

## 3Q Multifamily Results Grim in Phoenix Market

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PHOENIX—Job loss to the tune of 42,500 so far in 2008 and rising inventory put downward pressure on occupancy while keeping rents somewhat stable in the multifamily market during the third quarter. Experts analyzing the statistics believe the occupancy could fall 2% in the coming year.

new supply ahead is pretty scary,” he says. “Projects totaling 11,418 units are under construction. The area will grow its inventory by 4% in the coming year to two years.”

Although there were assumptions that foreclosed homeowners would flock to apartments, it hasn’t happened

shadow market rentals. Willett tells *GlobeSt.com* that renters are afraid to lease homes out of fear of foreclosure. The proof, he points out, was in the low positive absorption of 620 units. “It’s nothing to be ecstatic about, but it’s better than the huge move-outs we’ve been seeing,” he says.

Latham believes more move-outs are occurring because operators are stealing tenants from competitors by luring them with concessions like low move-in rates, waiving application fees and taking smaller deposits. “Some of them are even agreeing to pay the deposit for the utilities,” she says.

**In its 3Q report about the region’s multifamily market, San Francisco-based RealFacts shows an inventory of 183,002 units in properties from 100 units to 1,222 units. Occupancy stood at 90%, which fell from 91.2% in 3Q 2007. And three months ago, occupancy was 88.8%. Earlier in the quarter, local experts were optimistic that the corner had been turned.**

Statistics from M/PF YieldStar in Carrollton, TX, show the 281,700-unit inventory, which includes properties with less than 100 units, are 89.6% filled, down 3.4% from the same period last year. Occupancy was pegged at 90% at the end of the last quarter.

But, it isn’t falling occupancy that is worrying M/PF YieldStar vice president of research and analysis Greg Willett so much as it is what’s coming on line. “The volume of

as planned. Caroline S. Latham, CEO with RealFacts, points out that foreclosed homeowners often will move in with family or friends. “If you’re a young couple with a couple of kids and you lose your house, your first choice isn’t going to be living in apartment 23J in a large complex,” she explains. “You’ll stay with somebody’s mom, dad, or a relative until you can get back on your feet.”

**A positive in 3Q**, however, seems to be a tapering of the

Neither Latham nor Willett see much change in the coming quarter. Willett says until jobs come back to the area and inventory is exhausted that he expects to see more of the same throughout 2009.

Latham, however, believes that a positive change could happen shortly after the presidential inauguration. “A lot depends on who will be elected and what types of powers will be enforced and how the bailout will proceed,” she contends.