

Phoenix Multifamily

Market Forecast

Trends

Vacancy



Unemployment



Rental Rate



New Construction



Notable Transactions

Regents on University

Alegre Community
225 Units
\$52,975,000 | \$235,444/unit
Buyer: Preferred Apartment Communities
Seller: Consolidated Investment Group

Scottsdale Highlands

Horizons/ Cactus Corridor
272 Units
\$48,500,000 | \$178,309/unit
Buyer: Olen Commercial Realty Corp.
Seller: Bascom Arizona Ventures

Sonora Canyon

Hy-Den Place/McAfee Heights
388 Units
\$40,700,000 | \$104,897/unit
Buyer: Blackstone REIT
Seller: Security Properties, Inc

Argenta Apartments

Route 60 Corridor to Apache Junction
396 Units
\$38,050,000 | \$96,085/unit
Buyer: M&C Properties LLC
Seller: Acacia Capital Corporation

505 West Apartment Homes

Pepperwood/Kyrene
334 Units
\$37,250,000 | \$111,526/unit
Buyer: Aragon Holdings, LLC
Seller: Fowler Property Acquisitions

The Phoenix apartment market remains lucrative as vacancy continues to decrease in spite of new construction driving rents to record highs. 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, over 1,400 new residents relocate to Phoenix per week, ensures a strong multifamily market for years to come.

In the first quarter rents continued to rise, raising the year over year rent growth to 4.6%, and pushing average asking rent per unit across Phoenix to \$923, the highest rent on record. Apartments located in Scottsdale continue to command the highest rents with Scottsdale Airpark as the most expensive at \$1,291 and Old Town Scottsdale in second at \$1,274. By contrast the lowest rents are found in West Maricopa County at \$627. 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 year starting at 6.2%, a 30 basis point decrease from the end of 2016 and an all-time low. Central City has the highest vacancy rate at 9.0% due to ample new construction. Meanwhile the most compacted submarket cluster is Southwest Phoenix at 4.7% due to limited construction in the area. Despite several new construction projects, vacancy is forecast to continue tightening as new residents quickly fill in the new space.

In the first quarter, the Phoenix multifamily market recorded 105 transactions, totaling over \$763 million in dollar volume. The biggest property to change hands in the first quarter was Argenta Apartments, a 700-unit complex, which Acacia Capital Corporation sold to M&C Properties, LLC for \$71.5 million. The average price per unit has increased 32.4% year-over-year to \$96,332 at the end of the first quarter. The average cap rate was 6.6%.

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Phoenix has been witnessing a surge in multifamily construction as developers try to cash in on the growing population of renters. As of the first quarter there are close to 13,500 units being built, which will provide some short term relief. Camelback/ Biltmore is undertaking the bulk of this development with over 2,700

units under development, followed by Tempe with over 2,600 units. One of the largest projects being built, Noria at Chandler Airpark, is a \$40 million mixed-use project that will provide 483 multifamily units.

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	11,102	\$828	5.9%	5.2%	2	-	-
Ahwatukee	8,942	\$1,049	4.4%	5.5%	29	-	-
Camelback/Biltmore	26,409	\$920	4.2%	7.9%	128	2,722	7
Central City	14,072	\$934	4.2%	9.0%	225	1,383	400
Chandler/Gilbert	18,472	\$1,075	3.6%	6.7%	130	2,294	48
Deer Valley	26,372	\$910	4.1%	5.5%	193	333	-
E Mesa/Apache Junction/Gateway Airport	22,331	\$854	4.9%	5.6%	12	529	-
Fountain Hills	752	\$1,021	4.6%	3.6%	5	230	-
North Gateway	3,925	\$1,088	5.6%	5.4%	27	-	-
North Mountain	38,889	\$766	4.5%	6.0%	64	599	-
Northeast Outlying	308	\$787	2.6%	5.8%	0	262	-
Northwest Outlying	10,945	\$1,042	4.1%	5.5%	56	-	-
Old Town Scottsdale	18,164	\$1,274	7.1%	6.6%	197	673	7
Outlying Pinal County	7,844	\$693	3.6%	6.0%	9	-	-
Paradise Valley Village	10,100	\$872	2.3%	5.5%	(17)	42	-
Paradise Valley/Central Scottsdale	8,358	\$1,156	3.2%	5.7%	(5)	-	-
Peoria/Glendale/Maryvale	46,247	\$706	6.2%	6.8%	218	68	-
Price Corridor	12,901	\$1,074	4.0%	7.2%	13	556	138
San Tan Valley/Queen Creek	680	\$1,097	9.8%	5.3%	3	225	-
Scottsdale Airpark	16,870	\$1,291	1.9%	6.0%	74	281	796
South Tempe	8,164	\$1,061	2.6%	6.5%	(33)	-	-
Southwest Outlying	9,574	\$990	7.2%	5.1%	72	299	-
Southwest Phoenix	17,877	\$800	2.6%	4.7%	104	96	-
Tempe	31,660	\$1,024	3.7%	7.2%	77	2,656	265
West Maricopa County	1,428	\$627	5.3%	8.0%	1	-	-
West Mesa	46,675	\$832	5.2%	5.2%	369	228	-
Total	419,061	\$923	4.6%	6.2%	1,953	13,476	1,661

Notable Projects Under Construction

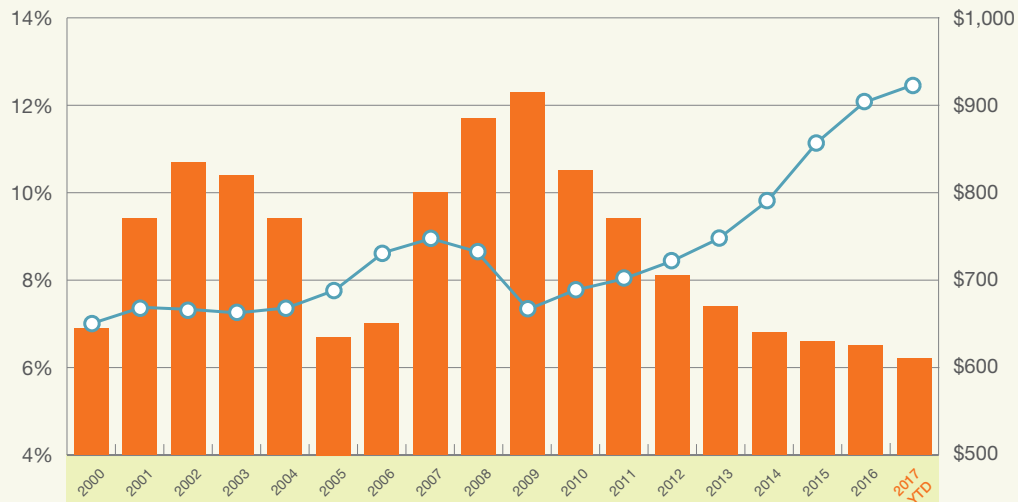
Property	Address	Submarket	# of Units	Owner	Expected Delivery Date
Tempo at McClintock Station	1831-1847 E Apache Blvd	Shalimar/McClintock	423	Hartman Consulting LLC	Aug-2018
Noria at Chandler Airpark	1131 E Germann Rd	Outer Chandler/Gilbert	483	Noria Investments LLC	Sep-2018
Biltmore Gateway	4640 N 24th St	Biltmore	480	Gray Development	Jul-2017
Fulton School of Engineering Residence	500 E University Dr	Downtown Tempe	429	American Campus Communities	Aug-2017
Rise on Apache	1000 E Apache Blvd	University Heights	384	CA Ventures, LLC	Sep-2017

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1st Quarter 2017 Phoenix Multifamily Market Statistics

HISTORICAL ASKING RENT PER UNIT AND VACANCY RATE*

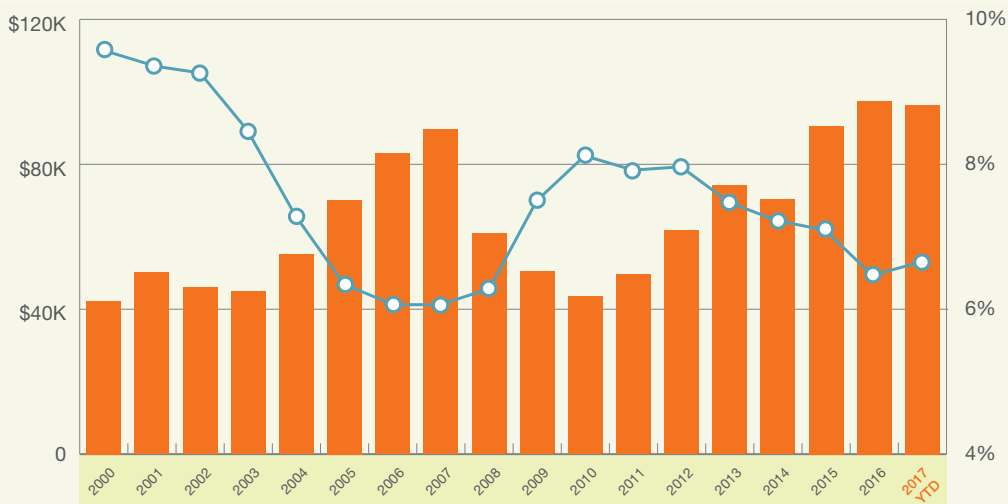
■ Vacancy Rate
● Asking Rate/Unit



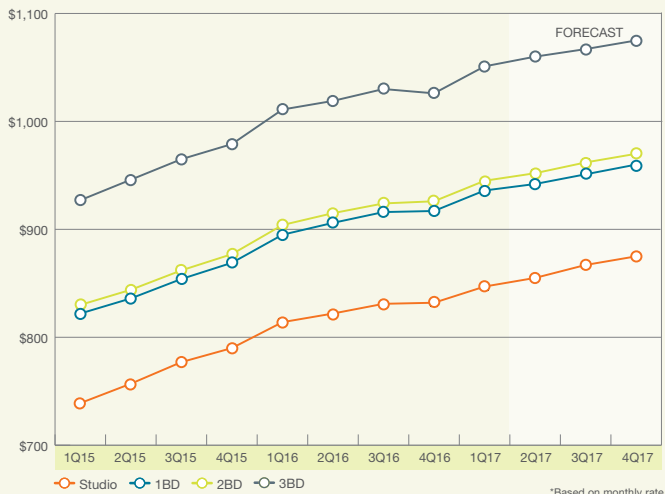
*Based on monthly rate

HISTORICAL SALES PRICE PER UNIT & CAP RATES

■ Sales Price/Unit
● Cap Rate



ASKING RENT*



*Based on monthly rate

NET ABSORPTION - QUARTERLY

