



PHOENIX MSA | MULTIFAMILY | 1Q 2017 REPORT

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10+ UNIT PROPERTIES	1Q 2017	INCREASE/DECREASE	1Q 2016
Total Sales Volume	\$781M	28%	\$611M
A V E R A G E	Price/Unit	\$98,744 3%	\$96,158
	Price/SF	\$123.97 5%	\$118.56
	Year Built	1975 1 yr	1974
10+	Average Rent	\$977 5.6%	\$925
	Occupancy Rate	94.9% -0.7%	95.6%
	Units Delivered	1,794 37%	1,310

ABI GEONEWS - PHOENIX MSA 1Q 2017 SELECT NEWS

CONTINUED ON PAGE 06



JPMorgan Chase building big new campus, landing 4,000 jobs in Tempe



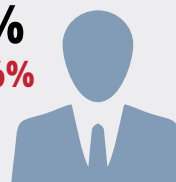
Apple wants to bring high-tech manufacturing to Arizona



Intel to invest \$7 billion in new factory in Chandler, employ 3,000 workers

4,550,388 **POPULATION**
ADOA, EBRC 2017 ESTIMATE

4.1%
-0.6%



UNEMPLOYMENT
AS OF MARCH 2017

+2.7%



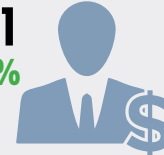
EMPLOYMENT GROWTH
Y-O-Y AS OF MARCH 2017

\$54,229
+1.0%



MEDIAN HH INCOME
2014-15 ACS 5-YR EST

\$40,811
+2.8%



PER CAPITA INCOME
2015 EBRC, DOA, BEA ESTIMATE

15,102
Units (50+)









UNDER CONSTRUCTION
YARDI

350,361
Units (10+)



TOTAL INVENTORY
AS OF 1Q 2017

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	293,403	15,102
	Phoenix	4.2%	\$47,326	\$24,231	127,219	6,058
	Mesa	4.0%	\$48,809	\$24,724	35,510	972
	Scottsdale	3.3%	\$73,288	\$52,220	24,730	1,230
	Tempe	3.8%	\$49,012	\$26,667	30,244	2,961
	Glendale	4.3%	\$46,776	\$21,950	23,308	N/A

PHOENIX MSA - PER CITY ANALYSIS		Phoenix	Mesa	Scottsdale	Tempe	Glendale
RENT & OCCUPANCY STATS	Average Rent (1Q 2017)	\$897	\$862	\$1,278	\$1,180	\$826
	% Change (y-o-y)	+6.0%	+6.7%	+3.1%	+5.5%	+6.7%
	Occupancy Rate (1Q 2017)	94.8%	95.6%	95.1%	95.0%	95.2%
	% Change from 2010	-1.5%	+0.3%	-0.2%	-0.3%	-1.2%
	Units Delivered (50+)	324	494	283	304	52
SALES DATA (100+)	Total Sales Volume (1Q 2017, 100+)	\$183,722,000	\$210,800,00	\$65,800,000	\$120,355,000	\$52,250,000
	Total Sales Volume (1Q 2016, 100+)	\$57,725,000	\$47,450,000	\$104,250,000	\$26,350,000	\$54,950,000
	% Change (y-o-y)	+218.3%	+344.3%	-36.9%	+356.8%	-4.9%
	Avg P/U (1Q 2017, 100+)	\$75,887	\$97,413	\$155,189	\$135,688	\$118,213
	Avg P/U (1Q 2016, 100+)	\$65,300	\$87,870	\$169,788	\$78,892	\$83,765
	% Change (y-o-y)	+16.2%	+10.6%	-8.6%	+72.0%	+41.1%
SALES DATA (10-99)	Total Sales Volume (1Q 2017, 10-99)	\$72,182,821	\$6,990,000	\$4,750,000	\$7,642,000	\$740,000
	Total Sales Volume (1Q 2016, 10-99)	\$78,949,750	\$2,835,000	\$13,890,000	\$2,400,000	\$965,000
	% Change (y-o-y)	-8.6%	+146.6%	-65.8%	+218.4%	-23.3%
	Avg P/U (1Q 2017, 10-99)	\$78,716	\$67,212	\$395,833	\$100,553	\$74,000
	Avg P/U (1Q 2016, 10-99)	\$56,962	\$35,886	\$131,038	\$82,759	\$26,806
	% Change (y-o-y)	+38.2%	+87.3%	+202.1	+21.5%	+176.1%

100+ UNIT PROPERTIES

	1Q 2017	INCREASE/DECREASE	1Q 2016
Total Sales Volume	\$684M	35%	\$509M
AVERAGE Price/Unit	\$101,789	-7%	\$109,017
AVERAGE Price/SF	\$127.36	-2%	\$129.54
AVERAGE Year Built	1985	1 yr	1986

TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



Regents on University

Tempe, 225 Units | \$53,325,000
\$237,000/unit | \$200.56/SF | Built 2010



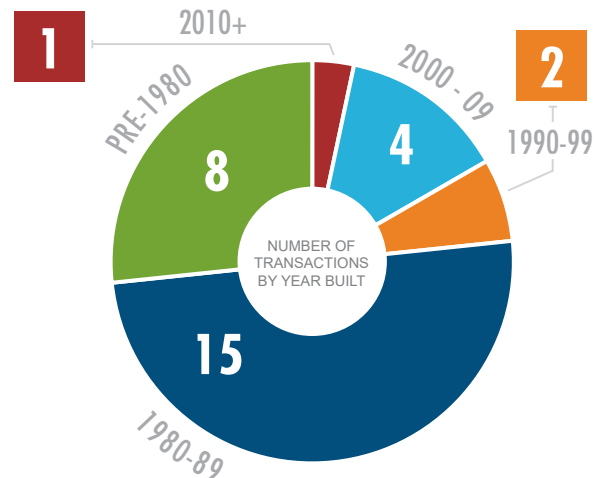
The Highlands

Scottsdale, 272 Units | \$48,500,000
\$178,309/unit | \$197.47/SF | Built 1990



Laguna at Arrowhead Ranch

Glendale, 160 Units | \$25,750,000
\$160,938/unit | \$147.95/SF | Built 1998



1Q 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$237K	\$201
2000-09	4	\$135K	\$150
1990-99	2	\$172K	\$177
1980-89	15	\$88K	\$115
Pre-1980	8	\$82K	\$99

10 - 99 UNIT PROPERTIES

	1Q 2017	INCREASE/DECREASE	1Q 2016
Total Sales Volume	\$96.5M	6%	\$102.4M
AVERAGE Price/Unit	\$81,472	34%	\$60,633
AVERAGE Price/SF	\$104.27	26%	\$83.08
AVERAGE Year Built	1969	1 yr	1970

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



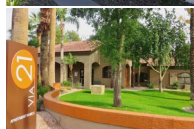
Trio Scottsdale Lofts (12 of 12)

Scottsdale, 12 Units | \$4,750,000
\$395,833/unit | \$264.06/SF | Built 2016



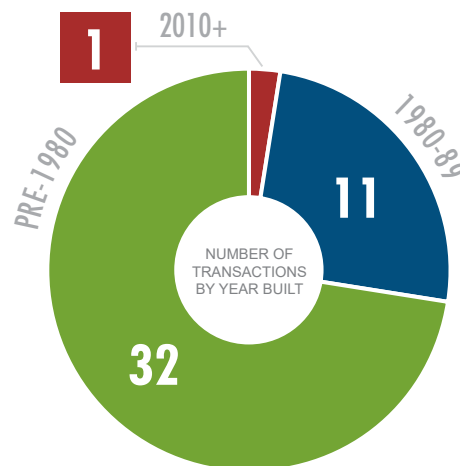
Arcadia @ 38th Street

Phoenix, 15 Units | \$2,500,000
\$166,667/unit | \$238.10/SF | Built 1978



Via 21

Phoenix, 68 Units | \$10,525,000
\$154,779/unit | \$148.96/SF | Built 1987



1Q 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$396K	\$264
2000-09	N/A	N/A	N/A
1990-99	N/A	N/A	N/A
1980-89	11	\$79K	\$105
Pre-1980	32	\$78K	\$99

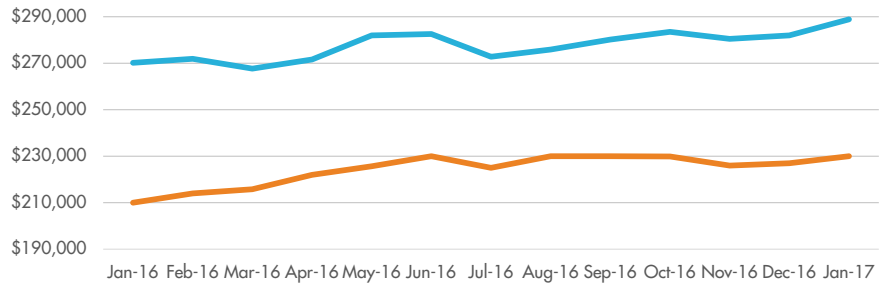
SINGLE FAMILY RESIDENTIAL - FOR SALE/LEASE

AVG SALES PRICE \$288,900

+7.9%, YEAR-OVER-YEAR AVERAGE

MEDIAN SALES PRICE \$230,000

+6.6%, YEAR-OVER-YEAR MEDIAN



SFR SALES TRENDS *

MONTHLY SALES 9,116

+8.4%, YEAR-OVER-YEAR
+41.7%, MONTH-OVER-MONTH

AVG DAYS ON MARKET 78

-3 DAYS, YEAR-OVER-YEAR
-5 DAYS, MONTH-OVER-MONTH

FORECLOSURES PENDING 3,086

-3.2%, YEAR-OVER-YEAR
-26.3%, MONTH-OVER-MONTH

* As of March 2017

SFR - FOR LEASE

1Q 2017

Median Lease: \$1,328
Average Lease: \$1,470
Avg. Days on Market: 31
Rent Check Quotient™: 3 : 10

1Q 2016

Median Lease: \$1300
Average Lease: \$1,440
Avg. Days on Market: 26
Rent Check Quotient™: 3 : 10

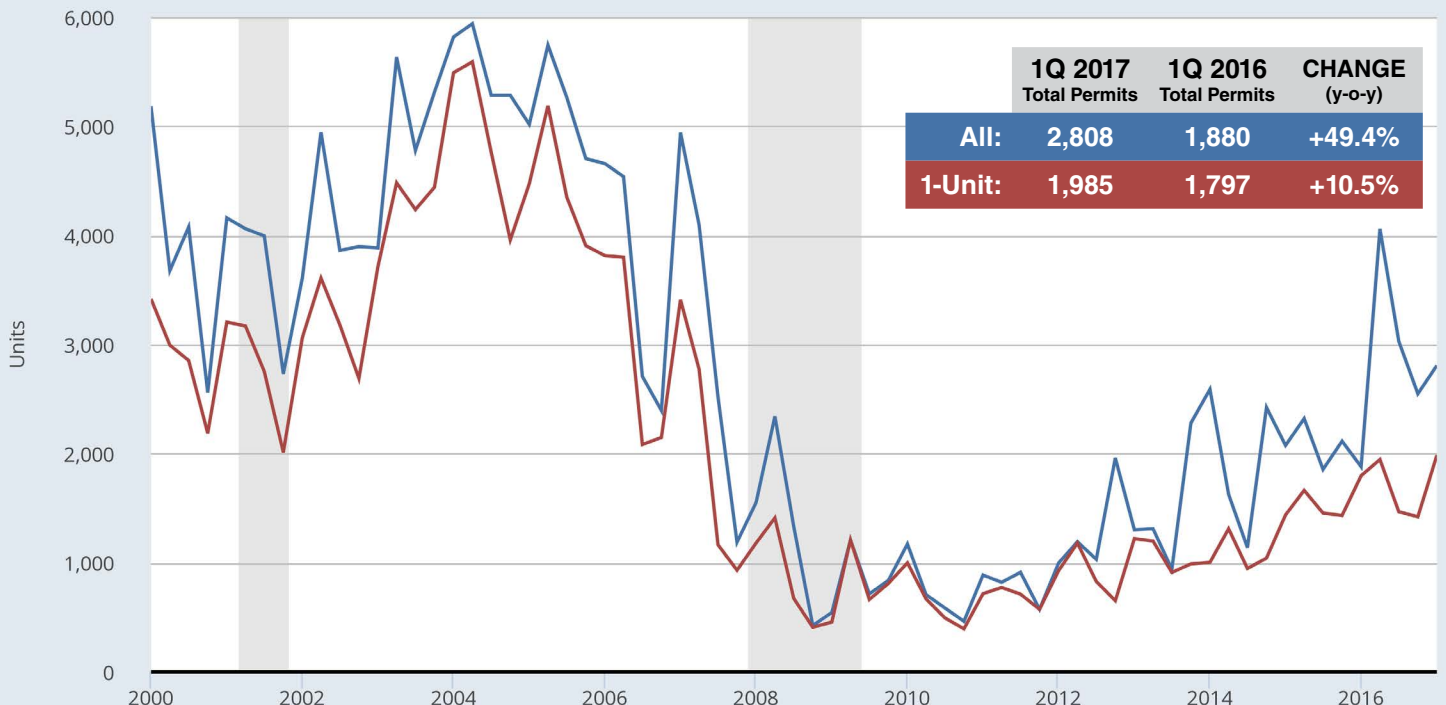
RENT Check Quotient (RCQ) is the ratio of closed rentals to closed sales. For example, 1:2 (one to two) would mean for every 1 rental, there are 2 closed sales. 1:1 (one to one) would mean that the number of closed rentals and closed sales are the same.

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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)

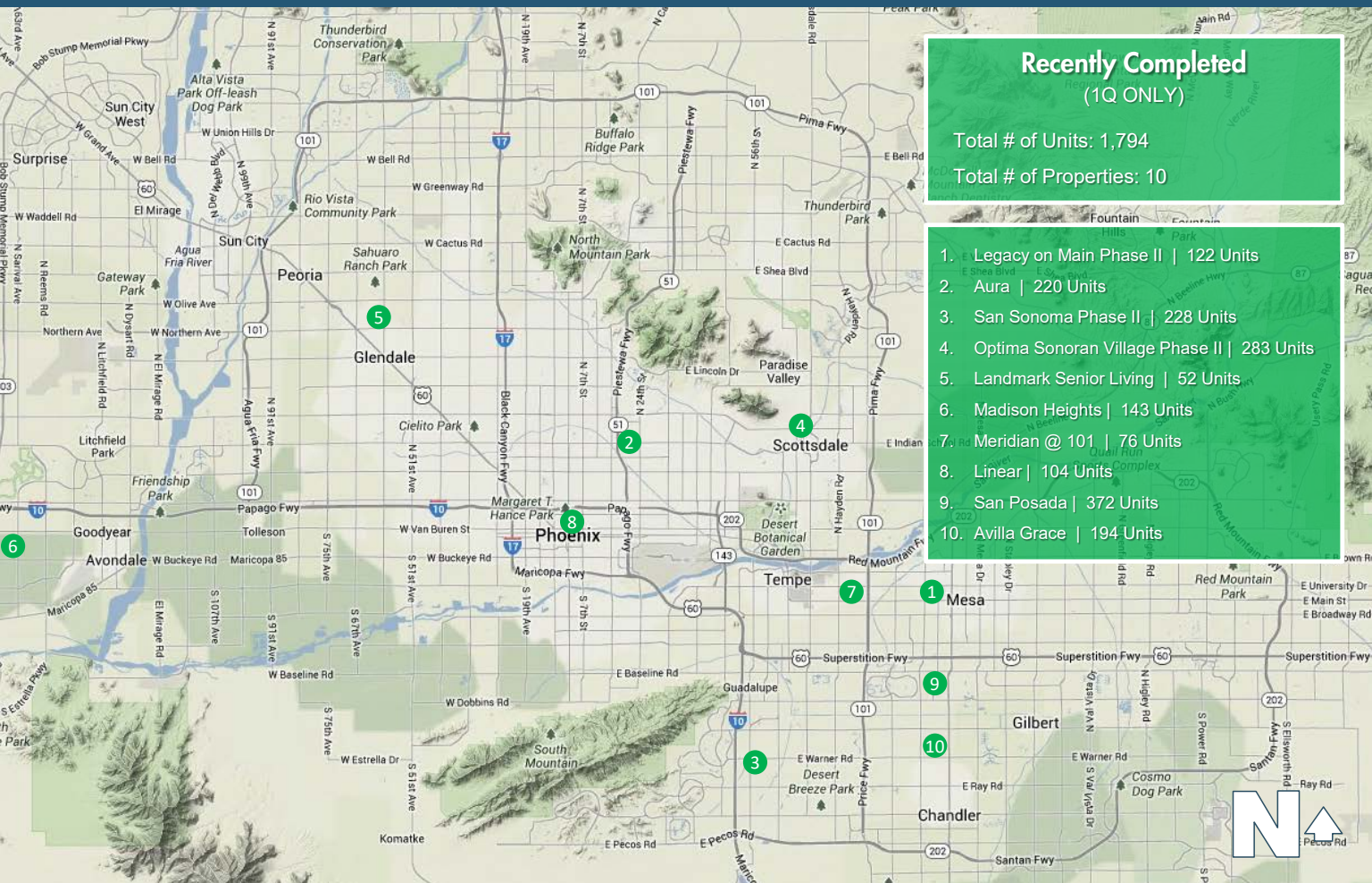


Sources: U.S. Bureau of the Census

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

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COMPLETED CONSTRUCTION

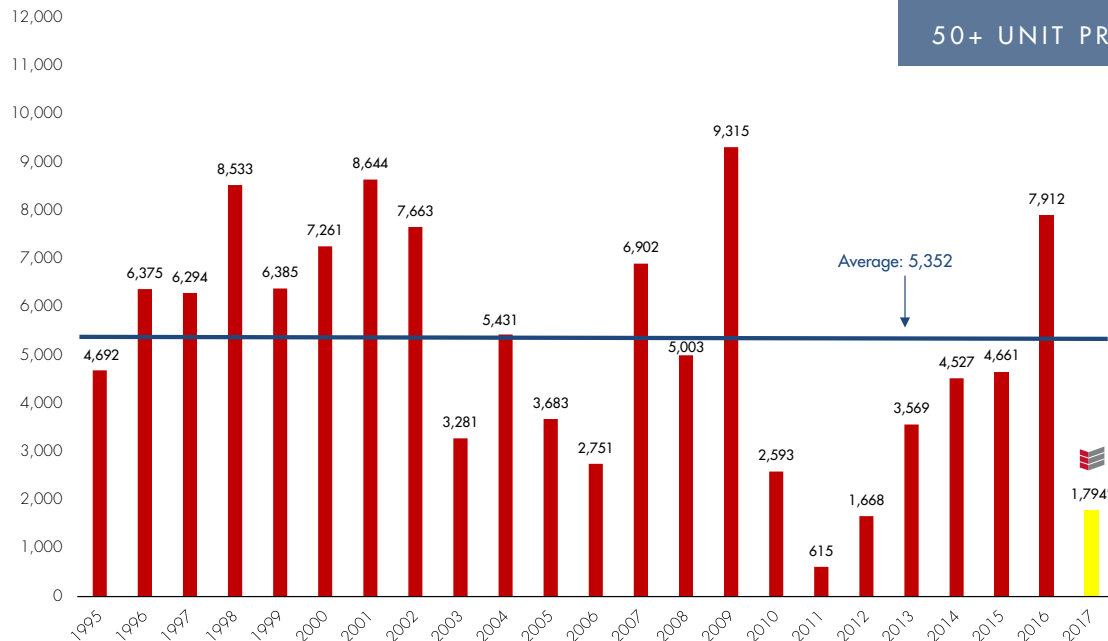


Recently Completed (1Q ONLY)

Total # of Units: 1,794
Total # of Properties: 10

1. Legacy on Main Phase II | 122 Units
2. Aura | 220 Units
3. San Sonoma Phase II | 228 Units
4. Optima Sonoran Village Phase II | 283 Units
5. Landmark Senior Living | 52 Units
6. Madison Heights | 143 Units
7. Meridian @ 101 | 76 Units
8. Linear | 104 Units
9. San Posada | 372 Units
10. Avilla Grace | 194 Units

PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE 1Q 2017



* 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: **350,361**
50+ UNIT PROPERTIES: **293,403**

ABSORPTION RATE

17
Units/Property (Avg)

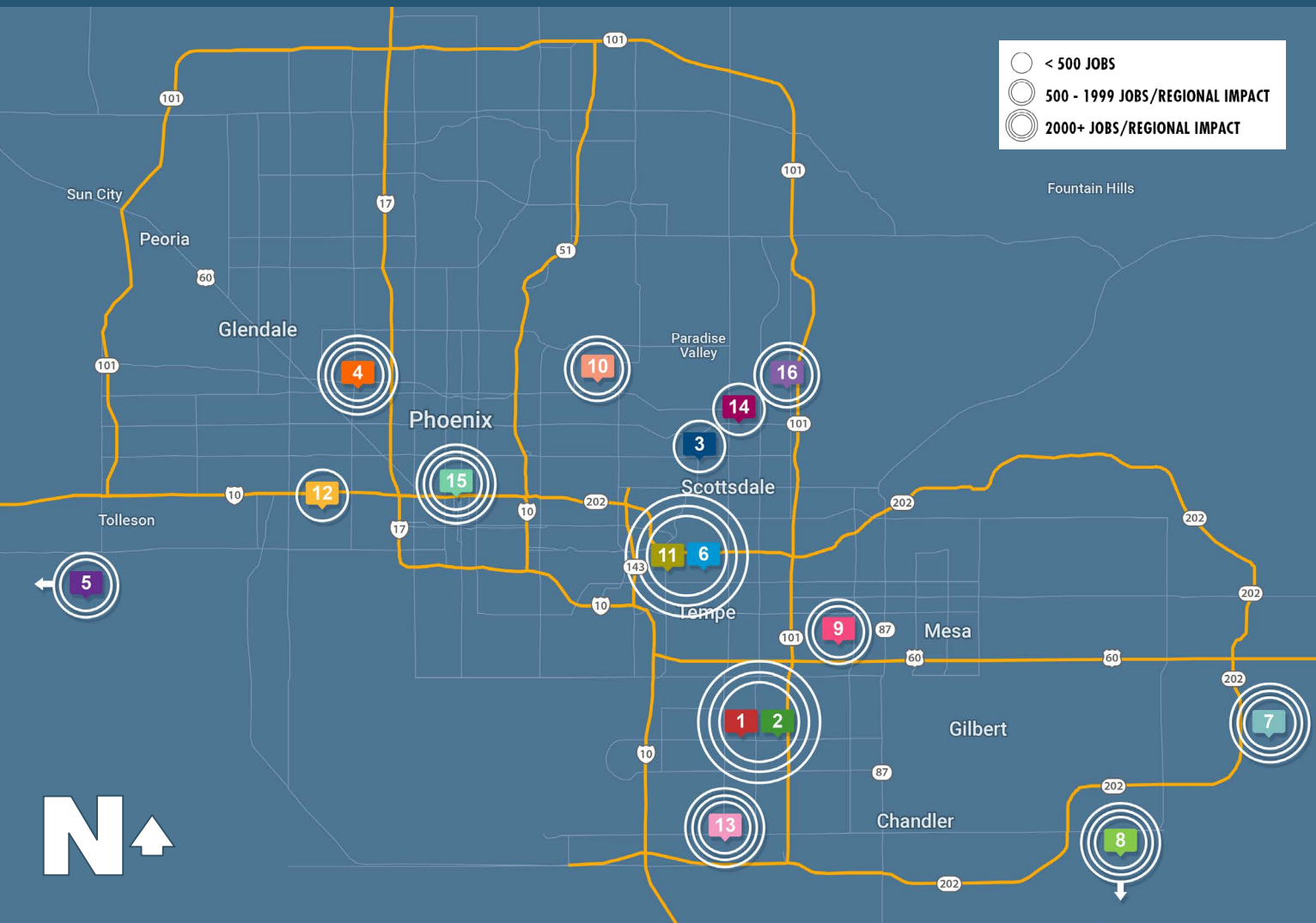
Under Construction

Total # of Units: 15,102
Total # of Properties: 58

Planned

Total # of Units: 14,834
Total # of Properties: 66

1Q 2017 SELECT NEWS



1 Northern Trust | Opening \$95M regional operations center in Tempe | Hiring 1,000

2 JPMorgan Chase building big new campus, landing 4,000 jobs in Tempe

3 Opendoor | \$1B Silicon Valley unicorn, Opendoor, opening Scottsdale office

4 Grand Canyon University (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 Apple wants to bring high-tech manufacturing to Arizona

8 The Block Sports Company looking to develop 1,500-acre 'destination resort,' comparable to Disney World, in Casa Grande

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 Malaysian manufacturer, Scientex, picks Phoenix for US market entry, \$25M plant

13 Intel to invest \$7 billion in new factory in Chandler, employ 3,000 workers

14 Indeed Inc, top job site company, opening Scottsdale office, hiring 100

15 Hance Park moves toward \$118M makeover in Downtown Phoenix

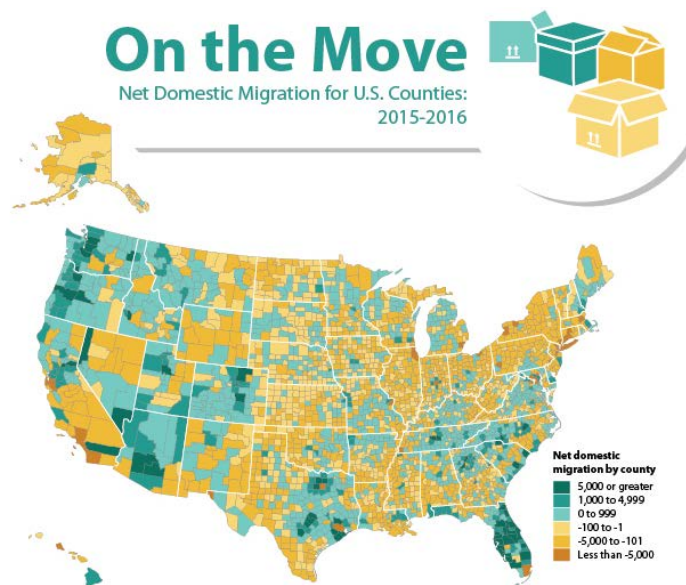
16 San Francisco-based McKesson building regional operations center on tribal land in Phoenix area

By: Thomas M. Brophy, Director of Research

The Phoenix MSA multifamily market had another stellar first quarter fueled by both robust jobs and population growth. In fact, Maricopa overtook Texas' Harris County as top spot for population growth adding 81,000 people, an average of 222 new residents per day, between July 1, 2105 to July 1, 2016. Total nonfarm employment grew by 2.7% led by the leisure/hospitality (+6.2%), financial activities (+6.1%), and education/health services (+2.9%) industries.

Major job/economic announcements for Phoenix, as referenced on the map located on Page 6 of this report, are Intel's plans to invest \$7 billion into its Chandler manufacturing plant and hire 3,000+ over the next several years. Other 2016 thru 1Q announcements include: JPMorgan Chase's plan to build a new regional office hub at Tempe's Discovery Business Campus which will house up to 4,000 employees, 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.

Although Phoenix's emergence from the Great Recession took longer than most expected, beginning in the latter half of 2015 through YTD, Phoenix has experienced a downright boom in job and economic development announcements. At the end of 2016, 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).



Phoenix Market Metrics: Got Sales?

The MSA's total sales volume (10+ unit properties) increased 28%, year-over-year, to \$780.87 million across 74 transactions representing 7,908 total units sold. California-based investors continue to be the dominant buyer of multifamily properties in the Valley accounting for 31% of total units transacted or 2,486 units, Arizona-based investors came in 2nd with a little over 1,000 units purchased and, rounding out the top five: (#3) Utah-investors with 976 units purchase, (#4) Canadian investors with 874 units and (#5) New York-based investors with 772 units.

Sales of 100+ unit properties led the multifamily investment landscape increasing 35% y-o-y to \$684.3M with a marginal contraction in average price per unit amounts of approximately (7%) to \$101,789. Whereas 100+ unit properties saw sales volume increase and price per unit amounts decrease, 10 to 99 unit properties saw its volume dip (6%) to \$96.5M with a surge of 34% in average price per unit amounts to \$81,472. Reason for the average price per unit increase stems, in large part, to smaller, extensively repositioned properties coming back online for sale.

How Does Development Type Affect Deliveries?

As with much of the country, Phoenix area construction deliveries continued to increase rising 37% to 1,794 units delivered. As a result of increased deliveries, particularly in the Mid-to-High Rise building type category, resulted in an Occupancy Rate contraction of (0.7%) to 94.9%. As noted in our August 11, 2016, ABInsight article, "Phoenix Rising from the Garden-Style Apartment Community," Phoenix is in the middle of a development type maturation, i.e. from one primarily focused on Garden-style to one more dominated by Mid-to-High Rise developments. For context, at the end of 2015, the Phoenix Metro was home to 29 Mid-to-High Rise developments accounting for 7,062 units. By the end of 2016, that increased to a total of 42 developments representing 10,057 units which is a 42% y-o-y increase. Of the projects currently under construction (50+ units in size, with delivery through 2019/20), the Mid-to-High Rise category is set to nearly double with the addition of 37 projects or 10,216 units.

Phoenix's trailing 5-year unit delivery rate average had been trending in the 30 to 40 units per month per project through early-2016 which was nearly 70% below peak, pre-Great Recession delivery amount of 120 to 150 units per month. However, as taller projects have hit the market average delivery rate has increased almost 100% to approximately 70 units per month. The net result of increasing delivery levels led to the contraction in occupancy seen at the end of 1Q 2017. Despite the slight occupancy contraction, average rent for the MSA increased 5.6% to \$977.

Going forward, it should be expected that the average delivery rate of units will increase towards the 90 to 110 units per month per project range which should have a corresponding impact on occupancy rates and concession amount offered by developers. Nonetheless, Phoenix area developments averaged a lease rate of 17 units per property per month, a 30% y-o-y increase, by end of 1Q 2017. Although Phoenix saw an increase of 15% in the amount of units under construction, 'Planned' projects witnessed their largest five year contraction dropping some (27%) to its current 14,834 units.

The Road Ahead

As stated in our 2017 Market Forecast, it is unlikely the Fed will continue with its gradual interest rate increase in 2017 despite many economists predicting otherwise. Basis for this sentiment is rooted in weak preliminary 1Q GDP which at 0.7% growth is the slowest in three years, significant instability in international markets, particularly Europe and Asia, and domestic policy struggles of the new Trump Administration. Despite stocks hitting all-time highs, based in large part on investors factoring in massive deregulation, markets the world over have been prone to ever increasing volatility fits.

As a result of high market volatility, and both ancillary observed evidence within our client base and Investment Company Institute's *Investment Company Fact Book* publication, middle age-to-older market investors have been switching to a combination of passive ETF funds, a now decade-long trend, and purchasing a mix of closed-fund shares and/or direct investments in real estate to provide a more consistent return. This change in investor sentiment, *ceteris paribus*, will continue to propel real estate transactions, particularly multifamily, into the foreseeable future.

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, and reiterated at the Infill 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. Of particular note at the Belfiore Infill Conference was consensus among builders/developers/investors that the wave of Californians moving to Arizona has only just begun. As Silicon Valley has increasingly morphed into the Silicon Desert, looking for qualified staff and more amenable business climate, it was only a matter of time before individuals started to march with their feet with Arizona, specifically Phoenix area, as their top destination. Despite significant headwinds, particularly those outside the MSA, and barring any Black Swan events, Phoenix multifamily should continue growing well into 2017/18.

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NOTABLE RECENT 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



TOWN CENTER APARTMENTS
22280 South 209th Way,
Queen Creek, AZ

Price: \$22,650,000
Units: 176
Year Built: 2009



MISSION VILLA
3001 North 32nd Street
Phoenix, AZ

Price: \$4,850,000
Units: 66 Units
Year Built: 1970



MULBERRY TOWNHOMES
3318 North 18th Avenue,
Phoenix, AZ

Price: \$2,200,000
Units: 36 Units
Year Built: 1964

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PHOENIX ADVISORS

JOHN KOBIEROWSKI
SENIOR MANAGING PARTNER

ALON SHNITZER
SENIOR MANAGING PARTNER

RUE BAX
SENIOR MANAGING PARTNER

DOUG LAZOVICK
PARTNER

EDDIE CHANG
PARTNER

BRAD PICKERING
SENIOR VICE PRESIDENT

NATHAN BRUER
VICE PRESIDENT

PATRICK BURCH
VICE PRESIDENT

JOHN KLOCEK
VICE PRESIDENT

ROYCE MUNROE
VICE PRESIDENT

RYAN SMITH
VICE PRESIDENT

PHOENIX HEADQUARTERS

4715 N. 32nd Street, Suite 105
Phoenix, AZ 85018
602.714.1400

SAN DIEGO OFFICE

1012 2nd Street, Suite 100
Encinitas, CA 92024
858.256.7690
CA Lic #02015648

TUCSON OFFICE

1650 North Kolb Road, Suite 230
Tucson, AZ 85715
520.265.1945

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