

MARKETBEAT PHOENIX

Multifamily Q3 2022



YoY Chg 12-Mo. Forecast

5.6%
Vacancy Rate



-0.7K
Net Absorption, units



\$1,689
Average Rent, per unit



All statistics are based on properties containing 50+ units.
Source: Yardi Matrix.

ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

2.3M
Phoenix
Employment



2.8%
Phoenix
Unemployment Rate



3.5%
U.S.
Unemployment Rate



Q3 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: Unemployment Bolstered by In-Migration

In Q3 2022, the Phoenix market recorded an employment level of 2.3 million jobs, a 3.8% increase from Q3 2021. While the unemployment rate decreased from 4.1% in Q3 2021 to 2.8% in Q3 2022, the rate has risen slightly in recent months as global economic conditions weaken. Despite a higher unemployment rate, total employment is expected to increase as the metro area continues to welcome thousands of new residents per year.

SUPPLY & DEMAND: Deliveries Continue While Vacancy Begins to Rise

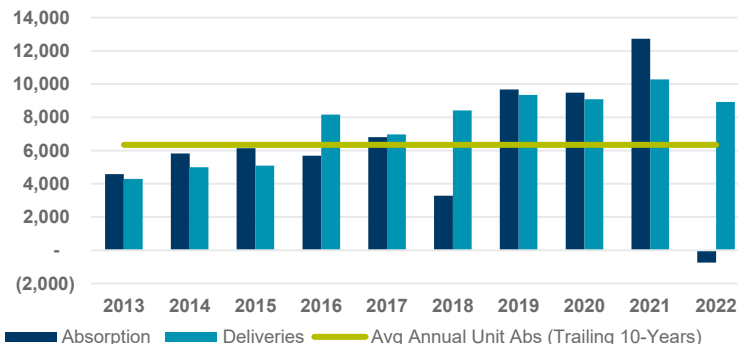
The metro Phoenix multifamily market finished the third quarter of 2022 with decreasing rental demand, in conjunction with a record number of new units coming to the market. Due to these combining factors, vacancy has risen above the 10-year average, increasing 1.8% to 5.6% from the third quarter of 2021 to the third quarter of 2022. The Mesa/Gilbert submarket had the highest year-over-year (YOY) increase in vacancy at 2.3%. Net absorption has also turned negative on the year (-741 units), well below the average annual positive absorption (6,346 units) since 2013. In Q3 2022, the East Phoenix (455 units), Glendale/West Valley (311 units) and Northeast Valley (134 units) submarkets recorded the largest net gains in positive absorption.

Multifamily development continues to grow in the Metro Phoenix market with 8,929 units completed across 36 properties so far in 2022. The completions were located across the entire market, with the highest concentration of units delivered in the submarkets of Chandler/Queen Creek (2,343 units) and Central Phoenix (2,280 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 36,000 units under construction likely to be delivered over the next three years. Chandler/Queen Creek (4,886 units), Northeast Valley (4,522 units) and Central Phoenix (4,493 units) submarkets contain the most units under construction. In addition, there are nearly 25,000 units planned for future development in the Phoenix market.

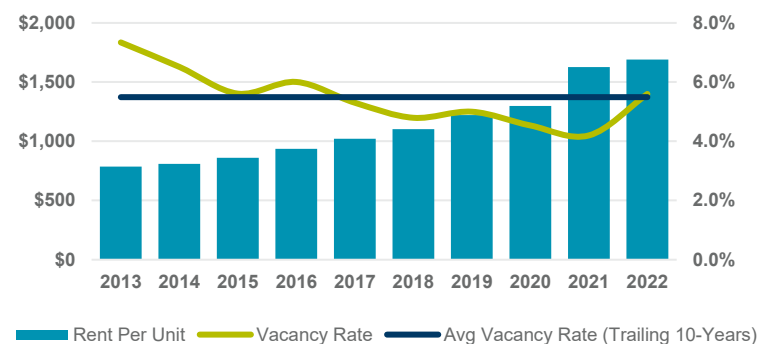
PRICING: Rental Rates Stall

Asking rents fell 1% from second quarter 2022 highs in all submarkets. However, effective rates have increased YoY from \$1,579 per unit in Q3 2021 to \$1,689 per unit in Q3 2022, a 7.0% increase. The Central Phoenix submarket saw the largest YoY asking rate increase of 12.1%. The Scottsdale submarket (2.2%) saw the lowest YoY rental rate increase. Despite the decreasing rental rates, concessions remain relatively low, with just 3.7% of properties offering lease concessions.

OVERALL ABSORPTION



OVERALL VACANCY & EFFECTIVE RENT



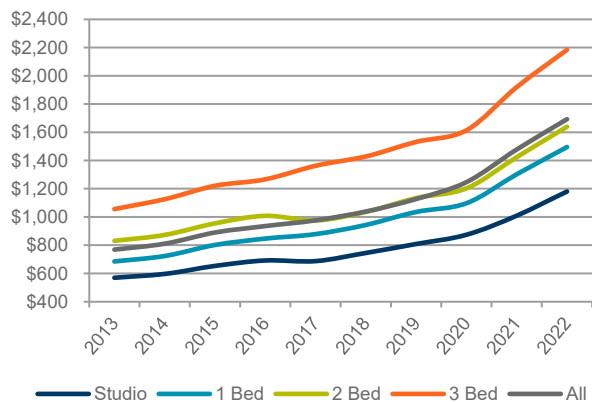
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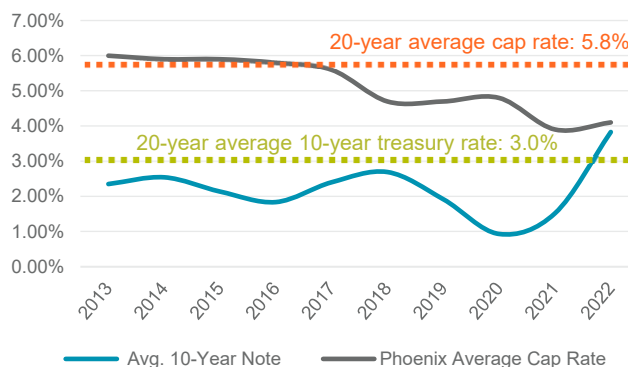
AVERAGE RENT PER UNIT HISTORY (1)

1 BEDROOM UNITS HAVE SEEN THE LARGEST GROWTH IN RENTAL INCREASES, RISING OVER 118% SINCE 2013



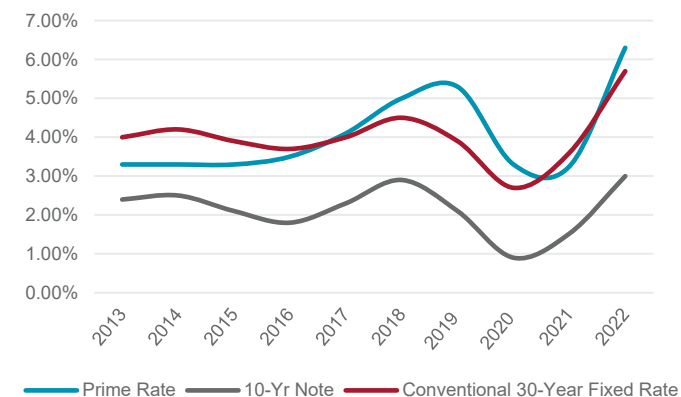
AVERAGE CAP RATE (2)

THE 10-YEAR U.S. TREASURY RATE IS ABOVE THE HISTORICAL AVERAGE OF 3.0% AND METRO PHOENIX CAP RATE IS WELL BELOW THE HISTORICAL AVERAGE SPREAD OF 5.8%



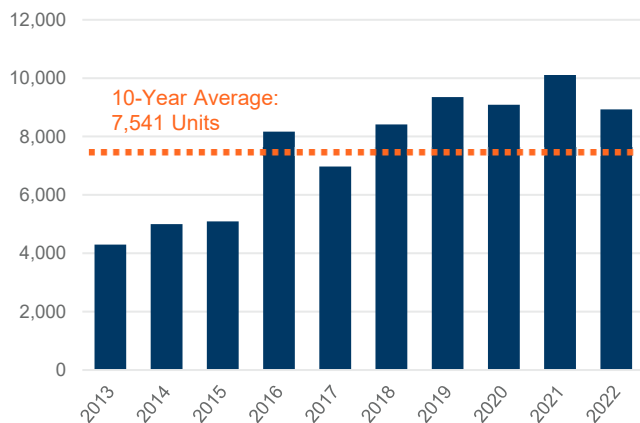
INTEREST RATES (3)

FEDERAL FUNDS TARGET RATE FORECASTED TO CONTINUE INCREASING



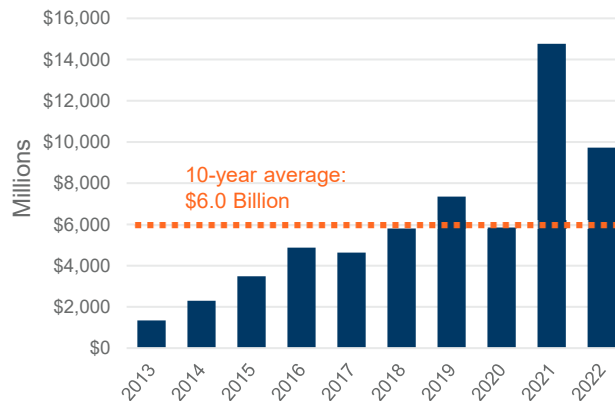
NEW INVENTORY (4)

TOTAL NUMBER OF NEW INVENTORY THROUGH Q3 2022 IS 118% OF THE 10-YEAR AVERAGE OF 7,541 UNITS



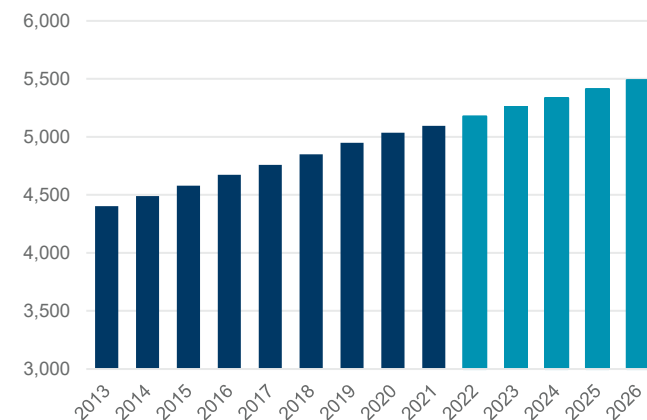
SALES TRANSACTION VOLUME (5)

2022 TRANSACTION VOLUME OF 149 PROPERTIES IS 161% OF THE 10-YEAR ANNUAL AVERAGE OF \$6.0 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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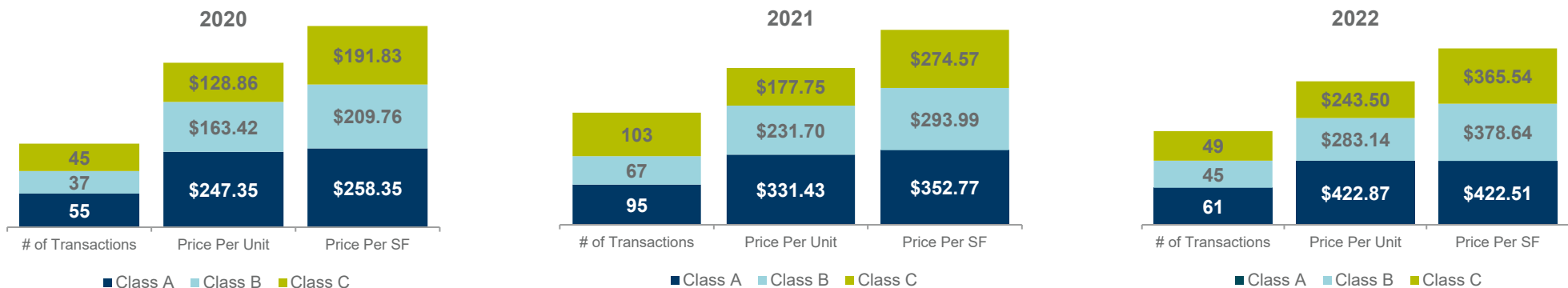
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MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	Q3 2022 VACANCY RATE	NET ABSORPTION (UNITS)		ASKING RENTAL RATE / UNIT	UNDER CONSTRUCTION (UNITS)	PLANNED (UNITS)
			Q3 2022	2022 YTD			
(1) Ahwatukee	11,819	5.6%	-9	-116	\$1,714	657	381
(2) Central Phoenix	28,088	5.7%	-24	-308	\$1,679	4,493	2,991
(3) Chandler/Queen Creek	36,059	5.6%	-1	-75	\$1,857	4,886	3,750
(4) East Phoenix	18,098	5.6%	455	579	\$1,569	888	50
(5) Glendale/West Valley	21,516	5.1%	311	633	\$1,522	4,321	3,275
(6) Mesa/Gilbert	37,030	5.5%	-8	-490	\$1,558	2,994	3,183
(7) Northeast Valley	29,004	5.6%	134	-189	\$1,764	4,522	3,013
(8) Northwest Valley	35,246	6.1%	88	-109	\$1,597	3,141	1,850
(9) Scottsdale	24,096	5.5%	131	-190	\$2,015	3,566	1,431
(10) Tempe	34,591	5.3%	-85	-248	\$1,899	3,663	1,472
(11) West Phoenix	35,651	5.5%	-37	-230	\$1,437	3,335	3,459
TOTAL	311,198	5.6%	955	-741	\$1,689	36,466	24,855

YEAR OVER YEAR SALES COMPARISON



Q3 2022 KEY SALES TRANSACTIONS

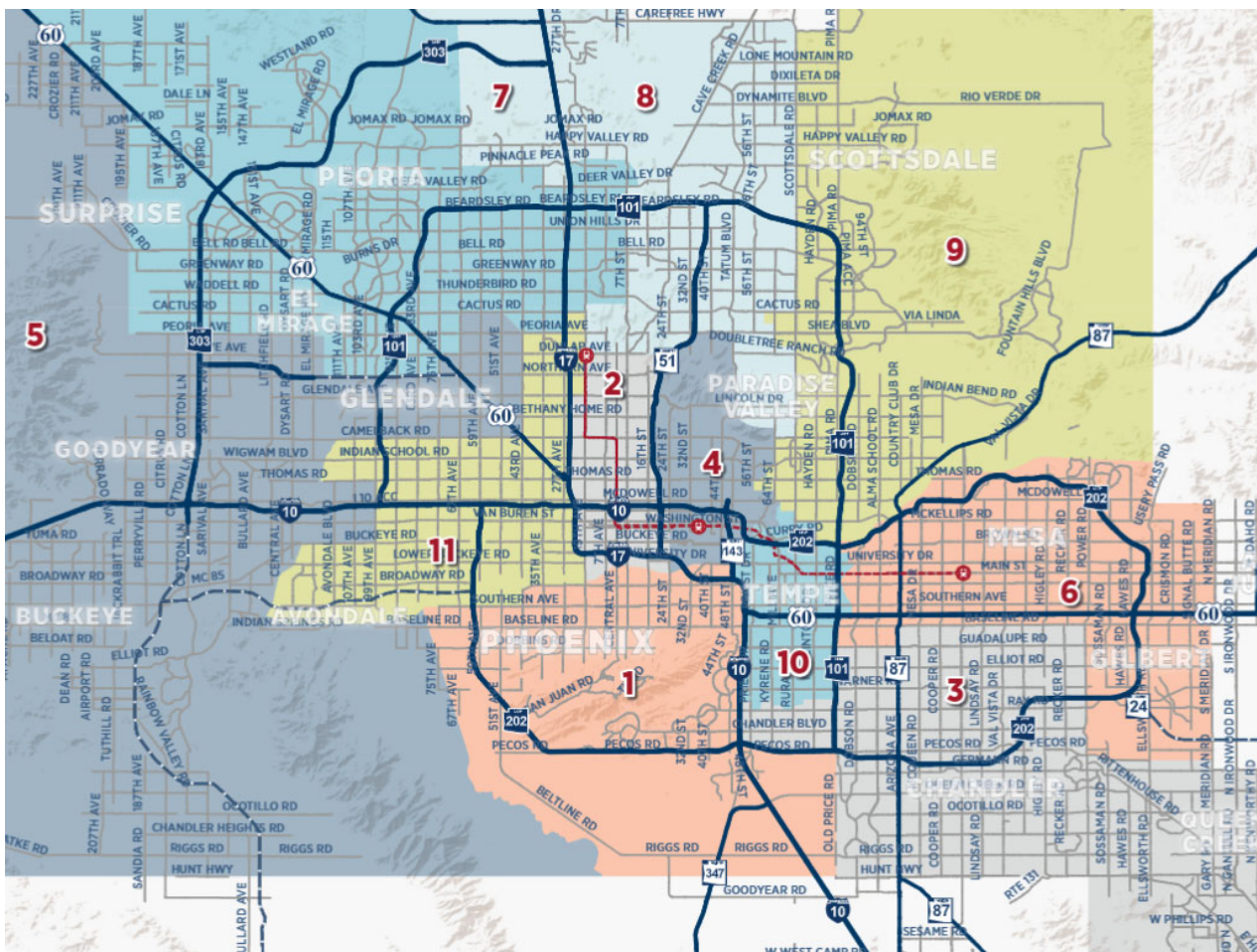
PROPERTY NAME	CITY	SALE DATE	UNITS	YEAR BUILT	AVG SF	PRICE	PRICE/UNIT	PRICE/SF	CLASS	SELLER/BUYER
Capri on Camelback	Phoenix	8/17/2022	556	1970	680	\$143,000,000	\$257,194	\$383.12	A	Nuveen Real Estate / Harbor Group International
Azul at Spectrum	Gilbert	9/15/2022	360	2007	1,016	\$138,217,000	\$383,936	\$313.14	A	The Premiere Residential / First Pointe Management Group
The Access	Tempe	7/20/2022	408	2009	552	\$134,000,000	\$328,431	\$229.74	A	MLG Asset Management / American Landmark
Tides on Country Club	Mesa	8/15/2022	582	1987	545	\$132,000,000	\$226,804	\$226.80	A	Tides Equities / Berkshire Residential Investments
Rise Encore	Phoenix	7/20/2022	376	1986	782	\$125,000,000	\$332,447	\$381.90	C	Bean Investment Real Estate / Rise48 Equity
Roosevelt Point	Phoenix	9/28/2022	326	2013	609	\$118,000,000	\$361,963	\$361.96	A	Greystar Real Estate Partners / Briar Capital Management
2150 Apartments	Chandler	8/31/2022	289	2001	1,114	\$107,000,000	\$370,242	\$369.57	B	Acacia Capital Corporation / MG Properties
Luxe Scottsdale	Scottsdale	7/19/2022	218	2015	868	\$103,250,000	\$473,624	\$408.94	B	Harbor Group International / TruAmerica Multifamily
Borrego at Spectrum	Gilbert	9/15/2022	264	2006	1,025	\$99,944,000	\$378,576	\$304.01	A	The Premiere Residential / First Pointe Management Group
Dobson 2222	Chandler	8/31/2022	258	2007	1,010	\$95,000,000	\$368,217	\$154.25	A	Acacia Capital Corporation / Sares-Regis Group

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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 | | |