



Marcus & Millichap

D: (602) 687-6767

C: (602) 695-7100

pete.tekampe@marcusmillichap.com

BACKGROUND: PETE TEKAMPE

Marcus & Millichap

MARCH 2020

- ❖ Marcus & Millichap 24+ yrs./AMA BOD (6 yr.)
- ❖ Landiscor Housing Study/Land Development Grunt DENRO
- ❖ Bottom Up vs. Top Down (DATA → INFORMATION
→ KNOWLEDGE)
- ❖ Strategic Advisor to Principals/Lenders
- ❖ Focused on helping private investors make \$\$\$
- ❖ ACCURATE APARTMENT FORECASTS (+ or -)

2005/06 FORECAST: UP 2007: Level then DOWN

MONEY WISE

Diversification is called key when investing in real estate

REAL ESTATE
Investing in real estate can be a smart move, but it's not always as simple as it seems. Diversification is key when investing in real estate, says a financial expert. "Real estate is a great asset class, but it's not a perfect one," says John J. Mackey, CEO of eBay. "It's important to diversify your investments across different asset classes, including stocks, bonds, and real estate. This helps to reduce risk and increase your overall return." Mackey also notes that real estate can be a good long-term investment, but it's important to do your homework and understand the market before investing.

RENTS ARE RISING
Rents are rising for apartments, but landlords face new woes. As rents rise, landlords are also facing higher costs for maintenance and insurance. This can lead to a squeeze on their profit margins. Some landlords are also facing new regulations, such as rent control, which can limit their ability to raise rents. Landlords need to be proactive in managing their properties and staying on top of market trends to stay profitable.

TRUCKS ARE HOT
Trucks are hot, but financing is tough. The trucking industry is booming, but financing for new trucks is becoming more difficult. Lenders are tightening their requirements, and interest rates are rising. Trucking companies need to explore alternative financing options, such as fleet financing or leasing, to keep their fleets up to date.

STOCK BUYERS NEED TO EMPLOYERS
Stock buyers need to employ more workers. As the economy grows, companies that buy stocks need to invest in their workforce. Hiring more employees can help companies increase production and improve their bottom line. Companies should focus on training and development to ensure they have the right talent in place.

WISDOM FOR GRADUATES
Wise words to graduates for handling money, future. Graduates should be smart about their money. They should avoid high-interest debt, such as credit cards, and instead focus on saving and investing. It's also important to have an emergency fund and to diversify investments. Graduates should also consider the long-term benefits of education and professional development.

GOVERNMENT REPORTS
Government reports show a strong economy. Recent government reports indicate a strong economy with low unemployment and rising consumer confidence. This is good news for businesses and investors alike. However, it's important to watch for potential risks, such as inflation and a housing market correction.

FINANCIAL PLANNING
Financial planning is key for long-term success. Financial planning is essential for achieving long-term financial goals. It involves assessing your current financial situation, setting goals, and creating a plan to reach those goals. This may include saving for retirement, paying off debt, and investing for growth.

INVESTMENT TIPS
Investment tips for a volatile market. In a volatile market, it's important to stay calm and stick to your investment strategy. Diversification is key, and it's important to avoid making impulsive decisions based on short-term market movements. Long-term investors should focus on the overall health of the economy and the value of their investments.

MARKET OUTLOOK
Market outlook for the future. The market outlook for the future is generally positive, but there are some risks. A strong economy and low unemployment are good signs, but inflation and a housing market correction could pose challenges. Investors should stay informed and adjust their strategies as needed.

THE ARIZONA REPUBLIC

BUSINESS

WEDNESDAY, AUGUST 24, 2005
SECTION D

US Airways rallies its new crew
Updated airline visits hub cities

By Tom Ellis
US Airways' new crew members are being trained at its hub cities. The airline is investing in its workforce to ensure high-quality service for its passengers. Training includes everything from flight procedures to customer service. US Airways is committed to providing a safe and comfortable flying experience for all its customers.

FTC fines Hi-Health \$450,000 over ads
The Federal Trade Commission has fined Hi-Health \$450,000 for deceptive advertising. The fine is the result of a lawsuit filed by the FTC against Hi-Health for making false claims about its products. Hi-Health had advertised that its products could cure various ailments, but the FTC found that these claims were unsubstantiated.

Too-hot housing market good news for landlords
The hot housing market is good news for landlords. High demand for rental properties has led to higher rents and lower vacancy rates. Landlords are seeing a steady increase in their income, which is a welcome sign for many. However, landlords should also be aware of the potential for a market correction in the future.

Google launches voice, text-messaging service
Google has launched a new voice and text-messaging service. The service allows users to send and receive messages through their mobile phones. This is a convenient way to stay connected on the go. Google's service is designed to be easy to use and reliable, making it a popular choice for many users.

African-artifacts dealer wins lawsuit against Arizona Mills
An African-artifacts dealer has won a lawsuit against Arizona Mills. The dealer had sued the company for allegedly selling stolen artifacts. The court ruled in favor of the dealer, finding that the artifacts were indeed stolen. This is a significant victory for the dealer and a warning to other companies in the industry.

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KEY DATA

| | |
|---------------------|-------|
| US GDP (Q2) | 4.2% |
| Unemployment | 4.1% |
| Consumer Confidence | 88 |
| ISM Manufacturing | 52.1 |
| ISM Services | 53.5 |
| ISM Composite | 52.8 |
| ISM Orders | 10.1% |
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Business

EAST VALLEY | SCOTTSDALE TRIBUNE
SATURDAY, JANUARY 27, 2007

Valley rent should stabilize
Apartment rental changes
Market expected to remain strong

By MISTY WILLIAMS
TRIBUNE

After facing hefty rent increases the past few years, Valley apartment hunters may find a bit of relief in 2007. The rental market is expected to remain strong in the coming year, but some industry observers say landlords will offer more concessions as the market begins to normalize.

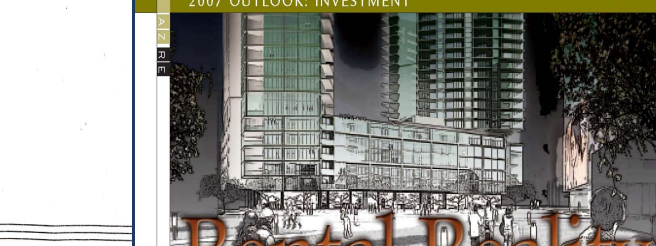
"The rate at which rents have been increasing is unsustainable," said Pete Tekampe, a senior investment associate at Marcus & Millichap and board member of the Arizona Multihousing Association.

The average Valley rent was \$751 in the third quarter 2006 — the highest the region's ever seen, Tekampe said.

A report by the national brokerage firm, which looked at more than 40 major metropolitan areas, forecasted that the average asking rent in the Valley could hit \$785 in 2007.

It also showed a steady decline in vacancy Valleywide — dropping from 8.8 percent in 2004 to a projected 4.6 percent this year.

One reason for the rental market's growth was the tremendous increase in housing prices during the boom, said Bob Kamrath, who tracks Valley apartment trends. Many people were priced out the market, he said. During the frenzy, investors also converted thousands of apartment units into condominiums.



Rental Reality

Multi-family market returns to normcity By Tom Ellis

The Phoenix apartment rental market has moved past a rebound and will settle into more normal performance for 2007. But investors should still find it attractive. With the Valley's red-hot single-family housing sector cooling off and the condominium construction frenzy over, rentals have become more attractive to those looking for a place to live.

"From an investor's standpoint, 2003 was the worst year in the last 20 years for apartment owners," says Pete Tekampe, senior investment associate with Marcus & Millichap. "Rents were flat, concessions were high and vacancies broke records." But by the end of 2005, all that had been reversed and the rebound continued into 2006.

In the third quarter of 2006, Tekampe says, rents were at a record high, averaging \$751, and vacancies were at 7.7 percent, down for the 10th straight quarter.

"Today, the vacancy rate decline ain't over or near its end," Tekampe says. "I think vacancies will level off. Concessions are on an upward trend. The rent is slowing. This means that the rental market is returning to a more normalized market." Tekampe decided to project the vacancy rate for 2007, but he believes rents are pushing the upper limits of what people can afford.

Tyler Anderson, vice chairman with CB Richard Ellis, believes the dynamics of the rental market is a little differently. He believes concessions are waning and that rents will increase about 5 percent in 2007. He expects 4,500 to 5,000 new units will be built this year because there is a higher percentage of renters today than in the recent past.

Both Anderson and Tekampe agree the metro Phoenix rental market is a good one for investors. Investors always consider job and population growth, access to transportation and the local cost of housing when deciding whether to risk their money and Tekampe is strong on that point, Tekampe says. He points to the Valley's loop freeway system and says the cost of housing in Phoenix is inexpensive compared to any other city in the West. Affordable housing attracts employees and people who fill up rental units, he says.

"The Phoenix apartment market has continued to benefit from our job and population growth and while we have had a correction in single-family, that correction has been good for the rental market," Anderson says. "Everyone's used to our market is that it is strong and that is limited development. Typically, at this time we would have three to four times the number of days in the pipeline than we

WHAT WE'LL LOOK AT TODAY

Marcus & Millichap

MARCH 2020

- ❖ EXPOSE THE TRUTH ABOUT MARKET
- ❖ EXAMINE WHAT CAUSES BUILDINGS TO MAKE OR LOSE MONEY
- ❖ LOOK AT SUBMARKET/NEIGHBORHOOD-MICRO LEVEL (NO SUNSHINE)
- ❖ IMPORTANT TO LENDERS/INVESTORS

WHY THIS IS IMPORTANT TO YOU

Marcus & Millichap

MARCH 2020

- ❖ ONE CANNOT BE TOO INFORMED
- ❖ INFORMED = PREPARED
- ❖ MAXIMIZE UNFOLDING OPPORTUNITIES
- ❖ INSULATION FROM RISK
- ❖ SOUND DECISIONS
- ❖ SOLID STRATEGIES
- ❖ PREDICTIBLE OUTCOMES

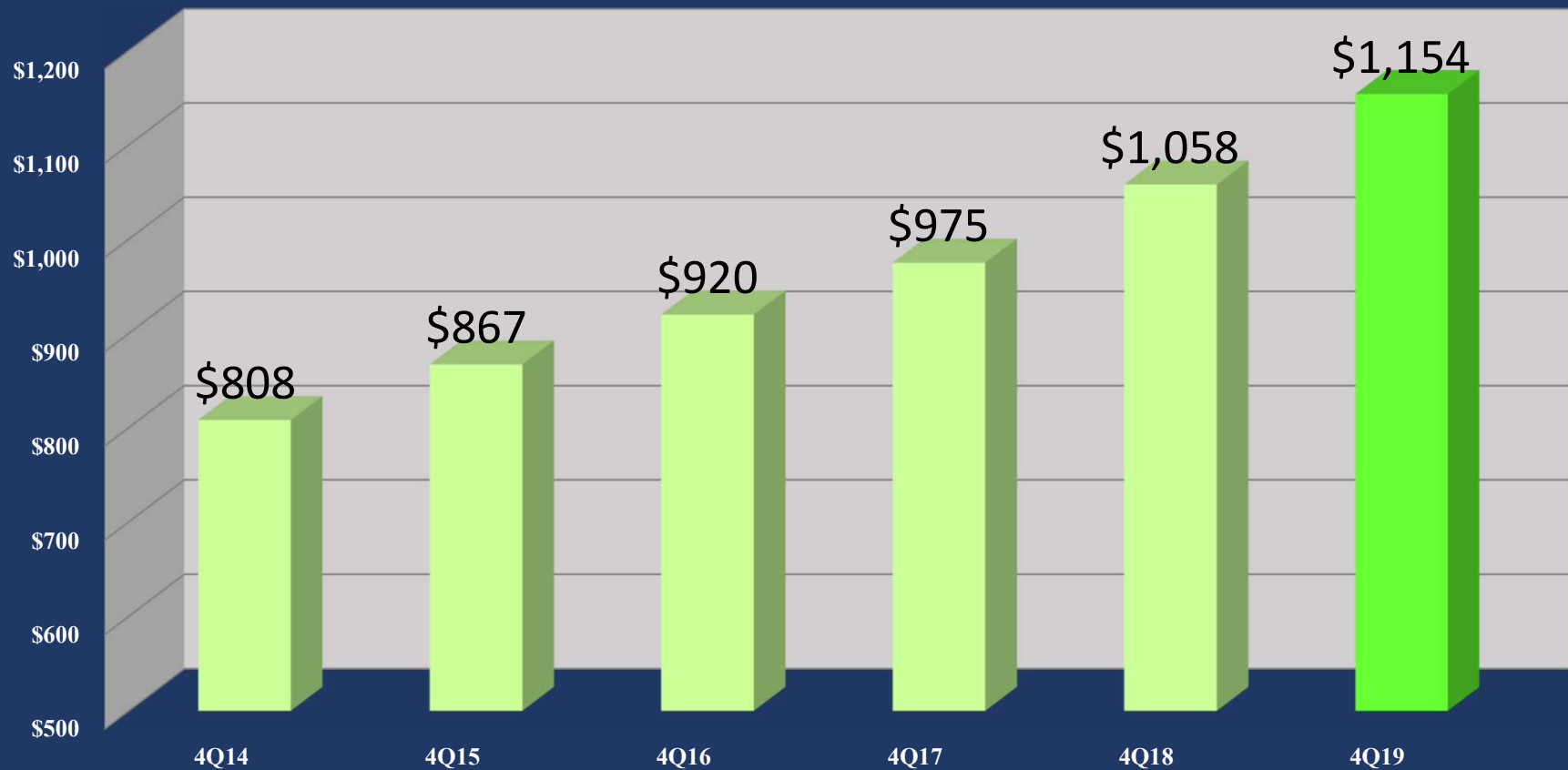
DISCUSSION POINTS

MARCH 2020

Marcus & Millichap

- ❖ RENTS
- ❖ VACANCIES
- ❖ CONCESSIONS
- ❖ NEW CONSTRUCTION
- ❖ SUBMARKET - UNIT MIX/CRIME
- ❖ NEIGHBORHOOD ANALYSIS

4Q14-4Q19: Phoenix Metro Area Asking Rent



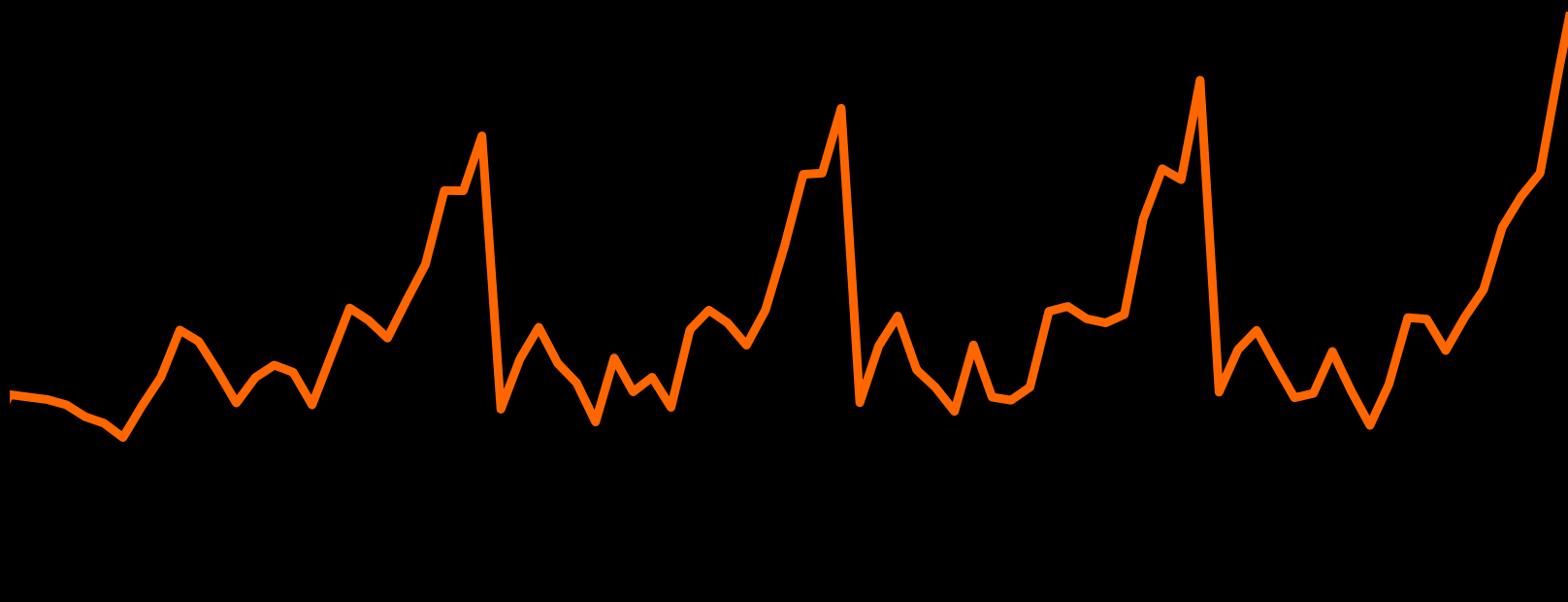
4Q19: YOY Rent Growth by Decade of Construction

YOY Rent Growth by Unit Type and Decade of Construction* 4Q18-4Q19

| Decade Built | Unit Type | | |
|--------------|-----------|-----------|---------|
| | Studio | 1 BD 1 BA | 2BD 2BA |
| 1950s | -1.3% | 2.2% | 10.7% |
| 1960s | 9.4% | 8.7% | 7.9% |
| 1970s | 7.5% | 7.9% | 6.8% |
| 1980s | 10.6% | 8.7% | 9.8% |
| 1990s | 13.4% | 8.6% | 6.9% |
| 2000s | 7.2% | 8.6% | 8.4% |
| 2010s | 7.1% | 6.6% | 6.5% |
| All Decades | 10.2% | 9.1% | 9.0% |

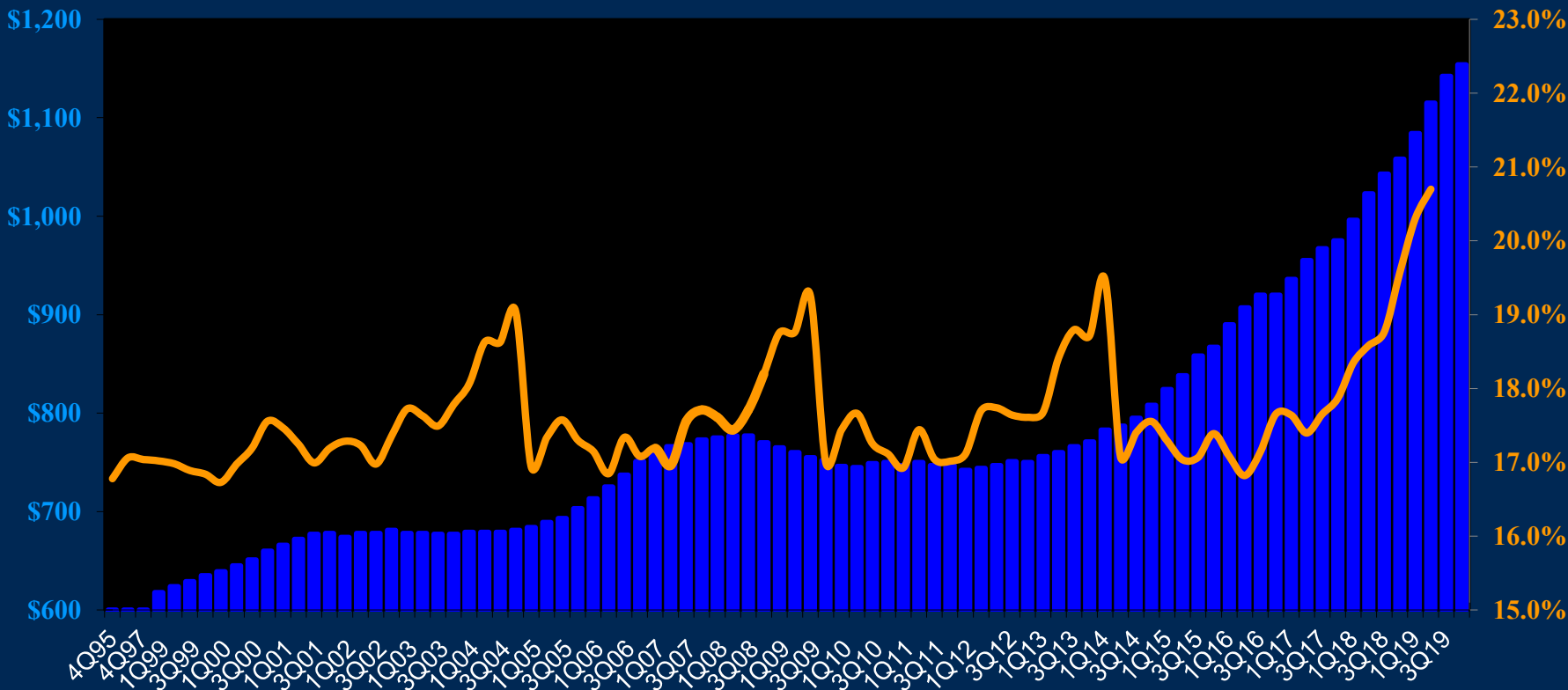
*Phoenix Metro Area Communities 50+ Units

4Q95-4Q19: %Income Spent on Rent



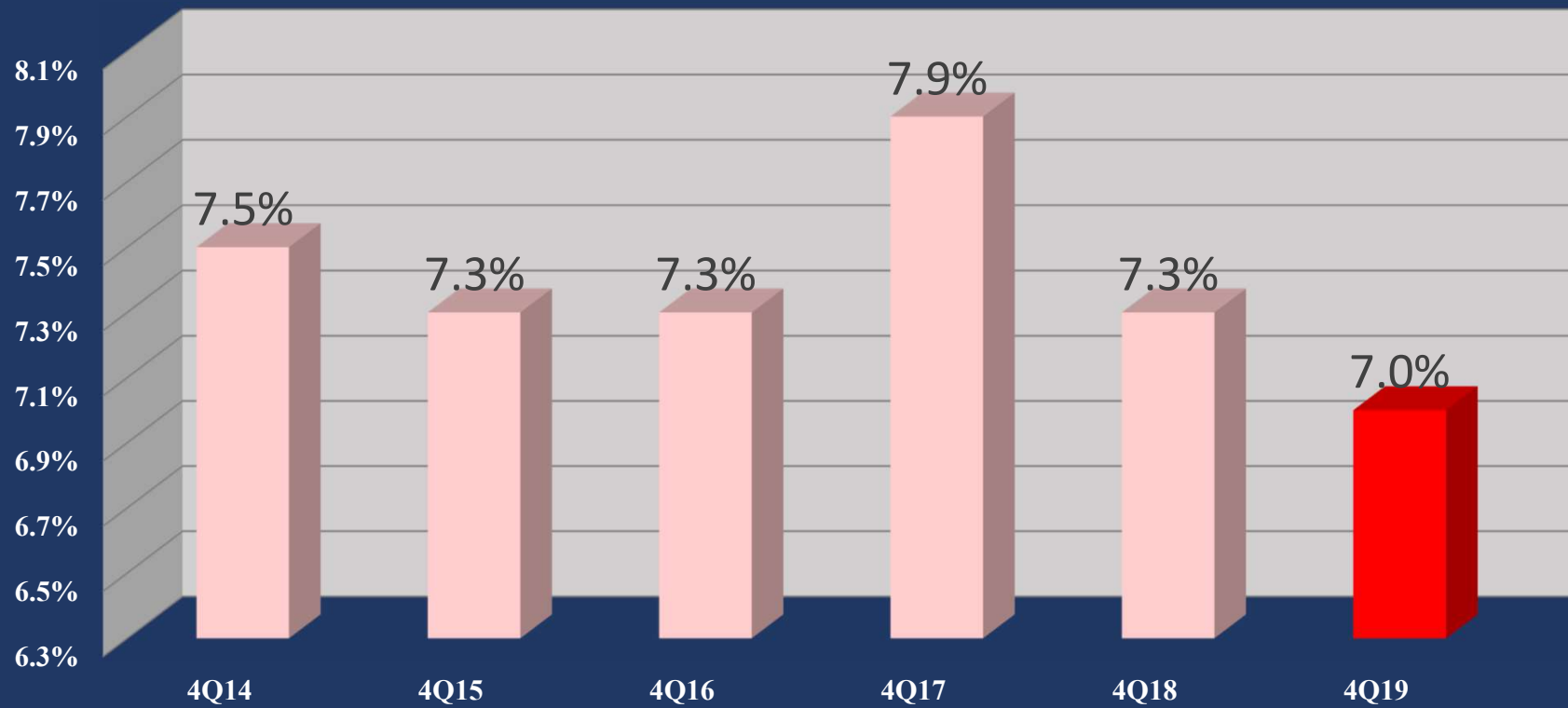
Source: Realdata Inc/Phoenix, Marcus & Millichap Research Services, RealData Inc./Phoenix, Peter E. TeKampe, P.C.

4Q95-4Q19: **RENT** vs. **MGMI %** Spent on Rent

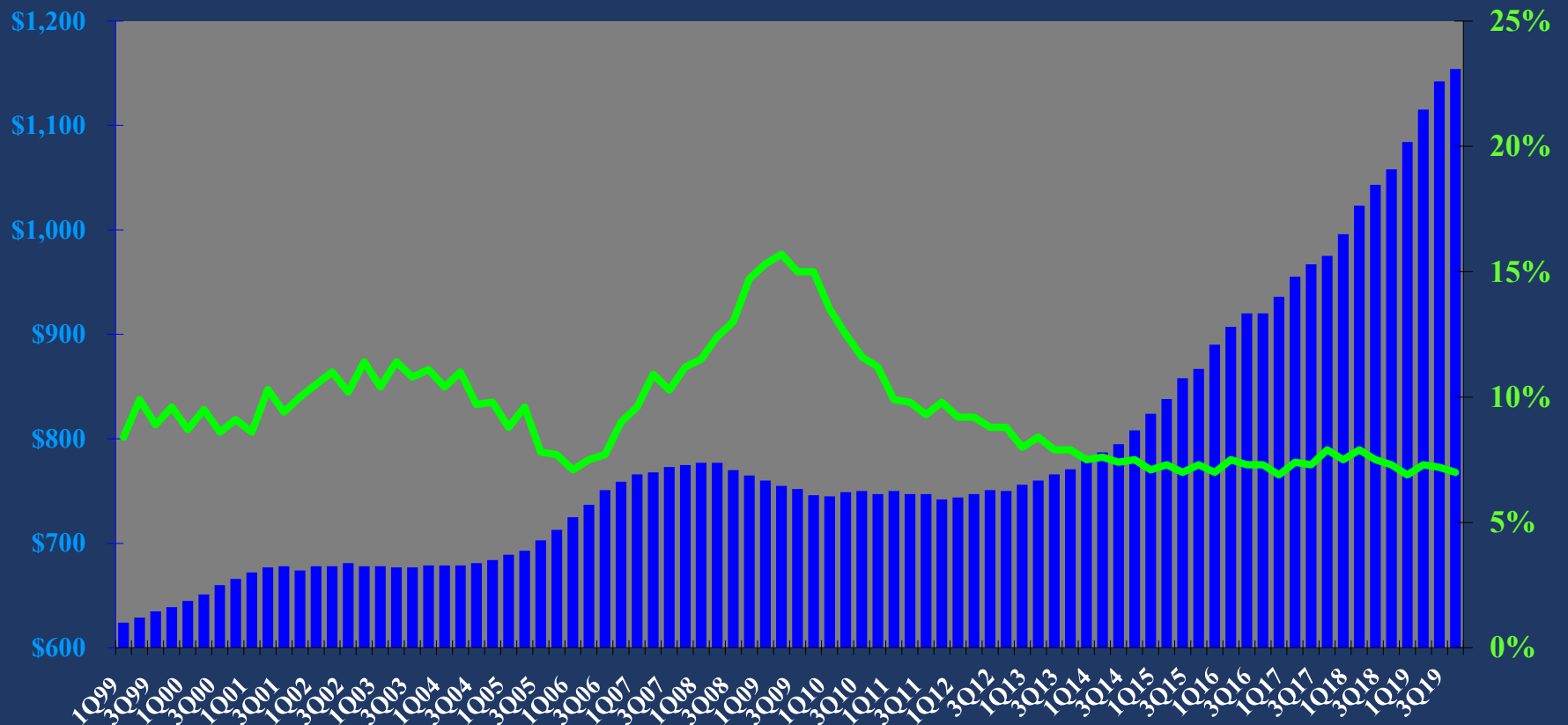


Source: Realdata Inc/Phoenix, Marcus & Millichap Research Services, RealData Inc./Phoenix, Peter E. TeKampe, P.C.

4Q14-4Q19: Phoenix Metro Area Vacancy

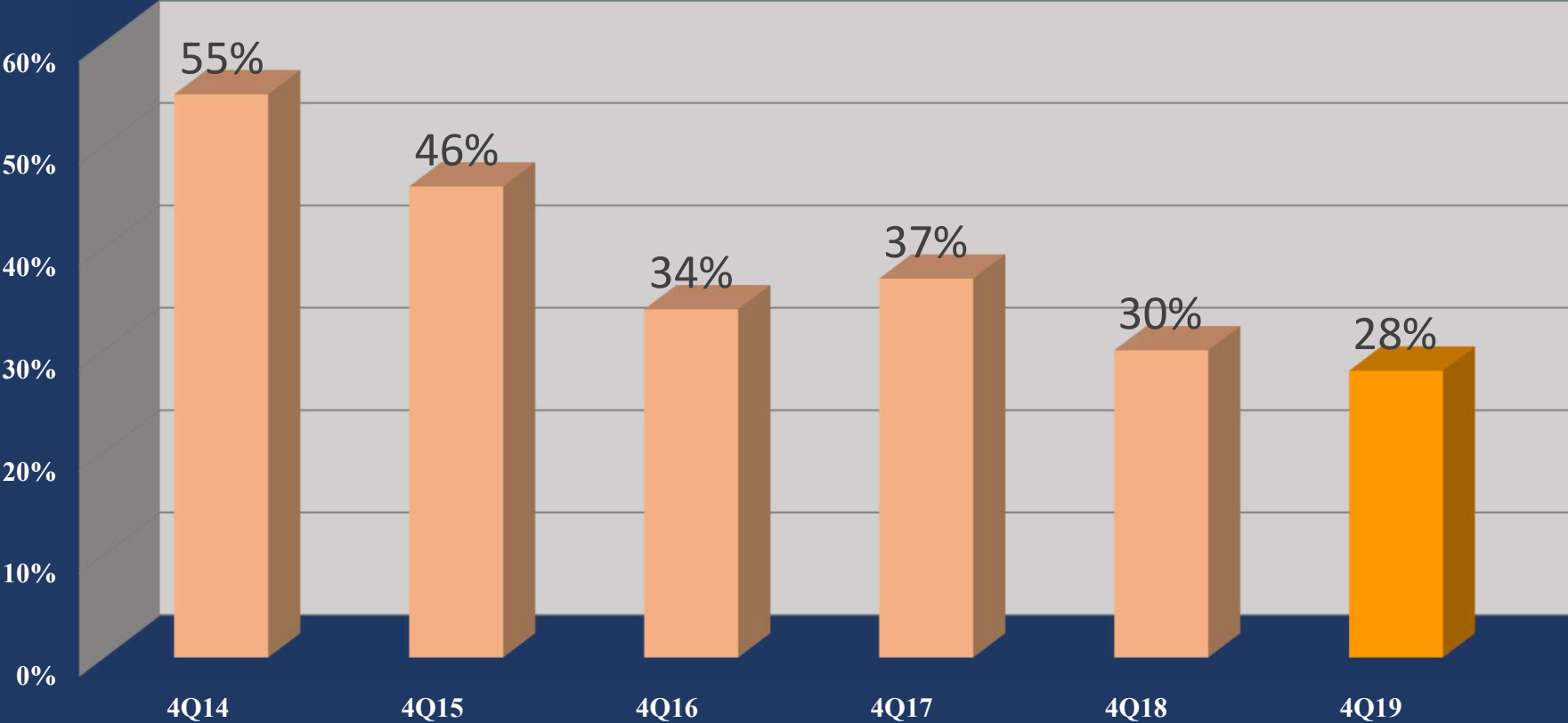


1Q99-4Q19: Rents vs. Vacancy

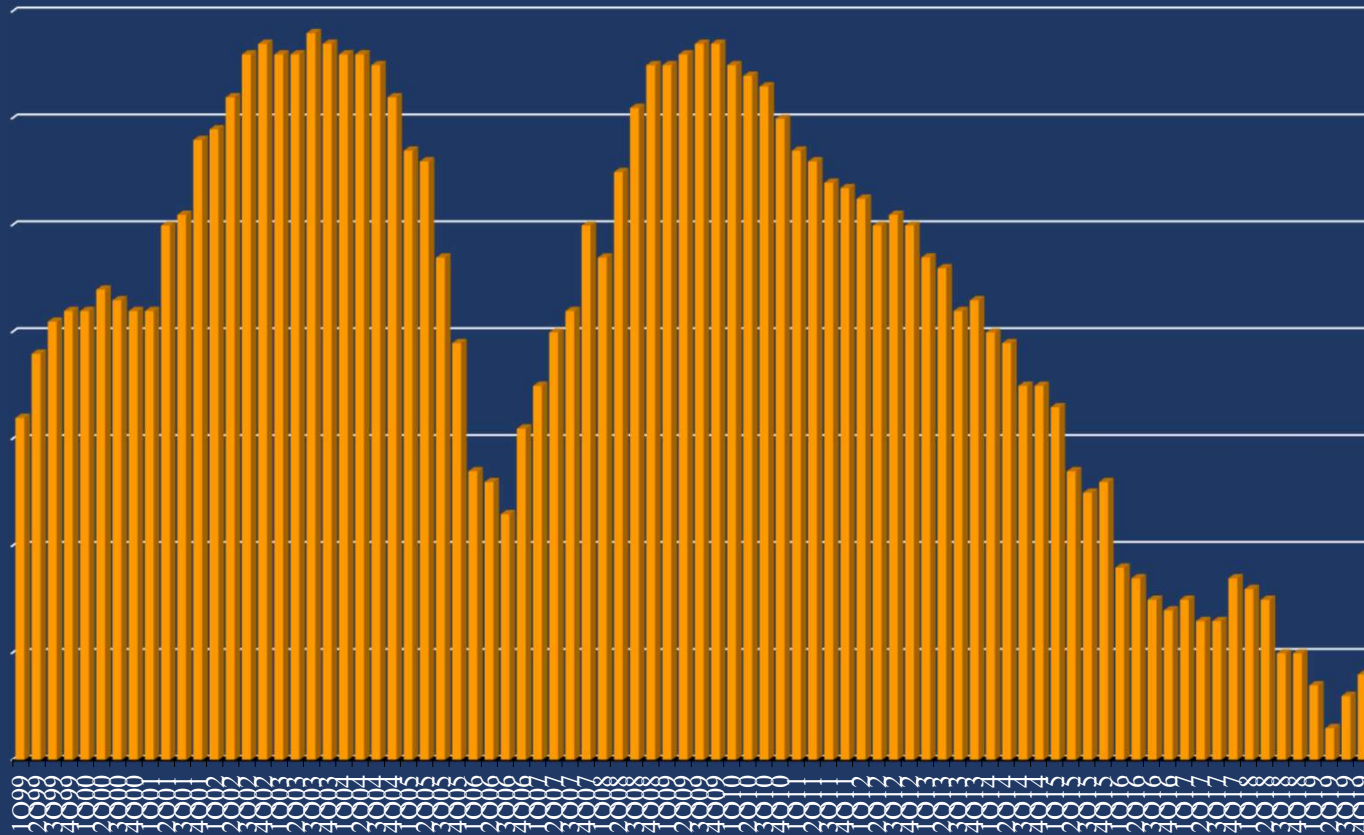


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4Q14-4Q19: Phoenix Metro Area Concession Ratio



1Q99-4Q19: Concessions



Source: RealData Inc/Phoenix, Peter E. TeKampe, P.C. Copyright © 2009 Peter E. TeKampe, P.C. All Rights Reserved

2000-2019: Number of Units Built



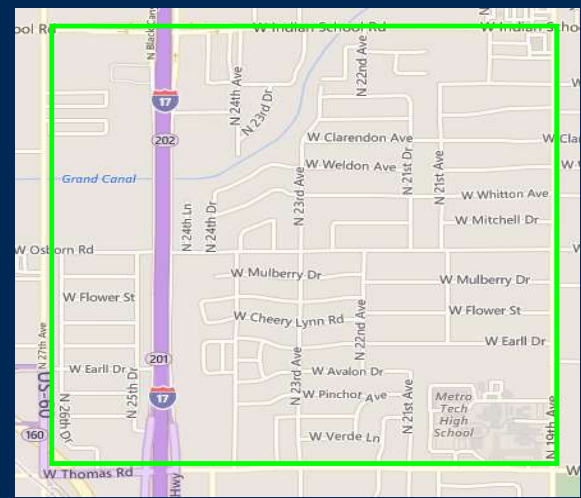
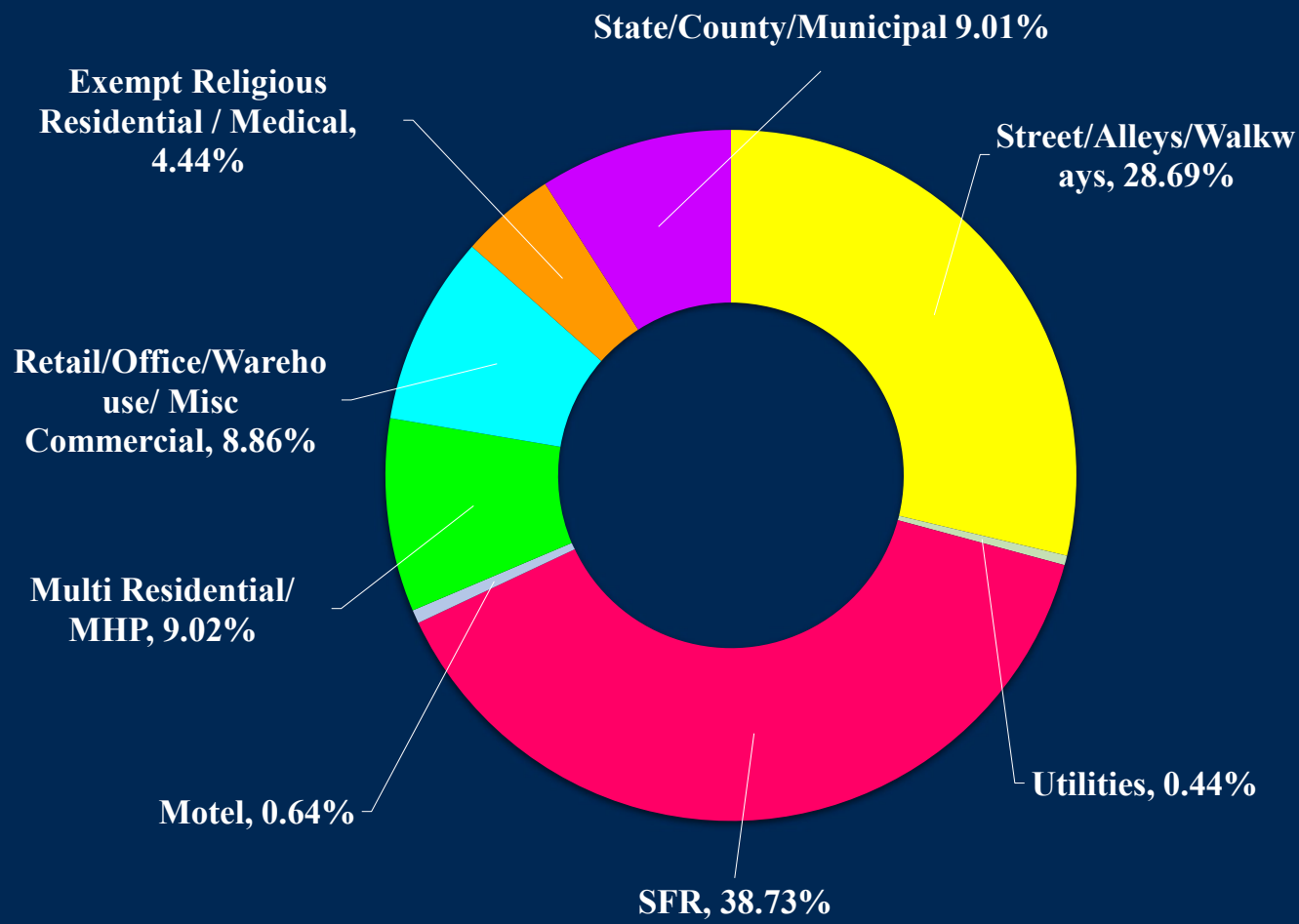
Unit Mix/Rents of 2019 Constructed Buildings

| BD x BA | # of Units | SF | \$ | \$/SF |
|---------|------------|-------|---------|--------|
| 0 x 1 | 656 | 570 | \$1,347 | \$2.36 |
| 1 x 1 | 3,763 | 741 | \$1,451 | \$1.96 |
| 1 x 1.5 | 1 | 1,200 | \$3,449 | \$2.87 |
| 1 x 2 | 8 | 1,296 | \$1,799 | \$1.39 |
| 2 x 1 | 116 | 837 | \$1,717 | \$2.05 |
| 2 x 1.5 | 1 | 1,025 | \$1,683 | \$1.64 |
| 2 x 2 | 2,956 | 1,118 | \$1,915 | \$1.71 |
| 2 x 2.5 | 7 | 1,448 | \$4,167 | \$2.80 |
| 3 x 2 | 447 | 1,361 | \$2,045 | \$1.50 |
| 3 x 2.5 | 144 | 1,643 | \$1,884 | \$1.15 |
| 3 x 3 | 62 | 1,735 | \$3,900 | \$2.25 |
| 4 x 2 | 9 | 1,936 | \$4,532 | \$2.34 |
| 4 x 3 | 32 | 1,909 | \$2,339 | \$1.23 |
| 4 x 3.5 | 53 | 2,200 | \$2,266 | \$1.03 |
| ALL | 8,255 | 937 | \$1,686 | \$1.79 |

March 2020

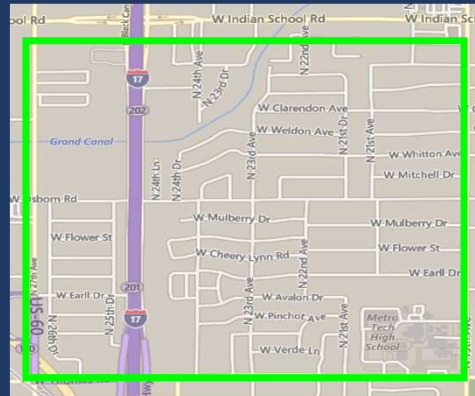
- ❖ ANATOMY OF A SUBMARKET
- ❖ TOWNSHIP /RANGE- SECTION
 - ❖ Detail level previously ignored
 - ❖ Uncovers hidden opportunity
 - ❖ Spread between owning and renting

Section 25 T2N R2E: Land Uses



Section 25 T2N R2E: YOY Rent vs. Ownership Cost

| Year | # of Sales | Avg Price | YOY %Δ | Average Price /SF | Mortgage Payment | Average Submarket Rent | Own vs. Rent Spread |
|------|------------|-----------|--------|-------------------|------------------|------------------------|---------------------|
| 2013 | 43 | \$122,887 | -- | \$84.30 | \$512.83 | \$577 | -\$64.17 |
| 2014 | 38 | \$143,721 | 17% | \$104.14 | \$599.77 | \$566 | \$33.77 |
| 2015 | 57 | \$164,859 | 15% | \$119.56 | \$687.99 | \$594 | \$93.99 |
| 2016 | 66 | \$179,671 | 9% | \$133.45 | \$749.80 | \$632 | \$117.80 |
| 2017 | 83 | \$201,168 | 12% | \$148.37 | \$839.51 | \$669 | \$170.51 |
| 2018 | 103 | \$275,965 | 37% | \$192.42 | \$1,151.65 | \$738 | \$413.65 |



LOOKING AHEAD

MARCH 2020

Marcus & Millichap

- ❖ UNCERTAIN TIMES
- ❖ ALL TIME LOW FINANCING RATES
- ❖ INFILL WORKFORCE HOUSING- INTENSE DEMAND
- ❖ Current Rent of \$1,350 is supported by income
- ❖ MGMI needs to grow to support rent rate of growth
- ❖ Nontraditional approach to finding upside opportunities
 - ❖ Crime/Evictions/Missed Rent Opportunities (Unit Mix)

The background of the slide is a photograph of a modern, multi-story residential building with a warm, terracotta-colored facade. A large palm tree is visible on the left side of the image. The building features balconies and arched windows. The sky is clear and blue.

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