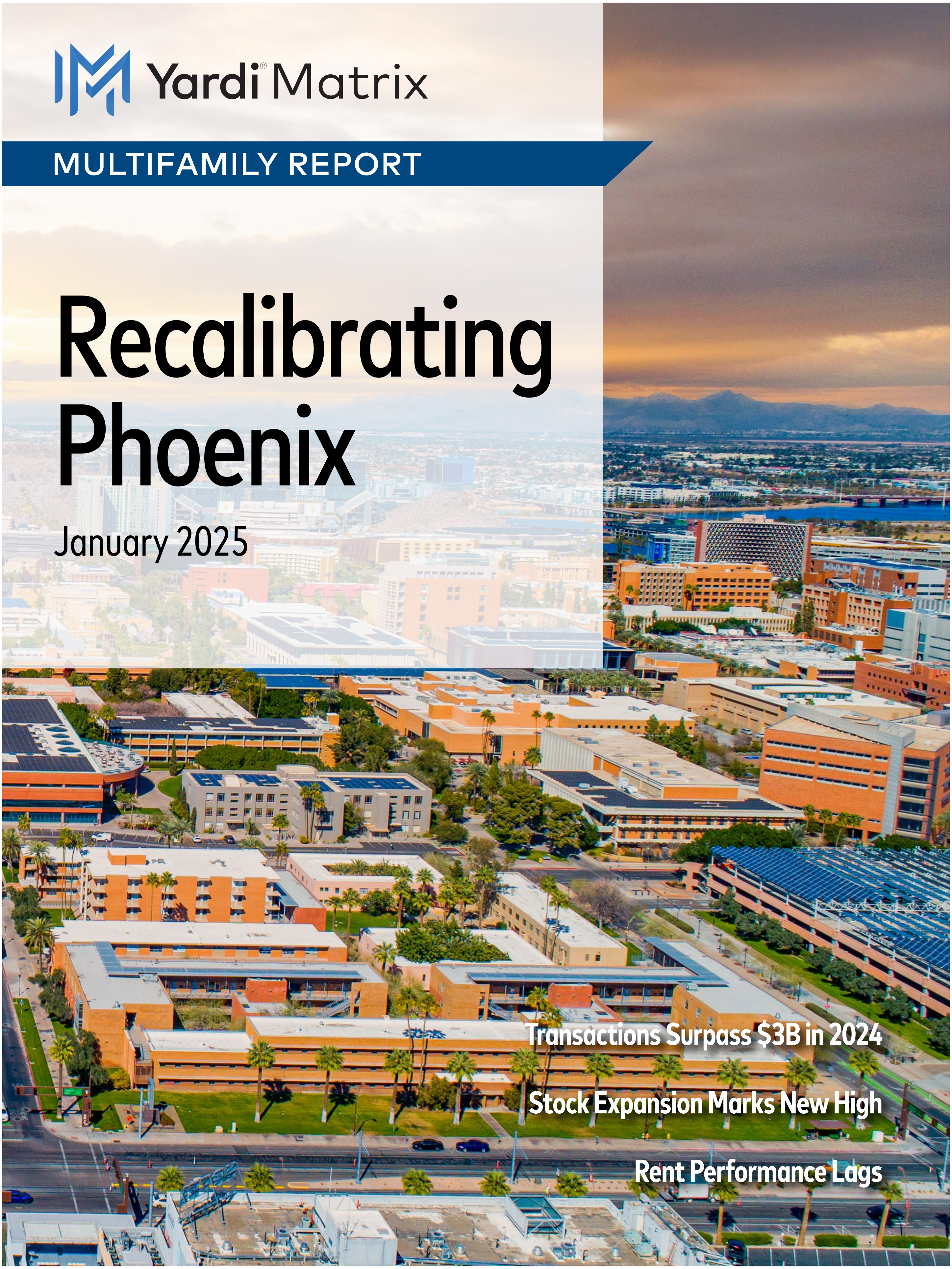
Yardi Matrix

MULTIFAMILY REPORT

Recalibrating Phoenix

January 2025



Transactions Surpass $3B in 2024

Stock Expansion Marks New High

Rent Performance Lags

PHOENIX MULTIFAMILY

Yardi Matrix

High Supply Stifles Rent Growth, Occupancy Stalls

Phoenix's multifamily fundamentals were a mixed bag at the end of 2024, with lagging rent performance and strong supply growth amid steady economic expansion. The average advertised asking rent declined 0.4%, on a trailing three-month basis through November, to $1,564, contracting for six months straight. Meanwhile, occupancy in stabilized properties stood at 93.2% as of October, unchanged year-over-year and behind the 94.7% U.S. rate.

Phoenix job growth was 2.2% as of September, significantly above the 1.4% national average. The metro gained 43,500 net jobs over 12 months. More than half of these (23,600 jobs), were added in education and health services. Three sectors lost 8,100 jobs combined, with the highest losses recorded in leisure and hospitality (-4,100 jobs). Meanwhile, the unemployment rate was at a low 3.3% in October, tighter than both the 4.1% U.S. rate and the 3.6% state average. One of the most notable projects underway in Phoenix is Intel's $30 billion-plus investment into building two chip factories and modernizing another at the Ocotillo campus.

Deliveries peaked in 2024, with 15,703 units completed through November. Construction remained robust, with 36,842 units underway, nearly half of which broke ground in 2024. Investment totaled $3 billion, behind only Dallas ($3.1 billion) and Denver ($3.4 billion). The price per unit saw a 1.1% uptick, to $274,359, well above the $192,050 U.S. figure.

Market Analysis | January 2025

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Recent Phoenix Transactions

Desert Club

City: Phoenix
Buyer: Weidner Apartment Homes
Purchase Price: $188 MM
Price per Unit: $377,264

Velaire at Aspera

City: Glendale, Ariz.
Buyer: IDEAL Capital Group
Purchase Price: $87 MM
Price per Unit: $304,196

Trovita Rio

City: Tempe, Ariz.
Buyer: Sagard Real Estate
Purchase Price: $77 MM
Price per Unit: $370,000

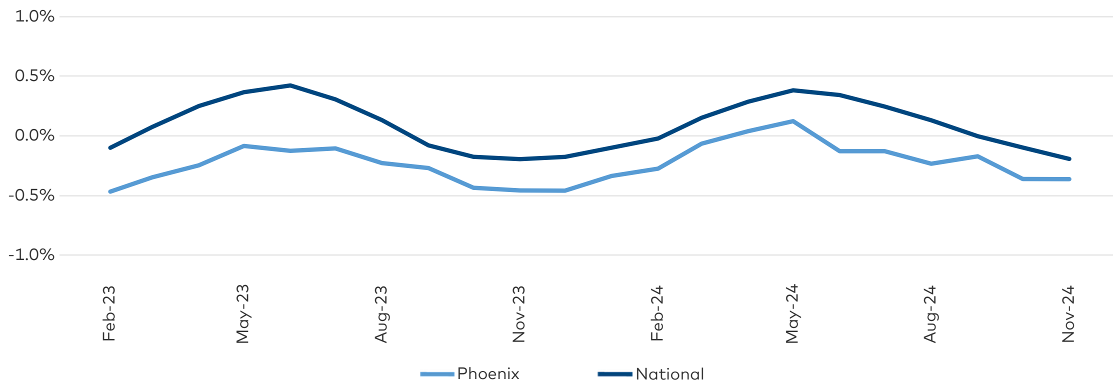
Axis Camelback

City: Phoenix
Buyer: Sherman Residential
Purchase Price: $72 MM
Price per Unit: $304,008

RENT TRENDS

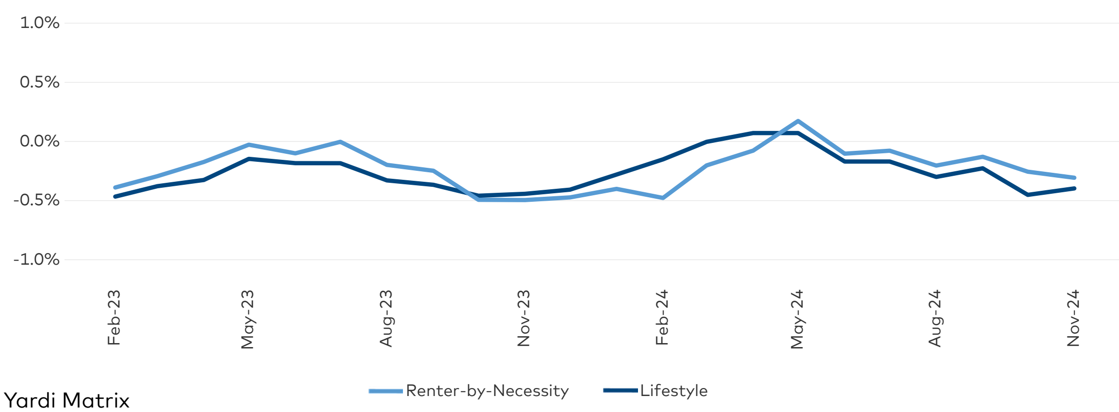
- The average advertised asking rent in Phoenix contracted by 0.4% on a trailing three-month (T3) basis through November, marking the sixth consecutive month of declines. It trailed the T3 U.S. average, which fell by 0.2%. Year-over-year, the Phoenix figure dropped 2.2%, to $1,564, as of November. Meanwhile, the national rate increased 0.9%, to $1,744.
- Rates contracted across property segments, but slightly more in Lifestyle, which was down 0.4%, on a T3 basis through November, to $1,760. Working-class Renter-by-Necessity advertised asking rents fell 0.3%, to $1,307.
- The Phoenix occupancy rate remained flat year-over-year, but was low, at 93.2% in October. The overall rate was aided by a 10-basis-point increase, to 94.0%, in Lifestyle occupancy. The RBN figure recorded a 20-basis-point decline, to 92.1%. The national average was unchanged, at 94.7%.
- Year-over-year, only five of the 46 submarkets tracked by Yardi Matrix recorded gains in advertised asking rents, including Queen Creek (0.8% to $1,702). The highest average rents were in Phoenix–Paradise Valley Village (-1.2% to $1,998), Phoenix–Downtown (-3.1% to $1,960) and Scottsdale–North (-2.8% to $1,941).
- The single-family rental market lagged multifamily's performance in Phoenix, with steeper declines in both advertised asking rents and occupancy. Rents fell 3.6% year-over-year through November, to $1,983. Phoenix occupancy was down 1.0% year-over-year, to 92.5%.

Phoenix vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Phoenix Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Phoenix job growth stood at 2.2% in September, unchanged for the third consecutive month. The increase placed the metro sixth among Yardi Matrix's top 30 metros, while the U.S. rate stayed put, at 1.4%.
- Metro Phoenix gained 43,500 net jobs in the 12 months ending in September, with more than half added in education and health services (23,600 jobs), followed by trade, transportation and utilities (8,400) and government (7,400). Meanwhile, three sectors lost 8,100 positions combined, including leisure and hospitality (-4,100), manufacturing (-3,400) and information (-600).
- Phoenix unemployment remained low, at 3.3% in October, oscillating in the 2.3% to 3.9% range throughout 2024. Both Arizona (3.6%) and the U.S. (4.1%) trailed Phoenix, according to preliminary data from the Bureau of Labor Statistics.
- The tight labor market contributed to TSMC's delay in construction of its first facility in Arizona, with Fab 21 set to begin operations in 2025 instead of 2024. Similarly, LG Energy Solution expects to deliver the first part of its $5.5 billion battery manufacturing facility this year, but paused construction on the next phase. Meanwhile, Intel is investing $32 billion into building two chip factories and modernizing another at its Ocotillo campus.

Phoenix Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	423.8	17.2%
40	Trade, Transportation and Utilities	475.8	19.3%
90	Government	265.3	10.8%
60	Professional and Business Services	396.2	16.1%
15	Mining, Logging and Construction	177.1	7.2%
55	Financial Activities	212.3	8.6%
80	Other Services	77.5	3.2%
50	Information	41.3	1.7%
30	Manufacturing	145.8	5.9%
70	Leisure and Hospitality	244.6	9.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Phoenix's population grew by a robust 19.2% between the 2010 Census and 2022, more than double the 8.9% national average.
- Phoenix population movement has been positive over the past 10 years, except for 2021, when it registered a 1.5% pandemic-induced contraction.

Phoenix vs. National Population

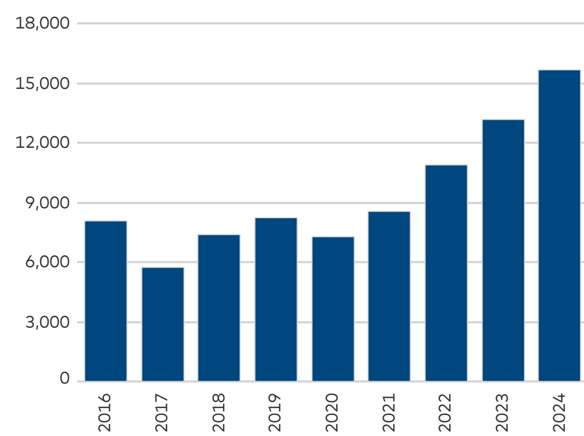
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Phoenix Metro	4,761,603	4,860,338	4,787,811	4,864,209

Source: U.S. Census

SUPPLY

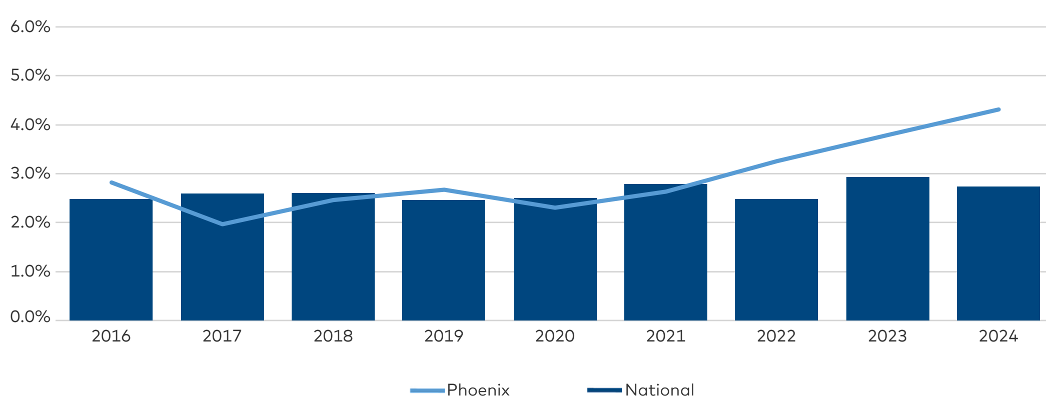
- Phoenix marked a new high in stock expansion in 2024, with 15,703 units delivered through November. The volume represented 4.3% of existing stock and was significantly above the metro's 10-year average of 3.0%. Meanwhile, the national rate stood at 2.7% in November.
- Developers had 36,842 units under construction as of November and another 105,000 in the planning and permitting stages. Projects underway encompassed 90% Lifestyle properties, 8% fully affordable projects and 2% RBN properties. The composition maintained the trend of 2024's deliveries, which comprised 87% Lifestyle units, 8% fully affordable and 5% RBN.
- Steady employment and population growth sustained demand, boosting developers' confidence, even as the market is facing short-term oversupply. Roughly half of the units under construction as of November broke ground in 2024 (16,930 units across 70 properties). The volume is not that far from the total in construction starts recorded during the same period of 2023 (18,117 units across 69 properties).
- Submarkets leading development as of November included Tempe–North (3,302 units) and Phoenix–Downtown (3,104 units). Another five submarkets had between 2,000 and 3,000 apartments underway.
- The largest project delivered in 2024 through November was the 735-unit Scottsdale Entrada. The Lifestyle asset includes 7,000 square feet of retail and came online in June in Scottsdale–South. It is owned by a joint venture comprising Banyan Residential, KeyCorp Real Estate Capital Markets and Bridge Investment Group.

Phoenix Completions (as of November 2024)



Source: Yardi Matrix

Phoenix vs. National Completions as a Percentage of Total Stock (as of November 2024)

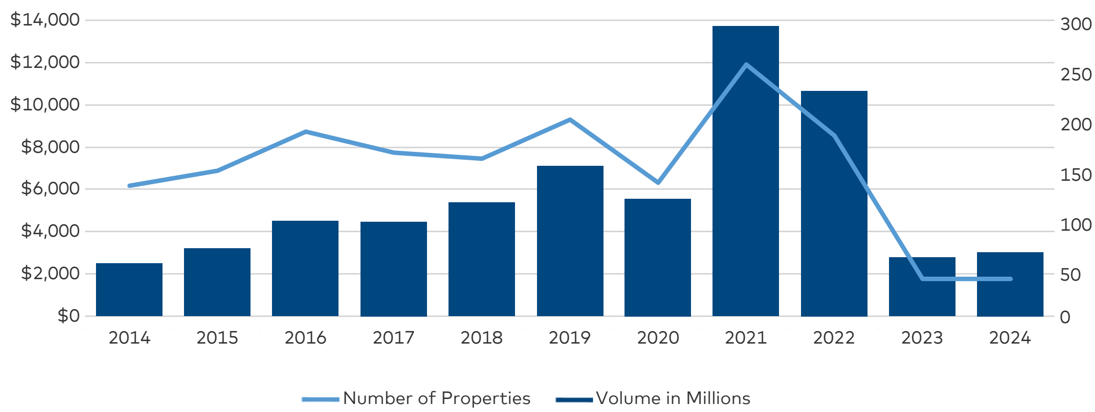


Source: Yardi Matrix

TRANSACTIONS

- Investors traded $3 billion in rental assets in 2024 through November. The volume ranked third, behind Denver ($3.4 billion) and Dallas ($3.1 billion). And while it surpassed 2023's $2.8 billion, it lagged the $4.9 billion average of the five most recent pre-pandemic years.
- The third quarter led by number of deals (18 sales, $1.1 billion), while the second quarter led by dollar volume (16 sales, $1.2 billion). Lifestyle assets accounted for 60% of transactions, which helped keep the price per unit steady. The figure recorded a 1.1% uptick year-over-year through November, to $274,359, some 15% below the 2022 peak. Meanwhile, the U.S. average increased 2.7%, to $192,050.
- Notable recent deals include Weidner Apartment Homes' purchase of Desert Club, a 497-unit asset in Paradise Valley Village, from Clarion Partners. The $187.5 million sale was subject to a $114.4 million, 10-year CMBS loan, at a 5.15% fixed rate.

Phoenix Sales Volume and Number of Properties Sold (as of November 2024)



Source: Yardi Matrix

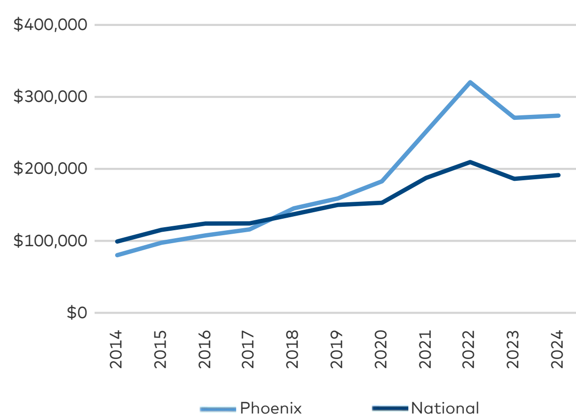
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Phoenix–Paradise Valley Village	371
Mesa–West	360
Phoenix–East Camelback Village	224
Scottsdale–North	213
Gilbert	198
Tempe–North	189
Chandler	189

Source: Yardi Matrix

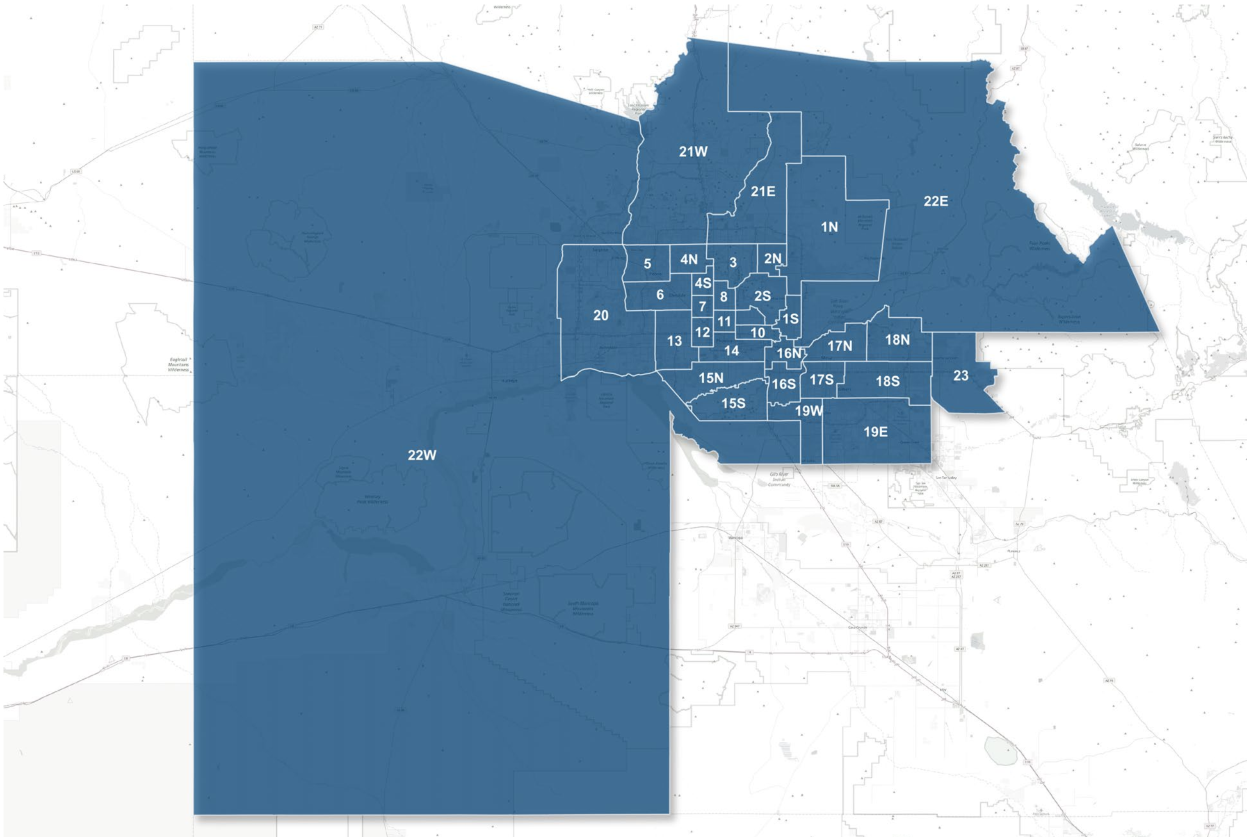
[1] From December 2023 to November 2024

Phoenix vs. National Sales Price per Unit



Source: Yardi Matrix

PHOENIX SUBMARKETS



Area No.	Submarket
1N	North Scottsdale
1S	South Scottsdale
2N	North Paradise Valley
2S	South Paradise Valley
3	Sunnyslope
4N	North Black Canyon
4S	Metrocenter
5	Sun City–Youngtown–Peoria
6	Glendale
7	Northwest Phoenix
8	Christown
9	East Camelback
10	Central East Phoenix
11	Uptown
12	Central West Phoenix
13	Maryvale
14	Sky Harbor

Area No.	Submarket
15N	South Phoenix
15S	Mountain Park
16N	North Tempe
16S	South Tempe
17N	North Mesa
17S	South Mesa
18N	East Mesa
18S	Superstition Springs
19E	Gilbert
19W	Chandler
20	Western Suburbs
21E	Union Hills
21W	Deer Valley
22E	Northeast Maricopa County
22W	Southwest Maricopa County
23	Apache Junction

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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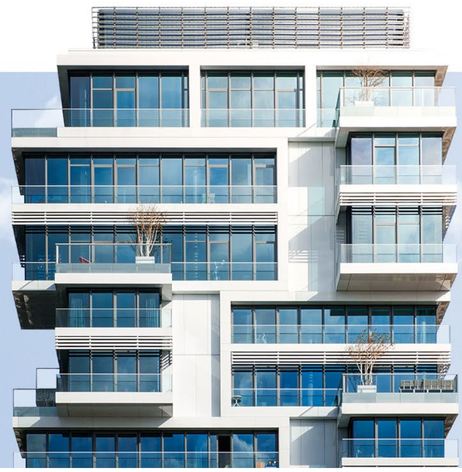
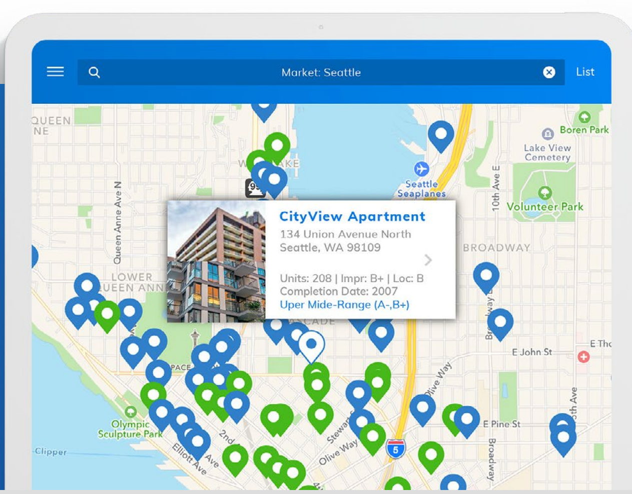
Yardi Matrix



Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on nearly **23 million units**, covering over **92% of the U.S. population.**

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