

Phoenix Multifamily

Market Forecast

Trends

Vacancy



Unemployment



Rental Rate



New Construction



Notable Transactions

Andante Apartments

Ahwatukee
576 Units
\$85,250,000 | \$148,003/unit
Buyer: Security Property
Seller: Waterton Associates

Onnix

Hudson Manor
659 Units
\$77,043,750 | \$116,919/unit
Buyer: Bridge Investment Group
Seller: Gordon Angelo & Co.

Alta Paradise Ridge

Outer Scottsdale Airpark
278 Units
\$72,000,000 | \$258,992/unit
Buyer: DiNapoli Capital Partners
Seller: Wood Partners

Arcadia Cove Apartments

Papago Vista
432 Units
\$71,500,000 | \$165,509/unit
Buyer: Investcorp International
Seller: Bascom Arizona Ventures

Green Leaf Tempe Station

Evergreen
400 Units
\$59,500,000 | \$148,750/unit
Buyer: Green Leaf Partners
Seller: SCI Real Estate Investments

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 second quarter rents continued to rise, raising the year-over-year rent growth to 3.6%, and pushing average asking rent per unit across Phoenix to \$942, the highest rent on record. Apartments located in Scottsdale continue to command the highest rents with Scottsdale Airpark as the most expensive at \$1,299, and Old Town Scottsdale in second at \$1,279. By contrast, the lowest rents are found in West Maricopa County at \$727. 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 second quarter ending at 5.9%, a 40 basis point decrease from the end of first quarter of 2017 and an all-time low. Central City has the highest vacancy rate at 9.5% due to ample new construction. Meanwhile the most compacted submarket cluster is Ahwatukee at 2.6% 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 second quarter, the Phoenix multifamily market recorded 74 transactions, totaling over \$1.2 billion in dollar volume. The biggest property to change hands in the second quarter was Andante Apartments, a 576-unit complex, which Waterton Associates sold to Security Property for \$85.25 million. The average price per unit has increased 13.73% year-over-year to \$123,776 at the end of the second quarter. The average cap rate was 5.94%.

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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. At the end of the second quarter there were 19,265 units being built, which will provide some short term relief. Tempe is undertaking the bulk of this development with almost 3,400 units under

development, followed by Camelback/Biltmore with nearly 3,300 units. One of the largest projects being built, Crimson Gateway Village, is a mixed-use project that will provide 1,450 multifamily units.

Data Source: CoStar

Submarket Statistics

	Inventory Units	Asking Rate/Unit	Asking Rent Growth/Year	Vacancy	Net Absorption Units	Under Construction Units	Delivered Units
44th Street Corridor	10,882	\$838	5.3%	4.8%	57	-	-
Ahwatukee	8,942	\$1,045	2.6%	6.0%	(12)	-	-
Camelback/Biltmore	26,189	\$936	4.8%	7.9%	289	3,294	7
Central City	13,400	\$955	5.4%	9.5%	395	1,757	578
Chandler/Gilbert	17,696	\$1,089	2.8%	6.0%	353	2,860	116
Deer Valley	25,766	\$923	3.7%	5.5%	213	573	-
E Mesa/Apache Junction/Gateway Airport	7,828	\$951	5.0%	4.8%	98	1,979	-
Fountain Hills	744	\$1,079	10.2%	3.9%	3	230	-
North Gateway	3,925	\$1,081	6.9%	4.1%	79	138	-
North Mountain	37,166	\$771	3.6%	6.3%	211	599	-
Northeast Outlying	308	\$777	2.8%	5.4%	1	262	-
Northwest Outlying	8,446	\$1,035	3.8%	4.2%	156	130	-
Old Town Scottsdale	17,787	\$1,279	6.1%	6.4%	247	635	76
Outlying Pinal County	4,042	\$720	4.9%	4.6%	58	-	-
Paradise Valley Village	8,419	\$894	2.8%	4.0%	94	42	-
Paradise Valley/Central Scottsdale	8,356	\$1,160	3.6%	5.4%	9	-	-
Peoria/Glendale/Maryvale	40,983	\$728	5.6%	5.6%	493	153	-
Price Corridor	12,569	\$1,087	4.2%	7.8%	42	674	324
San Tan Valley/Queen Creek	474	\$1,115	6.6%	5.0%	3	225	-
Scottsdale Airpark	16,331	\$1,299	6.4%	6.2%	182	1,521	150
South Tempe	8,180	\$1,086	3.2%	4.9%	101	-	-
Southwest Outlying	8,521	\$1,020	7.3%	4.4%	137	587	-
Southwest Phoenix	14,458	\$820	4.6%	3.5%	242	-	-
Tempe	26,954	\$1,058	6.0%	7.2%	194	3,378	265
West Maricopa County	404	\$727	3.2%	7.1%	2	-	-
West Mesa	35,825	\$857	5.8%	4.5%	562	228	-
Total	419,061	\$942	3.6%	5.9%	1,953	19,265	1,516

Notable Projects Under Construction

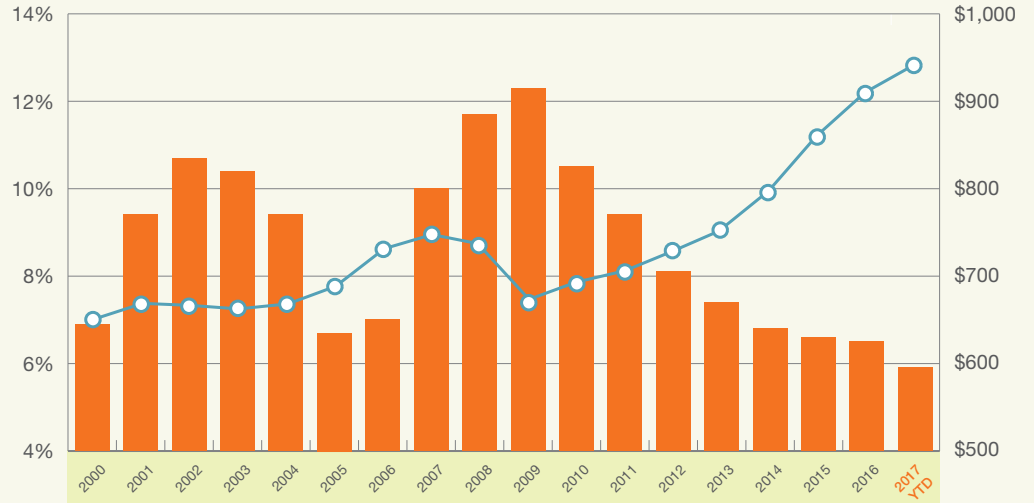
Property	Address	Submarket	# of Units	Owner	Expected Delivery Date
Crimson Gateway Village	1845 N Crismon Road	NE Mesa / Gateway Airport	1,450	Joseph Nuciforo Sr & Lois Suzanne Trust	Aug-2018
Camden North End	N Scottsdale Road	Outer Scottsdale Airpark	1,069	Camden Property Trust	Nov-2019
The Pier 202	1125 E Rio Salado Parkway	University Heights	551	Spring Brook Development	April-2019
The Grand at Papago Park Center Apartments	1101 W Washington Street	North Tempe	550	Lincoln Property Company	Aug-2018
Noria at Chandler Airpark	1131 E Germann Rd	Outer Chandler / Gilbert	483	Noria Investments LLC	Sep-2018

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2nd Quarter 2017 Phoenix Multifamily Market Statistics

HISTORICAL ASKING RENT PER UNIT AND VACANCY RATE*

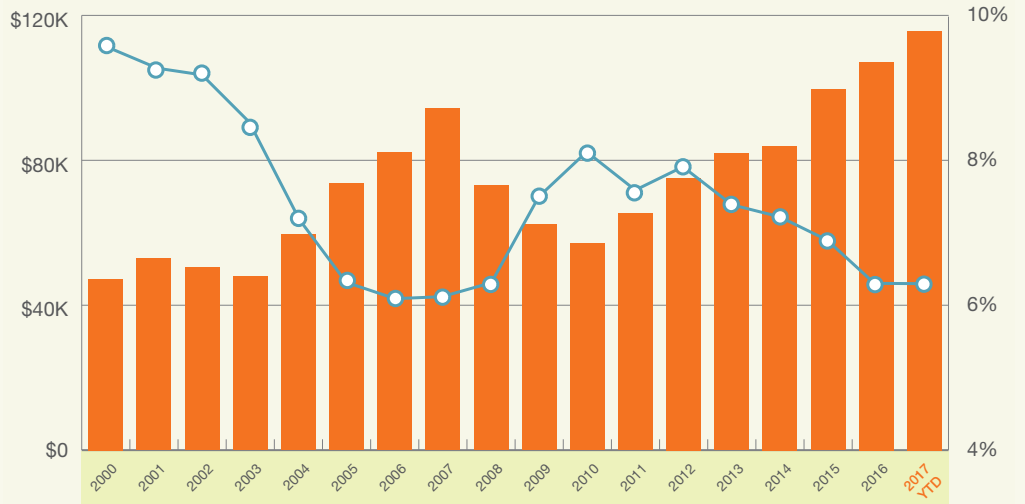
■ Vacancy Rate
○ Asking Rate/Unit



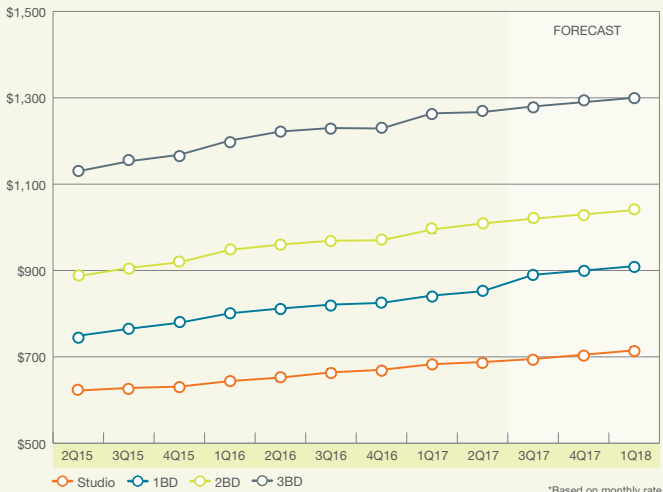
*Based on monthly rate

HISTORICAL SALES PRICE PER UNIT & CAP RATES

■ Sales Price/Unit
○ Cap Rate



ASKING RENT*



*Based on monthly rate

NET ABSORPTION - QUARTERLY

