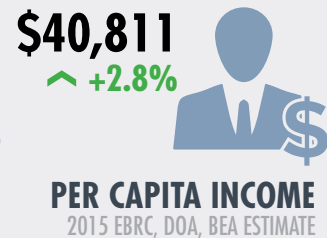
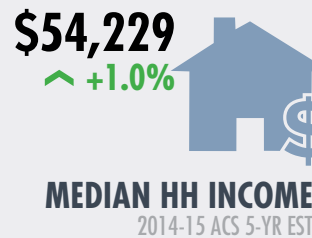
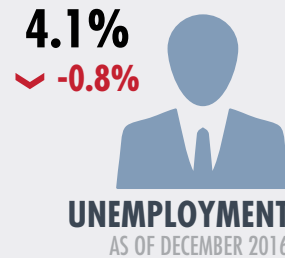


## PHOENIX MSA | MULTIFAMILY | 2016 YEAR END REPORT


PHOENIX MSA OVERVIEW	01
PHOENIX MSA - PER CITY ANALYSIS	02
MULTIFAMILY PROPERTY ANALYSIS: 100+ & 10-99 UNITS	03
SINGLE FAMILY RESIDENTIAL STATS & HOUSING PERMIT DATA	04
COMPLETED CONSTRUCTION & PLANNED PROJECTS	05
YE 2016 SELECT NEWS - PHOENIX MSA	06
ABInsight® PHOENIX MSA'S RECORD BREAKING 2016	07

10+ UNIT PROPERTIES	YE 2016	INCREASE/DECREASE	YE 2015
<b>Total Sales Volume</b>	<b>\$4.97B</b>	<b>28%</b>	<b>\$3.88B</b>
AVERAGE	<b>Price/Unit</b>	<b>8%</b>	<b>\$97,494</b>
	<b>Price/SF</b>	<b>9%</b>	<b>\$119.34</b>
	<b>Year Built</b>	<b>1 yr</b>	<b>1977</b>
<b>Average Rent</b>	<b>\$955</b>	<b>7.8%</b>	<b>\$886</b>
<b>Occupancy Rate</b>	<b>95.6%</b>	<b>0.5%</b>	<b>95.1%</b>
<b>Units Delivered</b>	<b>7,912</b>	<b>70%</b>	<b>4,661</b>




### ABI GEONEWS - PHOENIX MSA YE 2016 SELECT NEWS


CONTINUED ON PAGE 06



New ADP office to bring 1,500 jobs to Tempe, AZ









Orbital ATK plans to add 500 jobs in Chandler



Clearlink selects Downtown Scottsdale for expansion to hire up to 500 employees



# PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
 Phoenix MSA	4.1%	\$54,229	\$40,811	291,609	12,458
 Phoenix	5.2%	\$47,326	\$24,231	126,895	3,973
 Mesa	4.9%	\$48,809	\$24,724	35,016	1,146
 Scottsdale	4.2%	\$73,288	\$52,220	24,447	1,341
 Tempe	4.7%	\$49,012	\$26,667	29,940	2,858
 Glendale	5.2%	\$46,776	\$21,950	23,256	52

## PHOENIX MSA - PER CITY ANALYSIS

### RENT & OCCUPANCY STATS

	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (YE 2016)	\$878	\$843	\$1,241	\$1,146	\$807
% Change (y-o-y)	+8.3%	+9.9%	+5.6%	+6.3%	+9.5%
Occupancy Rate (YE 2016)	95.6%	95.5%	95.0%	96.2%	95.8%
% Change from 2010	+0.6%	+0.6%	-0.3%	+1.3%	+1.1%
Units Delivered (50+)	341	-	278	290	286

### SALES DATA (100+)

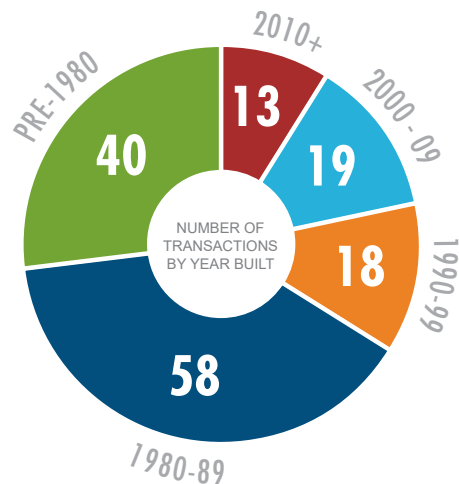
Total Sales Volume (YE 2016, 100+)	\$1,521,592,000	\$388,925,000	\$662,415,000	\$583,654,000	\$368,116,000
Total Sales Volume (YE 2015, 100+)	\$1,583,325,043	\$353,560,000	\$527,687,438	\$348,179,000	\$52,720,345
% Change (y-o-y)	-4%	+10%	+26%	+68%	+598%
Avg P/U (YE 2016, 100+)	\$102,762	\$90,364	\$145,330	\$125,087	\$82,297
Avg P/U (YE 2015, 100+)	\$90,316	\$82,473	\$165,731	\$143,697	\$44,415
% Change (y-o-y)	+14%	+10%	-12%	-13%	+85%

### SALES DATA (10-99)

Total Sales Volume (YE 2016, 10-99)	\$320,963,551	\$56,979,500	\$20,920,000	\$45,188,308	\$4,967,750
Total Sales Volume (YE 2015, 10-99)	\$280,973,929	\$35,594,570	\$25,197,500	\$50,387,804	\$20,255,000
% Change (y-o-y)	+14%	+60%	-17%	-10%	-76%
Avg P/U (YE 2016, 10-99)	\$64,257	\$70,958	\$121,628	\$103,170	\$36,528
Avg P/U (YE 2015, 10-99)	\$58,720	\$54,677	\$147,354	\$105,414	\$50,012
% Change (y-o-y)	+9%	+30%	-18%	-2%	-27%

# 100+ UNIT PROPERTIES

	YE 2016	INCREASE/DECREASE	YE 2015
<b>Total Sales Volume</b>	<b>\$4.5B</b>	<b>31%</b>	<b>\$3.5B</b>
<b>AVERAGE Price/Unit</b>	<b>\$111,722</b>	<b>7%</b>	<b>\$104,382</b>
<b>AVERAGE Price/SF</b>	<b>\$136.90</b>	<b>8%</b>	<b>\$126.31</b>
<b>AVERAGE Year Built</b>	<b>1988</b>	<b>1 yr</b>	<b>1989</b>



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



### CityScape Residences

Phoenix, 224 Units | \$75,250,000  
\$335,938/unit | \$348.83/SF | Built 2014



### Crescent Scottsdale Quarter

Scottsdale, 275 Units | \$87,000,000  
\$316,364/unit | \$372.07/SF | Built 2016



### Citrine

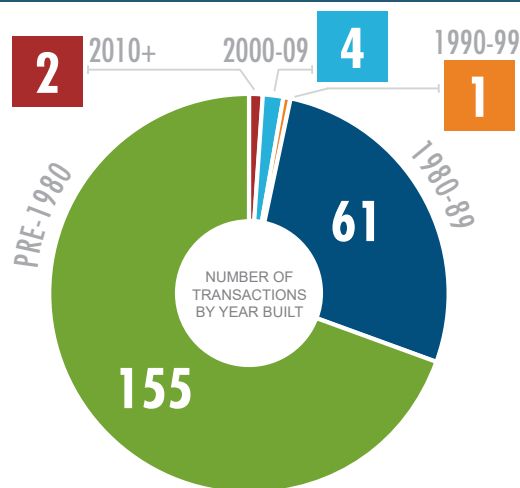
Phoenix, 312 Units | \$93,912,000  
\$301,000/unit | \$337.21/SF | Built 2016

## YE 2016 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>13</b>	<b>\$231K</b>	<b>\$257</b>
<b>2000-09</b>	<b>19</b>	<b>\$129K</b>	<b>\$138</b>
<b>1990-99</b>	<b>18</b>	<b>\$138K</b>	<b>\$146</b>
<b>1980-89</b>	<b>58</b>	<b>\$93K</b>	<b>\$118</b>
<b>Pre-1980</b>	<b>40</b>	<b>\$72K</b>	<b>\$106</b>

# 10 - 99 UNIT PROPERTIES

	YE 2016	INCREASE/DECREASE	YE 2015
<b>Total Sales Volume</b>	<b>\$462M</b>	<b>7%</b>	<b>\$436M</b>
<b>AVERAGE Price/Unit</b>	<b>\$68,599</b>	<b>7%</b>	<b>\$64,062</b>
<b>AVERAGE Price/SF</b>	<b>\$92.40</b>	<b>11%</b>	<b>\$83.09</b>
<b>AVERAGE Year Built</b>	<b>1971</b>	<b>NO CHANGE</b>	<b>1971</b>



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

= ABI Multifamily Transaction



### Monterosa Villas

Phoenix, 19 Units | \$4,382,000  
\$230,632/unit | \$100/SF | Built 2013



### Rezide Uptown

Phoenix, 35 Units | \$6,299,000  
\$179,971/unit | \$194.56/SF | Built 1978



### Melrose on 5th

Phoenix, 12 Units | \$2,050,000  
\$170,833/unit | \$142.36/SF | Built 1961

## YE 2016 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>2</b>	<b>\$164K</b>	<b>\$106</b>
<b>2000-09</b>	<b>4</b>	<b>\$133K</b>	<b>\$128</b>
<b>1990-99</b>	<b>1</b>	<b>\$112K</b>	<b>\$97</b>
<b>1980-89</b>	<b>61</b>	<b>\$62K</b>	<b>\$83</b>
<b>Pre-1980</b>	<b>155</b>	<b>\$68K</b>	<b>\$95</b>

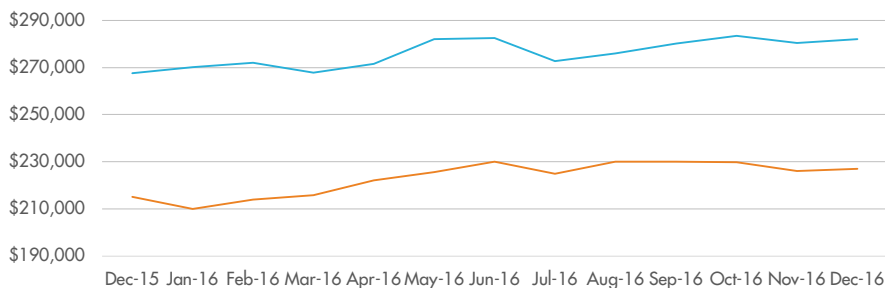
# SINGLE FAMILY RESIDENTIAL - FOR SALE/LEASE

**AVG SALES PRICE \$281,400**

+5.2%, YEAR-OVER-YEAR AVERAGE

**MEDIAN SALES PRICE \$227,000**

+5.6%, YEAR-OVER-YEAR MEDIAN



## SFR SALES TRENDS \*

**MONTHLY SALES 7,036**

+4.4%, YEAR-OVER-YEAR  
+3.4%, MONTH-OVER-MONTH

**AVG DAYS ON MARKET 77**

+2 DAYS, YEAR-OVER-YEAR  
-1 DAY, MONTH-OVER-MONTH

**FORECLOSURES PENDING 3,310**

-22.3%, YEAR-OVER-YEAR  
-0.7%, MONTH-OVER-MONTH

\* As of December 2016

## SFR - FOR LEASE

**YE 2016**

Median Lease: \$1,305  
Average Lease: \$1,471  
Avg. Days on Market: 30  
Rent Check Quotient™: 3 : 10

**YE 2015**

Median Lease: \$1,225  
Average Lease: \$1,374  
Avg. Days on Market: 32  
Rent Check Quotient™: 3 : 10

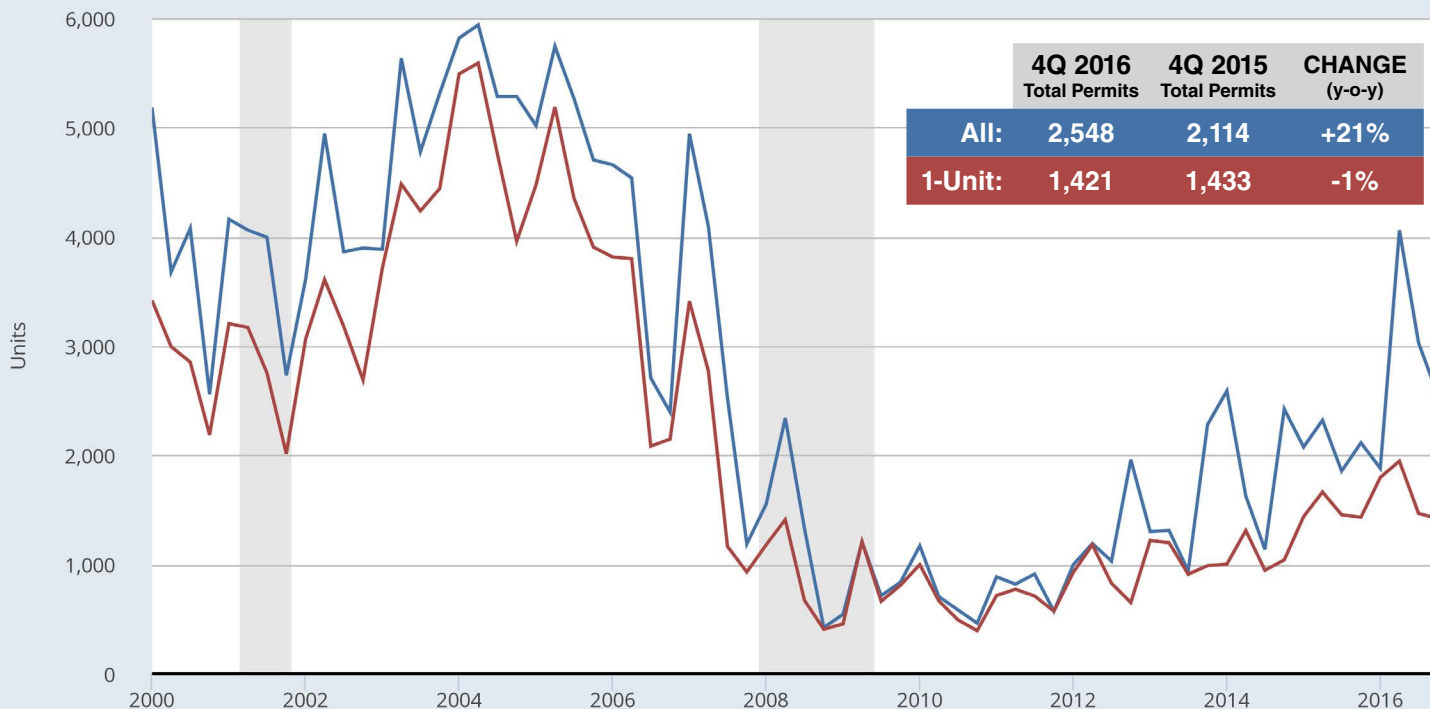
RENT Check Quotient (RCQ) is the ratio of closed rentals to closed sales. For example, 1:2 (one to two) would mean for every 1 rental, there are 2 closed sales. 1:1 (one to one) would mean that the number of closed rentals and closed sales are the same.

ABI Research / ARMLS® COPYRIGHT 2017

## HOUSING PERMIT DATA - SFR/MF \*

**FRED**

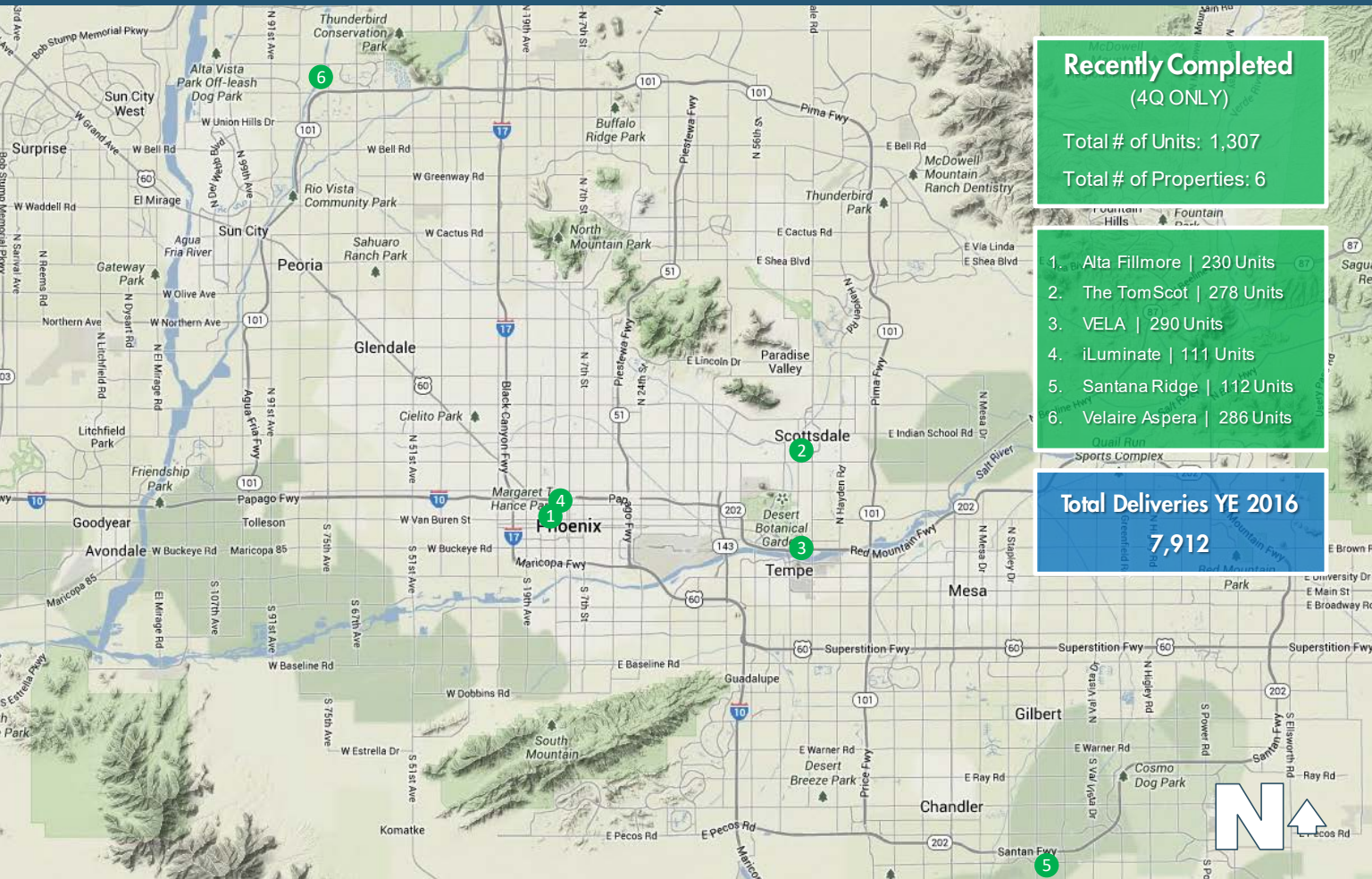
— New Private Housing Units Authorized by Building Permits for Phoenix-Mesa-Scottsdale, AZ (MSA)  
— New Private Housing Units Authorized by Building Permits: 1-Unit Structures for Phoenix-Mesa-Scottsdale, AZ (MSA)



\* Quarterly Average permitted units from 2000 to YTD (FRED)

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# COMPLETED CONSTRUCTION



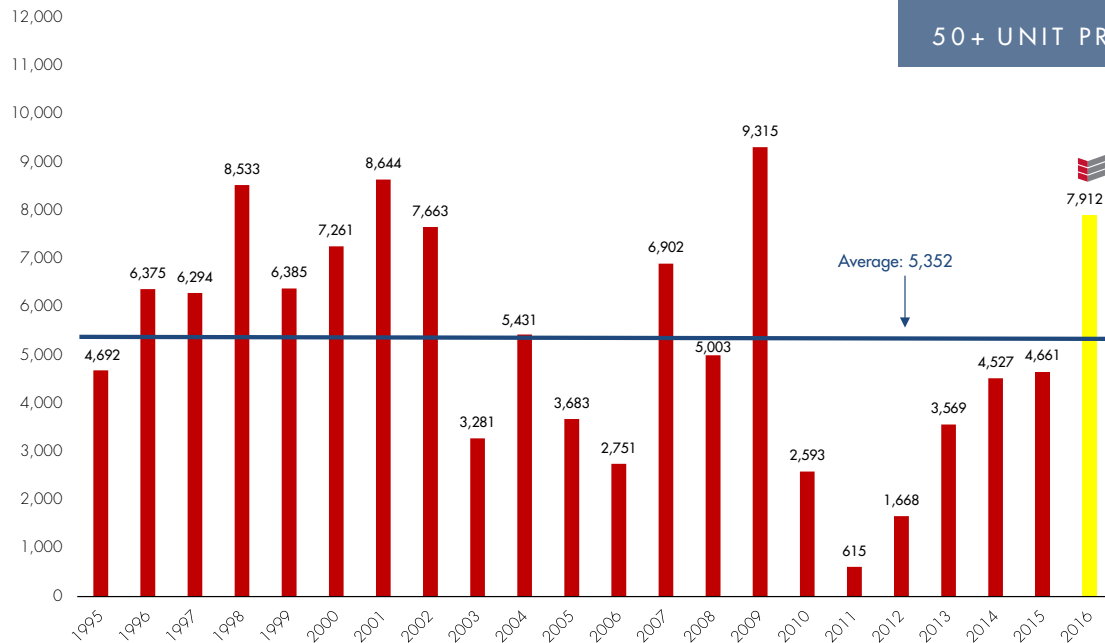
**Recently Completed**  
(4Q ONLY)

Total # of Units: 1,307  
Total # of Properties: 6

1. Alta Fillmore | 230 Units
2. The TomScot | 278 Units
3. VELA | 290 Units
4. iLuminate | 111 Units
5. Santana Ridge | 112 Units
6. Velaire Aspera | 286 Units

**Total Deliveries YE 2016**  
7,912

## PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE YE 2016



**TOTAL UNIT INVENTORY**

10+ UNIT PROPERTIES: 348,567  
50+ UNIT PROPERTIES: 291,609

**Under Construction**

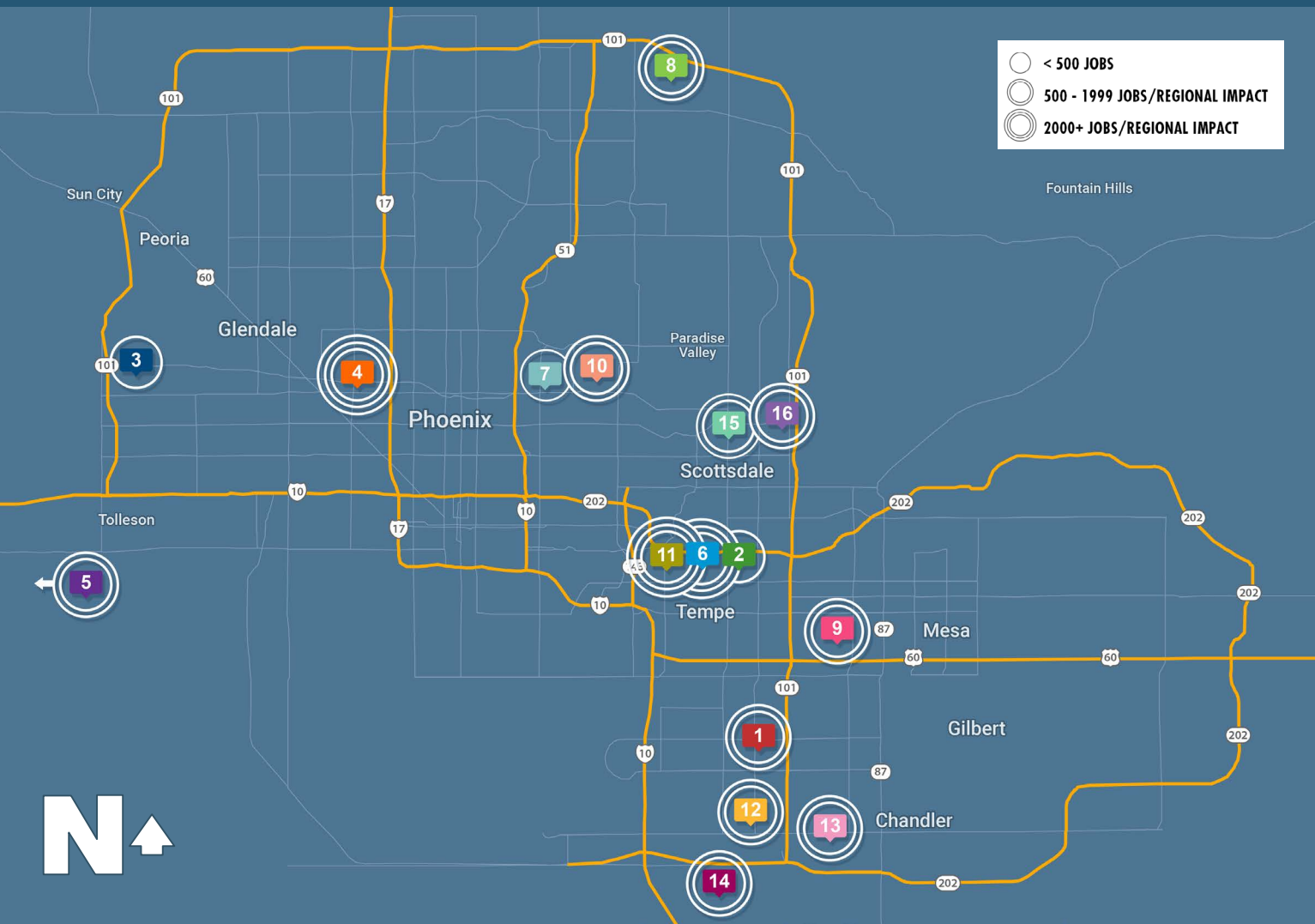
Total # of Units: 12,458  
Total # of Properties: 54

**Planned**

Total # of Units: 20,366  
Total # of Properties: 75

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

# YE 2016 SELECT NEWS



- 1** Northern Trust | Opening \$95M regional operations center in Tempe | Hiring 1,000
- 2** Silicon Valley tech company, Houzz | Opening 150-employee Tempe office at Hayden Ferry
- 3** Ring, video doorbell maker | Bringing 100 jobs to Westgate
- 4** GCU continues massive campus expansion | 3,000+ employees and 14,000+ students expected by 2020
- 5** Finnish Manufacturing Company, Huhtamaki, to spend \$100M to purchase & modify existing property into distribution facility and hire 300+
- 6** State Farm Regional Headquarters: Brings total State Farm Phoenix area employment to 3,000+
- 7** Money Source Leases 20,000 SF at 24th & Camelback Rd with plans to hire 450 employees throughout Phoenix Metro
- 8** ASU, Mayo to build \$200M innovation center in North Phoenix
- 9** Santander Consumer USA to hire 1,000+ workers for new regional operations center in Mesa's Fiesta District with avg salary of \$51,000
- 10** Kudelski Group | Phoenix lands international corporate HQ for Kudelski Group, a leading European Union cybersecurity technology company
- 11** New ADP office to bring 1,500 jobs to Tempe, AZ
- 12** DaVita HealthCare Partners opening mega-pharmacy in Chandler with 500 new jobs
- 13** Rogers Corp (NYSE: ROG), an engineered materials solution firm, is moving its global HQ from Connecticut to Chandler
- 14** Orbital ATK plans to add 500 jobs in Chandler
- 15** Clearlink selects Downtown Scottsdale for expansion to hire up to 500 employees
- 16** San Francisco-based McKesson building regional operations center on tribal land in Phoenix area

**By: Thomas M. Brophy, Director of Research**

By all accounts, the Phoenix MSA multifamily market had an absolute banner 2016 investment year fueled, in large part, by both robust jobs and population growth. On the jobs front, Phoenix area economic development officials worked overtime in luring a whole host of corporate/regional office relocations, tech/manufacturing company openings and existing business expansions. Top job announcements include: ADP's new Tempe office to bring 1,500 jobs, Santander Consumer USA's regional operations center in Mesa's Fiesta District set to bring 1,000+ jobs, Orbital ATK's Chandler expansion with 500 new jobs, Clearlink's expansion into Downtown Scottsdale with 500+ jobs, Rogers Corp (NYSE: ROG) global HQ move to Chandler and Kudelski Group's international HQ move to Phoenix just to name a few. According to WalletHub's analysis of the 150 biggest cities in the country, five (5) Phoenix MSA cities cracked the Top 20 of best places to find a job: Scottsdale (#1), Chandler, (#7), Tempe (#9), Peoria (#11) and Gilbert (#18).

In regards to population, although growing less than the halcyon days of the 1980/90's, Phoenix MSA grew by nearly 2% to 4,565,900 in 2016. According to American City Business Journal's population analysis of the 25 largest metropolitan areas in the US, Phoenix area population growth is set to heat up and is expected to grow by 4% to 4,757,755 by the end of 2018.

## Phoenix Market Metrics: By the Numbers

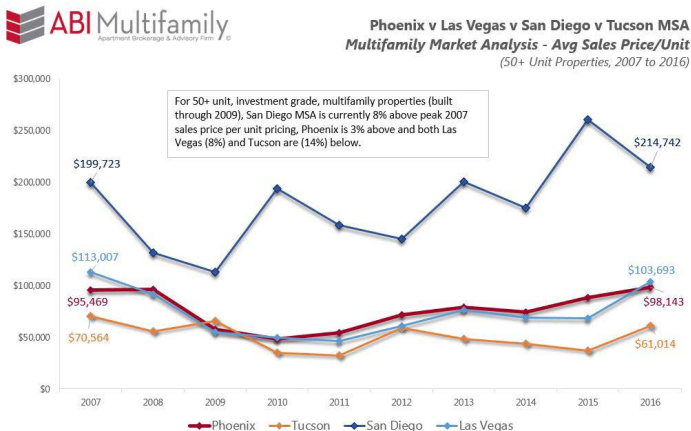
The MSA's total sales volume (10+ unit properties) increased 28%, year-over-year, to a market record, \$4.97 billion across 376 total transactions with 47,233 total units sold or 14% MV (Market Velocity which is calculated by dividing number of units sold by total number of units). In fact, Phoenix's MV rate has increased nearly 34% since 2013 due to substantial investor interest in value add sales.

Despite besting our 20 year new construction delivery average, 5,300 units, with 7,912 new units delivered in 2016, both average rent and occupancy increased for the MSA, by 7.8% to \$955 and 0.5% to 95.6% respectively. Mesa and Glendale claimed the top spots for the MSA in rent growth at 9.9% and 9.5% respectively, followed by Phoenix at 8.3%, Tempe at 6.3% and Scottsdale at 5.6%. Although Scottsdale saw the lowest average rental rate percentage increase of the MSA, it still claims the top spot in actual average rent which at \$1,241 is the highest in the region.

In regards to occupancy, Tempe was #1 at 96.2% despite being #2 for unit deliveries and once again bucking analyst expectations of a projected decrease in occupancy due to increasing supply. Glendale came in at #2 with 95.8% occupancy, a 1.1% y-o-y increase, while Phoenix and Mesa were tied for #3 with both increasing 0.6% to 95.6% and 95.5% respectively. Scottsdale, the lone outlier, was the only city in the region to witness a small occupancy contraction of (0.3%) to its current 95%; due, in large part, to a 7.5% net increase in total supply.

## Peak Pricing?

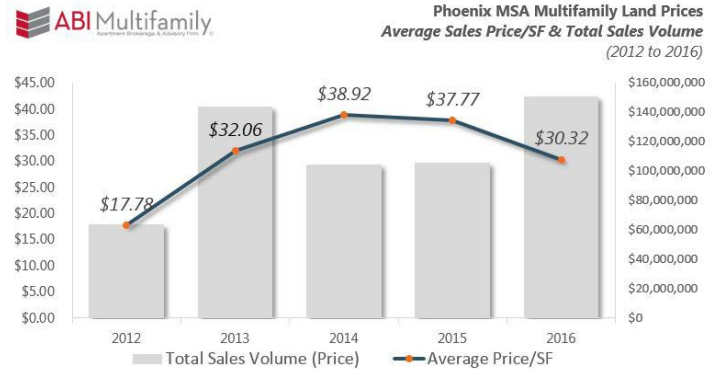
As of YE 2016, and referenced in the chart below, Phoenix, overall, is approximately 3% above peak 2007 pricing and still well below San Diego's



current \$214,742/unit amount. 1980's built product has seen the greatest price per unit increase rising, on average, 18% above peak 2007 pricing to its current \$90,384/unit. In fact, 1980's built product is the only product type to have risen above the 2007 peak. Pre-1980s built projects are second, in terms of previous peak-to-current price per unit appreciation, rising to \$70,823 or (2%) below 2007's peak, 1990-99 built projects are (4%) below 2007's peak currently, \$135,318 per unit, and 2000-09 built projects are (6%) below peak at \$129,786 per unit.

## Got Land?

Phoenix MSA continued to see robust year-over-year land sales volume growth rising 43% to just over \$150M across 26 transactions, totaling 204.5



acres. Although total sales volume saw an increase, overall sales price per SF decreased to \$30.32 as a result of developers purchasing less expensive land in the MSA's periphery, namely Chandler (\$15.44/SF), Gilbert (\$7.90/SF) and Mesa (\$13.49/SF). Tempe saw the highest sales price per SF amount in the MSA, rising 26% y-o-y to \$56.74 and followed by the City of Phoenix at \$34.99 per SF.

## The Road Ahead

As stated in our 2017 Market Forecast, it is unlikely the Fed will continue its announced interest rate increases in 2017, having stated so the previous two years with nary a hike made.

Despite this assessment, 2017 should prove to be a highly volatile year especially in international markets, i.e. Europe and Asia. The EU, already in a precarious state over Brexit and the Italian Referendum, will see continued instability and uncertainty especially with both German and French elections just on the horizon. Asia, and specifically China, has and will continue to see reduced growth with various asset bubbles in danger of bursting. The net result will be continued capital flight from both regions to more stable areas in the West.

Phoenix multifamily's greatest competitor, single-family home construction, although rebounding, is still far from normal. As was stated at the 2017 Belfiore Annual Housing Conference, home builders have been struggling with a whole host of issues from labor shortages, rising material costs and lack of available land, particularly in more urban core areas where people want to live.

Last, and perhaps most important, home builders are facing significant competition from multifamily developers/rehabbers luring, and keeping, would be homebuyers through high-end construction finishes and access to amenities. While there is some concern about over-building, particularly among Class A multifamily properties, the reality is that Phoenix is still at a net deficit and needs more units to accommodate continued growth which, as it stands now, single-family has been unable to fill that new, net demand.

The penultimate result, and barring any Black Swan events, multifamily should continue growing well into 2017/18.

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COLLABORATION & COOPERATION

**NOTABLE 2016 ABI MULTIFAMILY TRANSACTIONS**

**100+ UNIT PROPERTIES**

**10-99 UNIT PROPERTIES**



**SIGNATURE PLACE (FRACTURED CONDO)**  
600 West Grove Parkway,  
Tempe, AZ

Price: \$40,000,000  
Units: 300 Units  
Year Built: 1996

**FOXFIRE**  
1701 East 8th Street,  
Tempe, AZ

Price: \$19,560,000  
Units: 188  
Year Built: 1984, 1985

**CORDILLERA (FRACTURED CONDO)**  
17017 North 12th Street,  
Phoenix, AZ

Price: \$8,700,000  
Units: 78 Units  
Year Built: 1996

**18 AT BILTMORE**  
1807 East Missouri Avenue,  
Phoenix, AZ

Price: \$6,045,000  
Units: 51 Units  
Year Built: 1957, 1958, 1962

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