

Phoenix Multifamily

Market Forecast

Trends

Vacancy



Unemployment



Rental Rate



New Construction



Notable Transactions

Crescent Scottsdale Quarter
Desert Horizon Park/Cactus Road
275 Units
\$87,000,000 | \$316,364/unit
Buyer: Invesco Advisors, Inc.
Seller: Crescent Communities, LLC

Almeria at Ocotillo
Price Corridor
389 Units
\$80,000,000 | \$210,765/unit
Buyer: PASSCO Companies, LLC
Seller: PB Bell Asset Management, LLC

San Valiente
Sunnyslope
604 Units
\$71,300,000 | \$118,046/unit
Buyer: M&C Properties LLC
Seller: Colony Realty Partners

La Privada at Scottsdale Ranch Apts
Scottsdale Ranch
350 Units
\$64,000,000 | \$182,857/unit
Buyer: DiNapoli Capital Partners
Seller: GE Asset Management

909 West Apartments
Tempe Royal Estates
408 Units
\$55,500,000 | \$136,029/unit
Buyer: MG Properties Group
Seller: Fairfield Residential

The Phoenix multifamily market remains lucrative as rents continue to increase and vacancy decreases, despite surging construction. Phoenix is a top destination for expanding companies who are attracted to the low-cost operating environment, vast pool of talent and available tax credits in addition to more than 300 days of sunshine a year. The city's diverse industries include healthcare, manufacturing & logistics and emerging technologies. The growing population, more than 150,000 people moved to Phoenix last year alone, ensures a strong multifamily market for years to come.

In the third quarter rents continued to rise, raising the year over year rent growth to 6.6%, and pushing average asking rent per unit across the county to \$905, the highest rent on record. Apartments located in Scottsdale continue to command the highest rents with Scottsdale Airpark as the most expensive at \$1,259 and Old Town Scottsdale in second at \$1,216. By contrast the lowest rents are found in West Maricopa County. In the current economy, rising rents are expected to continue as new workers and new companies are attracted to the area.

The market's overall vacancy has continued to tighten with the third quarter ending at 4.2%, a 30 basis point decrease from the third quarter of 2015. Scottsdale Airpark continues to have one of the highest vacancy rates at 7.5% due to ample new construction. Meanwhile the most compacted submarket clusters are Northeast Outlying at 1.8% and North Gateway at 2.3% due to constrained supply. Despite several new construction projects, vacancy is forecasted to continue to tighten as new residents quickly fill in the new space.

In the third quarter, the Phoenix multifamily market recorded 102 transactions, totaling over one billion dollars. The biggest properties to change hands this quarter were The Optima at Kierland in Desert Horizon Park/Cactus Road, Almeria

→ Continued, page 2

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at Ocotillo in Price Corridor and San Valiente in Sunnyslope. The average price per unit has increased 22.5% year-over-year to \$97,261 in the third quarter. The average cap rate was 6.3%.

Phoenix has been witnessing a surge in multifamily construction as developers try to cash in on the growing population of renters. As of the third quarter there are over 10,100

units being built, which will do little to quell the demand. Tempe is undertaking the bulk of this development with 1,900 units under development, followed by Central City with 1,700 units. Rise on Apache, one of the largest projects being built will provide approximately 384 upscale units for students at ASU.

Data Source: CoStar

Submarket Statistics

Submarket	Inventory Units	Asking Rate/Unit	Asking Rent Growth/Year	Vacancy	Net Absorption Units	Under Construction Units	Delivered Units
44th Street Corridor	11,369	\$814	5.3%	2.8%	3	-	-
Ahwatukee	8,925	\$1,027	5.0%	3.2%	103	-	-
Camelback/Biltmore	25,921	\$912	6.3%	4.7%	62	1,022	244
Central City	12,908	\$894	3.6%	5.5%	55	1,709	286
Chandler/Gilbert	18,029	\$1,080	7.2%	3.3%	294	1,151	420
Deer Valley	24,868	\$896	7.4%	3.6%	(12)	67	-
E Mesa/Apache Junction/Gateway Airport	20,927	\$845	8.0%	4.3%	74	357	32
Fountain Hills	603	\$984	3.8%	3.9%	(4)	-	-
North Gateway	3,924	\$1,067	6.6%	2.3%	63	-	-
North Mountain	38,432	\$756	8.1%	3.7%	(6)	-	48
Northeast Outlying	316	\$742	4.3%	1.8%	0	-	-
Northwest Outlying	8,195	\$964	4.2%	2.8%	19	286	-
Old Town Scottsdale	17,579	\$1,216	1.4%	5.8%	260	1,102	507
Outlying Pinal County	8,015	\$690	4.7%	5.0%	8	-	-
Paradise Valley Village	9,832	\$855	8.0%	4.6%	(28)	42	-
Paradise Valley/Central Scottsdale	9,958	\$1,121	8.9%	4.8%	(94)	-	39
Peoria/Glendale/Maryvale	44,931	\$691	8.3%	4.0%	(98)	-	200
Price Corridor	12,657	\$1,063	5.9%	5.2%	(145)	618	76
San Tan Valley/Queen Creek	834	\$1,062	10.5%	4.7%	(1)	-	-
Scottsdale Airpark	16,268	\$1,259	3.9%	7.5%	321	1,327	465
South Tempe	7,955	\$1,056	4.5%	4.5%	(83)	534	-
Southwest Outlying	9,492	\$951	9.2%	2.7%	90	-	125
Southwest Phoenix	17,215	\$789	6.7%	5.7%	(181)	-	-
Tempe	30,230	\$1,024	6.7%	3.9%	519	1,901	303
West Maricopa County	1,173	\$629	4.6%	5.7%	0	-	-
West Mesa	40,691	\$806	7.3%	3.6%	182	-	398
Total	401,691	\$905	6.6%	4.2%	1,401	10,116	3,143

Notable Projects Under Construction

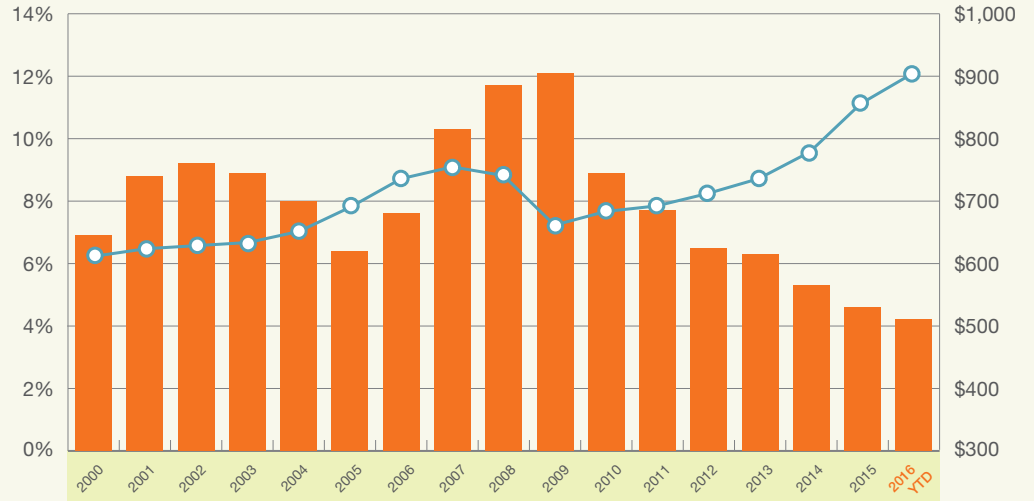
Property	Address	Submarket	# of Units	Owner	Expected Delivery Date
The Optima at Kierland	15440 N Scottsdale Rd	Desert Horizon Park/Cactus Road	796	Ladlow's Fine Furniture	Feb-2018
McClintock Station	1831-1847 E Apache Blvd	Shalimar/McClintock	423	McClintock Station LLC	Aug-2018
Rise on Apache	1000 E Apache Blvd	University Heights	384	CA Ventures LLC	Oct-2017
Agave Old Town	3300 N Scottsdale Rd	South Scottsdale	374	JLB Partners, LP	Sept-2017
The Motley	1205-1221 E Apache Rd	Hudson Manor	367	Lennar Multifamily Investors LLC	Dec-2017

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3rd Quarter 2016 Phoenix Multifamily Market Statistics

HISTORICAL ASKING RENT PER UNIT AND VACANCY RATE*

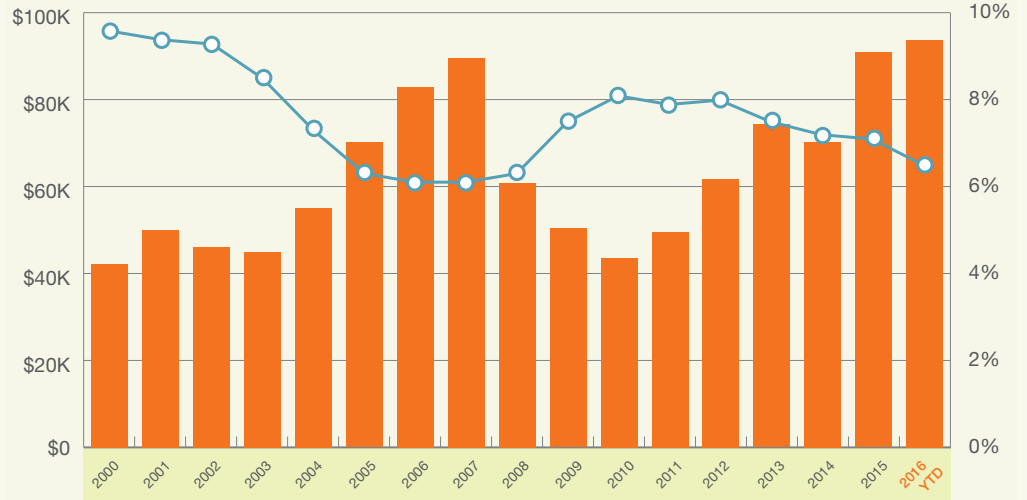
■ Vacancy Rate
○ Asking Rate/Unit



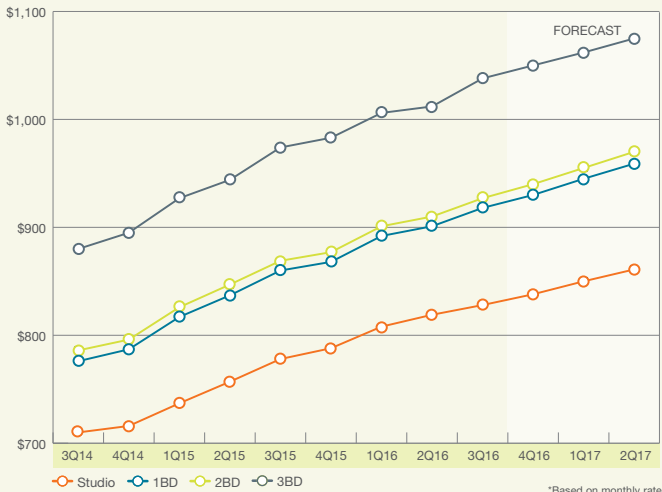
*Based on monthly rate

HISTORICAL SALES PRICE PER UNIT & CAP RATES

■ Sales Price/Unit
○ Cap Rate



ASKING RENT*



*Based on monthly rate

NET ABSORPTION - QUARTERLY

