

PHOENIX AZ

INSTITUTIONAL MULTIFAMILY REPORT

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PHOENIX, AZ EMPLOYMENT

JOBS ADDED / LOST

LAST 12 MONTHS

168,200

↑ 8.3%

NEXT 12 MONTHS*

121,900

↑ 5.6%

UNEMPLOYMENT

MID-YEAR 2021

5.8%

↓ 580 BPS YOY

MID-YEAR 2022*

3.5%

↓ 230 BPS YOY

*PROJECTED

While the Phoenix metropolitan area payrolls have not completely regained all the jobs lost during the worst of the COVID-19 pandemic, employment recovery in recent months is fueling apartment demand. As of June 2021, the Phoenix employment base expanded by 168,200 jobs, about 2% under the pre-pandemic total during February 2020. The rapid pace of hiring contributed to the unemployment rate dropping from 11.6% in June 2020 to 5.8% a year later.

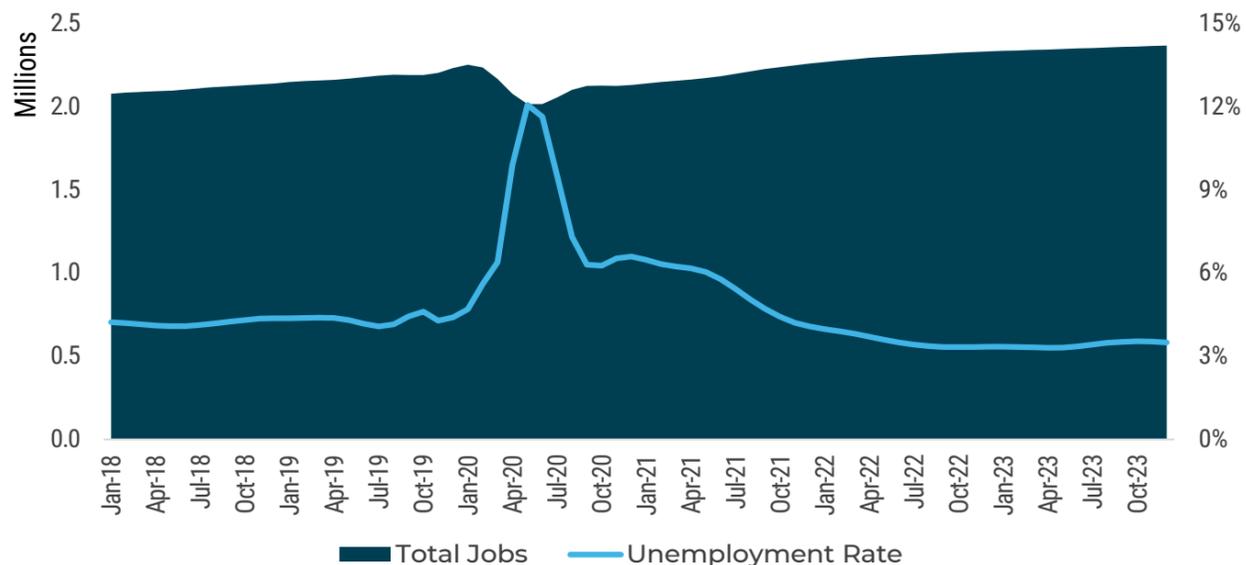
The metro's largest sector—trade, transportation, and utilities—grew 9.5%. Amazon.com Inc.'s sustained substantial expansion, creating 3,000 jobs when it opened 11 new facilities in Phoenix last year. In the near-term, HelloFresh and Amazon will help maintain the trend, opening

new logistics hubs, adding 1,500 and 1,200 new jobs, respectively.

The manufacturing industry expanded 3.7% and signs of accelerated growth are on the horizon. Lucid Motors finalized construction of its first electric vehicle factory, while recent multibillion-dollar plans from Taiwan Semiconductor Manufacturing Co. and Intel Corp. are expected to create 5,000 direct, high-wage jobs. These ventures are projected to generate thousands of indirect positions for suppliers and other firms in the semiconductor industry.

Total nonfarm employment is forecast to grow 4.2% over the next 12 months as the unemployment drops to 3.5% by mid-2021.

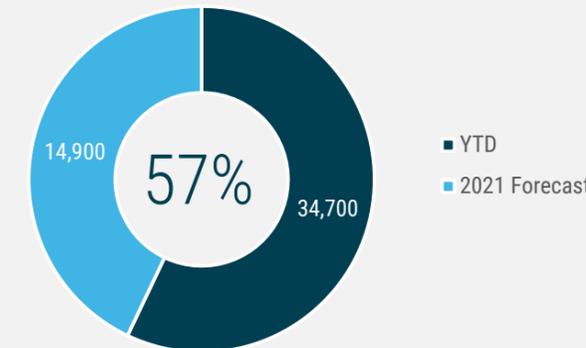
EMPLOYMENT TRENDS



SOURCE: MOODY'S ANALYTICS

WHO'S HIRING?

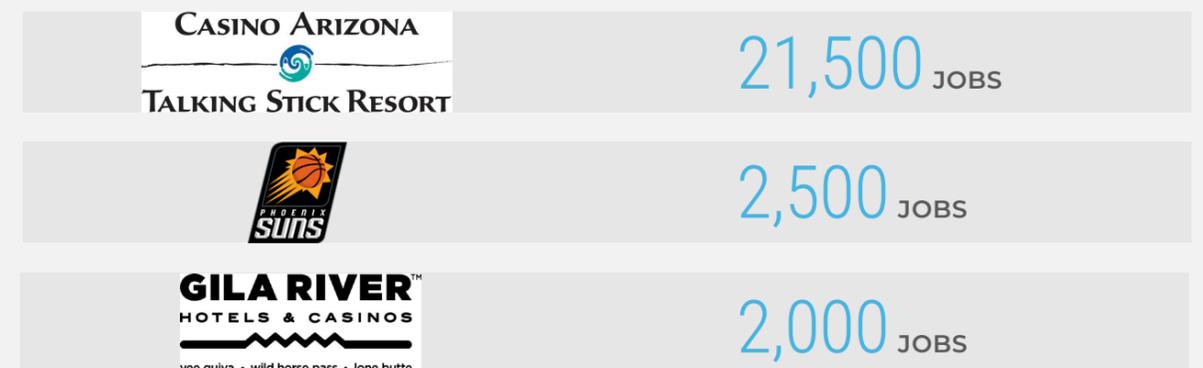
LEISURE & HOSPITALITY INDUSTRY



10%
OF ALL JOBS IN THE METRO

\$30,600
AVERAGE ANNUAL SALARY

TOP LEISURE & HOSPITALITY EMPLOYERS



IN THE NEWS

- Amazon to hire 3,000 in metro Phoenix
- Banner Health to hire 1,000 nurses
- Veyo To Hire 1,000 Drivers In Arizona
- Bashas' looking to fill 1,000+ Arizona jobs
- Chewy hiring 1,000 for Goodyear distribution center



PHOENIX, AZ

DELIVERIES & ABSORPTION

2021 UNITS*

DELIVERED

14,302

ABSORBED

13,297

2022 UNITS*

DELIVERED

19,774

ABSORBED

14,931

*PROJECTED

Backed by business-friendly policies and a highly educated workforce, a plethora of companies in the financial services, technology, and health care industries have looked to Greater Phoenix for expansion, including Intel Corp., Deloitte, USAA, Mayo Clinic, Uber Technologies Inc., and Northern Trust Corp. This aided the metro's multifamily market to remain strong.

Apartment construction has largely been focused on the East Valley and Downtown Phoenix, where affluent renters and employment growth are driving demand. Metrowide, developers are on track to deliver 14,300 new units by year-end 2021, a 3.9% rise in inventory.

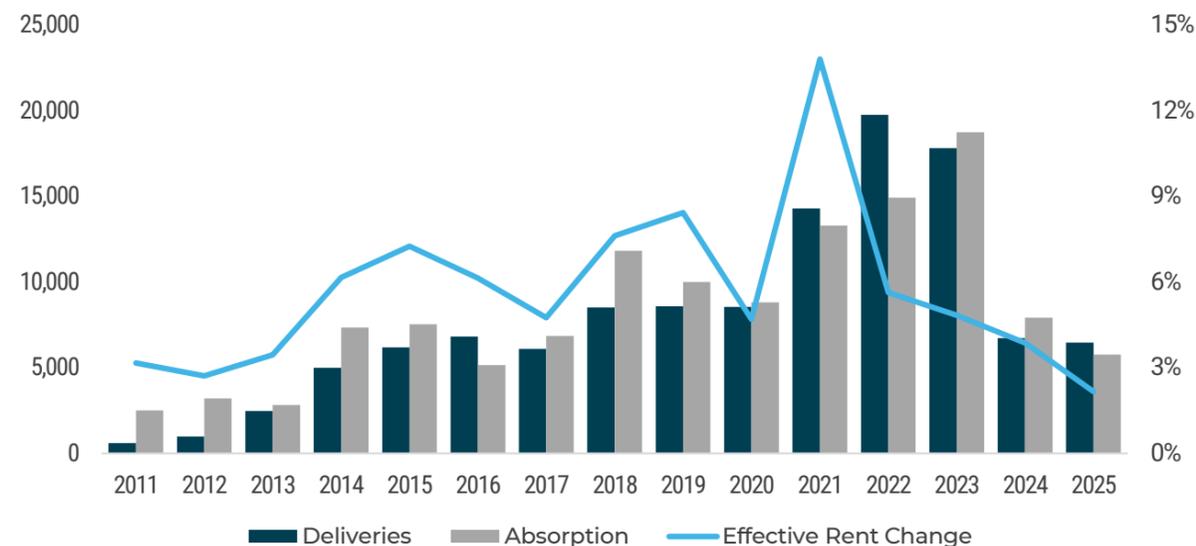
Peak annual deliveries are anticipated in 2022,

reaching as high as 19,700 units. The large slice of new apartment supply is welcomed since demand-side pressure has been observed since 2017.

Net move-ins in the Phoenix metro apartment market totaled 14,463 units for the four quarters ending second quarter 2021. Renters were attracted to new inventory, as absorption was highest in the Avondale/Goodyear/West Glendale and the Peoria/Sun City/Surprise submarkets, which had the most deliveries in the same time.

Residents are projected to lease an additional 20,400 net units through the end of next year, a 72% absorption of record delivery volumes.

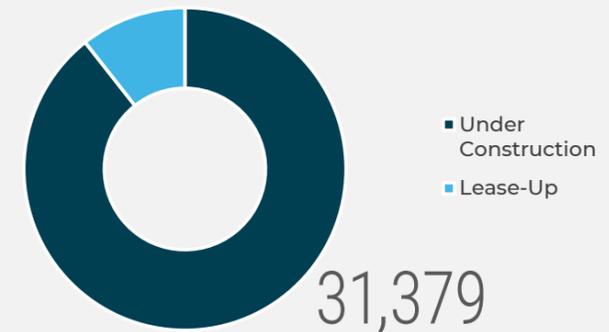
DELIVERIES, ABSORPTION, & EFFECTIVE RENT CHANGE



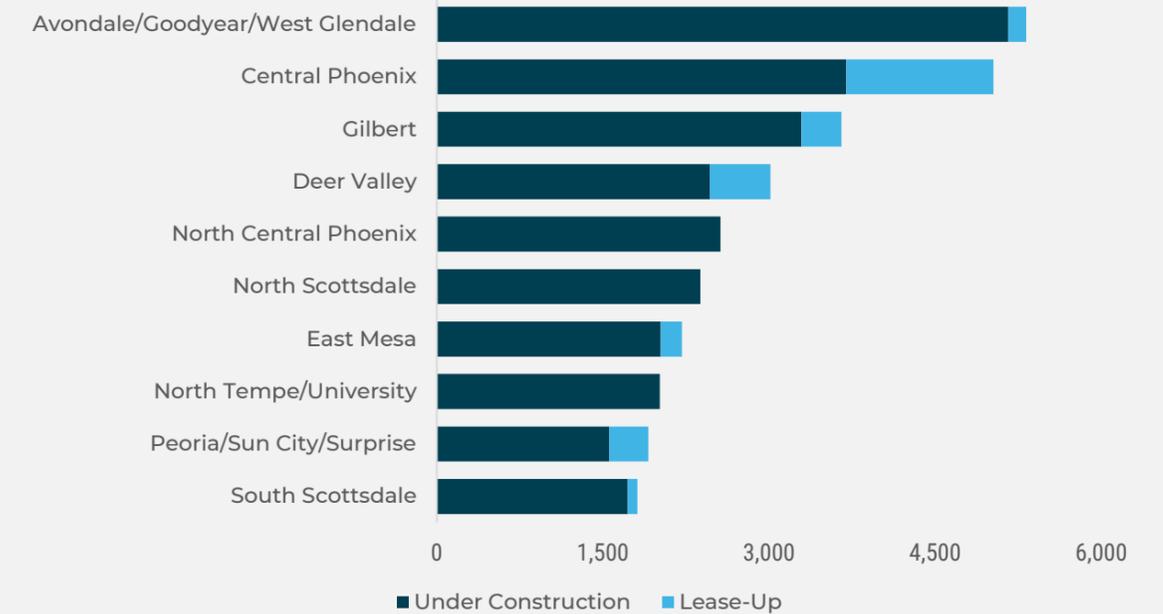
SOURCE: REALPAGE

MARKET PIPELINE

3,733



TOP 10 SUBMARKET PIPELINES



For a complete list of properties in the pipeline, [CLICK HERE](#)



PHOENIX, AZ

RENT & OCCUPANCY

EFFECTIVE RENT

2Q 2021

\$1,374

↑ 16.1% YOY

OCCUPANCY

2Q 2021

96.8%

↑ 130 BPS YOY

Healthy job gains alongside booming rental demand in the Phoenix metropolitan area kept rent growth in the national spotlight. Average apartment rent of \$1,374 per month surged 16.1% since second quarter of 2020, establishing Phoenix as one of the best-performing U.S. metros.

Since 2013, tech jobs in metro Phoenix have expanded rapidly, ranking among the top regions for growth in this industry. These high-paying jobs have contributed to driving rent increases throughout the region and the need for luxury units.

Supporting considerable rent growth was tightening occupancy, particularly among Class

A apartment communities. Occupancy as of 2021's second quarter climbed to 96.8%, up from 95.5% a year earlier.

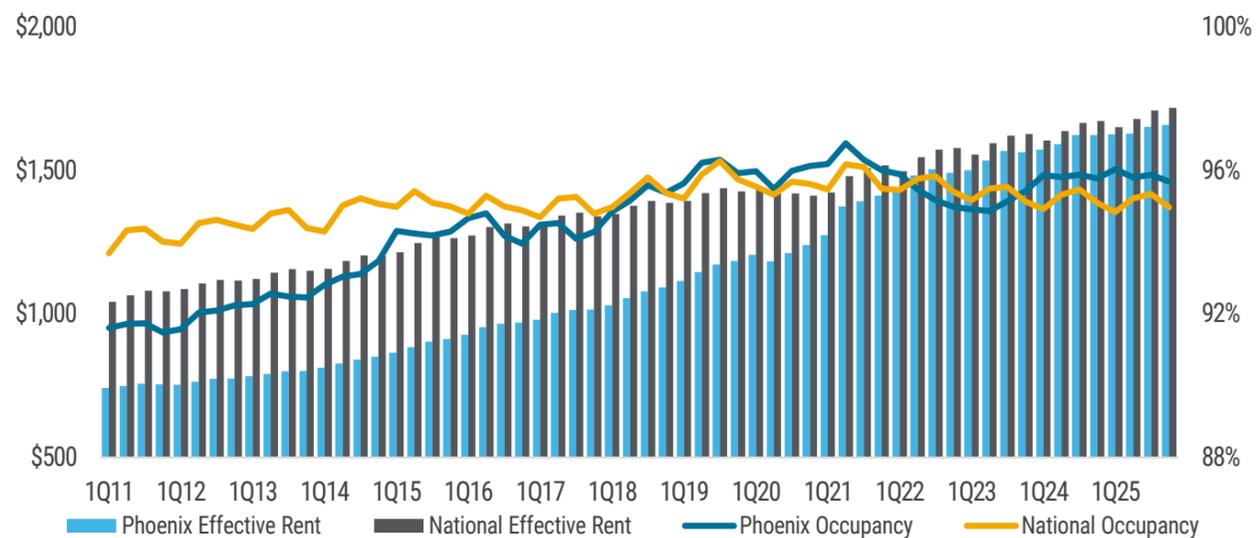
Demand was hot among luxury-priced apartments, pushing the occupancy rate up 170 basis points, surpassing increases among the mid-market and renter-by-choice options. While the apartment outlook is extremely strong for the Phoenix metropolitan area, the burgeoning single-family home rental and build-to-rent market is a growing threat.

Phoenix apartment fundamentals are forecast to be among the strongest in the country over the next four quarters as leasing activity remains nearly on par with last year's pace.

SUBMARKET PERFORMANCE

SUBMARKET NAME	2Q21 OCCUPANCY	YOY (BPS)	2Q21 EFFECTIVE RENT	YOY
Avondale/Goodyear/West Glendale	97.2%	120	\$1,461	19.0%
Central Phoenix	96.5%	290	\$1,534	9.6%
Chandler	96.5%	70	\$1,588	20.2%
Deer Valley	96.2%	150	\$1,540	20.1%
East Mesa	97.1%	100	\$1,484	18.0%
East Phoenix	96.9%	110	\$1,253	12.0%
Far West Phoenix	96.5%	-20	\$1,098	15.3%
Gilbert	97.6%	200	\$1,532	19.9%
North Central Phoenix	95.9%	210	\$1,355	9.2%
North Glendale	97.1%	180	\$1,408	19.6%
North Scottsdale	96.4%	220	\$1,746	18.2%
North Tempe/University	96.1%	140	\$1,468	10.9%
Northeast Phoenix	97.3%	140	\$1,311	19.6%
Northwest Mesa	97.7%	70	\$1,189	14.9%
Northwest Phoenix	96.8%	80	\$1,085	14.5%
Peoria/Sun City/Surprise	97.4%	290	\$1,428	17.1%
Pinal County	98.1%	100	\$1,158	19.7%
South Glendale	96.3%	30	\$1,029	14.7%
South Phoenix	97.2%	130	\$1,469	18.9%
South Scottsdale	96.7%	110	\$1,685	12.4%
South Tempe	97.1%	160	\$1,433	17.7%
Southwest Mesa	97.1%	30	\$1,242	16.8%
West Phoenix	95.5%	60	\$934	9.7%

PHOENIX VS. NATIONAL EFFECTIVE RENT & OCCUPANCY



SOURCE: REALPAGE



PHOENIX, AZ

POPULATION & MIGRATION

2021 RESIDENTS*

5,164,700

↑ 1.6% YOY

2022 RESIDENTS*

5,246,200

↑ 1.6% YOY

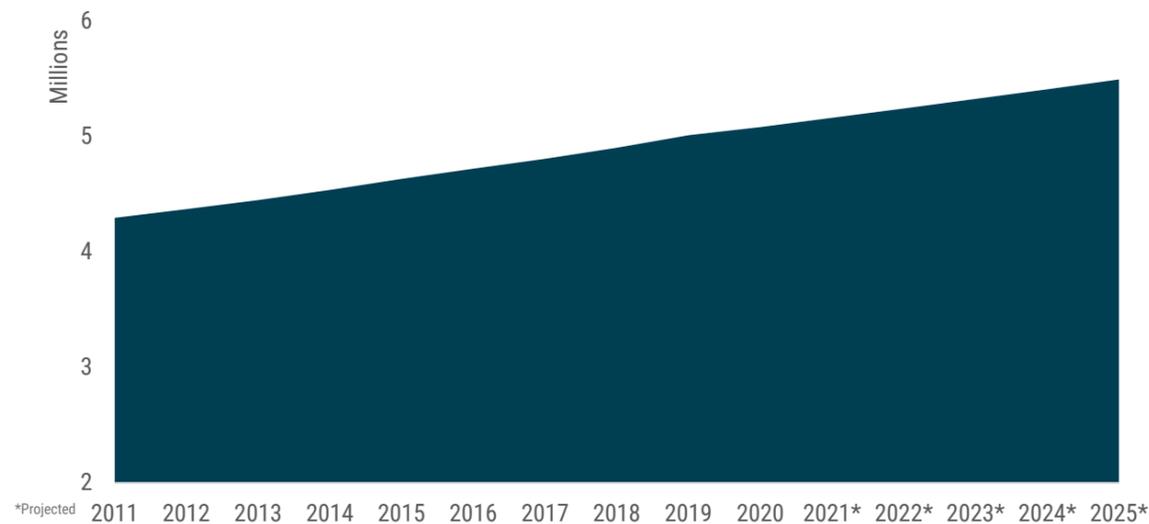
*PROJECTED

The Phoenix metropolitan area leads the country in 10-year population growth, adding about 865,200 people in the past decade, a 20.3% population increase. Today, Greater Phoenix consists of more than 5.1 million residents, and the Valley of the Sun's allure is slated to add another 200,000 net residents in the next 18 months.

One factor contributing to the metro's robust population growth is significant in-migration. Even with the pandemic, approximately 70,800 more people moved to Greater Phoenix than moved out. A steady stream of new residents is forecast to continue this year and beyond. Net migration over the next five years is forecast to total nearly 309,800 persons.

The city of Phoenix is still the fifth-most populous U.S. city behind New York, Los Angeles, Chicago, and Houston. The city topped the nation in population growth for the fifth year in a row. Phoenix stands out as No. 4 among top 100 cities for renter interest. The city mainly attracts in-state, urban renters—77% of Phoenix newcomers originate in an urban area. This helped to bolster Class A stock across the metro. Among out-migration, most residents moved to peripheral areas within proximity to employment hubs such as Avondale, Goodyear, Peoria, Surprise, and Gilbert.

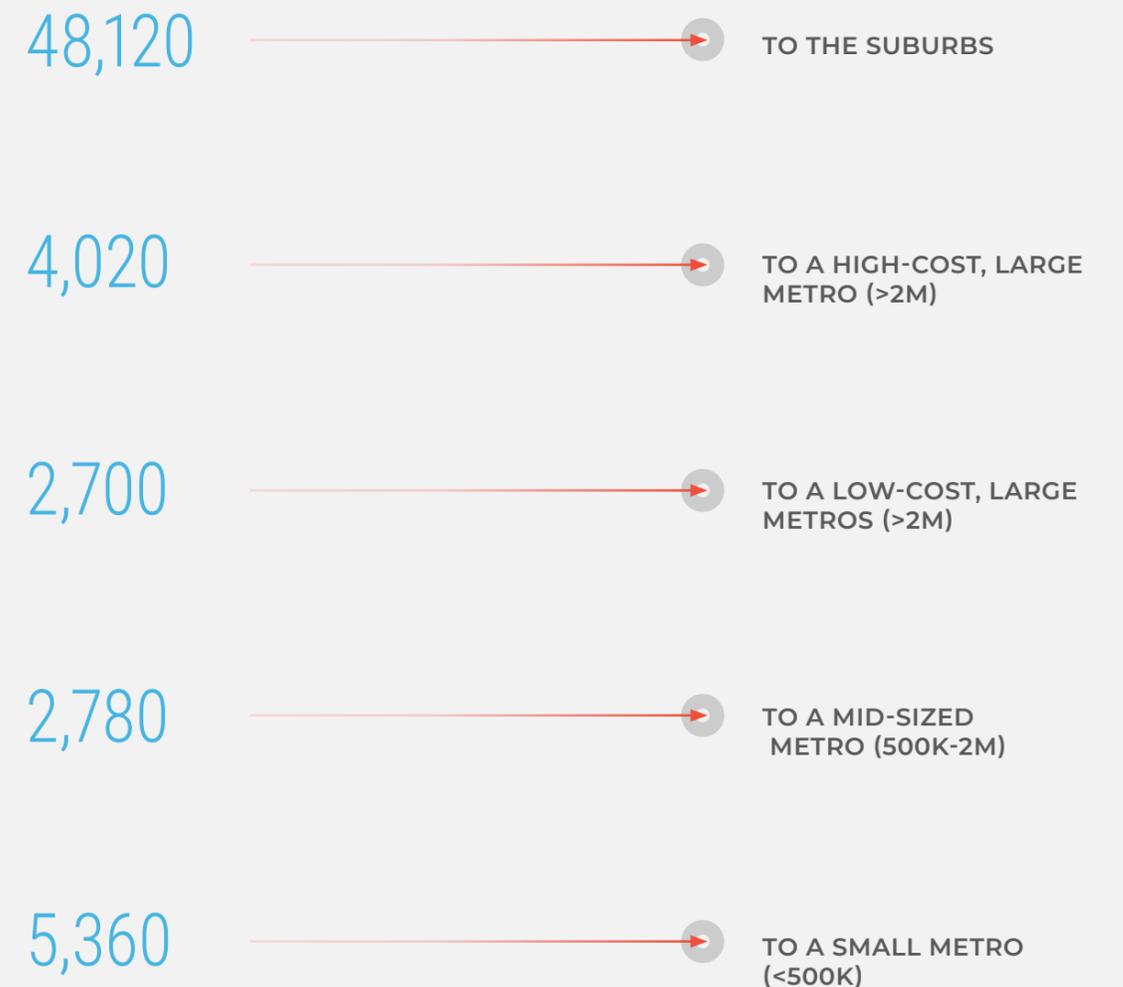
PHOENIX POPULATION



SOURCE: MOODY'S ANALYTICS

URBAN MIGRATION DURING THE PANDEMIC

2Q 2020 - 1Q 2021



SOURCE: FEDERAL RESERVE BANK OF CLEVELAND



PHOENIX, AZ SALES

2021 YEAR TO DATE*



VOLUME

\$2.1B



PRICE PER AVERAGE (AVG)

\$277,091



TRANSACTIONS

25



CAP RATE (AVG)

4.1%

WHAT'S TRADING?*



UNITS (AVG)

315



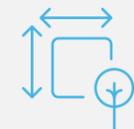
YEAR BUILT (AVG)

2010's



BUILDINGS (AVG)

20



ACRES (AVG)

11.17

TOP BUYERS**

BUYER	LOCATION
MG Properties	San Diego, CA
Sunroad Enterprises	San Diego, CA
Knightvest Capital	Dallas, TX
Tides Equities	Los Angeles, CA
F&B Capital	Austin, TX

TOP SELLERS**

SELLER	LOCATION
Wood Partners	Atlanta, GA
Blackstone	New York, NY
Security Properties	Seattle, WA
TruAmerica Multifamily	Los Angeles, CA
Guardian Life Insurance	New York, NY

**Past 24 Months

*\$50M+
SOURCE: REAL CAPITAL ANALYTICS



PHOENIX, AZ SALES

\$50+ MILLION TRANSACTIONS



TEN 01 ON THE LAKE

Tempe, AZ

UNITS	YEAR BUILT
523	2008
PRICE / UNIT	SALES PRICE
\$279,159	\$146,000,000



ANDANTE

Phoenix, AZ

UNITS	YEAR BUILT
576	1999
PRICE / UNIT	SALES PRICE
\$252,170	\$145,300,000



THE RETREAT

Phoenix, AZ

UNITS	YEAR BUILT
480	1997
PRICE / UNIT	SALES PRICE
\$272,917	\$131,000,000



ALMERIA AT OCOTILLO

Chandler, AZ

UNITS	YEAR BUILT
389	2014
PRICE / UNIT	SALES PRICE
\$332,262	\$129,300,000



MONTREUX

Phoenix, AZ

UNITS	YEAR BUILT
334	2019
PRICE / UNIT	SALES PRICE
\$350,299	\$117,000,000



NINES AT KIERLAND

Phoenix, AZ

UNITS	YEAR BUILT
276	2000
PRICE / UNIT	SALES PRICE
\$393,116	\$108,500,000



PORTRAIT AT HANCE PARK

Phoenix, AZ

UNITS	YEAR BUILT
340	2019
PRICE / UNIT	SALES PRICE
\$292,647	\$99,500,000



BROADSTONE RIO SALADO

Tempe, AZ

UNITS	YEAR BUILT
276	2020
PRICE / UNIT	SALES PRICE
\$348,370	\$96,200,000



THE URBAN

Phoenix, AZ

UNITS	YEAR BUILT
435	2004
PRICE / UNIT	SALES PRICE
\$220,690	\$96,000,000



THE HYVE

Tempe, AZ

UNITS	YEAR BUILT
296	2015
PRICE / UNIT	SALES PRICE
\$285,473	\$84,500,000

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Sources: RealPage; Moody's Analytics; Real Capital Analytics; Federal Reserve Bank of Cleveland

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