

Per-unit prices push higher despite uncertainty

Q2 2026

PHOENIX BUILD-TO-RENT

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CONSTRUCTION ACTIVITY


UNITS UNDER CONSTRUCTION **3,640**

UNITS DELIVERED (YTD) **1,384**

MARKET FUNDAMENTALS


VACANCY RATE **8.8%**

ASKING RENTS **\$1,969**

FOR-SALE HOUSING


MEDIAN SF HOME PRICE **\$477,700**

AVERAGE MORTGAGE PAYMENT **\$3,718**

BTR TRANSACTION ACTIVITY (PAST YEAR)


MEDIAN PRICE PER UNIT **\$430,000**

CAP RATE RANGE **4.9%–6.0%**

HIGHLIGHTS

- After several years of elevated development, the Greater Phoenix build-to-rent (BTR) market is moving into a slower phase of the supply cycle. Deliveries have fallen sharply in 2026, leading to vacancy improvements in recent periods, although rents have not yet begun to gain momentum.
- Rents for BTR properties ended the second quarter at \$1,969 per month, 1.7% below the year-earlier level as the market continues to work through new supply.
- The vacancy rate has declined by 100 basis points during the past six months to 8.8%, although the rate is down just 10 basis points year over year.
- Investment activity has been modest, with a handful of build-to-rent properties trading through the first half of 2026. Pricing has moved higher, with the median price reaching \$430,000 per unit, nearly 25% above the level recorded in 2025.

PHOENIX BUILD-TO-RENT MARKET OVERVIEW

Current operating conditions in the Phoenix build-to-rent market reflect the cumulative impact of three years of elevated construction during a period of fairly steady renter demand for units. Area BTR developers delivered an average of more than 5,000 units annually from 2023 through 2025, nearly tripling the region's inventory over that stretch. Construction has since slowed sharply, with fewer than 1,400 units delivered through the first half of this year, while the development pipeline has thinned. The recent decrease in completions is giving room for vacancy to improve, and the recent pullback in new supply suggests pressures should continue to ease. One area of the market that is expected to continue to be impacted by new development is Buckeye, where the pipeline is still larger than what the submarket has delivered over the past year and a half, unlike San Tan Valley and Queen Creek, where recent waves of new supply have already been delivered.

The investment climate for BTR properties in Greater Phoenix during the first half was impacted by proposed provisions in the 21st Century ROAD to Housing Act that worked its way through Congress during the first and second quarters. The uncertainties associated with the acquisition and disposition of BTR communities impacted transaction volumes. In the transactions that did close, per-unit pricing pushed higher, with the transaction mix including fully stabilized properties with an average construction year of 2023. Investor sentiment should brighten in the coming quarters, as much of the regulatory uncertainty has been resolved and the outlook for future competition is also changing quickly. The steep reduction in the number of units in the development pipeline limits the supply-side pressures that had discouraged some investors. With the build-to-rent sector continuing to offer a substantial monthly cost advantage over homeownership, the longer-term market position has improved.

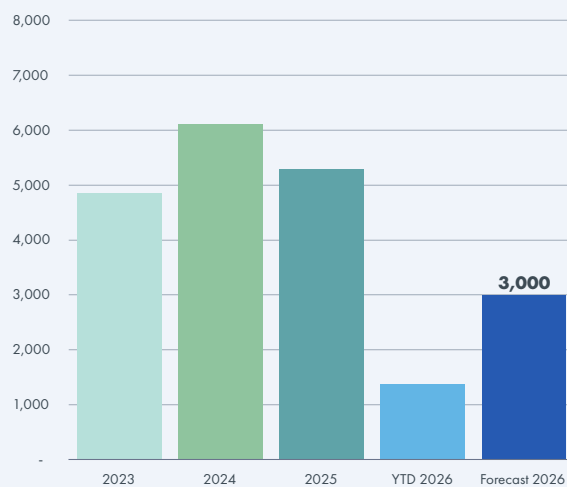
CONSTRUCTION

- Build-to-rent deliveries have slowed sharply in 2026. Through the second quarter, developers completed fewer than 1,400 units throughout Greater Phoenix, down more than 50% from the same period in 2025.
- San Tan Valley has led the way for new construction to this point in 2026. Projects totaling more than 675 units have been delivered in San Tan Valley. In the West Valley, nearly 400 units have come online this year in the Maryvale area.
- Projects totaling 3,640 units are currently under construction throughout the region. Within the city of Phoenix, new construction projects are located in and around Deer Valley. Buckeye is the leading submarket for properties that have broken ground outside of the city of Phoenix.

►► *During the first half, developers completed fewer than 1,400 units.*

ANNUAL BTR COMPLETIONS

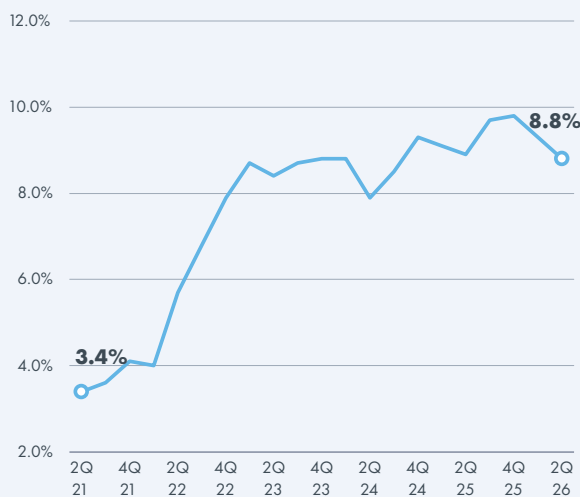
Number of units



Sources: Northmarq, CoStar, Yardi

VACANCY TRENDS

Average vacancy rate



Sources: Northmarq, CoStar, Yardi, JBRBC

VACANCY

- Vacancy rates for BTR properties within the Phoenix market have begun to tick lower after peaking in late-2025. The rate fell by 50 basis points in each of the first two quarters of 2026, reaching 8.8% at midyear. Despite the recent improvement, area vacancy is down just 10 basis points year over year.
- The vacancy rate for build-to-rent properties varies across geographies. In the Goodyear/Avondale area, vacancy rates are higher, averaging approximately 10%. In the East Valley, vacancies in Queen Creek, Gilbert, and Chandler generally range from 5.0% to 6.5%.
- Build-to-rent vacancy averaged approximately 3.5% through most of 2021, when the overall inventory of BTR units was much smaller. The rate has more than doubled since, averaging about 9% since the start of 2023.

►► *Area vacancy is down 10 basis points year over year.*

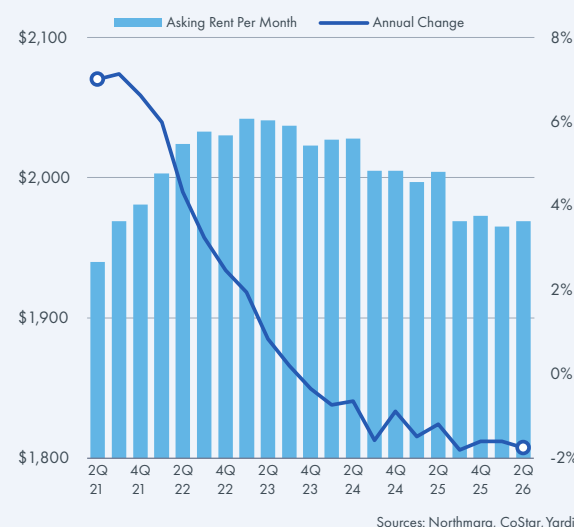
RENTS

- BTR asking rents in Greater Phoenix ticked up to \$1,969 per month in the second quarter, rising 0.2% from the first quarter but still down 1.7% year over year.
- Rents for BTR properties averaged \$1.78 per square foot per month in the second quarter, 2.5% lower than levels from one year ago.
- BTR rents command a premium, running \$450 per month above traditional apartment rents in Phoenix. While BTR rents remain well above traditional apartments, trends have varied, with apartments having posted two straight quarters of slight rent growth year to date, while BTR properties have not been able to post consecutive periods of rent growth.

►► *Year over year, rents have dropped by 1.7% to \$1,969 per month.*

BTR RENT TRENDS

Quarterly rents & % change



FOR-SALE HOUSING TRENDS

Annual sales price



Sources: Northmarq, National Association of Realtors

FOR-SALE HOUSING

- Single-family home prices across Greater Phoenix have shown little movement over the past several years. The median existing home sale price reached \$477,700 in the second quarter, a 1% increase from a year earlier.
- Single-family permitting activity has cooled in 2026, with year-to-date totals running about 11% behind last year's pace.
- Ownership costs on a median-priced home continue to outpace build-to-rent rents by a wide margin. At current pricing and mortgage rates, the average monthly payment on a median-priced home runs about \$3,700, roughly \$1,750 per month above the average build-to-rent rent.

►► *The median existing home price reached \$477,700 this quarter.*

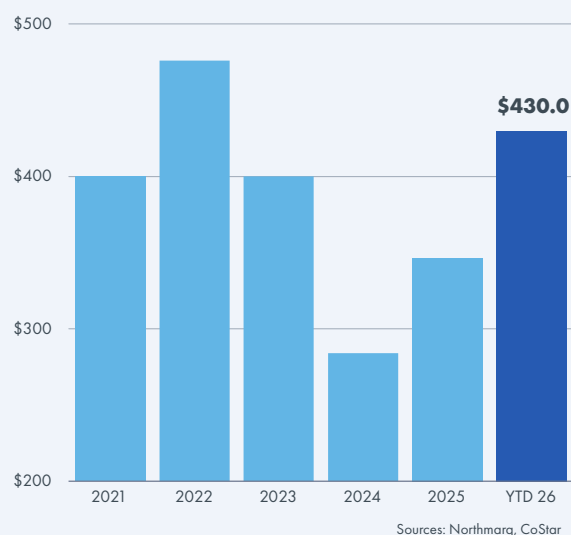
BUILD-TO-RENT SALES

- Build-to-rent transaction activity in Greater Phoenix has been mostly steady, with a handful of transactions closing to this point in the year. Sales velocity is slightly ahead of the 2025 pace. Townhome properties accounted for more than 70% of the transactions, although the largest sale involved a horizontal BTR community.
- The year-to-date median price in BTR properties is \$430,000 per unit, up nearly 25% from the median price in 2025. The median price in townhome properties topped \$475,000 per unit.
- Cap rates on build-to-rent sales have ranged from 4.9% to 6.0% over the trailing 12 months. Cap rates on BTR properties are generally consistent with cap rates on Class A apartment properties.

►► *The year-to-date median price in BTR properties is \$430,000 per unit.*

INVESTMENT TRENDS

Median price per unit (000s)



RECENT BTR TRANSACTION ACTIVITY

PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Merrick on Camelback	4747 N. 99th Ave., Phoenix	334	\$112,500,000	\$336,826
Grandstone at Sunrise	24701 N. Lake Pleasant Pky., Peoria	140	\$45,850,000	\$327,500
Arcadia 24	3622 N. 38th St., Phoenix	24	\$12,100,000	\$504,167
The Sonoran Townhomes	3426 E. University Drive, Mesa	36	\$13,390,000	\$371,944

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