

The Phoenix-Mesa-Scottsdale, AZ commercial real estate market is stronger compared to the overall U.S. market.

NAR CRE Market Index: 14.0

But conditions vary across property markets (if * or #NA, no data for this metro).

The apartment market is experiencing faster rent growth than nationally.

The office market is undergoing negative net absorption.

The industrial sector is experiencing positive net absorption*.

This area is experiencing stronger retail trade job creation than nationally.

In the hotel/lodging sector, there is stronger recovery in leisure and hospitality jobs than nationally.

The overall economic condition is stronger than nationally. The job creation is stronger than nationally.

In 2020, this metro area experienced net in-migration.

Commercial transactions are likely to pick up in the second half of 2021 and in 2022 as more people get vaccinated, more businesses operate at higher capacity, personal leisure and business travel pick up, and consumer spending rises.

I. Economic and Demographic Indicators

	Phoenix-Mesa-Scottsdale, AZ			U.S.			
	Mar-21	Feb-21	Mar-20	Mar-21	Feb-21	Mar-20	
Total non-farm employment ('000)	2,165	2,155	2,218	143,309	142,133	149,952	
Y/Y chg. in nonfarm payroll employment ('000)	(53)	(79)	51	(6,643)	(8,835)	593	
Y/Y % chg. in nonfarm payroll employment	-2.4%	-3.5%	2.4%	-4.4%	-5.9%	0.4%	<i>job creation is stronger than nationally</i>
Unemployment rate (%)	6.4%	6.4%	5.5%	6.0%	6.2%	4.4%	<i>higher unemployment rate than nationally</i>
Average weekly wages	\$1,034	\$1,031	\$1,021	\$1,046	\$1,038	\$980	<i>wages are lower than national average</i>
Wage growth, year-over-year	1.3%	-1.8%	5.9%	6.7%	5.8%	2.3%	<i>wages are not rising as fast as nationally</i>
	2019	2018	2017	2019	2018	2017	
GDP growth (%)	3.3%	4.5%	2.3%	2.2%	3.0%	2.3%	<i>economy is growing faster than nationally.</i>
Median household income	\$67,896	\$64,427	\$61,506	\$87,470	\$84,423	\$81,284	<i>median household income is lower than nationally</i>
Percent change in income	5.4%	4.7%	-0.6%	3.6%	3.9%	-5.2%	<i>faster income growth than nationally</i>
	2020	2019	2018	2020	2019	2018	
Population ('000)	5,060	4,954	4,852	329,484	328,330	326,838	
Population growth (%)	2.14%	2.10%	1.91%	0.35%	0.46%	0.53%	<i>faster population growth than nationally</i>
Net domestic migration ('000)	82.4	73.3	63.7	0	0	0	<i>net in-migration</i>

II. Multifamily/1

	Q1_21	Q4_20	Q1_20	Q1_21	Q4_20	Q1_20	
2-bedroom apartment rent (end of quarter)	\$1,310	\$1,289	\$1,227	\$1,137	\$1,117	\$1,114	
Rent growth, year-over-year	6.8%	5.7%	7.4%	0.3%	-0.6%	2.2%	<i>faster rent growth than nationally</i>
Rent as a percent of 2-person annual wage income	14.6%	14.4%	13.8%	12.5%	12.4%	13.1%	<i>renters spend more of income on rent than nationally</i>
Rental vacancy rate	6.3%	3.9%	2.9%	6.8%	6.5%	6.6%	<i>rental vacancy rate is lower than nationally</i>
Homeownership rate	66.1%	68.3%	64.2%	65.6%	65.8%	65.3%	
Median existing single-family home sales price	\$373.7	\$354.7	\$308.9	\$329.1	\$309.2	\$280.7	
Home price to rent ratio	23.8	22.9	21.0	24.1	23.1	21.0	<i>owning is more affordable than renting vs. nationally</i>
12-month total: 5+ unit building permits	12,028	12,809	13,408	435,217	427,439	463,059	
12-month total: all building permits	46,312	46,044	40,558	1,512,323	1,470,663	1,391,065	
Ratio of jobs created to permits ('000)	(1.2)	(1.7)	1.3	(4.4)	(6.0)	0.4	<i>job creation is outpacing housing permits than nationally</i>

III. Office/2

	Q1_21	Q4_20	Q1_20	Q1_21	Q4_20	Q1_20	
New leasing (million sq. ft.)	0.7	1.0	0.4	37.7	38.4	70.5	<i>new leasing volume is rising faster than nationally</i>
Net absorption from prior quarter (million sq. ft.)	(0.74)	(0.21)	0.32	(41.08)	(37.23)	7.23	<i>negative net absorption</i>
Vacancy rate	21.0%	19.3%	15.7%	16%	15%	13%	<i>office vacancy rate is higher than nationally</i>
Asking rent per sq. ft.	\$27.4	\$27.7	\$27.4	\$35.4	\$35.2	\$33.7	<i>office rent growth is weaker than nationally</i>
Total inventory of available space (million sq. ft.)	92.3	91.2	106.2	5,469.8	5,453.9	5,421.0	
Under construction (million sq. ft.)	1.3	2.3	1.7	114.6	123.2	135.9	
% under construction to inventory	1.4%	2.6%	1.6%	2.1%	2.3%	2.5%	<i>less office construction is underway than nationally</i>

IV. Industrial/3

	Q1_21	Q4_20	Q1_20	Q1_21	Q4_20	Q1_20	
New leasing (million sq. ft.)	6.30	5.83	2.26	193.8	194.2	166.8	<i>new leasing volume is stronger than nationally</i>
Net absorption from prior quarter (million sq. ft.)	4.75	7.75	2.02	82.3	93.7	46.2	<i>positive net absorption</i>
Vacancy rate	7.3%	8.1%	7.1%	4.9%	5.2%	4.9%	<i>industrial vacancy rate is higher than nationally</i>
Asking rent per sq. ft.	\$7.9	\$7.7	\$7.2	\$6.9	\$6.8	\$6.4	<i>rents are rising faster than nationally</i>
Total inventory of available space (million sq. ft.)	348.0	345.6	330.4	15,804.7	15,546.5	15,121.0	
Under construction (million sq. ft.)	16.2	9.6	10.3	397.1	364.1	328.4	
% under construction to inventory	4.7%	2.8%	3.1%	2.5%	2.3%	2.2%	<i>more construction is underway than nationally</i>

V. Retail

	Mar-21	Feb-21	Mar_20	Mar-21	Feb-21	Mar_20	
Retail trade payroll workers ('000)	235.3	235.5	235.4	15,039	14,996	15,287	
% share to nonfarm payroll employment	10.9%	10.9%	10.6%	10.5%	10.6%	10.2%	<i>larger share of retail jobs than nationally</i>
Y/Y change ('000)	-0.1	-0.2	3.3	-248.2	-358	-139	
Y/Y % change	0.0%	-0.1%	1.4%	-1.6%	-2.3%	-0.9%	<i>stronger retail trade job creation than nationally</i>

VI. Hotel/Lodging

	Mar-21	Feb-21	Mar_20	Mar-21	Feb-21	Mar_20	
Leisure and hospitality payroll workers ('000)	203.8	199.7	237.9	13,428	13,065	15,745	
% share to nonfarm payroll employment	9.4%	9.3%	10.7%	9.4%	9.2%	10.5%	<i>larger share of leisure/hospitality jobs than nationally</i>
Y/Y change ('000)	-34.1	-42.6	-0.2	(2,317.0)	(3,227.0)	(345.0)	
Y/Y % change	-14.3%	-17.6%	-0.1%	-14.7%	-19.8%	-2.1%	<i>stronger recovery in leisure and hospitality jobs</i>
Number of small business openings (Jan4-31=100)	-48.7	-50.2	-15.1	-49.7	-52.3	-19.1	<i>more business openings than nationally</i>

*Data may not be available for some markets.

Sources: National Association of REALTORS®, US Census Bureau, US Bureau of Labor Statistics, US Bureau of Economic Analysis, ApartmentList (rent growth), Cushman and Wakefield (office, industrial)

Number of small business openings is from Womply via Opportunity Insights downloaded from Haver. Some markets may not have data.

1 Apartment rent growth is from ApartmentList.com for the metro: Phoenix-Mesa-Scottsdale, AZ

2 Covers the market of: Phoenix

3 Covers the market of: Phoenix

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