

MARKETBEAT

Phoenix Multifamily Q1 2019



PHOENIX MULTIFAMILY

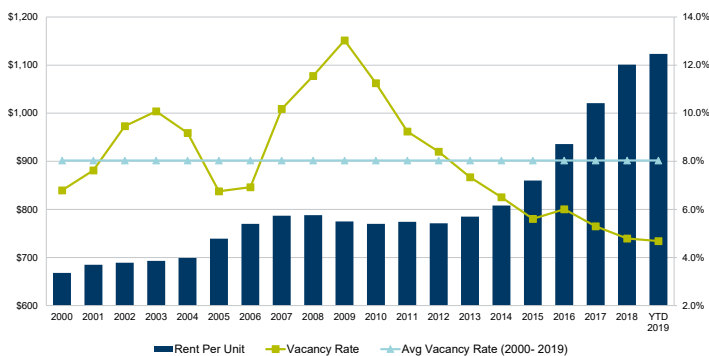
Economic Indicators	Q1 18	Q1 19	12-Month Forecast
Phoenix Employment	2,084k	2,146k	▲
Phoenix Unemployment	4.3%	4.4%	▼
U.S. Unemployment	4.1%	3.8%	▼

Q1 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA).

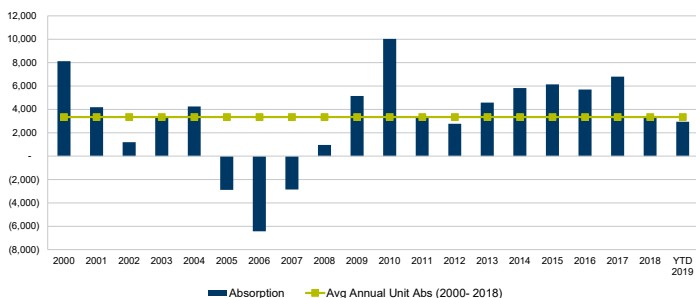
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	5.1%	4.7%	▼
Net Absorption	1,600	2,900	▲
Under Construction	16,400	13,500	▲
Average Asking Rent	\$1,032	\$1,123	▲

Overall Asking Rent vs. Overall Vacancy ⁽¹⁾



Overall Absorption ⁽¹⁾



Economy

The Metro Phoenix job market continues to improve, adding 62,300 jobs year over year through the first quarter of 2019. During the same time period, the unemployment rate increased 10 basis points (bps), rising to 4.4%.

Market Overview

The Metro Phoenix multifamily market started 2019 with strong rent growth, absorption and completions. The market absorbed 2,937 units during the first quarter, nearly tying its 18-year average of 3,343 units. The West Phoenix (700 units), Tempe (582 units) and East Phoenix (524 units) submarkets recorded the highest net gains in positive absorption in the first quarter of 2019.

With strong net absorption in the first quarter of 2019, vacancy dropped to a historic low of 4.7%. The Ahwatukee submarket vacancy rate declined from 5.8% to 4.5%; the 130 basis point drop was the largest decrease year over year. The Chandler/Queen Creek (0.0%) and Tempe (0.1%) submarkets experienced the smallest change in vacancy year over year. High deliveries with even higher absorption resulted in almost every submarket experiencing a decrease in vacancy year over year. The Scottsdale (3.9%), Mesa/Gilbert (4.0%) and Ahwatukee (4.5%) submarkets are at historically low vacancy rates.

Asking rent growth remained positive in the first quarter of 2019, beginning its seventh year of positive rent growth. Average asking rates increased to \$1,123 per unit in the first quarter of 2019, 8.1% higher than the first quarter of 2018 at a rate of \$1,032, making rental rate increases in the Metro Phoenix some of the highest in the nation. The Northeast Valley (\$1,128 per unit) and Chandler/Queen Creek (\$1,292 per unit) submarkets saw the largest asking rate increases of 10.4% and 10.1%, respectively. The Central Phoenix and West Phoenix submarkets (6.2%) saw the lowest year-over-year rental rate increase, increasing from \$1,156 and \$770 in the first quarter of 2018 to \$1,232 and \$821 in the first quarter of 2019, respectively.

Sales volume has increased significantly every year since 2010, with the first quarter of 2019 total dollar value passing \$2.1 billion, nearly tying the 19 year average of \$2.2 billion. Cap rates have continued to compress over the last decade, and have maintained their 2018 average of 4.7% into the first quarter of 2019.

The multifamily sector remained strong, bringing the year-to-date total completions to 2,521 units across 10 properties. The majority of the new completions were delivered in three submarkets: Glendale/West Valley (880 units), Northeast (816 units) and Central Phoenix (450 units). Cushman & Wakefield is currently tracking over 13,000 units that are under construction and an additional 21,000 units planned for development. Central Phoenix (2,814 units), Tempe (2,551 units) and Chandler/Queen Creek (2,036 units) submarkets have the most units under construction while Central Phoenix (4,994 units) Chandler/Queen Creek (3,273 units) and Northeast Valley (3,197 units) have the most units planned. Rental rates, net absorption and construction are projected to remain high as the Metro Phoenix market experiences some of the most robust population growth in the country.

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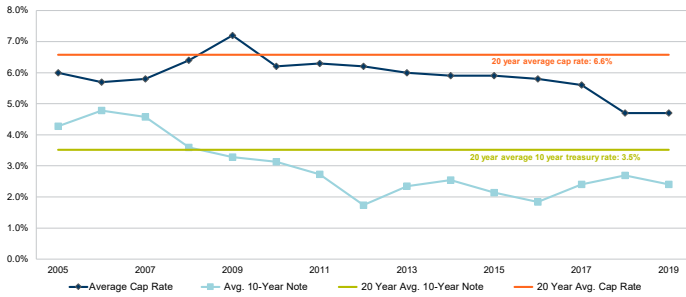
Phoenix

Multifamily Q1 2019



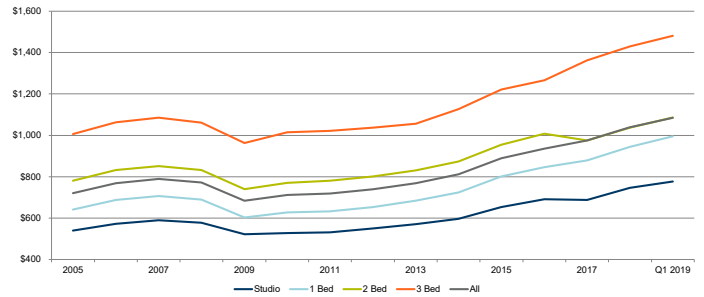
Average Cap Rate ⁽²⁾

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 3.0%



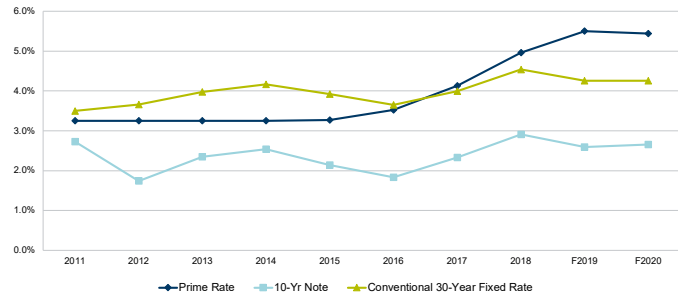
Average Price Per Unit History ⁽¹⁾

ONE BEDROOM APARTMENTS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 73.7% SINCE 2000



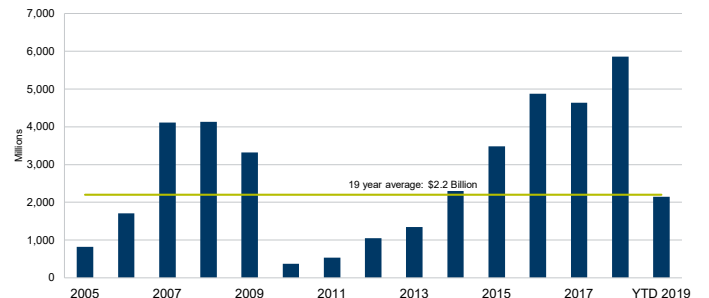
Interest Rates ⁽³⁾

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



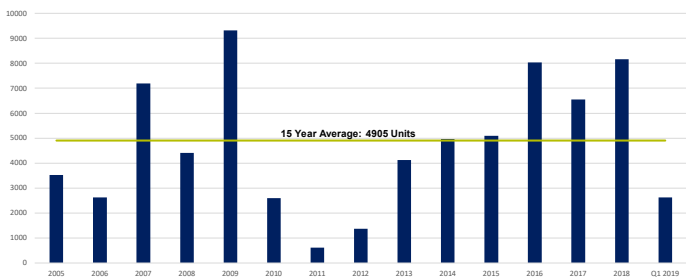
Sales Transaction Volume ⁽⁵⁾

Q1 2019 TRANSACTION VOLUME OF 62 PROPERTIES WAS 97.6% OF THE 18-YEAR ANNUAL AVERAGE OF \$2.2 BILLION



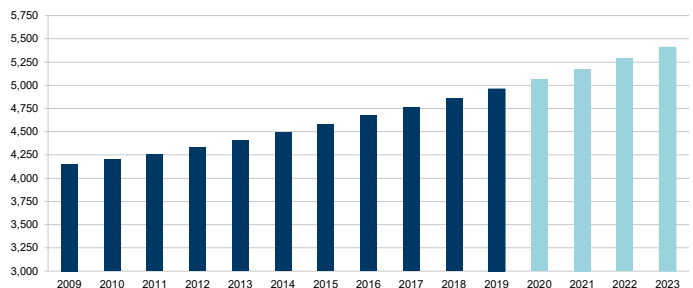
New Inventory ⁽⁴⁾

TOTAL NUMBER OF NEW INVENTORY YTD 2019 WAS 53.5% OF THE 15 YEAR AVERAGE OF 4905 UNITS



Population ⁽⁵⁾

POPULATION GROWTH IS EXPECTED TO STRENGTHEN THROUGH 2023 PROJECTIONS



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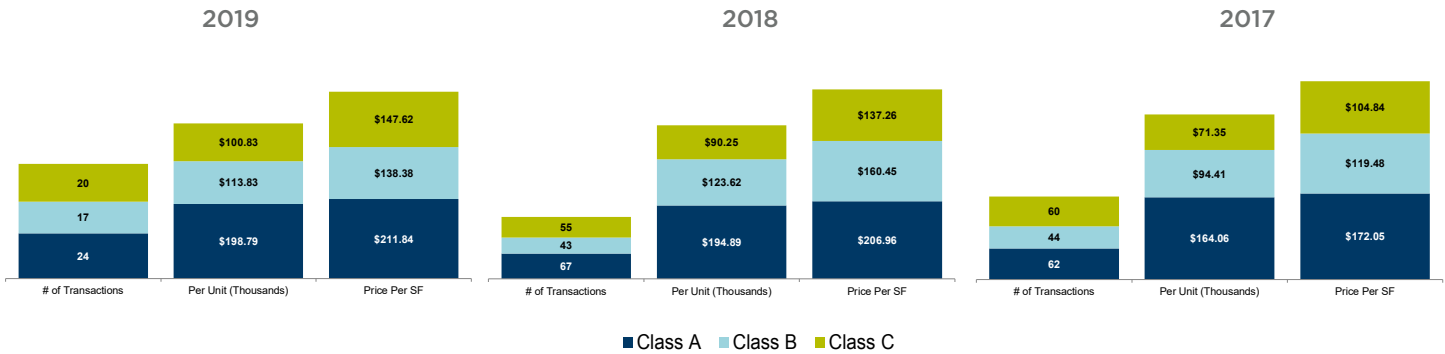
Multifamily Q1 2019



SUBMARKET	INVENTORY UNIT	Q1 VACANCY RATE	NET ABSORPTION IN UNITS		RENTAL RATE PER UNIT	UNITS UNDER CONSTRUCTION	UNITS PLANNED
			Q1	2019 TOTAL			
Ahwatukee	12,175	4.5%	5	5	\$1,114	258	467
Central Phoenix	23,479	4.9%	187	187	\$1,232	2,814	4,994
Chandler/Queen Creek	24,152	4.6%	26	26	\$1,292	2,036	3,273
East Phoenix	19,949	5.0%	524	524	\$1,059	727	875
Glendale/West Valley	30,347	4.7%	297	297	\$993	1,675	1,221
Mesa/Gilbert	44,577	4.0%	49	49	\$1,034	812	1,910
Northeast Valley	32,946	4.6%	302	302	\$1,128	684	3,197
Northwest Valley	27,828	4.6%	-3	-3	\$1,073	516	1,144
Scottsdale	22,408	3.9%	268	268	\$1,448	1,382	1,715
Tempe	31,930	5.3%	582	582	\$1,326	2,551	2,403
West Phoenix	32,290	5.5%	700	700	\$821	0	504
TOTAL MARKET	302,081	4.7%	2,937	2,937	\$1,123	13,455	21,703

(1)

Year Over Year Sales Comparison ⁽¹⁾



Q1 2019 Key Sales Transactions ⁽¹⁾

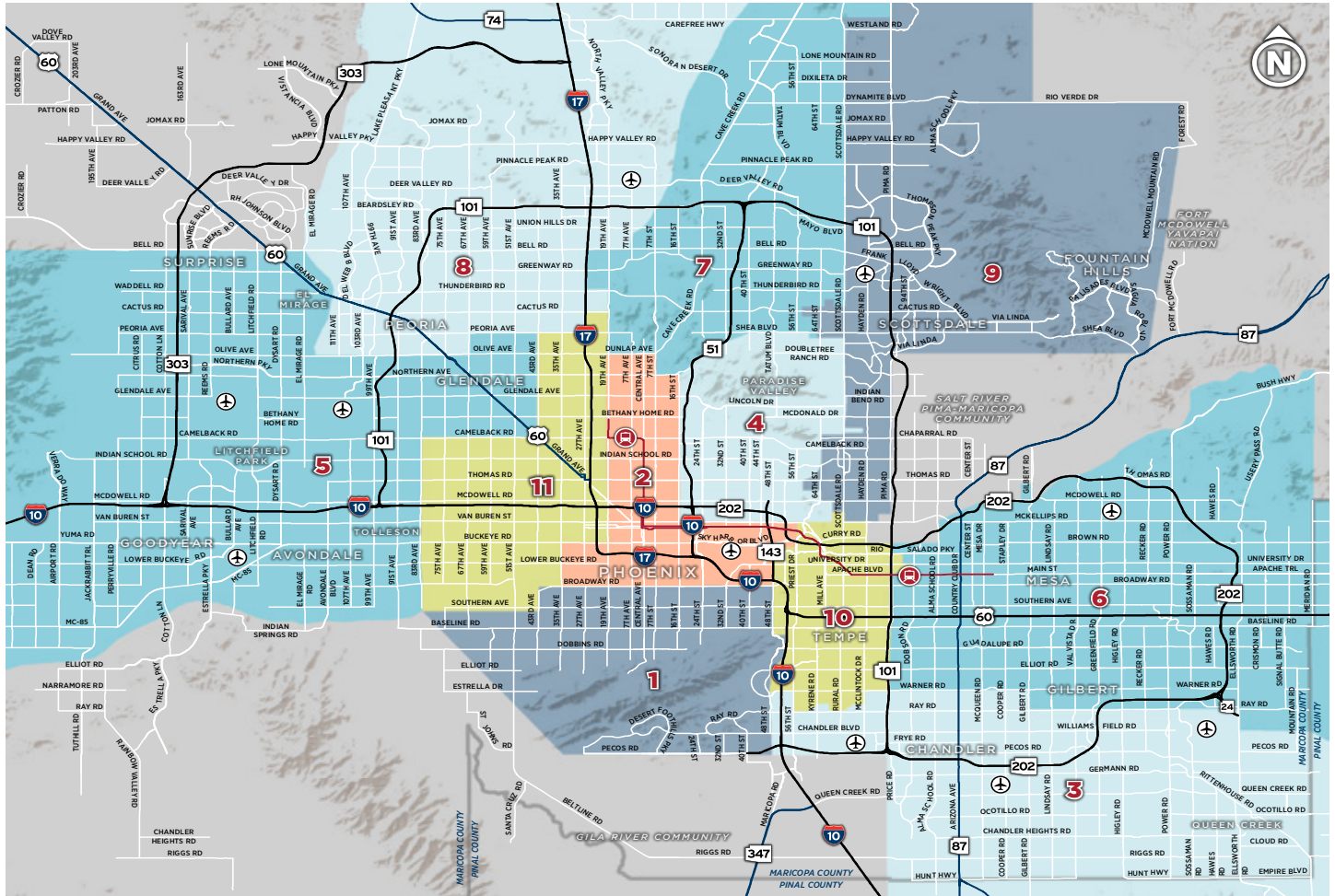
PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER/ BUYER
The Stetson	Scottsdale	2/27/2019	316	2015	857	\$97,000,000	\$306,962	\$358.18	CORE	Cottonwood Residential / Camden Property Trust
Tempo at McClintock Station	Tempe	2/28/2019	424	2017	792	\$89,200,000	\$210,377	\$265.63	A	Fore Property Compay / The Bascom Group
Avion on Legacy	Scottsdale	2/15/2019	322	2018	918	\$88,300,000	\$274,224	\$298.72	A	Simpson Housing / Nuveen Real Estate
Sonoran	Phoenix	1/16/2019	429	1995	964	\$84,250,000	\$196,387	\$203.72	A	The Blackstone Group / MG Properties
Broadstone Roosevelt Row	Phoenix	3/12/2019	316	2018	865	\$84,200,000	\$266,456	\$308.04	CORE	Alliance Residential / Weidner
The Flats at SanTan	Gilbert	3/28/2019	319	2018	925	\$71,425,000	\$223,903	\$242.06	A	Embry Partners / Weidner
Laguna Village	Chandler	2/14/2018	460	1985	800	\$70,250,000	\$152,717	\$190.90	B	PB Bell / Bridge Investment Group
Paseo Park	Glendale	1/28/2019	480	1987	831	\$62,400,000	\$130,000	\$156.44	B	Nuveen Real Estate / Knighvest Management
Courtney Village	Phoenix	3/12/2019	368	2002	1,081	\$62,250,000	\$169,158	\$156.48	A	Continental Realty Advisors / Corland Partners
Trellis on Bell	Phoenix	1/23/2019	306	2017	931	\$61,650,000	\$201,471	\$216.40	A	Evergreen Development / Green Leaf Capital Partners

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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 | |

- (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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