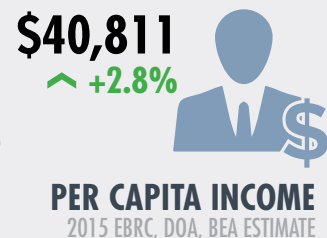
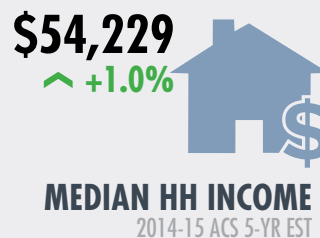
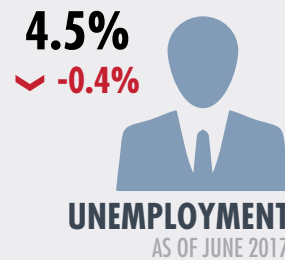


PHOENIX MSA | MULTIFAMILY | 2Q 2017 REPORT


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10+ UNIT PROPERTIES	2Q 2017	INCREASE/DECREASE	2Q 2016
Total Sales Volume	\$1.3B	-29% ▼	\$1.8B
AVERAGE	Price/Unit	14% ▲	\$105,329
	Price/SF	13% ▲	\$126.41
	Year Built	-3 yrs ▼	1979
Average Rent	\$1,000	5.3% ▲	\$950
Occupancy Rate	95.0%	-0.6% ▼	95.6%
Units Delivered	1,620	-39% ▼	2,645




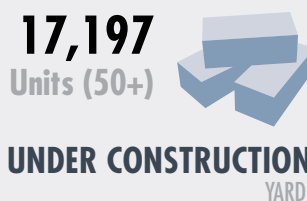
ABI GEONEWS - PHOENIX MSA 2Q 2017 SELECT NEWS

CONTINUED ON PAGE 06

 New UPS Hub to Add Processing Capacity for E-Commerce, Add 1,500 Jobs at Goodyear PV303

 Quicken Loans Finalizes Deal to Move 1,100-Plus Jobs to Downtown Phoenix

 Freedom Financial Network Expected to Bring 3,200 Jobs to East Valley Hub after Lease Signing



PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
Phoenix MSA	4.5%	\$54,229	\$40,811	295,023	17,197
Phoenix	4.0%	\$47,326	\$24,231	128,044	5,927
Mesa	3.9%	\$48,809	\$24,724	35,560	1,268
Scottsdale	3.3%	\$73,288	\$52,220	24,880	1,080
Tempe	3.6%	\$49,012	\$26,667	30,507	3,473
Glendale	4.3%	\$46,776	\$21,950	23,308	340

PHOENIX MSA - PER CITY ANALYSIS

RENT & OCCUPANCY STATS

	Phoenix	Mesa	Scottsdale	Tempe	Glendale
Average Rent (2Q 2017)	\$921	\$889	\$1,291	\$1,205	\$844
% Change (y-o-y)	+5.5%	+5.5%	+4.4%	+5.4%	+4.8%
Occupancy Rate (2Q 2017)	95.0%	95.6%	94.4%	94.3%	95.7%
% Change from 2010	-0.7%	+0.1%	-0.7%	-0.6%	-0.5%
Units Delivered (50+)	825	50	150	263	N/A

SALES DATA (100+)

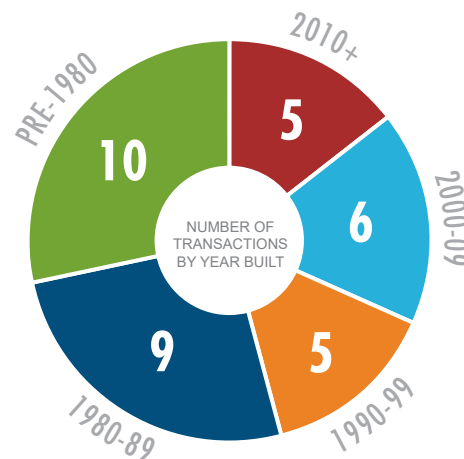
Total Sales Volume (2Q 2017, 100+)	\$481,042,000	\$118,975,000	\$62,500,000	\$220,565,000	\$87,300,000
Total Sales Volume (2Q 2016, 100+)	\$602,255,000	\$137,650,000	\$282,115,000	\$264,969,000	\$152,550,000
% Change (y-o-y)	-20.1%	-13.6%	-77.8	-16.8%	-42.8%
Avg P/U (2Q 2017, 100+)	\$122,997	\$105,474	\$200,321	\$123,290	\$110,646
Avg P/U (2Q 2016, 100+)	\$103,250	\$91,767	\$124,170	\$126,598	\$108,964
% Change (y-o-y)	+19.1%	+14.9%	+61.3%	-2.6%	+1.5%

SALES DATA (10-99)

Total Sales Volume (2Q 2017, 10-99)	\$74,378,760	\$16,925,000	\$17,650,000	\$34,675,000	\$9,420,000
Total Sales Volume (2Q 2016, 10-99)	\$99,710,000	\$12,700,000	N/A	\$5,930,000	\$437,750
% Change (y-o-y)	-25.4%	+33.3%	N/A	+484.7%	+2051.9%
Avg P/U (2Q 2017, 10-99)	\$82,277	\$86,352	\$103,216	\$174,246	\$56,747
Avg P/U (2Q 2016, 10-99)	\$69,727	\$94,776	N/A	\$78,026	\$39,795
% Change (y-o-y)	+18.0%	-8.9%	N/A	+123.3%	+42.6%

100+ UNIT PROPERTIES

	2Q 2017	INCREASE/DECREASE	2Q 2016
Total Sales Volume	\$1.1B	-33% ▼	\$1.7B
AVERAGE Price/Unit	\$125,058	14% ▲	\$110,212
AVERAGE Price/SF	\$146.89	12% ▲	\$130.82
AVERAGE Year Built	1989	NO CHANGE	1989



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



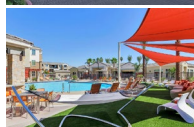
The View at Cascade

Scottsdale, 187 Units | \$50,050,000
\$267,647/Unit | \$301.35/SF | Built 2016



Alta Paradise Ridge

Phoenix, 278 Units | \$72,000,000
\$258,993/Unit | \$281.09/SF | Built 2016



1221 Broadway

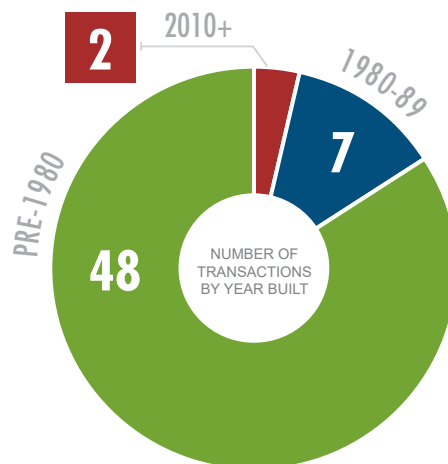
Tempe, 194 Units | \$41,810,000
\$215,515/Unit | \$229.35/SF | Built 2016

2Q 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	\$224K	\$253
2000-09	6	\$145K	\$155
1990-99	5	\$160K	\$168
1980-89	9	\$92K	\$120
Pre-1980	10	\$73K	\$93

10 - 99 UNIT PROPERTIES

	2Q 2017	INCREASE/DECREASE	2Q 2016
Total Sales Volume	\$154M	27% ▲	\$121M
AVERAGE Price/Unit	\$93,297	35% ▲	\$69,381
AVERAGE Price/SF	\$120.40	33% ▲	\$90.79
AVERAGE Year Built	1968	-2 yrs ▼	1970



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



1000 on 5th Urban Living

Tempe, 19 Units | \$6,600,000
\$347,368/Unit | \$214.75/SF | Built 2016



The Place on Jentilly

Tempe, 33 Units | \$9,300,000
\$281,818/Unit | \$184.03/SF | Built 2016



Trinity on 37th

Phoenix, 12 Units | \$2,337,500
\$194,792/Unit | \$195.57/SF | Built 1960

2Q 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	\$306K	\$196
2000-09	N/A	N/A	N/A
1990-99	N/A	N/A	N/A
1980-89	7	\$86K	\$110
Pre-1980	48	\$86K	\$117

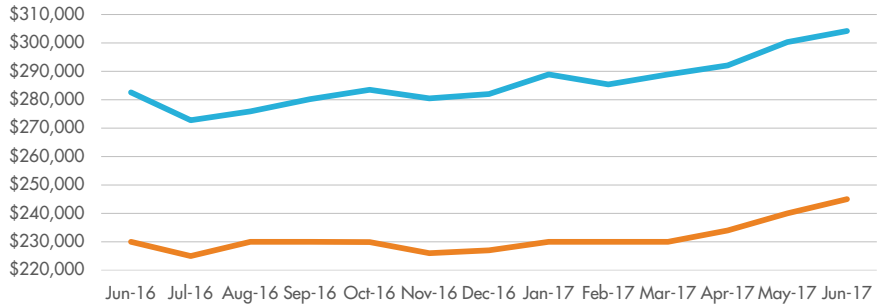
SINGLE FAMILY RESIDENTIAL - FOR SALE/LEASE

AVG SALES PRICE \$304,200

+7.6%, YEAR-OVER-YEAR AVERAGE

MEDIAN SALES PRICE \$245,000

+6.5%, YEAR-OVER-YEAR MEDIAN



SFR SALES TRENDS *

MONTHLY SALES 9,391

+6.0%, YEAR-OVER-YEAR
-2.6%, MONTH-OVER-MONTH

AVG DAYS ON MARKET 77

-6 DAYS, YEAR-OVER-YEAR
-5 DAYS, MONTH-OVER-MONTH

FORECLOSURES PENDING 2,908

-21.5%, YEAR-OVER-YEAR
0.0, MONTH-OVER-MONTH

* As of June 2017

SFR - FOR LEASE

2Q 2017

Median Lease: \$1,376
Average Lease: \$1,559
Avg. Days on Market: 27
Rent Check Quotient™: 3 : 10

2Q 2016

Median Lease: \$1,338
Average Lease: \$1,515
Avg. Days on Market: 27
Rent Check Quotient™: 3 : 10

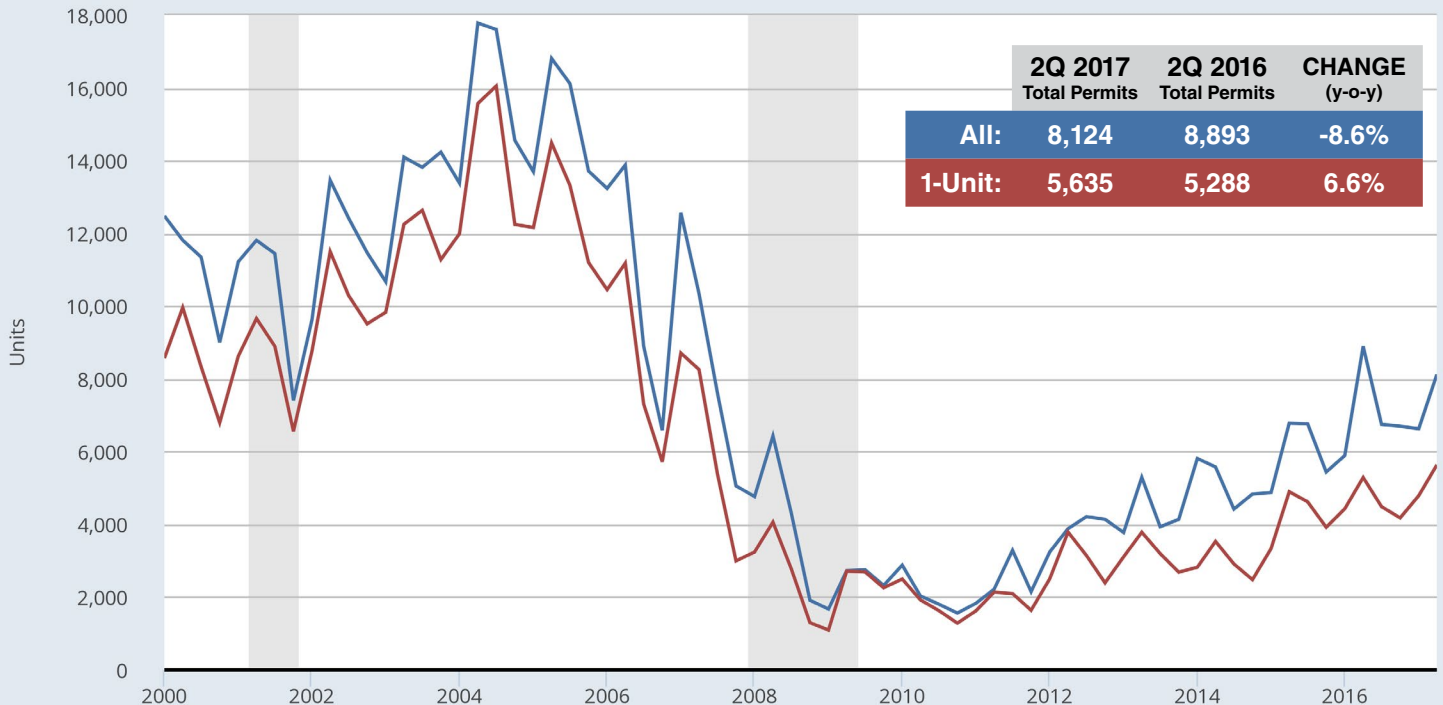
RENT Check Quotient (RCQ) is the ratio of closed rentals to closed sales. For example, 1:2 (one to two) would mean for every 1 rental, there are 2 closed sales. 1:1 (one to one) would mean that the number of closed rentals and closed sales are the same.

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)

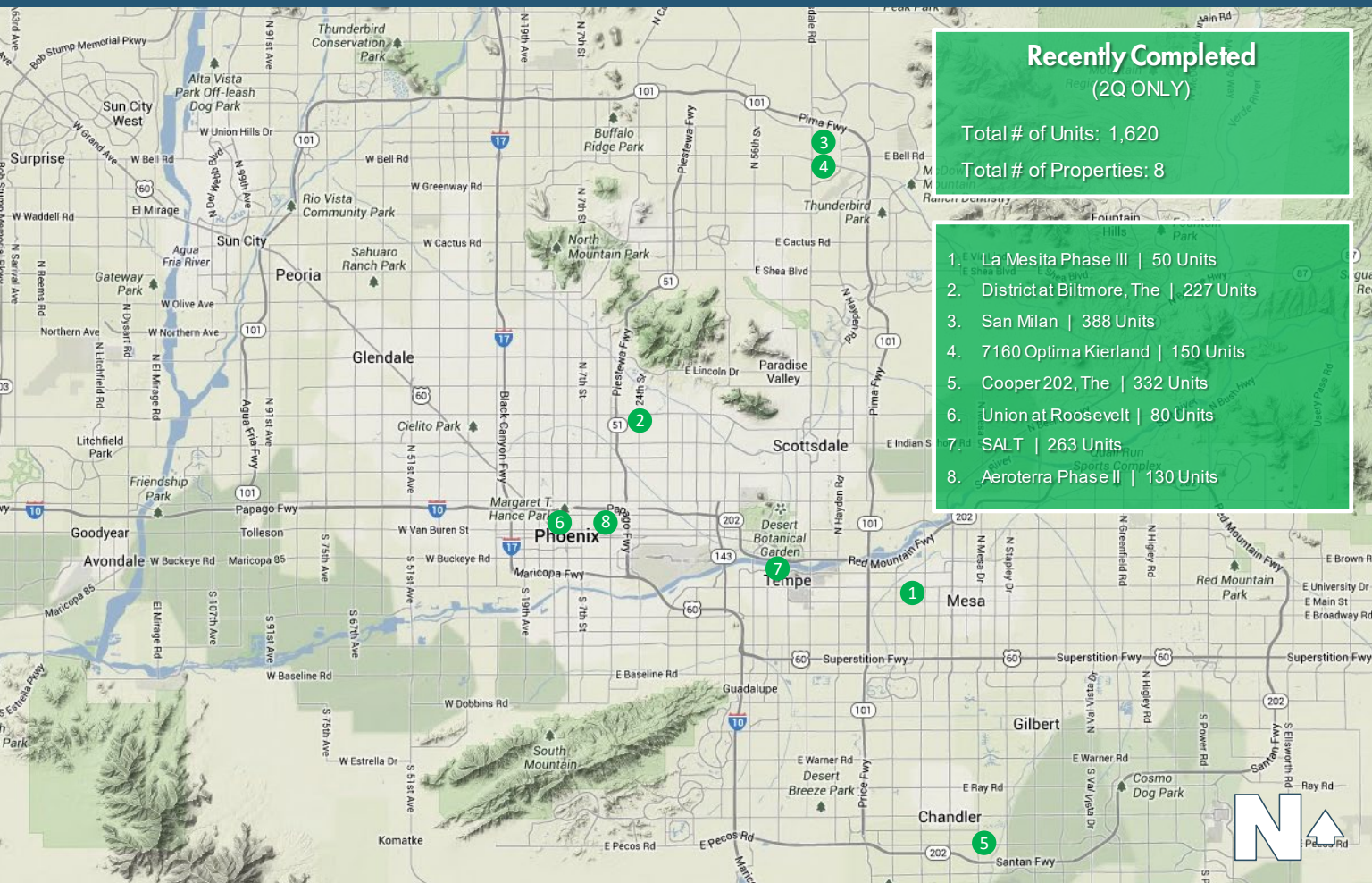


Source: U.S. Bureau of the Census

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

ABI Research / FRED® COPYRIGHT 2017

COMPLETED CONSTRUCTION

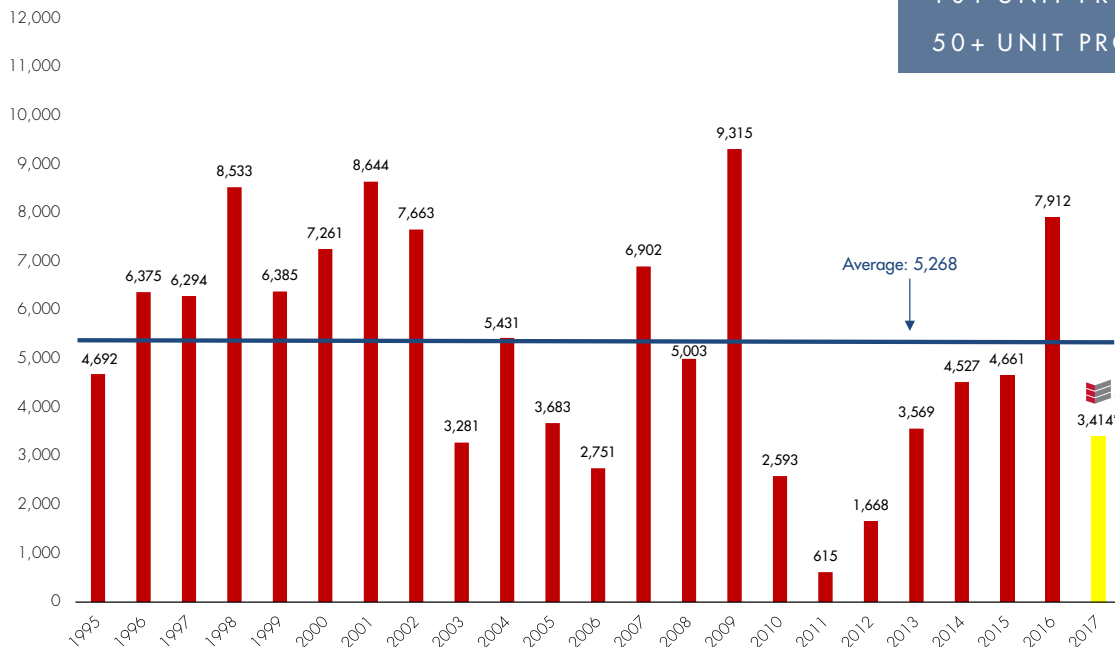


Recently Completed
(2Q ONLY)

Total # of Units: 1,620
Total # of Properties: 8

1. La Mesita Phase III | 50 Units
2. District at Biltmore, The | 227 Units
3. San Milan | 388 Units
4. 7160 Optima Kierland | 150 Units
5. Cooper 202, The | 332 Units
6. Union at Roosevelt | 80 Units
7. SALT | 263 Units
8. Aeroterra Phase II | 130 Units

PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE 2Q 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: **351,981**

50+ UNIT PROPERTIES: **295,023**

ABSORPTION RATE

12

Units/Property (Avg)

Under Construction

Total # of Units: 17,197

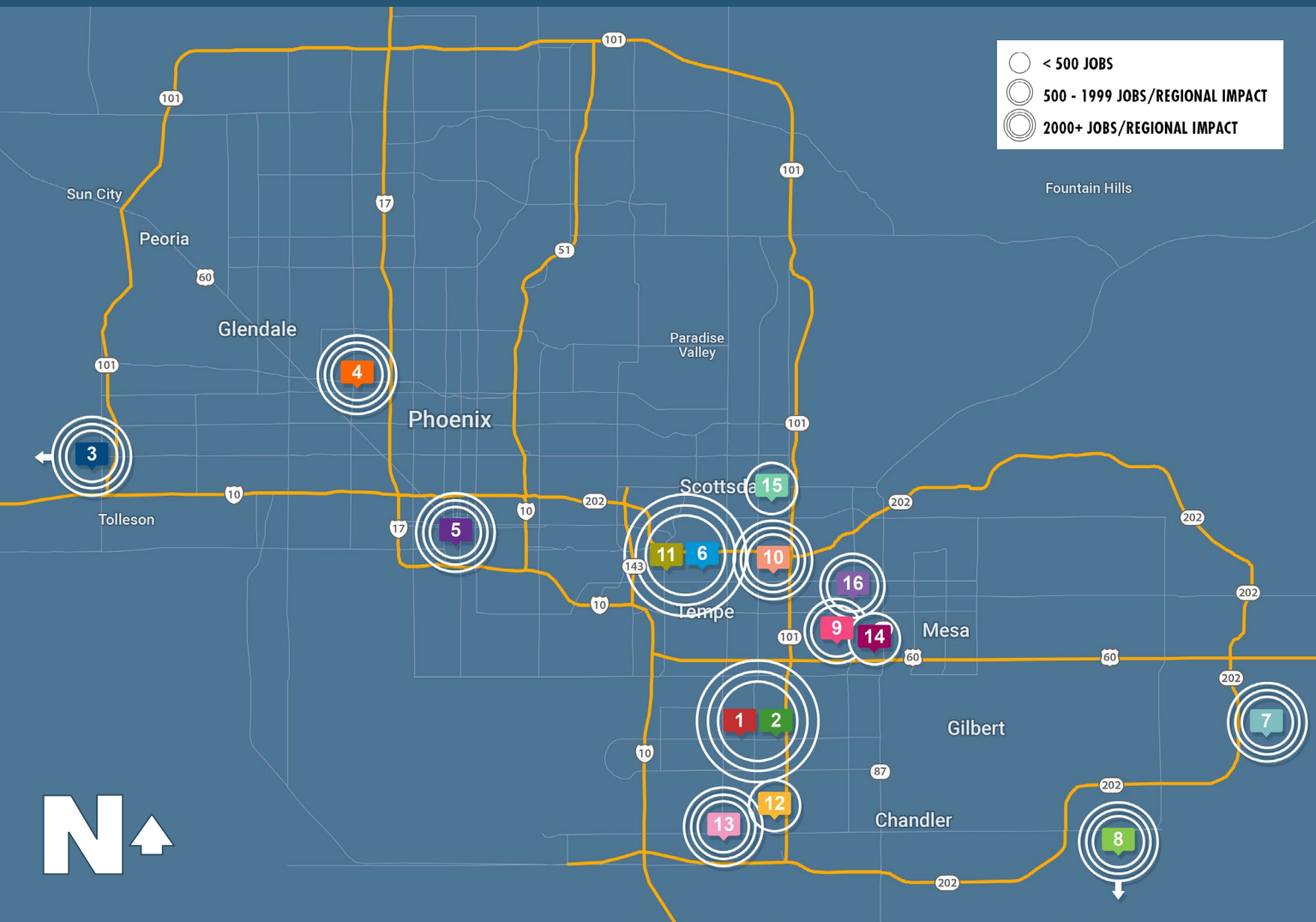
Total # of Properties: 64

Planned

Total # of Units: 12,310

Total # of Properties: 59

2Q 2017 SELECT NEWS



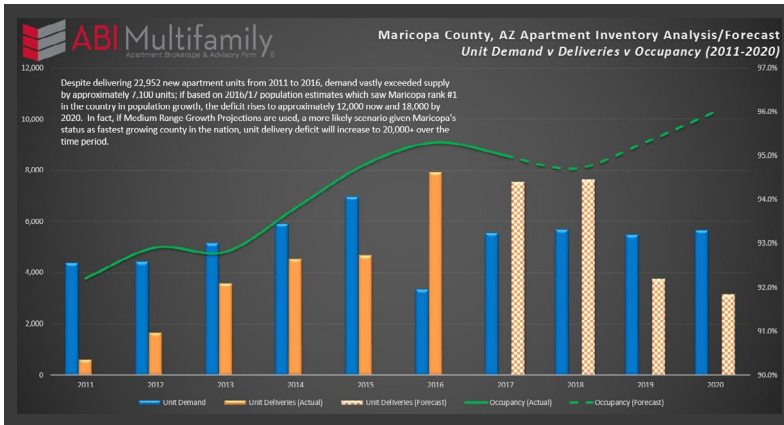
- 1** Northern Trust | Opening \$95M regional operations center in Tempe | Hiring 1,000
- 2** JPMorgan Chase building big new campus, landing 4,000 jobs in Tempe
- 3** New UPS Hub to add processing capacity for e-commerce, add 1,500 jobs at Goodyear PV303
- 4** Brings total State Farm Phoenix area employment to 3,000+
- 5** Quicken Loans finalizes deal to move 1,100-plus jobs to Downtown Phoenix
- 6** State Farm Regional Headquarters: Brings total State Farm Phoenix area employment to 3,000+
- 7** The Block Sports Company looking to develop 1,500-acre 'destination resort,' comparable to Disney World, in Casa Grande
- 8** Santander Consumer USA to hire 1,000+ workers for new regional operations center in Mesa's Fiesta District with average salary of \$51,000
- 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** Freedom Financial Network expected to bring 3,200 jobs to East Valley hub after lease signing
- 11** New ADP office to bring 1,500 jobs to Tempe, AZ
- 12** Toyota has 700 employees here and is adding more finance jobs
- 13** Intel to invest \$7 billion in new factory in Chandler, employ 3,000 workers
- 14** Orbital ATK expands aerospace engineering operations in Gilbert, plans to hire 155
- 15** General Dynamics, hiring 370, has openings ranging from software engineers to customer service representatives at Scottsdale location
- 16** Dexcom, a manufacturer of diabetes equipment, opens facility in Mesa hiring 500

By: Thomas M. Brophy, Director of Research

As one LinkedIn user lamented on all of Scottsdale's new multifamily development, "our unofficial bird is now the Crane." Given all the market chatter about overheated multifamily construction, both inside and outside of commercial real estate circles, I felt it prudent to dig a bit deeper into the actual data and metrics of apartment unit construction and the results were, in a word, surprising. The analysis that follows is meant to provide a very top level view of apartment market demand and makes no assertions as to quality/type of build, simply focuses on the actual units that are/will be needed/delivered. In order to streamline the analysis process the following assumptions were made:

$$\text{Unit Demand} = (((\text{Pop1} - \text{Pop2}) / \text{Avg HH Size}) * \text{Renter HH \%}) * \text{Occ \%}$$

- 1. Population Data** is based on Census and Arizona Department of Administration's Low Series Maricopa County Current Population & Projections (2015 to 2050) and is based only on Population Growth of the 20 to 74 year old demographic segment
- 2. Average Household (HH) Size** is based off Census estimates and internal ABI projections as follows: 2010/11=2.67, from 2012 to 2020 average household size is increased to 2.75
- 3. Renter Household (HH) Percentage** is based off Census estimates and internal ABI projections as follows: for 2010 is 33.1%, 2011=34.8%, 2012=36.2%, 2013=37.5%, 2014=38.7%, 2015=39.3%, 2016=40.0% (est), 2017=40.5% (est), 2018=41.0% (est), 2019=41.5% (est) and 2020=42% (est).
- 4. Units Deliveries** for 2017/18 are based on projects currently Under Construction as of 2Q 2017 (17,197 units, 50+ unit properties) with delivery expected by end of 2018. For 2019/20, projects currently Under Construction with deliveries set through 2020 + assuming that 40% (4,851 units) of all Planned units as of 2Q 2017 (12,310) will be completed by 2020 as well.
- 5. Occupancy Rate** is based off actuals (source Yardi) and internal ABI projections as follows: 2011=92.2%, 2012=92.9%, 2013=92.8%, 2014=93.8%, 2015=94.8%, 2016=95.3%, 2017=95% (est), 2018=94.7% (est), 2019=95.3% (est), 2020=96% (est)



Despite delivering 22,952 new apartment units from 2011 to 2016, demand vastly exceeded supply by approximately 7,100 units; if based on 2016/17 population estimates which saw Maricopa rank #1 in the country in population growth, the deficit rises to approximately 12,000 now and 18,000 by 2020. In fact, if Medium Range Growth Projections are used, a more likely scenario given Maricopa's status as fastest growing county in the nation, unit delivery deficit will increase to 20,000+ over the time period. As a result by 2020, the Occupancy Rate for the Phoenix MSA, barring any unexpected increases in current construction levels, is forecasted to reach an all-time high of approximately 96.0%.

Phoenix Market Metrics: By the Numbers

The MSA's total sales volume (10+ unit properties) decreased (29%), year-over-year, to \$1.29 billion across 93 transactions representing 10,694 total units sold. California-based investors continue to be the dominant buyer of multifamily properties in the Valley accounting for 31% of total units transact-

ed or 3,292 units, Arizona-based investors came in 2nd with a little over 2,000 units purchased and, rounding out the top five: (#3) Pacific Northwest-investors with 1,213 units purchase, (#4) Canadian investors with 1,188 units and (#5) Utah-based investors with 659 units.

Sales of 100+ unit properties witnessed the greatest sales volume contraction decreasing (33%) y-o-y to \$1.13B. Despite volume contraction, average price per unit amount increased approximately 14% to \$125,058. Whereas 100+ unit properties saw sales volume decrease, 10 to 99 unit properties saw its volume increase 27% to \$153.8M with a surge of 35% in average price-per-unit amounts to \$93,297. Price-per-unit increases in the smaller property size category dovetails the sales trend which began in earnest in late 2016 through 1Q 2017, as mid-century built, extensively repositioned properties having been coming back online for sale. In fact, pre-1980's built product represented 84% of all transactions in the 2Q.

The Phoenix MSA experienced a (39%) y-o-y decrease in 2Q 2017 unit deliveries with 1,620 new units delivered to the market. Nonetheless, Phoenix MSA developers are on track to deliver 7,500+ new units by YE 2017. Despite elevated unit deliveries occupancy rates for the MSA contracted slightly, (0.6%), to 95% while average rent increased 5.3% to a market record \$1,000. City of Phoenix and Mesa claimed the top spots in the MSA for rent growth at 5.5% respectively, followed by Tempe at 5.4%, Glendale at 4.8% and Scottsdale at 4.4%. 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 \$1,291 is the highest in the region.

Outlook

I firmly stick behind my 2017 Market Forecast, despite Fed chatter and three 25-50bps increases behind us, it is unlikely the Fed will continue with its gradual interest rate increase for the balance of 2017 despite many economists predicting otherwise. Basis for this sentiment is rooted in two primary areas, namely weak inflationary pressures, as stated by Yellen, and continued sub-3% GDP growth post-recession. This isn't to say that we are without headwinds; in fact, given government stasis in key legislative areas, specifically healthcare and tax reform, has resulted in loss of the 'Trump bounce' yet people remain largely optimistic. Additionally, despite the projected end to gradual interest rate increases, the Fed has made statements it wants to move towards 'balance sheet reduction' or QT, quantitative tightening, which certainly has the potential to sap liquidity from the market. Internationally there is still significant instability in both EM (Emerging) and DM (Developed) markets, particularly across Europe and Asia. It's helpful to remember some 50%+ of the world's developed markets continue to operate at zero or below interest rates which has led to capital flight. 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.

For more national/international investors, the Phoenix MSA has long been perceived as a more secondary market when compared to the 'gateway' markets of Los Angeles, San Francisco, Seattle, New York etc. Beginning in late 2015, amidst the run-up in prices in more coastal regions, investors turned toward more interior-core markets such as Denver and Phoenix in which to find value and yield. Given Phoenix's current business maturation, i.e. from one focused primarily on construction to the Silicon Desert and major financial services/insurance/aerospace/transportation hub, coupled with Maricopa County's ascension to top spot in population growth, will continue to propel the Phoenix MSA now and into the foreseeable future.



ABI MULTIFAMILY MINUTE
LISTEN | LEARN | SHARE

Join the conversation as we further discuss construction and the current / future apartment market demand in the Phoenix MSA. Ryan Smith and Thomas Brophy discuss this and more in our Phoenix MSA 2Q Review podcast.

LISTEN TO THE PODCAST: ABIMultifamily.com/ABI-Multifamily-Minute

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COLLABORATION & COOPERATION

NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

100+ UNIT PROPERTIES

10-99 UNIT PROPERTIES



CHUPAROSAS

2222 South Dobson Road,
Chandler, AZ

Price: \$43,500,000
Units: 258 Units
Year Built: 2007

AYA SCOTTSDALE

8750 East McDowell Road,
Scottsdale, AZ

Price: \$12,450,000
Units: 125
Year Built: 1970

SAGE LUXURY (FRACTURED CONDO)

1101 South Sycamore,
Mesa, AZ

Price: \$8,500,000
Units: 86 Units
Year Built: 1987

MISSION VILLA

3001 North 32nd Street
Phoenix, AZ

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

APARTMENT BROKERAGE & ADVISORY FIRM

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