

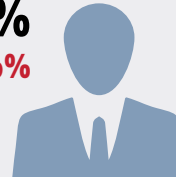
## PHOENIX MSA | MULTIFAMILY | Q3 2023 REPORT



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**5,055,752**  **POPULATION**  
SEPTEMBER 2023\*

**4.5%**  
**+0.6%**



**UNEMPLOYMENT**  
Q-Q AS OF SEPTEMBER 2023\*

**1.8%**



**EMPLOYMENT GROWTH**  
Y-O-Y AS OF SEPTEMBER 2023\*

	10+ UNIT PROPERTIES	Q3 2023	INCREASE/DECREASE	Q3 2022
	<b>Total Sales Volume</b>	<b>\$1.2B</b>	<b>-63.6%</b>	<b>\$3.21B</b>
A V E R A G E	<b>Price/Unit</b>	<b>\$298,216</b>	<b>-3.9%</b>	<b>\$310,367</b>
	<b>Price/SF</b>	<b>\$308.30</b>	<b>-17.9%</b>	<b>\$375.29</b>
	<b>Year Built</b>	<b>1996</b>	<b>+10 Yrs</b>	<b>1986</b>
	<b>Average Rent</b>	<b>\$1,621</b>	<b>-3.3%</b>	<b>\$1,677</b>
	<b>Occupancy Rate</b>	<b>93.2%</b>	<b>-1.1%</b>	<b>94.3%</b>
	<b>Units Delivered</b>	<b>4,578</b>	<b>+60.9%</b>	<b>2,846</b>

**\$86,099**



**MEDIAN HH INCOME**  
SEPTEMBER 2023\*

**\$68,736**



**GDP PER CAPITA**  
SEPTEMBER 2023\*

**43,375**  
Units (50+)



**UNDER CONSTRUCTION**  
YARDI







**407,991**  
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	4.5%	\$86,099	374,816	43,375
 Phoenix	4.6%	\$78,192	156,280	14,546
 Mesa	4.4%	\$82,332	43,840	2,704
 Scottsdale	3.6%	\$103,659	30,700	4,283
 Tempe	4.5%	\$80,782	40,156	3,281
 Glendale	4.8%	\$73,073	28,173	2,824

\* Forecasted

## PHOENIX MSA - PER CITY ANALYSIS

RENT & OCCUPANCY STATS

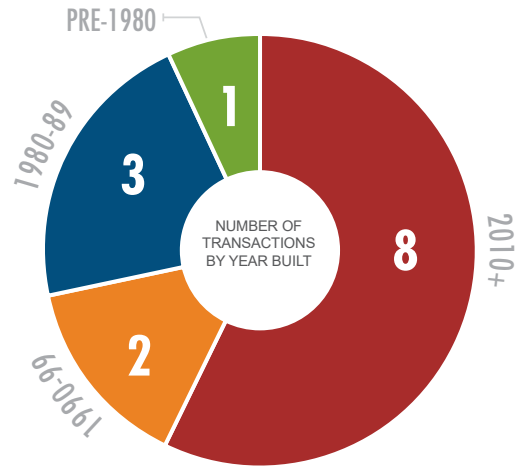
SALES DATA (100+)

SALES DATA (10-99)

	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (Q3 2023)	\$1,549	\$1,514	\$2,052	\$1,912	\$1,487
% Change (y-o-y)	-2.0%	-3.1%	-2.1%	-0.1%	-2.2%
Occupancy Rate (Q3 2023)	93.0%	93.7%	94.2%	94.1%	93.2%
% Change (y-o-y)	-1.1%	-0.8%	0.0%	-0.4%	-0.6%
Units Delivered (Q3 2023, 50+)	1,743	1,035	0	310	0
Total Sales Volume (Q3 2023, 100+)	\$333,600,000	\$84,250,000	\$161,500,000	--	\$28,000,000
Total Sales Volume (Q3 2022, 100+)	\$1,051,860,000	\$196,650,000	\$103,250,000	\$599,600,000	\$278,925,212
% Change (y-o-y)	-68.3%	-57.2%	+56.4%	--	-90.0%
Avg P/U (Q3 2023, 100+)	\$302,997	\$280,833	\$486,446	--	\$201,439
Avg P/U (Q3 2022, 100+)	\$283,826	\$244,590	\$473,624	\$347,393	\$302,194
% Change (y-o-y)	+6.8%	+14.8%	+2.7%	--	-33.3%
Total Sales Volume (Q3 2023, 10-99)	\$59,466,000	\$19,728,000	\$15,565,000	\$21,200,000	\$7,030,000
Total Sales Volume (Q3 2022, 10-99)	\$147,200,000	\$70,920,000	\$5,500,000	\$38,650,000	\$35,430,000
% Change (y-o-y)	-59.6%	-72.2%	+183.0%	-45.1%	-80.2%
Avg P/U (Q3 2023, 10-99)	\$231,385	\$352,286	\$176,875	\$385,455	\$167,381
Avg P/U (Q3 2022, 10-99)	\$272,593	\$277,031	\$458,333	\$415,591	\$224,241
% Change (y-o-y)	-15.1%	+27.2%	-61.4%	-7.3%	-25.4%

# 100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2023	INCREASE/DECREASE	Q3 2022
<b>Total Sales Volume</b>	<b>\$1.03B</b>	<b>-64.5%</b>	<b>\$2.89B</b>
<b>AVERAGE Price/Unit</b>	<b>\$305,954</b>	<b>-2.7%</b>	<b>\$314,370</b>
<b>AVERAGE Price/SF</b>	<b>\$314.44</b>	<b>-18.4%</b>	<b>\$385.29</b>
<b>AVERAGE Year Built</b>	<b>2007</b>	<b>+14 Yrs</b>	<b>1993</b>



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



### The District at Scottsdale

Scottsdale, 332 Units | \$161,500,000  
\$486,446/unit | \$526.08/SF | Built 2019

### Elux at Norterra

Phoenix, 212 Units | \$87,850,000  
\$414,387/unit | \$378.89/SF | Built 2021

### Las Casas at Windrose

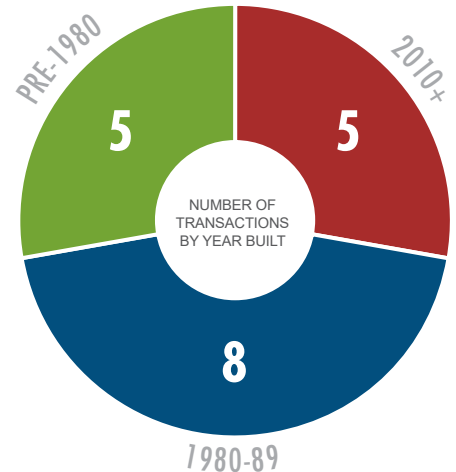
Litchfield Park, 133 Units | \$53,000,000  
\$398,496/unit | \$194.91/SF | Built 2022

## Q3 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	8	\$331K	\$314
2000-09	--	--	--
1990-99	2	\$308K	\$338
1980-89	3	\$210K	\$287
Pre-1980	1	\$185K	\$257

# 10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2023	INCREASE/DECREASE	Q3 2022
<b>Total Sales Volume</b>	<b>\$139M</b>	<b>-56.3%</b>	<b>\$319M</b>
<b>AVERAGE Price/Unit</b>	<b>\$251,301</b>	<b>-9.7%</b>	<b>\$278,210</b>
<b>AVERAGE Price/SF</b>	<b>\$269.44</b>	<b>-11.3%</b>	<b>\$303.73</b>
<b>AVERAGE Year Built</b>	<b>1988</b>	<b>+9 Yrs</b>	<b>1979</b>



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



### The Muse

Tempe, 16 Units | \$10,000,000  
\$625,000/unit | \$331.56/SF | Built 2023

### Farmer Townhomes

Tempe, 15 Units | \$7,500,000  
\$500,000/unit | \$331.13/SF | Built 2023

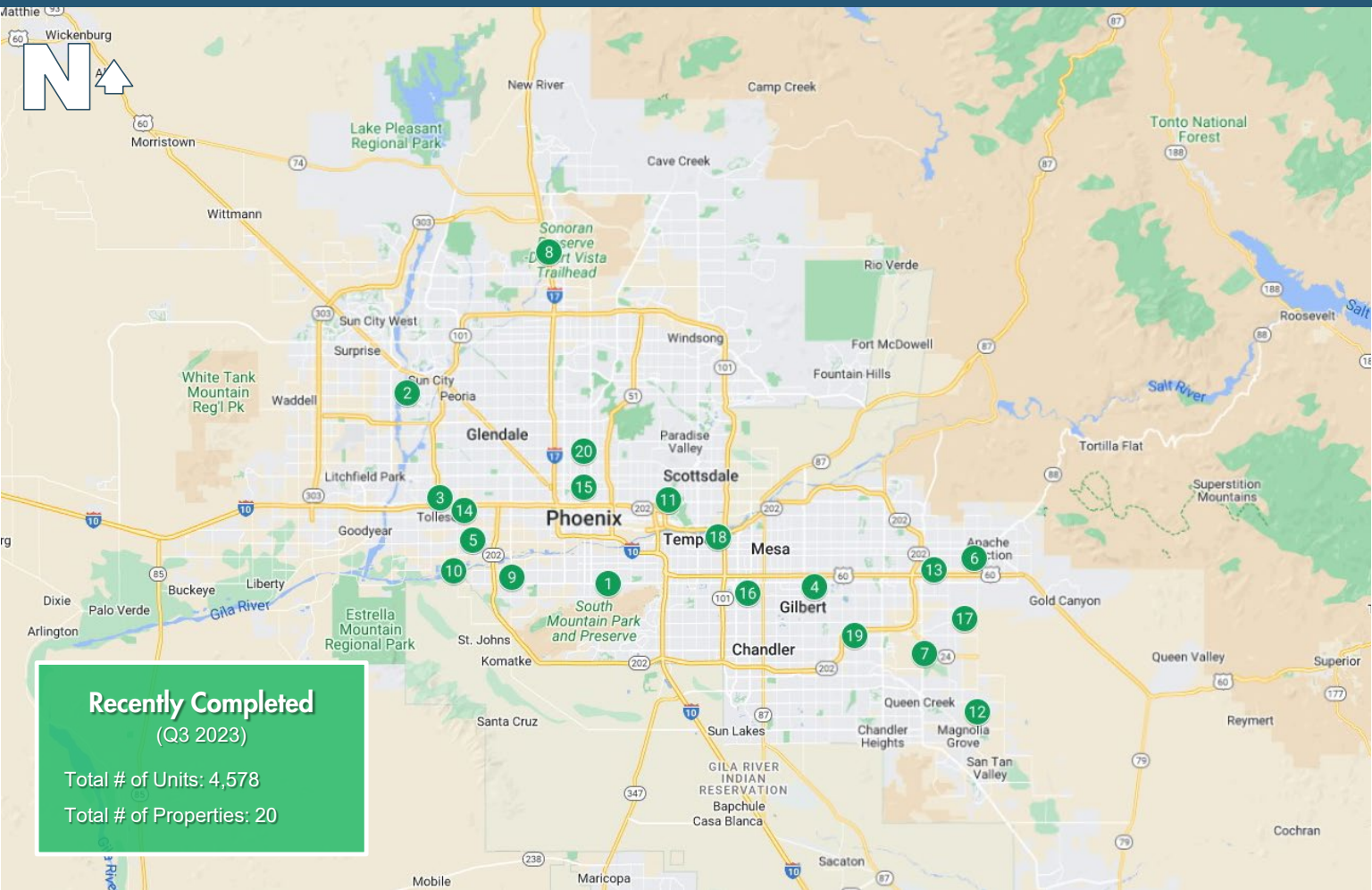
### Village Crossing

Mesa, 36 Units | \$14,928,000  
\$414,667/unit | \$270.49/SF | Built 2023

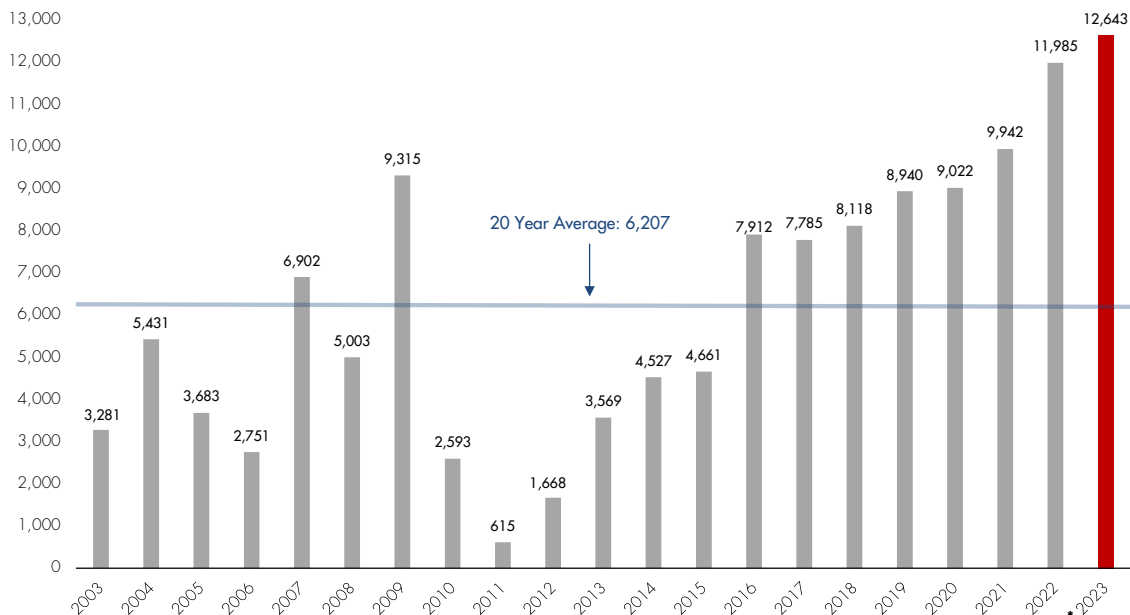
## Q3 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	\$374K	\$306
2000-09	--	--	--
1990-99	--	--	--
1980-89	8	\$159K	\$200
Pre-1980	5	\$216K	\$300

# COMPLETED CONSTRUCTION



## PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE Q3 2023



\* 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: **407,991**  
 100+ UNIT PROPERTIES: **342,544**

**PRE-LEASE ABSORPTION RATE**  
**10**  
 Units/Property/Month  
 (Q3 2023 Avg)

**UNDER CONSTRUCTION**  
 TOTAL # OF UNITS: 43,375  
 TOTAL # OF PROPERTIES: 175

**PLANNED**  
 TOTAL # OF UNITS: 30,525  
 TOTAL # OF PROPERTIES: 122

# PHOENIX & THE NATIONAL ECONOMY

Throughout Q3 inflation has proven tough to quell and economic conditions have remained hotter than many economists predicted. These conditions imply that further rate hikes may be necessary before we see the Federal Reserve (The Fed) start to reduce interest rates. Notably, The Fed raised interest rates only once in the third quarter and markets predict that it is more likely than not that there will be no further hikes this year, implying that further moves by The Fed will not occur until 2024.

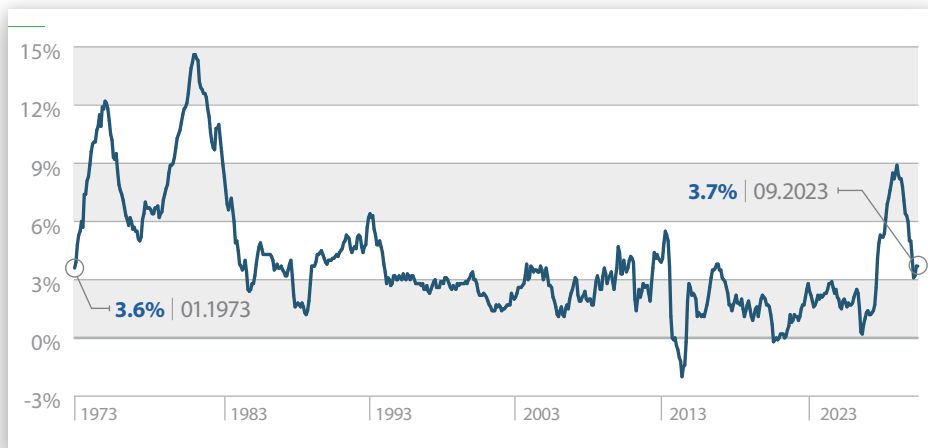
Last year, a majority of economists believed the U.S. would fall into a recession by the end of 2023, but data from this quarter showed strong 3rd quarter GDP growth and employment numbers. This does not mean the U.S. is out of the woods, but the Fed's wish for an economic 'soft landing' may be more

realistic than some experts expected.

A majority of that strong GDP growth in the third quarter was driven by an increase in consumer spending. However, if you asked the average American about the state of the economy you would hear a story that conflicts with some of these classical benchmarks. Recent polling

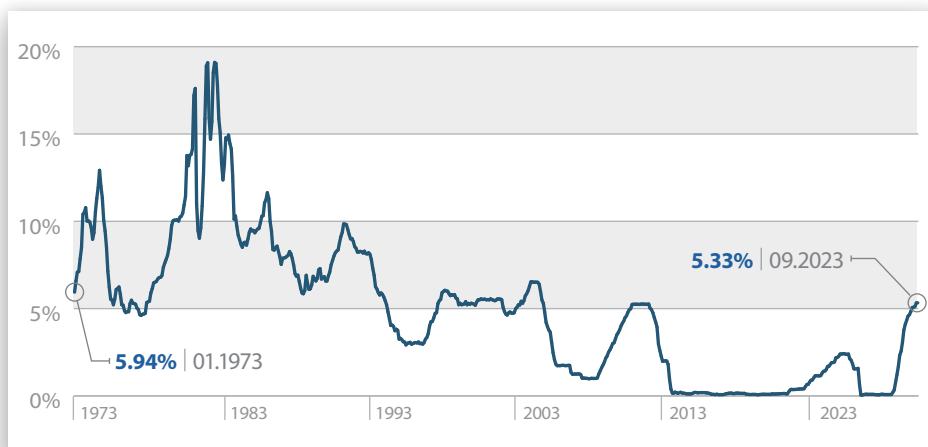
has shown that U.S. residents have a largely negative view of the economy and the direction that it is heading. With mortgage rates climbing above 8% and real wages dropping as inflation ebbs and flows, a lot of Americans feel frustrated with the current climate.

This entire economic environment weighs on the commercial real estate sector, especially on multifamily. Phoenix has realized this tougher transaction market, seeing only \$2.8 billion in transactions through the 3rd quarter of the year, compared to more than \$11 billion over the same period in 2022. It may be a while before a full recovery occurs, but underlying fundamental conditions should inspire optimism about medium- and long-term prospects.



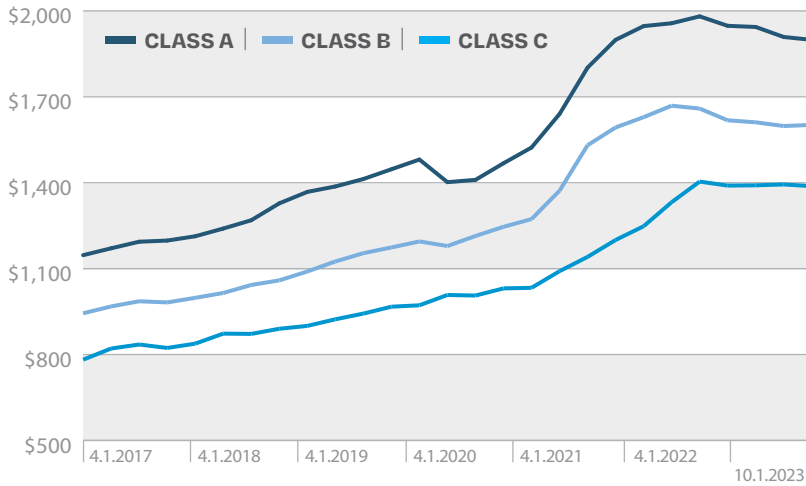
## NATIONAL CONSUMER PRICE INDEX (CPI-U)

- Annual inflation has dropped to 3.7% after reaching a peak of 8.9% last summer. This is a crucial indicator for the Federal Reserve to determine whether to decelerate or reverse course on rate hikes.
- Inflation has proven tough to quell as y-o-y inflation has ticked up from the previous quarter. Signaling from the Fed indicates that levers will continue to be pulled until the inflation rate reaches their 2% mandate.



## 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 5.33% at the end of Q3 2023, marking an increase of nearly 280 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 8% at the end of Q3 2023.

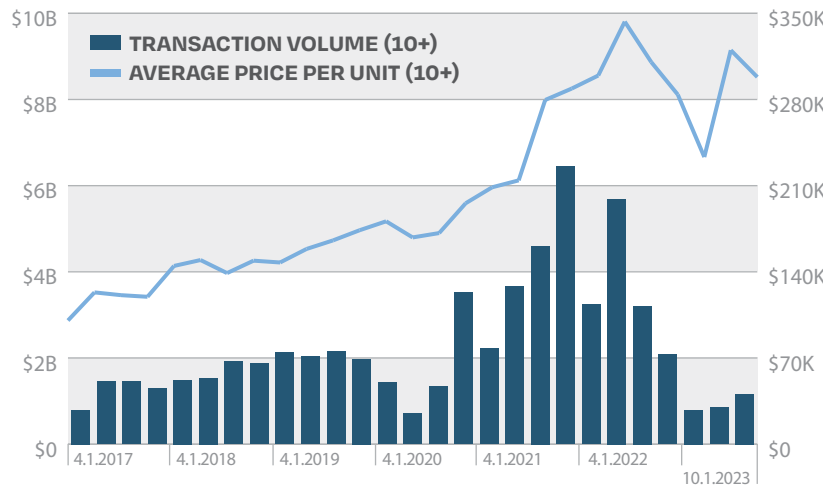
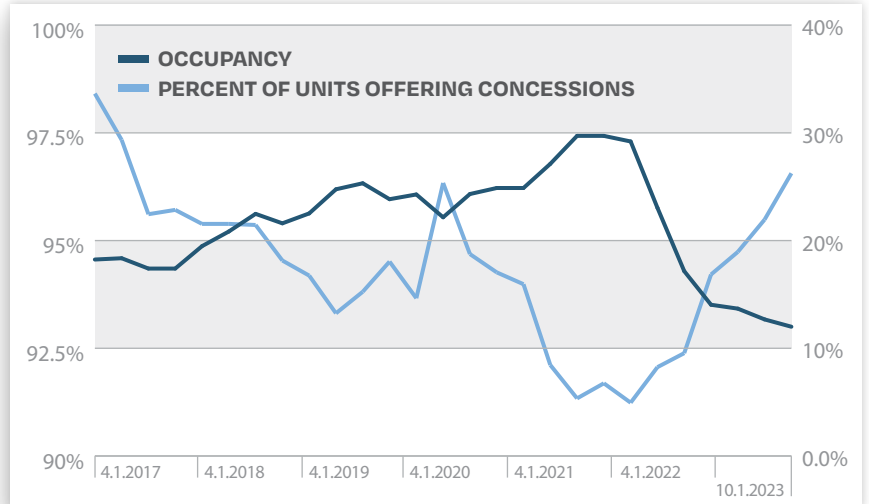


**PHOENIX MSA  
EFFECTIVE RENT BY ASSET CLASS**

- Over the previous 12-month period, rental rates dropped 3.3% to \$1,621.
- On average, Class A units rented for \$1,899 a month, Class B units went for \$1,602, and Class C rentals were \$1,388.
- 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**

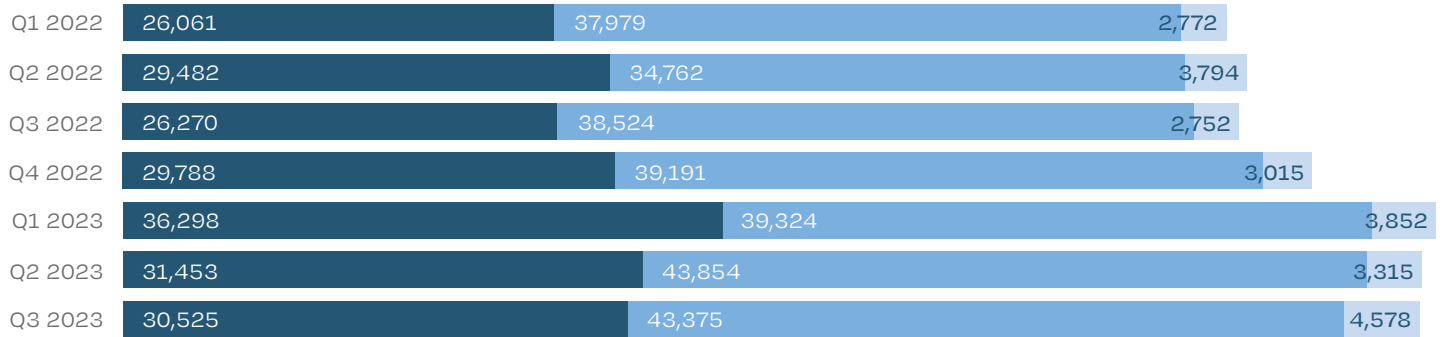
- Following the national trends of lower occupancy, occupancy dipped 1.1% y-o-y to 93.2%.
- Despite inflationary pressure, occupancy levels have remained close across asset classes, with Class A and B units right around 93%, and Class C properties hovering around 92.5%.
- As occupancy continues to trend downward, the inverse can be seen in concessions, with 25.7% of units offering concessions, up from 9.3% of the same time last year.



**PHOENIX MSA  
TRANSACTION VOLUME**

- \$1.17 billion in multifamily transactions occurred in the third quarter this year, representing a 64% decrease in sales from the same quarter in 2022.
- Although this is the third lowest volume in a quarter in the post-pandemic era, Phoenix has now strung together several quarters with transaction volume higher than in the one preceding it.
- Average Price per Unit remains less volatile and settled at \$298,216/unit, a 3.9% decrease year-over-year.

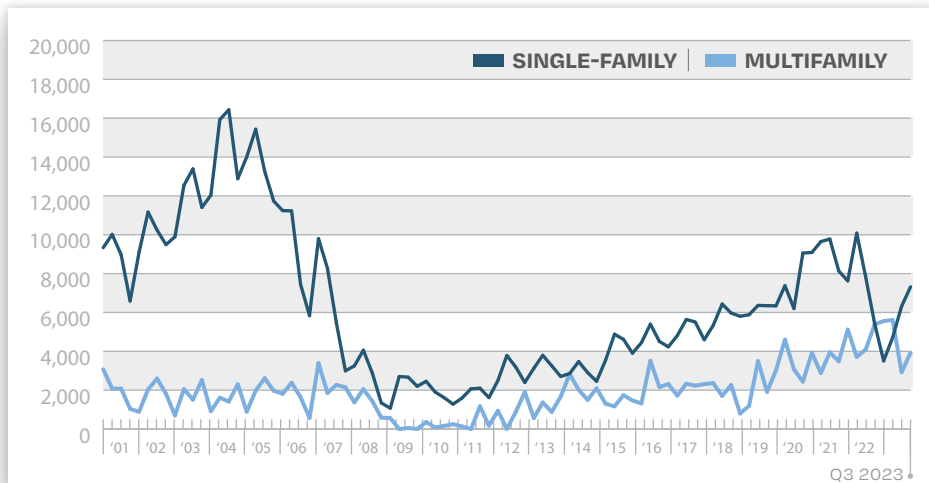
PHOENIX MSA | MULTIFAMILY CONSTRUCTION (50+)



■ PLANNED   ■ UNDER CONSTRUCTION   ■ RECENTLY COMPLETED

■ Q3 was one of the busiest delivery quarters in recent memory, with 4,578 multifamily units completed.

■ At the end of Q3, Phoenix had 43,375 units under construction, a 13% increase from the same time last year.



PHOENIX MSA PERMITTING ACTIVITY

- In Q3 2023, there were 7,321 single-family and 3,928 multifamily permits issued in the Phoenix MSA, a 35% increase and a 27% decrease respectively.
- New policy restrictions from the Office of the Governor addressing groundwater shortages may further impede housing permitting in the rapidly expanding valley.

PHOENIX DRIVERS

The initial shock of a higher interest rate environment has worn out, but in its wake are bank collapses, tightened lending conditions, and disgruntled citizens. Queue the depths of a stagnant multifamily market, in contrast to the previous couple years of rapid-moving fundamentals and immense levels of activity.

Fortunately, several drivers offer positive prospects for the Phoenix market. High in-migration has been a pillar trait of the MSA, and will persist as new ventures are undertaken. Phoenix has seen numerous businesses commit to and commence construction of new industrial spaces in the surrounding

metro. Driven by some of the biggest commitments in the last few years, Intel and TSMC who are investing \$30 and \$40 billion respectively, a litany of supporting companies have followed. Subsequently, additional housing will be necessary to accompany this new labor force, on top of the other naturally occurring in-migration.

Over the last few years, Phoenix has put together one of the largest construction conduits in the nation, with 43,375 units under construction and 30,525 in the planning stages. However, a higher baseline for material costs, coupled with labor shortages and stricter lending, could prove tricky in the coming

years. The viability of many projects will be affected, thus we foresee a drop-off in new deliveries in 2024 and 2025. This will help curb recently rising vacancy rates, but the market will ultimately need to adjust to supply housing for the tens of thousands of additional people migrating to the metro each year.

Despite initial challenges from higher interest rates, Phoenix is set for growth. In-migration, new business activity, and a robust development pipeline will drive economic activity and the multifamily market. Challenges will arise, but the market adapts and long-term trends will prevail.

# ABI COMPARATIVE MARKET REVIEW: Q3 2023



PHOENIX

TUCSON

LAS VEGAS

DEMOGRAPHICS

RENT/OCCUPANCY/CONSTRUCTION

SALES

<b>Total Population (September 2023*)</b>	<b>5,055,752</b>	<b>1,063,751</b>	<b>2,359,408</b>
<b>Unemployment Rate (September 2023*)</b>	<b>4.5%</b>	<b>5.0%</b>	<b>6.3%</b>
<b>Employment Growth (y-o-y)</b>	<b>1.8%</b>	<b>1.5%</b>	<b>3.1%</b>
<b>Median HH Income (September 2023*)</b>	<b>\$86,099</b>	<b>\$66,130</b>	<b>\$71,674</b>
<b>GDP Per Capita (September 2023*)</b>	<b>\$68,736</b>	<b>\$50,664</b>	<b>\$61,317</b>
<b>Rent (Q3 2023)</b>	<b>\$1,621</b>	<b>\$1,203</b>	<b>\$1,465</b>
y-o-y % Increase/Decrease	<b>-3.3%</b>	<b>+1.6%</b>	<b>-3.6%</b>
<b>Occupancy (Q3 2023)</b>	<b>93.2%</b>	<b>93.4%</b>	<b>93.5%</b>
y-o-y % Increase/Decrease	<b>-1.1%</b>	<b>-1.3%</b>	<b>-0.9%</b>
<b>Total Inventory (10+)</b>	<b>407,991</b>	<b>101,839</b>	<b>233,169</b>
<b>Total Under Construction (50+)</b>	<b>43,375</b>	<b>3,501</b>	<b>10,743</b>
<b>Units Delivered (50+, YTD )</b>	<b>12,643</b>	<b>0</b>	<b>1,943</b>
<b>Total Sales Volume (Q3 2023)</b>	<b>\$1.17B</b>	<b>\$64M</b>	<b>\$88M</b>
y-o-y % Increase/Decrease	<b>-63.6%</b>	<b>-85.8%</b>	<b>-85.4%</b>
<b>Average P/U (Q3 2023)</b>	<b>\$298,216</b>	<b>\$124,660</b>	<b>\$293,533</b>
y-o-y % Increase/Decrease	<b>-3.9%</b>	<b>-33.6%</b>	<b>+0.1%</b>

\* Forecasted



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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

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