

MARKETBEAT

Phoenix Multifamily Q3 2018



PHOENIX MULTIFAMILY

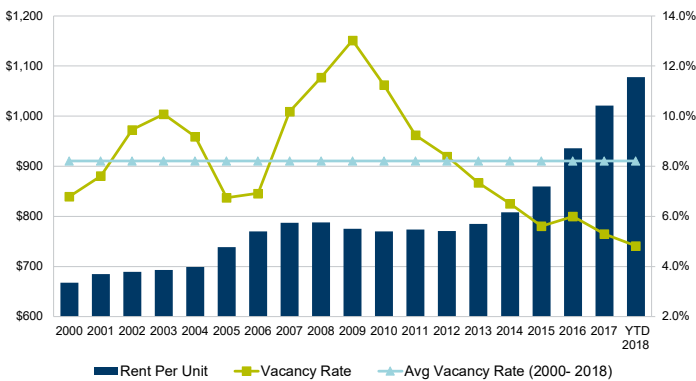
Economic Indicators*	Q3 17	Q3 18	12-Month Forecast
Phoenix Employment	2,044k	2,109k	▲
Phoenix Unemployment	4.0%	3.9%	▼
U.S. Unemployment	4.4%	3.9%	▼

Q3 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA).

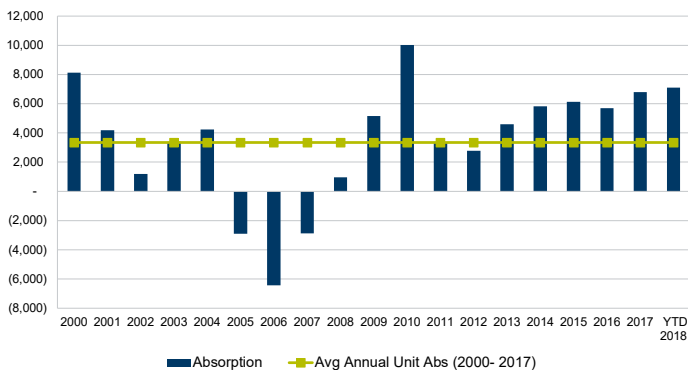
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	5.1%	4.8%	▼
Net Absorption	3,000	2,200	▲
Under Construction	16,300	15,000	▲
Average Asking Rent	\$1,004	\$1,078	▲

Overall Asking Rent vs. Overall Vacancy ⁽¹⁾



Overall Absorption ⁽¹⁾



Economy

The Metro Phoenix job market continues to improve, adding 65,000 jobs year-over-year through the third quarter of 2018. During the same time period, the unemployment rate fell from 4.3% to 3.9%.

Market Overview

The Metro Phoenix multifamily market finished the third quarter of 2018 with strong rent growth, absorption and completions. The market absorbed over 2,200 units during the third quarter and the year-to-date (ytd) net absorption total hit its third highest level since 2000 (7,091 units). The Ahwatukee (474 units), Northwest Valley (380 units) and East Phoenix (375 units) submarkets recorded the highest net gains in positive absorption in the third quarter of 2018. West Phoenix (-405 units), Glendale/West Valley (-32 units) and Scottsdale (-10 units) were the only submarkets to record negative absorption in the third quarter of 2018.

Although net absorption was 2,203 units in the third quarter of 2018, vacancy remained at its historic low of 4.8%. The Tempe submarket vacancy rate declined from 6.1% to 5.4%, making the 70 base-percentage-points (bps) drop the largest decrease recorded in the third quarter of 2018. The Ahwatukee (0.6%) and Central Phoenix (0.1%) were the only other submarkets to see a decrease in vacancy. High absorption with even higher deliveries resulted in most submarkets experiencing a slight increase in vacancy. The Scottsdale (-50 bps), Northwest Valley (-40 bps) and Mesa/Gilbert (-30 bps) submarkets recorded the highest increases quarter-over-quarter.

Asking rent growth remained positive in the third quarter, marking it the 18th straight quarter of positive rent growth. Average asking rates increased to \$1,078 per unit in the third quarter of 2018, over 7.3% higher than the third quarter of 2017 at a rate of \$1,004. The Chandler/Queen Creek (\$1,236 per unit) and Mesa/Gilbert (\$993 per unit) submarkets saw the largest asking rate increases of 2.3% and 2.1%, respectively. The Scottsdale submarket (0.5%) saw the lowest quarter-over-quarter rental rate increase, growing from \$1,356 in the second quarter of 2018 to \$1,362 in the third quarter of 2018.

Sales volume has increased significantly every year since 2010, with 2018 ytd total dollar value passing \$4.4 Billion, the third highest year on record. Cap rates have also compressed to record lows, with the ytd average dropping to 5.2%.

The multifamily sector remained strong, bringing the ytd total completions to just over 7,120 units completed across 33 properties. Roughly half of the new completions were delivered in three submarkets: Tempe (1,657 units), Chandler/Queen Creek (1,164 units) and Central Phoenix (960 units). Cushman & Wakefield is currently tracking nearly 15,000 units that are under construction and an additional 17,000 units planned for development. Central Phoenix (2,885 and 4,698 units), Chandler/Queen Creek (2,499 and 2,651 units) and Tempe (2,233 and 2,096 units) submarkets have the most units under construction and planned. Rental rates, net absorption and construction are projected to remain high as the Metro Phoenix market experiences robust population growth.

MARKETBEAT

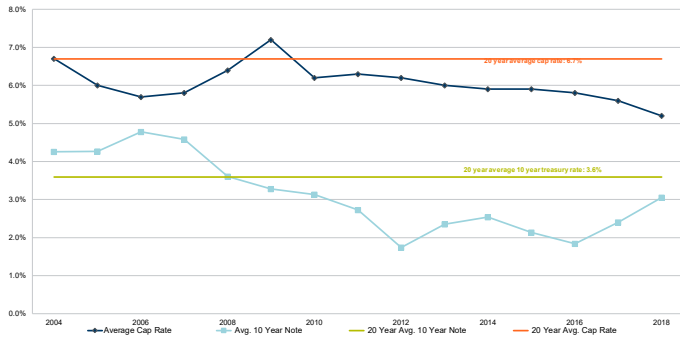
Phoenix

Multifamily Q3 2018



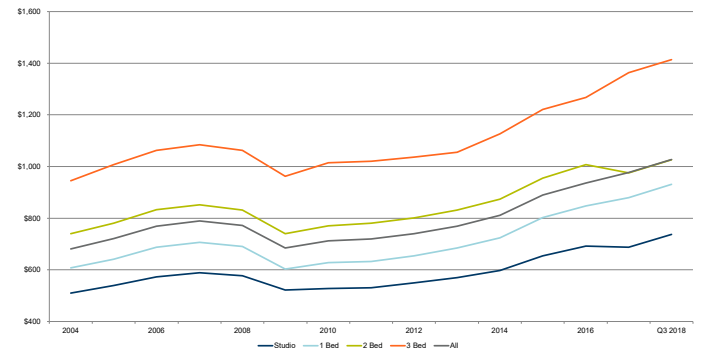
Average Cap Rate ⁽²⁾

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



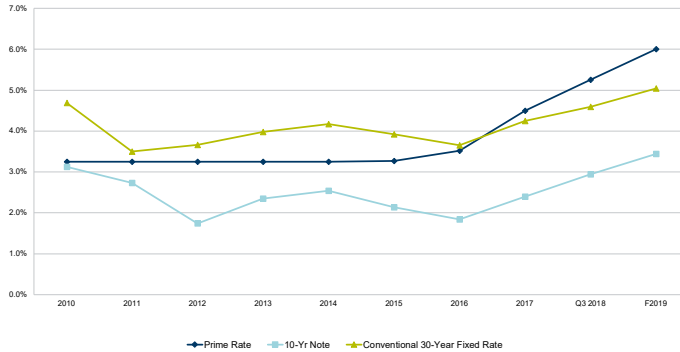
Average Price Per Unit History ⁽⁵⁾

STUDIO APARTMENTS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 63% SINCE 2000



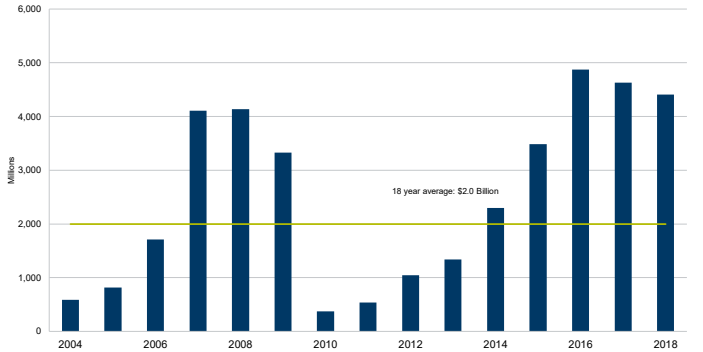
Interest Rates ⁽³⁾

FEDERAL FUNDS TARGET RATE FORECASTED TO CONTINUE TO RISE IN THE NEAR FUTURE



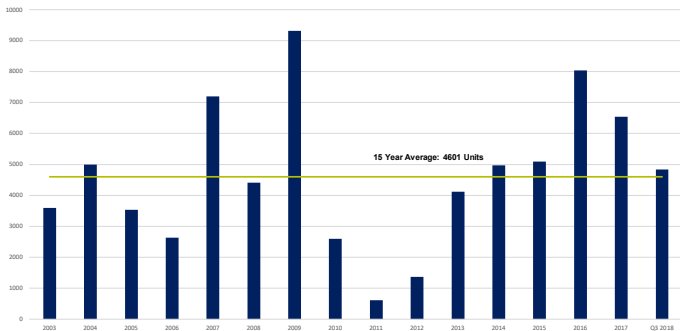
Sales Transaction Volume ⁽⁵⁾

YTD 2018 TRANSACTION VOLUME OF 133 PROPERTIES WAS OVER 186% OF THE 18 YEAR ANNUAL AVERAGE OF \$2.0 BILLION



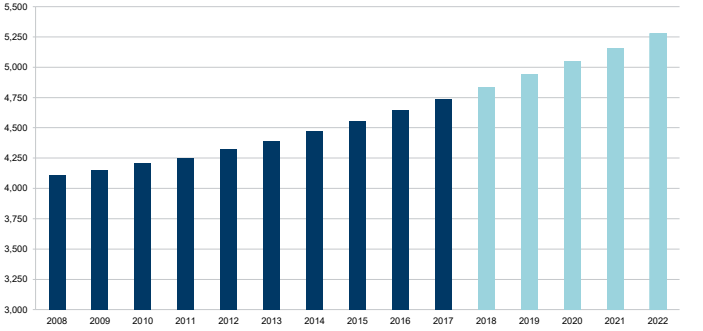
New Inventory ⁽⁴⁾

TOTAL NUMBER OF NEW INVENTORY YTD 2018 WAS 105% OF THE 15 YEAR AVERAGE OF 4601 UNITS



Population ⁽⁶⁾

POPULATION GROWTH IS EXPECTED TO STRENGTHEN THROUGH 2022 PROJECTIONS



MARKETBEAT

Phoenix

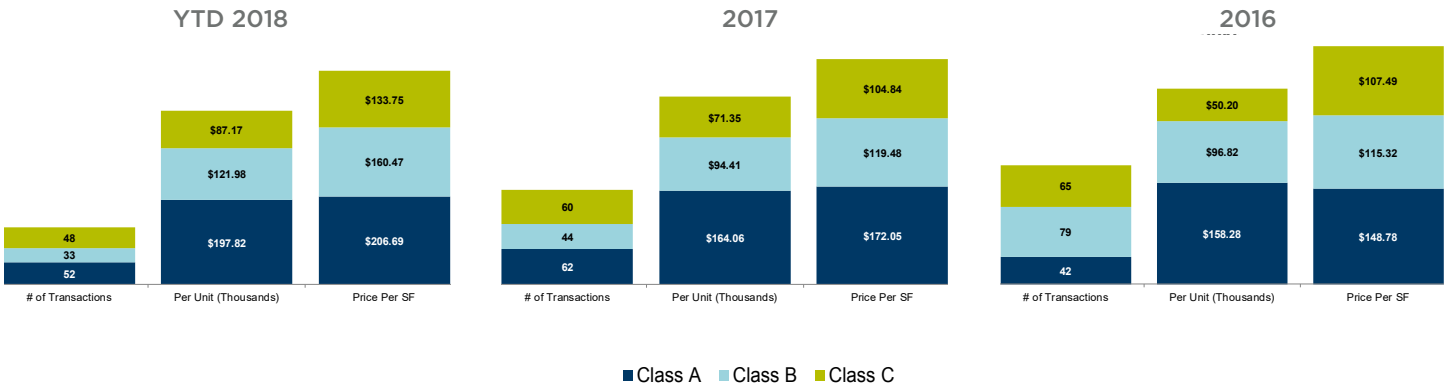
Multifamily Q3 2018



SUBMARKET	INVENTORY UNIT	Q3 VACANCY RATE	NET ABSORPTION IN UNITS		RENTAL RATE PER UNIT	UNITS UNDER CONSTRUCTION	UNITS PLANNED
			Q3	2018 TOTAL			
Ahwatukee	12,175	5.1%	474	508	\$1,072	258	382
Central Phoenix	22,486	4.9%	312	1,492	\$1,186	2,885	4,698
Chandler/Queen Creek	23,642	4.9%	281	588	\$1,236	2,499	2,651
East Phoenix	19,948	4.8%	375	1,242	\$1,013	727	698
Glendale/West Valley	29,473	4.4%	-32	343	\$956	2,023	678
Mesa/Gilbert	44,473	4.3%	269	619	\$993	568	1,729
Northeast Valley	32,126	5.0%	283	325	\$1,064	1,500	683
Northwest Valley	27,443	4.9%	380	1,207	\$1,032	718	1,271
Scottsdale	22,144	5.1%	-10	298	\$1,362	1,344	2,085
Tempe	31,928	5.4%	276	45	\$1,293	2,233	2,096
West Phoenix	32,082	4.6%	-405	424	\$798	206	367
TOTAL MARKET	297,920	4.8%	2,203	7,091	\$1,078	14,961	17,338

(1)

Year Over Year Sales Comparison ⁽⁵⁾



2018 Key Sales Transactions ⁽⁵⁾

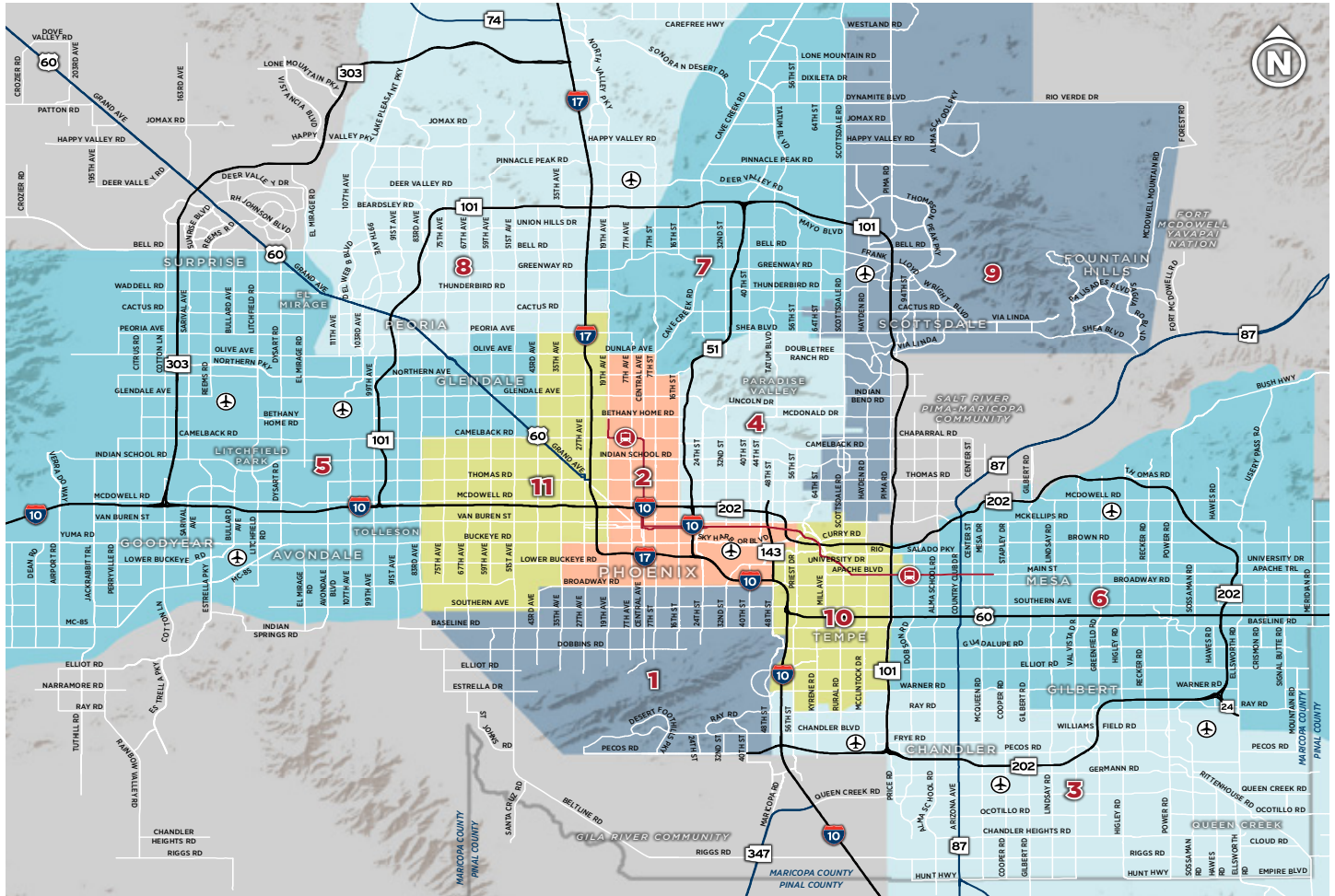
PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/ SF	CLASS	SELLER / BUYER
Optimate Sonoran Village	Scottsdale	1/30/2018	627	2014	1,012	\$200,000,000	\$318,979	\$315.20	CORE	Optima, Inc/ Principal Real Estate Investors
The District on Apache	Tempe	9/20/2018	279	2013	1,257	\$158,081,449	\$566,600	\$450.76	A	Education Realty Trust/ Blackstone
Ten01 on the Lake	Tempe	3/28/2018	523	2007	833	\$115,000,000	\$219,885	\$264.04	A	Picerne Group/ PGIM Real Estate
Modena	Phoenix	1/24/2018	768	1988	775	\$110,000,000	\$143,229	\$184.84	B	Weidner Investment Services/ Knightvest Capital
Hanover Mill Avenue	Tempe	5/7/2018	341	2015	826	\$95,100,000	\$278,886	\$337.63	CORE	The Hanover Company/ Goldman Sachs
Element Deer Valley	Phoenix	7/25/2018	629	2004	738	\$94,525,000	\$150,278	\$203.63	A	CBRE Global Investors/Waterton Residential LLC
Carlyle at South Mountain	Phoenix	2/15/2018	552	1995	1,032	\$90,000,000	\$163,043	\$157.96	A	FPA Multifamily/ Western Wealth Capital
Broadstone Fashion Center	Chandler	2/9/2018	335	2017	892	\$84,000,000	\$250,746	\$281.02	CORE	Alliance Residential Company/ Starlight Investments
Capri on Camelback	Phoenix	5/10/2018	566	1970	691	\$81,250,000	\$143,551	\$207.74	B	Greystar/ TH Real Estate
Pinnacle at McDowell Mountain Ranch	Scottsdale	5/2/2018	368	1997	979	\$80,677,843	\$219,233	\$223.94	A	eSI Enterprises/ Rincon Partners

MARKETBEAT

Phoenix Multifamily Q3 2018



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 | |

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

Cushman & Wakefield
 2555 E Camelback Road
 Suite 400
 Phoenix, AZ 85016
cushmanwakefield.com

For more information, contact:
 Ronan McNulty
 Associate Director
 Tel: +1 602 224 4448
 Fax: +1 602 253 0528
ronan.mcنulty@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.