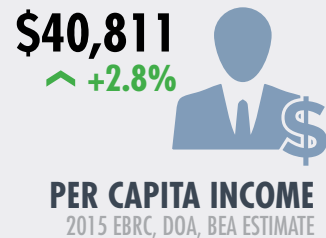
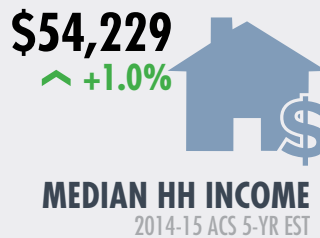
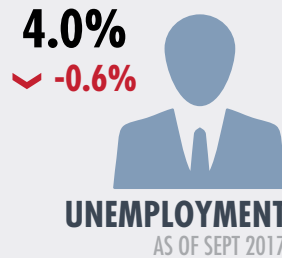


PHOENIX MSA | MULTIFAMILY | 3Q 2017 REPORT

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10+ UNIT PROPERTIES	3Q 2017	INCREASE/DECREASE	3Q 2016
Total Sales Volume	\$1.45B	+15%	\$1.3B
AVERAGE	Price/Unit	\$121,120 +22%	\$99,117
	Price/SF	\$145.76 +14%	\$128.48
	Year Built	1981 +4 yrs	1976
Average Rent	\$996 +3.4%	\$963	
Occupancy Rate	94.8% -0.3%	95.1%	
Units Delivered	2,598 +125%	1,157	




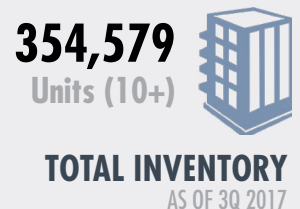
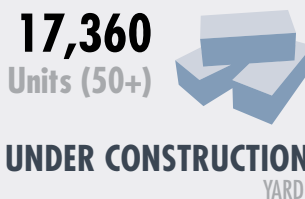
ABI GEONEWS - PHOENIX MSA 3Q 2017 SELECT NEWS

CONTINUED ON PAGE 06

 **IKEA** opening second Arizona store near Westgate in Glendale

 **ASU** hiring 3,000+ new faculty and staff to keep up with growth, enrollment tops 100,000+

 **Plaza Cos** and **Holualoa Cos** Set to Buy Park Central Mall and Plan Major Renovation



PHOENIX MSA - PER CITY ANALYSIS

PHOENIX MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
Phoenix MSA	4.0%	\$54,229	\$40,811	297,621	17,360
Phoenix	4.7%	\$47,326	\$24,231	128,968	5,989
Mesa	4.5%	\$48,809	\$24,724	35,914	812
Scottsdale	3.8%	\$73,288	\$52,220	24,880	1,658
Tempe	4.3%	\$49,012	\$26,667	30,891	3,375
Glendale	5.0%	\$46,776	\$21,950	23,308	340

RENT & OCCUPANCY STATS

PHOENIX MSA - PER CITY ANALYSIS

Phoenix Mesa Scottsdale Tempe Glendale

Average Rent (3Q 2017)	\$915	\$897	\$1,277	\$1,189	\$841
% Change (y-o-y)	+3.6%	+4.3%	+3.0%	+2.5%	+2.4%
Occupancy Rate (3Q 2017)	94.6%	95.6%	94.3%	94.3%	95.0%
% Change from 2010	-0.5%	+0.0%	-0.3%	-0.9%	0.0%
Units Delivered (50+)	924	354	N/A	384	N/A

SALES DATA (100+)

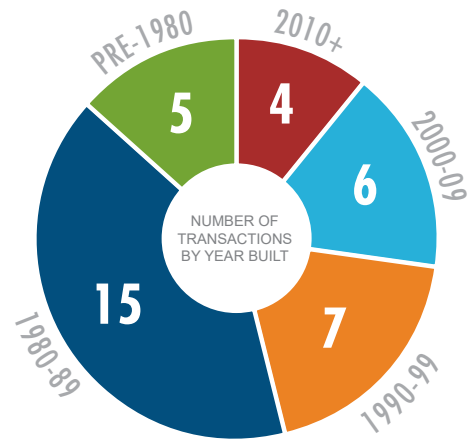
Total Sales Volume (3Q 2017, 100+)	\$561,281,856	\$143,600,000	\$68,950,000	\$176,450,000	\$96,816,500
Total Sales Volume (3Q 2016, 100+)	\$389,275,000	\$135,900,064	\$151,000,000	\$160,860,000	\$113,516,000
% Change (y-o-y)	+44%	+6%	-54%	+10%	-15%
Avg P/U (3Q 2017, 100+)	\$116,934	\$90,031	\$205,208	\$148,277	\$104,216
Avg P/U (3Q 2016, 100+)	\$98,977	\$90,600	\$241,600	\$109,280	\$57,187
% Change (y-o-y)	+18%	-1%	-15%	+36%	+82%

SALES DATA (10-99)

Total Sales Volume (3Q 2017, 10-99)	\$69,787,000	\$8,796,000	N/A	\$16,890,000	\$7,945,000
Total Sales Volume (3Q 2016, 10-99)	\$76,137,143	\$22,654,500	\$3,035,000	\$19,925,000	\$1,440,000
% Change (y-o-y)	-9%	-61%	N/A	-15%	+452%
Avg P/U (3Q 2017, 10-99)	\$81,202	\$79,536	N/A	\$167,228	\$63,560
Avg P/U (3Q 2016, 10-99)	\$64,035	\$62,755	\$151,750	\$93,986	\$27,170
% Change (y-o-y)	+27%	+27%	N/A	+78%	+134%

100+ UNIT PROPERTIES

	3Q 2017	INCREASE/DECREASE	3Q 2016
Total Sales Volume	\$1.3B	+19%	\$1.1B
AVERAGE Price/Unit	\$125,546	+20%	\$104,661
AVERAGE Price/SF	\$150.31	+11%	\$135.13
AVERAGE Year Built	1992	+4 yrs	1986



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



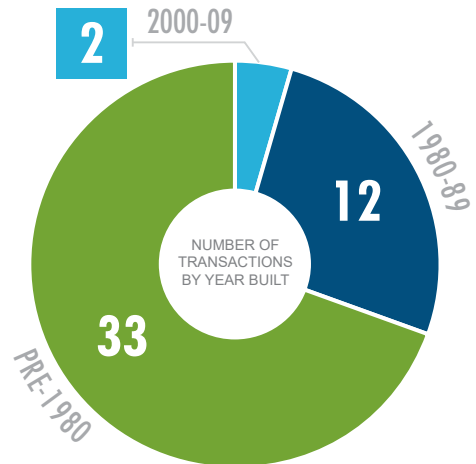
- The Standard**
Scottsdale, 134 Units | \$43,000,000
\$320,896/Unit | \$381.58/SF | Built 2016
- Vistara at SanTan Village**
Gilbert, 366 Units | \$73,200,000
\$200,000/Unit | \$199.21/SF | Built 2017
- Redstone at SanTan Village**
Gilbert, 382 Units | \$71,500,000
\$187,173/Unit | \$187.57/SF | Built 2013

3Q 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	4	\$201K	\$204
2000-09	6	\$137K	\$155
1990-99	7	\$158K	\$172
1980-89	15	\$94K	\$124
Pre-1980	5	\$73K	\$105

10 - 99 UNIT PROPERTIES

	3Q 2017	INCREASE/DECREASE	3Q 2016
Total Sales Volume	\$106M	-18%	\$130M
AVERAGE Price/Unit	\$84,781	+24%	\$67,772
AVERAGE Price/SF	\$105.41	+17%	\$89.87
AVERAGE Year Built	1971	+2 yrs	1969



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



- Dolce Villaggio**
Tempe, 37 Units | \$10,000,000
\$270,270/Unit | \$191.73/SF | Built 2007
- Valencia Townhomes**
Phoenix, 36 Units | \$8,250,000
\$229,167/Unit | \$165.38/SF | Built 2009
- Lee Villas**
Phoenix, 13 Units | \$2,295,000
\$191,250/Unit | \$235.38/SF | Built 1969

3Q 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	0	N/A	N/A
2000-09	2	\$250K	\$179
1990-99	0	N/A	N/A
1980-89	12	\$78K	\$101
Pre-1980	33	\$72K	\$95

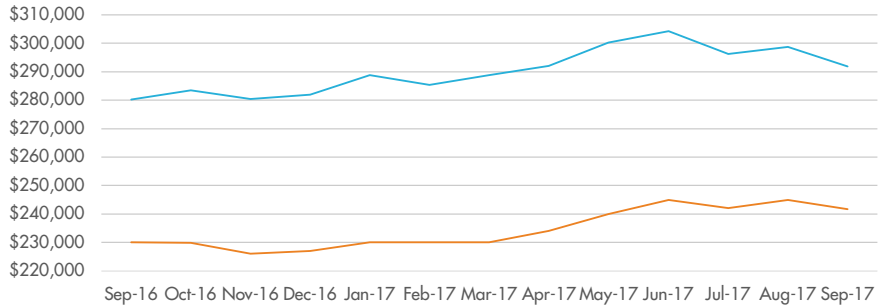
SINGLE FAMILY RESIDENTIAL - FOR SALE/LEASE

AVG SALES PRICE \$291,800

+4.1%, YEAR-OVER-YEAR AVERAGE

MEDIAN SALES PRICE \$241,700

+5.1%, YEAR-OVER-YEAR MEDIAN



SFR SALES TRENDS *

MONTHLY SALES 7,328

-9.7%, YEAR-OVER-YEAR
0%, MONTH-OVER-MONTH

AVG DAYS ON MARKET 67

-7 DAYS, YEAR-OVER-YEAR
-1 DAY, MONTH-OVER-MONTH

FORECLOSURES PENDING 2,595

-26.0%, YEAR-OVER-YEAR
-7.0, MONTH-OVER-MONTH

* As of September 2017

SFR - FOR LEASE

3Q 2017

Median Lease: \$1,397
Average Lease: \$1,567
Avg. Days on Market: 29
Rent Check Quotient™: 3 : 10

3Q 2016

Median Lease: \$1,323
Average Lease: \$1,496
Avg. Days on Market: 28
Rent Check Quotient™: 3 : 10

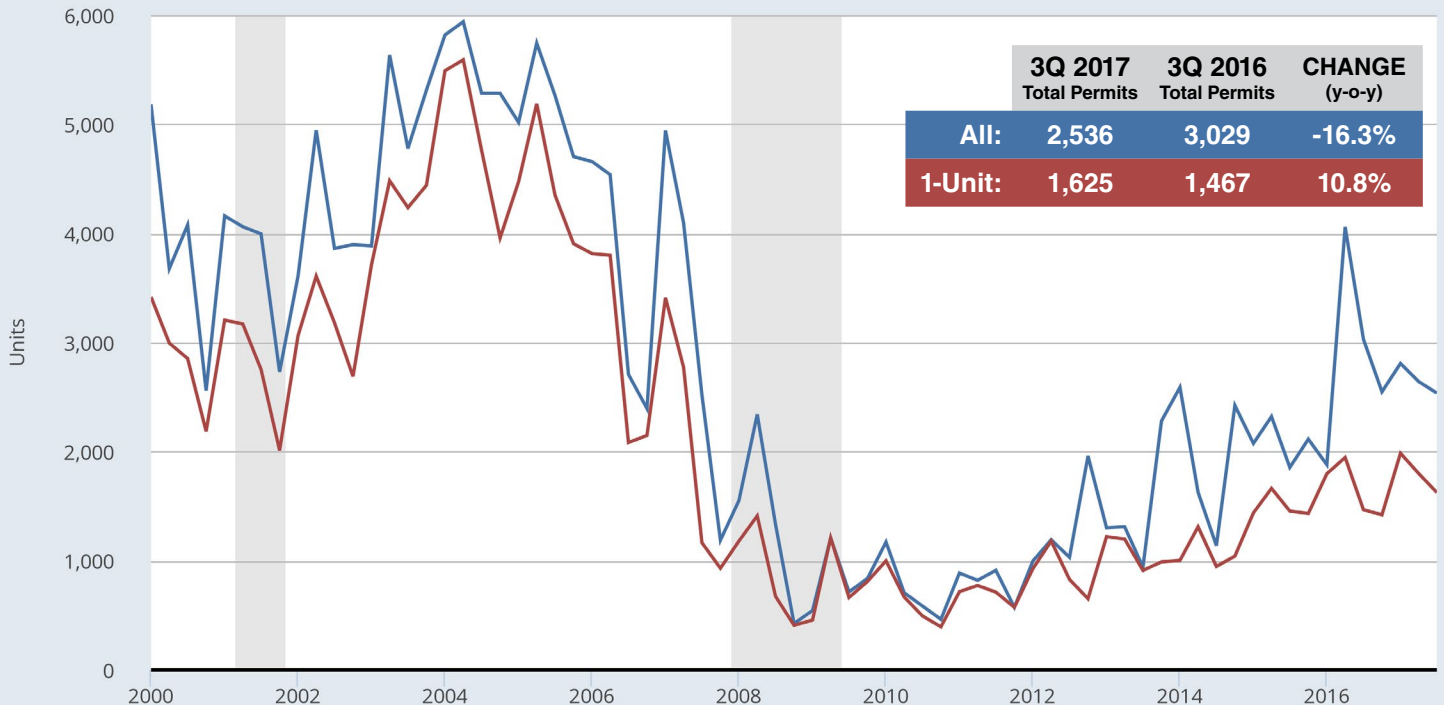
RENT Check Quotient (RCQ) is the ratio of closed rentals to closed sales. For example, 1:2 (one to two) would mean for every 1 rental, there are 2 closed sales. 1:1 (one to one) would mean that the number of closed rentals and closed sales are the same.

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)

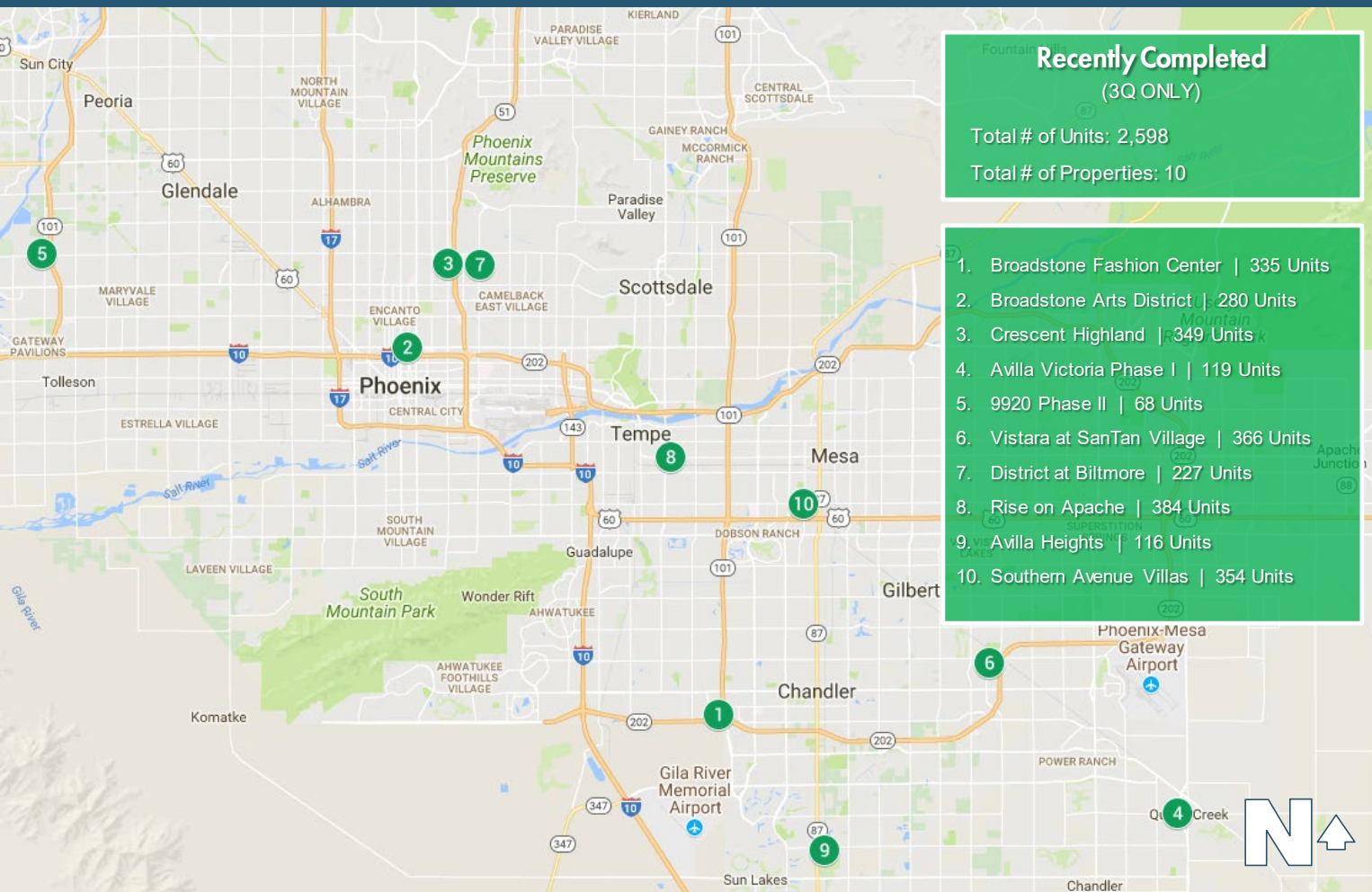


Source: U.S. Bureau of the Census

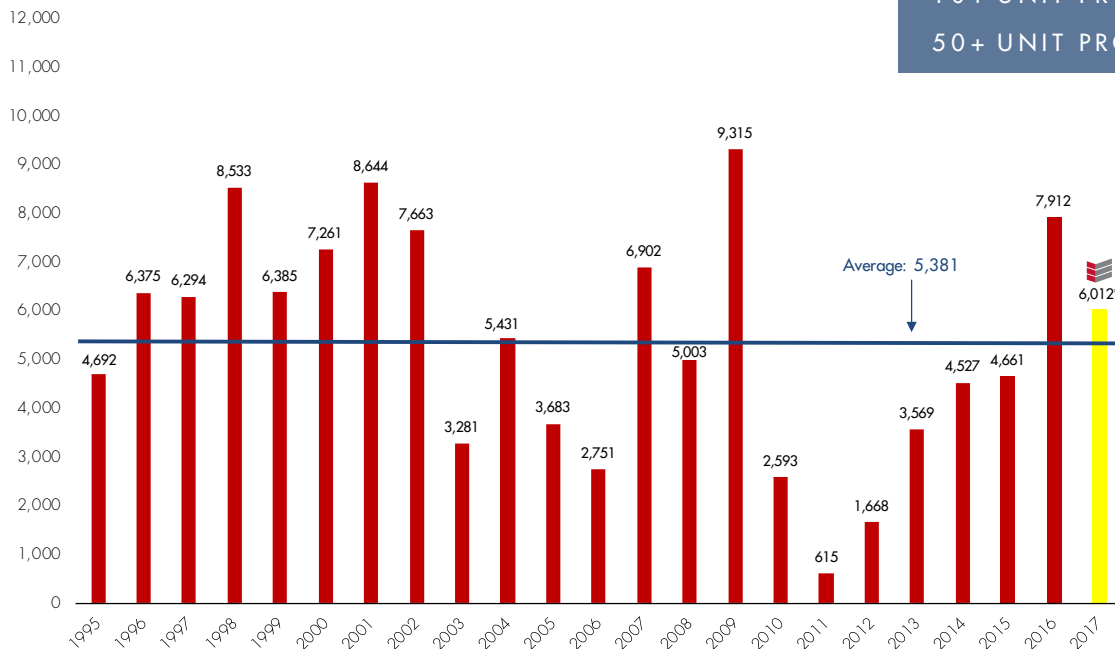
* Quarterly Average permitted units from 2000 to YTD (FRED)

ABI Research / FRED® COPYRIGHT 2017

COMPLETED CONSTRUCTION



PHOENIX MULTIFAMILY CONSTRUCTION PIPELINE 3Q 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: **354,579**

50+ UNIT PROPERTIES: **297,621**

PRE-LEASE ABSORPTION RATE

24

Units/Property (Avg)

Under Construction

Total # of Units: 17,360

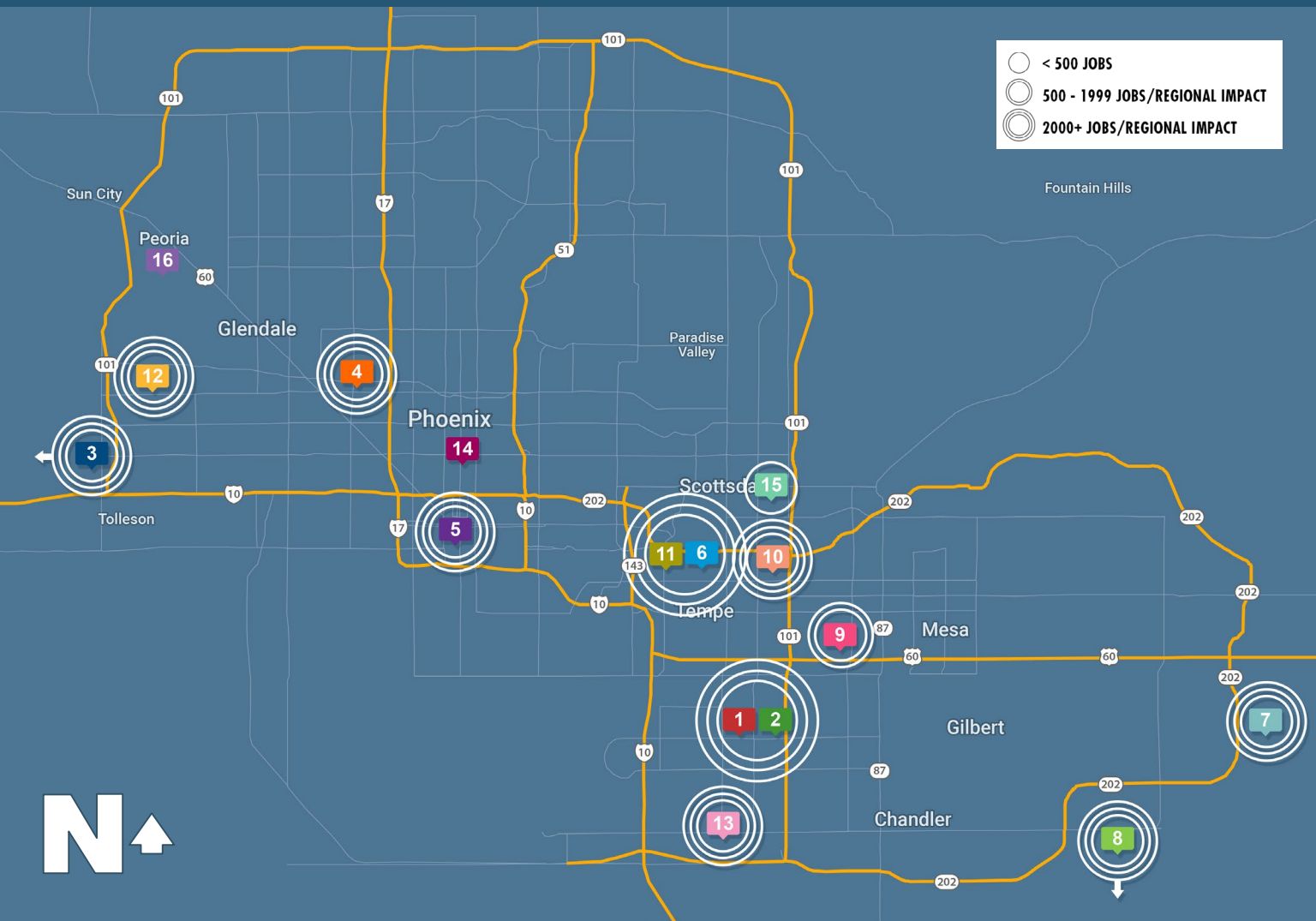
Total # of Properties: 69

Planned

Total # of Units: 11,717

Total # of Properties: 56

3Q 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** GCU continues massive campus expansion | 3,000+ employees and 14,000+ students expected by 2020
- 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** 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** 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** IKEA opening second Arizona store near Westgate in Glendale
- 13** Intel to invest \$7 billion in new factory in Chandler, employ 3,000 workers
- 14** ASU hiring 3,000+ new faculty and staff to keep up with growth, enrollment tops 100,000+
- 15** Plaza Cos and Holualoa Cos Set to Buy Park Central Mall and Plan Major Renovation
- 16** SerialTek bringing high-wage tech jobs to Peoria

BY: THOMAS M. BROPHY, DIRECTOR OF RESEARCH

Before we begin, I would like to start by defining Institutional, or Investment, Grade and Small CAP multifamily investments. It should be noted that most of what you read, hear and see in the news regarding multifamily investments revolves around properties 50+ units in size, often called ‘Institutional Grade.’ In addition to size, most Institutional Grade investments are purchased by commercial real estate professionals/firms (REITs, Hedge Funds etc.), have set funding/acquisition amounts and are professionally managed, either by a 3rd party or internally. Small-to-Mid-Size, also called ‘Small CAP,’ properties are typically 5 to 49 units in size, can be, but not necessarily, 3rd party managed and typically involves an individual, couples or groups of individuals pooling money for the purchase of an asset with one, or more, designated as managers of the project. (Continued)

PHOENIX MARKET METRICS: BY THE NUMBERS

The MSA’s total sales volume (10+ unit properties) increased 15%, year-over-year, to \$1.45 billion across 84 transactions representing 11,975 total units sold. Although California-based investors continue to be the dominant buyer of multifamily properties in the Valley accounting for 21% of total units transacted, or 2,400+ units, their percentage of purchases contracted (10%) quarter-over-quarter. New York-based investors, led by The Blackstone Group’s (now 2nd largest owner in the Valley) 748 units purchased in Gilbert, came in 2nd with a little over 1,900 units and rounding out the top five: (#3) Pacific Northwest-investors with 1,499 units purchased, (#4) Arizona-based investors with 1,104 units and (#5) Florida-based investors with 1,026 units.

Sales of 100+ unit properties increased 19% y-o-y to \$1.34B as a direct result of large institutional investor acquisitions (see above). Additionally average price per unit amount increased approximately 20% to \$125,546. Whereas 100+ unit properties saw sales volume increase, 10 to 99 unit properties saw its volume contract (18%) to \$106M with a surge of 24% in average price-per-unit amounts to \$83,781. Price-per-unit increases in the smaller property size category dovetails the sales trend which began in earnest in late 2016 through 2Q 2017, as mid-century built, extensively repositioned properties having been coming back online for sale. In fact, pre-1980’s built product represented 70% of all transactions in the 3Q.

The Phoenix MSA experienced a 125% y-o-y increase in 3Q 2017 unit deliveries with 2,598 new units delivered to the market with developers on track to deliver 7,500+ new units by YE 2017. Despite elevated construction and unit deliveries, planned unit construction dropped dramatically, nearly 50% to 11,717 from 3Q 2016’s 23,337 unit amount. Occupancy rates for the MSA contracted slightly, (0.3%), to 94.8% while average rent increased 3.4% to \$996, a slight q-o-q decrease of

(\$4). City of Mesa and Phoenix once again claimed the top spots in the MSA for rent growth at 4.3% and 3.6% respectively, followed by Scottsdale at 3.0%, Tempe at 2.5% and Glendale at 2.4%. Scottsdale still claims the top spot in actual average rent which at \$1,277 is the highest in the region.

SMALL CAP DEEP DIVE

As can be referenced in the chart, sales volume thru 3Q 2017 in Phoenix Small CAP multifamily hit a record \$274.6M. In fact, Phoenix Small CAP is expected to crest \$350M in total sales volume, easily beating 2016’s year-end \$292.8M total. Beginning in 2014, amidst significant slack in the construction pipeline, interest in the smaller multifamily projects began to skyrocket with sales volume increasing, on average, 25%+ per year over the three year period. The bulk of the purchases made during this time period were 1950s/60s built product near urban core hotspots, i.e. Downtown/Midtown Phoenix, Downtown Scottsdale and North Tempe/University submarkets. As these repositioned properties began to hit the market, in the latter half of 2015 thru YTD, price per unit amounts averaged +/-26% y-o-y gains to its current \$94,409/unit amount.

Whereas the bulk of Phoenix MSA multifamily purchases can be traced to California-based investors, Small CAP properties have long been dominated by Arizona-based investment groups. Beginning in mid-2016, the regional make-up of the ‘average’ Phoenix Small CAP investor began to change significantly. By 3Q 2017, there was a total of 58 separate ownership groups who purchased Small CAP multifamily properties in the Phoenix MSA. Of those 58, approx. 59%, or 34, were first time Phoenix area apartment owners.

Despite the dramatic change in investor make-up, i.e. to first time Phoenix apartment buyers, total debt has remained significantly subdued. In fact, for 3Q 2017 aggregate total debt for all Small CAP sales hit \$48.56M which translates to an average LTV (Loan-to-Value) of 57% for the Metro. It should be

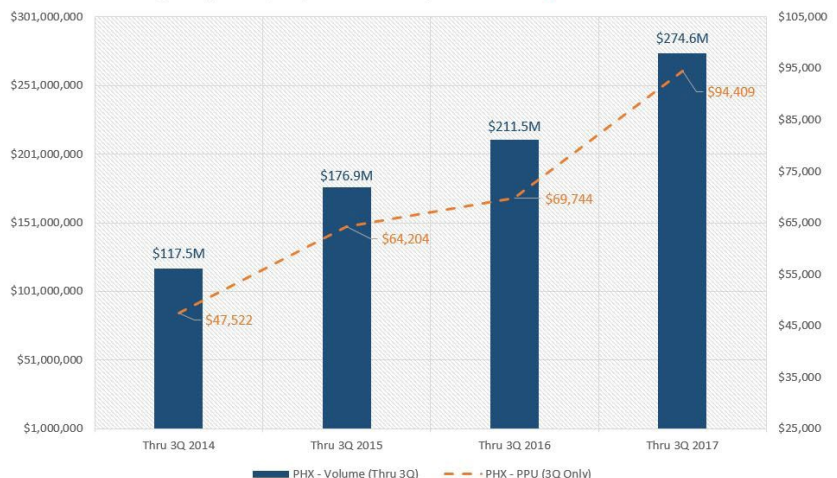
noted that while average Metro LTV rates have been steadily increasing since 3Q 2014’s, 21% amount, it is still dramatically below 2006/07 levels with many submarkets breaching 80%+ range.

FINAL THOUGHTS

I personally believe that the changes we are seeing in both the Phoenix Small CAP and Institutional Grade multifamily market, and that of the Western US as a whole, are in many ways indicative of the greater market forces at play. Specifically, given the dramatic drop in R-star, natural rate of interest, has forced investors to hunt for yield which, whether witting or unwittingly, has led investors to take on ever increasing amounts of risk. Examples of growing investor exposure to risk include, but are not limited to, the rise of Cov-lite (covenant lite) corporate bonds, i.e. Tesla, to absurd government debt offerings, i.e. Austria’s 100 year bond, 2.116% yield that’s 3x oversubscribed, to central banker direct purchase of equities. The net result, investors have traded extra duration for more yield which, if you’re playing in the bond market, can be catastrophic if everyone is wrong on inflation and it spikes to the upside.

Given our new investment market ‘normal,’ should continue to propel more investors into the apartment real estate market due, in large part, to attractive cash flows and inherent hedge against inflation. I’ll end with a question I first posed in the article, “The Flight to Safety Part 2 (of 2) – Multifamily, Stability Against the Storm.” Suppose real estate return rates mean revert to average historical level of 3.8%, across the board, and average rental rates soften to 2%+, contingent upon market; *eteris paribus*, where else are you going to find a better return? Investors are slowly beginning to wake up to this new market reality and, my best guess without the benefit of a future indicating magical crystal ball, is that multifamily is where they will want to be.

Phoenix MSA
Small CAP Multifamily Analysis (5 to 49 Units)



ABI COMPARATIVE MARKET REVIEW: 3Q 2017



PHOENIX



TUCSON



SAN DIEGO

DEMOGRAPHICS

RENT/OCC/CONST (50+)

SALES (50+)

Total Population	4,550,388	1,015,400	3,299,521
Unemployment Rate (as of Sept '17)	4.0%	4.2%	4.1%
Employment Growth (y-o-y)	2.7%	1.8%	1.1%
Median HH Income	\$54,229	\$46,162	\$64,309
Per Capita Income	\$40,811	\$38,536	\$31,266
Rent (3Q 2017)	\$996	\$808	\$1,817
% Increase / Decrease	+3.4%	+4.9%	+3.5%
Occupancy (3Q 2017)	94.8%	94.2%	96.3%
% Increase / Decrease	-0.3%	-0.1%	-0.7%
Total Inventory	297,621	67,093	177,477
Total Under Construction	17,360	402	9,562
Units Delivered (3Q 2017 Only)	2,598	N/A	983
Total Sales Volume (3Q 2017)	\$1.4B	\$229M	\$482M
y-o-y % Increase / Decrease	+15%	+97%	+86%
Average P/U (3Q 2017)	\$101,510	\$51,656	\$259,401
y-o-y % Increase / Decrease	+11%	+32%	+5%

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OVER 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



CHUPARASOS
2222 South Dobson Road
Chandler, AZ

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

OAKRIDGE APARTMENTS
3330 West Greenway Road
Phoenix, AZ

Price: \$23,970,000
Units: 282
Year Built: 1984

SAGE LUXURY (FRACTURED CONDO)
1101 South Sycamore
Mesa, AZ

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

NEW HORIZONS APARTMENTS
1510 North 48th Street
Phoenix, AZ

Price: \$4,675,000
Units: 51
Year Built: 1985

APARTMENT BROKERAGE & ADVISORY FIRM

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