

# PHOENIX MULTIFAMILY MARKET OVERVIEW

Q2 | 2023



## ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH	5.5%
UNEMPLOYMENT RATE	3.0%
INFLATION RATE	7.4%



## MULTIFAMILY SNAPSHOT

CURRENT AVAILABLE UNITS	39,598
UNITS UNDER CONSTRUCTION	37,532
UNITS PROPOSED	45,951
MARKET CAP RATE	4.2%
AVERAGE ASKING RENT	\$1,570
AVERAGE SALE PRICE/UNIT	\$278,000
MARKET VACANCY	9.3%

# PHOENIX MULTIFAMILY MARKET CONTINUES PREVIOUS TRENDS

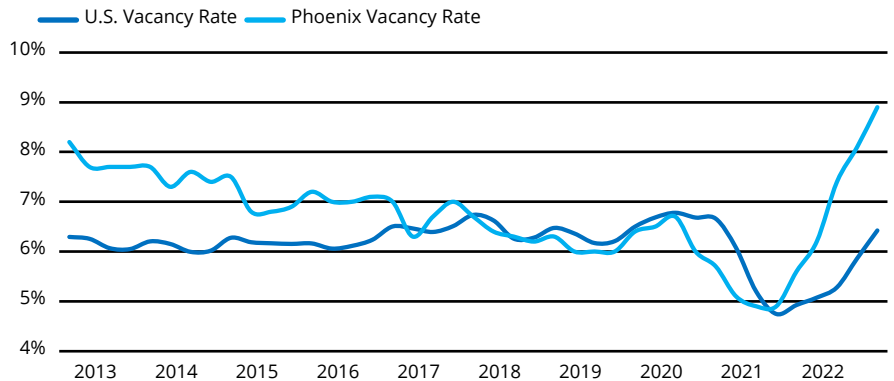
Vacancy rates and total vacant units continued their trend from the previous two years by steadily growing to 9.3% and 39,598 units, respectively. Meanwhile, Y-O-Y % change in asking rents continue their trend from the previous two quarters by dipping slightly. This is a sharp change from what the Phoenix market experienced in the last couple of years, as several quarters saw Y-O-Y % change in asking rents reach double digits peaking as high as 20.2% in Q3 of 2021.

## MULTIFAMILY MARKET TRENDLINE

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.0	3.1	↓	4.6	↔
NET ABSORPTION (Units)	2,858	(529)	↑	2,274	↑
OVERALL VACANCY RATE	9.3%	7.4%	↑	6.5%	↑
OVERALL VACANT SF (Units)	39,410	30,228	↑	25,711	↑
UNDER CONSTRUCTION (Units)	37,532	36,711	↑	26,615	↔
ASKING RENT, NNN (PSF)	\$1,548	\$1,594	↓	\$1,363	↔
SALES VOLUME (Millions)	\$680	\$5,755	↓	\$2,483.5	↓

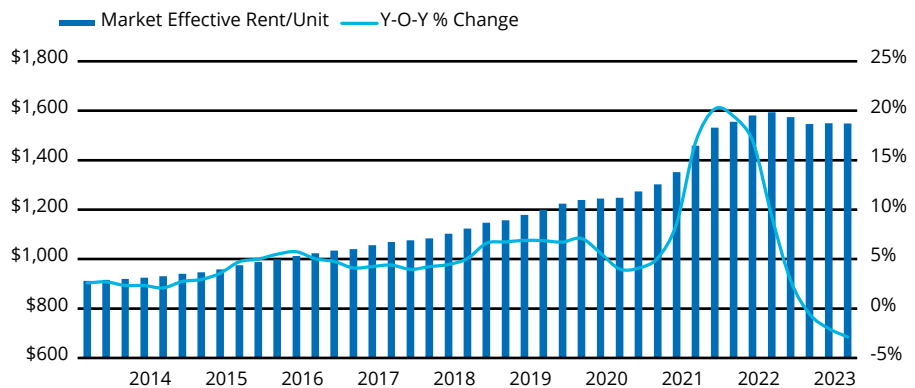
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

## OVERALL VACANCY RATE



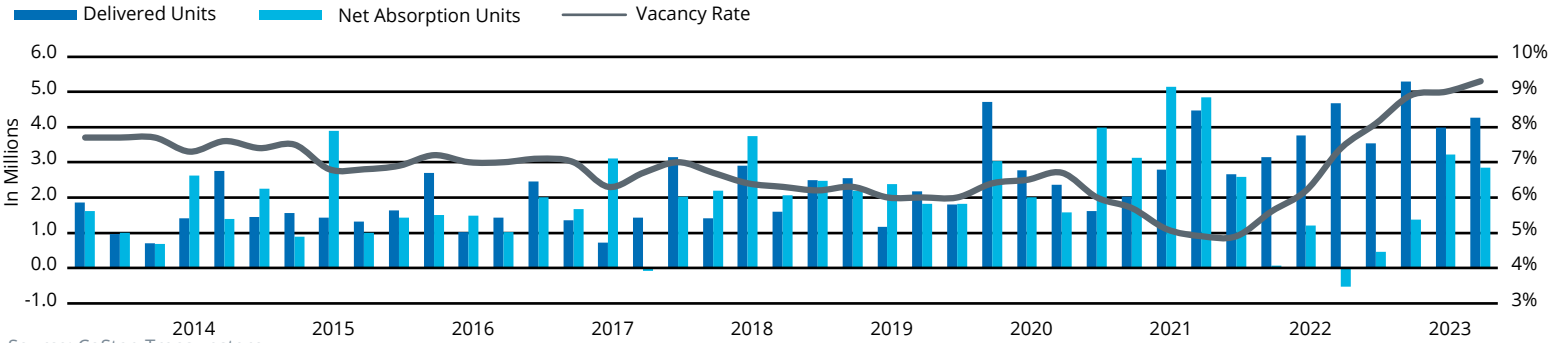
Source: CoStar, Transwestern

## EFFECTIVE RENT



Source: CoStar, Transwestern

## DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

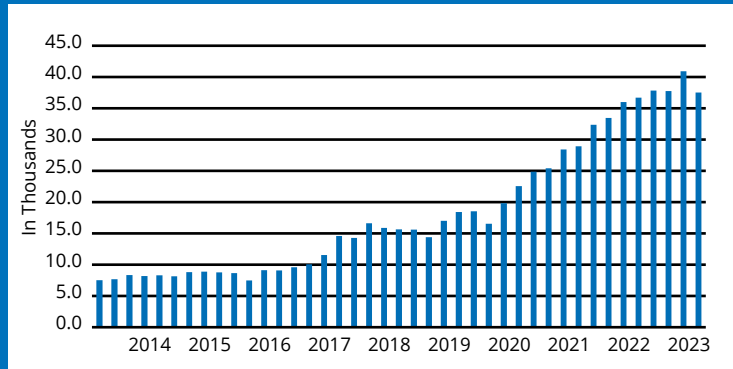
## MARKET INDICATORS

### All Classes of Space | Q2 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	21,877	1,486	6.8%	113	36	157	\$1,620	\$1.76
DOWNTOWN/MIDTOWN (CBD)	32,934	3,560	10.9%	4,042	329	1,813	\$1,533	\$1.98
CAMELBACK CORRIDOR	17,332	1,349	7.8%	736	59	170	\$1,524	\$1.91
TEMPE	27,381	2,412	8.8%	5,030	3	631	\$1,680	\$2.00
EAST VALLEY	108,400	10,190	9.4%	8,265	784	1,714	\$1,579	\$1.76
NORTH PHOENIX	30,078	2,665	8.9%	1,333	245	1,116	\$1,530	\$1.74
WEST VALLEY	72,248	8,418	11.7%	12,340	940	2,640	\$1,510	\$1.71
SCOTTSDALE	34,611	3,338	9.6%	2,664	453	1,469	\$2,085	\$2.17
NORTH CENTRAL PHOENIX	70,648	4,342	6.1%	3,009	(193)	(917)	\$1,230	\$1.64
<b>TOTAL/AVERAGE</b>	<b>415,509</b>	<b>37,760</b>	<b>9.1%</b>	<b>37,532</b>	<b>2,656</b>	<b>977</b>	<b>\$1,588</b>	<b>\$1.85</b>

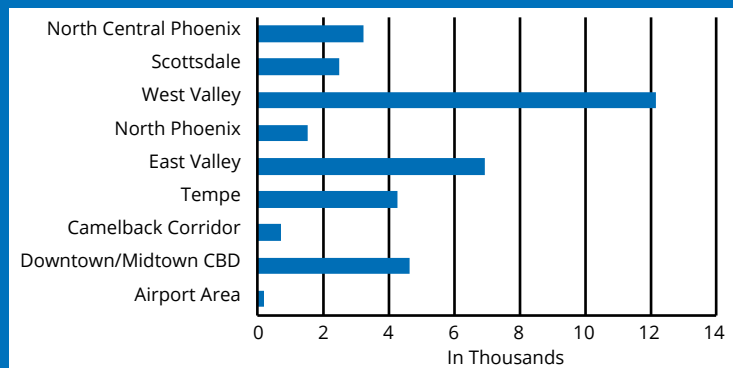
Source: CoStar, Transwestern

## UNDER CONSTRUCTION



Source: CoStar, Transwestern

## UNDER CONSTRUCTION BY SUBMARKET

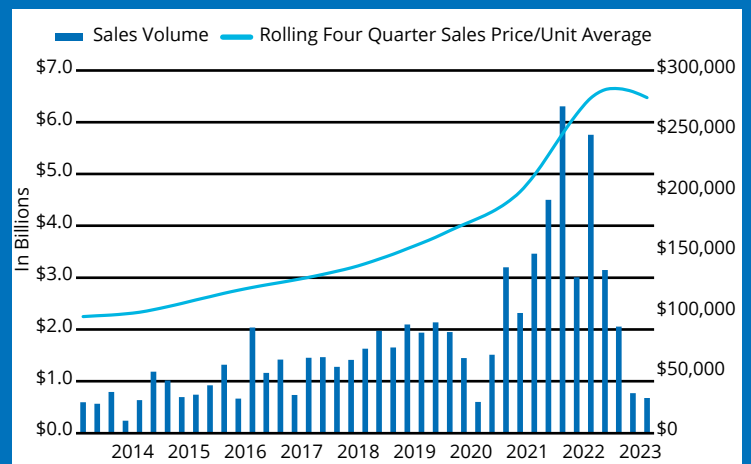


Source: CoStar, Transwestern

## Finally Reaching a Nexus in the Market?

There are several factors slowing rent growth, but at the top of the pile is the attempt to re-balance runaway inflation by rising interest rates, as it has placed significant pressure on tenants and owners alike. The Phoenix market seems to be reaching a balancing point between available units and the growing housing demand from surging population growth during COVID. The market delivered 4,274 units this quarter with 37,532 currently under construction. If units continue to deliver at this pace, it is likely that we will return to more normal incremental rental rate increases along with a more stable vacancy pattern.

## SALES VOLUME



Source: CoStar, Transwestern

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