

# Phoenix Multifamily

## Market Forecast

Trends

Vacancy



Unemployment



Rental Rate



New Construction



## Notable 2016 Transactions

**Cityscape Residences**  
Downtown Phoenix  
224 Units  
\$75,250,000 | \$335,938/unit  
Buyer: Invesco Advisors, Inc.  
Seller: RED Development, LLC

**Alta Tempe**  
University Heights  
296 Units  
\$67,900,000 | \$229,392/unit  
Buyer: DiNapoli Capital Partners  
Seller: Wood Partners

**The Retreat**  
RT 101/I-17 Interchange  
480 Units  
\$62,450,000 | \$130,104/unit  
Buyer: The Blackstone Group LP  
Seller: Bridge Investment Group Ptrs, LLC

**Altitude 1675**  
Sunnyslope  
225 Units  
\$60,000,000 | \$266,667/unit  
Buyer: The ConAm Group of Companies  
Seller: Alliance Residential, LLC

**Elevation on Central**  
Harborwood/Encanto  
266 Units  
\$60,000,000 | \$225,564/unit  
Buyer: PrivatePortfolio Group, LLC  
Seller: Vedula Residential

The Phoenix apartment market remains lucrative as surging construction increases vacancy in the short term, meanwhile rents continue their upward climb. 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 fourth quarter rents continued to rise, raising the year over year rent growth to 5.4%, and pushing average asking rent per unit across the county to \$904, the highest average rent on record. Apartments located in Scottsdale continue to command the highest rents with Scottsdale Airpark as the most expensive at \$1,287 and Old Town Scottsdale in second at \$1,252. By contrast the lowest rents are found in West Maricopa County at \$633. 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 experienced a short term increase with the year ending at 6.2%, a 40 basis point increase from the end of 2015. Old Town Scottsdale continues to have one of the highest vacancy rates at 8.4% due to ample new construction. Meanwhile the most compacted submarket cluster is East Mesa/ Apache Junction/ Gateway Airport at 4.6% due to limited construction in the area. Despite several new construction projects, vacancy is forecast to tighten as new residents quickly fill in the new space.

In 2016, the Phoenix multifamily market recorded 523 transactions, totaling over \$5.3 billion in dollar volume. The biggest properties to change hands in the fourth quarter were Cityscape Residences in Downtown Phoenix, Alta Tempe in University Heights

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## Offices

Seattle  
206.296.9600

Bellevue  
425.454.7040

South Seattle  
206.248.7300

Tacoma  
253.722.1400

Olympia  
360.705.2800

Portland  
503.221.9900

San Francisco  
415.229.8888

Redwood Shores  
650.769.3600

Silicon Valley  
408.970.9400

Sacramento  
916.970.9700

Roseville  
916.751.3600

Orange County  
949.557.5000

Inland Empire  
909.764.6500

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

## Contact

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Designated Broker  
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and The Retreat in RT 101/I-17 Interchange. The average price per unit has increased 7.4% year-over-year to \$97,651 at the end of 2016. The average cap rate was 6.5%.

Phoenix has been witnessing a surge in multifamily construction as developers try to cash in on the growing population of renters. As of year's end there are over 12,000 units being built,

which will provide some short term relief. Tempe is undertaking the bulk of this development with over 2,900 units under development, followed by Central City with close to 1,600 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	11,598	\$805	5.2%	4.9%	(32)	0	0
Ahwatukee	8,925	\$1,007	3.2%	6.1%	(110)	0	0
Camelback/Biltmore	25,423	\$892	4.0%	6.9%	(59)	1,439	244
Central City	13,384	\$906	8.6%	7.0%	139	1,582	848
Chandler/Gilbert	18,127	\$1,047	3.8%	6.7%	(32)	1,254	469
Deer Valley	25,846	\$893	7.2%	5.9%	(115)	62	10
E Mesa/Apache Junction/ Gateway Airport	22,110	\$829	4.2%	4.6%	60	204	185
Fountain Hills	752	\$966	5.0%	5.3%	(1)	230	0
North Gateway	3,925	\$1,074	10.0%	5.6%	(60)	125	0
North Mountain	38,959	\$746	6.1%	5.8%	4	306	48
Northeast Outlying	308	\$753	5.7%	5.4%	0	262	0
Northwest Outlying	10,947	\$1,024	2.8%	6.0%	288	0	286
Old Town Scottsdale	18,505	\$1,252	8.2%	8.4%	3	680	1,315
Outlying Pinal County	7,775	\$686	3.1%	5.6%	(5)	0	0
Paradise Valley Village	10,078	\$842	2.5%	5.1%	(6)	42	0
Paradise Valley/Central Scottsdale	9,974	\$1,140	2.6%	8.0%	(27)	0	39
Peoria/Glendale/Maryvale	46,381	\$694	6.1%	7.4%	(202)	273	10
Price Corridor	12,747	\$1,052	4.3%	5.9%	0	664	76
San Tan Valley/Queen Creek	680	\$1,077	9.8%	5.4%	1	225	0
Scottsdale Airpark	16,374	\$1,287	4.0%	6.5%	203	1,151	465
South Tempe	8,076	\$1,040	2.6%	6.1%	19	88	0
Southwest Outlying	9,523	\$950	7.2%	5.1%	(84)	143	125
Southwest Phoenix	17,793	\$782	4.6%	5.6%	(90)	96	0
Tempe	31,089	\$1,005	3.7%	6.1%	77	2,955	573
West Maricopa County	1,428	\$633	6.0%	7.5%	0	228	0
West Mesa	46,622	\$814	6.8%	5.5%	48	0	398
<b>Total</b>	<b>417,349</b>	<b>\$904</b>	<b>5.4%</b>	<b>6.2%</b>	<b>19</b>	<b>12,009</b>	<b>5,091</b>

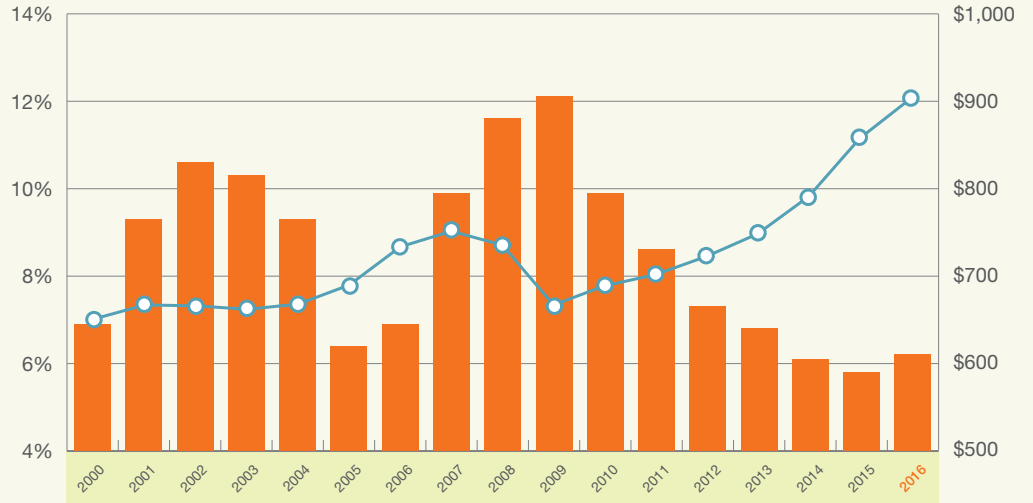
## Notable 2016 Projects Under Construction

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

# 4th Quarter 2016 Phoenix Multifamily Market Statistics

**HISTORICAL ASKING RENT PER UNIT AND VACANCY RATE\***

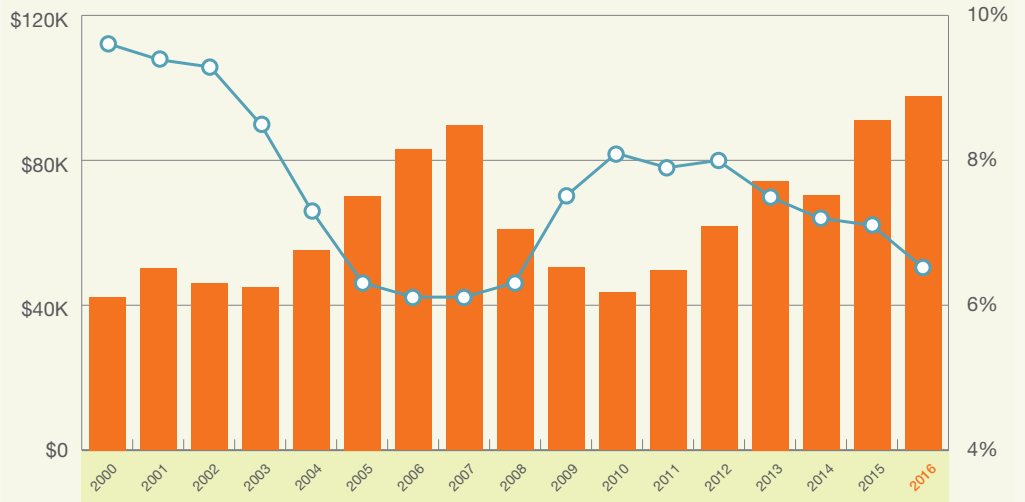
■ Vacancy Rate  
○ Asking Rate/Unit



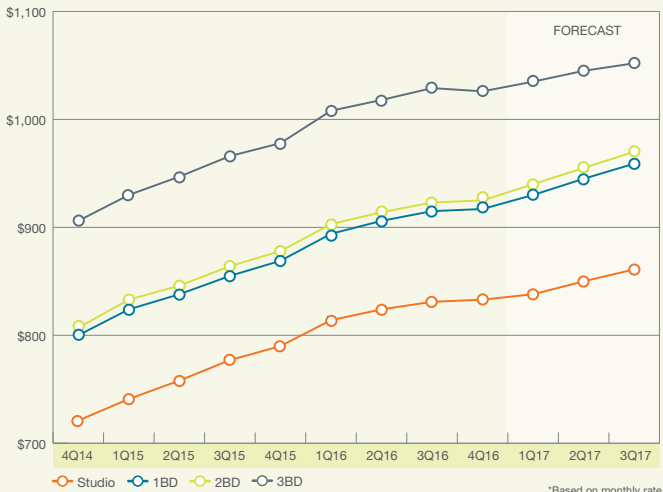
\*Based on monthly rate

**HISTORICAL SALES PRICE PER UNIT & CAP RATES**

■ Sales Price/Unit  
○ Cap Rate



**ASKING RENT\***



\*Based on monthly rate

**NET ABSORPTION - QUARTERLY**

