

PHOENIX
MULTIFAMILY

NEWSLETTER



4Q2024

SVN DESERT COMMERCIAL ADVISORS

QUARTERLY MULTIFAMILY STATS

The Phoenix multifamily market continued its recovery in Q4 2024, driven by easing inflation and rising consumer confidence. Increased renter household formation has strengthened tenant demand, helping stabilize occupancy rates. While new supply still outpaces leasing activity, the decline in occupancy is slowing, signaling a potential turnaround in property performance in the coming year.

Over the past 12 months, the market recorded 19,000 units of net absorption, well above the pre-COVID five-year average of 7,200 units. Luxury complexes led most lease-ups, but midpriced 3-star properties saw the most notable improvement, absorbing 4,800 units after years of negative absorption. As a result, metro-wide vacancy rose only slightly, reaching 11.6% by year-end.

Despite improved demand, construction remains a challenge, with 25,000 new units completed over the past year—triple the annual average from 2015 to 2019. Another 27,000 units are under construction, accounting for 6.7% of the inventory and ranking Phoenix as the sixth most aggressively built apartment market in the U.S. Most vacant units are accumulating in high-growth areas like Downtown Phoenix, Tempe, and the Southwest Valley.

Workforce housing has been more insulated from supply pressures, though vacancies at 1 & 2 Star properties have risen by 420 basis points, with rents seeing a slight 0.09% decline. Meanwhile, luxury properties have been hit harder, with vacancies up 650 basis points and rents dropping 2.1% year-over-year.



VACANCY

11.70%

4Q23: 10.90%

YOY: 0.80%



MARKET RENT

\$1,572

4Q23: \$1,556

YOY: \$16.00



NET ABSORPTION

-5,241 UNITS

12 MO DELIVERIES

24,214 UNITS

12 MO ABSORPTIONS

18,973 UNITS



PRICE / UNIT

\$262,670

4Q23: \$262,000

YOY: 0.26%

MARKET CAP RATES

4.90%

METRO PHOENIX

5.05%

NATIONAL

Higher vacancies and ongoing construction have increased competition, leading to negative rent growth since early 2023. Over the past year, average asking rents fell 1.8%, with over 50% of communities offering concessions. Lease-ups commonly provide six to eight weeks of free rent, while stabilized properties offer four weeks. With so much new supply still hitting the market, these trends are likely to persist in the near term.

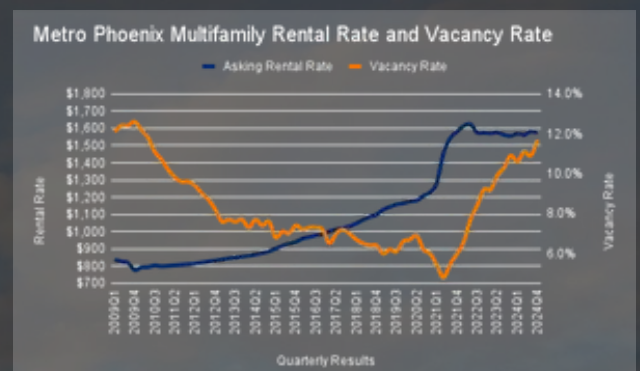
Looking ahead, vacancy is expected to peak in 2025, with a potential recovery by year-end. However, rent growth may take longer to rebound as the market works through excess supply. Another year of slow rent growth is likely, with potential acceleration by 2026 as vacancies begin to tighten. While demand fundamentals remain strong, the sheer volume of new construction will continue shaping market conditions in the coming years.

Sources: CoStar; U.S. Department of the Treasury; AZ Commerce Authority; ARMLS; U.S. Census Bureau; U.S. Bureau of Labor Statistics.

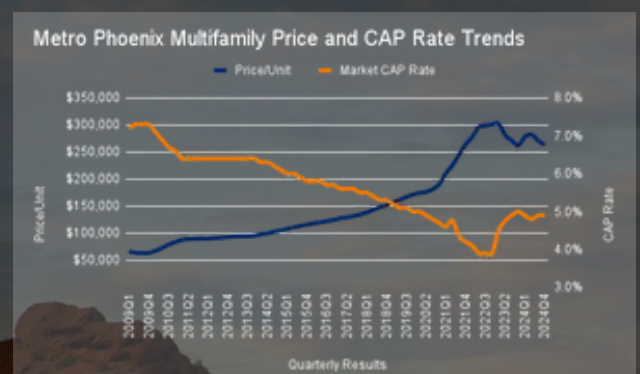
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL AND VACANCY RATES



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.20% Unemployment Rate (USA) +0.40%
- 3.50% Unemployment Rate (Metro PHX) +0.10%
- 2.590 MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- \$450,000 Median Home Price +0.05%
- 5,477 Closed Transactions +0.14%
- 57 Days on Market +12 Days
- 3.55 Months of Supply +0.64 Months

10-Year Treasury

- 4.58% as of 12/31/2024
- +0.70% YOY | +0.40% MOM

SUBMARKET ANALYTICS

	Vacancy Rate	Market Asking Rent/Unit	Annual Rent Growth	12 Mo. Delivered Units	Under Construction Units	Under Construction % Of Inventory	12 Mo. Absorption Units	Market Sale Price/Unit	Market Cap Rate
Old Town Scottsdale	6.30%	\$1,896	-2.00%	90	450	3%	98	\$329,440	5.00%
Camelback	7.50%	\$1,562	0.60%	101	40	0.40%	131	\$242,284	5.30%
North Scottsdale	6.40%	\$2,173	-0.70%	1,270	1,088	5.70%	974	\$379,219	4.80%
Chandler	6.20%	\$1,709	-1.30%	1,087	507	1.60%	686	\$303,539	4.70%
North Phoenix	8.30%	\$1,412	-1.50%	1,014	1,815	4.00%	725	\$222,858	4.90%
Deer Valley	8.40%	\$1,498	-4.10%	939	2,769	7.60%	593	\$264,989	4.70%
Tempe	8.20%	\$1,604	-1.70%	1,760	1,960	4.10%	1,931	\$277,522	4.90%
Downtown Phoenix	8.00%	\$1,509	-1.30%	1,622	4,866	11.40%	1,888	\$251,764	5.30%
Gilbert	7.30%	\$1,761	-2.40%	1,075	2,716	16.60%	722	\$317,380	4.60%
East Valley	7.60%	\$1,497	-1.20%	3,204	2,308	4.60%	1,940	\$241,960	4.80%
South West Valley	9.40%	\$1,441	-1.90%	4,303	3,908	7.50%	3,315	\$229,294	4.80%
South Phoenix	8.30%	\$1,606	-0.90%	2,435	511	4.20%	1,670	\$274,528	4.80%
North West Valley	10.90%	\$1,507	-3.30%	2,216	482	2.60%	1,753	\$253,200	4.70%
Southeast Valley	15.80%	\$1,375	-6.10%	538	2,126	43.70%	630	\$143,735	5.8%
West Maricopa County	12.50%	\$1,798	-1.40%	2,796	1,890	29.30%	1,718	\$297,346	4.80%
Total/Averages	11.7%	\$1,572	1.0%	24,214	27,436	9.8%	18,973	\$262,670	4.9%

PHOENIX METRO RENTS

Asset Class	December '23	December '24	Inc \$\$	% Change
Discretionary	\$1,999	\$1,960	-\$39	-2.00%
Upper Mid-Range	\$1,772	\$1,735	-\$37	-2.10%
Low Mid-Range	\$1,428	\$1,386	-\$42	-2.90%
Workforce - Upper	\$1,257	\$1,210	-\$47	-3.70%
Workforce - Lower	\$1,174	\$1,127	-\$47	-4.00%
Averages	\$1,654	\$1,620	-\$34	-2.10%

Actual rents by asset class of properties with 50+ units; from Yardi Matrix. Submarket data from CoStar.

NOTABLE TRANSACTIONS & MARKET STATS

10-99 UNITS

	2023	2024	Inc/Dec
Total Sales Volume	\$380,474,000	\$273,208,940	-28.2%
Avg Price/Unit	\$236,760	\$174,018	-26.5%
Avg Price/SF	\$274	\$191	-30.5%
Avg Year Built	1970	1975	

100+ UNITS

	2023	2024	Inc/Dec
Total Sales Volume	\$2,775,569,000	\$3,328,648,866	19.9%
Avg Price/Unit	\$273,105	\$279,296	2.3%
Avg Price/SF	\$297	\$269	-9.3%
Avg Year Built	1991	1995	

10-99 UNITS



FAIRMOUNT VILLAS

**3105 E FAIRMOUNT AVE
PHOENIX, AZ**

Sale Date: 12/12/24
Sale Price: \$5,600,000
Price/Unit: \$233,333
GBA: 19,200 SF

Size: 24 Units
Unit Mix: 24 - 2B
Year Built: 1963/Reno: 2018



DON CARLOS APARTMENTS

**1825 E DON CARLOS AVE
TEMPE, AZ**

Sale Date: 11/1/24
Sale Price: \$3,175,000
Price/Unit: \$226,786
GBA: 8470 SF

Size: 14 Units
Unit Mix: 12 - 1B | 2 - 2B
Year Built: 1979



ORINOCO APARTMENTS

**3406 N 38TH ST
PHOENIX, AZ**

Sale Date: 11/26/24
Sale Price: \$3,165,000
Price/Unit: \$211,000
GBA: 12,494 SF

Size: 15 Units
Unit Mix: 4 - 1B | 10 - 2B | 1 - 3B
Year Built: 1973

100+ UNITS



SMITH + RIO

**1979 E RIO SALADO PKY
TEMPE, AZ**

Sale Date: 12/10/24
Sale Price: \$106,250,000
Price/Unit: \$342,742
GBA: 245,333 SF

Size: 310 Units
Unit Mix: 52 - S | 194 - 1B | 64 - 2B
Year Built: 2023



THE FARMHOUSE
ON ESTRELLA

**15545 W HUDSON WAY
GOODYEAR, AZ**

Sale Date: 11/27/24
Sale Price: \$56,000,000
Price/Unit: \$306,011
GBA: 100,000

Size: 183 Units
Unit Mix: 38 - 1B | 93 - 2B | 52 - 3B
Year Built: 2021



THE CROFTON AT
SHEELY FARMS

**9200 W MCDOWELL RD
PHOENIX, AZ**

Sale Date: 12/20/24
Sale Price: \$46,500,000
Price/Unit: \$278,443
GBA: 143,687 SF

Size: 167 Units
Unit Mix: 64 - 1B | 103 - 2B
Year Built: 2023



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