NAIHorizon

Multifamily Market Report

Greater Phoenix | Q2 2015

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PHOENIX, ARIZONA
The Market

2Q15 Multifamily

Multifamily Outlook
by Bruce Hanley

The Phoenix multifamily sector continues to show signs of improvement for the 2nd quarter of 2015, as the leading indicators point to a growing market once again. A significant portion of renters cannot afford to buy a home based upon their current income situation. Investors are optimistic about the Phoenix metropolitan area as rents continue to steadily rise, concessions decrease and overall NOI/revenue performance reflect a positive environment. Demand is keeping pace with supply, which is also a leading factor in the Phoenix market's performance in 2015.

As younger renters continue to face a somewhat difficult employment market, data suggests their preference is to rent versus home ownership. Despite gradually improving overall economic conditions, persistently low interest rates, and a healthier single-family housing market, a large number of young households are not financially ready or able for homeownership. Opinions are that the velocity of new renters will continue to outpace the number of current renters who are looking to become homeowners. Part time employment also continues to be a factor in the strength of the multifamily market, as a significant portion of renters cannot afford to buy a home based on their current income situation.

In addition to this increased tendancy to rent, Phoenix/ Tempe was named as a top "Academic Market" for 2015 which coincides with an increase in multifamily development both around ASU's Tempe and downtown Phoenix campuses.

Current pipeline data for the Phoenix area market includes 30 multifamily properties under construction, 23 properties proposed to build and 5 properties undergoing complete renovations. Submarkets including Tempe, Scottsdale, Chandler and Gilbert continue to see new construction, while Phoenix proper experiences both new development and redevelopment

Economic Trends

↑ **Consumer Price Index**
Up .5% in May, no change since 05/14

↑ **30-Year Fixed Mortgage**
4.2% National Average, down from 3.98%01/15

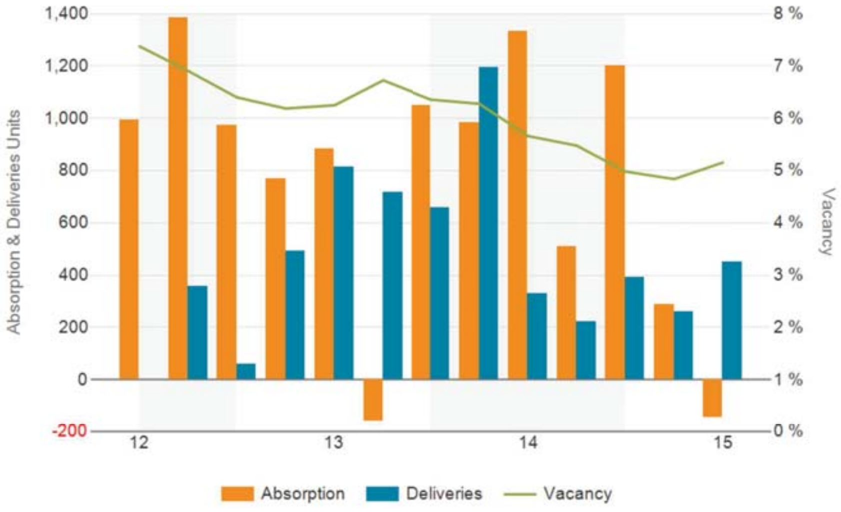
↓ **Phoenix Metro Unemployment**
MSA, 05/15- 4.6% down from 5.8% 01/15

growth. The same holds true for proposed development with the majority of multifamily product coming to Central Phoenix and the East Valley.

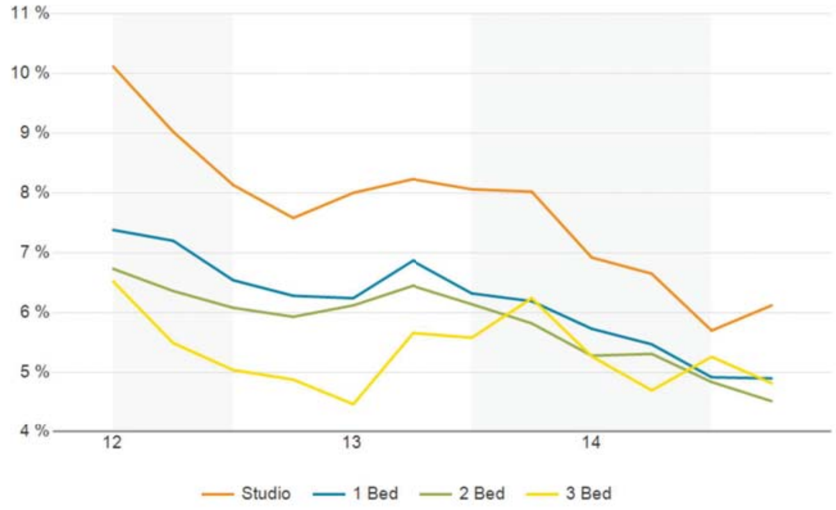
For the 2nd quarter of 2015, 76 multifamily properties were sold. The average CAP Rate was 6.95%, the highest reported was 10.49% and the lowest was 4.5%. The average price per unit was $65,469, the highest reported was $275,272 and the lowest was $13,333. The average vacancy rate was 6.24%, the highest reported was 25% and the lowest was 0%. Of these reported sales, 2 Class "A" properties were sold, 11 Class "B" properties were sold and 63 Class "C" properties were sold during this period.

Effective rent growth in the Phoenix area markets is steady again in 2015, averaging around 5%. This reflects a consistent level of solid gains for the multifamily sector. Factors including stable employment growth in Phoenix, high occupancy rates, more institutional and professional investors, are all seen as positive indicators of multifamily growth.

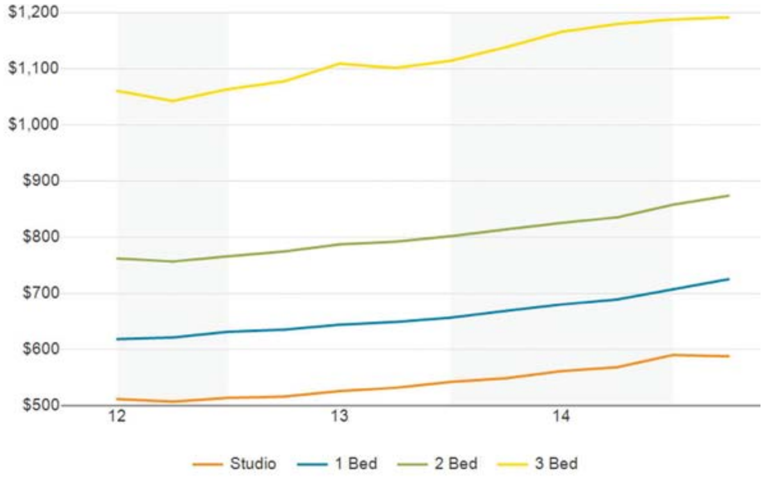
Market Indicators



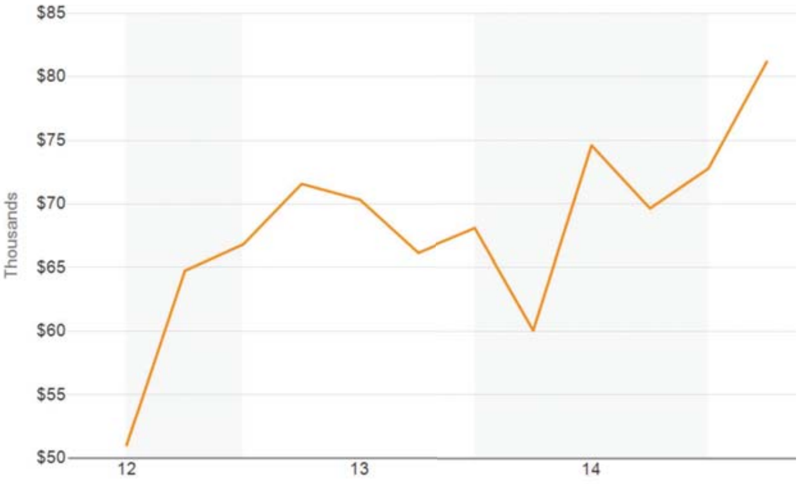
Vacancy By Unit Mix



Average Rent by Unit Mix



Average Unit Price



Mid-Year 2015 Multifamily Market Report

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