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## Strong apartment demand continues in Valley, latest data shows

### Number of new permits pulled in Q3 on rise compared to year-earlier period

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The primary drivers of multifamily demand are expected to remain firmly in place around the Phoenix metro over the next several quarters, according to a report being released this week by NorthMarq Capital.

This is NorthMarq's first multifamily report, now that Pete O'Neil has taken over as director of research. He moved over from Colliers International, where he had a similar position.

Demand has allowed vacancy rates to remain low, even as new units have come online, he said.

"Multifamily vacancy in the Phoenix market fell 10 basis points in the third quarter, dipping to 5.7 percent," O'Neil said. "The rate is identical to one year ago and has remained in a very tight range since 2016."

As large employers continue to add jobs in the market, Maricopa County is leading the country in annual population growth.

"These new residents will need places to reside, and if current patterns hold, nearly 40 percent of the new households in the Phoenix metro area will choose rental housing," O'Neil said.

The local investment market is expected to remain active through the rest of 2018 and into 2019, he said.

"The renter demand that has kept vacancy tight even as these new developments have come online has buoyed the investment market and should continue to support a healthy investment climate in the coming quarters," he said.

Several investors have said they are very bullish on metro Phoenix, with plans to buy thousands of more units over the next year, including Los Angeles-based [Tides Equities LLC](#) and Phoenix-based [3rd Ave Investments](#).

Looking at new construction, there were about 2,500 multifamily permits pulled during the third quarter, with more than 6,500 permits issued year to date. This represents a 6 percent increase during the same



The Phoenix multifamily market is poised to post its strongest gains on record this year.

period in 2017.

"Developers are forecast to bring approximately 8,500 new units to the Phoenix market in 2018, down from the nearly 9,000 apartments that came online in 2017," O'Neil said. "Deliveries have averaged 6,300 units per year since 2013."

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