

PHOENIX MULTIFAMILY MARKET OVERVIEW

Q1 | 2023



ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH	4.9%
UNEMPLOYMENT RATE	3.1%
INFLATION RATE	8.5%



MULTIFAMILY SNAPSHOT

CURRENT AVAILABLE UNITS	37,136
UNITS UNDER CONSTRUCTION	37,732
UNITS PROPOSED	27,595
MARKET CAP RATE	5.0%
AVERAGE ASKING RENT	\$1,545
AVERAGE SALE PRICE/UNIT	\$257,125
MARKET VACANCY	9.0%

RENT GROWTH SLOWING

Rents are still growing but not at the same pace as at the height of the residential fervor of 2021 and 2022, instead favoring a more measured growth pace. Regardless, Phoenix is still among markets leading the nation in multifamily rental growth. Vacancy is rising steadily at 9%, but when accounting for the nearly 18K multifamily units that were added to the market over the past year, it illuminates the depth of the housing shortage in Phoenix. We expect rental growth to remain subdued through the end of the year before posting higher growth numbers starting in 2024.

Average rental rate growth, showing clear deceleration:

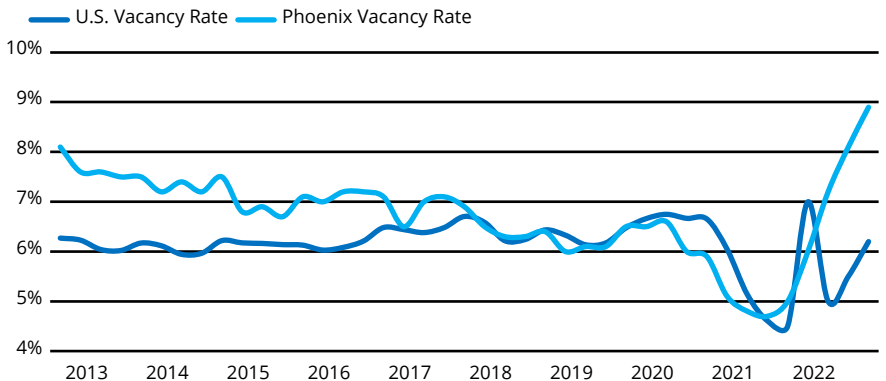
Q1 2023	-2.1%	Q2 2022	9.4%
Q4 2022	-0.7%	Q1 2022	17.2%
Q3 2022	2.7%	Q4 2021	19.8%

MULTIFAMILY MARKET TRENDLINE

	Q1 2023	Q1 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.1	3.0	↑	4.6	↔
NET ABSORPTION (Units)	3,807	1,674	↑	2,509	↑
OVERALL VACANCY RATE	8.9%	6.0%	↑	6.4%	↔
OVERALL VACANT SF (Units)	36,959	24,272	↑	26,089	↔
UNDER CONSTRUCTION (Units)	37,732	31,089	↑	24,535	↔
ASKING RENT, NNN (PSF)	\$1,544	\$1,558	↓	\$1,294	↔
SALES VOLUME (Millions)	\$772	\$2,978	↓	\$2,503.7	↓

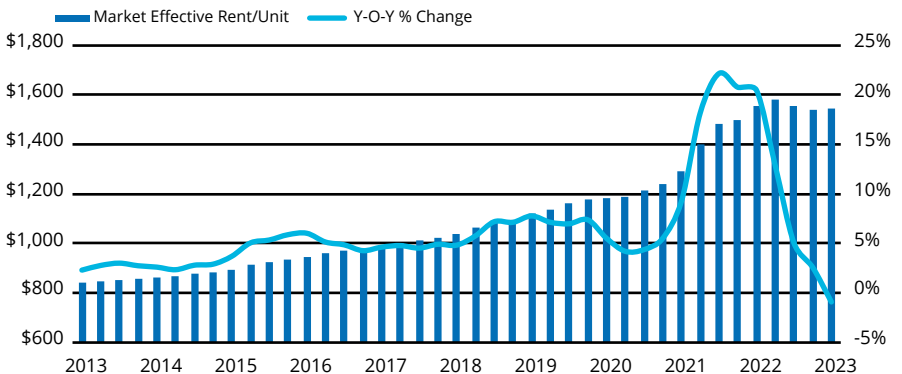
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

OVERALL VACANCY RATE



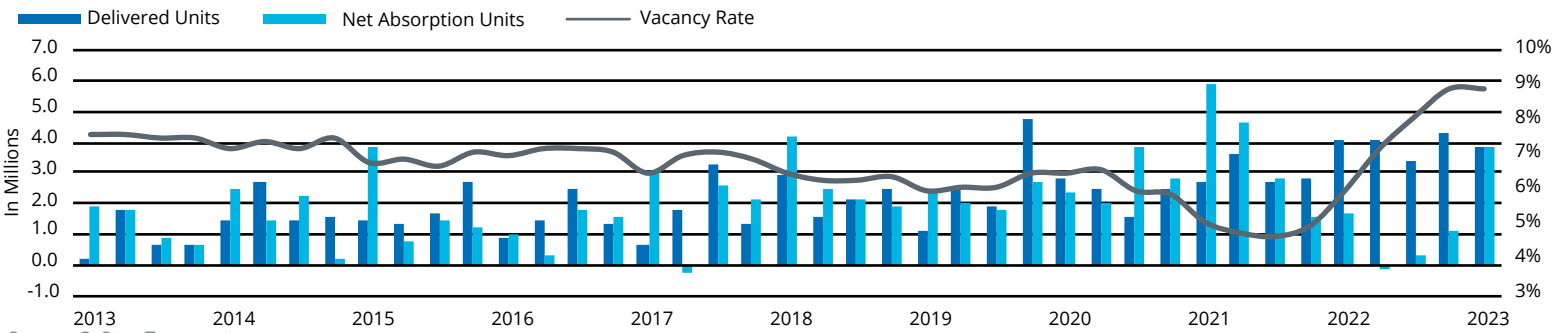
Source: CoStar, Transwestern

EFFECTIVE RENT



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



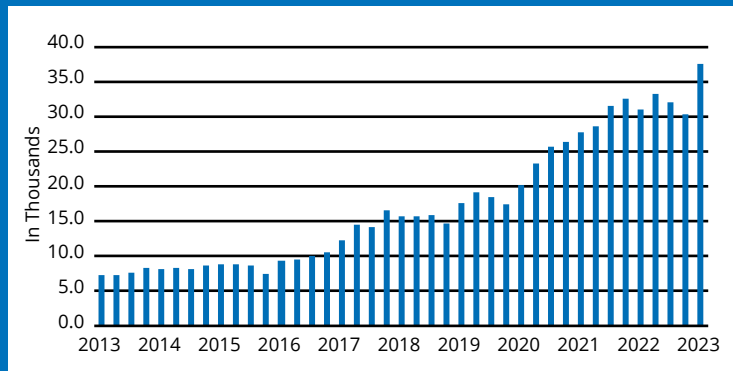
MARKET INDICATORS

All Classes of Space | Q1 2023

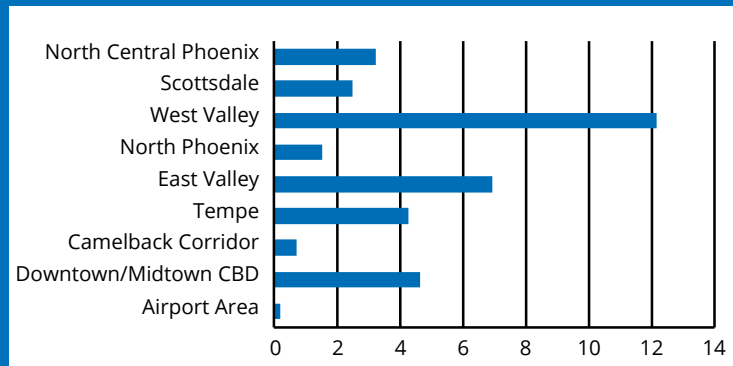
SUBMARKET	INVENTORY UNITS	VACANT UNITS	VACANCY RATE	UNDER CONSTRUCTION UNITS	NET ABSORPTION UNITS	Y-O-Y NET ABSORPTION UNITS	EFFECTIVE RENT PER UNIT	EFFECTIVE RENT PSF
AIRPORT AREA	21,797	1,430	6.6%	193	149	20	\$1,620	\$1.73
DOWNTOWN/MIDTOWN (CBD)	32,840	3,662	11.2%	4,663	652	1,879	\$1,527	\$1.98
CAMELBACK CORRIDOR	17,472	1,665	9.5%	726	78	(76)	\$1,558	\$1.91
TEMPE	27,077	2,082	7.7%	4,275	30	(68)	\$1,665	\$1.97
EAST VALLEY	107,156	9,574	8.9%	6,942	1,058	750	\$1,570	\$1.75
NORTH PHOENIX	29,630	2,744	9.3%	1,552	566	668	\$1,543	\$1.76
WEST VALLEY	70,858	7,322	10.6%	12,149	1,077	2,348	\$1,503	\$1.72
SCOTTSDALE	34,502	3,283	9.5%	2,481	251	1,390	\$2,087	\$2.18
NORTH CENTRAL PHOENIX	70,336	4,719	6.8%	3,221	(131)	(1,120)	\$1,237	\$1.64
TOTAL/AVERAGE	411,668	36,481	8.9%	36,202	3,730	643	\$1,590	\$1.85

Source: CoStar, Transwestern

UNDER CONSTRUCTION



UNDER CONSTRUCTION BY SUBMARKET

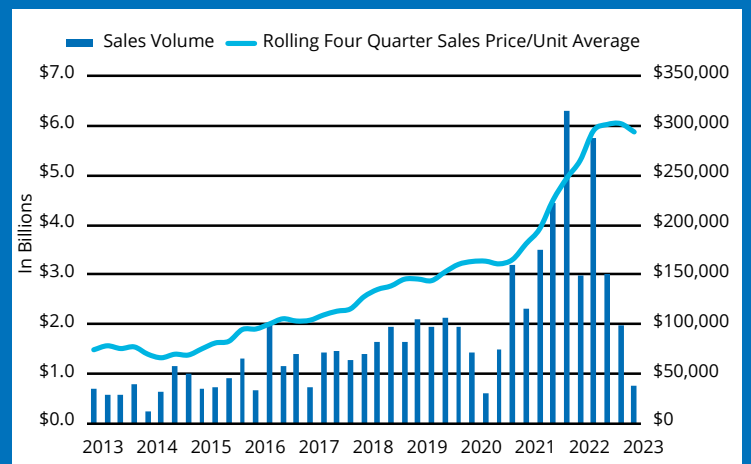


Source: CoStar, Transwestern

Demand Imbalance

Multifamily demand has slowed for the moment, long term we see demand regaining its traction as many Phoenicians have been priced out of the home ownership market over the past 2-years. Demand remains most robust in the West and East Valleys where rents are most affordable, followed by Tempe and Downtown where rents are still increasing marginally. Investment transaction in Phoenix ranked #4 nationally for the year ending Q1 2023, but overall volume decreased by nearly half. Cap rates continue to compress and remained below the national average in Phoenix.

SALES VOLUME



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