

# PHOENIX MULTIFAMILY MARKET OVERVIEW

Q4 | 2022



## ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH +3.7%

UNEMPLOYMENT RATE 3.3%

INFLATION RATE 12.1%



## MULTIFAMILY SNAPSHOT

CURRENT AVAILABLE UNITS 35,962

UNITS UNDER CONSTRUCTION 30,371

UNITS PROPOSED 27,595

MARKET CAP RATE 3.9%

AVERAGE ASKING RENT \$1,555

AVERAGE SALE PRICE/UNIT \$291,543

MARKET VACANCY 8.9%

## RENTS DOWN, VACANCY UP

Rents continued to decline in Q4 but posted marginal Y-O-Y growth, while vacancy climbed to its highest rate since 2012. We expect to see rents start to level out as we move through 2023 and vacancy will likely see some volatility as several thousand new units are delivered to the market each quarter. However, the Phoenix area remains in the midst of a housing shortage, with home prices making home ownership unattainable for many, demand will continue for multifamily and single-family rentals.

Average rental rate growth, showing clear deceleration:

Q4 2022 1% - 3% rental growth

Q3 2022 4% - 6% rental growth

Q2 2022 12% - 14% rental growth

Q1 2022 18% - 20% rental growth

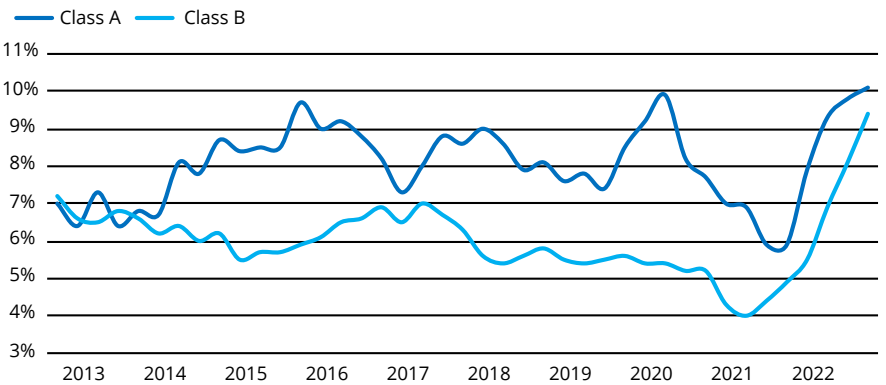
Q4 2021 18% - 20% rental growth

## MULTIFAMILY MARKET TRENDLINE

	Q4 2022	Q4 2021	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.3	3.3	↔	4.8	↔
NET ABSORPTION (Units)	1,169	1,553	↓	2,432	↓
OVERALL VACANCY RATE	8.9%	5.0%	↑	6.3%	↑
OVERALL VACANT SF (Units)	37,240	21,343	↑	25,608	↑
UNDER CONSTRUCTION (Units)	30,371	32,640	↓	23,533	↓
ASKING RENT, NNN (PSF)	\$1,538	\$1,499	↓	\$1,269	↔
SALES VOLUME (Millions)	\$2,169	\$6,288	↓	\$2,511.0	↓

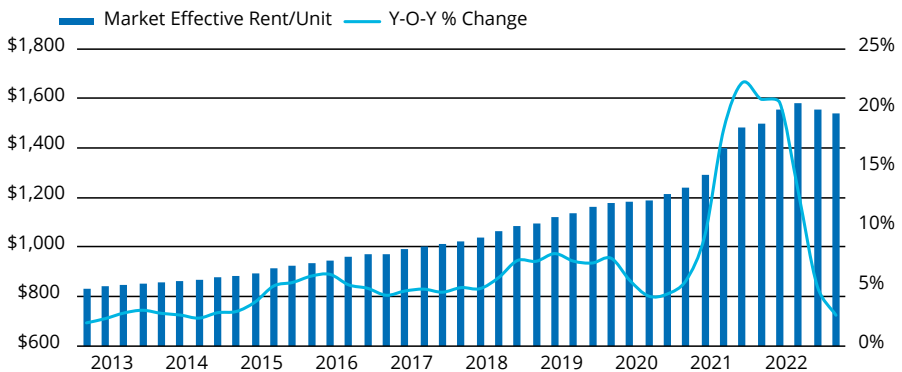
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

## OVERALL VACANCY RATE



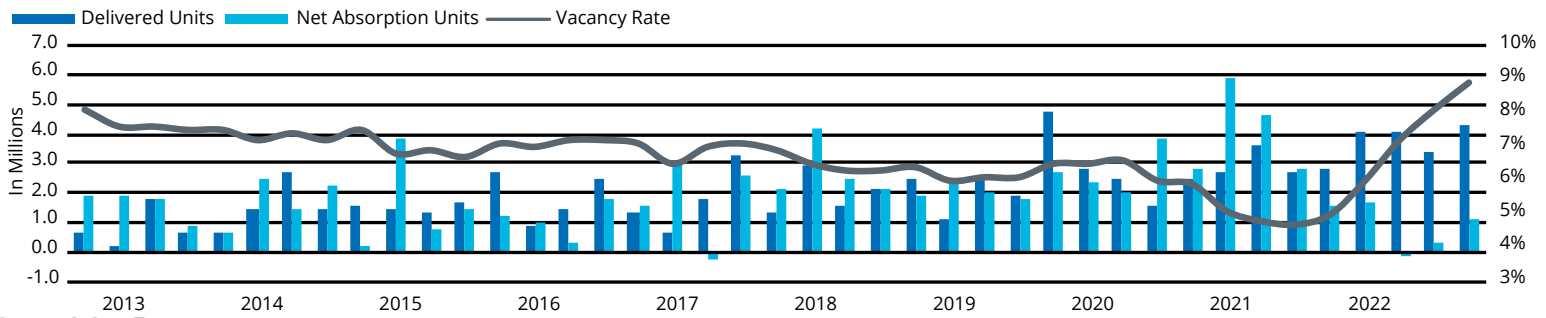
Source: CoStar, Transwestern

## EFFECTIVE RENT



Source: CoStar, Transwestern

## DELIVERY IMPACT ON KEY INDICATORS



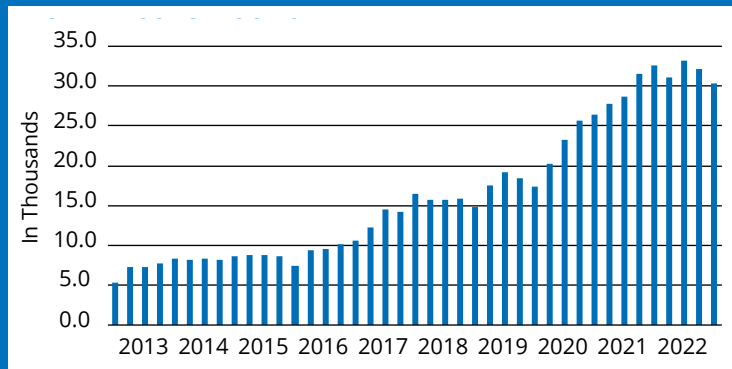
## MARKET INDICATORS

### All Classes of Space | Q4 2022

SUBMARKET	INVENTORY UNITS	VACANT UNITS	VACANCY RATE	UNDER CONSTRUCTION UNITS	NET ABSORPTION UNITS	Y-O-Y NET ABSORPTION UNITS	EFFECTIVE RENT PER UNIT	EFFECTIVE RENT PSF
AIRPORT AREA	22,179	1,802	8.0%	0	(73)	(247)	\$1,640	\$1.76
DOWNTOWN/MIDTOWN (CBD)	32,324	3,678	11.5%	4,050	692	1,926	\$1,476	\$1.93
CAMELBACK CORRIDOR	17,460	1,407	9.4%	366	(81)	(106)	\$1,515	\$1.91
TEMPE	27,329	2,120	7.8%	4,447	44	(286)	\$1,652	\$1.97
EAST VALLEY	106,253	9,799	9.2%	6,760	(138)	(204)	\$1,594	\$1.77
NORTH PHOENIX	28,273	2,471	8.7%	2,112	87	(116)	\$1,524	\$1.74
WEST VALLEY	69,582	6,969	9.0%	8,008	433	1,371	\$1,501	\$1.72
SCOTTSDALE	34,631	3,288	9.5%	2,035	640	805	\$2,086	\$2.19
NORTH CENTRAL PHOENIX	70,292	4,762	6.8%	2,056	(343)	(1,257)	\$1,228	\$1.63
<b>TOTAL/AVERAGE</b>	<b>408,323</b>	<b>36,296</b>	<b>8.9%</b>	<b>29,834</b>	<b>1,261</b>	<b>210</b>	<b>\$1,580</b>	<b>\$1.85</b>

Source: CoStar, Transwestern

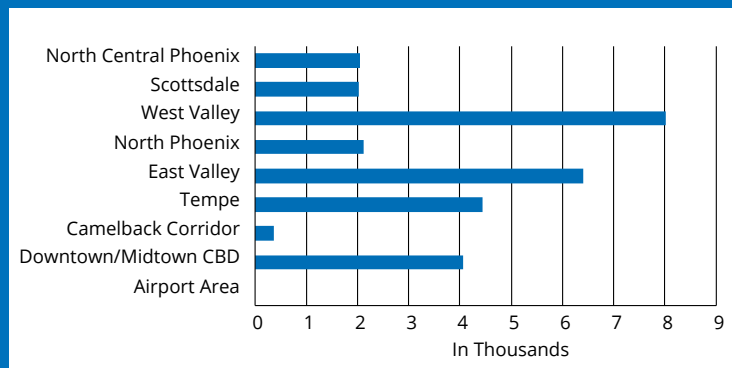
## UNDER CONSTRUCTION



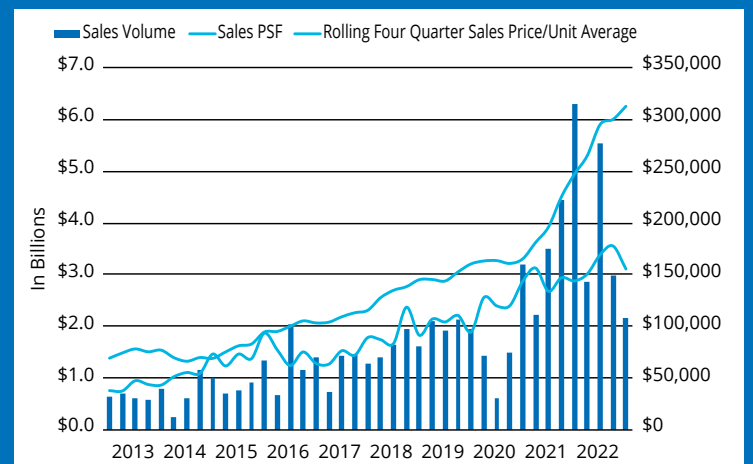
## Word of the Quarter: Stabilization

Multifamily investment slowed in Q4 as with all other asset types with activity dropping 26% from the previous quarter and 65% Y-O-Y. Don't let the numbers fool you though, the quarter still had a very strong showing compared to pre-Covid norms. In fact, the 4-quarter rolling average price per unit continued to climb to a new high of \$313K/unit in Q4, a 91% increase from the quarter immediately preceding the pandemic. Construction of new units dropped back to just over 30K, construction is heavily concentrated in the West and East Valley, followed by Downtown and Tempe.

## UNDER CONSTRUCTION BY SUBMARKET



## SALES VOLUME



JENNIFER BARILI, Senior Research Analyst | Phoenix

[jennifer.barili@transwestern.com](mailto:jennifer.barili@transwestern.com) Direct: 602.296.6372

**TRANSWESTERN** REAL ESTATE SERVICES

2501 E. Camelback Rd, Suite 1  
Phoenix, AZ 85016