

2020
VISION

Forecasting the future

Let us point you in the right direction -
There are signs everywhere if you know where to look.



MULTI-FAMILY INVESTMENTS | INSTITUTIONAL INVESTORS

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Our Knowledge is your Property



THE ALLURE OF METRO PHOENIX

Low Cost of Living (below the national average)

Job Diversification

“Who’s Who of Corporate America” (Intel, Avnet, Motorola, Honeywell)

Outdoor Lifestyle, Recreation and Entertainment

- Climate – over 325 days of sunshine a year, with an 82-degree average temperature
- Golf – over 200 golf courses. The legendary FBR Open is one of the major tournaments held in Arizona.
- Basketball – NBA Phoenix Suns and WNBA Phoenix Mercury
- Football – Super Bowl in 2008 & 1996, Fiesta Bowl, NFL Arizona Cardinals, AFL Arizona Rattlers
- Baseball – MLB Arizona Diamondbacks and Cactus League Spring Training, with over one million fans.
- Largest municipal park in the U.S.
- Numerous award-winning restaurants and an active nightlife
- Annually, more than 13.5 million people visit Phoenix and more than 30 million visit Arizona.

Educational Facilities

- Arizona State University – second largest university in the country
- ASU West Campus – expected to reach 20,000 students by 2015
- Thunderbird School of Global Management – ranked #1 in international business by the Wall Street Journal
- \$27 million Arizona Biomedical Collaborative
- SkySong – a 1.2 million-square-foot research, technology and business center between the city of Scottsdale and ASU

“Greater Phoenix has developed a diversified employment base that will sustain its growth to the year 2020.”
Brad Cooke

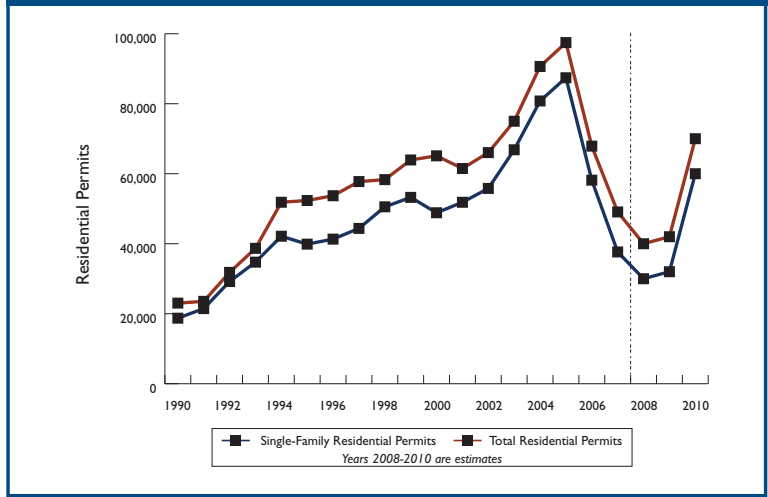
HOW TODAY’S MARKET IS SHAPING THE MARKET IN 2020

FLIGHT TO QUALITY

Market conditions have created a “flight to quality” movement steering buyers and lenders to quality assets in quality locations to lower their investment risk. This flight to quality, combined with the new lending requirements for more equity, will push cap rates higher for non-core assets. Competition for quality assets is still strong in Metro Phoenix and is expected to continue. The following factors contribute to this flight to quality movement.

- Loose underwriting and competition pushed lenders into the subprime market. This created a liquid and highly-leveraged market, which increased product demand for all classes of real estate.
- Arizona’s new immigration law, which went into effect January 1, 2008, is designed to deter businesses from hiring illegal aliens—approximately 10 percent of Arizona’s workforce. Lower quality multi-family properties will feel the greatest impact from this law.
- Builders of single-family homes and condos have oversupplied the market demand. The inventory surplus resulted in the growth of a shadow housing rental market. The University of Arizona expects the housing market to hit bottom in 2008, but also states that may be too optimistic. Until the shadow market stabilizes, investors will proceed with caution and focus on quality assets in strong locations.

▶ FIGURE I: ARIZONA RESIDENTIAL PERMITS 1990 - 2010



Source: University of Arizona, Eller School of Management

DRIVING FORCES

There are numerous driving forces that are correcting the current market and driving it forward. Metro Phoenix will continue to be a favorite among multi-family investors to the year 2020 and beyond. Some significant driving forces for investors are outlined here.

- Multi-family permits have been below 5,700 units for the last six years. The Greater Phoenix Blue Chip Economic Forecast predicts 5,606 units for 2008.
- Single-family permits have dropped from a high of approximately 90,000 in 2004 to approximately 38,000 in 2008, according to the University of Arizona.

- The Metro Phoenix population was 3.76 million in 2006, according to the Maricopa Association of Governments. By 2020, population is projected to increase by 42 percent to 5.23 million.
- Job growth has been stimulated by high-tech, aerospace, advanced business services, transportation, distribution, health care, wholesale trade, and tourism industries. These industries will keep Arizona ranked second in employment growth to the year 2030, according to Global Insight.
- Government and business leaders collaborate to create the foundation for sustainable pro-growth through a competitive tax structure, focused development incentives, soliciting corporate employers and controlled zoning and development.
- An expansive transportation system is comprised of 10 airports including Sky Harbor International (the nation's eighth busiest airport), a new 1.4 billion METRO light rail and interlocking freeway and interstates supplementing the street grid system.

MULTI-FAMILY RENTAL INVENTORY

In 2020, the consumer demand for rental units in a city that has grown by nearly 1.5 million residents will require a significant increase in the number of apartment buildings. The current inventory in Metro Phoenix apartment buildings with over 100 units is approximately 880 buildings, totaling 220,000 units. This equates to approximately one 250-unit apartment building for every 4,300 residents. The aging of the current inventory, coupled with robust population growth, will require an enormous amount of new construction to take place. To keep up with this consumer demand, 582 new apartment buildings will need to be added by 2020, equating to about 3.5 new buildings per month (Figure 3, back page).

► **FIGURE 2: ARIZONA RANKINGS IN POPULATION & EMPLOYMENT BY PERCENTAGE GROWTH - UNITED STATES**

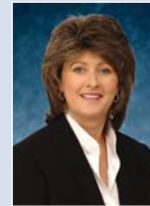
TIME FRAME	POPULATION	EMPLOYMENT
1960-1970	3rd	3rd
1970-1980	2nd	3rd
1980-1990	3rd	3rd
1990-2000	2nd	3rd
2000-2007	1st	2nd

Sources: U.S. Census Bureau, Bureau of Labor Statistics & Colliers International

BRIGHT OUTLOOK—OASIS IN THE DESERT

With all the impressive qualities Phoenix exhibits as a major metropolitan area, it is certain to be a magnet for both new residents and substantial investments in the future. Metro Phoenix has been in the top third in the nation for both population and employment growth every decade since 1960, proving the stability of the market (Figure 2). It is poised to continue as one of the top growth markets in the country for the foreseeable future. New residents and businesses are moving here with high expectations for quality of life and affordability.

Regardless of the market cycles faced by Metro Phoenix, the area will continue to thrive and grow as a place where people want to live and work. As a result, Metro Phoenix remains a hot commodity for investors and this will only gain momentum going into the next decade.



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“Historically, Metro Phoenix has always come out of hard times even more prosperous than before.”
Cindy Cooke

► (continued on back page)

► **FIGURE 3: INVENTORY CHANGE FOR 100+ UNIT APARTMENT BUILDINGS**

City	Numbers of Buildings Becoming Functionally Obsolete By 2020 ¹	Numbers of Buildings Needed to Accommodate Population Growth
Avondale	1	13
Buckeye	0	30
Carefree	0	1
Chandler	1	13
Fountain Hills	0	1
Gila Bend	0	1
Gilbert	0	25
Glendale	20	15
Goodyear	1	27
Litchfield Park	0	2
Mesa	29	39
Peoria	2	16
Phoenix	122	127
Queen Creek	0	10
Scottsdale	15	12
Surprise	0	29
Tempe	23	5
Tolleson	0	1
Wickenburg	0	1
TOTALS	214	368
BUILDINGS NEEDED BY 2020:		582

¹The average useful life for apartment buildings in Phoenix is estimated to be 35 years.

Source: Colliers International

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