

# MARKETBEAT PHOENIX

CUSHMAN &  
WAKEFIELD

## Multifamily Q2 2022

YoY Chg 12-Mo. Forecast

**4.7%**

Vacancy Rate



**1.4K**

Net Absorption, units



**\$1,704**

Average Rent, per unit



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

### ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

**2.3M**

Phoenix  
Employment



**2.7%**

Phoenix  
Unemployment Rate



**3.6%**

U.S. Unemployment  
Rate



Q2 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: Continued Strength

In Q2 2022, the Phoenix market recorded an employment level of 2.3 million jobs, a 3.3% increase from Q2 2021. The unemployment rate decreased from 5.0% in Q2 2021 to 2.7% in Q2 2022. Phoenix is still one of only a few large markets where employment is higher now than it was in February 2020, and near record low unemployment levels.

### SUPPLY & DEMAND: Deliveries Increase While Vacancy Remains Tight

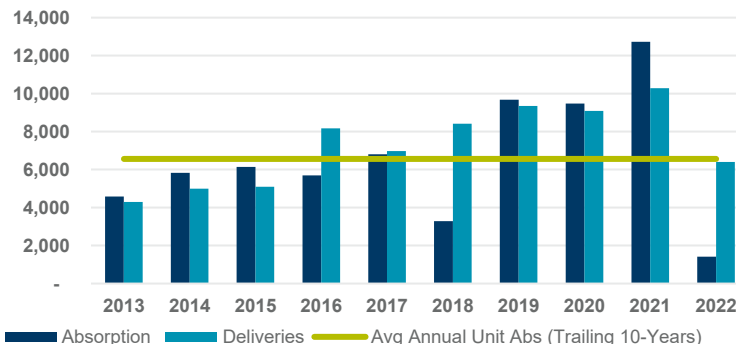
The Metro Phoenix multifamily market finished the first half of 2022 with strong rental demand despite a record number of new units coming to the market. The metro area has absorbed over 1,400 units so far in 2022, setting a pace lower than the average annual absorption (6,562 units) since 2013, but at a below average market vacancy rate. In Q2 2022, the Glendale/West Valley (267 units), Northwest Valley (258 units) and Northeast Valley (60 units) submarkets recorded the largest net gains in positive absorption. Vacancy increased 1.1% to 4.7% from the second quarter of 2021 to the second quarter of 2022. While all submarket vacancies increased, the Ahwatukee submarket rate increased from 3.9% in the second quarter of 2021 to 4.4% in the second quarter of 2022, a 50 basis point increase in vacancy, and the smallest among metro submarkets.

Multifamily development continues to grow in the Metro Phoenix market with 6,398 units completed across 27 properties so far in 2022. The completions were located across the entire market, with the highest concentration of units delivered in the submarkets of Central Phoenix (1,735 units) and Chandler/Queen Creek (1,555 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 nearly 34,000 units under construction likely to be delivered over the next three years. Chandler/Queen Creek (5,549 units), Northeast Valley (4,641 units) and Glendale/West Valley (4,378 units) submarkets contain the most units under construction. In addition, there are over 27,000 units planned for future development in the Phoenix market.

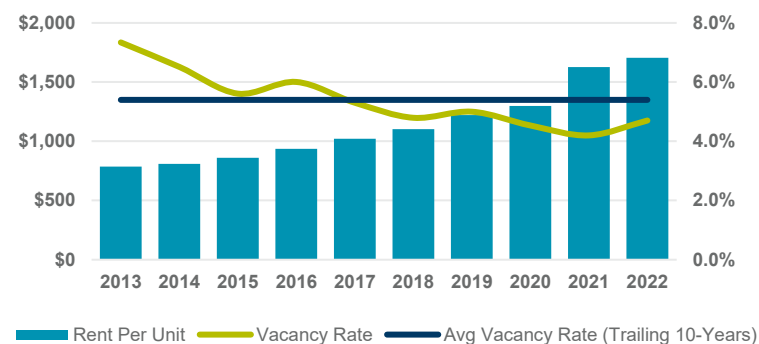
### PRICING: Rental Rates Climb

Asking rent growth increased in the second quarter in most submarkets. Effective rates increased from \$1,456 per unit in Q2 2021 to \$1,704 per unit in Q2 2022, a 17.1% increase. The West Phoenix submarket saw the largest YoY asking rate increase of 21.9%. The Northeast Valley submarket (13.0%) saw the lowest YoY rental rate increase. Concessions are beginning to return to the market, with 3.9% of properties offering concessions in Q2 2022 – a 1.3% increase over the prior quarter.

### OVERALL ABSORPTION



### OVERALL VACANCY & EFFECTIVE RENT



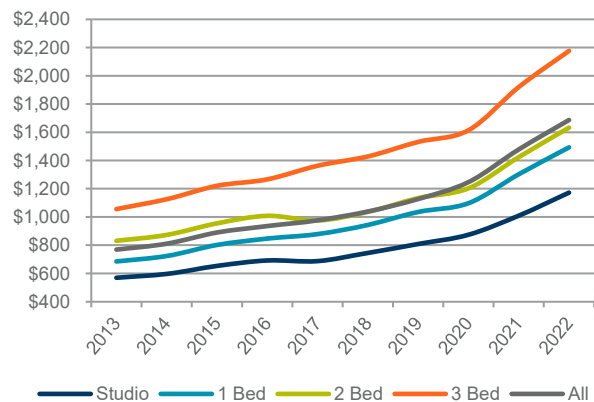
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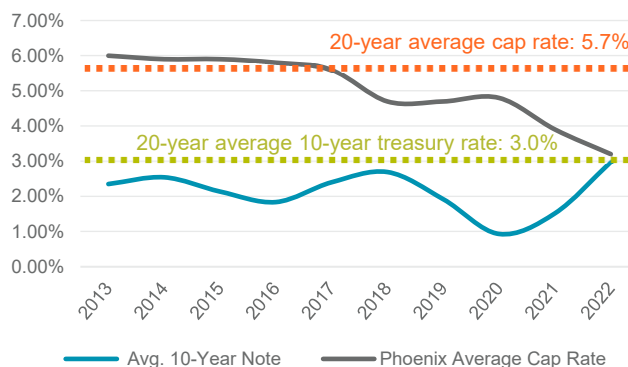
### AVERAGE RENT PER UNIT HISTORY (1)

1 BEDROOM UNITS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 117% SINCE 2013



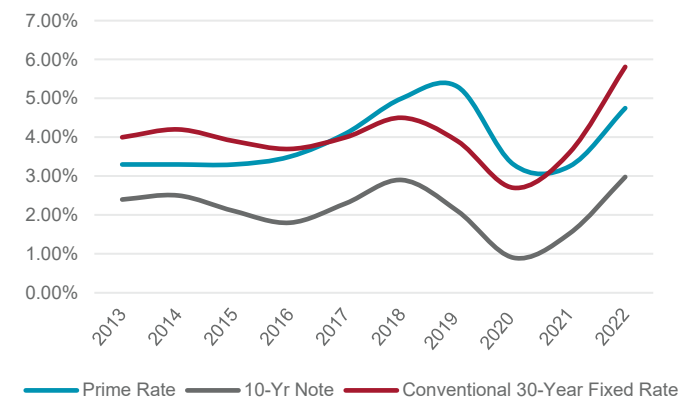
### AVERAGE CAP RATE (2)

THE 10-YEAR U.S. TREASURY RATE IS AT THE HISTORICAL AVERAGE OF 3.0% AND METRO PHOENIX CAP RATE IS WELL BELOW THE HISTORICAL AVERAGE SPREAD OF 5.7%



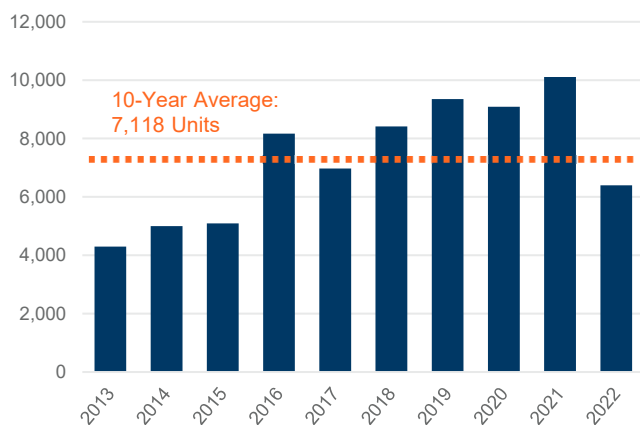
### INTEREST RATES (3)

FEDERAL FUNDS TARGET RATE FORECASTED TO CONTINUE INCREASING



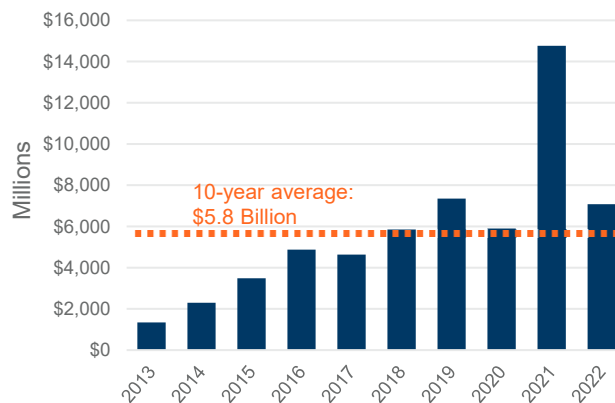
### NEW INVENTORY (4)

TOTAL NUMBER OF NEW INVENTORY THROUGH Q2 2022 IS 90% OF THE 10-YEAR AVERAGE OF 7,118 UNITS



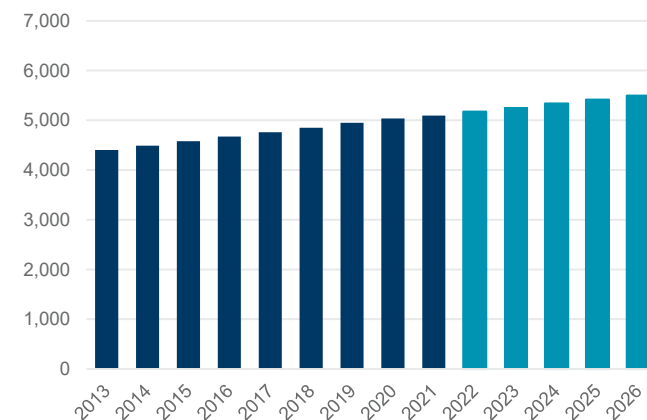
### SALES TRANSACTION VOLUME (5)

2022 TRANSACTION VOLUME OF 123 PROPERTIES IS 123% OF THE 10-YEAR ANNUAL AVERAGE OF \$5.8 BILLION



### POPULATION (6)

POPULATION IS EXPECTED TO GROW 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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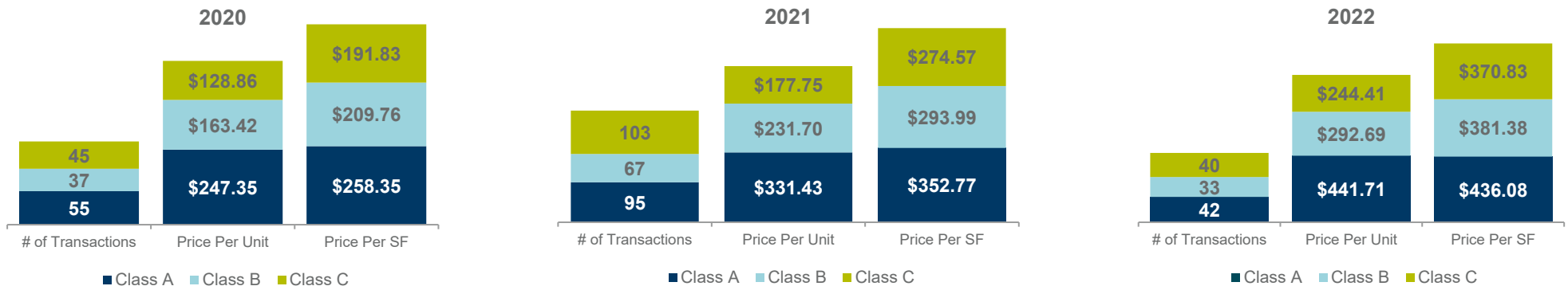
## Multifamily Q2 2022

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### MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	Q2 2022 VACANCY RATE	NET ABSORPTION (UNITS)		ASKING RENTAL RATE / UNIT	UNDER CONSTRUCTION (UNITS)	PLANNED (UNITS)
			Q2 2022	2022 YTD			
(1) Ahwatukee	11,493	4.9%	-10	-35	\$1,735	729	377
(2) Central Phoenix	27,611	4.9%	-18	72	\$1,699	4,236	3,099
(3) Chandler/Queen Creek	35,271	4.4%	-52	487	\$1,881	5,549	3,461
(4) East Phoenix	18,098	5.4%	16	-21	\$1,577	353	585
(5) Glendale/West Valley	21,097	4.6%	267	392	\$1,526	4,378	3,007
(6) Mesa/Gilbert	37,030	4.4%	-20	172	\$1,569	2,666	3,233
(7) Northeast Valley	28,493	4.7%	60	102	\$1,776	4,641	2,987
(8) Northwest Valley	35,002	4.9%	258	313	\$1,624	2,330	3,034
(9) Scottsdale	23,814	4.8%	-25	-47	\$2,030	3,302	1,494
(10) Tempe	34,289	4.9%	54	-23	\$1,914	3,266	2,416
(11) West Phoenix	35,651	4.4%	-5	-	\$1,437	2,456	3,530
<b>TOTAL</b>	<b>307,849</b>	<b>4.7%</b>	<b>525</b>	<b>1,412</b>	<b>\$1,704</b>	<b>33,906</b>	<b>27,223</b>

### YEAR OVER YEAR SALES COMPARISON



### Q2 2022 KEY SALES TRANSACTIONS

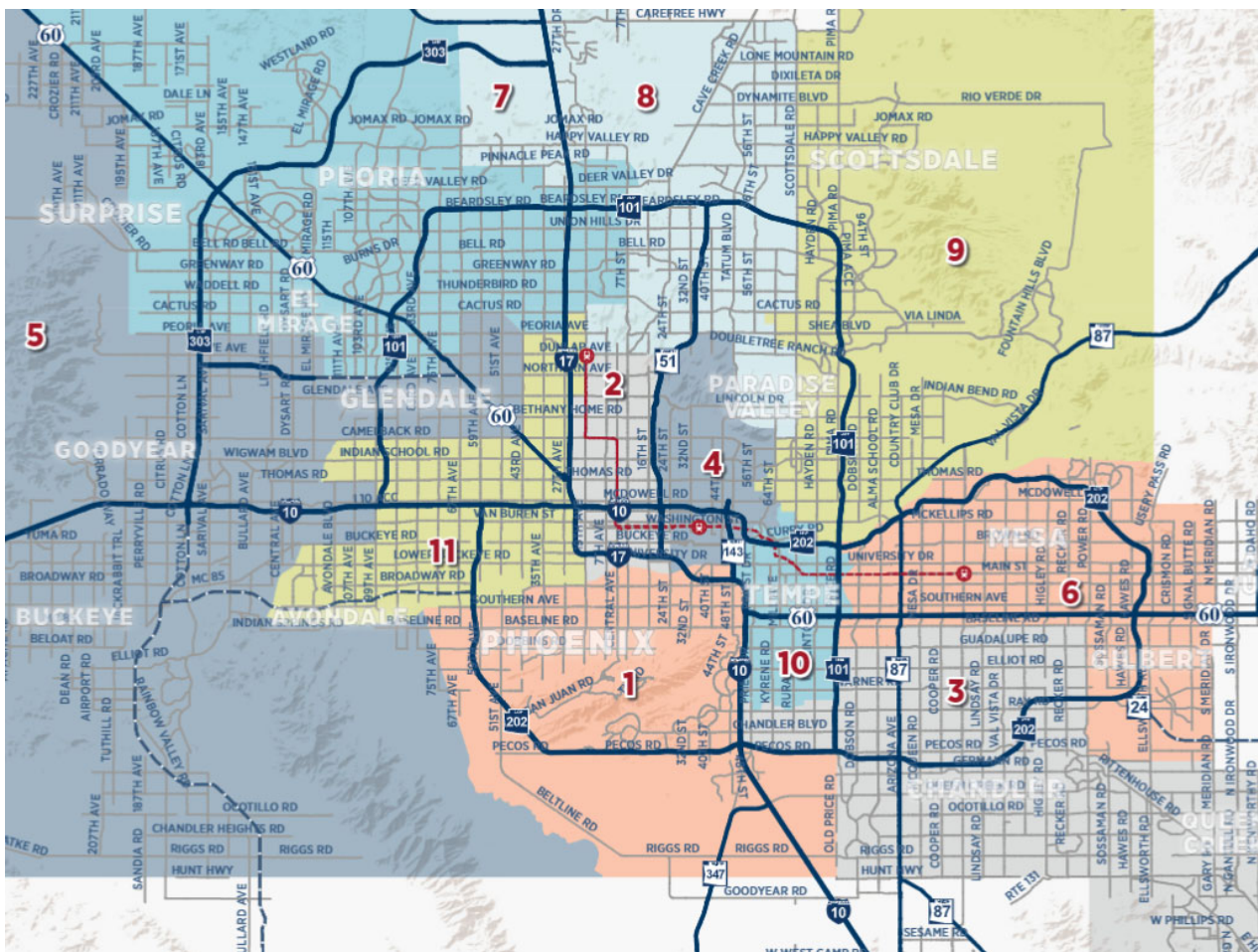
PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER/BUYER
The Moderne	Scottsdale	5/9/2022	369	2014	1,021	\$260,000,000	\$704,607	\$684	A	JLB Partners / JB Partners
La Privada at Scottsdale Ranch	Scottsdale	4/29/2022	350	1985	1,202	\$166,000,000	\$474,286	\$397	B	DiNapoli Capital Partners / Private
Liv North Scottsdale	Scottsdale	5/2/2022	240	2014	986	\$145,000,000	\$604,167	\$483	A	Liv Communities / JB Partners
Canyon Creek Village	Phoenix	6/28/2022	440	1985	857	\$142,250,000	\$323,295	\$354	B	Security Properties & Oaktree Capital / Aukum Group
Rise at the District	Mesa	5/27/2022	460	1980	822	\$142,000,000	\$308,696	\$377	B	OpenPath Investments / Rise48 Equity
Indigo Creek	Glendale	5/19/2022	408	1998	983	\$141,834,666	\$347,634	\$362	A	Resource REIT / Blackstone
The Ventura	Chandler	5/25/2022	272	1995	967	\$130,575,000	\$480,055	\$345	A	Thayer Manca Residential / Starlight Investments
Tamarron Apartments	Phoenix	4/27/2022	328	2006	1,148	\$128,000,000	\$390,244	\$253	A	Copper Glen Management Inc. / Decron Properties
Arts District	Phoenix	5/20/2022	280	2017	944	\$127,000,000	\$453,571	\$454	A	Green Leaf Partners / KB Development
Talise Apartments	Mesa	6/8/2022	388	1985	796	\$125,000,000	\$322,165	\$389	B	TA Realty / Private

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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       |    |              |

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