MARKETBEAT

PHOENIX

Multifamily Q2 2021

YoY Chg

3.7% Vacancy Rate ▼

1.7K Net Absorption, units ▲

$1,434 Average Rent, PSF ▲

All statistics are based on properties containing 100+ units. Source: Yardi Matrix.

ECONOMIC INDICATORS Q2 2021

YoY Chg

2.1M Phoenix Employment ▲

6.2% Phoenix Unemployment Rate ▼

5.9% U.S. Unemployment Rate ▼

Q2 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA), United States Census Bureau.

ECONOMY: Recovery Underway

In Q2 2021, the Phoenix market recorded an employment level of 2.1 million jobs, a 3.7% increase from Q2 2020. The unemployment rate decreased from 10.5% in Q2 2020 to 6.2% in Q2 2021.

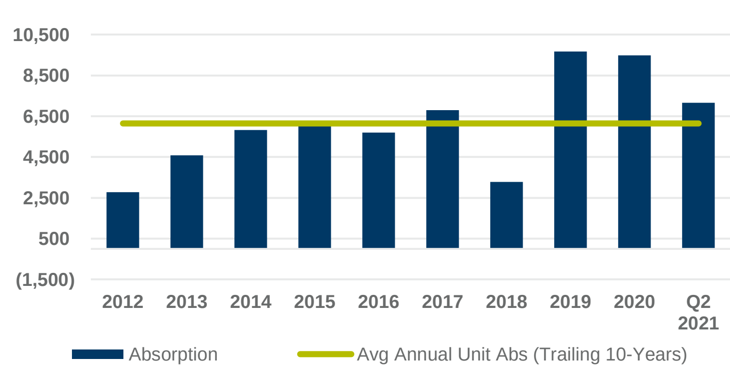
SUPPLY: Construction Continues While Vacancy Remains Low

The Metro Phoenix multifamily market finished Q2 2021 with persistent rental demand on par with robust new construction. The market has absorbed over 7,160 units YTD, already 117% of the average annual absorption (4,083 units) since 2000. In Q2 2021, the Tempe (639 units), Northwest Valley (298 units), East Phoenix (145 units), and West Phoenix (134 units) submarkets recorded the largest net gains in positive absorption. Vacancy decreased 130 basis points (bps) from the second quarter of 2020 (5.0%) to the second quarter of 2021 (3.7%). The Northeast Valley submarket vacancy rate declined from 5.8% in the second quarter of 2020 to 3.6% in the second quarter of 2021, making its 220 bps drop in vacancy the largest decrease. Multifamily development continues to grow in the Metro Phoenix market with 5,120 units completed across 27 properties YTD. The completions were located across the entire market, with the highest concentration of units delivered in the submarkets of the Mesa/Gilbert (899 units), Northwest Valley (841 units), and Central Phoenix (677 units). These submarkets are highly active due to the constant flow of new deliveries, as well as the influx of residents from out of state. Across the market there are currently over 33,000 units that are under construction. Glendale/West Valley (7,296 units), Central Phoenix (6,024 units), and Chandler/Queen Creek (5,555 units) submarkets contain the most units under construction. In addition to this there are also 22,000 units planned for development in the Phoenix market.

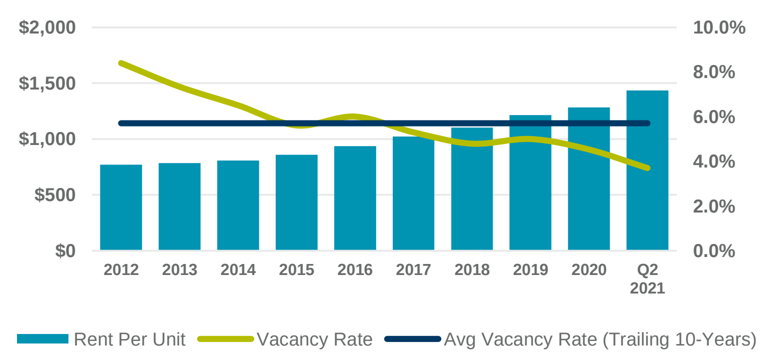
PRICING: Quarterly Rise & Year-over-Year Rise

Asking rent growth increased in the second quarter across all submarkets. Average asking rates increased from $1,212 per unit in Q2 2020 to $1,434 per unit in Q2 2021, a 18.3% increase. The Chandler/Queen Creek ($1,659 per unit) and Northeast Valley ($1,455 per unit) submarkets saw the largest YoY asking rate increases of 23.8% and 22.3% respectively. The Central Phoenix submarket (10.0%) saw the lowest YoY rental rate increase, growing from $1,331 in Q2 2020 to $1,463 in Q2 2021. Regarding concessions, high demand in the greater Phoenix market has made a consistent standard of one month's rent free across rental properties.

OVERALL ABSORPTION



OVERALL VACANCY & ASKING RENT



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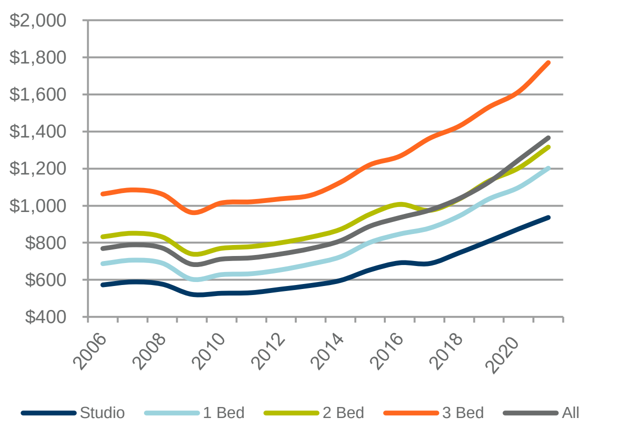
CUSHMAN & WAKEFIELD

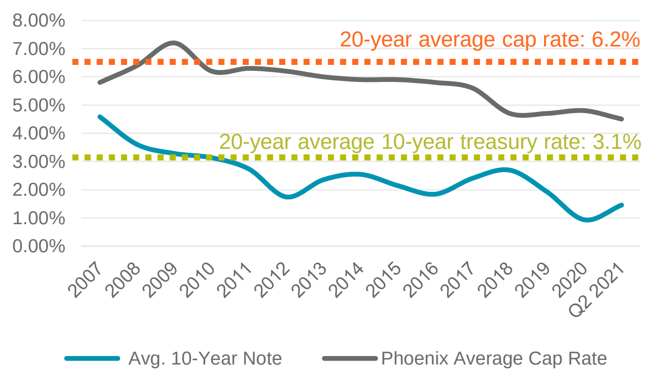
AVERAGE RENT PER UNIT HISTORY (1)

1 BEDROOM UNITS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 109.7% SINCE 2000



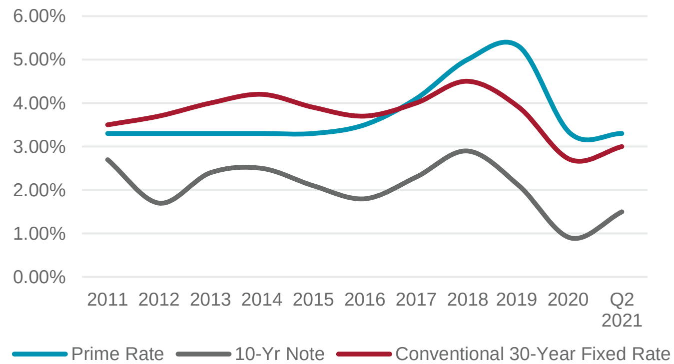
AVERAGE CAP RATE (2)

METRO PHOENIX CAP RATE AND THE 10-YEAR U.S. TREASURY RATE ARE BELOW HISTORICAL AVERAGES AND ABOVE THE HISTORICAL AVERAGE CAP RATE SPREAD OF 3.1%



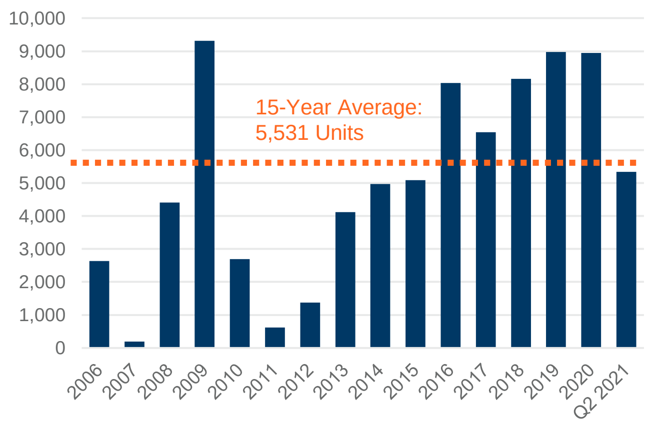
INTEREST RATES (3)

FEDERAL FUNDS TARGET RATE FORECASTED TO REMAIN THE SAME IN THE NEAR FUTURE



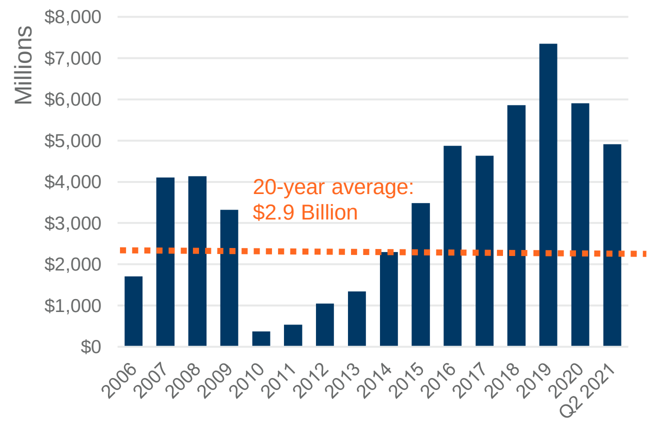
NEW INVENTORY (4)

TOTAL NUMBER OF NEW INVENTORY YTD 2021 WAS 96.5% OF THE 15-YEAR AVERAGE OF 5,531 UNITS DEMONSTRATING HEIGHTENED LEVELS OF DELIVERIES



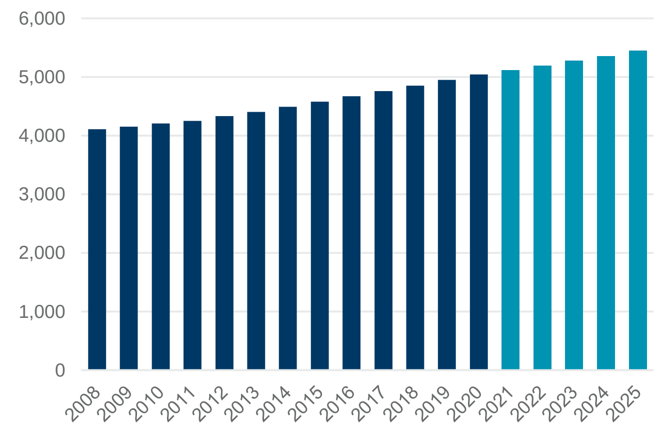
SALES TRANSACTION VOLUME (5)

2021 YTD TRANSACTION VOLUME OF 117 PROPERTIES IS 167% OF THE 20-YEAR ANNUAL AVERAGE OF $2.9 BILLION



POPULATION (5)

POPULATION IS EXPECTED TO STRENGTHEN THROUGH 2025 GROWTH PROJECTIONS



(1) Yardi Matrix, Cushman & Wakefield
(2) Yardi Matrix, Federal Reserve Board, Cushman & Wakefield
(3) Federal Reserve Board, Wells Fargo
(4) Yardi Matrix
(5) Moody's & U.S. Census Bureau

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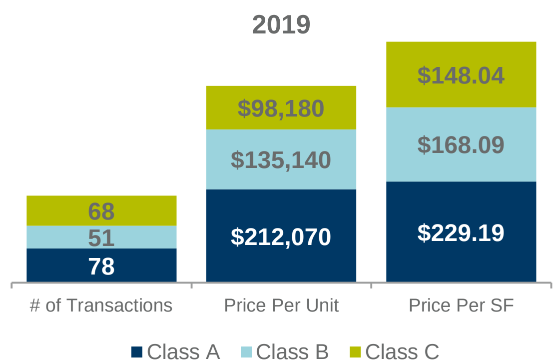
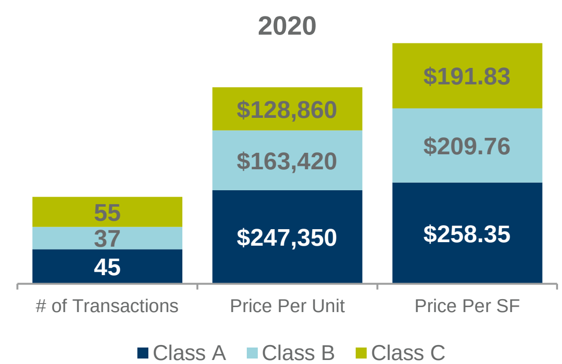
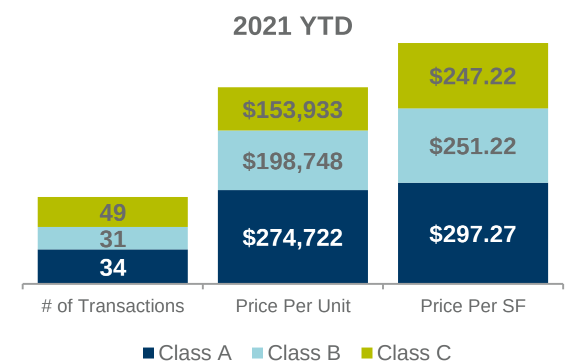
MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	Q2 2021 VACANCY RATE	NET ABSORPTION (UNITS) Q2 2021	NET ABSORPTION (UNITS) 2021 YTD	ASKING RENTAL RATE / UNIT	UNDER CONSTRUCTION (UNITS)	PLANNED (UNITS)
(1) Ahwatukee	12,717	3.7%	108	266	$1,487	921	748
(2) Central Phoenix	27,288	4.4%	37	1,100	$1,463	6,024	3,136
(3) Chandler/Queen Creek	26,985	3.3%	104	405	$1,659	5,555	2,431
(4) East Phoenix	20,454	4.8%	145	470	$1,293	1,243	797
(5) Glendale/West Valley	33,493	3.2%	73	900	$1,332	7,296	3,598
(6) Mesa/Gilbert	46,341	3.1%	97	1,144	$1,342	2,927	2,079
(7) Northeast Valley	33,828	3.6%	65	640	$1,455	1,600	3,077
(8) Northwest Valley	29,756	3.4%	298	591	$1,407	2,423	1,362
(9) Scottsdale	24,186	3.4%	19	175	$1,778	3,133	2,073
(10) Tempe	35,103	3.7%	639	1,096	$1,632	2,449	2,619
(11) West Phoenix	32,523	4.3%	134	373	$1,057	162	587
TOTAL	**322,674**	**3.7%**	**1,719**	**7,160**	**$1,434**	**33,733**	**24,331**

YEAR OVER YEAR SALES COMPARISON







Q2 2021 KEY SALES TRANSACTIONS

PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER/BUYER
The Retreat	Phoenix	5/11/2021	480	1997	986	$131,000,000	$272,917	$277	B	The Blackstone Group / MG Properties Group/Bridge Investment Group
The Nines at Kierland	Scottsdale	5/25/2021	276	2001	1,047	$108,500,000	$393,116	$375	A	Sentinel Real Estate Corporation / Sunroad Holding Corporation
Escape at Arrowhead	Glendale	5/6/2021	324	2021	1,066	$103,750,000	$320,216	$300	A	Embry Partners / Private
Portrait at Hance Park	Phoenix	5/21/2021	340	2019	864	$99,500,000	$292,647	$339	A	Transwestern / Knightvest Capital
Broadstone Rio Salado	Tempe	5/6/2021	276	2020	897	$96,150,000	$348,370	$388	A	Alliance Residential / Decron Properties
The Urban	Phoenix	5/25/2021	435	2004	718	$96,000,000	$220,690	$307	B	Knightvest Capital / TruAmerica Multifamily
Villetta	Mesa	5/11/2021	352	1983	745	$73,000,000	$207,386	$278	B	The Blackstone Group / Western Wealth Capital
Copper Falls	Glendale	5/24/2021	240	2020	997	$72,000,000	$300,000	$301	A	P.B. Bell / JB Partners
Palm Valley	Goodyear	6/30/2021	264	1997	1,064	$71,800,000	$271,970	$256	A	Capital Real Estate / Tides Equities
Encore Tessera	Phoenix	5/4/2021	240	2020	857	$70,000,000	$291,667	$340	A	Encore Hospitality / Revantage Corporate Services

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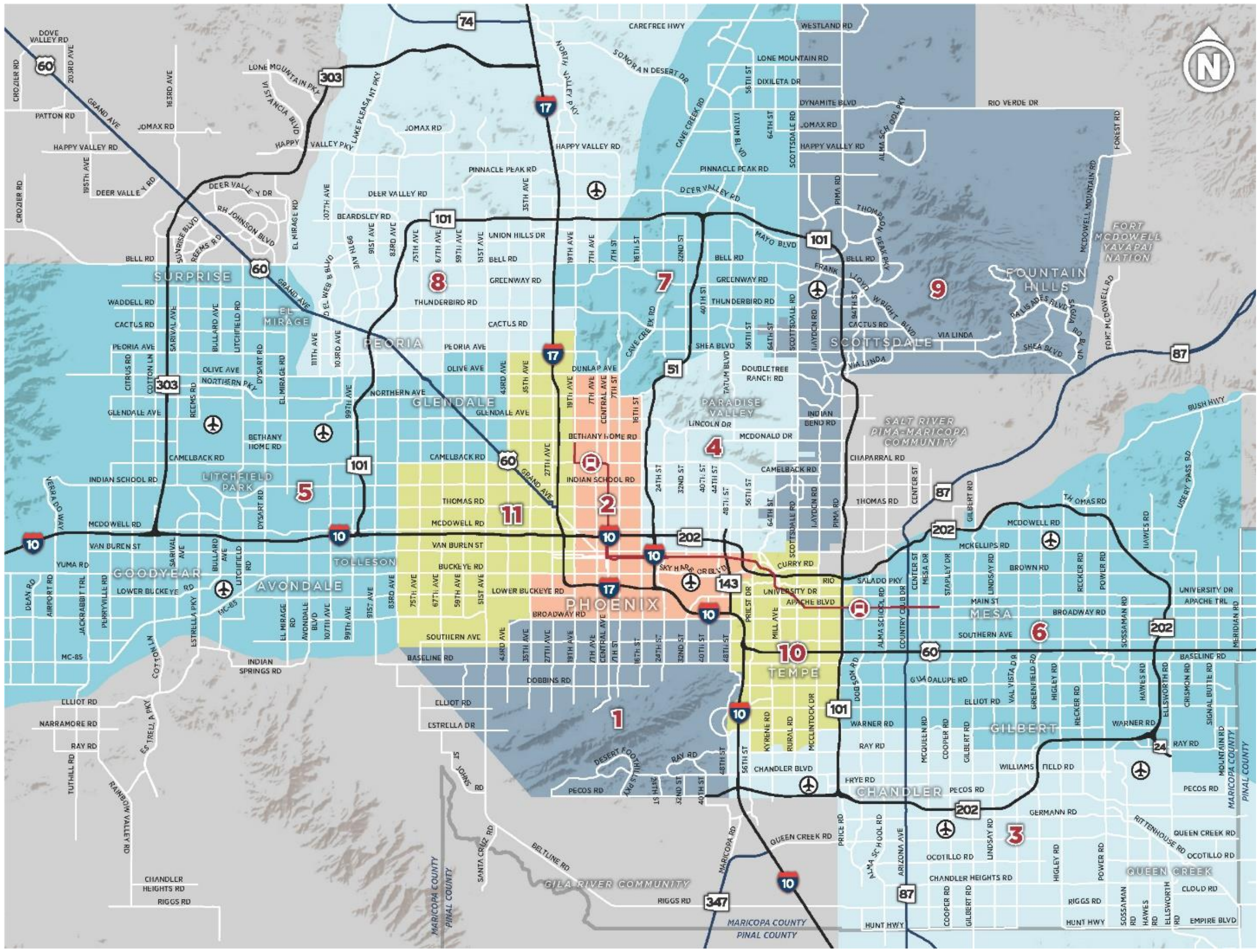
MULTIFAMILY SUBMARKETS



1	Ahwatukee	4	East Phoenix	7	Northeast Valley	10	Tempe
2	Central Phoenix	5	Glendale/West Valley	8	Northwest Valley	11	West Phoenix
3	Chandler/Queen Creek	6	Mesa/Gilbert	9	Scottsdale		

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