



PHOENIX
MULTIFAMILY

NEWSLETTER

3Q2024

SVN DESERT COMMERCIAL ADVISORS

QUARTERLY MULTIFAMILY STATS

The Phoenix multifamily market made progress toward recovery in Q3 2024, driven by easing inflation and growing consumer confidence. These factors have encouraged renter household formation, boosting tenant demand. Although new supply continues to outpace leasing activity, the rate of decline in occupancy is leveling off, indicating that property performance could begin to improve within the next year.

In the past 12 months, the market absorbed 18,000 units, significantly surpassing the pre-COVID five-year average of 7,200 units. Much of this activity was driven by the lease-up of newly delivered luxury complexes, but the most notable improvement occurred in midpriced communities, which absorbed 4,900 units. As a result, metro-wide vacancy has only risen modestly, reaching 11.0%.

However, the surge in new construction remains a significant challenge for the market. Builders delivered 22,000 units over the past year, more than doubling the annual average completion rate from 2015 to 2019. An additional 27,000 units are under construction, accounting for 6.8% of the existing inventory, making Phoenix the sixth most aggressively built apartment market in the U.S.



VACANCY

10.90%

3Q23: 10.30%

YOY: 0.60%



MARKET RENT

\$1,582

3Q23: \$1,562

YOY: \$20.00



NET ABSORPTION

-3,933 UNITS

12 MO DELIVERIES

21,170 UNITS

12 MO ABSORPTIONS

17,237 UNITS



PRICE / UNIT

\$270,876

3Q23: \$271,000

YOY: -0.05%

MARKET CAP RATES

4.90%

METRO PHOENIX

6.13%

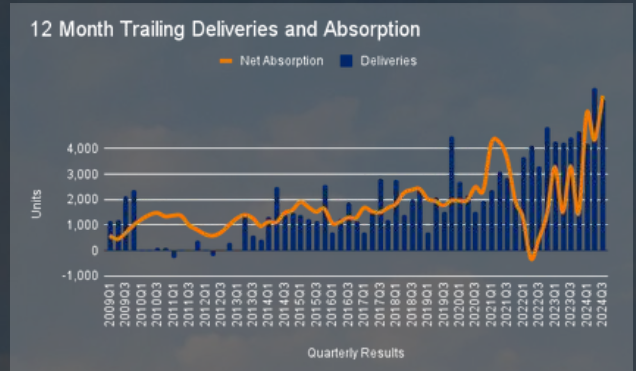
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Vacancy rates at 1 & 2 Star properties have increased by 380 basis points from their post-COVID low, with rents declining by about 1%. In contrast, luxury properties have experienced a 600 basis point increase in vacancy, with rents falling by 5%.

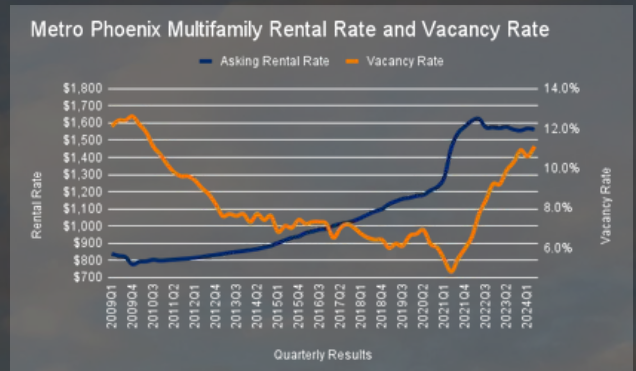
The combination of elevated vacancy rates and the influx of new construction has intensified competition, resulting in negative rent growth since Q4 2022. Over the past year, average asking rents have dropped by 2.4%, and more than 40% of communities offer concessions.

Looking forward, CoStar's base case forecast predicts that vacancy will peak in 2025, with the potential for recovery by the end of that year. However, a significant increase in rent growth may take longer to materialize as the market absorbs the excess supply from recent years.

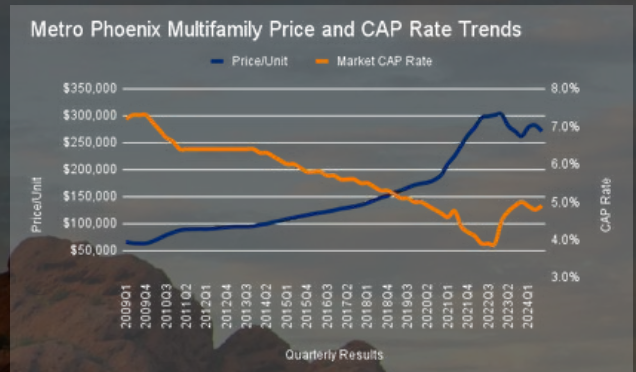
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL AND VACANCY RATES



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.10% Unemployment Rate (USA) +0.30%
- 3.50% Unemployment Rate (Metro PHX) -0.40%
- 2.603 MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- \$440,000 Median Home Price +0.02%
- 5,333 Closed Transactions +0.04%
- 52 Days on Market +16 Days
- 3.65 Months of Supply +1.31 Months

10-Year Treasury

- 3.81% as of 9/30/2024
- -0.78% YOY | -0.10% 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
Chandler	6.50%	\$1,702	-2.30%	853	922	2.90%	692	\$299K	4.60%
Old Town Scottsdale	6.50%	\$1,868	-3.50%	119	450	3.20%	149	\$330K	5.00%
North Scottsdale	6.80%	\$2,145	-2.30%	1,270	1,008	5.30%	830	\$376K	4.70%
West Maricopa County	7.00%	\$1,804	-1.30%	2,641	1,082	18.10%	1,267	\$295K	4.90%
East Valley	7.20%	\$1,499	-1.60%	2,173	3,078	6.30%	2,243	\$249K	4.80%
Gilbert	7.30%	\$1,749	-3.60%	669	1,865	11.80%	733	\$318K	4.60%
South Phoenix	7.70%	\$1,602	-3.10%	2,214	1,000	8.60%	1,458	\$276K	4.80%
North Phoenix	7.90%	\$1,420	-1.40%	1,394	1,091	2.40%	721	\$222K	4.90%
Deer Valley	8.30%	\$1,506	-4.90%	763	2,402	6.60%	616	\$258K	4.70%
Tempe	8.40%	\$1,607	-2.80%	1,569	2,649	5.70%	1,883	\$280K	4.90%
Downtown Phoenix	8.40%	\$1,505	-2.00%	1,710	4,749	11.30%	1,763	\$250K	5.40%
Camelback	8.40%	\$1,498	-1.00%	127	0	0%	80	\$233K	5.30%
South West Valley	9.40%	\$1,434	-1.50%	3,761	4,690	9.20%	3,617	\$224K	4.80%
North West Valley	10.50%	\$1,519	-3.00%	2,255	1,344	7.60%	1,589	\$254K	4.70%
Southeast Valley	11.10%	\$1,396	-4.10%	804	880	18.00%	552	\$136K	6.00%
Total/Averages	11.0%	\$1,582	1.3%	21,170	27,210	7.8%	17,237	\$270,876	4.9%

PHOENIX METRO RENTS

Asset Class	September '23	September '24	Inc \$\$	% Change
Discretionary	\$2,015	\$1,968	-\$47	-2.30%
Upper Mid-Range	\$1,796	\$1,753	-\$43	-2.40%
Low Mid-Range	\$1,446	\$1,422	-\$24	-1.70%
Workforce - Upper	\$1,277	\$1,240	-\$37	-2.90%
Workforce - Lower	\$1,183	\$1,130	-\$53	-4.50%
Averages	\$1,672	\$1,639	-\$33	-2.00%

NOTABLE TRANSACTIONS & MARKET STATS

10-99 UNITS

	Q3 2023	Q3 2024	Inc/Dec
Total Sales Volume	\$122,606,000	\$91,585,500	-25.3%
Avg Price/Unit	\$256,498	\$174,117	-32.1%
Avg Price/SF	\$290	\$164	-43.7%
Avg Year Built	1970	1975	

100+ UNITS

	Q3 2023	Q3 2024	Inc/Dec
Total Sales Volume	\$715,945,000	\$1,039,820,000	45.2%
Avg Price/Unit	\$259,213	\$281,413	8.6%
Avg Price/SF	\$294	\$259	-11.9%
Avg Year Built	1991	1995	

10-99 UNITS



CIELO APARTMENT HOMES

**15350 N 29TH ST
PHOENIX, AZ**

Sale Date: 7/31/24 Size: 22 Units
 Sale Price: \$8,975,000 Unit Mix: 22 - 2B
 Price/Unit: \$407,955 Year Built: 2020
 GBA: 25,000 SF



ESTILO

**3025 N 38TH ST
PHOENIX, AZ**

Sale Date: 8/19/24 Size: 15 Units
 Sale Price: \$3,700,000 Unit Mix: 1 - 1B | 14 - 2B
 Price/Unit: \$246,667 Year Built: 1971/Reno: 2017
 GBA: 12,950 SF



ESCONDIDO APARTMENTS

**4422 N 36TH ST
PHOENIX, AZ**

Sale Date: 8/29/24 Size: 75 Units
 Sale Price: \$16,000,000 Unit Mix: 12 - S | 63 - 1B
 Price/Unit: \$213,333 Year Built: 1979
 GBA: 40,640 SF

100+ UNITS



DESERT CLUB

**6901 E CHAUNCEY LN
PHOENIX, AZ**

Sale Date: 9/9/24 Size: 497 Units
 Sale Price: \$187,500,000 Unit Mix: 238 - 1B | 211 - 2B |
 Price/Unit: \$377,264 48 - 3B
 GBA: 495,877 SF Year Built: 2003



TROVITA RIO

**701 W RIO SALADO PKY
TEMPE, AZ**

Sale Date: 9/30/24 Size: 209 Units
 Sale Price: \$77,330,000 Unit Mix: 27 - S | 63 - 1B |
 Price/Unit: \$370,000 119 - 2B
 GBA: 668,122 Year Built: 2019



THE VILLAGE OF CHANDLER

**6075 S GILBERT RD
CHANDLER, AZ**

Sale Date: 9/12/24 Size: 109 Units
 Sale Price: \$39,240,000 Unit Mix: 50 - 1B | 50 - 2B |
 Price/Unit: \$360,000 9 - 3B
 GBA: 88,000 SF Year Built: 2023



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