

PHOENIX MSA | MULTIFAMILY | Q2 2023 REPORT

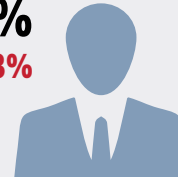


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10+ UNIT PROPERTIES	Q2 2023	INCREASE/DECREASE	Q2 2022
Total Sales Volume	\$854M	-85.0%	\$5.69B
AVERAGE Price/Unit	\$320,054	-6.8%	\$343,236
Price/SF	\$346.61	-13.6%	\$401.09
Year Built	1990	+8 Yrs	1982
Average Rent	\$1,633	-2.4%	\$1,673
Occupancy Rate	93.3%	-2.5%	95.8%
Units Delivered	3,315	-12.6%	3,794

5,045,448  **POPULATION**
JUNE 2023*

3.2%
+0.3%



UNEMPLOYMENT
Q-O-Q AS OF JUNE 2023*

2.0%



EMPLOYMENT GROWTH
Y-O-Y AS OF JUNE 2023*

\$82,121



MEDIAN HH INCOME
JUNE 2023*

\$68,088



GDP PER CAPITA
JUNE 2023*

43,854
Units (50+)



UNDER CONSTRUCTION
YARDI







400,940
Units (10+)



TOTAL INVENTORY
ABI RESEARCH, COSTAR; YARDI

* Forecasted

PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS	*UNEMPLOYMENT RATE	*MEDIAN HH INCOME	50+ UNIT PROPERTIES	
			TOTAL INVENTORY	UNDER CONSTRUCTION
 Phoenix MSA	3.2%	\$82,121	367,993	43,854
 Phoenix	3.2%	\$74,114	153,867	15,101
 Mesa	3.2%	\$76,897	42,317	3,562
 Scottsdale	2.9%	\$103,169	30,700	3,926
 Tempe	3.0%	\$76,497	39,844	3,258
 Glendale	3.3%	\$66,967	28,176	2,329

* Forecasted

PHOENIX MSA - PER CITY ANALYSIS

RENT & OCCUPANCY STATS

	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (Q2 2023)	\$1,559	\$1,515	\$2,065	\$1,913	\$1,494
% Change (y-o-y)	-1.1%	-2.8%	-1.5%	+0.7%	-0.7%
Occupancy Rate (Q2 2023)	93.7%	94.1%	94.4%	93.8%	93.5%
% Change (y-o-y)	-1.0%	-1.0%	0.0%	-1.1%	-0.9%
Units Delivered (Q2 2023, 50+)	469	89	159	397	1062

SALES DATA (100+)

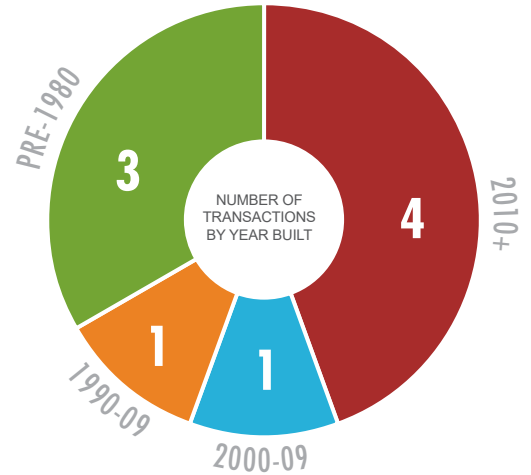
Total Sales Volume (Q2 2023, 100+)	\$162,500,000	--	\$269,280,000	\$175,500,000	--
Total Sales Volume (Q2 2022, 100+)	\$1,459,715,006	\$830,246,039	\$825,400,000	\$695,687,500	\$300,231,917
% Change (y-o-y)	-88.9%	--	-67.4%	-74.8%	--
Avg P/U (Q2 2023, 100+)	\$184,449	--	\$443,624	\$453,488	--
Avg P/U (Q2 2022, 100+)	\$307,438	\$299,404	\$558,080	\$374,832	\$303,265
% Change (y-o-y)	-40.0%	--	-20.5%	+21.0%	--

SALES DATA (10-99)

Total Sales Volume (Q2 2023, 10-99)	\$62,696,000	\$37,752,904	--	--	\$1,560,000
Total Sales Volume (Q2 2022, 10-99)	\$325,584,400	\$77,480,000	\$17,535,000	\$82,105,000	\$41,680,000
% Change (y-o-y)	-80.7%	-51.3%	--	--	-96.3%
Avg P/U (Q2 2023, 10-99)	\$256,951	\$290,407	--	--	\$130,000
Avg P/U (Q2 2022, 10-99)	\$242,792	\$242,884	\$246,972	\$421,051	\$231,556
% Change (y-o-y)	+5.8%	+19.6%	--	--	-43.9%

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2023	INCREASE/DECREASE	Q2 2022
Total Sales Volume	\$747M	-85.4%	\$5.13B
AVERAGE Price/Unit	\$331,388	-7.2%	\$357,222
AVERAGE Price/SF	\$355.96	-14.3%	\$415.59
AVERAGE Year Built	1998	+5 Yrs	1993



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



Canvas Student Living
Tempe, 263 Units | \$147,200,000
\$559,696/unit | \$482.5/SF | Built 2021

The Griffin
Scottsdale, 277 Units | \$127,780,000
\$461,300/unit | \$300.2/SF | Built 2019

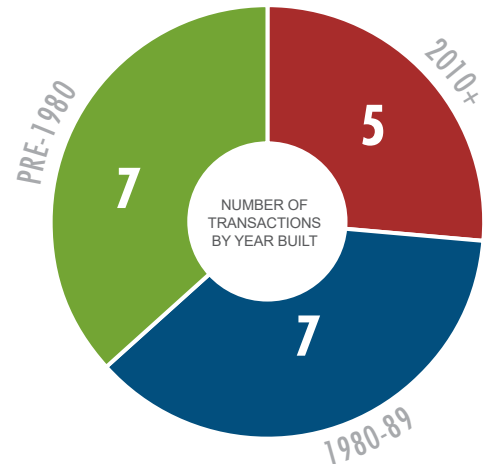
Alta Raintree
Scottsdale, 330 Units | \$141,500,000
\$428,788/unit | \$446.85/SF | Built 2022

Q2 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	4	\$445K	\$397
2000-09	1	\$268K	\$381
1990-09	1	\$261K	\$311
1980-89	--	--	--
Pre-1980	3	\$156K	\$238

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2023	INCREASE/DECREASE	Q2 2022
Total Sales Volume	\$107M	-81.2%	\$569M
AVERAGE Price/Unit	\$258,169	+1.8%	\$253,683
AVERAGE Price/SF	\$292.76	-3.7%	\$304.07
AVERAGE Year Built	1986	+14 Yrs	1972



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



The Hera
Phoenix, 20 Units | \$15,000,000
\$750,000/unit | \$432.48/SF | Built 2022

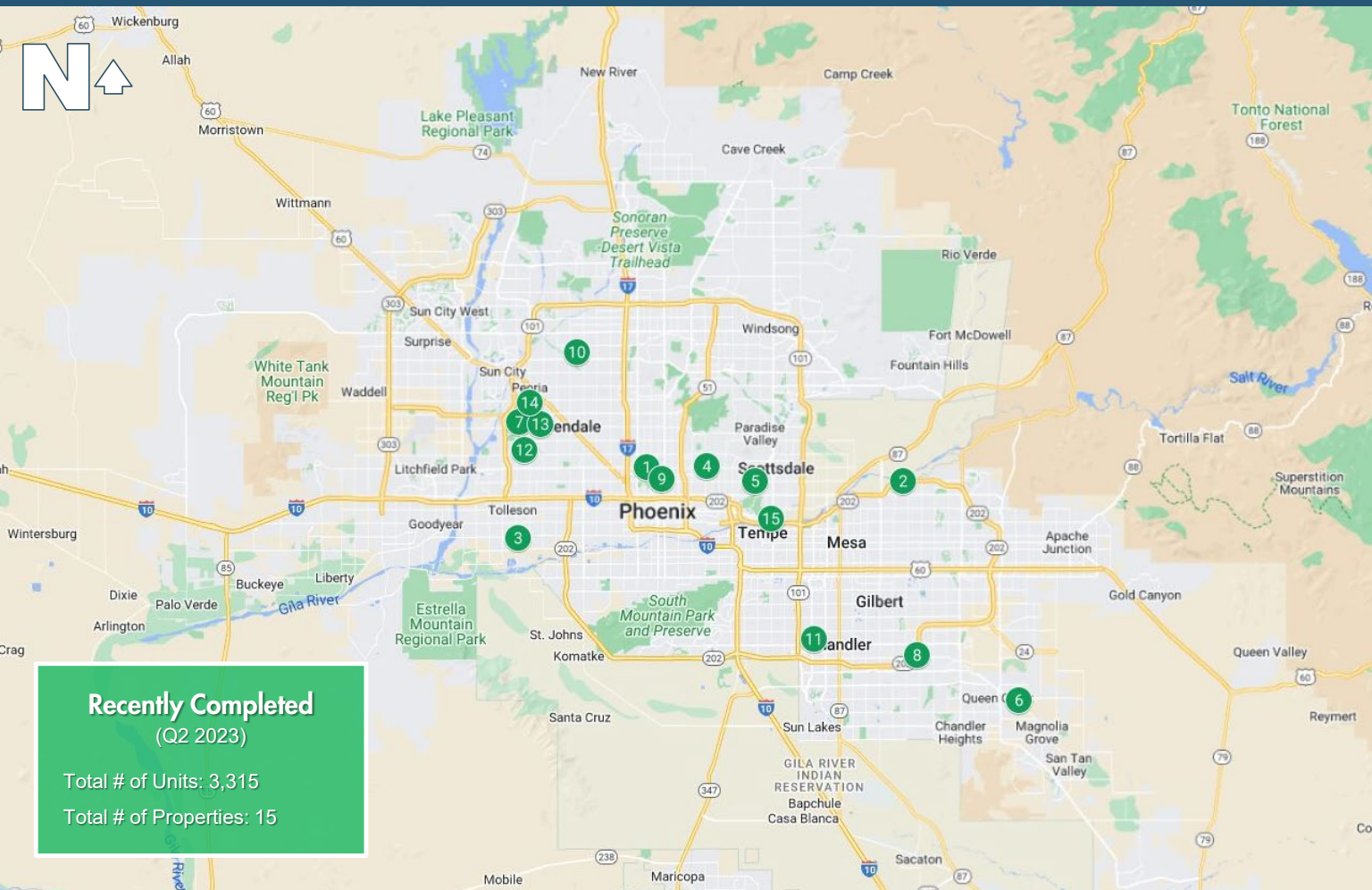
Canal on Baseline - Buildings 10 - 14 (34 of 90)
Mesa, 34 Units | \$17,732,904
\$521,556/unit | \$462.04/SF | Built 2023

Encanto Waterfront
Phoenix, 21 Units | \$10,325,000
\$491,667/unit | \$362.82/SF | Built 2022

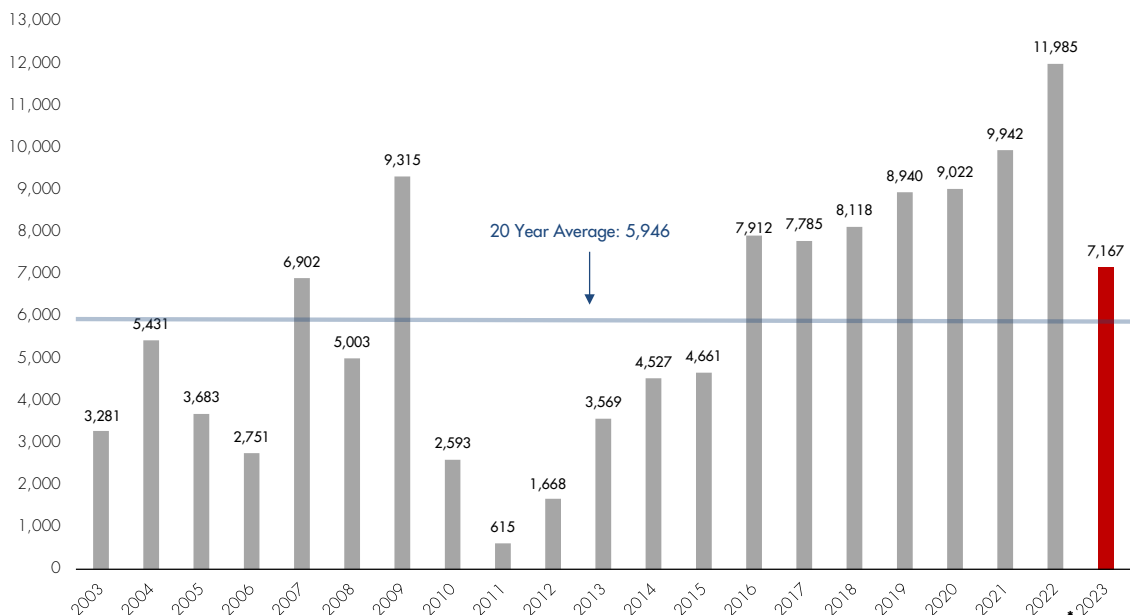
Q2 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	\$491K	\$437
2000-09	--	--	--
1990-09	--	--	--
1980-89	7	\$178K	\$202
Pre-1980	7	\$171K	\$244

COMPLETED CONSTRUCTION



PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q2 2023



TOTAL UNIT INVENTORY

10+ UNIT PROPERTIES: **400,940**

100+ UNIT PROPERTIES: **335,713**

PRE-LEASE ABSORPTION RATE

14

Units/Property/Month (Q2 2023 Avg)

UNDER CONSTRUCTION

TOTAL # OF UNITS: 43,854

TOTAL # OF PROPERTIES: 181

PLANNED

TOTAL # OF UNITS: 31,453

TOTAL # OF PROPERTIES: 122

* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

PHOENIX & THE NATIONAL ECONOMY

In the face of a tightening lending environment and a series of bank collapses, the national economic landscape is experiencing increased caution among financial institutions when extending credit, heavily influencing the multifamily real estate market. The economy's inflationary pressures, including rising construction costs, have impacted consumer purchasing power and overall market dynamics, leading to fluctuations in property valuations and transaction volume within the multifamily real estate market.

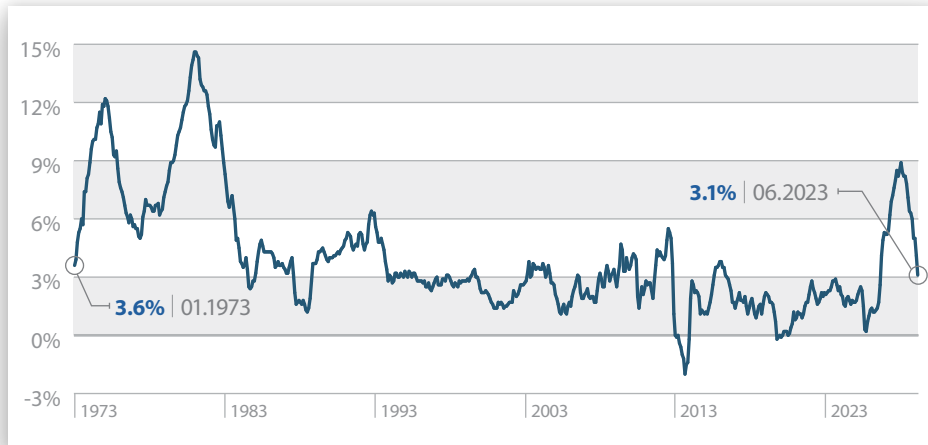
The Federal Reserve has raised interest rates ten times since last March, bringing rates to the highest level in 16 years. These moves have had a real impact on easing price pressures, but they have also discouraged borrowing and slowed economic activity. Fed signaling indicates that we can expect one or two more rate hikes this year, before starting to reduce them in 2024.

The overall market may take a while to normalize, but a promising outlook emerges, indicating that the end of the most challenging market conditions may be just around the corner.

Amidst this shifting economic horizon, the Phoenix Metropolitan Statistical Area (MSA) stands as a beacon of promise in the multifamily market. With favorable demographic trends and significant

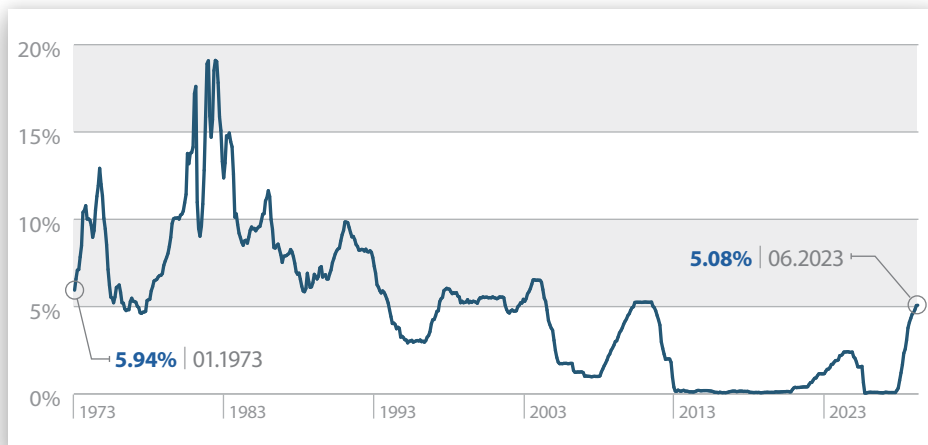
business investment, Phoenix remains an enticing destination. The MSA also boasts a robust pipeline of multifamily developments, positioning it as a noteworthy contender in the national multifamily landscape.

However, Phoenix has not been immune to the pressures of interest rate hikes and difficult market conditions, notching an 85% drop in multifamily transaction volume year-over-year. This follows the first quarter of the year which saw a 75% transaction volume drop, leading to a combined \$7 billion less in activity this year through June. Nevertheless, this slowdown should be viewed as a temporary setback amidst the larger picture of a dynamic and thriving real estate landscape with strong fundamentals.



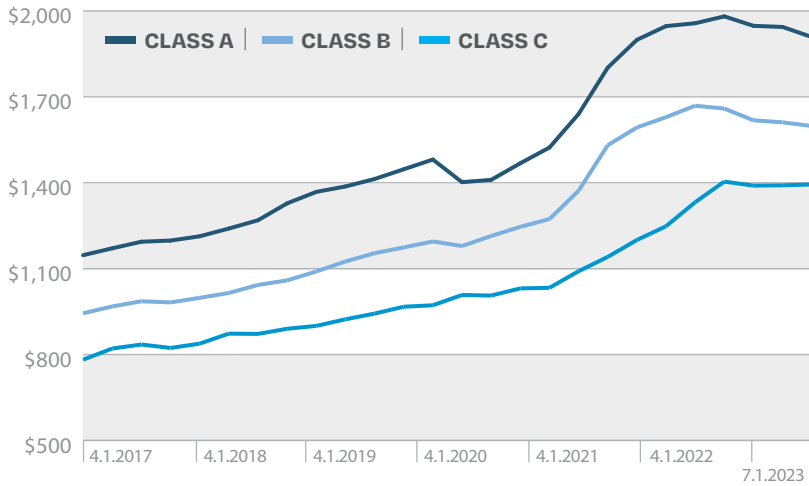
NATIONAL CONSUMER PRICE INDEX (CPI-U)

- Annual inflation has dropped to 3.1% after reaching a peak of 8.9% last summer. This drop is a crucial indicator for the Federal Reserve to determine whether to decelerate or reverse course on rate hikes.
- 8.9% is the highest inflation rate the U.S. has seen in 40 years, and housing is playing a major role in that number. The Bureau of Labor Statistics estimates that shelter costs are accounting for over 70 percent of current inflation.



NATIONAL FEDERAL FUNDS RATE/ INTEREST RATES

- Federal Reserve rate hikes have pushed the Federal Funds rate to its highest point in over a decade, standing at 5.08% at the end of Q2 2023, marking an increase of nearly 400 basis points since the same time last year.
- Coinciding with these hikes, the national average interest rate for a 30-year fixed rate conventional mortgage loan has ballooned to over 7% at the end of Q2 2023.

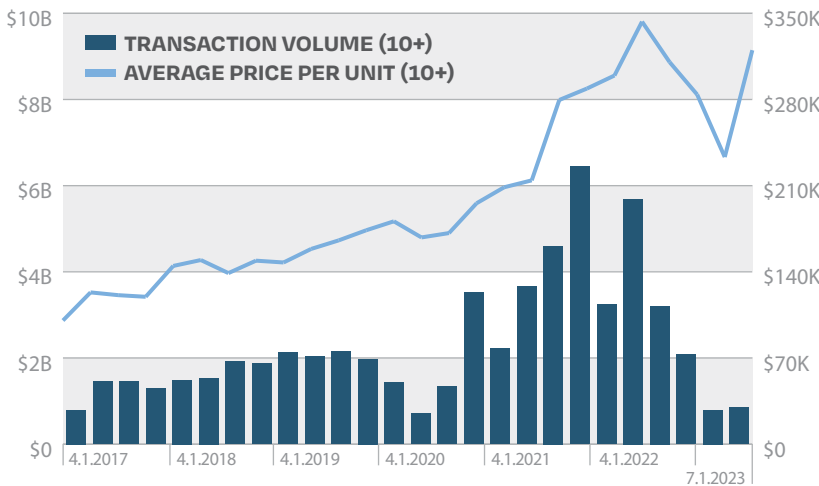
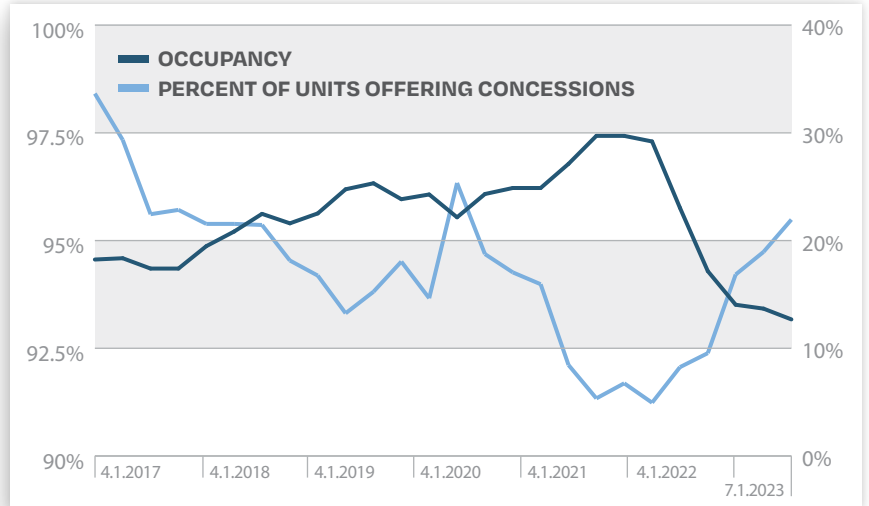


**PHOENIX MSA
EFFECTIVE RENT BY ASSET CLASS**

- Over the previous 12-month period, rental rates remained relatively stable, dropping just 2.4% to \$1,633.
- On average, Class A units rented for \$1,909 a month, Class B units went for \$1,598, and Class C rentals were \$1,394.
- Phoenix has outpaced the national average in rent growth in recent years, but still maintains an average rental rate about 10% lower than the national average.

**PHOENIX MSA
OCCUPANCY/CONCESSIONS**

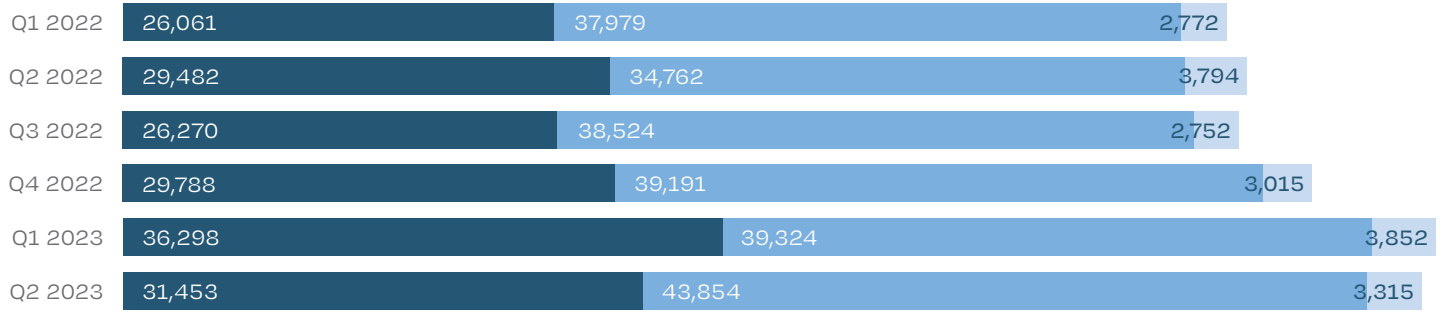
- Following national trends, occupancy decreased to 93.3% in the Phoenix MSA, a drop of 2.5% year-over-year.
- Despite inflationary pressure, occupancy levels have moved consistently across all asset classes, with Class A units at 92.9%, and Class B/C properties hovering around 93.2%.
- As occupancy continues to trend downward, the inverse can be seen in concessions, with 21.7% of units offering concessions, up from 8% the same time last year.



**PHOENIX MSA
TRANSACTION VOLUME**

- \$850 million in multifamily transactions occurred in the second quarter this year, representing an 85% decrease in sales from the same quarter in 2022.
- This level of volume is the second lowest in a quarter witnessed by Phoenix post-pandemic, only beaten by the quarter preceding it.
- Average Price per Unit witnessed a less sizable dip and settled at \$320,054/unit, a 6.8% decrease year-over-year.

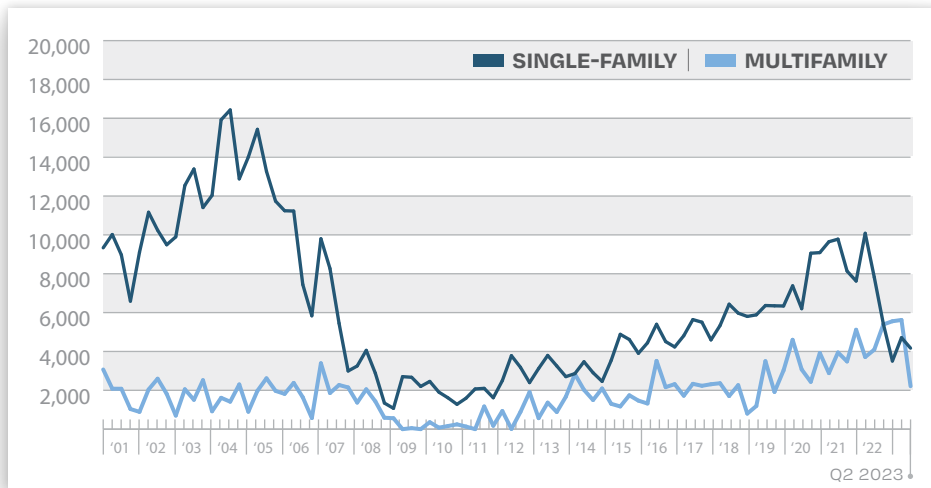
PHOENIX MSA | MULTIFAMILY CONSTRUCTION (50+)



■ PLANNED ■ UNDER CONSTRUCTION ■ RECENTLY COMPLETED

■ 3,315 multifamily units were delivered this quarter, bringing the total inventory in the market to just over 400,000.

■ At the end of Q2, Phoenix had 43,854 units under construction, a 26.2% increase from the same time last year.



PHOENIX MSA PERMITTING ACTIVITY

- In Q2 2023, there were 4,169 single-family and 2,211 multifamily permits issued in the Phoenix MSA, roughly a 46% decrease of both property types from the previous year.
- New policy restrictions from the Office of the Governor addressing groundwater shortages may further impede housing permitting in the rapidly expanding valley.

PRIMED FOR FUTURE GROWTH

A substantial drop-off in transactions, new permits, and occupancy rates, along with flattening rent growth, may not be as dire as it initially appears. Market conditions were anything but normal in the aftermath of the pandemic, and a correction was inevitable. The leadup to 2023 saw consecutive years of record-breaking transaction volume, rental growth touching nearly 30% year-over-year, and the most multifamily units ever delivered in a calendar year in Phoenix.

Despite the more recent challenges, Phoenix is exhibiting strength and

resilience through its comparatively strong fundamentals. The region's high in-migration rate, fueled by an attractive combination of job opportunities and a desirable lifestyle, contributes to robust housing demand that remains intact even during market fluctuations. Booming economic development from semiconductor companies, amongst various other sectors, has further bolstered the region's appeal as a prime investment destination. Additionally, maintaining one of the nation's top pipelines of ongoing and

planned multifamily developments not only signifies investor confidence in the area's prospects, but also ensures a steady supply of housing options to meet the needs of the growing population.

As the real estate market continues to stabilize, Phoenix's multifamily sector appears well-positioned for growth and prosperity. With a history of impressive performance and a promising outlook, the region remains an attractive and dynamic market for both investors and residents.

ABI COMPARATIVE MARKET REVIEW: Q2 2023



PHOENIX

TUCSON

LAS VEGAS

Total Population (June 2023*)

5,045,448

1,062,472

2,353,099

Unemployment Rate (June 2023*)

3.2%

3.4%

5.6%

Employment Growth (y-o-y)

2.0%

1.6%

4.6%

Median HH Income (June 2023*)

\$82,121

\$64,964

\$68,171

GDP Per Capita (June 2023*)

\$68,088

\$50,303

\$61,016

Rent (Q2 2023)

\$1,633

\$1,202

\$1,484

y-o-y % Increase/Decrease

-2.4%

+3.2%

-1.7%

Occupancy (Q2 2023)

93.3%

93.2%

93.6%

y-o-y % Increase/Decrease

-2.5%

-2.9%

-2.2%

Total Inventory (10+)

400,940

100,304

231,012

Total Under Construction (50+)

43,854

2,764

10,837

Units Delivered (50+, YTD)

7,167

0

1,399

Total Sales Volume (Q2 2023)

\$854M

\$22M

\$147M

y-o-y % Increase/Decrease

-85.0%

-94.0%

-88.0%

Average P/U (Q2 2023)

\$320,054

\$93,608

\$169,071

y-o-y % Increase/Decrease

-6.8%

-32.2%

-26.7%

* Forecasted

DEMOGRAPHICS

RENT/OCCUPANCY/CONSTRUCTION

SALES

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



DIMENSION ON 27TH

6131 North 27th Avenue
Phoenix, AZ 85017

Price: \$49,750,000
Units: 260
Year Built: 1982

DOBSON 2222

2222 South Dobson Road
Chandler, AZ 85224

Price: \$95,000,000
Units: 258
Year Built: 2007

FIRST AVENUE TOWNHOUSES

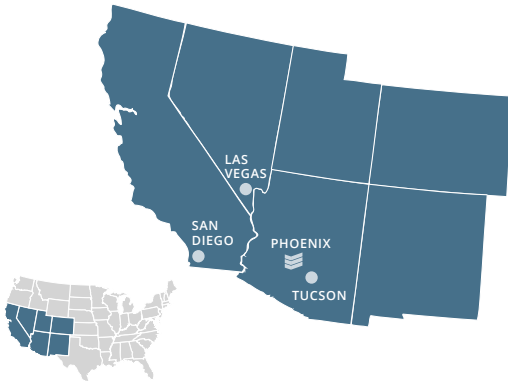
707 - 731 West 1st Avenue
Mesa, AZ 85210

Price: \$4,800,000
Units: 20
Year Built: 1984

AVANTI

2939 North 36th Street
Phoenix, AZ 85018

Price: \$4,800,000
Units: 30
Year Built: 1981



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.

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