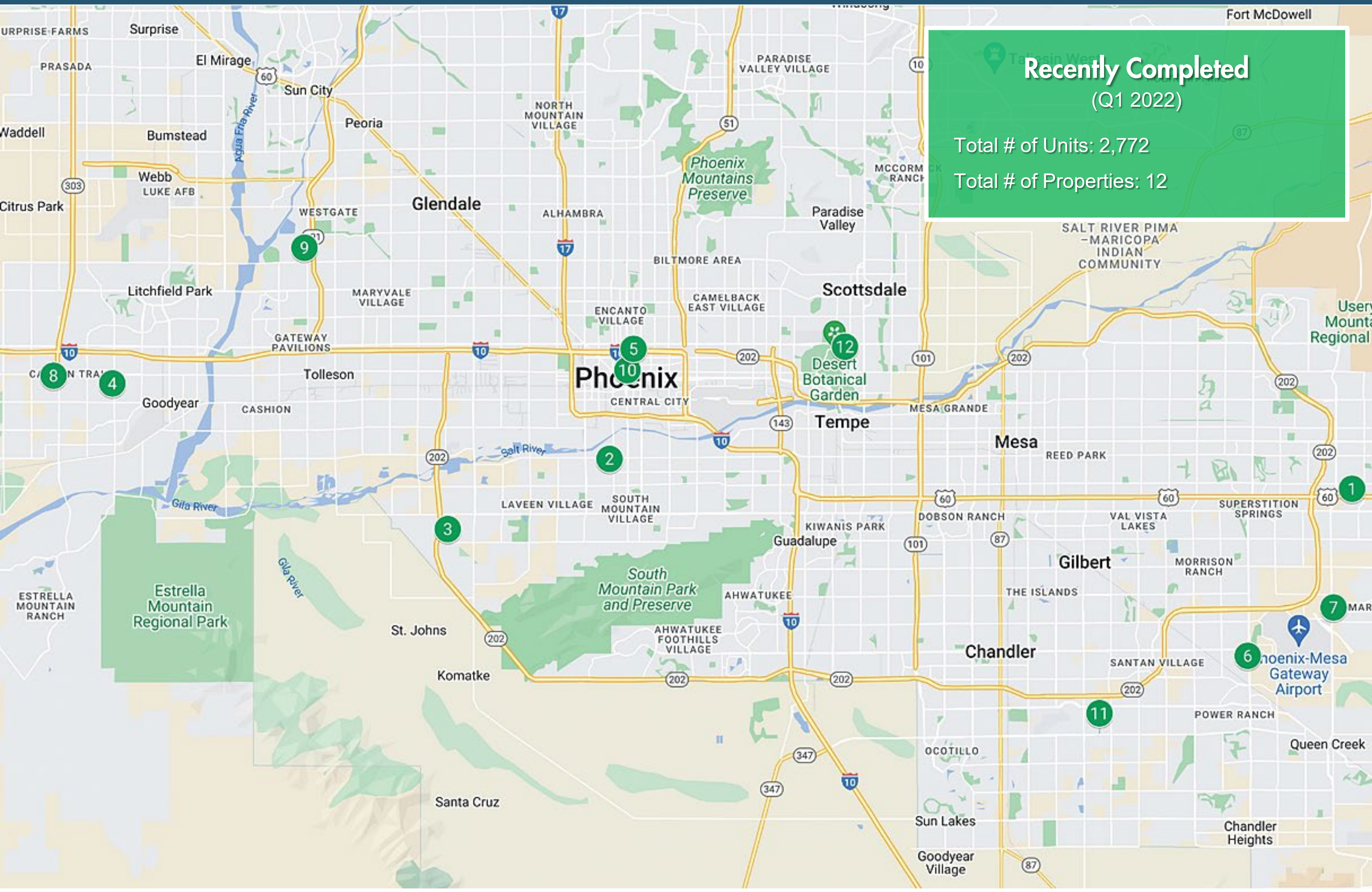


MHP SALES VOLUME (50+)

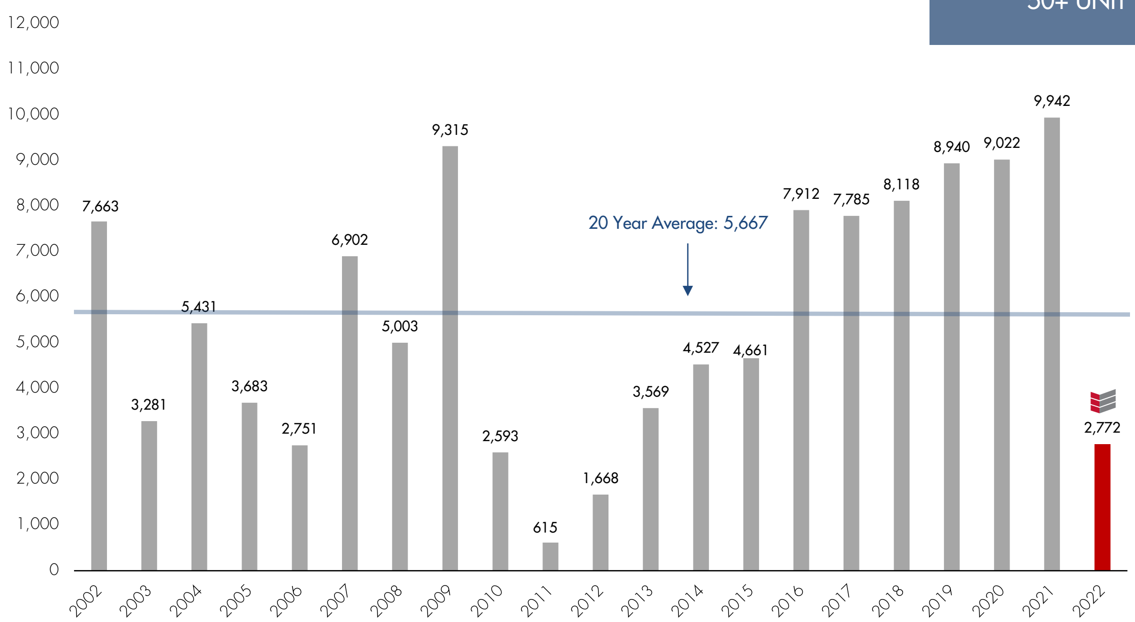
		PHOENIX MSA	TUCSON MSA
AGE RESTRICTED/55+	Transaction Volume (Q1 2022)	$7,000,000	$0
	Transaction Volume (Q1 2021)	$52,681,107	$4,500,000
	Avg Sales Price / Space (Q1 2022)	$72,165	--
	Avg Sales Price / Space (Q1 2021)	$107,512	$19,565
FAMILY	Transaction Volume (Q1 2022)	$2,430,000	$0
	Transaction Volume (Q1 2021)	$12,440,000	$0
	Avg Sales Price / Space (Q1 2022)	$48,600	--
	Avg Sales Price / Space (Q1 2021)	$53,621	--
	Total Transaction Volume (2022 YTD, 50+)	$9,430,000	$0
	Number of Transactions (2022 YTD, 50+)	2	0

MHP INVENTORY (50+)

		PHOENIX MSA	TUCSON MSA
INVENTORY	Total Spaces	88,595	22,454
	Age Restricted/55+	62,722	12,233
	Family	25,873	10,221



PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE
Q1 2022



* 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

5+ UNIT PROPERTIES: **365,354**

50+ UNIT PROPERTIES: **333,007**

PRE-LEASE ABSORPTION RATE

11

Units/Property/Month
(Q1 2022 Avg)

UNDER CONSTRUCTION

TOTAL # OF UNITS: **37,979**

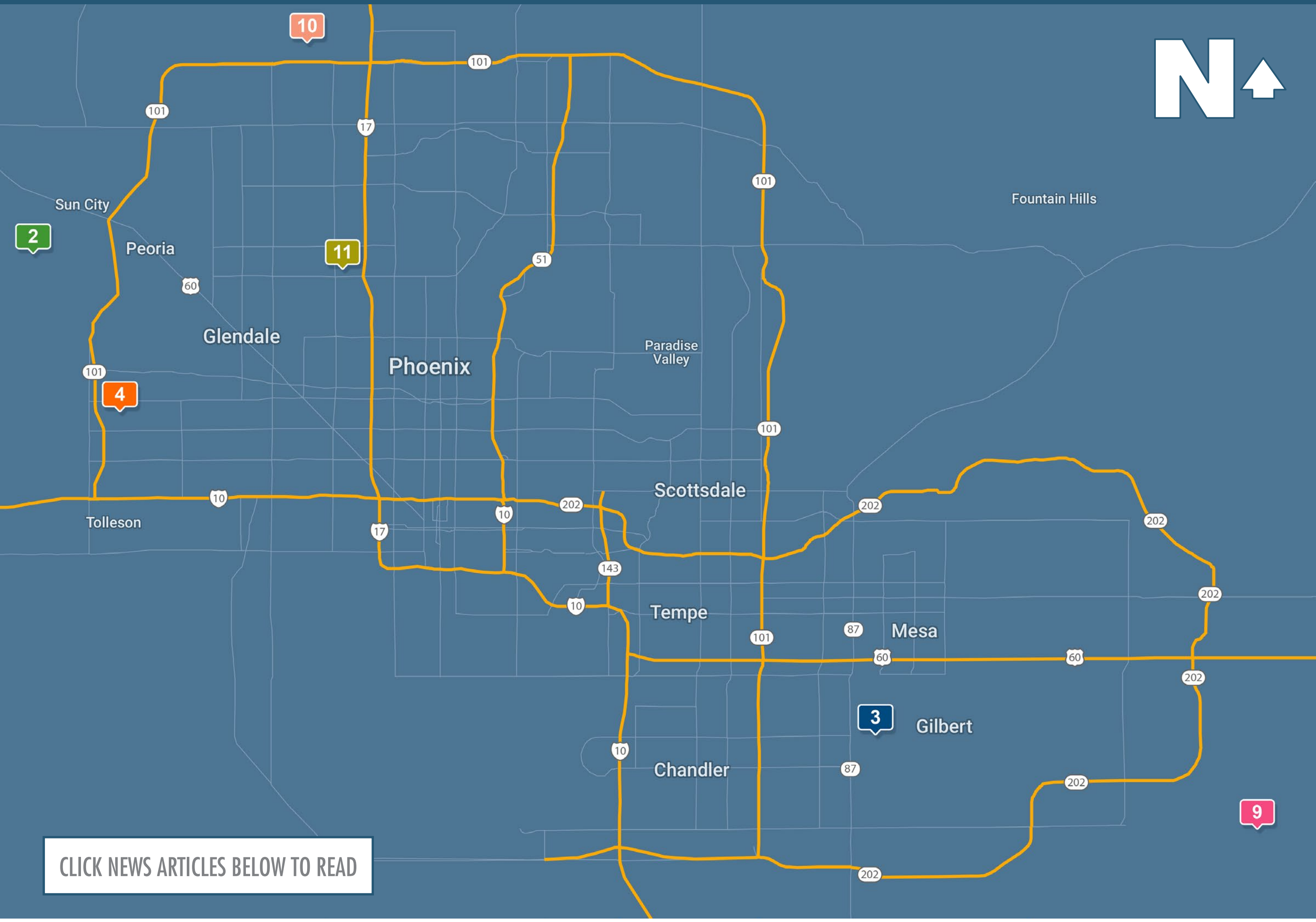
TOTAL # OF PROPERTIES: **157**

PLANNED

TOTAL # OF UNITS: **26,061**

TOTAL # OF PROPERTIES: **106**

ABI GEONEWS: PHOENIX MSA - SELECT NEWS



Regional **City of Phoenix**
GPEC: Valley could add 5,400 manufacturing jobs in next four years

2 **BNSF Railway Co.**
New documents reveal freight giant BNSF Railway Co.'s plans for regional industrial rail hub

3 **Northrop Grumman**
Hundreds of jobs expected as Northrop Grumman expands its Arizona satellite-manufacturing plant

4 **Williams-Sonoma Inc.**
Global home goods company signs major industrial lease in Glendale, could hire 3,000 workers

Regional **City of Phoenix**
Phoenix No. 1 in rent growth, No. 2 in home value increase

Regional **City of Phoenix**
Phoenix No. 1 for metro-to-metro population growth

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

Regional **City of Phoenix**
'Phoenix is on the map in a big, big way,' top market for commercial real estate investment in 2021, report shows

9 **LG Energy Solution**
$1.4B LG battery plant that could become Queen Creek's largest employer gets go-ahead

10 **Taiwan Semiconductor Manufacturing Co. Ltd.**
How Taiwan Semiconductor's new factory will transform the city's north side

11 **Wilshire Capital / TLG Investment Partners**
$750 million redevelopment of Metrocenter in Phoenix planned to start next year

Regional **City of Phoenix**
Despite increasing costs, Phoenix continues to see 'explosive' construction growth

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

DEMAND FOR MULTIFAMILY RISES AS MARKET FACTORS DETER HOME BUYING

The trajectory of the market we have become comfortable with is changing rapidly. A brutal war in Ukraine, rising interest rates, and high inflation has steered many to reevaluate their decisions in an evolving market. How do these market factors affect multifamily investment, specifically during the first quarter of 2022?

NATIONAL MULTIFAMILY OUTLOOK

The start of 2022 delivered what many expected for multifamily investment -- substantial volume. After riding the wave of a record year for multifamily investment in 2021, Q1 picked up right where it left off reporting some record numbers of its own.

2022 broke the record for the strongest first quarter of multifamily transaction volume reporting $63 billion nationally, according to Real Capital Analytics. That volume accounted for 37% of all commercial real estate investments, beating all other CRE sectors. Low unemployment rates, significant job growth, and wage growth continues to bode well for multifamily investment and the overall economy.

However, there are some headwinds on the horizon with the Federal Reserve pledging to gradually hike interest rates to combat inflation. A 0.25% increase came in March and the latest hike reported a 0.50% increase at the start of May.

This may have some ripple effects down the stretch in the 2022 CRE market with the possibility of investment activity slowing. Investors may decide to be patient with the uncertainty of what exit cap rates will look like a couple of years down the road. This may be similar to what investors did during the COVID-19 recession for about a three-month period, before quickly resuming explosive investment activity.

Multifamily continues to be a solid investment against inflation as rent growth persists and demand for rentals triumphs. Investors are starting to come to terms with the fact that the appreciation and growth witnessed over the past few years may not be sustainable. Growth will still occur – just not at the same rate.

For the time being, it may be more difficult for value-add investments. Fuel and construction costs have been high and unpredictable, while the supply chain for timely materials continues to be an issue.

Stakeholders should be prepared for an eventual slowdown in investment activity but expect markets in the Sunbelt region like Phoenix, Dallas, Atlanta, and Tampa to bounce back faster.

AFFORDABILITY DETERRING HOME OWNERSHIP

Lately, it has become increasingly difficult for first-time home buyers to purchase a home. Dramatic single-family price appreciation, a low housing inventory, and rising mortgage rates have forced the millennial generation to postpone a home purchase or submit to being a renter for a longer period.

The housing market has been on a steep incline over the past couple of years as home price appreciation has skyrocketed due to a supply and demand imbalance and the benefit of historically low interest rates. To combat this appreciation, mortgage rates have been gradually increasing throughout 2022 to help offset the demand and lower prices. But that is not working.

Instead, home prices and interest rates are currently rising in tandem, especially in high population growth markets in the Sun Belt region, making it increasingly difficult for first-time home buyers. According to a recent Redfin study, home buyers in the Sun Belt need 40% more income than they did a year ago, while across the U.S., they need 34% more income.

For example, in Phoenix, buyers must earn $87,026 to afford the metro's average monthly mortgage payment of $2,176, up 45.7% annually. Phoenix has a median household income of $67,068 and an average rental rate of $1,667.

Institutional investors have also contributed to pricing first-time home buyers out of the market by purchasing 18.2% of U.S. homes in Q3 2021 while inventory was minimal. These factors have left many no choice but to resign their current lease or explore the popular trend of build-to-rent communities.

A recent study by RealPage Inc. found that more than 57% of tenants in market-rate units with an expiring lease chose to renew in the past year compared to 51% between 2010 and 2019. Now, these renters still face significant rent increases, but it is still less costly than the type of mortgage payments they would have to endure coupled with a down payment.

The majority of these first-time home buyers are a part of the millennial generation. A new report from Apartment List shows millennials are being deterred from home ownership by current market factors. To put this in perspective, the millennial homeownership rate is reported at 48.6%, more than 20% lower than Gen X and 30% lower than Baby Boomers. A staggering 22% of Millennial renters say they will never own.

With time, interest rates will help lower home prices and moderate appreciation, but it may take longer for high-demand Sun Belt markets than other U.S. markets. Despite concerted efforts by state officials to create more market-rate and affordable inventory to help offset demand, we simply do not have enough housing being created. Persisting supply chain constraints, labor shortages, and high costs for materials continue to put pressure on developers.

PHOENIX'S ECONOMIC GROWTH PERSISTS

Phoenix starts the year off hot once again for multifamily investment. Multifamily transaction volume outpaced Q1 2021 significantly in a record year for multifamily transaction volume. However, the Fed's planned schedule of gradual interest rate hikes has many expecting a slowdown in deal flow in 2022.

Like the rest of the country, inflation continues to be a problem, but it is more severe in Phoenix. Phoenix leads all large cities in inflation at 11% CPI, making it tougher on longtime residents despite being a more affordable area relative to other markets.

Fortunately for investors, Phoenix is a top-tier multifamily market, lending credence that the Valley will not be hit as dramatically as other markets, specifically outside the Sun Belt region. The metro's extremely favorable factors of continued population growth, low unemployment, wage growth, job growth, and vast talent pool favor this hypothesis.

Combine that with a low supply and high demand for rentals, given Phoenix's housing market is unattainable by many first-time home buyers, rents will continue to increase, and occupancy will remain high. In addition, new companies continue to target Phoenix for new headquarters and expansion, delivering more quality higher paying jobs and tax revenue.

To name a few, LG Energy Solution is building a $1.4 billion battery plant in Queen Creek that will create 2,800 jobs, the area's largest future employer. Northrop Grumman is expanding its satellite-manufacturing plant in Gilbert and will add hundreds of more jobs. BNSF Railway Co. is planning a regional industrial rail facility in Surprise -- an intermodal and logistics center that will house a massive industrial park with warehousing, manufacturing, and distribution that provides more efficient shipping and thousands of new jobs.

On another note, more developments to revitalize submarkets are underway throughout The Valley. Examples inclue the $1 billion Metrocenter Mall redevelopment, the Midtown Phoenix office park renovations, and the massive Central Station development that will bring more student housing, apartments, retail, and office space with easy access to public transit.

Not to mention numerous industrial parks planned to be developed throughout The Valley as Phoenix, Dallas, California's Inland Empire, and Chicago make up 30% of all industrial development in the country.

It is fair to assume Phoenix will fare better if our economy enters any level of recession compared with other multifamily markets.

PHOENIX MARKET METRICS: BY THE NUMBERS

Q1 2022 multifamily data reported exceptionally robust increases when compared to 2021, which already recorded record-breaking numbers in Phoenix.

For 10-99 unit properties, Q1 2022 saw a transaction volume of approximately $517 Million, which represented a significant 117.8% Year-over-year increase from Q1 2021. In the 100+ unit category, Q1 2022 brought in more than $2.7 Billion, up 36.1% YoY.

Average price per unit amounts increased exponentially in the 10-99 segment, rising 52.0% YoY to $242,409, and showing another significant increase of 46.8% to $317,958 for 100+. This translated to an Average Price/SF of $313.3 in 10-99 (up 65.5%) and $371.24 (up 40.6%) in 100+.

Inventory age increased in the 10-99 segment and decreased slightly in 100+ unit properties year-over-year. Average Year Built for 10-99 reported the year 1976, versus 1973 a year ago. The Average Year Built in 100+ reported the year 1990, versus 1991 a year ago.

The market's occupancy rate dropped YoY. Q1 2022 occupancy finished at 95.6%, a 0.4% decrease from Q1 2021. Average rent took another massive leap, reporting $1,669, up $337 (25.3%) YoY.

Phoenix MSA demographics continued their solid trends. The Census estimate of total population was 4,948,203. The unemployment rate finished the quarter at 2.4%, according to Bureau of Labor Statistics numbers.

Median Household Income was $67,068, and Per Capita Income came in at $34,378.

In the realm of new construction for 50+ unit properties, a healthy 2,772 units were delivered across 12 projects for the quarter. This represented a decrease of 9.3% compared to Q1 2021, a record year.

Currently, a large pipeline of 26,061 units is estimated to be in the Planning stages across 106 properties. Another massive total of 37,979 units is listed as Under Construction across 157 properties.

Pre-lease absorption rates this quarter were at a below average rate of 11 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 333,007.

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

- Phoenix: **148,457**
- Mesa: **41,340**
- Tempe: **38,044**
- Scottsdale: **29,124**
- Glendale: **25,184**

ABI COMPARATIVE MARKET REVIEW: Q1 2022

		PHOENIX	TUCSON	SAN DIEGO
DEMOGRAPHICS	Total Population	4,948,203	1,047,279	3,301,573
	Unemployment Rate (as of Mar 2022)	2.4%	2.8%	3.4%
	Employment Growth (y-o-y)	3.7%	3.5%	7.3%
	Median HH Income	$67,068	$55,023	$95,595
	Per Capita Income	$34,378	$30,747	$35,384
RENT/OCC/CONST (50+)	Rent (Q1 2022)	$1,669	$1,226	$2,128
	% Increase/Decrease	+25.3%	+21.1%	+13.0%
	Occupancy (Q1 2022)	95.6%	96.2%	97.5%
	% Increase/Decrease	-0.4%	NO CHANGE	+0.7%
	Total Inventory (50+)	333,007	69,771	241,796
	Total Under Construction (50+)	37,349	536	9,652
	Units Delivered (50+, YTD)	2,772	245	1,250
SALES (50+)	Total Sales Volume (Q1 2022)	$3.03B	$347M	$929M
	y-o-y % Increase/Decrease	+45.0%	+66.3%	+321.8%
	Average P/U (Q1 2022)	$306,969	$158,951	$446,669
	y-o-y % Increase/Decrease	+43.0%	+59.0%	+52.9%

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SEASONED ADVISORS WITH REGIONAL INSIGHT
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NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

100+ UNIT PROPERTIES

ASCENT 1829
1829 East Morten Avenue
Phoenix, AZ 85020

Price: $48,000,000
Units: 180
Year Built: 1980

SUNRISE IN BILTMORE
6131 North 16th Street
Phoenix, AZ 85016

Price: $37,500,000
Units: 125
Year Built: 1975

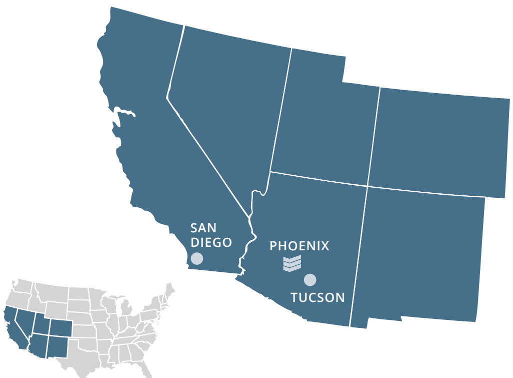
10-99 UNIT PROPERTIES

PHOENICIAN PINES
17211 North 35th Avenue
Phoenix, AZ 85053

Price: $22,000,000
Units: 92 of 240
Year Built: 1982

HAVEN ON THE RAIL
111 North Mesa Drive
Mesa, AZ 85203

Price: $19,550,000
Units: 94
Year Built: 1964/1985



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.

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

PHOENIX HEADQUARTERS
5227 North 7th Street
Phoenix, AZ 85014

602.714.1400

SAN DIEGO OFFICE
1012 Second Street, Ste 100
Encinitas, CA 92024

858.256.7690

CA Lic #02015648

TUCSON OFFICE
3360 N. Country Club Road
Tucson, AZ 85716

520.265.1993