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Phoenix Multifamily Demand Rushes Back in Q3

“The first quarter and the fourth quarter are making up for the horrible second and third quarters,” John Kobierowski of ABI Multifamily says.

By Kelsi Maree Borland | November 20, 2020

The Phoenix multifamily market has completely rebounded following a halt in activity in the middle of the year. **ABI Multifamily** closed 12 apartment deals in October alone in the market. The activity is a sign of renewed confidence in the market.

“The first quarter and the fourth quarter are making up for the horrible second and third quarters,” **John Kobierowski**, senior managing director of ABI Multifamily, tells GlobeSt.com. “The first quarter was going gangbusters, and we were telling our brokers to pace themselves because we had people working too much. There was just so much activity in the Phoenix market. Then COVID hit and everything stopped. In July, we started seeing some of those buyers start to become active again, and any one that was smart enough to go back under contract in July got a great deal. Certainly, we started to see a slow uptick in activity from July through October, by October we were busy again.”

October wasn't an anomaly. The firm has a healthy pipeline of deals scheduled to close in the next few months. “We have approximately 40 properties closing escrow before the end of the year, which is tremendous. Last year, we sold 130 properties total, and we are closing 40 in the next 45 days,” says Kobierowski.

While there was a pricing correction earlier in the pandemic, Kobierowski says the market has returned to pre-pandemic numbers, in terms of price and rents. “We are back to where we were pre-pandemic. We are underwriting real numbers, and we are seeing rent growth,” he says. “The buyers that are in our market and came back early didn't have any competition. Now, if there is even a whisper of a property coming to market, the seller is getting multiple offers. Cap rates changed a little because interest rates went down, but our occupancy has been equal or stronger than it was going into the pandemic.”

Phoenix was already a popular landing pad for multifamily investors before the pandemic, but COVID has catalyzed more growth. “I think there is a flight to Phoenix for all of the obvious factors: rent control in California, the shut down in some of the states and general uncertainty. It has compounded, and even with the election, we haven't seen things slow down,” says Kobierowski.

Phoenix hasn't fared well in past recessions, but this round has been different. It could be a sign that the market has stabilized. “Our growth has been steady and it hasn't been based on one sector,” says Kobierowski. “We have had a fantastic in-migration, and our cost of living is low. All of the things that helped us grow haven't changed. We are building on fundamentals this time more than ever before.”