

YARDI® Matrix

Rise of the Silicon Desert

Multifamily Summer Report 2016

Commerce Authority Woos Tech Firms

New Residents Drive Up Rents

Investors Feed Unassuaged Hunger

PHOENIX MULTIFAMILY

YARDI® Matrix

Market Analysis

Summer 2016

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Valley of the Sun Continues to Heat Up

Phoenix's multifamily market is on a roll as a consequence of its strong job market amid a population influx unlike any other in the Southwest. Rents rose an impressive 7.3% year-over-year through June, although the metro remains inexpensive compared to the national average. Property values have gone up as well, although investors continue to be bullish on a market where the cost of entry is still relatively affordable.

While heavily reliant on trade, transportation, education and health services, the metro has succeeded in diversifying its economy in recent years. Efforts made to attract tech companies from the neighboring state of California have pushed employment in the sector to all-time highs; in fact, the phrase "Silicon Desert" is slowly catching on in the Scottsdale and Tempe submarkets. As a result, rents in upper-tier assets have mostly managed to keep up with those of assets for working-class households.

Development is starting to pick up again. With occupancies at the 96.0% level, the pipeline has reached more than 40,000 units. Supply is concentrated in the metro's Central and Eastern submarkets, where most of the rent growth is occurring. We expect that continued population growth and job creation will keep occupancy rates up even as completions rise, though the supply pipeline will serve to moderate rent growth to 5.4% in 2016.

Recent Phoenix Transactions

IMT Deer Valley



City: Phoenix
Buyer: IMT Capital
Purchase Price: \$101 MM
Price per Unit: \$120,793

Pillar at Scottsdale



City: Scottsdale
Buyer: Security Properties
Purchase Price: \$96 MM
Price per Unit: \$177,644

Skywater at Town Lake



City: Tempe
Buyer: Heitman
Purchase Price: \$94 MM
Price per Unit: \$287,195

Citrine



City: Phoenix
Buyer: Simpson Housing
Purchase Price: \$94 MM
Price per Unit: \$301,000