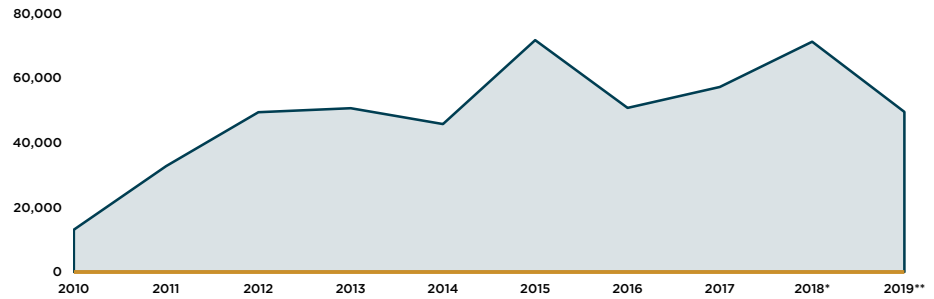


## 2018 REVIEW

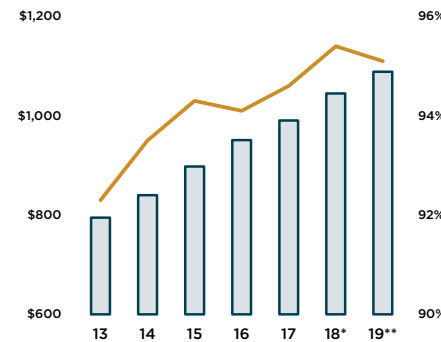
Apartment demand has exceeded development in the Phoenix metropolitan area, boosting apartment fundamentals in 2018. Builders brought more than 8,200 units online last year. Deliveries drastically elevated in the Deer Valley and the North Tempe/University submarkets, both of which became home to major corporate expansions and relocations in recent years that included USAA and State Farm. Even with metrowide deliveries up by more than a third from 2017, the latest inventory growth trailed leasing activity as occupancy elevated 80 basis points annually to 95.4% in the fourth quarter of 2018. The rising labor force along with robust population growth contributed to the demand for housing. Employment expanded by 3.5%, or 71,300 jobs, last year, more than double the 1.6% national average increase at the same time. With higher payrolls and rising occupancy, operators were able to capitalize by accelerating rent growth. After advancing 4.2% in 2017, average effective rent increased 5.5% last year to reach \$1,045 per month in December.

## EMPLOYMENT CHANGE



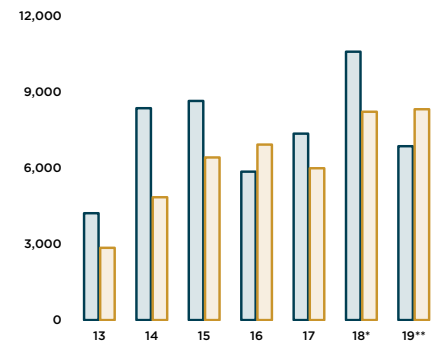
\*Estimate; \*\*Forecast | Source: Berkadia, Moody's Analytics

## EFFECTIVE RENT AND OCCUPANCY



\*Estimate; \*\*Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

## ABSORPTION AND DELIVERIES



\*Estimate; \*\*Forecast | Source: Berkadia, Axiometrics, Moody's Analytics

## 2018 PERFORMANCE HIGHLIGHTS

### EMPLOYMENT CHANGE

**71,300**  
▲ 3.5% YOY

### UNEMPLOYMENT RATE

**3.6%**  
▼ 50 BPS YOY

### OCCUPANCY

**95.4%**  
▲ 80 BPS YOY

### EFFECTIVE RENT

**\$1,045**  
▲ 5.5% YOY

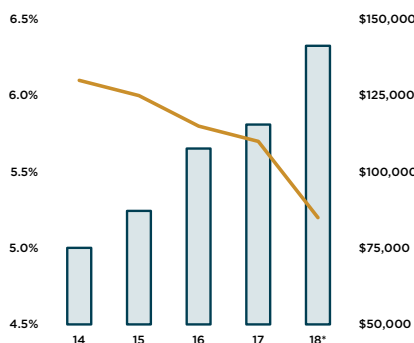
### ABSORPTION

**10,603 Units**

### CONSTRUCTION

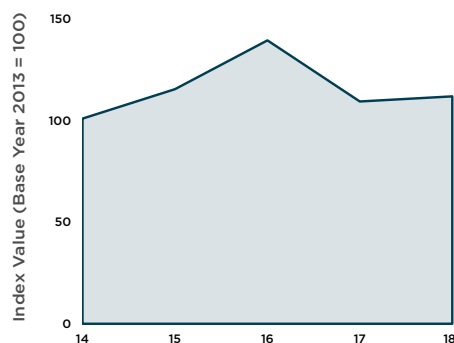
**8,230 Units**  
▲ 37.2% YOY

## CAP RATE | PRICE PER UNIT



\*Estimate | Source: Berkadia, Real Capital Analytics

## SALES ACTIVITY INDEX



\*Estimate | Source: Berkadia, Real Capital Analytics

## MARKET FACTS

### POPULATION

**4,884,000**  
YE 2018 ▲ 2.1% YOY

### HOUSEHOLDS

**1,781,700**  
YE 2018 ▲ 2.3% YOY

### MEDIAN HOUSEHOLD INCOME

**\$63,293**  
YE 2018 ▲ 3.1% YOY

### RENT SHARE OF WALLET

**19.8%**  
YE 2018 ▲ 40 BPS YOY

## 2019 PREVIEW

Greater Phoenix's strong in-migration and employment growth should sustain positive momentum for the apartment market in the near term. Many of these new residents come to Greater Phoenix for job prospects and housing affordability, increasingly from pricey coastal markets, particularly those in California. Part of what is luring transplants is the economy's shift from consumption-driven industries to growth by major financial services firms and tech companies. Deloitte, Infosys Limited, Intel Corporation, Northern Trust Corporation, and USAA are in different phases of completing expansions in the metro that will create more than 1,000 jobs each. Overall, employment is forecast to expand 2.3%, or by 49,600 new jobs, this year. Many are higher-paying jobs that should help maintain robust income growth, allowing operators to maintain upward pressure on rent. Average effective rent is forecast to rise 4.2% this year to \$1,089 per month in December. Annual rent growth is expected to moderate from 2018 as operators compete for renters as deliveries remain elevated with more than 8,300 units coming online this year. The influx is expected to shift down occupancy 30 basis points annually to an average of 95.1% in the fourth quarter. Even with the downshift, occupancy will be 70 basis points higher than the five-year average.