DESERT COMMERCIAL ADVISORS

PHOENIX MULTIFAMILY NEWSLETTER

1Q2024

SVN DESERT COMMERCIAL ADVISORS

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QUARTERLY MULTIFAMILY STATS

The Phoenix multifamily market saw signs of recovery in Q1 2024, buoyed by easing inflation and increasing consumer confidence. This dynamic prompted a surge in renter household formation, spurring a rebound in tenant demand. While new supply additions continued to outpace leasing activity, the rate of decline in occupancy and rents began to stabilize, hinting that the market may be nearing the bottom in terms of property performance.

Over the past year, the Valley absorbed 12,000 units, surpassing the pre-COVID five-year average. Notably, the turnaround among 3 Star properties was remarkable, contributing to a modest drop in metro-wide vacancy to 10.6%, marking the first decrease since mid-2021.

Despite these positive indicators, the construction boom remains a formidable challenge, with 18,000 net new units completed and an additional 33,000 units under construction. This places Phoenix among the top six most aggressively built apartment markets in the nation. High-growth areas like Downtown Phoenix, Tempe, and the West Valley are experiencing the brunt of this development surge.

VACANCY
10.60%
1Q23: 9.20%
YOY: 1.40%

MARKET RENT
$1,569
1Q23: $1,571
YOY: -$2

NET ABSORPTION
-5,897 UNITS
12 MO DELIVERIES
17,535 UNITS
12 MO ABSORPTIONS
11,638 UNITS

PRICE / UNIT
$278,475
1Q23: $302,148
YOY: -7.83%

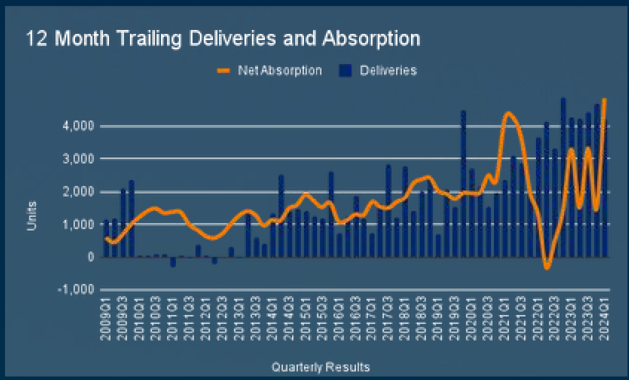
MARKET CAP RATES

4.90%	6.19%
METRO PHOENIX	NATIONAL

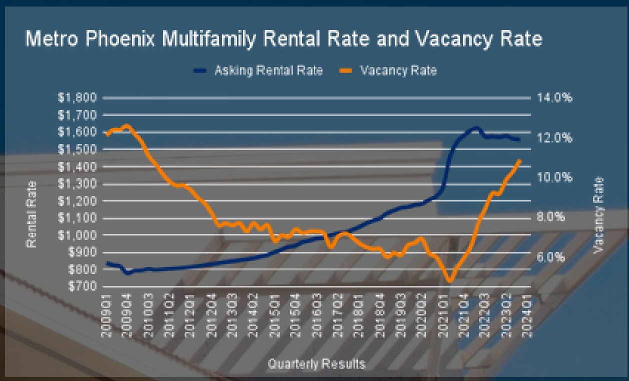
The oversupply situation continues to exert pressure on the market, impacting vacancies and rent growth negatively. Projections suggest that this trend could persist through 2024 and into 2025. Factors such as lower rent growth forecasts, rising expenses, and tighter financing conditions are likely to contribute to a potential slowdown in supply additions by late 2025.

Downtown Phoenix and Tempe remain focal points for luxury developments, with properties like AVE Phoenix Sky offering upscale amenities and commanding starting rents of $2,300/month. Meanwhile, the burgeoning west-side suburbs, including Goodyear, Buckeye, Surprise, and Glendale, are experiencing significant development driven by affordability and employment opportunities.

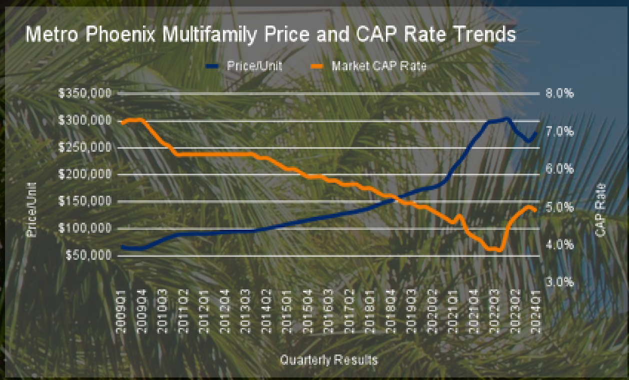
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL AND VACANCY RATES



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 3.80% Unemployment Rate (USA) — +0.10%
- 3.30% Unemployment Rate (Metro PHX) — -0.20%
- 2.606MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- $445,000 Median Home Price — -0.09%
- 6,541 Closed Transactions — -0.13%
- 46 Days on Market — -31 Days
- 2.56 Months of Supply — +0.28 Months

10-Year Treasury

- 4.20% as of 3/28/2024
- +0.65% YOY | -0.07% 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	6.4%	$1,878	-2.00%	119	260	1.80%	354	$318,268	5.0%
Chandler	7.1%	$1,735	0.20%	503	1,043	3.40%	453	$297,156	4.7%
North Phoenix	8.7%	$1,398	-1.40%	438	1,872	4.30%	-361	$215,539	4.9%
Camelback	8.0%	$1,490	-0.80%	100	82	0.70%	288	$230,564	5.3%
North Scottsdale	8.1%	$2,119	-1.70%	455	1,772	9.90%	516	$353,394	4.8%
Deer Valley	8.0%	$1,524	-4.10%	189	2,129	6.00%	441	$255,486	4.7%
Tempe	10.3%	$1,610	-1.80%	2,234	3,997	8.70%	1,427	$278,923	4.9%
East Valley	10.1%	$1,472	-1.50%	2,274	3,487	7.40%	1,943	$230,819	4.8%
Gilbert	10.5%	$1,767	-0.50%	768	1,306	8.30%	780	$312,721	4.6%
Downtown Phoenix	11.6%	$1,496	-3.90%	1,466	4,581	11.10%	1,241	$242,760	5.5%
NW Valley	17.4%	$1,499	-2.60%	2,443	1,369	8.00%	1,152	$241,377	4.8%
South Phoenix	13.1%	$1,594	-2.30%	1,104	2,051	21.10%	930	$259,878	4.8%
SW Valley	13.1%	$1,412	-1.90%	3,262	7,002	14.40%	2,081	$217,761	4.8%
West Maricopa County	25.2%	$1,817	-0.80%	1,443	1,970	52.40%	833	$290,402	4.9%
SE Valley	29.2%	$1,399	-2.20%	1,216	467	9.80%	192	$126,496	6.1%
Total/Averages	**10.6%**	**$1,569**	**-0.1%**	**17,535**	**33,388**	**11.2%**	**11,638**	**$278,475**	**5.0%**

PHOENIX METRO RENTS

Asset Class	March '23	March '24	Inc $$	% Change
Discretionary	$2,024	$1,987	-$37	-1.83%
Upper Mid-Range	$1,805	$1,757	-$48	-2.66%
Low Mid-Range	$1,460	$1,433	-$27	-1.85%
Workforce - Upper	$1,293	$1,256	-$37	-2.86%
Workforce - Lower	$1,187	$1,180	-$7	-0.59%
Averages	**$1,681**	**$1,654**	**-$27**	**-1.61%**

NOTABLE TRANSACTIONS & MARKET STATS

10-99 UNITS

	Q1 2023	Q1 2024	Inc/Dec
Total Sales Volume	$71,802,000	$51,505,000	-28.3%
Avg Price/Unit	$227,222	$157,027	-30.9%
Avg Price/SF	$271	$180	-33.4%
Avg Year Built	1970	1975	

100+ UNITS

	Q1 2023	Q1 2024	Inc/Dec
Total Sales Volume	$715,945,000	$564,800,000	-21.1%
Avg Price/Unit	$259,213	$296,483	-14.4%
Avg Price/SF	$291	$287	-1.4%
Avg Year Built	1991	1995	

10-99 UNITS

PLAYTON PLACE

3625 N 16TH ST
PHOENIX, AZ

Sale Date: 1/26/24
Sale Price: $5,600,000
Price/Unit: $243,478
RBA: 20,522 SF
Size: 23 Units
Unit Mix: 23 - 2B
Year Built: 2022

PINCHOT ARMS APARTMENTS

2326 E PINCHOT AVE
PHOENIX, AZ

Sale Date: 2/16/24
Sale Price: $2,400,000
Price/Unit: $200,000
RBA: 9,400 SF
Size: 12 Units
Unit Mix: 4 - 1B | 8 - 2B
Year Built: 1958

ARCADIA GARDENS

3101 N 32ND ST
PHOENIX, AZ

Sale Date: 3/28/24
Sale Price: $14,750,000
Price/Unit: $194,079
RBA: 43,830 SF
Size: 76 Units
Unit Mix: 30 - S | 32 - 1B | 14 - 2B
Year Built: 1967; Reno: 2017

100+ UNITS

IMT NORTH SCOTTSDALE

15509 N SCOTTSDALE RD
SCOTTSDALE, AZ

Sale Date: 3/27/24
Sale Price: $96,000,000
Price/Unit: $400,000
RBA: 300,000 SF
Size: 240 Units
Unit Mix: 108 - 1B | 128 - 2B | 4 - 3B
Year Built: 2014

SKYWATER AT TOWN LAKE

601 W RIO SALADO PKWY
TEMPE, AZ

Sale Date: 1/31/24
Sale Price: $112,000,000
Price/Unit: $341,463
RBA: 396,579
Size: 328 Units
Unit Mix: 33 - S | 134 - 1B | 145 - 2B | 16 - 3B
Year Built: 2014

SENTIO APARTMENTS

3600 W HAPPY VALLEY RD
GLENDALE, AZ

Sale Date: 2/28/24
Sale Price: $108,000,000
Price/Unit: $332,308
RBA: 318,000 SF
Size: 325 Units
Unit Mix: 161 - 1B | 140 - 2B | 24 - 3B
Year Built: 2022

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