

PHOENIX MULTIFAMILY MARKET OVERVIEW

Q3 | 2022



ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH +6.5%

UNEMPLOYMENT RATE 3.4%

INFLATION RATE 13.0%



MULTIFAMILY SNAPSHOT

CURRENT AVAILABLE UNITS 33,615

UNITS UNDER CONSTRUCTION 32,072

UNITS PROPOSED 27,817

MARKET CAP RATE 3.9%

AVERAGE ASKING RENT \$1,569

AVERAGE SALE PRICE/UNIT \$285,637

MARKET VACANCY 8.1%

RENTAL RATE INCREASES STABILIZING QUICKLY

In Q3 we continued to see rental rate growth returning to expected levels, posting 2% - 4% gains across most valley submarkets. The Airport Area and Scottsdale posted very small drops in price over Q3 2021. We don't see large drops on the horizon for rental rates, but we do expect to see a period of no to very little rent growth as income levels struggle to catch up with several quarters of steep housing inflation.

Quarterly deceleration in rental rate growth:

Q3 2022 2% - 4% rental growth

Q2 2022 6% - 11% rental growth

Q1 2022 16% - 19% rental growth

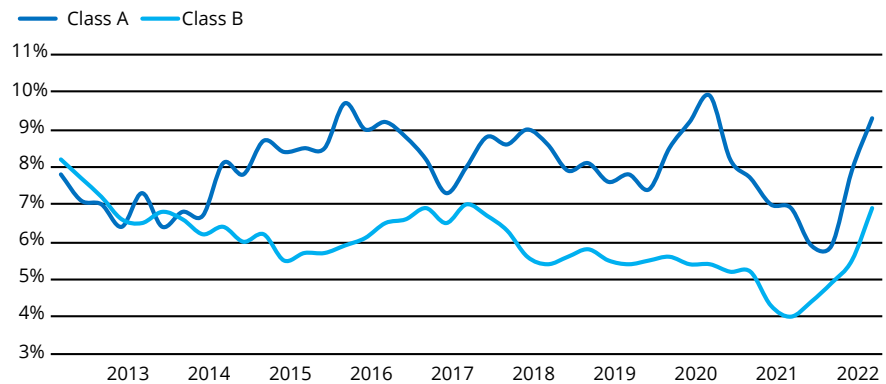
Q4 2021 18% - 21% rental growth

MULTIFAMILY MARKET TRENDLINE

	Q3 2022	Q3 2021	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.4	5.7	↓	4.9	↔
NET ABSORPTION (Thousands SF)	359	2,779	↓	2,469	↓
OVERALL VACANCY RATE	7.2%	4.8%	↑	6.1%	↑
OVERALL VACANT SF (MSF)	33,615	20,117	↑	24,827	↑
UNDER CONSTRUCTION (MSF)	32,072	31,507	↑	21,929	↔
ASKING RENT, NNN (PSF)	\$1,557	\$1,482	↑	\$1,217	↔
SALES VOLUME (Millions)	\$2,968	\$4,433	↓	\$2,405.1	↓

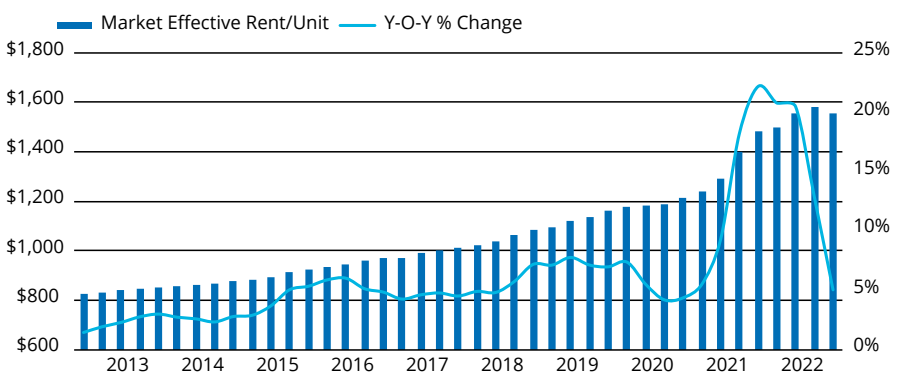
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

OVERALL VACANCY RATE



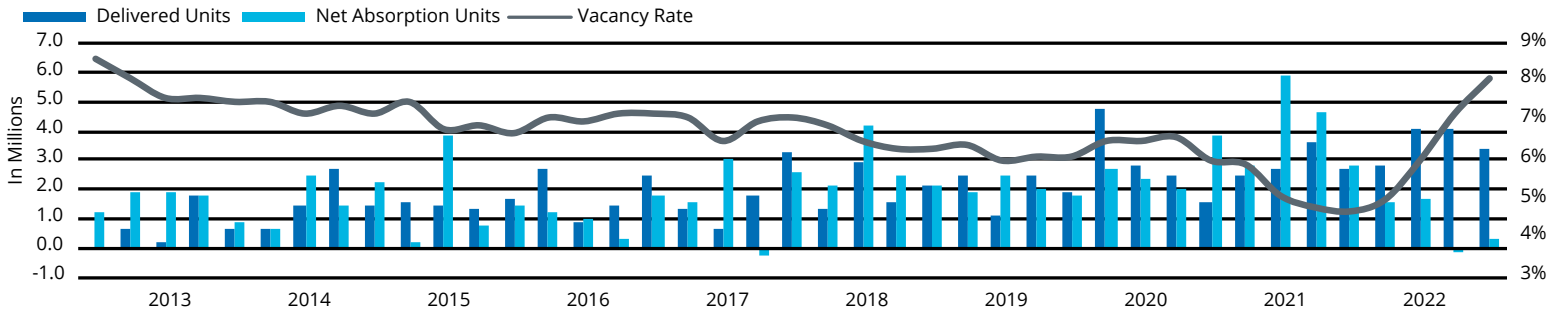
Source: CoStar, Transwestern

EFFECTIVE RENT



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

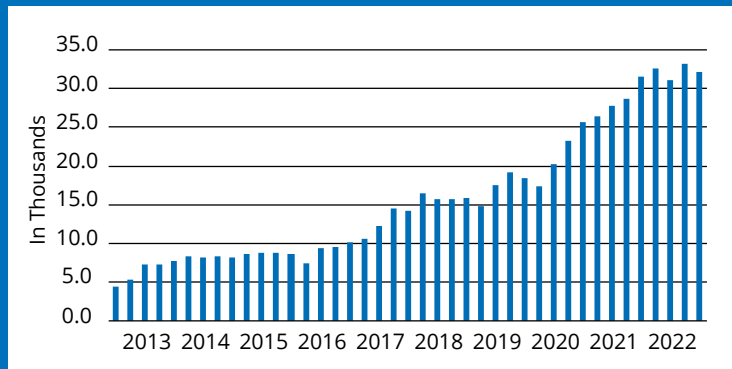
MARKET INDICATORS

All Classes of Space | Q3 2022

SUBMARKET	INVENTORY UNITS	VACANT UNITS	VACANCY RATE	UNDER CONSTRUCTION UNITS	NET ABSORPTION UNITS	Y-O-Y NET ABSORPTION UNITS	EFFECTIVE RENT PER UNIT
AIRPORT AREA	22,172	1,721	7.8%	0	48	(341)	\$1,679
DOWNTOWN/MIDTOWN	31,337	3,499	11.2%	5,310	413	1,516	\$1,513
CAMELBACK CORRIDOR	17,320	1,407	8.1%	464	54	261	\$1,565
TEMPE	26,423	1,729	6.5%	4,293	(146)	21	\$1,708
EAST VALLEY	105,026	8,406	7.3%	7,012	(163)	536	\$1,624
NORTH PHOENIX	27,311	1,928	7.1%	2,621	(200)	358	\$1,526
WEST VALLEY	68,439	6,002	9.0%	8,729	313	1,664	\$1,533
SCOTTSDALE	34,588	3,875	11.2%	1,607	633	805	\$2,066
NORTH CENTRAL PHOENIX	70,094	4,430	6.4%	1,657	(543)	(1,225)	\$1,241
TOTAL/AVERAGE	402,710	32,997	8.3%	31,693	409	399	\$1,606

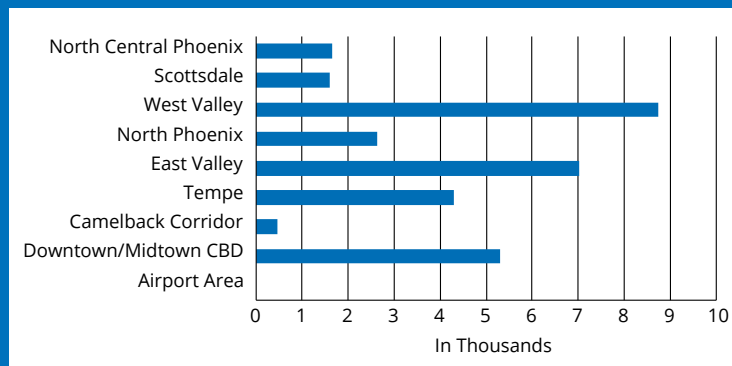
Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET

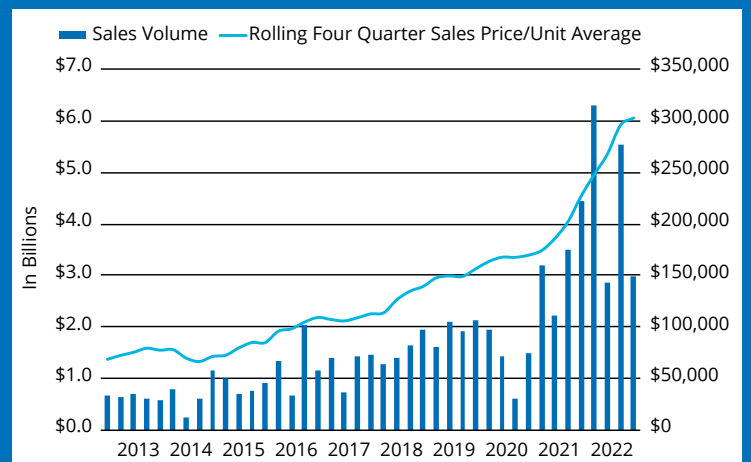


Source: CoStar, Transwestern

Multifamily Market Finding Balance

The Phoenix multifamily market has slowed compared to previous quarters, but deal volume remains above historical norms. Our sunbelt location will remain on Investor radars for the foreseeable future, but the pace of trading has begun to moderate. Our valley construction pipeline remains robust, though some starts may delay in coming months, as developers wait to see how the economy fares over the next few quarters before going all in. Demand will remain strong with a still steady in-migration pattern and homeownership now out of reach for many.

SALES VOLUME



Source: CoStar, Transwestern

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