

MARKETBEAT PHOENIX

CUSHMAN &
WAKEFIELD

Multifamily Q1 2022

YoY Chg 12-Mo. Forecast

4.3%

Vacancy Rate



1.0K

Net Absorption, units



\$1,671

Average Rent, per unit



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

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

2.3M

Phoenix
Employment



3.1%

Phoenix
Unemployment Rate



3.6%

U.S. Unemployment
Rate



Q1 and forecast 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 Continues

In Q1 2022, the Phoenix market recorded an employment level of 2.3 million jobs, a 4.1% increase from Q1 2021. The unemployment rate decreased from 6.3% in Q1 2021 to 3.1% in Q1 2022. Phoenix is still one of only a few large markets where employment is higher now than it was in February 2020.

SUPPLY & DEMAND: Construction Continues While Vacancy Remains Low

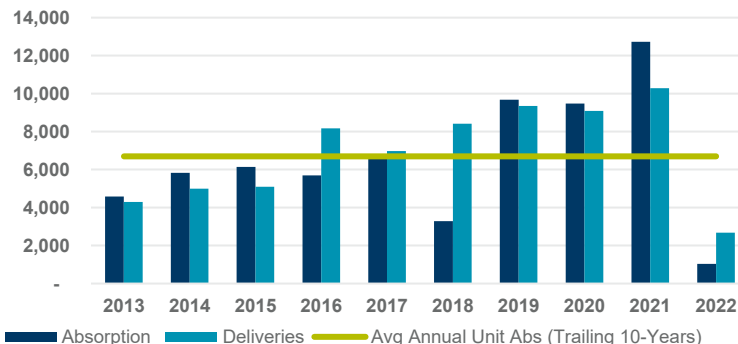
The Metro Phoenix multifamily market began 2022 with persistently strong rental demand on par with robust new construction. The market has absorbed over 1,000 units so far in 2022, setting a pace lower than the average annual absorption (6,698 units) since 2012, but at a historically low market vacancy rate. In Q1 2022, the Chandler/Queen Creek (634 units), Northeast Valley (135 units) and Scottsdale (125 units) submarkets recorded the largest net gains in positive absorption. Vacancy remains flat at 4.3% from the first quarter of 2021 to the first quarter of 2022. The Central Phoenix submarket vacancy rate declined from 5.0% in the first quarter of 2021 to 4.3% in the first quarter of 2022, a 70 basis point drop in vacancy, and the largest decrease among metro submarkets.

Multifamily development continues to grow in the Metro Phoenix market with 2,678 units completed across 11 properties so far in 2022. The completions were located across the entire market, with the highest concentration of units delivered in the submarkets of Glendale/West Valley (732 units), Chandler/Queen Creek (600 units), and Central Phoenix (529 units). These submarkets are highly active due to the constant flow of new deliveries, as well as the influx of residents from out of state. Across the market there are currently over 35,000 units under construction likely to be delivered over the next three years. Chandler/Queen Creek (6,236 units), Glendale/West Valley (4,915 units), and Central Phoenix (4,800 units) submarkets contain the most units under construction. In addition, there are over 23,000 units planned for future development in the Phoenix market.

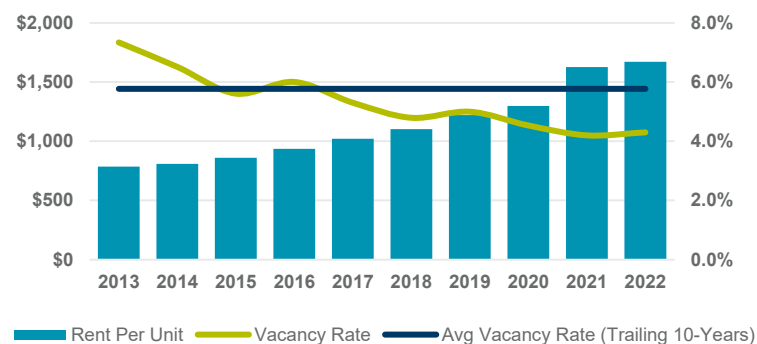
PRICING: Quarterly Rise & Year-over-Year Rise

Asking rent growth increased in the first quarter across all submarkets. Effective rates increased from \$1,360 per unit in Q1 2021 to \$1,671 per unit in Q1 2022, a 22.9% increase. The Scottsdale (\$2,106 per unit) submarket saw the largest YoY asking rate increase of 25.5%. The Tempe submarket (20.0%) saw the lowest YoY rental rate increase, growing from \$1,557 in Q1 2021 to \$1,869 in Q1 2022. Regarding concessions, high demand in the market has led to a significant reduction. Just 2.3% of properties were offering concessions in Q1 2022, and the average concession of those properties was 3.3% of the average annual rental rate.

OVERALL ABSORPTION



OVERALL VACANCY & EFFECTIVE RENT



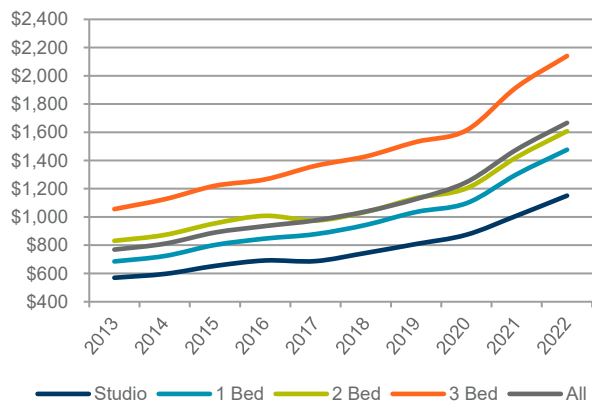
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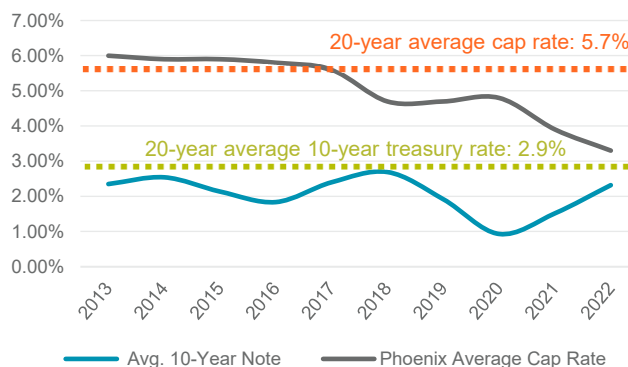
AVERAGE RENT PER UNIT HISTORY (1)

1 BEDROOM UNITS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 115% SINCE 2013



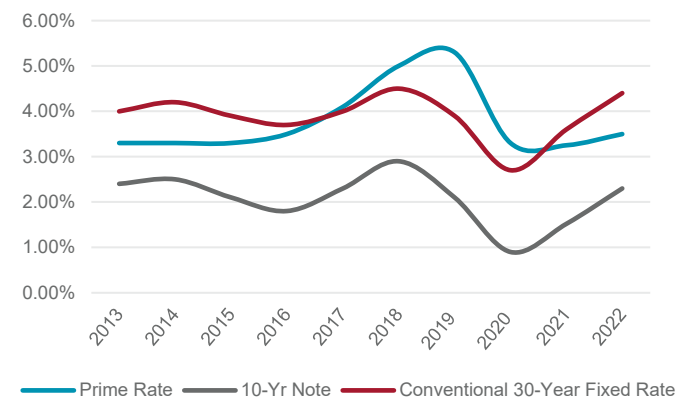
AVERAGE CAP RATE (2)

THE 10-YEAR U.S. TREASURY RATE IS BELOW HISTORICAL AVERAGE OF 2.9% AND METRO PHOENIX CAP RATE IS BELOW THE HISTORICAL AVERAGE SPREAD OF 5.7%



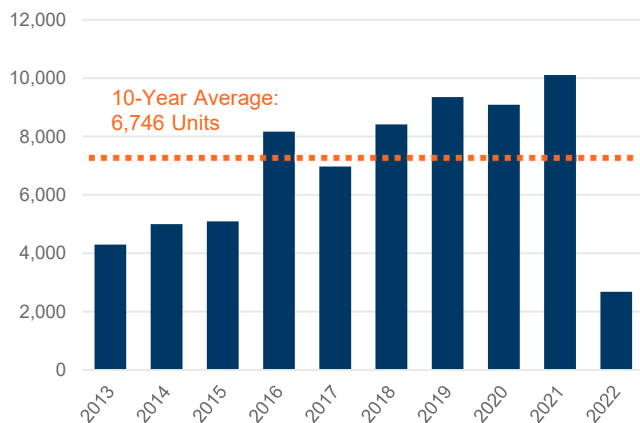
INTEREST RATES (3)

FEDERAL FUNDS TARGET RATE FORECASTED TO INCREASE IN THE NEAR FUTURE



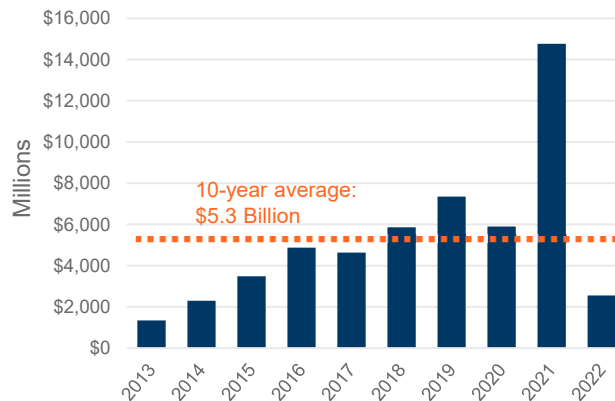
NEW INVENTORY (4)

TOTAL NUMBER OF NEW INVENTORY YTD 2022 WAS 40% OF THE 10-YEAR AVERAGE OF 6,746 UNITS



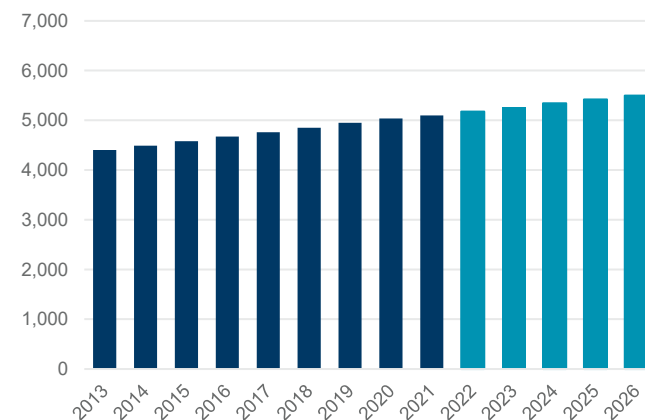
SALES TRANSACTION VOLUME (5)

2022 TRANSACTION VOLUME OF 47 PROPERTIES IS 52% OF THE 10-YEAR ANNUAL AVERAGE OF \$5.3 BILLION



POPULATION (6)

POPULATION IS EXPECTED TO STRENGTHEN THROUGH 2026 GROWTH PROJECTIONS



(1) Yardi Matrix, Cushman & Wakefield

(3) Federal Reserve Board, Wells Fargo

(5) Yardi Matrix

(2) Yardi Matrix, Federal Reserve Board, Cushman & Wakefield

(4) Yardi Matrix

(6) Moody's & U.S. Census Bureau

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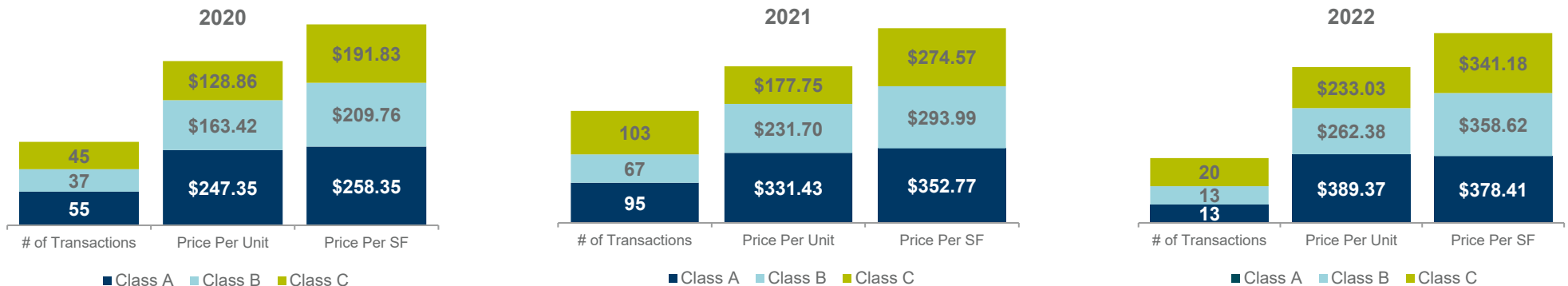
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MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	Q1 2022 VACANCY RATE	NET ABSORPTION (UNITS)		ASKING RENTAL RATE / UNIT	UNDER CONSTRUCTION (UNITS)	PLANNED (UNITS)
			Q1 2022	2022 YTD			
(1) Ahwatukee	11,489	4.7%	-7	-7	\$1,700	729	377
(2) Central Phoenix	26,805	4.3%	99	99	\$1,622	4,800	3,114
(3) Chandler/Queen Creek	34,316	3.8%	634	634	\$1,825	6,236	2,302
(4) East Phoenix	18,098	5.0%	46	46	\$1,561	436	502
(5) Glendale/West Valley	20,402	4.2%	11	11	\$1,448	4,915	2,616
(6) Mesa/Gilbert	36,908	4.0%	46	46	\$1,538	2,667	2,250
(7) Northeast Valley	28,493	4.2%	135	135	\$1,798	4,471	2,878
(8) Northwest Valley	35,002	4.7%	-164	-164	\$1,587	2,330	2,569
(9) Scottsdale	23,814	3.8%	125	125	\$2,106	3,042	1,754
(10) Tempe	34,283	4.0%	62	62	\$1,869	3,066	2,527
(11) West Phoenix	35,557	4.9%	45	45	\$1,369	2,370	2,879
TOTAL	305,167	4.3%	1,032	1,032	\$1,671	35,062	23,768

YEAR OVER YEAR SALES COMPARISON



Q1 2022 KEY SALES TRANSACTIONS

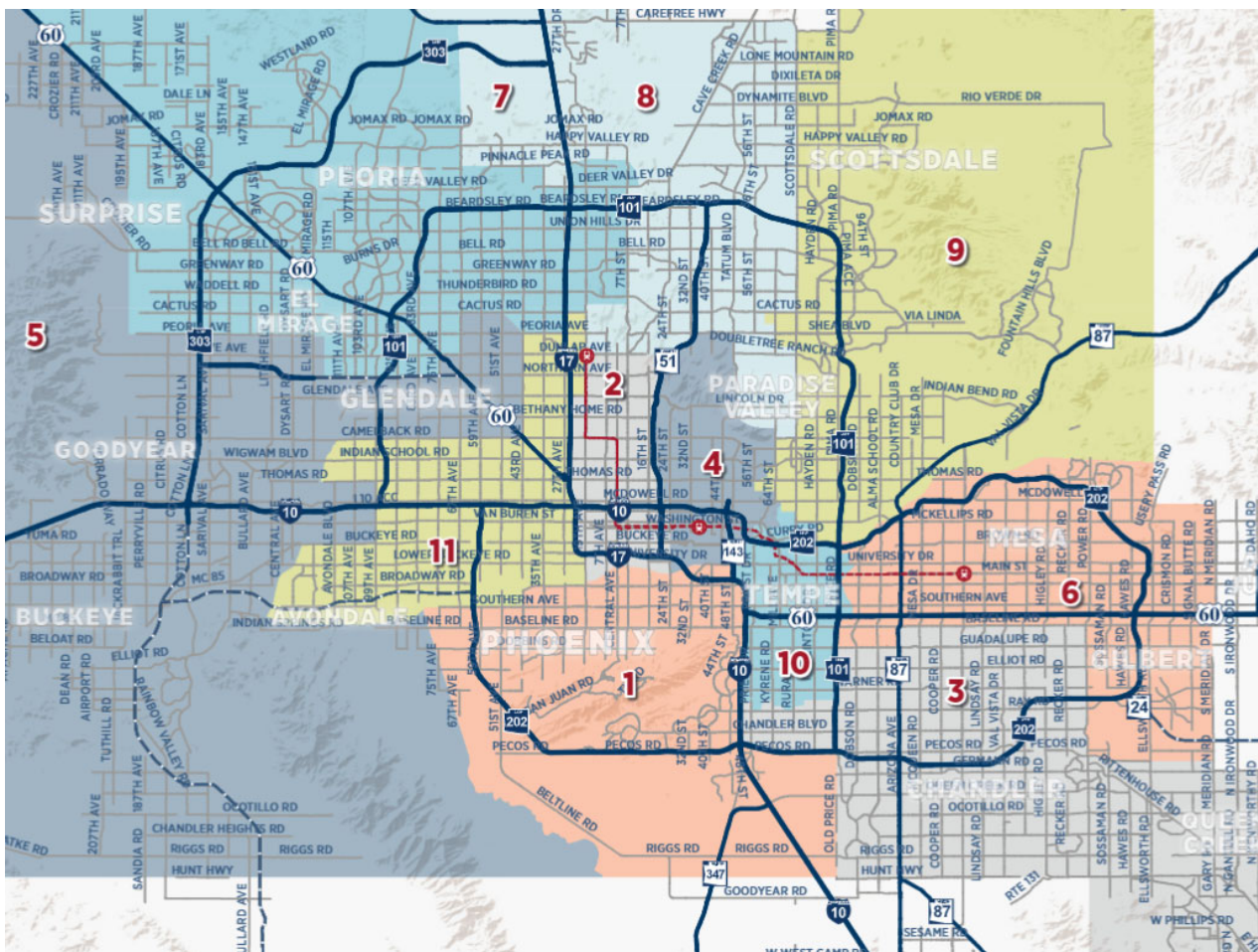
PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER/BUYER
Del Mar Terrace	Phoenix	2/28/2022	1,012	1985	712	\$255,000,000	\$251,976	\$312	C	Heers Management Company / Tides Equities
Roadrunner on McDowell	Scottsdale	2/16/2022	356	2021	858	\$193,500,000	\$543,539	\$522	A	JLB Partners / Caspian Properties
Crown Court	Scottsdale	3/24/2022	416	1987	1,273	\$175,000,000	\$420,673	\$331	A	Pillar Communities / Sunroad Holding Corporation
Mercer on Fillmore	Phoenix	1/6/2022	348	2022	888	\$145,000,000	\$416,667	\$272	A	Trammel Crow Company / RXR Realty
Mountainside Apartments	Phoenix	3/31/2022	288	1996	974	\$132,500,000	\$460,069	\$321	A	KB Development / TA Realty
Boulders on Lookout Mountain	Phoenix	1/13/2022	294	1994	1,095	\$112,500,000	\$382,653	\$305	A	The Blackstone Group / Davlyn Investments
Stillwater Apartments	Glendale	1/4/2022	516	1986	534	\$111,500,000	\$216,085	\$270	B	Security Properties Inc. / Bridge Investment Group
Ascent at Papago Park	Phoenix	3/31/2022	270	2007	924	\$107,500,000	\$398,148	\$348	A	MG Properties / Decron Properties
The Stratford	Phoenix	3/1/2022	308	1983	1,049	\$105,000,000	\$340,909	\$343	B	3rd Avenue Investments LLC / Tides Equities
Oceana	Avondale	2/7/2022	240	2004	864	\$84,200,000	\$350,833	\$411	A	Ares Real Estate Management Holdings LLC / 29 th Street Capital

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MULTIFAMILY SUBMARKETS



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|---|----------------------|---|----------------------|---|------------------|----|--------------|
| 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 | | |