



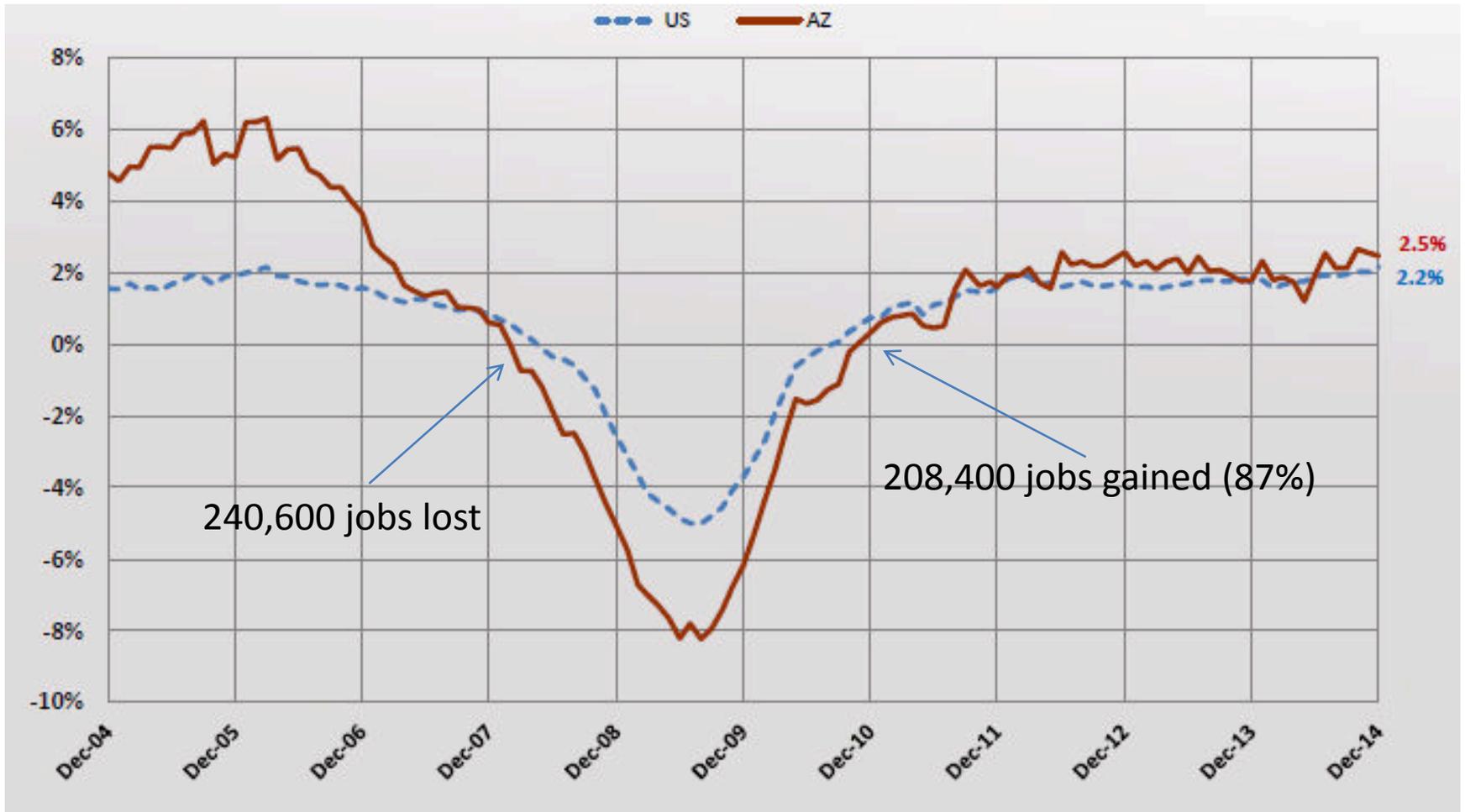
EverestHoldings

Phoenix Real Estate Outlook

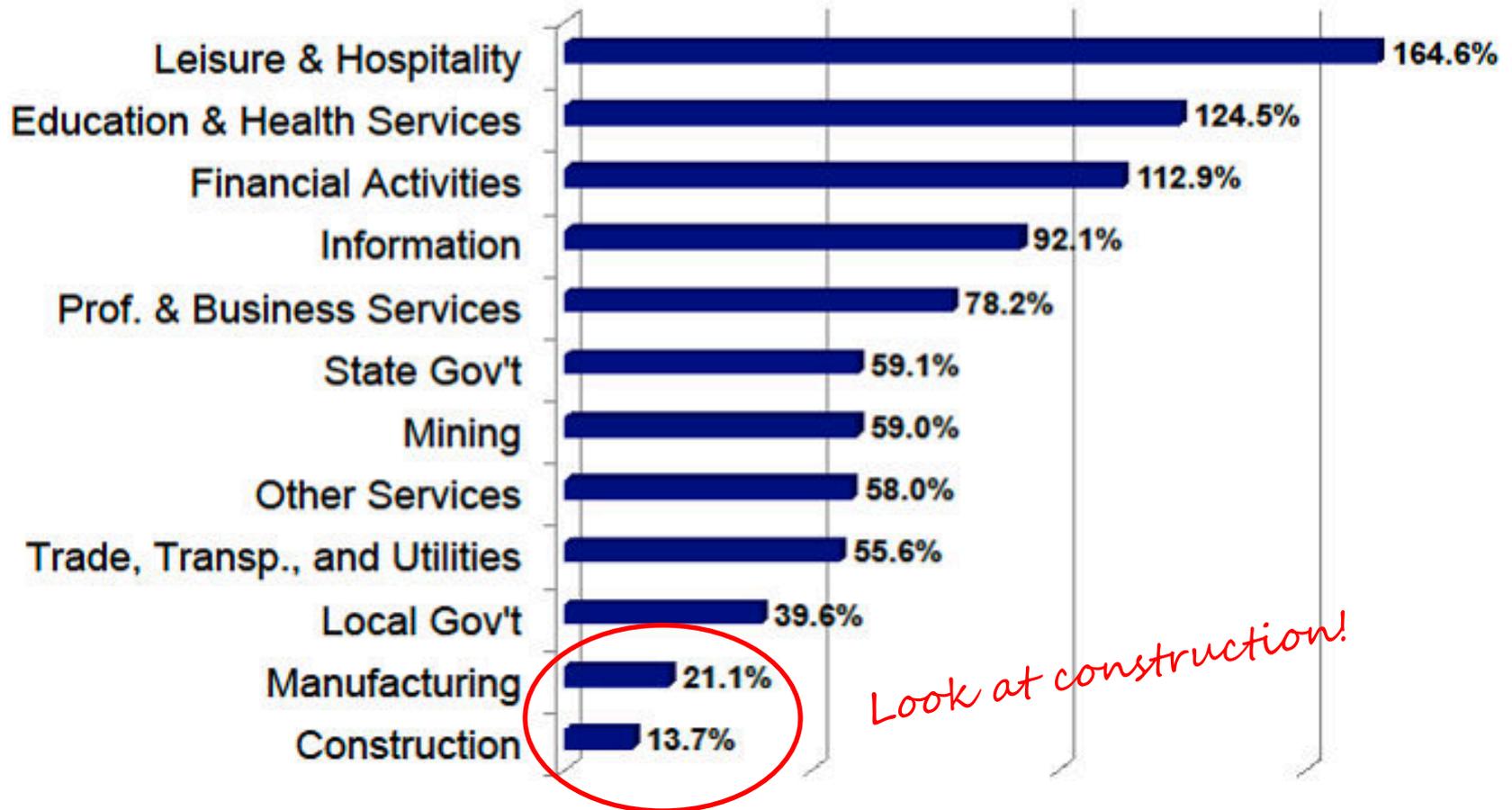
May 2015

General Economy

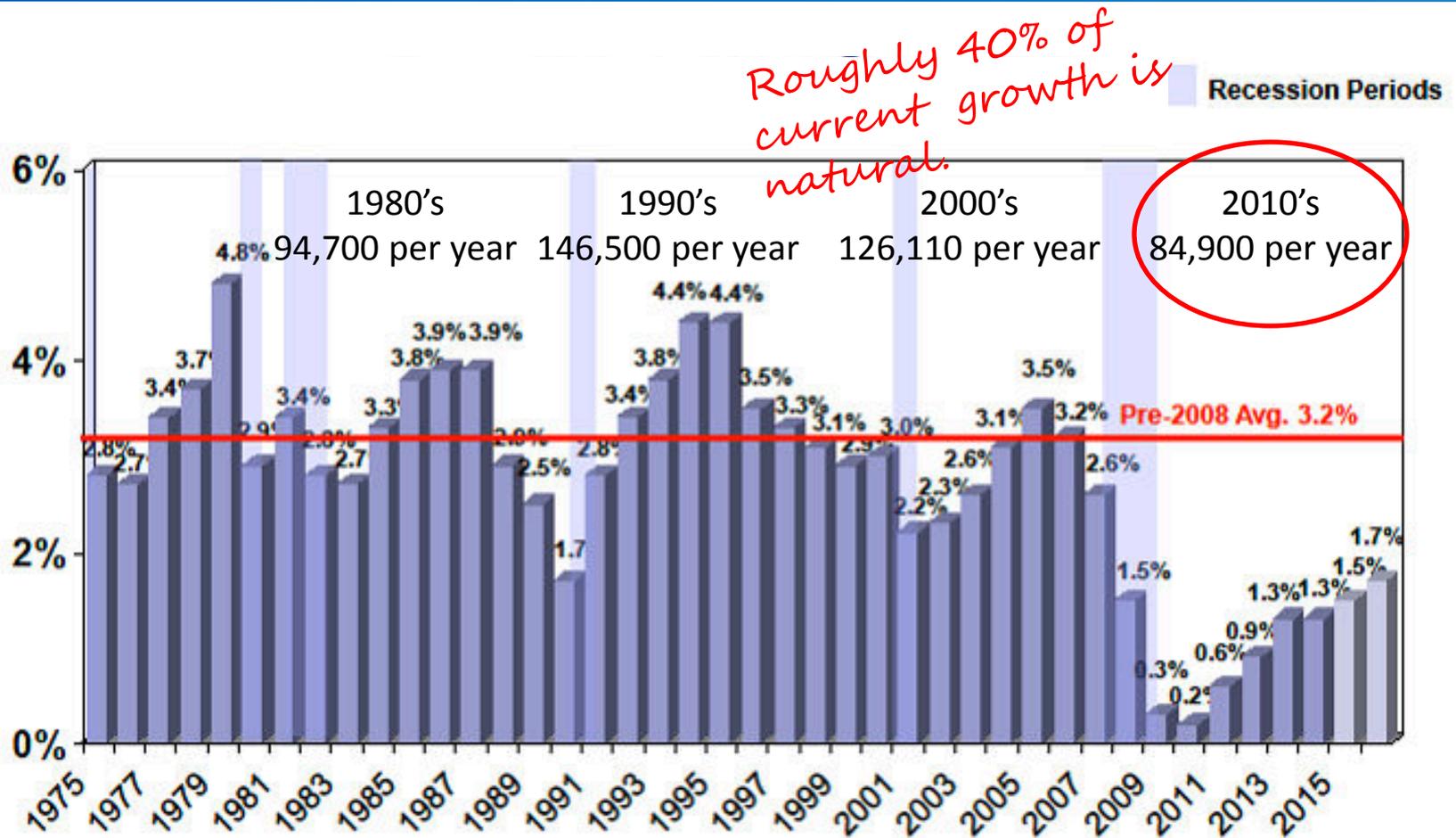
Arizona & US Nonfarm Employment YTY % Change



Arizona Jobs Regained Since Bottom of Cycle



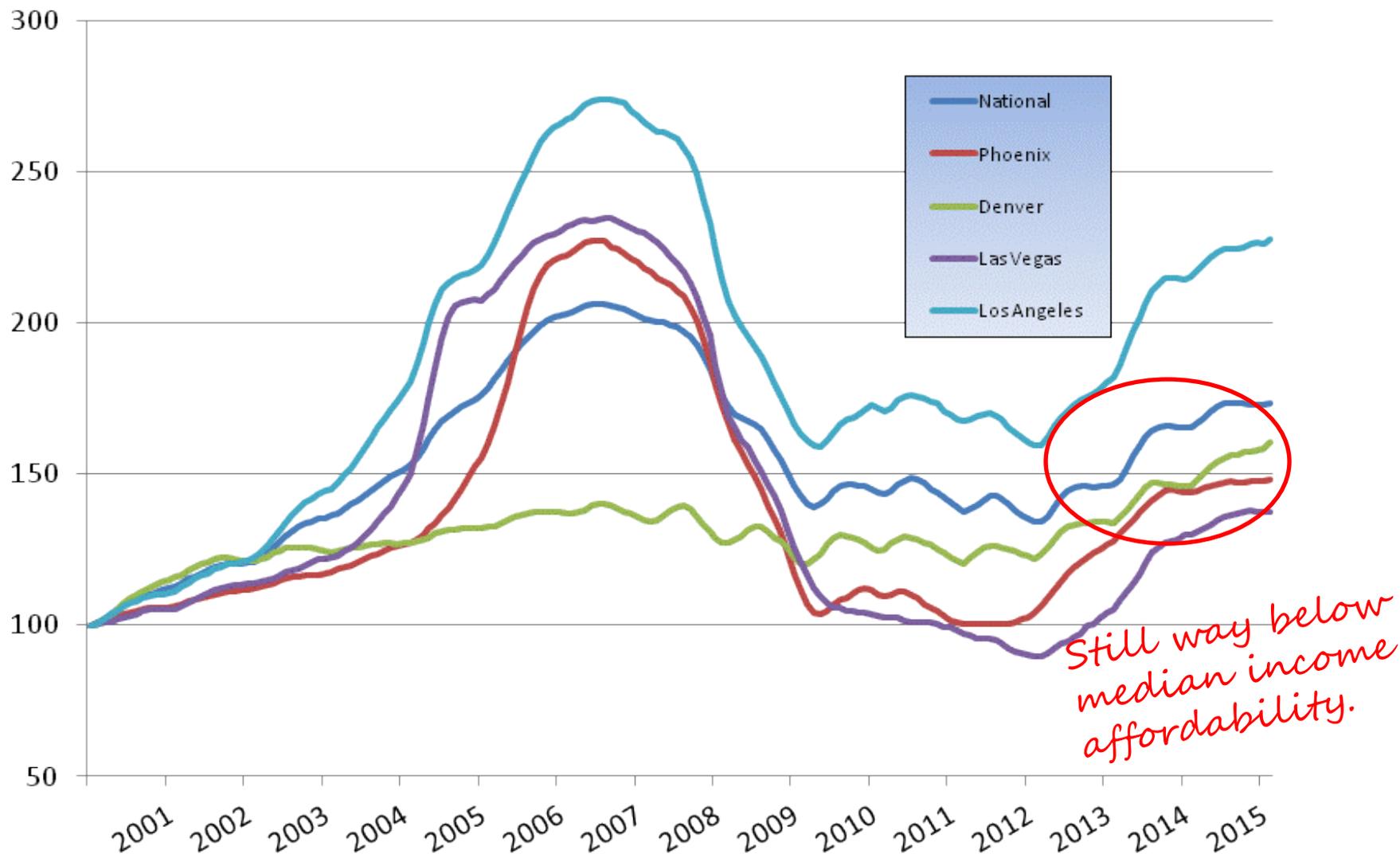
Arizona Population Annual Percent Change 1975-2016*



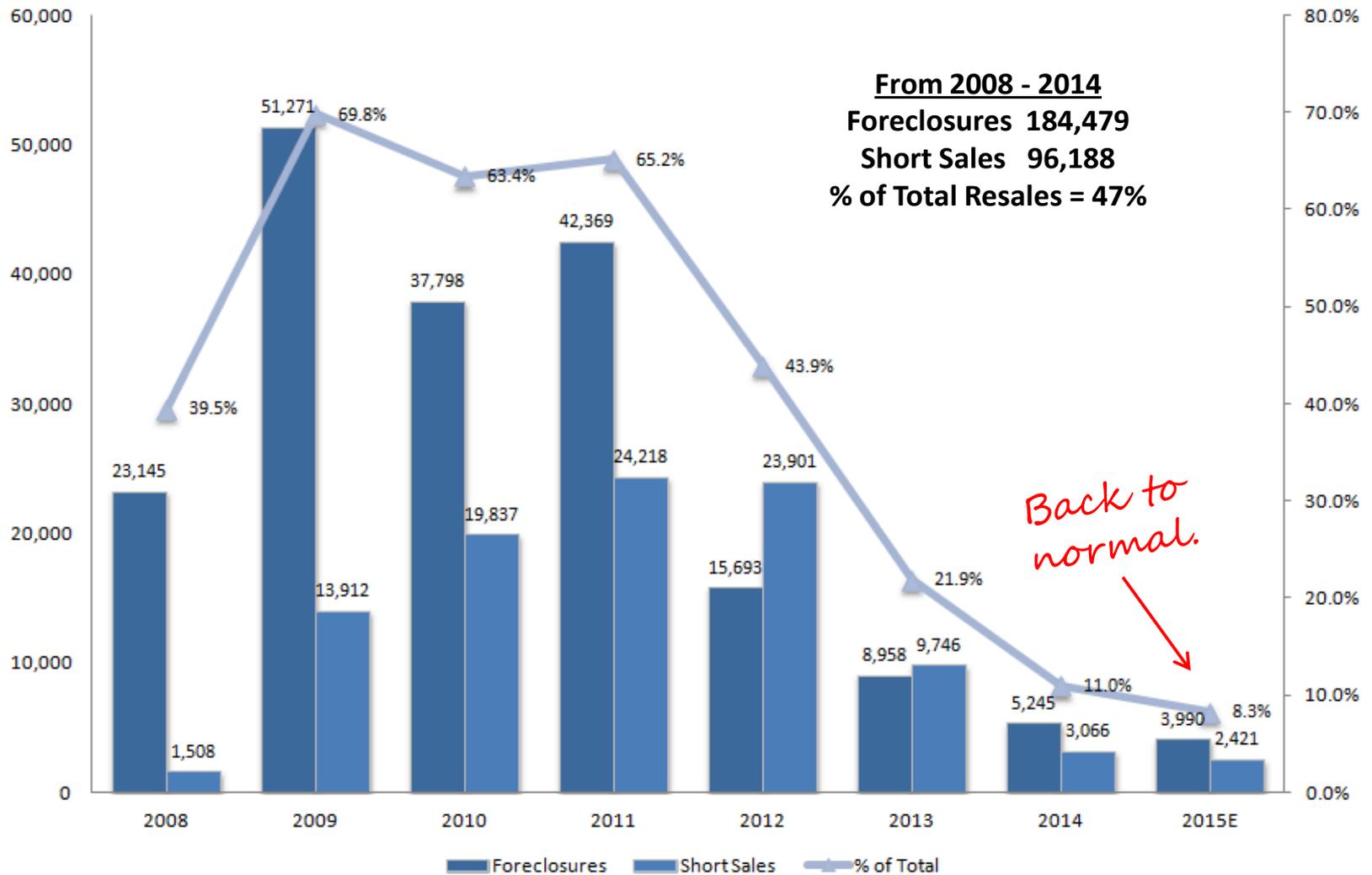
*2015 & 2016 forecasts from Elliott D. Pollack & Co. as of January 2015.

Phoenix – Housing

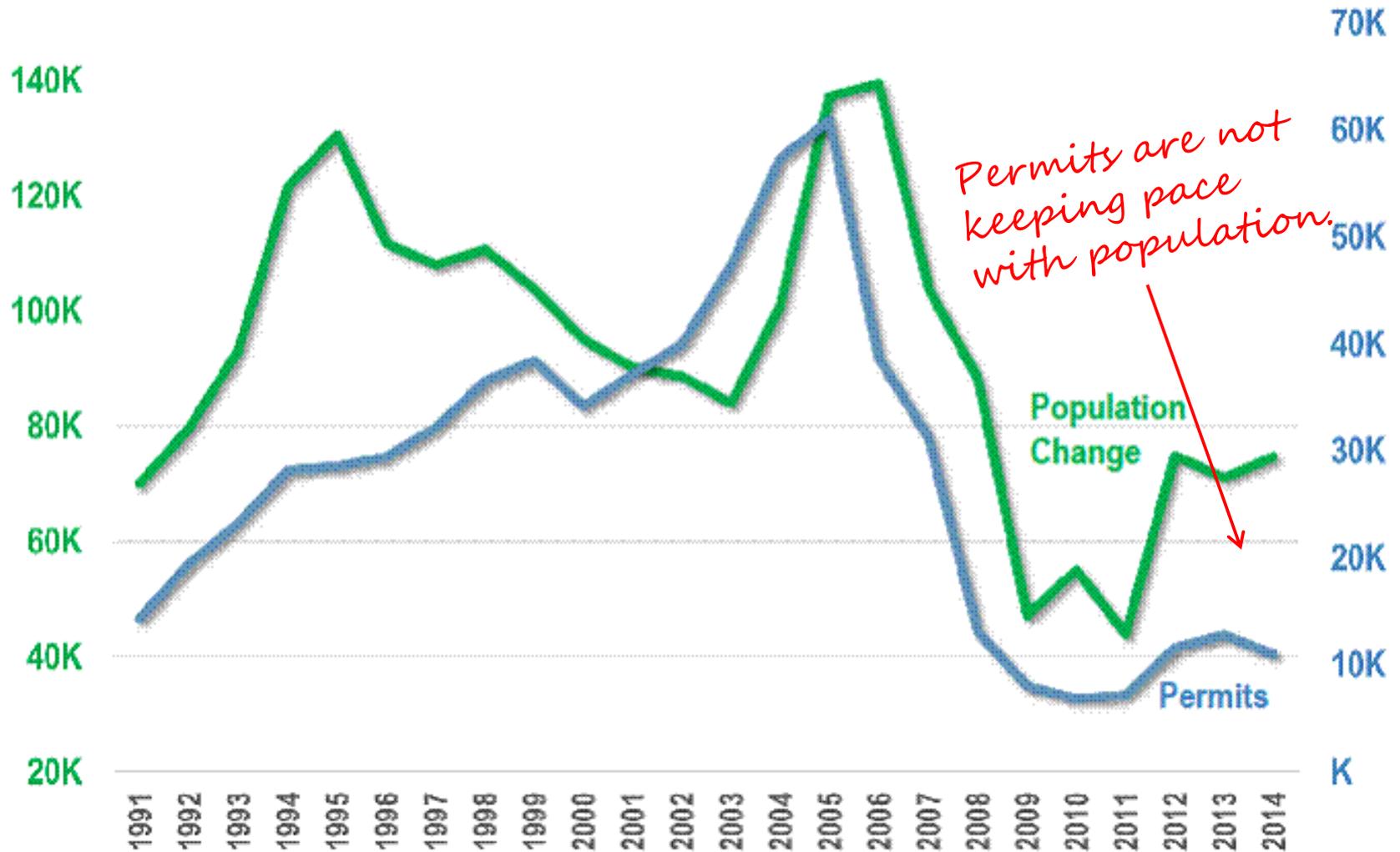
US Western Cities – Case Schiller Index



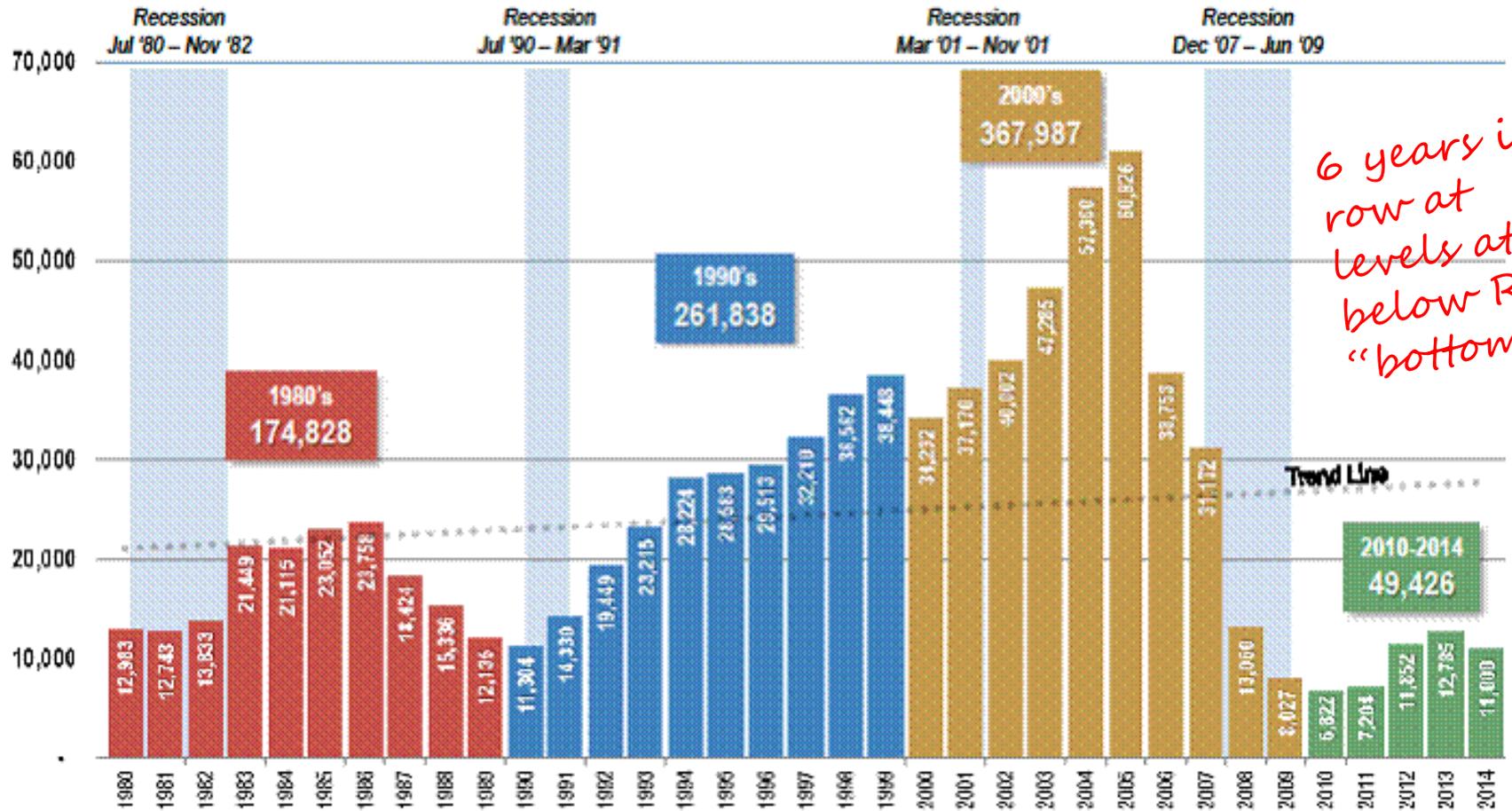
Phoenix SFH – Distressed Sales



Phoenix SFH – Population Change & Permits

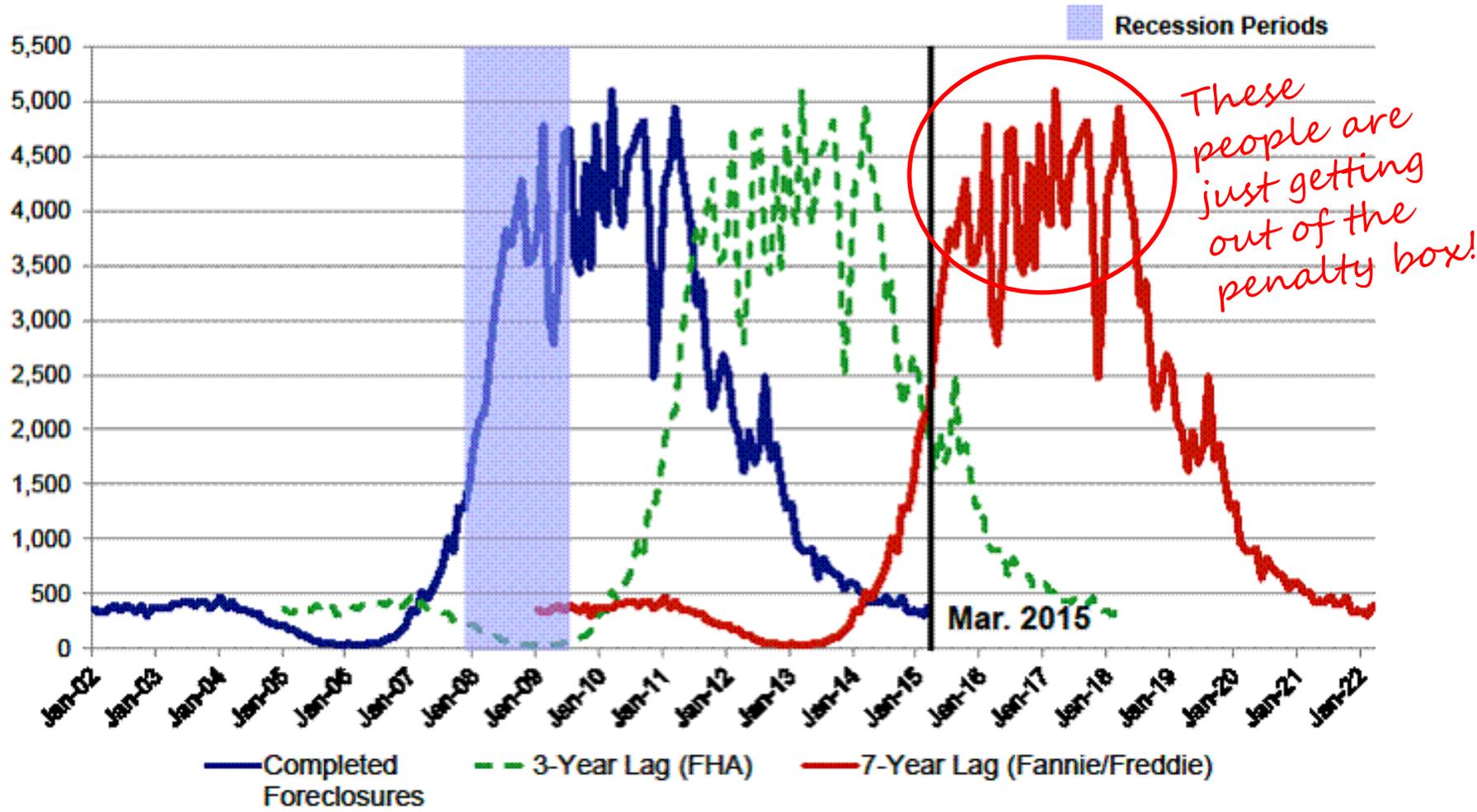


Phoenix SFH – Permits



6 years in a row at levels at or below RTC "bottom!"

Phoenix SFH – Foreclosure Lag (2002-2022)

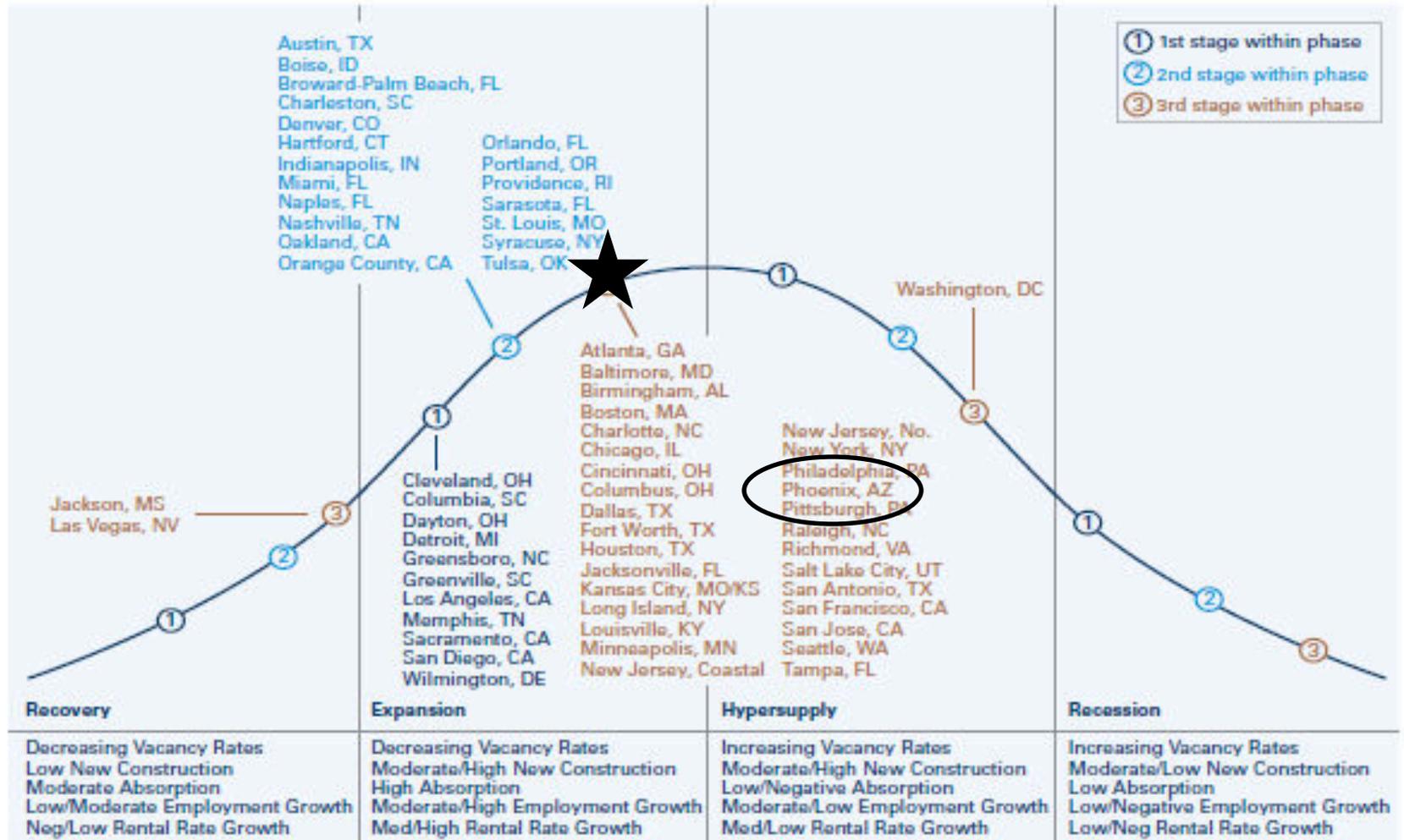


Phoenix Single Family – Key Observations

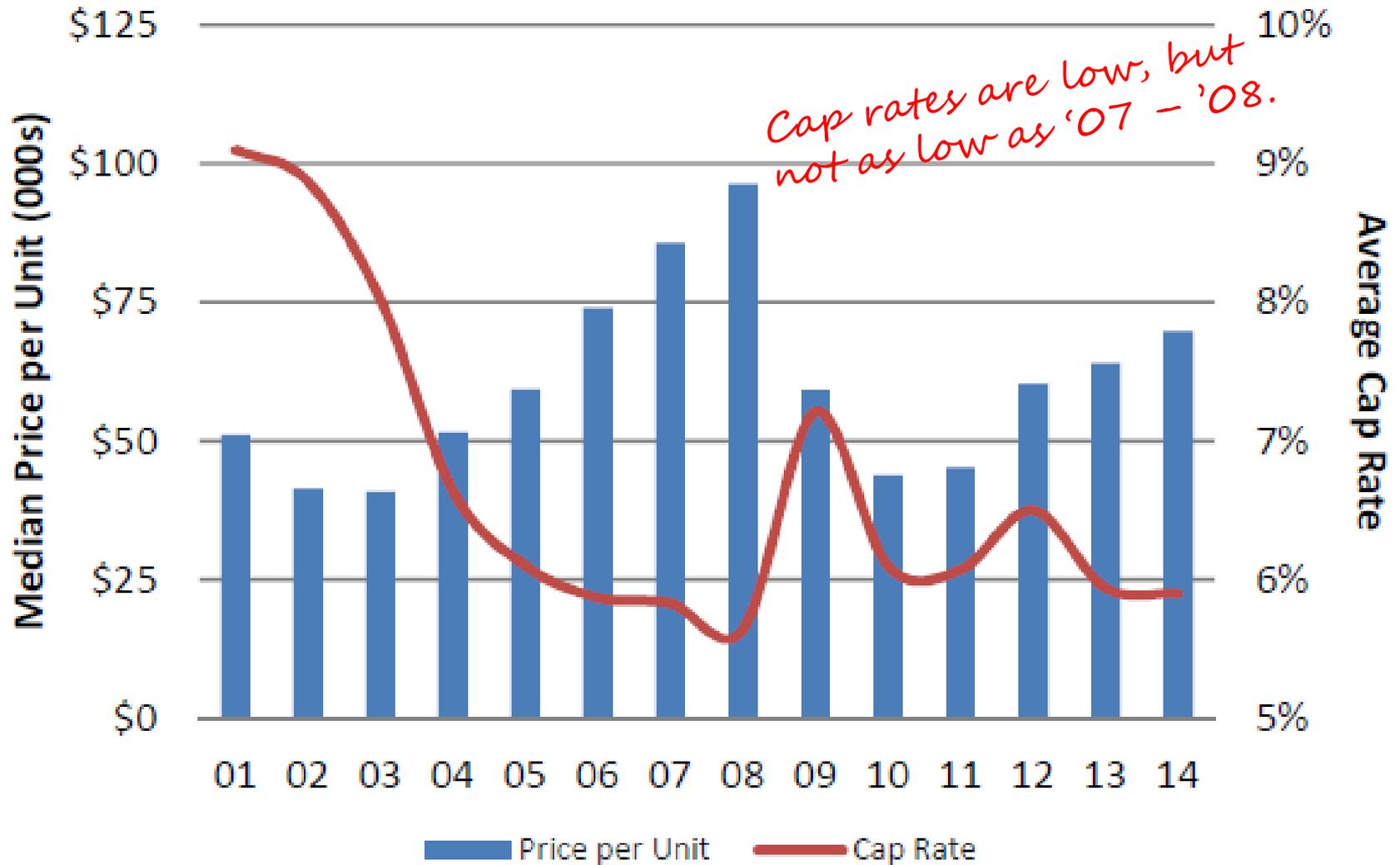
- Still early innings of the recovery -- new home permits are less than 25% of peak and 50% of historical average
- Foreclosures are nearing historical norms, now have minimal impact
 - Foreclosures are down an estimated 35% in 2015 and 42% in 2014
 - Down more than 90% from peak (2009)
- New home permits are up 22% year-over-year
- Key barriers to single family housing, negative equity and stringent financing, are going away
- Phoenix still the most affordable housing market in the Western US
- Resale supply is down to 3 months due to uptick in demand
 - Supply is a mere 1-2 months for homes under \$200k
 - Median sales price is up 6.3% from a year ago

Phoenix Housing – Multifamily

Multifamily Cycle Chart (Fig. 15)



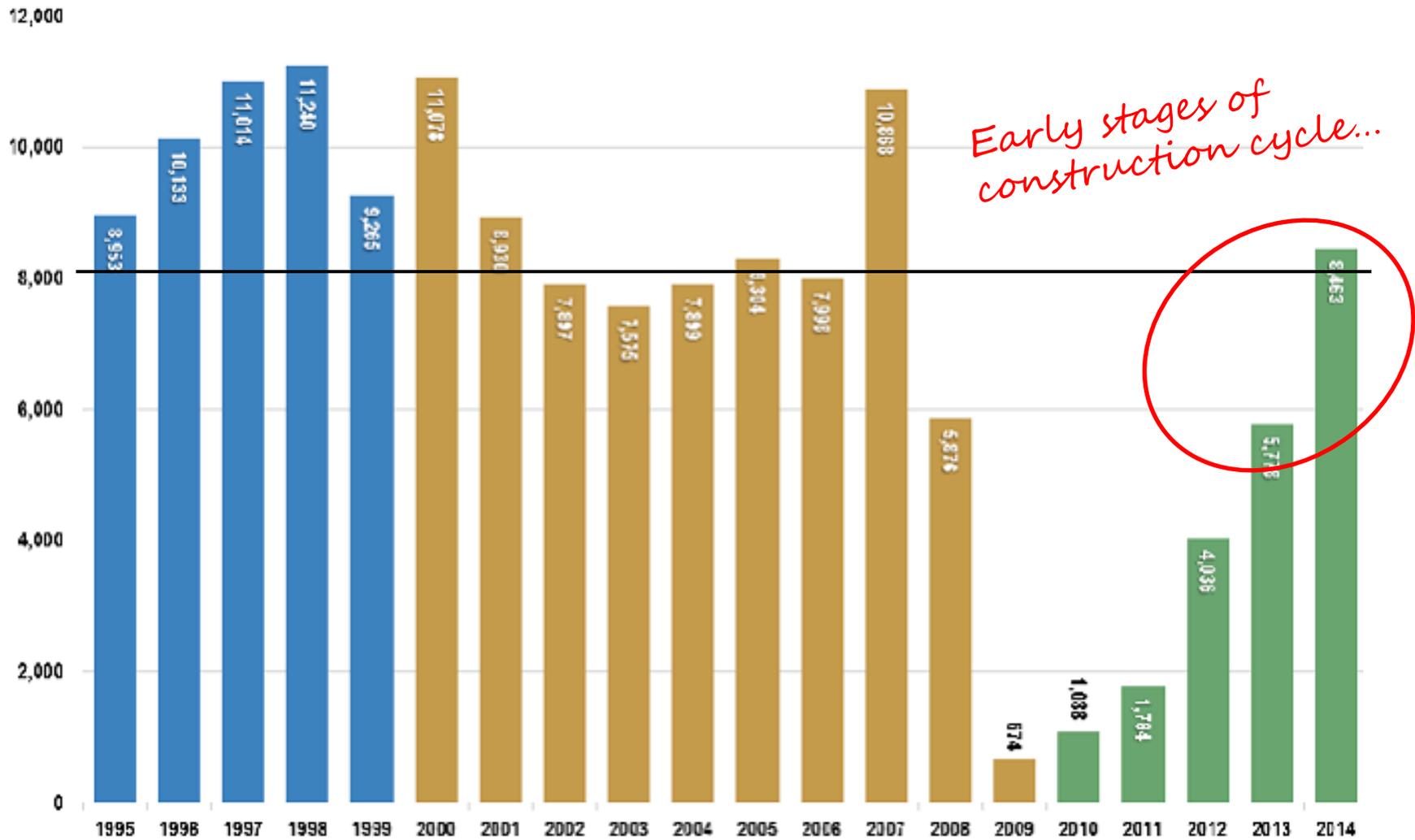
Phoenix Multifamily – Sales Trends



Phoenix Multifamily – Vacancy and Average Rent



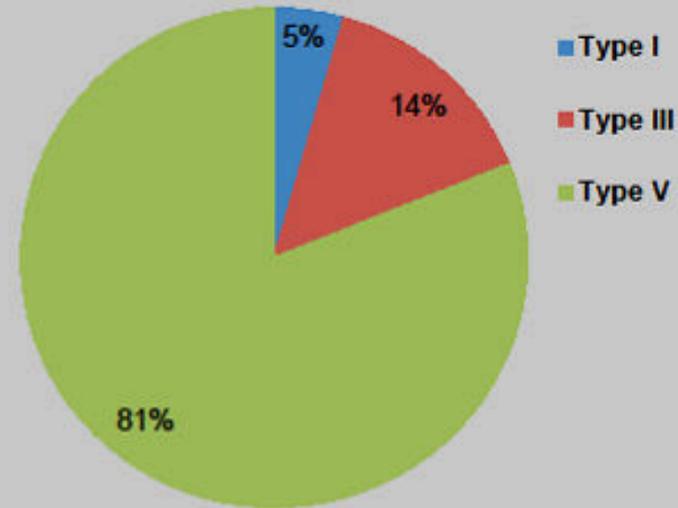
Phoenix Multifamily – Permits Issued



Phoenix Multifamily – 2015 Project Summary

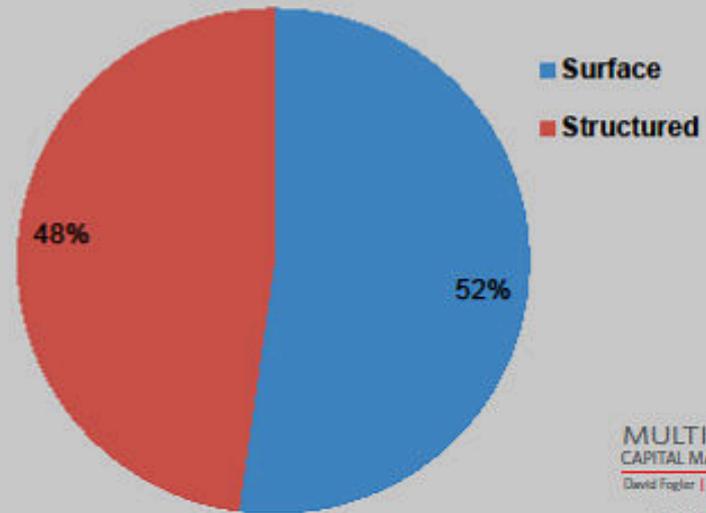
Projects By Construction Type

TYPE	TOTAL # OF PROJECTS	% OF PROJECTS	TOTAL # OF UNITS
Type I	4	5%	1,097
Type III	13	14%	3,043
Type V	73	81%	17,898
TOTAL	90	100%	22,038



Projects By Parking Type

STATUS	TOTAL # OF PROJECTS	% OF PROJECTS	TOTAL # OF UNITS
Surface	47	52%	11,258
Structured	43	48%	10,780
TOTAL	90	100%	22,038



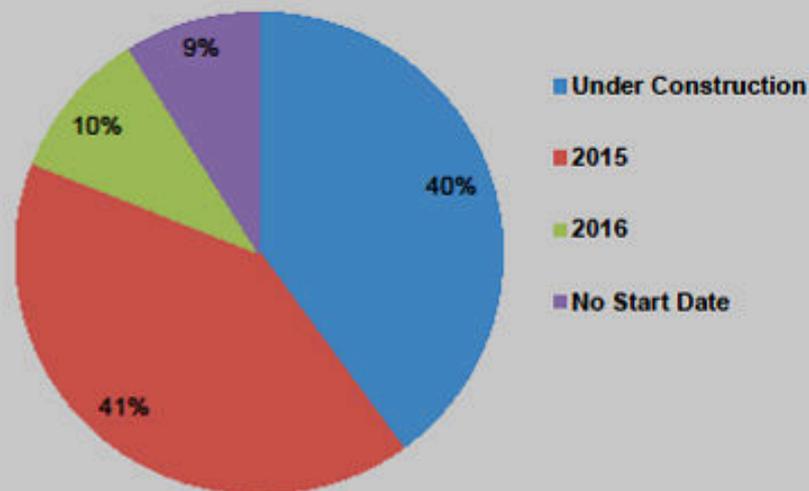
Wow!

MULTI-FAMILY
CAPITAL MARKETS GROUP
David Fogler | Steven Nicoluzak
7 | Multi-Housing Pipeline

Phoenix Multifamily – 2015 Project Summary Cont.

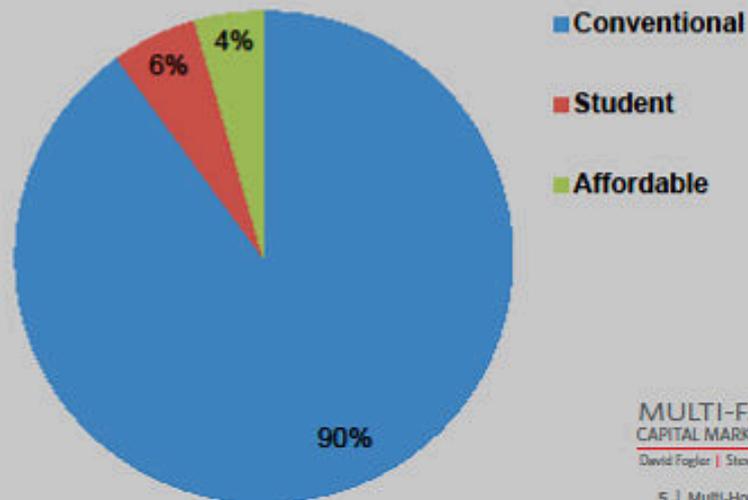
Projects By Start Date

START DATE	TOTAL # OF PROJECTS	% OF PROJECTS	TOTAL # OF UNITS
Under Construction	36	40%	8,343
2015	37	41%	9,182
2016	9	10%	2,633
No Start Date	8	9%	1,880
TOTAL	90	100%	22,038



Projects By Type

TYPE	TOTAL # OF PROJECTS	% OF PROJECTS	TOTAL # OF UNITS
Conventional	81	90%	20,807
Student	5	6%	970
Affordable	4	4%	261
TOTAL	90	100%	22,038



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5 | Multi-Housing Pipeline

Phoenix Multifamily – Investment Sales

BY CLASS	TOTAL TRANSACTION VOLUME			AVERAGE PRICE	
	DOLLAR AMOUNT	TOTAL UNITS	PERCENTAGE	PER UNIT	PER SF
CLASS A	\$1,458,050,000	34	29%	\$136,611	\$139.38
CLASS B	\$987,557,000	54	46%	\$69,674	\$85.68
CLASS C	\$205,014,113	30	25%	\$33,158	\$55.42
	\$2,650,621,113	118	100%		

BY QUARTER	TRANSACTION AMOUNT	TOTAL UNITS	PERCENTAGE	SALE TYPE		
1ST QUARTER	\$178,434,500	11	9%	MARKET	98	83%
2ND QUARTER	\$517,264,000	31	26%	DEVELOPER	5	4%
3RD QUARTER	\$1,194,071,000	43	36%	REIT	5	4%
4TH QUARTER	\$760,851,613	33	28%	REO	3	3%
				AFFORDABLE	4	3%
				STUDENT	2	2%
				FRACTURED CONDOMINIUM	1	1%
	\$2,650,621,113	118	100%		118	100%

FOURTH QUARTER COMPARISON

BY CLASS	2014 4TH QTR SALES DATA			2013 4TH QTR SALES DATA			2012 4TH QTR SALES DATA			2011 4TH QTR SALES DATA		
	#	PER UNIT	PER SF									
CLASS A	11	\$124,368	\$126.40	6	\$127,023	\$141.50	12	\$115,646	\$119.10	4	\$125,216	\$117.17
CLASS B	13	\$70,623	\$84.54	12	\$68,668	\$79.93	10	\$62,962	\$73.68	9	\$49,744	\$61.07
CLASS C	9	\$27,714	\$50.88	6	\$36,187	\$49.02	12	\$27,784	\$38.24	8	\$20,610	\$33.16
	33			24			34			21		

YEAR OVER YEAR COMPARISON

BY CLASS	2014 YR END SALES DATA			2013 YR END SALES DATA			2012 YR END SALES DATA			2011 YR END SALES DATA		
	#	PER UNIT	PER SF									
CLASS A	34	\$136,611	\$139.38	33	\$130,575	\$130.42	42	\$107,870	\$110.91	25	\$106,477	\$108.91
CLASS B	54	\$69,674	\$85.68	43	\$75,719	\$87.81	35	\$67,427	\$78.06	36	\$53,420	\$63.15
CLASS C	30	\$33,158	\$55.42	22	\$33,507	\$48.47	41	\$27,832	\$38.60	40	\$22,278	\$32.20
	118			98			118			101		

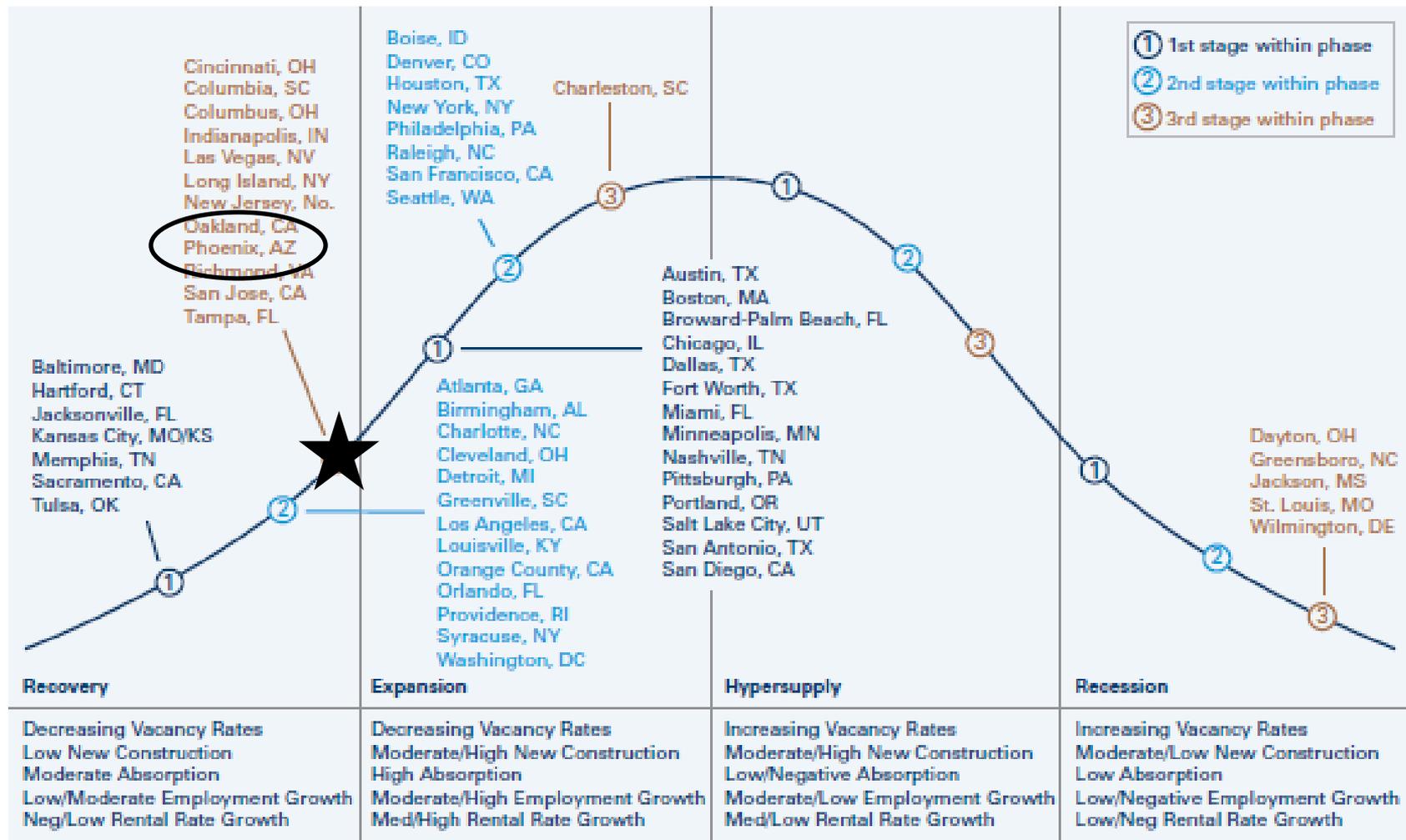
Phoenix Multifamily – Key Observations

- Healthy employment growth has been the driver of rental demand
- Vacancy reached a modern era low of 5.7% in 1Q2015
 - Vacancy has fallen in 13 of the past 20 quarters
 - Reduction from 6.2% last quarter and 6.5% a year ago (13% in 2009)
- Asking rents are at all time highs, up 6% from prior year and 9% from post recession lows
- Development continues to thrive in key markets
 - 8,343 units under construction
 - 22,038 units planned
- Phoenix, Tempe & Scottsdale account for 72% of new pipeline of projects
- Class A & B investment sales pricing is up 30% from 2011

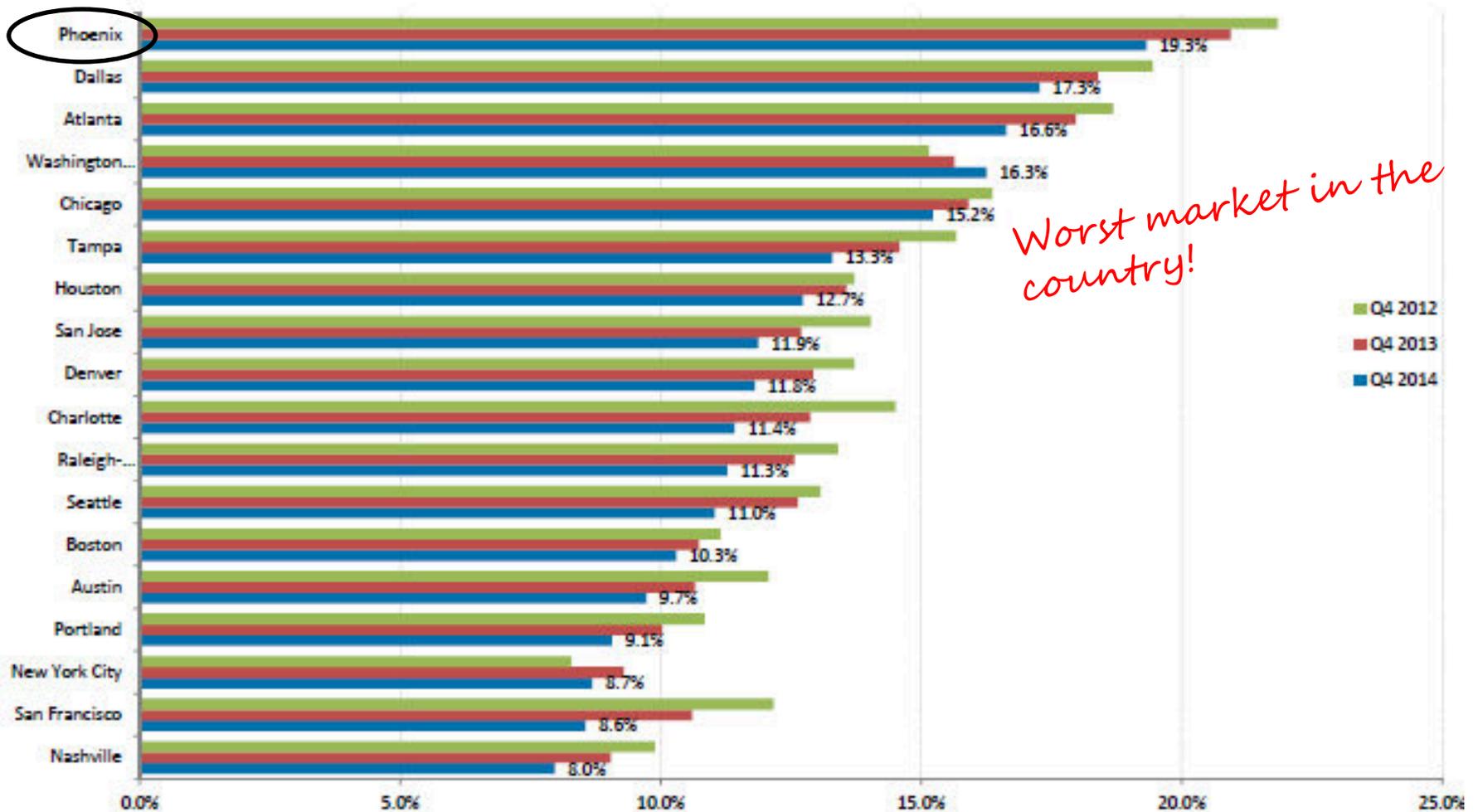
Phoenix – Commercial

Phoenix Commercial – Office

CBD Office Market Cycle (Fig. 8)

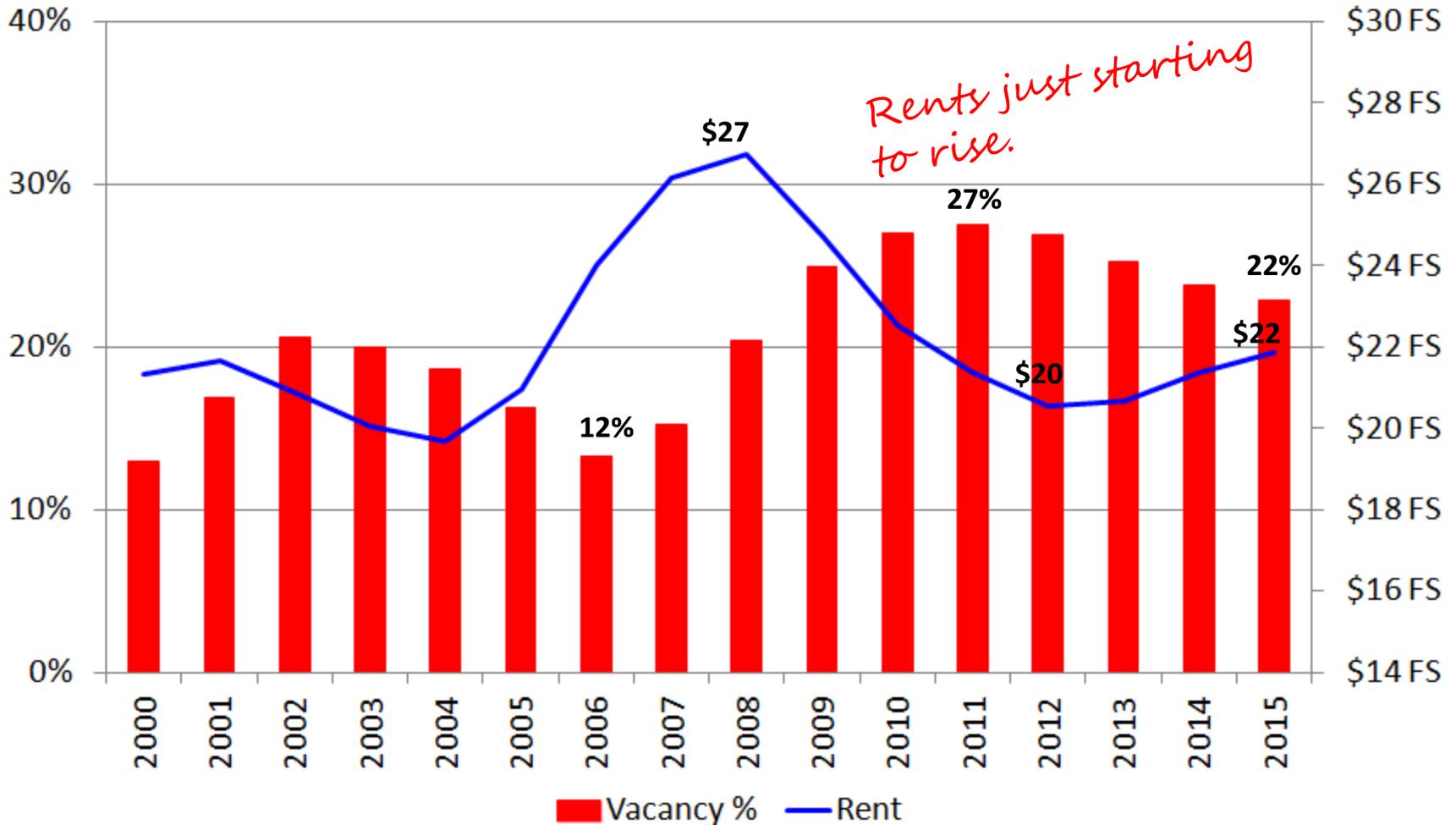


Select Major US Office Markets – Vacancy



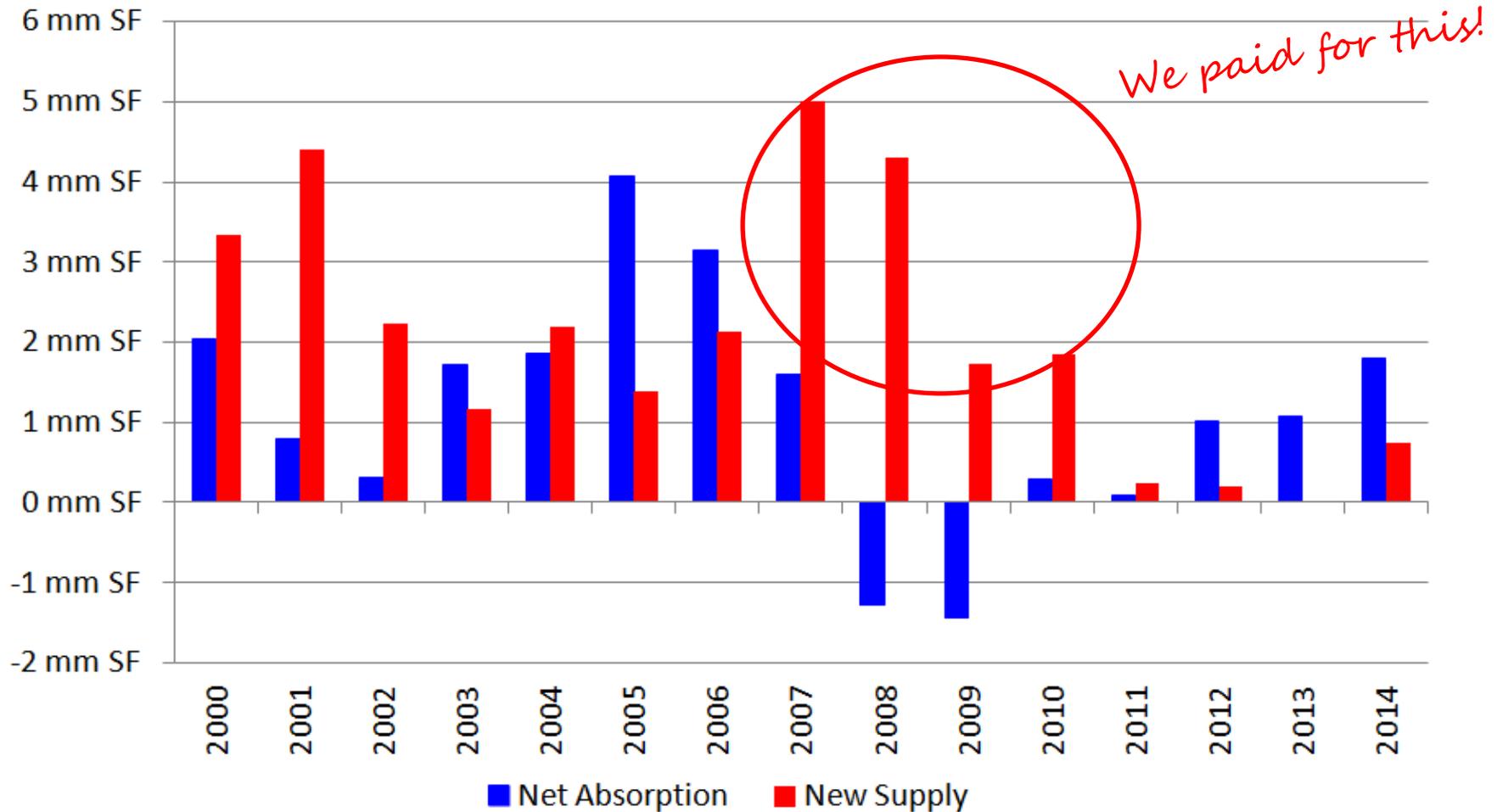
Phoenix Office – Vacancy vs Asking Rent

>20 k SF, Multi-Tenant, Non-O/O

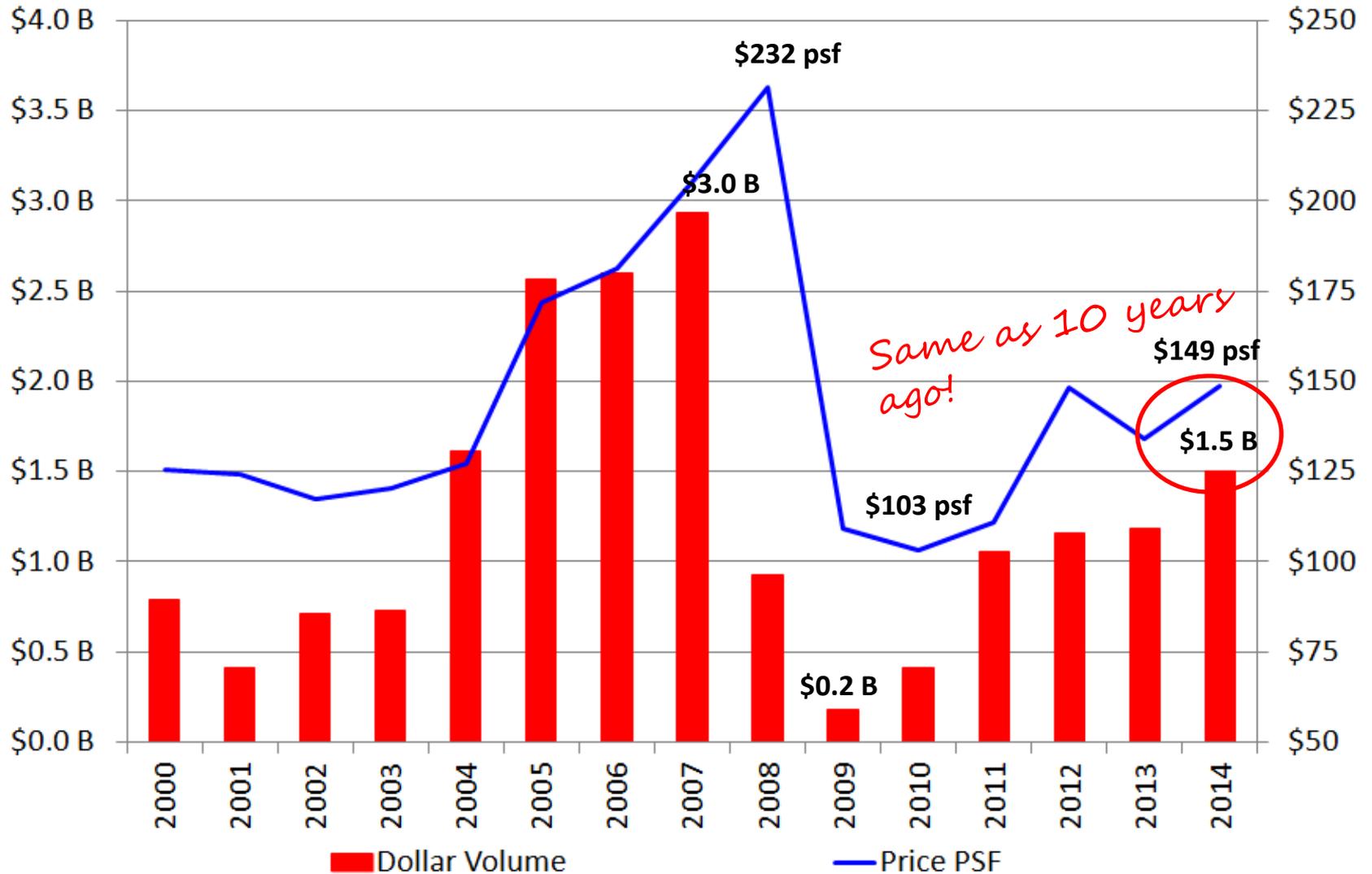


Phoenix Office – Net Absorption vs New Supply

>20 k SF, Multi-Tenant, Non-O/O



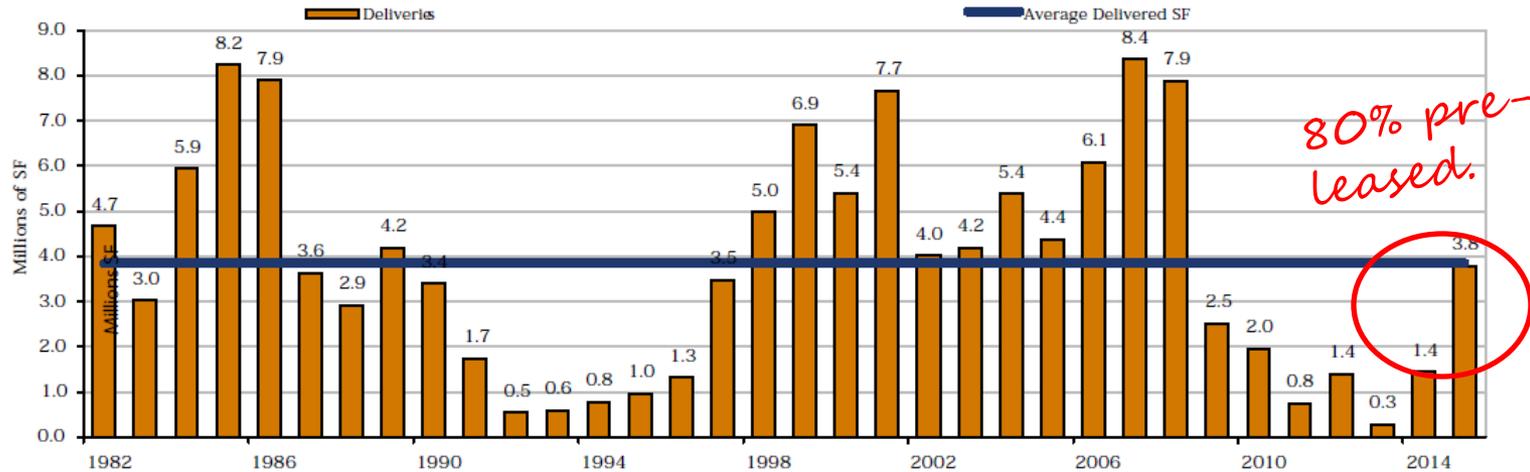
Phoenix Office – Investment Sales



Phoenix Office – Deliveries

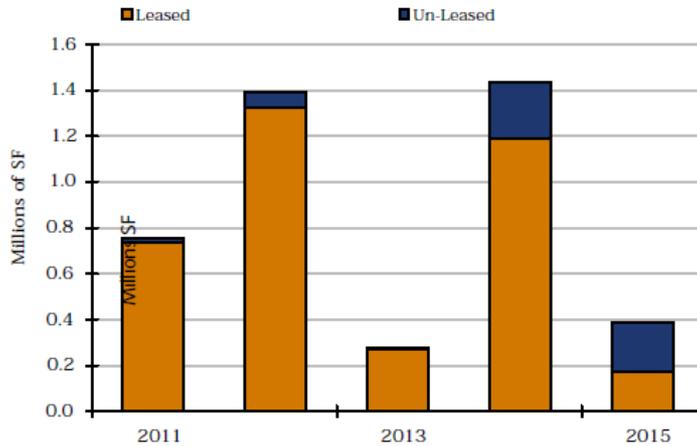
Historical Deliveries

1982 - 2015



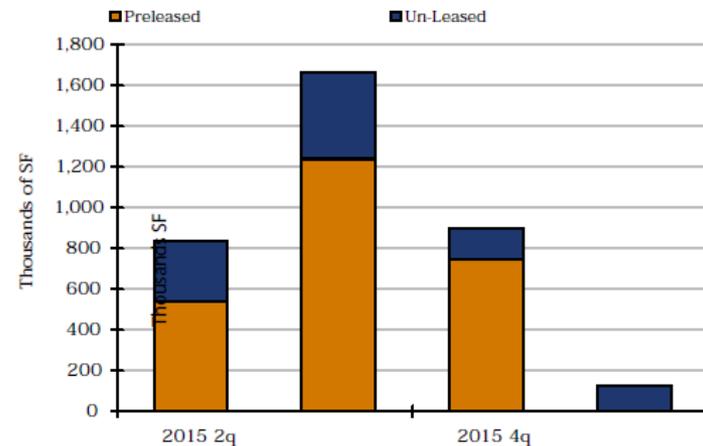
Recent Deliveries

Leased & Un-Leased SF in Deliveries Since 2011



Future Deliveries

Preleased & Un-Leased SF in Properties Scheduled to Deliver

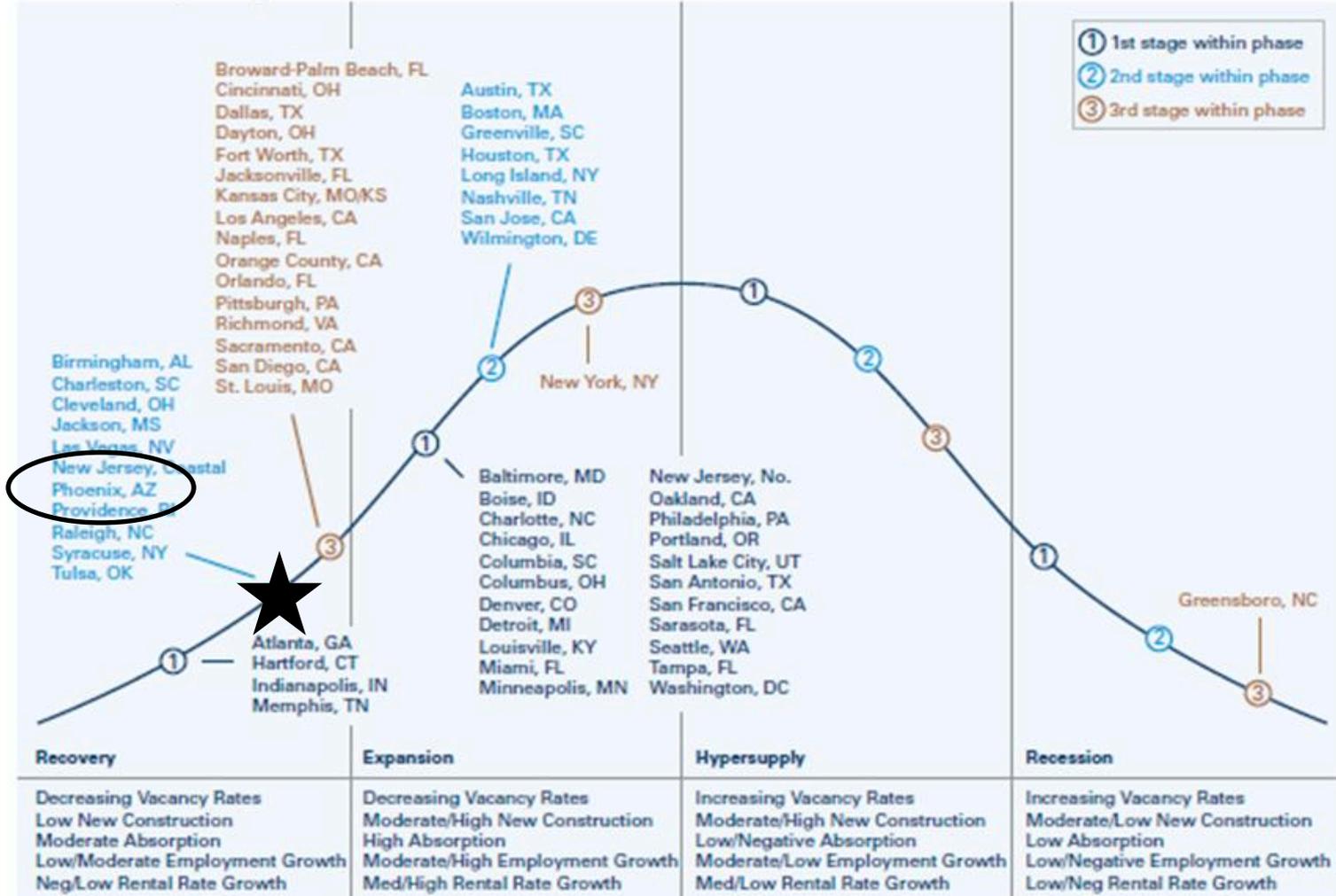


Phoenix Office – Key Observations

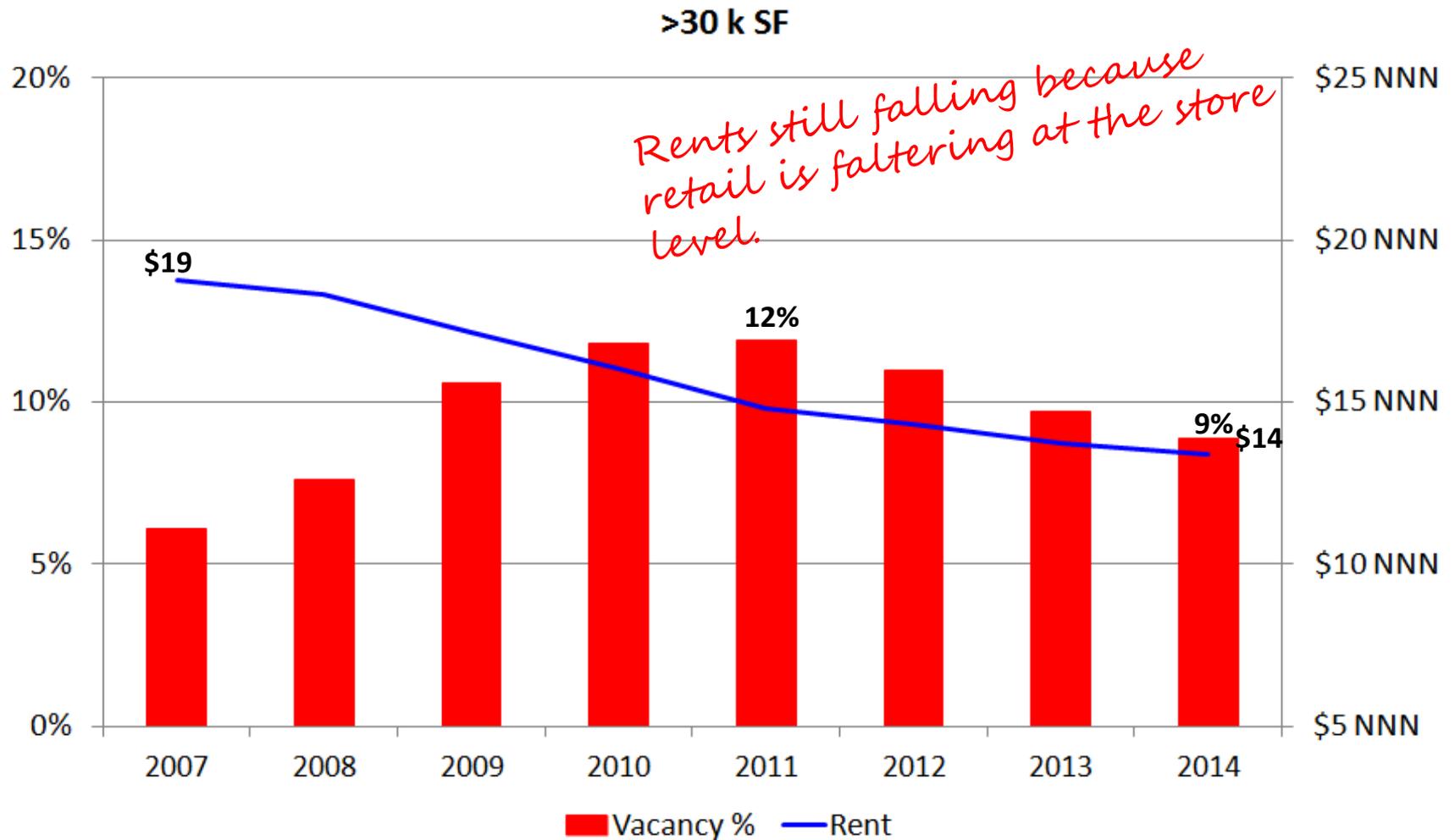
- Bifurcated market with East Valley outperforming West Valley
 - Vacancy: 28% West Valley vs. <20% East Valley
 - Strongest demand in Tempe, Chandler and Scottsdale
- Demand for large blocks of space w/ high parking ratios remains strong
- Investment sales strong w/ increasing number of \$300+ psf trades
- 2014 net absorption strongest since 2006
 - Nearly 80% attributable to B Class product
- 3.7 million SF under construction
 - Highest level since 2008
 - 95% in Southeast Valley
 - 80% build-to-suit (including 2mm for State Farm in Tempe)
- Occupancy up for 5 straight years, but rents up for only 3 years now
- Banking & Finance fastest growing industry in Phoenix
 - Currently occupies 25% of all office space

Phoenix Commercial – Retail

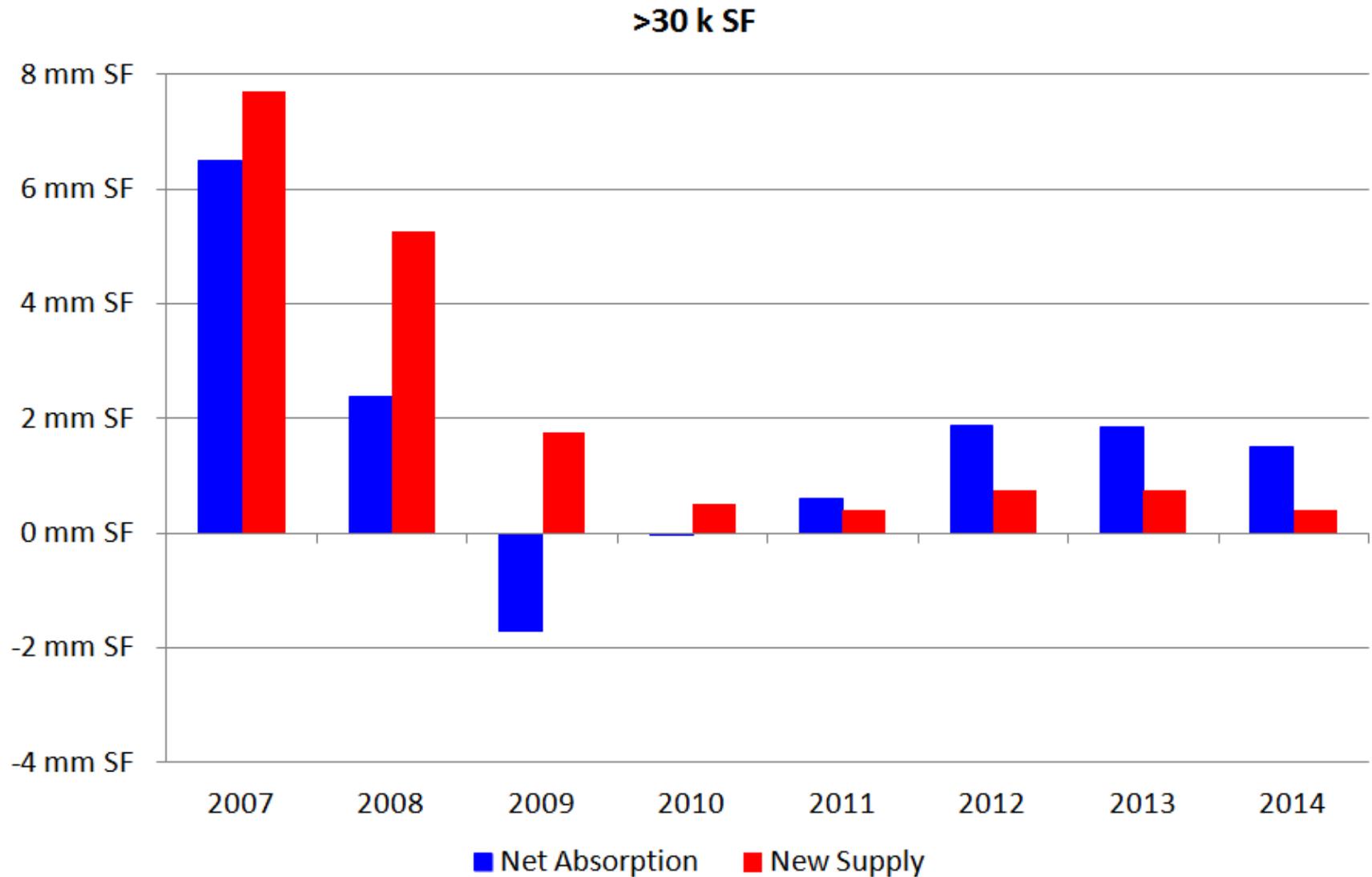
Retail Market Cycle (Fig. 21)



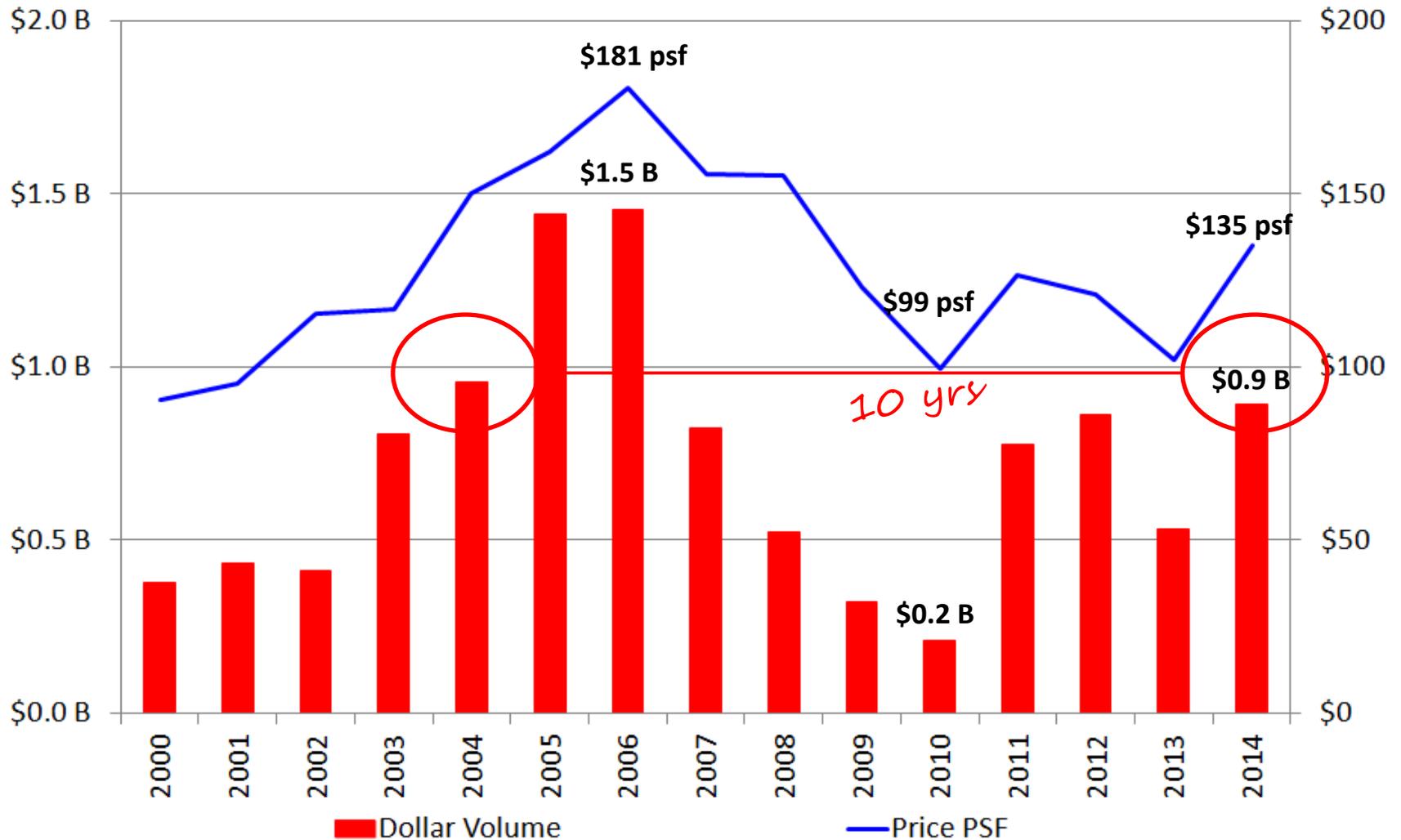
Phoenix Retail – Vacancy vs Asking Rent



Phoenix Retail – Net Absorption vs New Supply

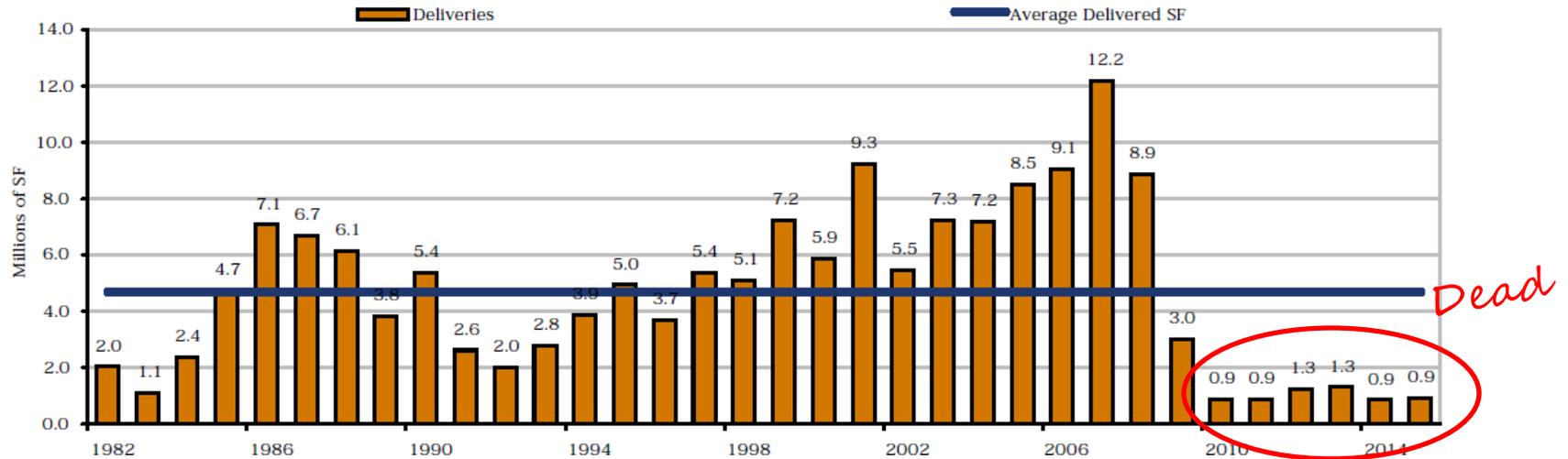


Phoenix Retail – Investment Sales



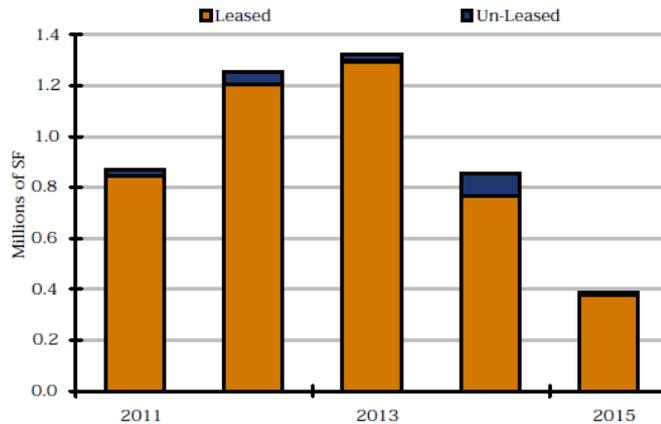
Phoenix Retail – Deliveries

Historical Deliveries 1982 - 2015



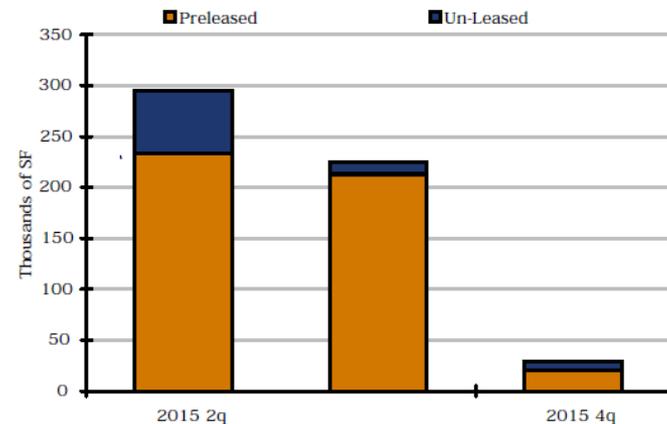
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Preleased & Un-Leased SF in Properties Scheduled to Deliver

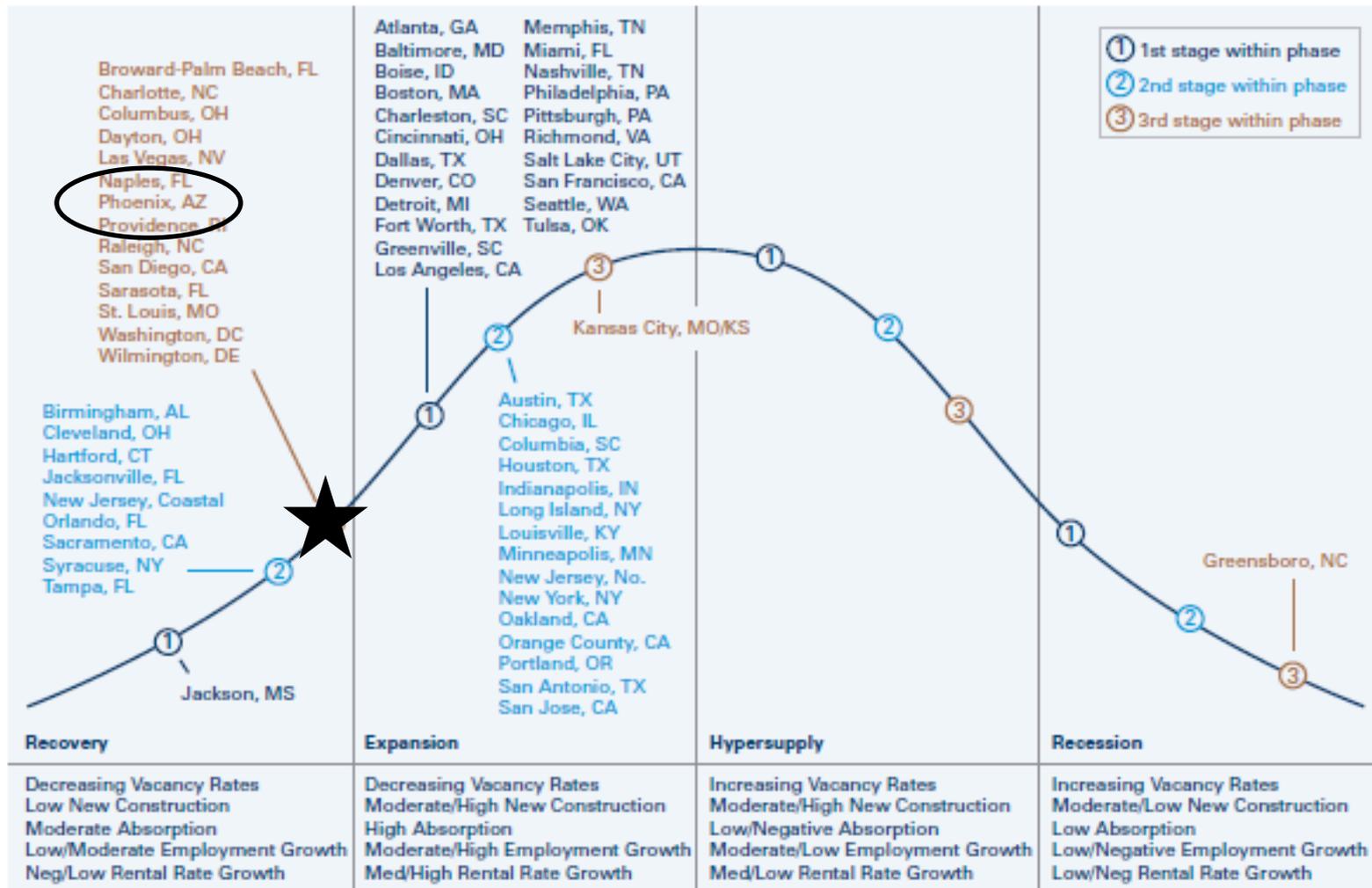


Phoenix Retail – Key Observations

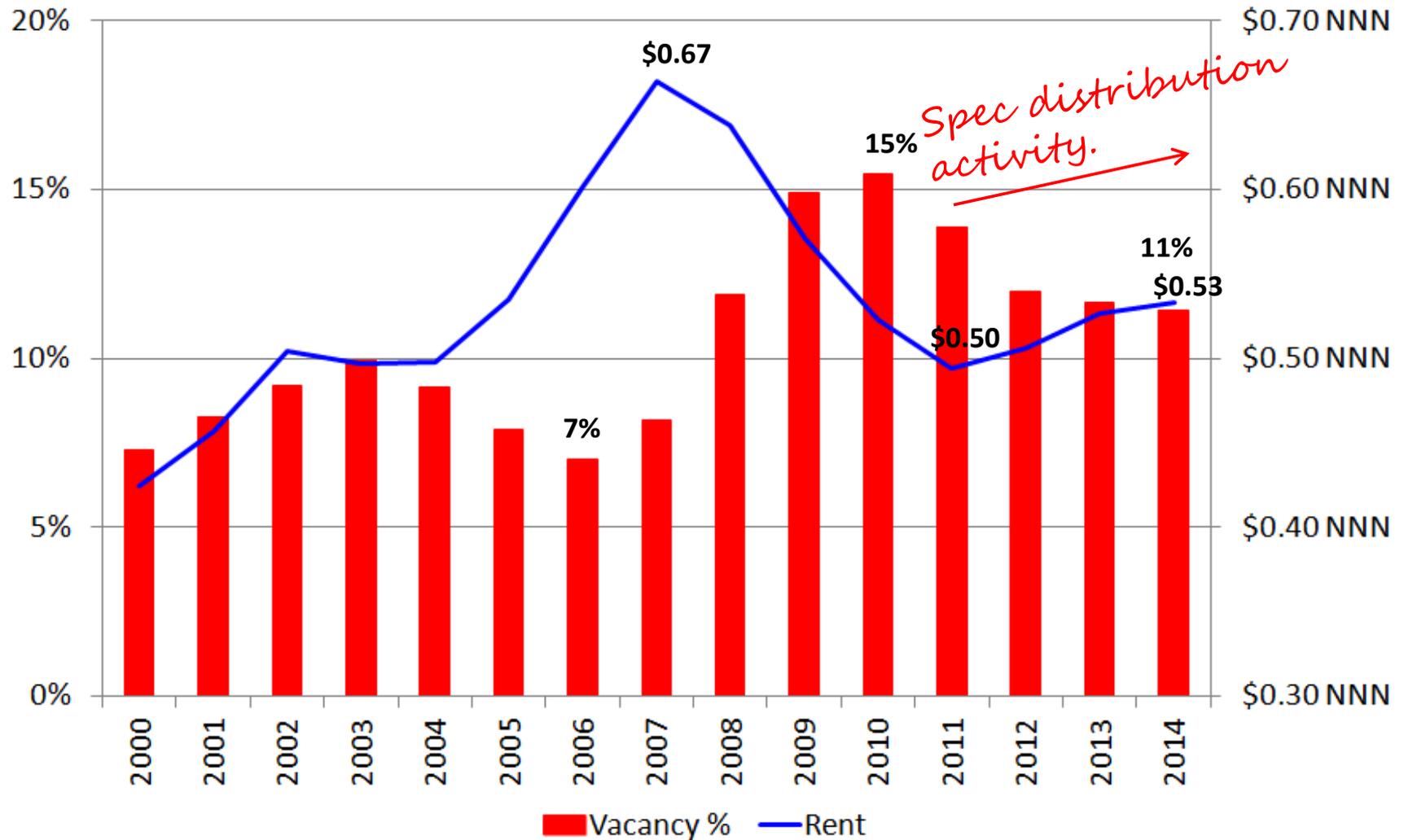
- Vacancy has fallen 15 of past 20 quarters, yet rents have yet to increase
- Net absorption remains strong
 - Since 2011, market has absorbed 6.8mm SF, while adding only 1.6mm SF
- Tenant demand continues being driven by consumer frugality and e-commerce
 - Mid-price-point retailers have suffered most, as middle class consumers remain in discount mode
 - Frugality has meant retail expansion has been driven by the extremes of economic spectrum—luxury and discount chains
 - Hard good chains shifting models towards omni-channel growth, closing weaker physical locations and reinvesting in e-commerce distribution chain
 - Most bricks and mortar expansion coming from concepts that don't compete with e-commerce (i.e. grocery, restaurants)
- In past cycles, rents have started to appreciate as vacancy hits 6-8%
- Demand remains strong for A Class product, but weaker for B/C Class
 - Available big box spaces are 16% A Class, 33% B Class and 52% C Class
- An increase in construction of SFHs would have significant impact on retail across the board

Phoenix Commercial – Industrial / Flex

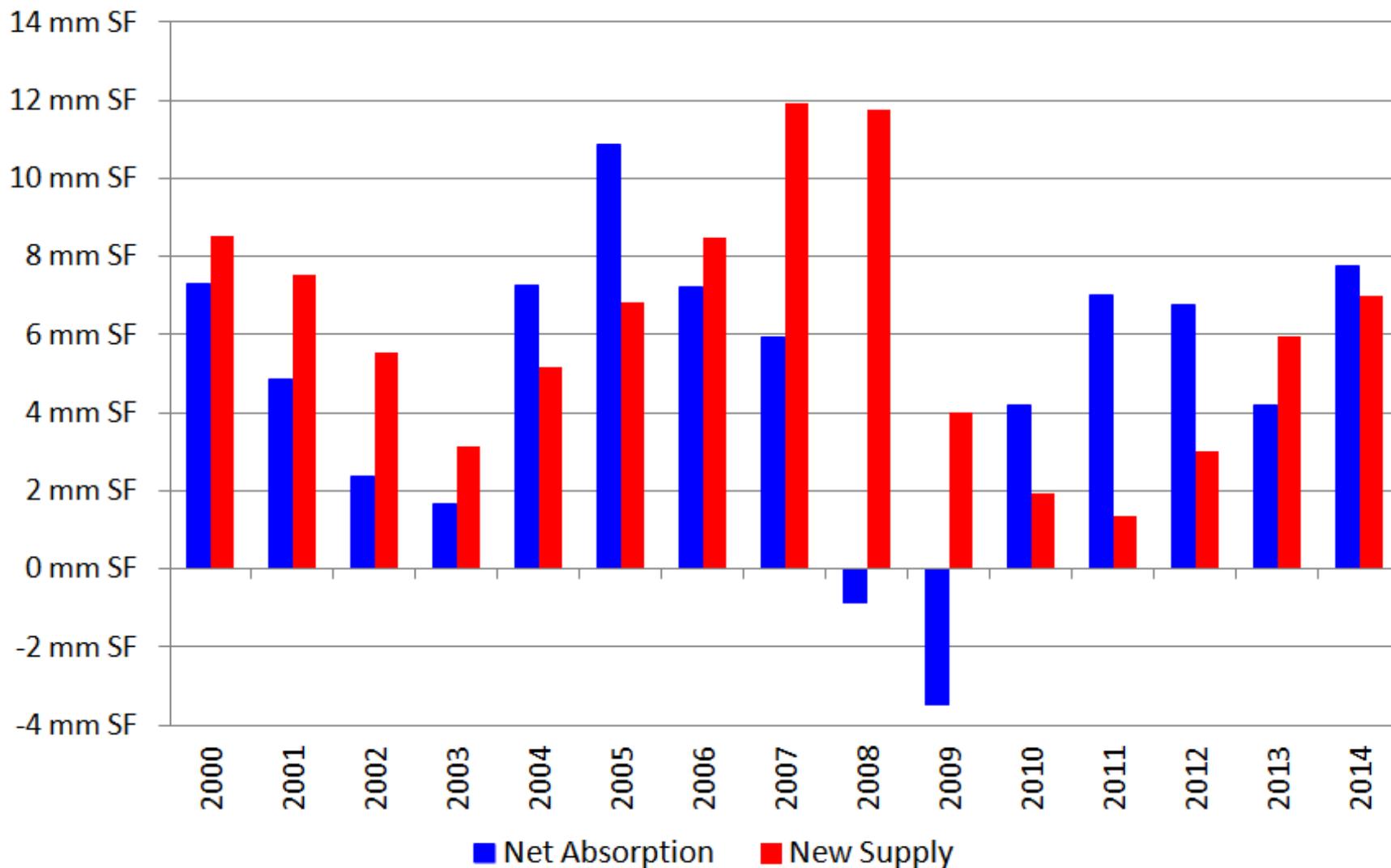
Industrial Cycle Chart (Fig. 26)



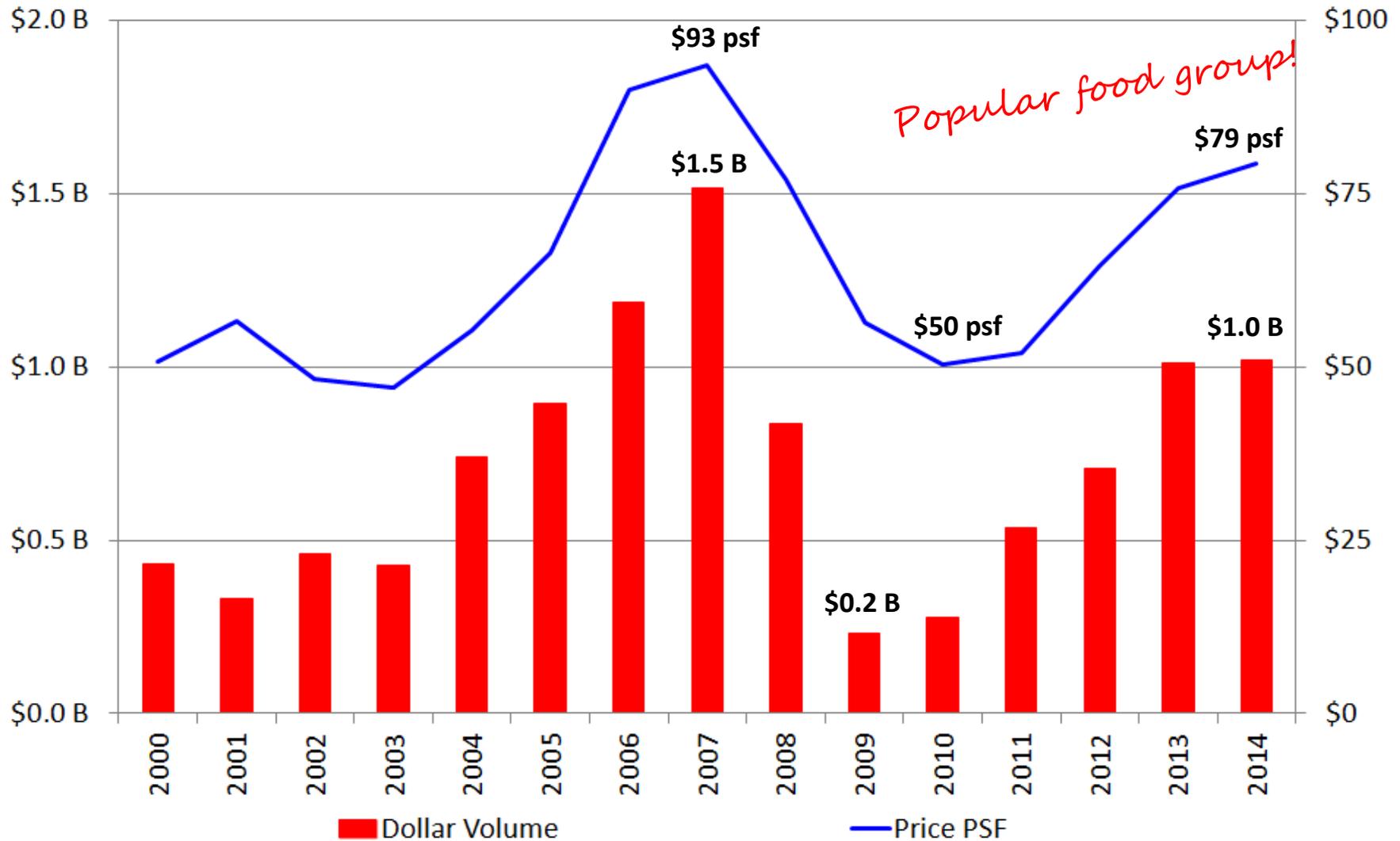
Phoenix Industrial / Flex – Vacancy vs Asking Rent



Phoenix Industrial / Flex – Net Absorption vs New Supply



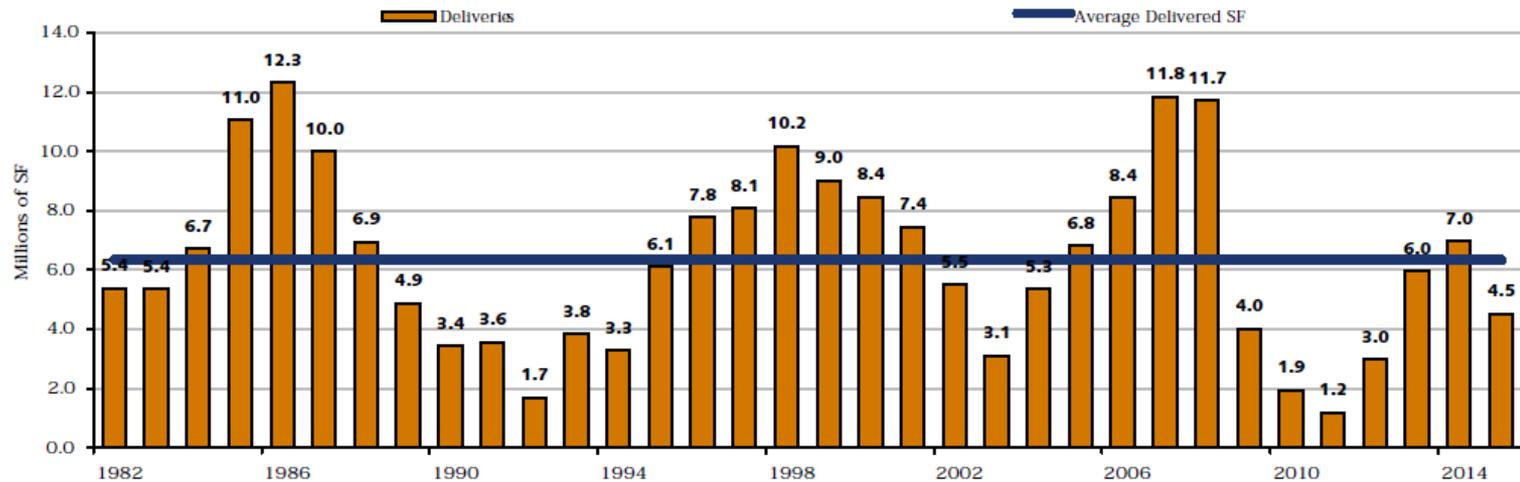
Phoenix Industrial / Flex – Investment Sales



Phoenix Industrial / Flex – Deliveries

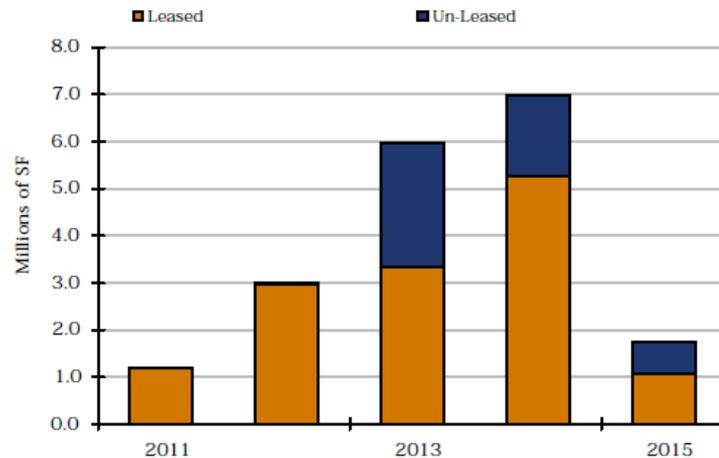
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1982 - 2015



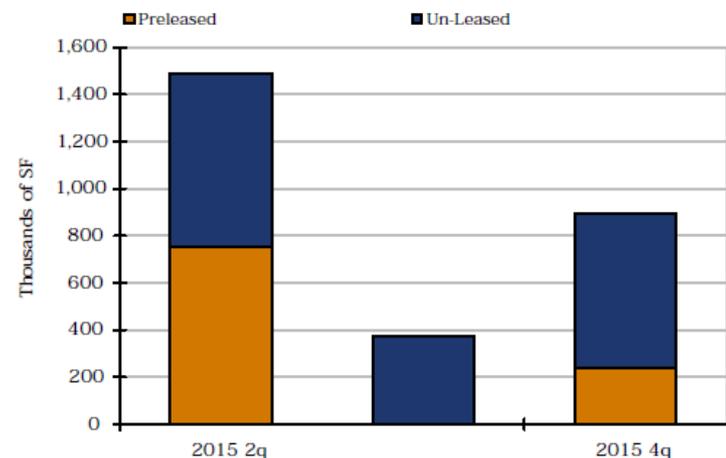
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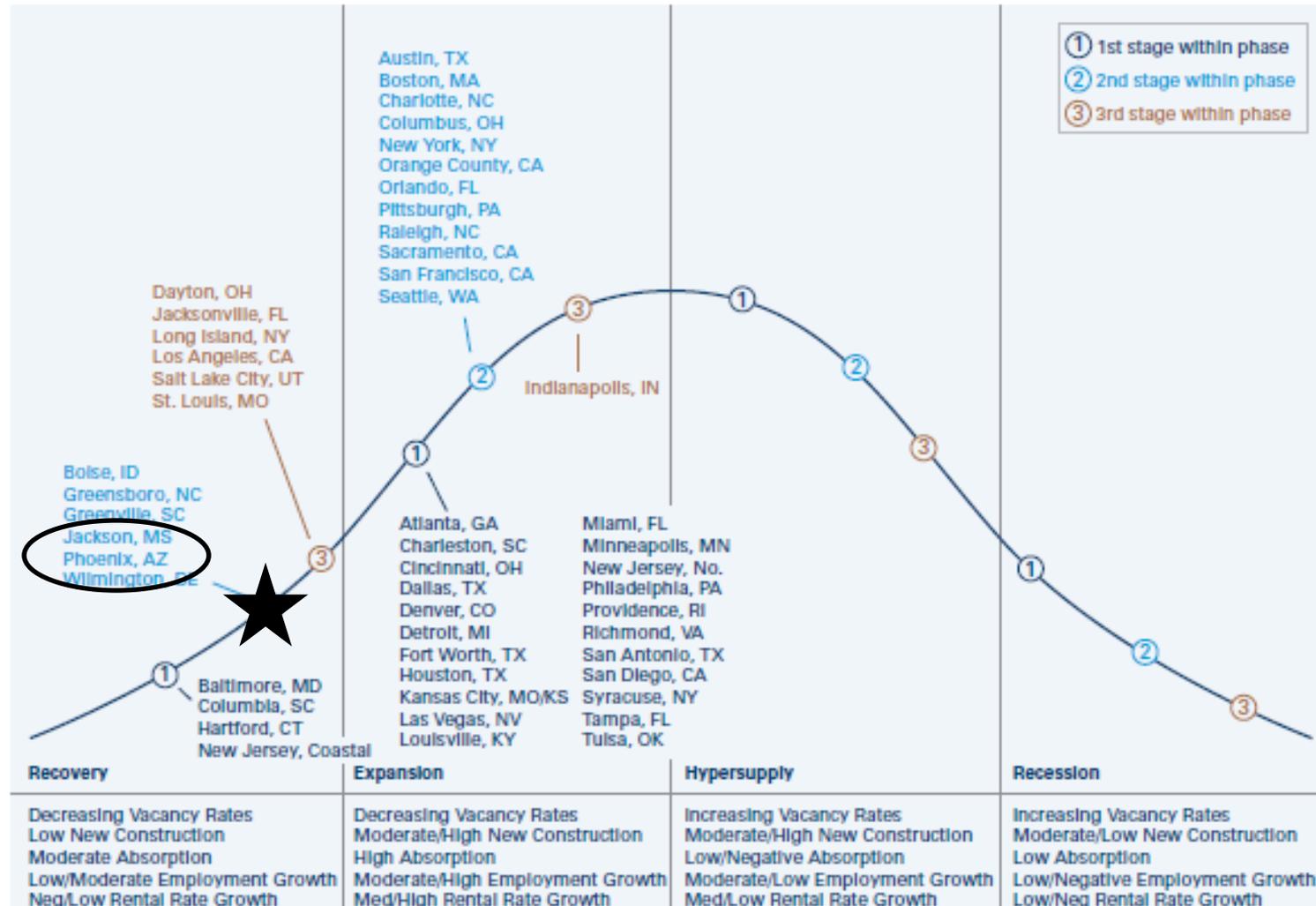


Phoenix Industrial / Flex – Key Observations

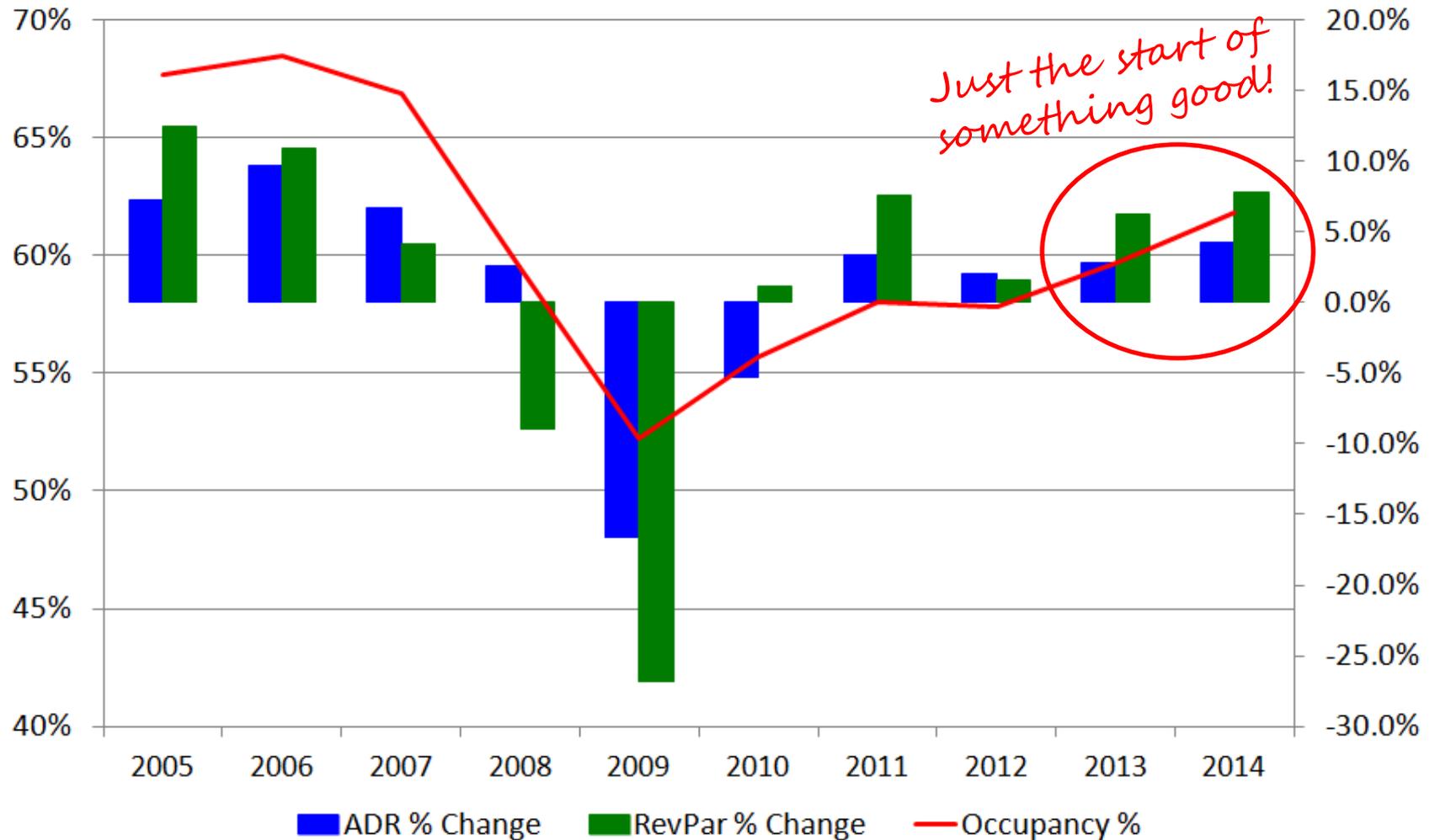
- Vacancy lowest since 2008
- 20th consecutive quarters of positive net absorption, yet rents have yet to meaningfully rise
- National tenants starting to show increasing interest in Phoenix as inexpensive alternative w/ close access to California
- Many users are switching from leasing to buying due to attractive financing and user-specific building requirements
- Online retailers are providing new demand for industrial space across country and in Phoenix
- Construction activity has picked up
 - 2.2mm of 3.0mm SF under construction is speculative
 - 68% of new supply past 2 years was Distribution / Warehouse

Phoenix Commercial – Hospitality

Lodging Cycle Chart (Fig. 34)



Phoenix Hospitality – ADR, RevPAR & Occupancy



Phoenix Hospitality – Key Observations

- Phoenix room supply grew 18% from 2005 to 2010
- ADR growth, RevPar growth and Occupancy all still well below averages during last upcycle (2005-2007)
 - ADR +4.2% 2014 vs. +7.9% average
 - RevPar +7.8% 2014 vs. +9.2% average
 - Occupancy 61.8% 2014 vs. 67.7% average
- Phoenix leisure/hospitality industry expected to grow more than any other industry in 2016 at +8.2%
- PKF forecasts lower-priced hotels to outperform upper-priced hotels in RevPAR growth over next 5 years