MARKETBEAT

PHOENIX

Multifamily Q1 2021

CUSHMAN & WAKEFIELD

	YoY Chg
4.3% Vacancy Rate	▼
3.1K Net Absorption, units	▲
$1,322 Average Rent, PSF	▲

All statistics are based on properties containing 100+ units. Source: Yardi Matrix.

ECONOMIC INDICATORS Q1 2021

	YoY Chg
2.1M Phoenix Employment	▼
6.4% Phoenix Unemployment Rate	▲
6.0% U.S. Unemployment Rate	▲

Q1 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA), United States Census Bureau.

ECONOMY: Recovery Underway

In Q1 2021, the Phoenix market recorded an employment level of 2.1 million jobs. The unemployment rate increased from 4.4% in Q1 2020 to 6.4% in Q1 2021, but a strong improvement from the 7.5% unemployment rate in Q4 2020. In Phoenix, multifamily rents have climbed 11.8% over the past 12 months, placing Phoenix second only to the Inland Empire for rent growth in the nation among large markets.

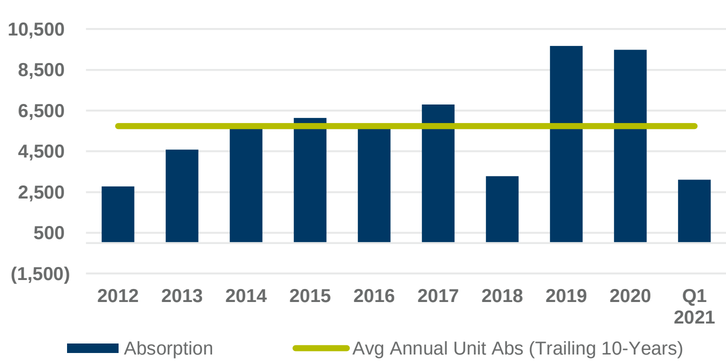
SUPPLY: Construction Continues While Vacancy Remains Low

The Metro Phoenix multifamily market finished Q1 2021 with persistent rental demand despite the pandemic. The market has absorbed over 3,107 units YTD, already 84% of the average annual absorption (3,698 units) since 2000. In Q1 2021, the Mesa/Gilbert (923 units), Central Phoenix (531 units), Glendale/West Valley (475 units), and Northeast Valley (448 units) submarkets recorded the largest net gains in positive absorption. Vacancy decreased 60 basis points (bps) from the first quarter of 2020 (4.9%) to the first quarter of 2021 (4.3%). The Northwest Valley submarket vacancy rate declined from 4.7% in the first quarter of 2020 to 3.6% in the first quarter of 2021, making its 110 bps drop in vacancy the largest decrease. Multifamily development continues to grow in the Metro Phoenix market with 2,997 units completed across 17 properties YTD. The completions were located across the entire market, with the highest concentration of units delivered in the submarkets of the Western Suburbs (630 units), Superstition Springs (480 units), and North Tempe (430 units). These submarkets are highly active due to the availability of new construction, as well as the location of Arizona State University. Across the market there are currently over 29,000 units that are under construction. Central Phoenix (5,674 units), Glendale/West Valley (5,291 units), and Chandler/Queen Creek (4,402 units) submarkets contain the most units under construction. In addition to this there are also 24,000 units planned for development in the Phoenix market.

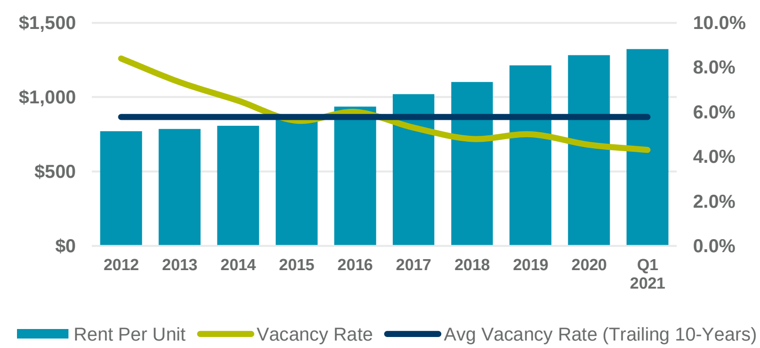
PRICING: Quarterly Rise & Year-over-Year Rise

Asking rent growth increased in the first quarter across all submarkets. Average asking rates increased from $1,230 per unit in the first quarter of 2020 to $1,322 per unit in the first quarter of 2021, a 7.5% increase. The Glendale/West Valley ($1,235 per unit) and Ahwatukee ($1,349 per unit) submarkets saw the largest YoY asking rate increases of 11.9% and 10.4% respectively. The Central Phoenix submarket (3.8%) saw the lowest YoY rental rate increase, growing from $1,351 in the first quarter of 2020 to $1,402 in the first quarter of 2021. Regarding concessions, high demand in the greater Phoenix market has made them low to moderate with the exception of Sky Harbor and North Tempe because of their relation to Arizona State University.

OVERALL ABSORPTION



OVERALL VACANCY & ASKING RENT



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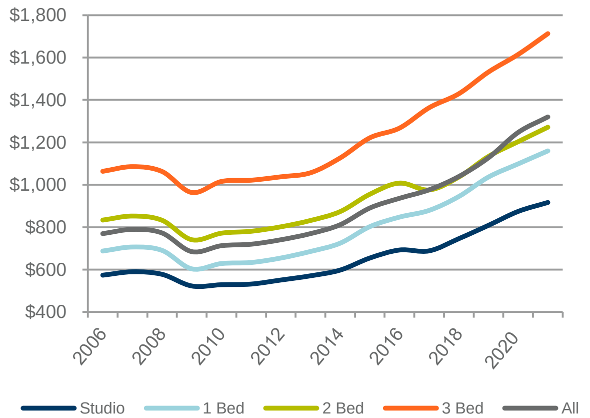
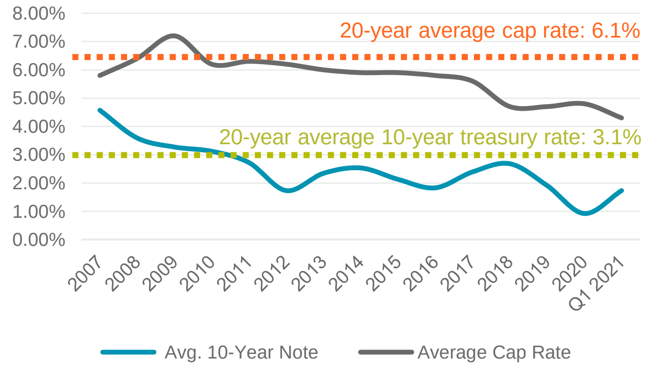
AVERAGE PRICE PER UNIT HISTORY (1)

STUDIO UNITS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 103.3% SINCE 2000



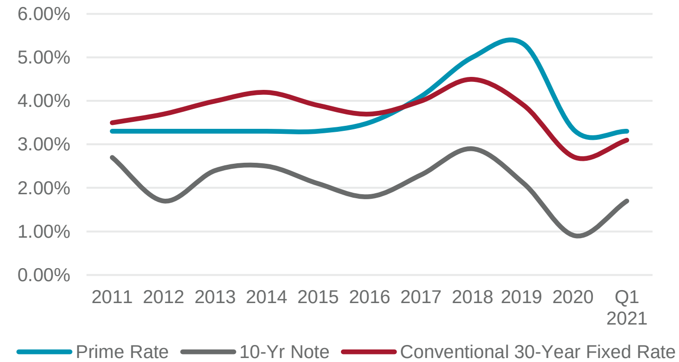
AVERAGE CAP RATE (2)

METRO PHOENIX CAP RATE AND THE 10-YEAR U.S. TREASURY RATE ARE BELOW HISTORICAL AVERAGES AND ABOVE THE HISTORICAL AVERAGE CAP RATE SPREAD OF 3.1%



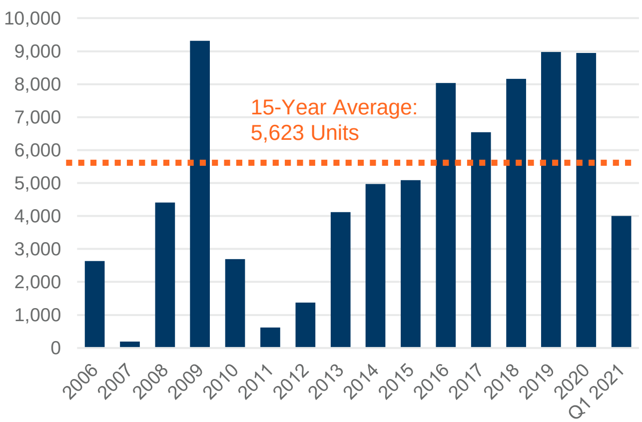
INTEREST RATES (3)

FEDERAL FUNDS TARGET RATE FORECASTED TO REMAIN THE SAME IN THE NEAR FUTURE



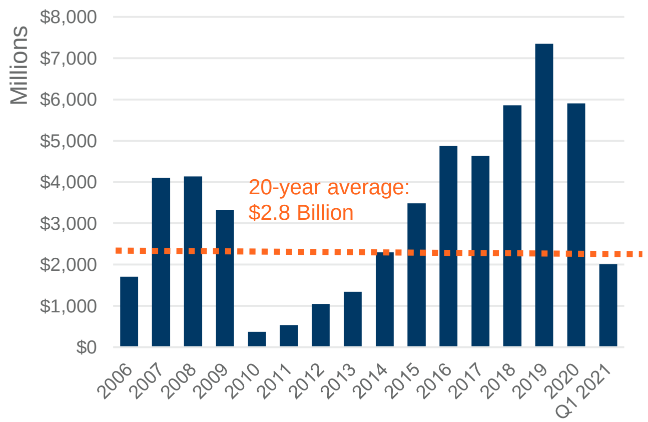
NEW INVENTORY (4)

TOTAL NUMBER OF NEW INVENTORY YTD 2021 WAS 71.1% OF THE 15 YEAR AVERAGE OF 5,623 UNITS



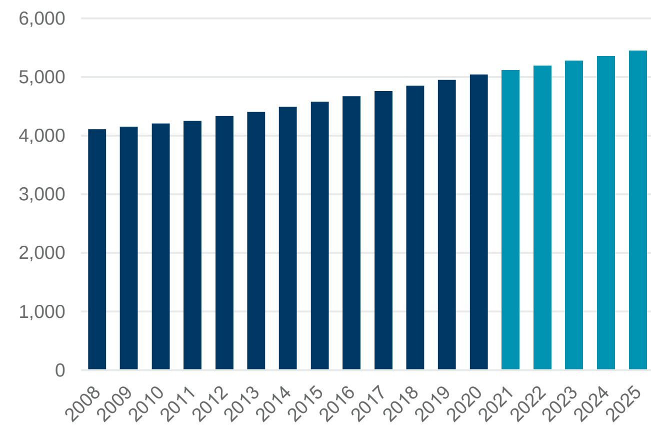
SALES TRANSACTION VOLUME (5)

2021 YTD TRANSACTION VOLUME OF 42 PROPERTIES IS 72% OF THE 20 YEAR ANNUAL AVERAGE OF $2.8 BILLION



POPULATION (5)

POPULATION GROWTH IS EXPECTED TO STRENGTHEN THROUGH 2023 PROJECTIONS



(1) Yardi Matrix, Cushman & Wakefield
(2) Yardi Matrix, Federal Reserve Board, Cushman & Wakefield
(3) Federal Reserve Board, Wells Fargo
(4) Yardi Matrix
(5) Moody's & U.S. Census Bureau

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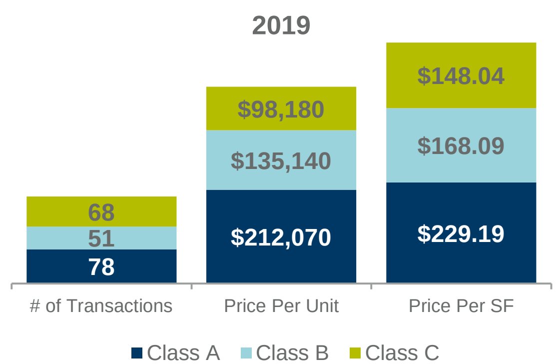
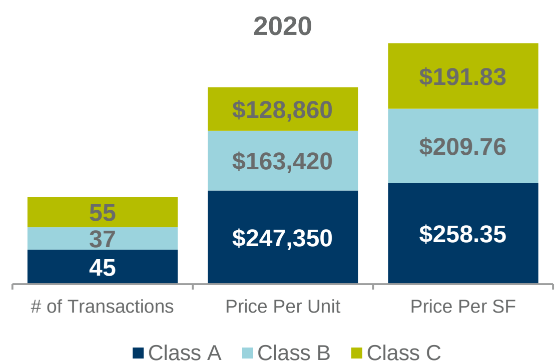
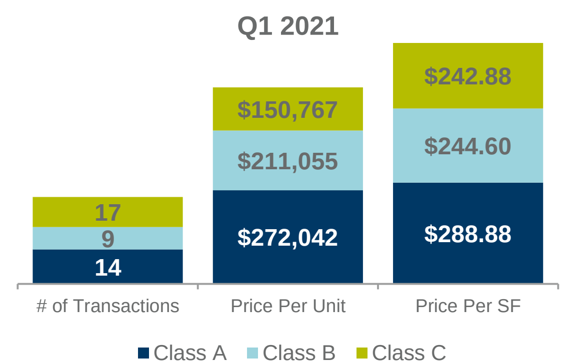
MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	Q1 2021 VACANCY RATE	NET ABSORPTION (UNITS) Q1 2021	NET ABSORPTION (UNITS) 2021 YTD	RENTAL RATE / UNIT	UNDER CONSTRUCTION (UNITS)	PLANNED (UNITS)
(1) Ahwatukee	12,619	4.2%	-2	-2	$1,349	650	440
(2) Central Phoenix	26,943	5.0%	531	531	$1,402	5,674	3,332
(3) Chandler/Queen Creek	26,768	4.1%	-8	-8	$1,489	4,402	3,049
(4) East Phoenix	20,382	5.7%	227	227	$1,224	1,370	540
(5) Glendale/West Valley	33,333	4.0%	475	475	$1,235	5,291	4,930
(6) Mesa/Gilbert	46,043	3.8%	923	923	$1,231	1,678	2,914
(7) Northeast Valley	33,828	4.3%	448	448	$1,319	1,334	2,805
(8) Northwest Valley	28,915	3.6%	243	243	$1,283	2,472	1,583
(9) Scottsdale	23,937	3.9%	73	73	$1,644	3,382	2,237
(10) Tempe	34,916	4.0%	78	78	$1,518	2,620	2,073
(11) West Phoenix	32,383	5.1%	119	119	$978	162	428
TOTAL	320,067	4.3%	3,107	3,107	$1,322	29,035	24,331

YEAR OVER YEAR SALES COMPARISON







Q1 2021 KEY SALES TRANSACTIONS

PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER/BUYER
Andante	Phoenix	1/7/2021	576	1999	888	$145,250,000	$252,170	$284	A	Security Properties/Pacific Life Insurance/ MG Properties Group
Heritage at Deer Valley	Phoenix	2/5/2021	832	1996	870	$178,500,000	$214,543	$247	A	Priderock Capital Partners / Millburn & Company
Ten01 on the Lake	Tempe	1/27/2021	523	2008	831	$146,000,000	$279,159	$336	A	PGIM, Inc. / Oxford Properties Group
Almeria at Ocotillo	Chandler	3/23/2021	389	2014	1,005	$129,250,000	$332,262	$331	A	PASSCO Companies / Sentinel Real Estate Corporation
Montreux	Phoenix	3/8/2021	335	2019	1,074	$117,000,000	$349,254	$325	A	Statesman Group / Pacific Development Partners
The Hyve	Tempe	2/11/2021	296	2015	940	$84,500,000	$285,473	$304	A	DiNapoli Capital Partners / Ideal Capital Group
Tierra Del Sol	Mesa	3/23/2021	276	1985	941	$65,800,000	$238,406	$253	B	Bridge Investment Group / Aukum Group
Lunaire	Goodyear	3/31/2021	240	2008	964	$59,700,000	$248,750	$258	A	R.K. Properties / 29th Street Capital
Indigo Springs	Mesa	1/29/2021	240	2000	928	$56,400,000	$235,000	$253	A	TA Realty / Private
Crosswinds	Chandler	1/29/2021	374	1985	423	$54,250,000	$145,053	$343	C	Emma Capital / Tides Equities

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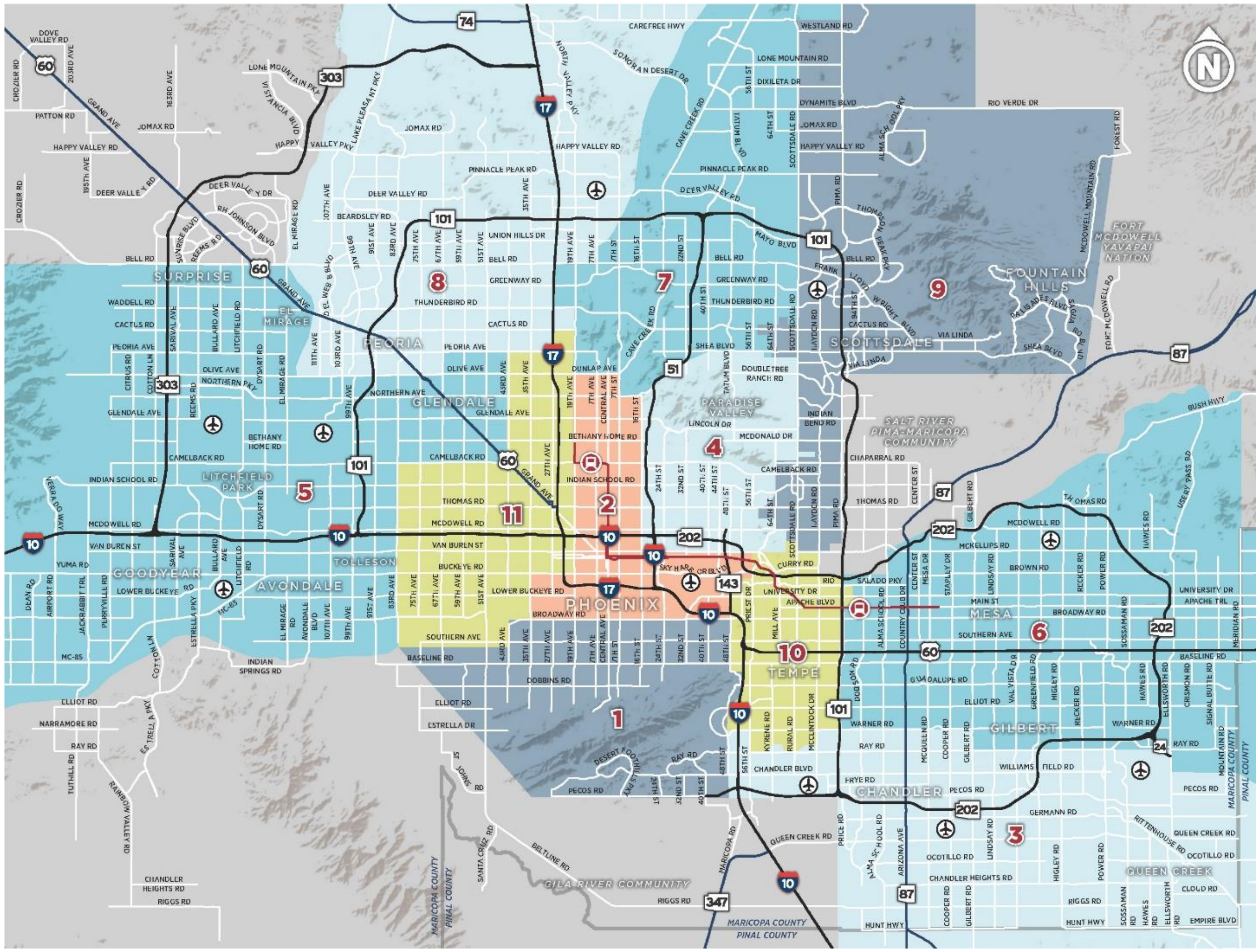
MULTIFAMILY SUBMARKETS



1	Ahwatukee	4	East Phoenix	7	Northeast Valley	10	Tempe
2	Central Phoenix	5	Glendale/West Valley	8	Northwest Valley	11	West Phoenix
3	Chandler/Queen Creek	6	Mesa/Gilbert	9	Scottsdale		

JEFF COOLEDGE
Research Manager
Tel: +1602 2244448
jeffrey.cooledge@cushwake.com

RACE CARTER
Research Analyst
Tel: +1602 2295869
race.carter@cushwake.com

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