

MARKETBEAT

Multifamily Snapshot Q1 2016 Metropolitan Phoenix



PHOENIX MULTIFAMILY

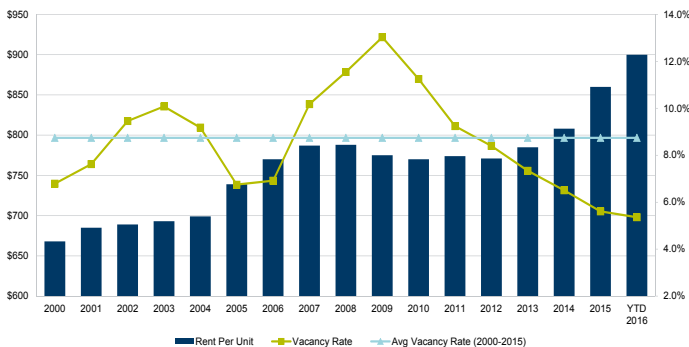
Economic Indicators*	Q1 15	Q1 16	12-Month Forecast
Phoenix Employment	1,889k	1,956k	▲
Phoenix Unemployment	5.6%	4.6%	▼
U.S. Unemployment	5.6%	4.9%	▼

*Q1 data based on the average of January and February values.

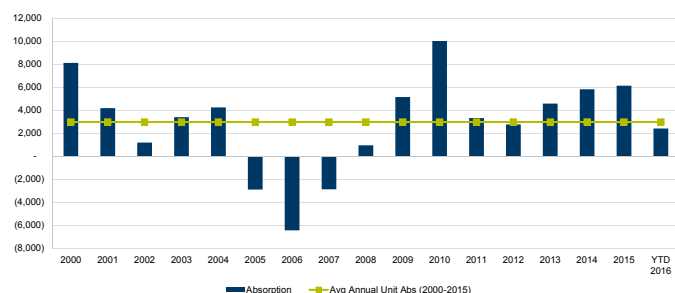
Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	5.8%	5.4%	▼
Net Absorption	2,900	2,400	▲
Under Construction	6,300	6,200	▬
Average Asking Rent	\$838	\$900	▲

Overall Asking Rent vs. Overall Vacancy ⁽¹⁾



Overall Absorption ⁽¹⁾



Economy

The Metro Phoenix job market continued to show signs of improvement, adding 67,000 jobs year-over-year through February 2016. With an average employment level of 1,955,850 total non-farm jobs for the first two months of 2016, the Valley has recovered all the jobs lost during the Great Recession. During the same time period, the unemployment rate decreased 100 basis points (bps), dropping to 4.6%. According to Moody's Analytics, Metro Phoenix is expected to add another 80,000 jobs in 2016.

Market Overview

At the close of Q1 2016, multifamily vacancy in the Phoenix marketplace reached a modern-era low of 5.4%. This marks a reduction of 40 basis points (bps) from the 5.8% rate that was in place just three months ago. Physical occupancy has improved over seven of the past ten quarters and has been trending steadily upward since vacancy peaked at 13% six years ago (Q4 2009). The market absorbed just under 36,000 units during this time, while adding roughly 25,000 new units, primarily all in the Class A space.

The Valley's multifamily sector continues to experience robust demand, absorbing 2,400 units in Q1, equal to nearly 40% of the total units absorbed in all of 2015. The Central Phoenix (471 units) and Tempe (419 units) submarkets recorded the highest levels of net gains in the first quarter. Due to the prominent absorption in Q1, the average asking rent per unit reached a record high for the eighth straight quarter at \$900 per unit. The Ahwatukee (\$956 per unit) and Northwest Valley (\$874 per unit) submarkets logged the greatest gains over the quarter, increasing 4.6% and 3.9%, respectively.

Multifamily development continues to flourish in the Metro Phoenix market. In Q1 alone, over 1,500 new units had been delivered with the bulk of the completions occurring in the Tempe (422 units) and Central Phoenix (396 units) submarkets. We are currently tracking 6,213 units under construction and another 14,200 planned. The Tempe submarket tops current under construction totals with 1,400 units, while the Chandler/Queen Creek submarket currently has the most units planned at just under 3,600 units.

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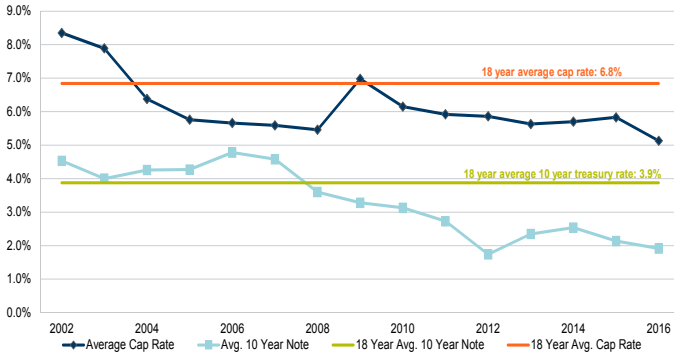
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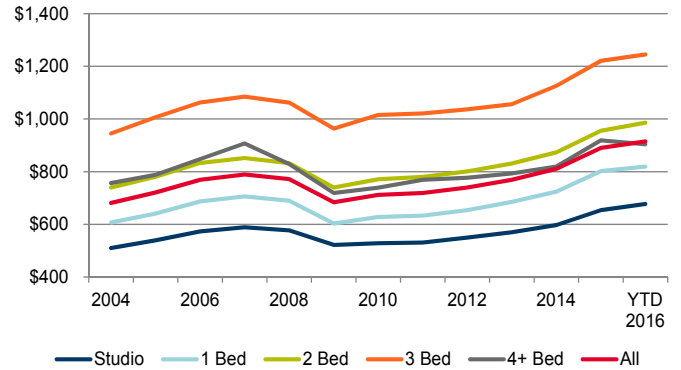
Average Cap Rate ⁽²⁾

METRO PHOENIX CAP RATE AND THE 10 YEAR U.S. TREASURY RATE ARE BELOW HISTORICAL AVERAGE AND ABOVE THE HISTORICAL AVERAGE CAP RATE SPREAD OF 2.9%



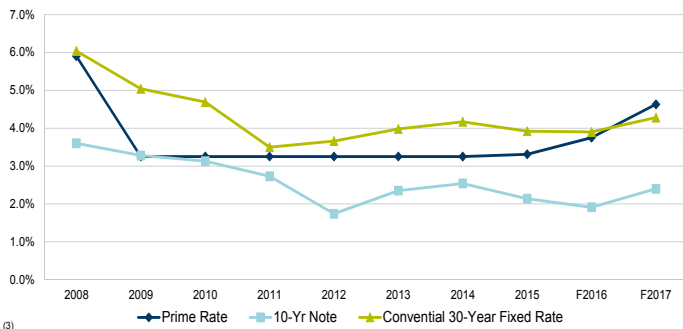
Average Price Per Unit History ⁽⁶⁾

3 BED UNITS ARE 36% MORE EXPENSIVE THAN THE COMBINED AVERAGE OF ALL UNIT TYPES



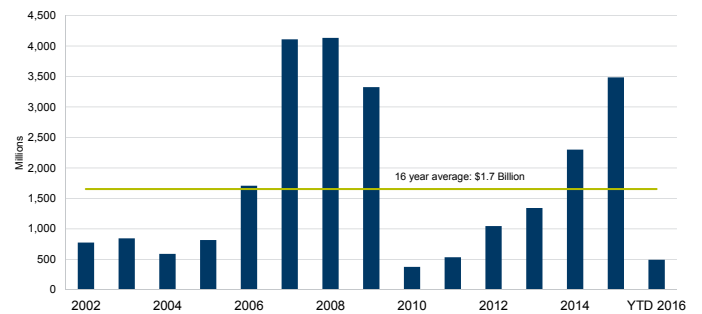
Interest Rates ⁽³⁾

FEDERAL FUNDS TARGET RATE FORECASTED TO RISE IN 2016



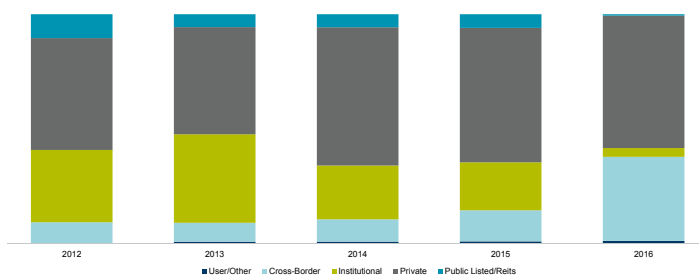
Sales Transaction Volume ⁽⁶⁾

2016 TRANSACTION VOLUME IS EXPECTED TO BE 19% HIGHER THAN THE 16 YEAR AVERAGE OF \$1.7 BILLION



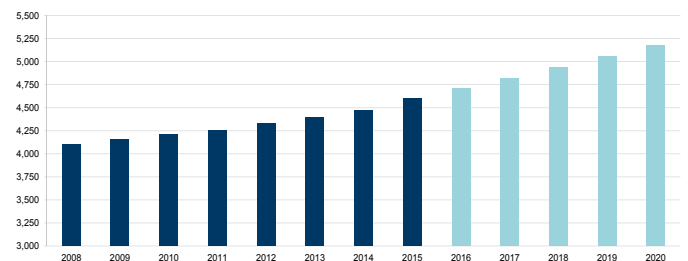
Types of Buyers ⁽⁴⁾

PRIVATE/DOMESTIC INVESTORS HAVE BEEN THE LEADING BUYER OF MULTI-FAMILY ASSETS IN METO PHOENIX



Population ⁽⁷⁾

POPULATION GROWTH IS EXPECTED TO STRENGTHEN IN 2016



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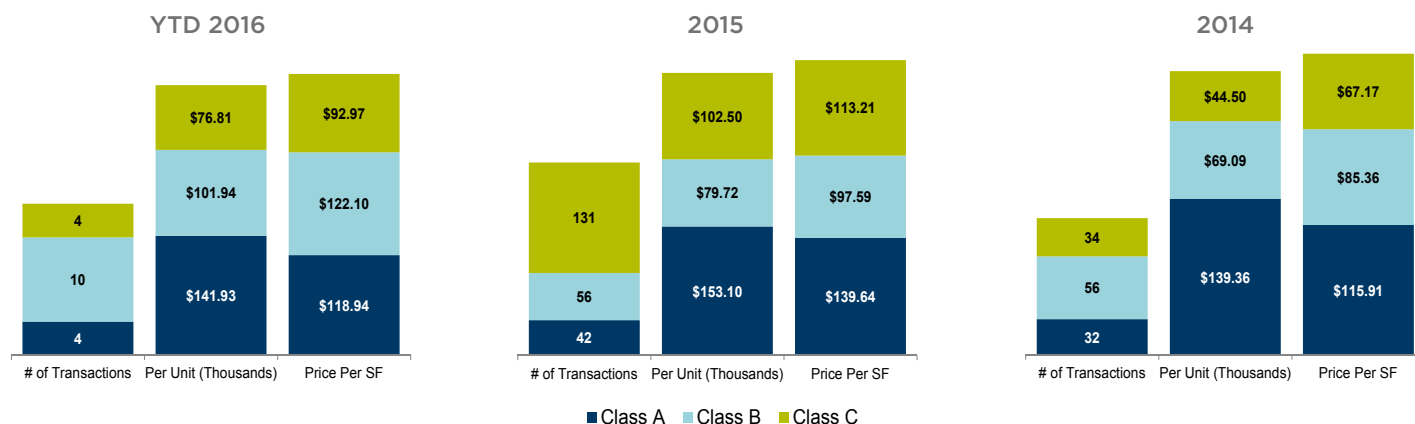
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SUBMARKET	INVENTORY UNIT	Q4 VACANCY RATE	NET ABSORPTION IN UNITS		RENTAL RATE PER UNIT	UNITS UNDER CONSTRUCTION	UNITS PLANNED
			Q1	YTD 2016			
Ahwatukee	11,459	5.1%	84	84	\$956	-	-
Central Phoenix	15,165	7.2%	471	471	\$1,026	1,290	1,487
Chandler / Queen Creek	19,735	4.4%	188	188	\$1,026	1,149	3,567
East Phoenix	15,462	5.9%	294	294	\$888	577	1,140
Glendale / West Valley	25,865	4.7%	229	229	\$788	120	288
Mesa / Gilbert	39,898	4.5%	190	190	\$835	957	1,380
Northeast Valley	28,804	4.8%	248	248	\$898	298	1,169
Northwest Valley	26,468	4.8%	270	270	\$874	-	202
Scottsdale	19,986	4.7%	333	333	\$1,128	412	1,652
Tempe	26,536	5.5%	419	419	\$1,028	1,410	3,184
West Phoenix	28,072	7.1%	(307)	(307)	\$667	-	144
TOTAL MARKET	257,450	5.4%	2,419	2,419	\$900	6,213	14,213

(1)

Year Over Year Sales Comparison ⁽⁶⁾



Q1 2016 Key Sales Transactions ⁽⁶⁾

PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER / BUYER
IMT Desert Ridge	Scottsdale	3/31/2016	412	1996	1,030	\$68,000,000	\$165,049	\$160.24	A	Angelo, Gordon & Co. / IMT Capital
Country Brook	Chandler	1/29/2016	396	1986	963	\$64,500,000	\$162,879	\$169.14	B	The Bascom Group / Standard Portfolios Asset Management Co.
The Fairways Apartment Homes	Chandler	3/17/2016	352	1986	965	\$47,000,000	\$133,523	\$138.35	B	Fortress Investment Group LLC / Virtu Investments
Ashton Pointe	Avondale	2/29/2016	314	2009	953	\$42,500,000	\$135,350	\$142.03	A	P.B. Bell Asset Management, Inc. / Parkmeed Properties
Bellagio	Scottsdale	3/31/2016	202	1995	933	\$36,250,000	\$179,455	\$192.24	B	Holland Partner Residential / Oregon Pacific Investment & Development Co.
Rio Santa Fe Apartments	Avondale	1/29/2016	336	2000	1,033	\$33,750,000	\$100,446	\$97.24	B	PEM Real Estate Group / JB Partners LLC
Pavilions at Arrowhead	Glendale	2/1/2016	248	1998	1,667	\$31,600,000	\$127,419	\$76.42	A	Abacus Capital Group LLC / Capital Real Estate, LLC
Sonoma Ridge	Peoria	2/11/2016	240	2001	1,298	\$30,200,000	\$125,833	\$96.93	A	Sentinel Real Estate Corporation / Sunroad Enterprises, Inc.
Arcadia Del Sol	Phoenix	3/30/2016	260	1970	806	\$23,450,000	\$90,192	\$111.94	B	Clear Sky Capital, Inc. / Baron Properties
La Costa At Dobson Ranch	Mesa	3/14/2016	194	1979	1,043	\$19,500,000	\$100,515	\$96.37	C	Optimus US Real Estate Fund / Virtu Investments
The Enclave at Paradise Valley	Phoenix	2/25/2016	174	1985	822	\$19,000,000	\$109,195	\$132.81	B	Hamilton Zanze & Company / CVG Properties
Sorrento Apartments	Mesa	1/29/2016	226	1982	745	\$18,000,000	\$79,646	\$106.95	B	Hamilton Zanze & Company / Silverstone Communities
Sonoma Terrace	Glendale	3/23/2016	260	1979	713	\$15,350,000	\$59,038	\$82.75	B	Bellevue Communities / 3rd Avenue Investments LLC

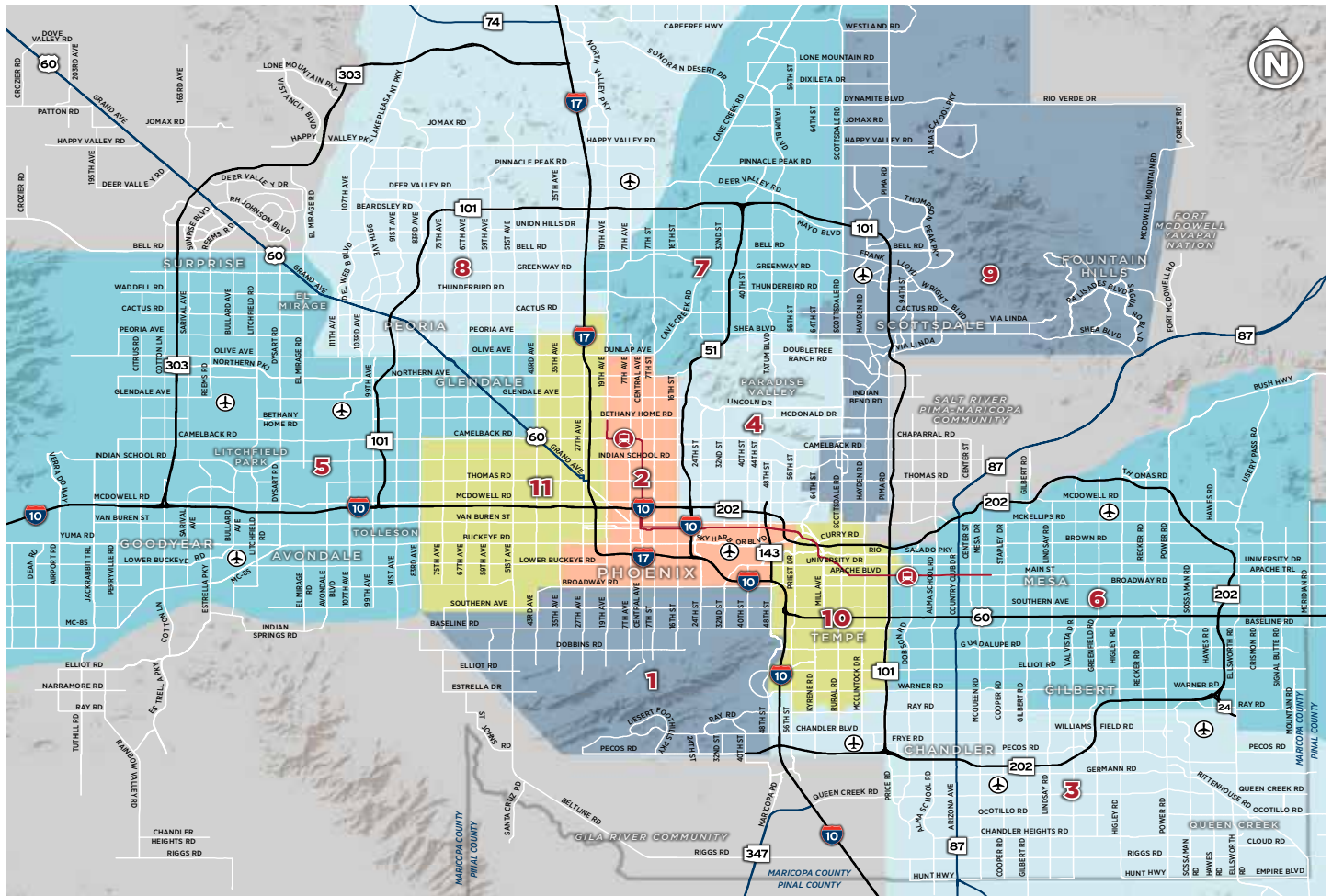
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MULTIFAMILY SUBMARKETS



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

- (1) Apartment Insights (Real Data), Cushman & Wakefield
- (2) CoStar, Federal Reserve Board, Cushman & Wakefield
- (3) Federal Reserve Board, Wells Fargo
- (4) Real Capital Analytics, Greater than \$2.5 Million
- (5) U.S. Census Bureau
- (6) CoStar, Cushman & Wakefield
- (7) Moody's & U.S. Census Bureau

Cushman & Wakefield
 2375 E Camelback Road
 Suite 300
 Phoenix, AZ 85016
cushmanwakefield.com

For more information, contact:
 Curtis Hornaday
 Associate Market Director - Research
 Tel: +1 602 468 8531
 Fax: +1 602 468 8588
curtis.hornaday@cushwake.com

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