

PHOENIX
MULTIFAMILY

NEWSLETTER



2Q2024

SVN DESERT COMMERCIAL ADVISORS

QUARTERLY MULTIFAMILY STATS

The Phoenix multifamily market showed signs of recovery in early 2024. Easing inflation and rising consumer confidence boosted renter household formation, leading to a rebound in tenant demand. Although new supply still outpaces leasing activity, occupancy and rent declines have started to flatten, suggesting the market may be stabilizing.

In the past 12 months, the Valley absorbed 15,000 units, surpassing the pre-COVID five-year average of 7,200 units. While new luxury complexes drove much of this activity, mid-priced 3-star properties also saw significant improvement, with 3,800 units absorbed compared to negative absorption in the previous two years. This helped stabilize the metro-wide vacancy rate at 11.0%.

Construction remains a challenge. Builders completed 20,000 new units in the past year, doubling the annual average from 2015 to 2019, with another 33,000 units under construction. Phoenix ranks as the sixth most aggressively built apartment market in the U.S., with vacancies likely to rise in high-growth areas like Downtown Phoenix, Tempe, and the South West Valley.



VACANCY

11.10%

2Q23: 9.90%

YOY: 1.20%



MARKET RENT

\$1,562

2Q23: \$1,577

YOY: -\$15.00



NET ABSORPTION

-5,195 UNITS

12 MO DELIVERIES

19,670 UNITS

12 MO ABSORPTIONS

14,475 UNITS



PRICE / UNIT

\$282,120

2Q23: \$281,000

YOY: 0.40%

MARKET CAP RATES

4.80%

METRO PHOENIX

6.07%

NATIONAL

Workforce housing has been more resilient to supply pressures. Vacancy at 1 & 2 Star properties rose by 380 basis points from its post-COVID low, with rents down 1%. In contrast, luxury property vacancies increased by 500 basis points, with rents down 4%.

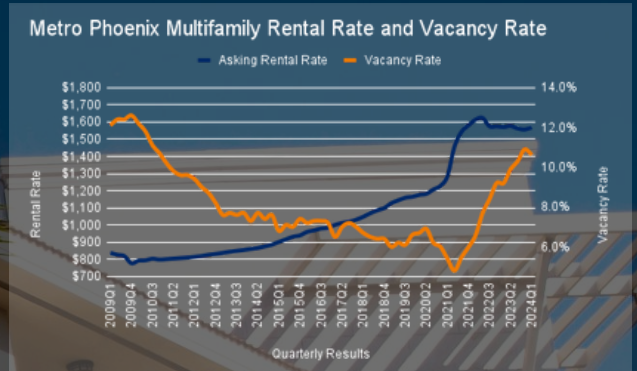
Since Q4 2022, annual rent growth has been negative, and concessions have increased. The average asking rent fell by 2.0% over the past year, with about 40% of communities offering discounts. Renters can expect six to eight weeks of free rent at new properties and four weeks at some stabilized ones. Some managers also offer concessions at renewal.

Modest rent growth is expected for 2024, with a potential reacceleration by late 2025 or 2026 due to a strong macroeconomy and a recent slowdown in construction starts.

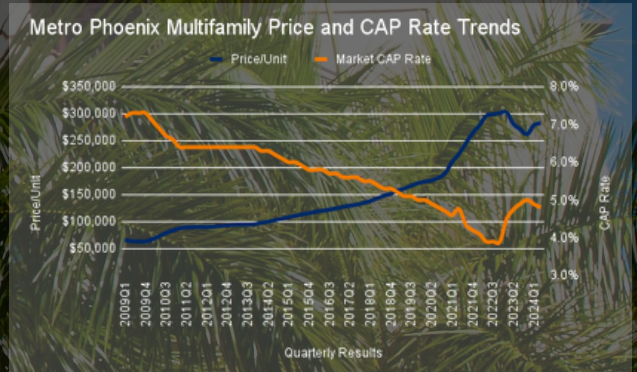
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL AND VACANCY RATES



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 3.80% Unemployment Rate (USA)
- 2.90% Unemployment Rate (Metro PHX)
- 2.615 MM Employed Residents (Metro PHX)

+0.10%

-0.40%

Metro PHX Housing Trends (YOY)

- \$450,000 Median Home Price
- 6,157 Closed Transactions
- 39 Days on Market
- 2.91 Months of Supply

+0.01%

-0.06%

-7 Days

+0.35 Months

10-Year Treasury

- 4.36% as of 6/28/2024
- +0.55% YOY | -0.15% 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	6.3%	\$1,856	-2.4%	119	260	1.8%	195	\$327K	4.9%
Chandler	6.3%	\$1,712	-1.4%	983	922	2.9%	696	\$305K	4.6%
North Phoenix	7.1%	\$2,076	-2.7%	754	3,646	19.8%	543	\$359K	4.6%
Camelback	7.2%	\$1,483	-1.1%	2,400	3,367	7.0%	2,208	\$252K	4.7%
North Scottsdale	7.2%	\$1,757	-1.4%	669	1,608	10.1%	716	\$323K	4.5%
Deer Valley	7.4%	\$1,589	-3.2%	1,724	1,578	14.8%	1,162	\$277K	4.7%
Tempe	8.0%	\$1,392	-1.1%	959	1,945	4.4%	230	\$224K	4.8%
East Valley	8.3%	\$1,505	-4.2%	442	2,375	6.6%	526	\$263K	4.6%
Gilbert	8.5%	\$1,612	-1.6%	2,222	2,868	6.1%	1,742	\$285K	4.8%
Downtown Phoenix	8.8%	\$1,466	-1.6%	131	0	0.0%	149	\$236K	5.2%
NW Valley	8.8%	\$1,781	-2.1%	2,331	1,517	30.7%	913	\$309K	4.7%
South Phoenix	9.1%	\$1,491	-2.3%	1,589	4,742	11.4%	1,413	\$251K	5.3%
SW Valley	9.2%	\$1,413	-1.4%	2,493	6,109	12.5%	2,733	\$225K	4.6%
West Maricopa County	9.6%	\$1,502	-2.6%	2,563	1,262	7.1%	1,372	\$252K	4.6%
SE Valley	10.8%	\$1,411	-3.3%	1,096	467	9.6%	415	\$132K	5.8%
Total/Averages	8.2%	\$1,562	-1.0%	19,670	32,666	9.7%	14,475	\$282,120	4.8%

PHOENIX METRO RENTS

Asset Class	June '23	June '24	Inc \$\$	% Change
Discretionary	\$2,020	\$1,986	-\$34	-1.68%
Upper Mid-Range	\$1,812	\$1,766	-\$46	-2.54%
Low Mid-Range	\$1,457	\$1,423	-\$34	-2.33%
Workforce - Upper	\$1,288	\$1,245	-\$43	-3.34%
Workforce - Lower	\$1,187	\$1,138	-\$49	-4.13%
Averages	\$1,679	\$1,645	-\$34	-2.03%

NOTABLE TRANSACTIONS & MARKET STATS

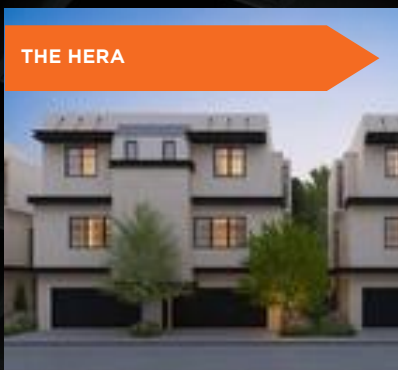
10-99 UNITS

	Q2 2023	Q2 2024	Inc/Dec
Total Sales Volume	\$167,803,000	\$144,119,000	-14.1%
Avg Price/Unit	\$234,362	\$186,441	-20.4%
Avg Price/SF	\$266	\$228	-14.1%
Avg Year Built	1970	1975	

100+ UNITS

	Q2 2023	Q2 2024	Inc/Dec
Total Sales Volume	\$1,316,025,000	\$1,754,035,866	33.3%
Avg Price/Unit	\$276,825	\$293,562	6.0%
Avg Price/SF	\$294	\$298	1.1%
Avg Year Built	1991	1995	

10-99 UNITS



THE HERA

3213 E FLOWER ST PHOENIX, AZ

Sale Date: 5/3/24 Size: 20 Units
 Sale Price: \$10,450,000 Unit Mix: 20 - 3B
 Price/Unit: \$522,500 Year Built: 2022
 RBA: 34,680 SF



PARK TERRACE

1011 E ORANGE ST TEMPE, AZ

Sale Date: 6/3/24 Size: 40 Units
 Sale Price: \$13,000,000 Unit Mix: 22 - 1B | 18 - 2B
 Price/Unit: \$325,000 Year Built: 1963
 RBA: 24,524 SF



ARCADIA MODERN

2940 N 40TH ST PHOENIX, AZ

Sale Date: 6/14/24 Size: 27 Units
 Sale Price: \$8,500,000 Unit Mix: 10 - 1B | 16 - 2B |
 Price/Unit: \$314,815 1 - 3B
 RBA: 21,651 SF Year Built: 1963

100+ UNITS



THE BLAKE

4568 E CACTUS RD PHOENIX, AZ

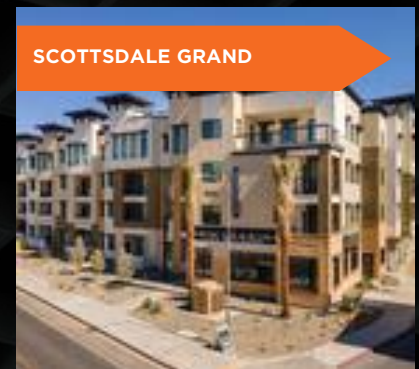
Sale Date: 6/27/24 Size: 400 Units
 Sale Price: \$183,000,000 Unit Mix: 100 - S | 100 - 1B |
 Price/Unit: \$457,500 100 - 2B | 100 - 3B
 RBA: 442,074 SF Year Built: 2024



CARTER

3300 N SCOTTSDALE RD SCOTTSDALE, AZ

Sale Date: 6/3/24 Size: 365 Units
 Sale Price: \$161,400,000 Unit Mix: 46 - S | 190 - 1B |
 Price/Unit: \$442,192 129 - 2B
 RBA: 617,776 Year Built: 2018



SCOTTSDALE GRAND

15501 N DIAL BLVD SCOTTSDALE, AZ

Sale Date: 5/1/24 Size: 285 Units
 Sale Price: \$117,000,000 Unit Mix: 32 - S | 178 - 1B |
 Price/Unit: \$410,526 75 - 2B
 RBA: 239,000 SF Year Built: 2021



5343 NORTH 16TH STREET SUITE 100 | PHOENIX, AZ 85016
(480) 425-5500 | WWW.SVNDESERTCOMMERCIAL.COM