

2022 MID-YEAR

# PHOENIX AZ

## Multifamily Report

**BERKADIA**<sup>®</sup>  
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

76,300

↑ 3.5%

### NEXT 12 MONTHS\*

39,300

↑ 1.7%

## Unemployment

### MID-YEAR 2022

2.6%

↓ 220 BPS YOY

### MID-YEAR 2023\*

3.2%

↑ 60 BPS YOY

\*Projected

# PHOENIX, AZ EMPLOYMENT

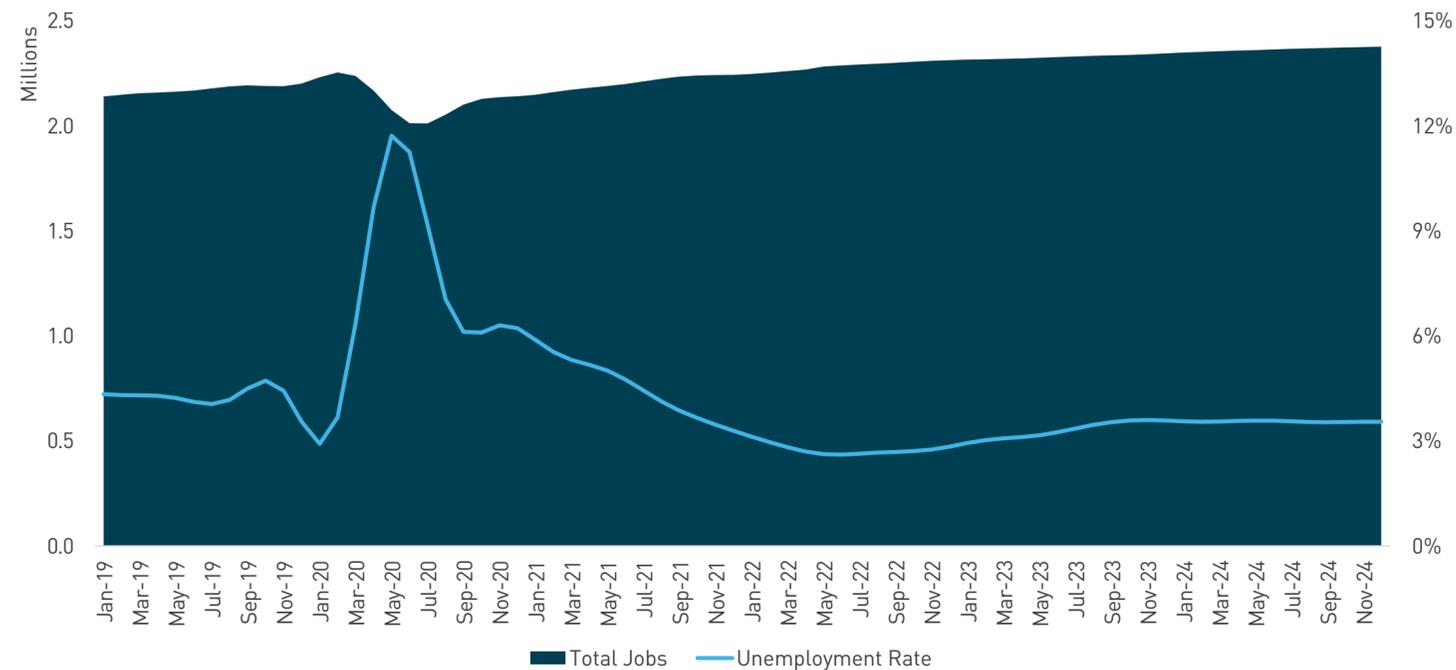
Greater Phoenix remained one of the nation's best-performing markets for job growth. The Valley of the Sun's employment base posted a 76,300-job expansion since June 2021 and fully recovered all the jobs lost during the worst of the pandemic. The rapid pace of hiring contributed to the unemployment rate dropping from 4.8% in June 2021 to 2.6% a year later.

The number of companies moving to metro Phoenix is noteworthy, but the diversity of industries has helped sustain the region's long-term stability. The market has emerged as a top-tier technology destination, and signs of accelerated growth are on the horizon. Taiwan Semiconductor Manufacturing Company's \$12 billion

factory in north Phoenix is on track to start production in 2024, creating 5,000 high-wage jobs.

With operational costs cheaper by one-third than in California, a wave of headquarter relocations surged since the pandemic. The highly skilled workforce that makes up the office-using sectors expanded by a combined 42,300 net jobs. Phoenix had roughly 35 million square feet of industrial space underway, accounting for 12.5% of its existing stock thanks to spillover effect from Southern California, where demand is higher than the region's supply. The 3.4-million-square-foot West 202 Logistics in Central Phoenix is slated for completion early 2023.

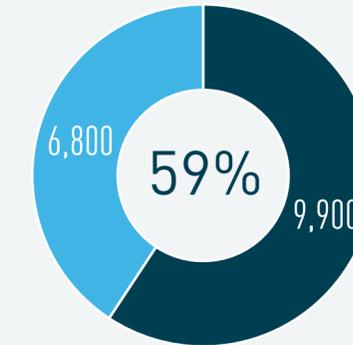
## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### EDUCATION & HEALTH SERVICES INDUSTRY



■ YTD ■ 2022 Forecast

16%  
OF ALL JOBS IN THE METRO

\$94,100  
AVERAGE ANNUAL SALARY

## Top Education & Health Services Employers

Banner Health®	45,900 JOBS
ARIZONA STATE UNIVERSITY	35,500 JOBS
THE UNIVERSITY OF ARIZONA	16,000 JOBS

## In The News

- [Meyer Burger solar manufacturing facility bringing 500 jobs](#)
- [LG Energy Solution \\$1.4B manufacturing plant to support 2,800 jobs](#)
- [Intel's Ocotillo Campus in Chandler adding 3,000 jobs](#)



# PHOENIX, AZ DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

17,688

**ABSORPTION**

10,356

2023 Units\*

**DELIVERIES**

24,991

**ABSORPTION**

23,443

\*Projected

Continued coastal migration, robust employment growth, relative affordability, and good quality of life have strengthened the Phoenix multifamily sector in the past year. In 2021, Maricopa County was the fastest-growing county in the United States, boasting a net gain of 58,246 residents. To accommodate the influx of new residents, Phoenix has one of the most aggressive multifamily construction pipelines in the country.

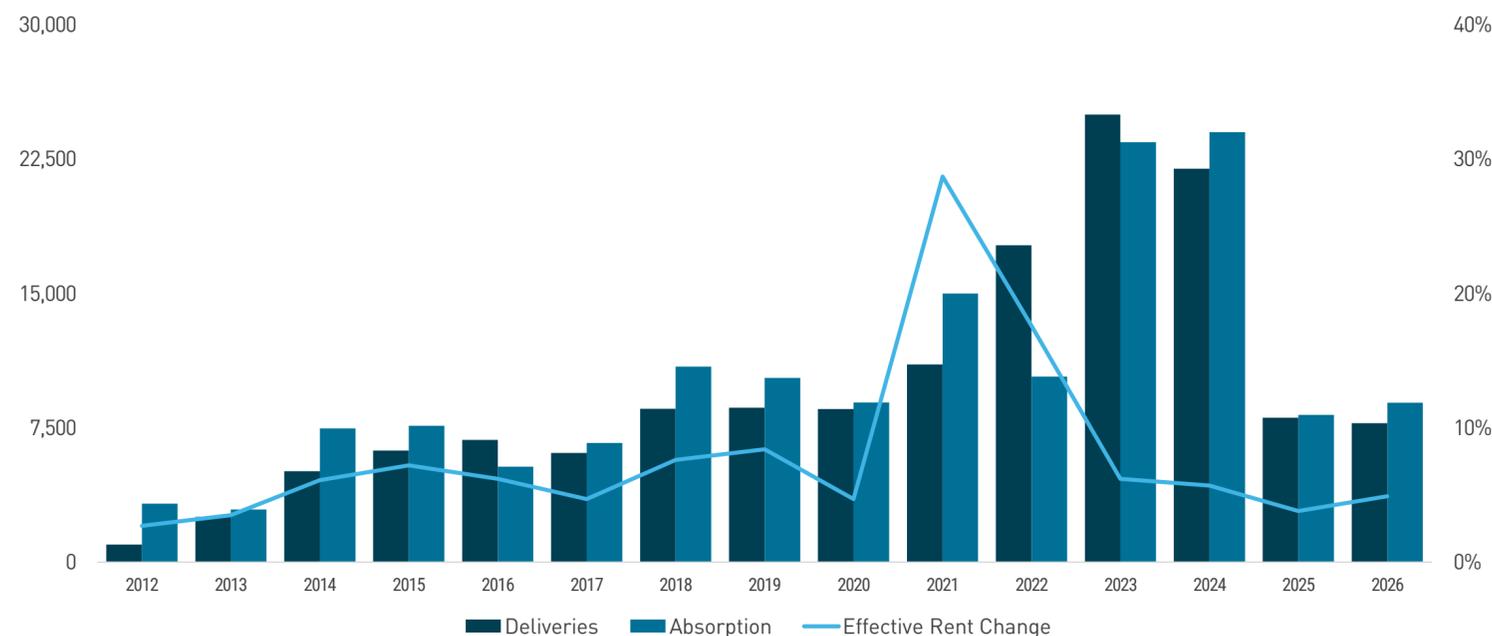
Following peak delivers in 2021 of 11,000 apartments, developers continued its blistering pace of development into 2022. Builders completed 6,500 units in the first half of the year, up 22% during the same time in 2021. At mid-2022, 43,300 units were under construction. A portion

of those will complete before year-end, reaching about 17,700 units delivered for the year, marking another stellar year.

A record high 15,000 units were absorbed in 2021, and expectedly, demand moderated in the first half of this year. Demand will finish strong by year-end with 10,400 net units forecast to be absorbed.

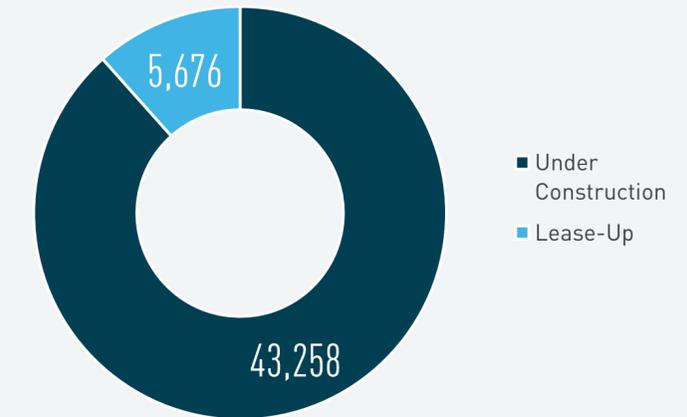
Next year, 23,400 rentals are expected to be newly leased as 25,000 new apartments come online. As such, absorption will more than double year over year amid a 6.3% inventory expansion.

## Deliveries, Absorption, & Effective Rent Change

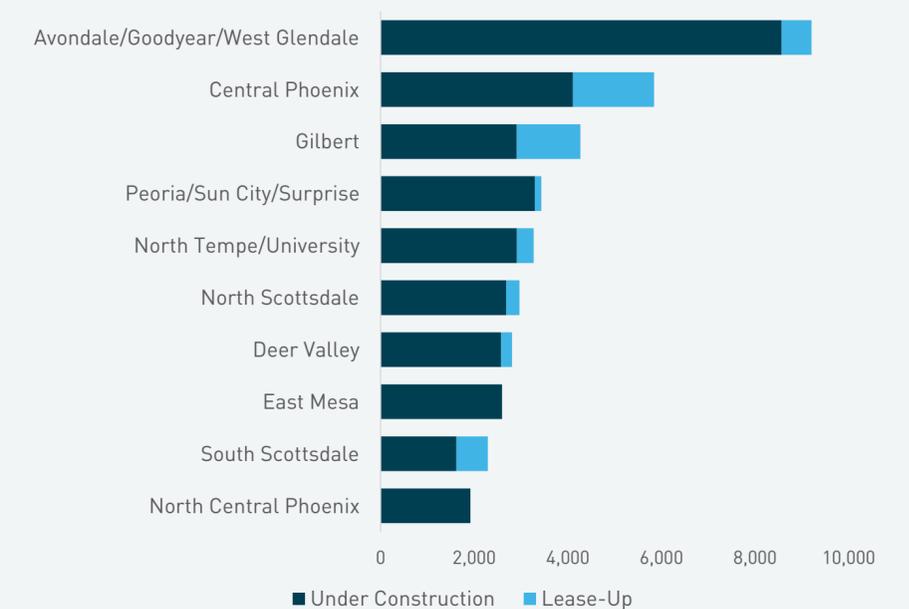


Source: RealPage

## Market Pipeline



## Top 10 Submarket Pipelines

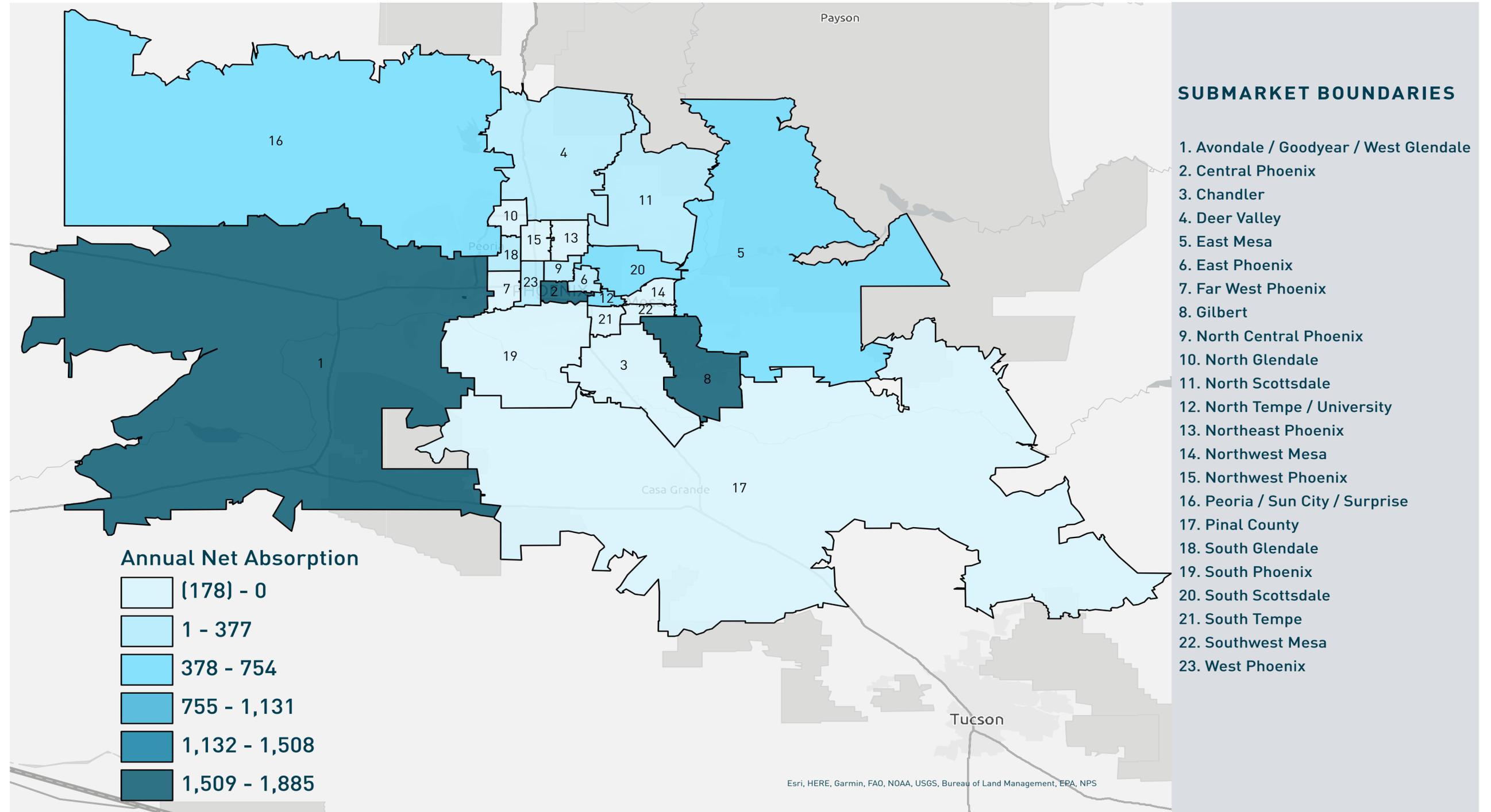




Nearly 1,900 units were absorbed in the trailing four quarters in the Central Phoenix submarket. The revitalization of Downtown Phoenix has made the submarket a top destination for millennials and multifamily development over the past few years. Affluent renters have been attracted to luxury high-rise properties like those near Roosevelt Row Art District. Within a one-mile radius, there are 14 luxury apartment buildings totaling 3,300 units under construction. The West Valley—comprising West Glendale, Avondale, and Goodyear—is booming. These Phoenix suburbs continue to grow in population and economic vitality and absorption of multifamily units rivals the urban core. Renters have more availability and affordability than many other areas of the Valley. Major demand drivers in this submarket include the Medical Innovation Corridor, comprised 200 medical-related businesses and the 1,600-acre PV|303 business park.

## PHOENIX, AZ

# SUBMARKET ANNUAL ABSORPTION





# PHOENIX, AZ RENT & OCCUPANCY

## Effective Rent

2Q 2022

\$1,662

↑ 20.7% YOY

## Occupancy

2Q 2022

95.8%

↓ 100 BPS YOY

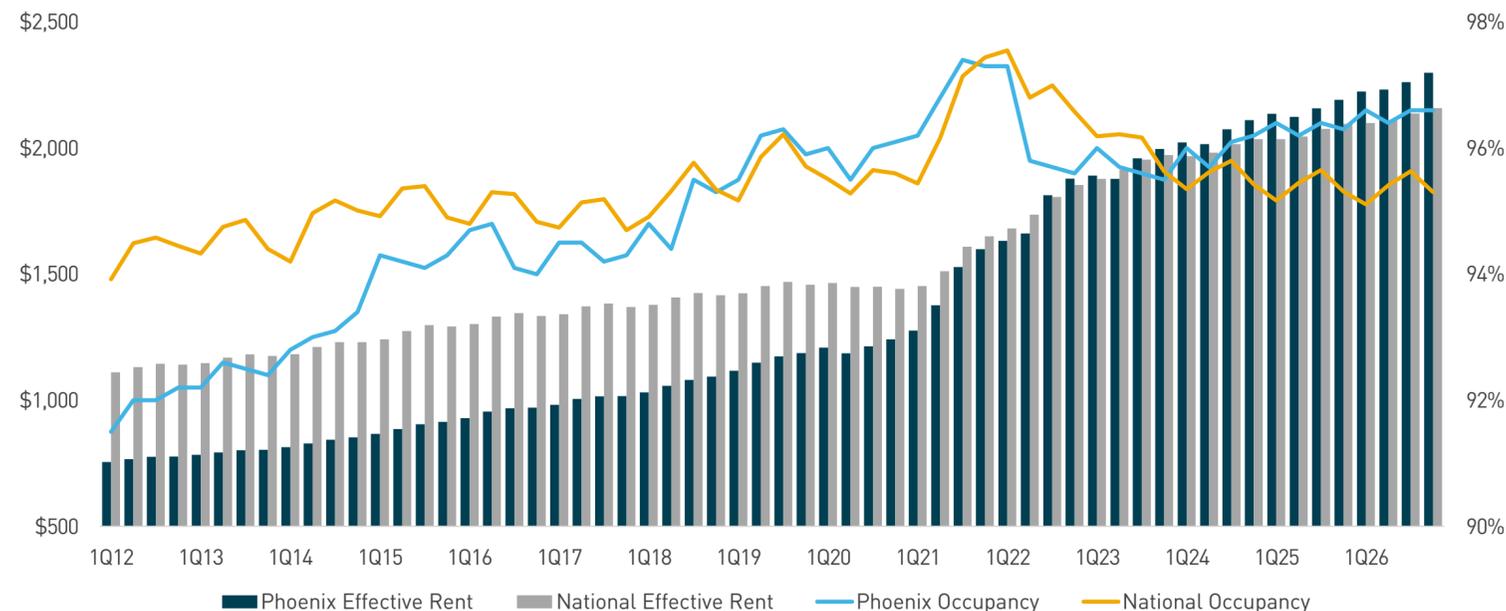
Phoenix has been a top market for home price appreciation for the past few years, keeping many would-be homeowners in the renter pool. Meanwhile, the average apartment effective rent in Greater Phoenix soared 20.7% annually through the second quarter of 2022, following a 16.1% gain in the prior period. Phoenix was ranked the fourth-fastest rent growth rate among the major U.S. metros. Effective rent is anticipated to end the year at \$1,879 per month, for a 17.5% gain over fourth quarter 2021. Phoenix still maintains its place as an affordable market in the Western region.

The Phoenix multifamily occupancy rate was slashed 100 basis points, as the market received a record level of new

supply. Despite the contraction, the 95.8% rate was on par with the five-year average.

In addition to the elevated apartment deliveries, developers have been ramping up single-family, build-to-rent communities, a hybrid between apartments and single-family homes. This has been a popular asset type for families seeking a larger interior layout, multiple bedrooms, backyard, and other favored single-family characteristics. To some extent, single-family rentals compete with traditional apartments, which could cause further downward pressure on the multifamily occupancy rate.

## Phoenix vs. National Effective Rent & Occupancy



Source: RealPage

## Submarket Performance

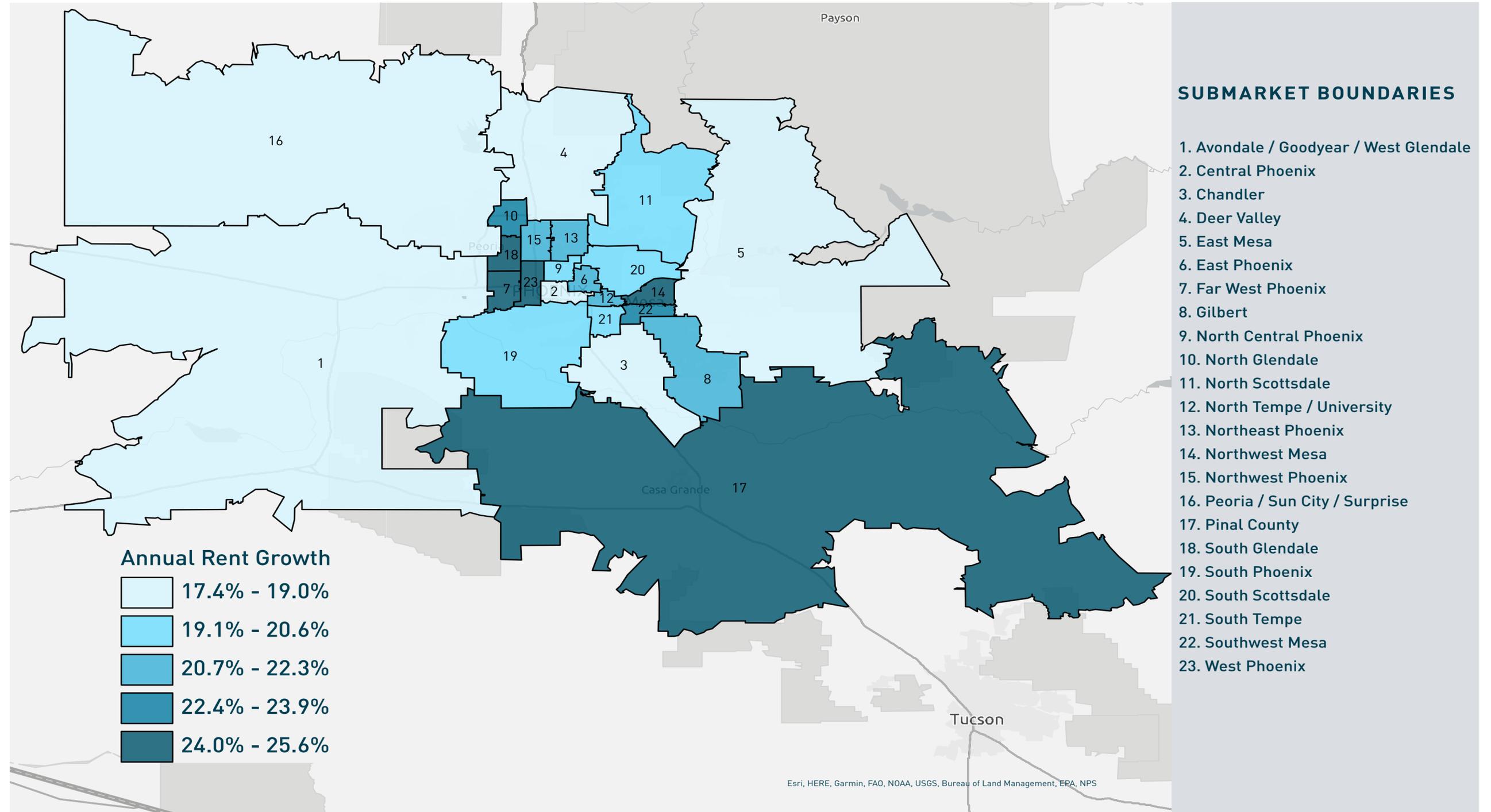
SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Avondale/Goodyear/West Glendale	95.8%	-130	\$1,737	17.8%
Central Phoenix	95.1%	-140	\$1,899	18.0%
Chandler	96.2%	-40	\$1,849	17.4%
Deer Valley	95.3%	-100	\$1,827	18.6%
East Mesa	96.0%	-100	\$1,757	17.4%
East Phoenix	96.1%	-90	\$1,526	20.7%
Far West Phoenix	95.6%	-110	\$1,449	24.6%
Gilbert	95.5%	-210	\$1,858	20.6%
North Central Phoenix	95.4%	-40	\$1,666	19.9%
North Glendale	94.9%	-220	\$1,710	22.9%
North Scottsdale	95.5%	-90	\$2,064	19.1%
North Tempe/University	96.0%	-10	\$1,787	22.1%
Northeast Phoenix	95.8%	-150	\$1,575	21.9%
Northwest Mesa	95.6%	-200	\$1,482	25.6%
Northwest Phoenix	95.7%	-120	\$1,303	21.2%
Peoria/Sun City/Surprise	96.2%	-120	\$1,703	17.9%
Pinal County	97.6%	-50	\$1,423	24.1%
South Glendale	96.0%	-20	\$1,301	25.0%
South Phoenix	95.8%	-150	\$1,737	19.5%
South Scottsdale	95.7%	-100	\$2,004	20.4%
South Tempe	95.8%	-140	\$1,711	19.4%
Southwest Mesa	95.9%	-120	\$1,507	23.5%
West Phoenix	96.4%	110	\$1,159	24.2%



## PHOENIX, AZ

# SUBMARKET ANNUAL RENT CHANGE

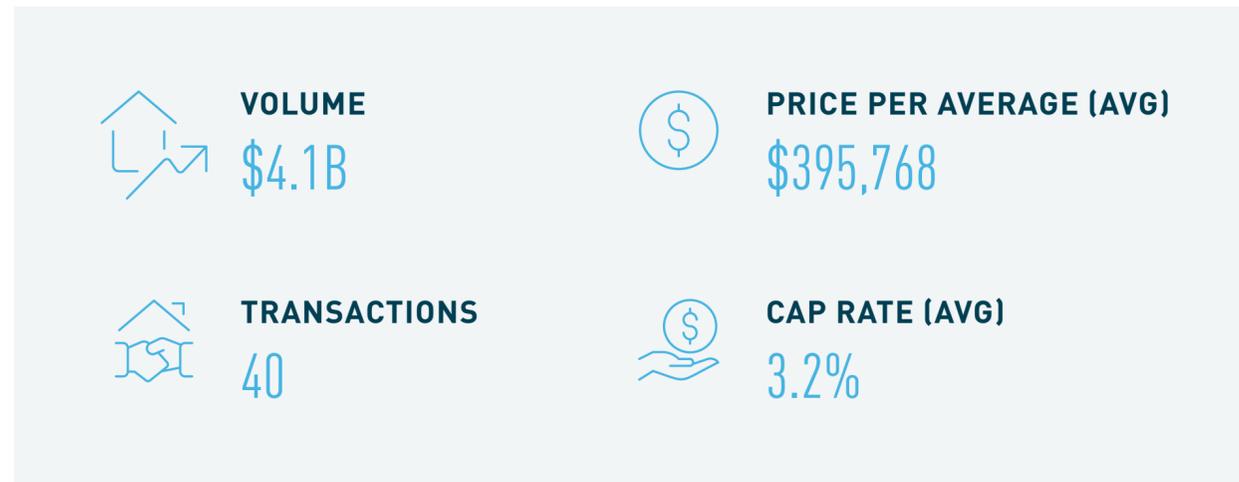
The contiguous apartment submarkets of South Glendale, Far West Phoenix, and West Phoenix topped all other areas for rent growth. Underpinning the rise, has been the attraction of high-wage employment, high-tech manufacturing, and headquarters to the West Valley. Microsoft Corporation, Taiwan Semiconductor Manufacturing Company, Ball Corporation, and White Claw Seltzer Works moved into the area. Trends in the West Valley point to sustained rent growth as a slew of health care investments are arriving west of Interstate 17, including the Phoenix Children's Hospital campus in Glendale. Rent gains were also impressive in the rural more affordable Pinal County submarket, a hub of manufacturing and distribution facilities. Helping to support higher rents are two projects that will require up to 5,000 people: the Lucid Group Inc. EV factory in Casa Grande and the Nikola Corporation battery-electric truck plant in Coolidge.



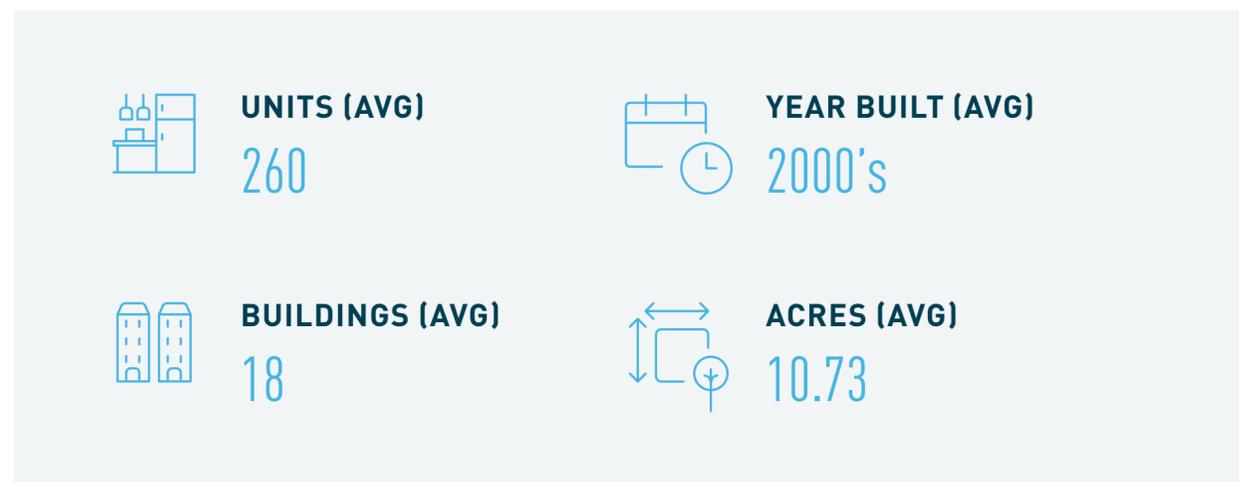


# PHOENIX, AZ SALES

2022 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$50m+

Top Buyers\*\*

BUYER	LOCATION
Tides Equities	Los Angeles, CA
Ctvrlik & Ctvrlik	Long Beach, CA
Sunroad Enterprises	San Diego, CA
Decron Properties Corp	Los Angeles, CA
Kohlberg Kravis Roberts & Co.	New York, NY

Top Sellers\*\*

SELLER	LOCATION
The Bascom Group	Irvine, CA
Pacific Life	Newport Beach, CA
JLB Partners	Dallas, TX
Almon Investment Group	Seattle, WA
The Praedium Group	New York, NY

\*\*Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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