



METRO PHOENIX

4th QTR 2021

APARTMENT OWNER'S UPDATE

In order to provide apartment owners and investors the best up-to date information, we track quarterly market data on recent apartment sales, apartments for sale, occupancy, rental rates and new apt. construction. All market updates since 1998 are posted on our website. www.MetroPhoenixCommercial.com

New Apt. Const. – Surge in 1st half of 2022

At year end, there were 9,892 units (50 projects) completed. That's far less than forecast mostly due to lack of supplies, shortage of workers and Covid-related issues. Obviously, these projects are still soon to be completed. The forecast is for 30,147 units (129 projects) to be completed in 2022. As with past forecasts and similar issues experienced in 2021, not all of these will be completed, but many will and likely many in the first half of this year.

In all of 2021, there were 19,610 units (82 projects) started. In the pipeline, there are currently 36,413 units (146 projects) under constructions, 21,606 units (98 projects) planned and 32,589 units (138 projects) prospective. **That's a total of 382 projects (92,608 units) in the pipeline.** With the shortage of housing, increased housing prices, the challenge of having a house offer accepted, the increased desirability of apartment living, and the continued strong net population migration will continue to support a high occupancy.

Occupancy and Rents Strong but Under Pressure

Rental rates for all class assets continued their amazing growth with an overall 12 month increase of 24.0% led mostly by the mid and upper-class units. The workforce units (mostly tenants by necessity) ranged from 17.4% to 19.6% with a slight downturn in Q4.

After reaching a high of 96.4% at the end of Q2, occupancy has steadily dropped each month with the year-end reporting 95.8% (4.2% vacancy). The range in occupancy at year-end was 94.6% to 96.2%, the lower occupancy being reported for the lower workforce class.

As noted above with the new apt. construction, although there were far less units completed than forecast, many of the almost completed projects have already started pre-leasing. While non-stabilized units are not included in the occupancy data, the preleasing still is having an impact on the overall occupancy. With a surge in completions forecast in early 2022, it's likely that rental rate growth and occupancy will both dip a bit.

By the Numbers, longer term, with 36,413 currently under construction, this will certainly have an impact on both rental rates and occupancy. However, with our very strong economy, the temporary over supply should be absorbed and rental rates and occupancy will rebound.

WHAT WILL BE THE IMPACT OF:

- 36,147 units under construction
- Rising inflation and mortgage rates
- Projected tax increases and new gov't laws
- The lack of affordable housing

For thoughts on these issues, recent sales, politics, or any aspect of our market – after being an apt. broker in this market for 24 years, I'm always good for thoughts and suggestions – send me a note or give me a call.

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Kasten Long Commercial Group 2008-2021
Kasten Long Apartment Team 1998 - 2007

Metro Phoenix Multifamily Data

Year	Const.	Vacancy
2011	614	9.7%
2012	1,372	8.3%
2013	3,655	7.3%
2014	4,820	6.1%
2015	5,089	5.7%
2016	8,024	5.8%
2017	6,543	5.4%
2018	8,162	5.0%
2019	9,008	5.1%
2020	8,817	4.5%
2021	9,892	4.2%

Primary Data Sources: Yardi Matrix (50+ units)

Resources on our new website:

www.MetroPhoenixCommercial.com

Apt. Newsletter – Quarterly since 1998

- Recent Apartment sales
- New Apt. Construction Pipeline
- Metro Phoenix Commercial News
- Apartments For Sale (10+ units)

If interested and you're not already on our email distribution list, just let us know.