



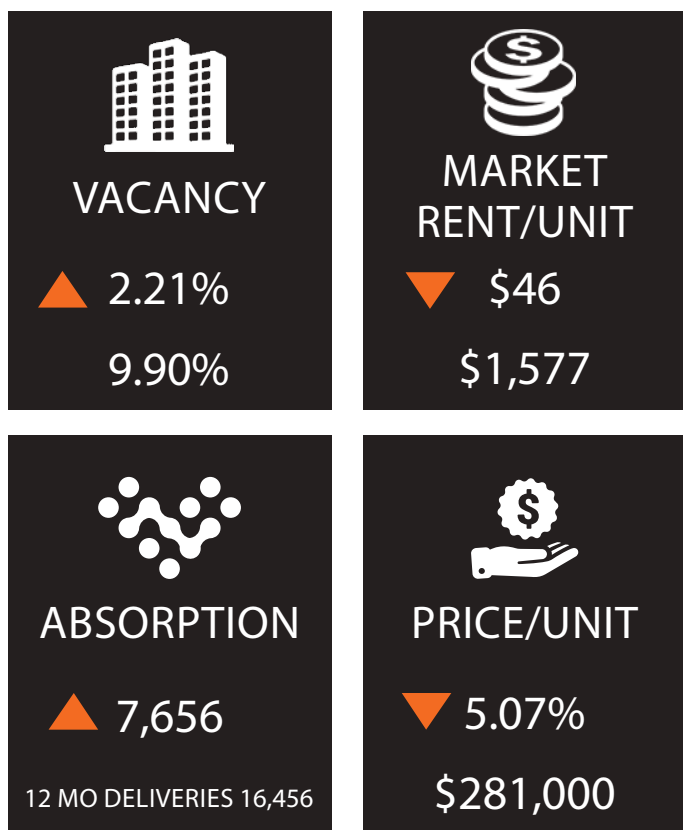
2Q2023 METRO PHOENIX MULTIFAMILY NEWSLETTER

CONTACT INFORMATION

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METRO PHOENIX MULTIFAMILY OVERVIEW

YEAR-OVER-YEAR



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- ▶ 3.60% Unemployment Rate (USA) +0.02%
- ▶ 3.30% Unemployment Rate (Metro PHX) +0.12%
- ▶ 2.552MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- ▶ \$443,000 Median Home Price -6.70%
- ▶ 7,257 Closed Transactions -6.00%
- ▶ 66 Days on Market +36 Days
- ▶ 1.99 Months of Supply -0.34 Months

10-Year Treasury

- ▶ 3.81% as of 06/30/2023
- ▶ +0.83% YOY | +0.12% MOM|

The Phoenix multifamily market is navigating a period of dislocation. Apartment demand has downshifted from the record level seen in the two years following the onset of the pandemic to a much more moderate pace as high inflation and economic uncertainty stall the launch of new renter households. At the same time, the sizable construction pipeline is delivering thousands of new units every quarter, overwhelming demand. This imbalance caused an upswing in vacancy rates and pushed rent growth into the red. Expectations are for further weakening in multifamily fundamentals moving forward as supply continues to outpace demand, a condition that could be exacerbated by a potential recession.

Though demand was steady in the first half of the year, the 8,100 units of net absorption recorded over the past 12 months was not enough to overtake the 17,000 units of net new deliveries. As a result, the Phoenix vacancy rate has risen from a record low of 5.1% in mid-2021 to 9.9% today, the highest level since 2011. Furthermore, rents have fallen -2.4% over the past year, one of the worst figures in the nation. Each of Phoenix's 15 submarkets are now contending with negative rent growth and high-cost East Valley suburbs like Chandler and Gilbert are shouldering the heaviest burden.

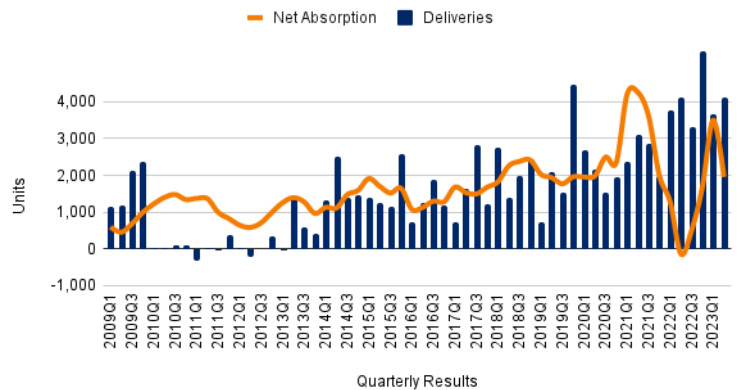
The bulk of the Metro's 35,000 units currently under construction are for high-end properties. The concentration of new supply additions in the luxury segment has disproportionately impacted performance at these assets. Vacancy has risen the most at 4 & 5 Star properties with the impact becoming less severe moving down the quality spectrum. These trends are especially evident in construction-heavy areas like Downtown Phoenix and Tempe, which have been major targets of new development. In response to the weaker leasing climate, local property managers have turned to concessions to attract tenants with six to eight weeks of free rent becoming the standard at newly delivered communities.

Although the market has swung from one extreme to the other over the past three years, the underlying demand drivers that fueled The Valley's strong performance over the past decade remain in place. In 2022, Maricopa County once again led the U.S. in absolute population growth for the third straight year, reiterating the metro's strong demographic profile. The expanding and diversifying local economy coupled with a structural shortage of housing also provide long-term tailwinds. Additionally, the rapid increase in single-family home prices has pushed homeownership out of reach for many, directing new housing demand to the rental market. In fact, the development of single-family build-to-rent communities has ramped up, particularly in the West Valley, as builders chase this segment.

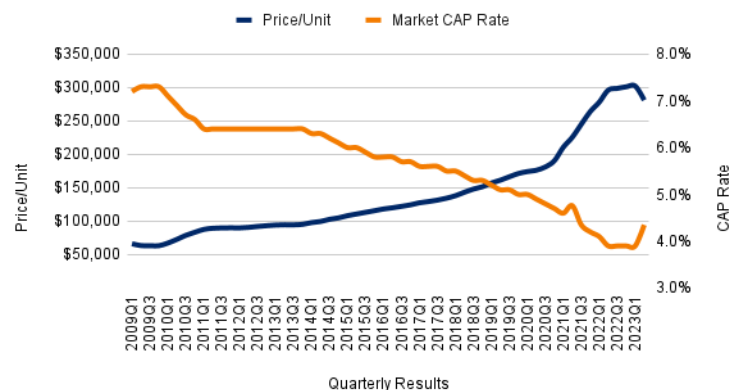
Investment activity has noticeably slowed as high interest rates and lower revenue growth projections crimp sales volume. Roughly \$653 million worth of multifamily assets traded in 2Q23, one of the lowest levels since 2016. Lenders are easily scrutinizing underwriting and requiring bigger down payments, restricting the availability of acquisition financing. As a result, buyers are demanding stronger in-place returns and have reduced their bid amounts. Owners, meanwhile, have generally opted to hold assets rather than sell at a perceived discount in the hopes that conditions will improve. This disconnect between sellers' pricing expectations and buyers' ability to pay has put upward pressure on yields. Average cap rates have risen about 125 to 150 basis points from their recent trough, weighing on values. Moving forward, the investment climate is expected to remain tepid over the near term, though owners facing a loan maturity, or some other capital event could be a source of deal flow.

Phoenix continues to be a great place to invest, but like every great race car, eventually, it comes time for a tune-up. Why not reach out to your SVN Advisor today for a portfolio check-up?

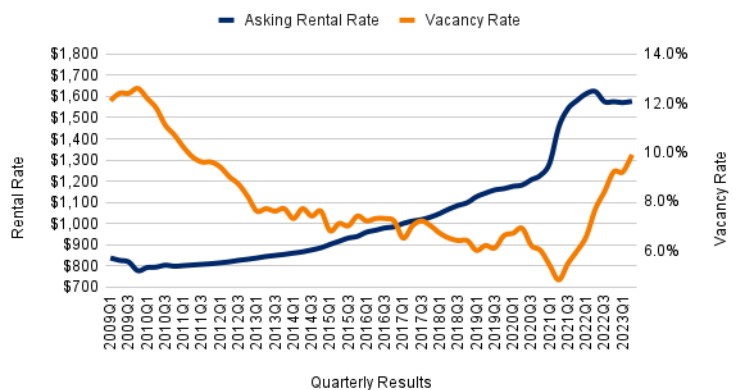
METRO PHOENIX DELIVERIES AND ABSORPTION



PRICE AND CAP RATE TRENDS



RENTAL AND VACANCY RATES



Sources: CoStar Realty Information, Inc; U.S. Department of the Treasury; AZ Commerce Authority; ARMLS; U.S. Census Bureau;

U.S. Bureau of Labor Statistics; Elliott D. Pollack and Company; Yardi Matrix

SUBMARKET ANALYTICS

Submarket	Vacancy Rate	Market Asking Rent/Unit	Annual Rent Growth	12 Month Delivered Units	Under Construction Units	Under	12 Month Absorption Units	Sale Price/ Unit	Market Cap Rate
Old Town Scottsdale	7.20%	\$1,919	-1.4%	111	379	2.8%	451	\$352,096	4.5%
Chandler	7.30%	\$1,727	-3.7%	526	1763	5.8%	330	\$323,529	4.2%
North Phoenix	7.80%	\$1,389	-2.2%	80	1,774	4.1%	-762	\$239,165	4.4%
Deer Valley	8.90%	\$1,572	-2.2%	1,928	753	2.1%	988	\$277,106	4.2%
East Valley	9.90%	\$1,478	-2.8%	2,583	4,904	10.8%	1,149	\$254,539	4.3%
N Scottsdale	9.90%	\$2,124	-0.6%	594	2132	12.0%	525	\$390,890	4.4%
Camelback	10.20%	\$1,472	-3.5%	205	112	1.0%	-98	\$259,233	4.6%
Downtown Phoenix	10.30%	\$1,529	-1.8%	1,928	4866	12.2%	1653	\$276,084	4.7%
Gilbert	10.70%	\$1,779	-3.3%	910	1,311	8.6%	822	\$346,472	4.2%
Tempe	11.40%	\$1,635	-1.6%	2,263	4515	10.0%	456	\$307,277	4.2%
SW Valley	11.90%	\$1,415	-3.6%	2,835	4,906	10.7%	907	\$234,653	4.3%
NW Valley	12.00%	\$1,488	-3.6%	1,109	2292	15.5%	756	\$251,150	4.3%
South Phoenix	12.10%	\$1,619	-0.8%	876	1,799	20.6%	348	\$308,175	4.4%
W Maricopa County	12.60%	\$1,684	-1.0%	655	2653	100.0%	600	\$290,833	4.4%
Total Phoenix Metro	9.90%	\$1,577	-2.4%	16,603	34,159	9.3%	8,125	\$281,000	4.4%

PHOENIX METRO RENTS

Asset Class	June'22	June'23	Inc \$\$	% Change
Discretionary	\$2,061	\$2,003	-\$58	-2.81%
Upper Mid-Range	\$1,859	\$1,799	-\$60	-3.23%
Low Mid-range	\$1,519	\$1,456	-\$63	-4.15%
Workforce - Upper	\$1,305	\$1,287	-\$18	-1.38%
Workforce - Lower	\$1,177	\$1,181	\$4	0.34%
Totals	\$1,715	\$1,674	-\$41	-2.39%

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

NOTABLE TRANSACTIONS & MARKET STATS

10-99 UNITS

	1st Half 2022	1st Half 2023	Inc/Dec
Total Sales Volume	\$962,515,403	\$167,803,000	-83.0%
Avg Price/Unit	\$247,879	\$234,362	-5.0%
Avg Price/SF	\$271	\$266	-2.0%

100+ UNITS

	1st Half 2022	1st Half 2023	Inc/Dec
Total Sales Volume	\$7,406,141,252	\$1,316,025,000	-82.0%
Avg Price/Unit	\$338,334	\$276,825	-18.0%
Avg Price/SF	\$373	\$294	-21.0%

10-99 UNITS

THE HERA

3213 E Flower St., Phoenix, AZ 85018

Sale Date : 06/01/2023 Size : 20 Units
 Sale Price : \$15,000,000 Unit Mix : 20 - 3B
 Price/Unit : \$750,000 Year Built : 2022
 RBA : 34,680 SF



STONE VIEW ON ROMA

814 E Roma Ave., Phoenix, AZ 85014

Sale Date : 04/10/2023 Size : 21 Units
 Sale Price : \$10,325,000 Unit Mix : 21 - 3B
 Price/Unit : \$491,667 Year Built : 2023
 RBA : 28,445 SF



SAN DOMINIC

5112 N 17th Ave., Phoenix, AZ 85015

Sale Date : 06/05/2023 Size : 22 Units
 Sale Price : \$7,150,000 Unit Mix : 22 - 3B
 Price/Unit : \$325,000 Year Built : 2018
 RBA : 28,600 SF



100+ UNITS

THE GRIFFIN APARTMENTS

3234 N Scottsdale Rd., Scottsdale, AZ 85251

Sale Date : 05/24/2023 Size : 277 Units
 Sale Price : \$127,780,000 Unit Mix : 173 - 1B | 104 - 2B
 Price/Unit : \$461,300 Year Built : 2018
 RBA : 514,973 SF



THE ASTON SCOTTSDALE

8688 E Raintree Rd., Scottsdale, AZ 85260

Sale Date : 06/14/2023 Size : 330 Units
 Sale Price : \$141,500,000 Unit Mix : 208 - 1B | 98 - 2B | 24 - 3B
 Price/Unit : \$428,788 Year Built : 2022
 RBA : 376,881 SF



SOLTRA AT SAN TAN VILLAGE

1690 S San Tan Village Pkwy., Gilbert, AZ 85295

Sale Date : 06/23/2023 Size : 380 Units
 Sale Price : \$140,000,000 Unit Mix : 41 - Studio | 171 - 1B |
 Price/Unit : \$368,421 155 - 2B | 13 - 3B
 RBA : 300,000 SF Year Built : 2021



