

Sales Gain Momentum in the Third Quarter

Q3 2025

PHOENIX BUILD-TO-RENT

CONSTRUCTION ACTIVITY



UNITS UNDER CONSTRUCTION **8,400**

UNITS DELIVERED (YTD) **5,340**

MARKET FUNDAMENTALS



VACANCY RATE **9.7%**

ASKING RENTS **\$1,969**

FOR-SALE HOUSING



MEDIAN SF HOME PRICE **\$472,200**

AVERAGE MORTGAGE PAYMENT **\$3,134**

BTR TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$336,700**

CAP RATE RANGE **4.75%–5.25%**

HIGHLIGHTS

- After a mostly steady first half of this year, property performance in the Greater Phoenix area's single-family build-to-rent market softened during the third quarter. Vacancy rates rose and rents contracted as developers have remained active. Despite the supply-related challenges present in the market, investment activity picked up in recent months, and per-unit prices are higher than the 2024 figure.
- Rents for build-to-rent units have contracted by 1.8% year over year, dipping to \$1,969 per month as of the third quarter. Current rents on build-to-rent properties still offer a premium over traditional apartments and are much lower than mortgage payments on for-sale homes.
- Vacancies have trended higher, ending the third quarter at 9.7%. The average rate is up 120 basis points during the past 12 months.
- More build-to-rent properties are trading in 2025. Year-to-date activity levels are up about 10% from the 2024 pace. Prices have also pushed higher but remain below earlier peaks. The median price in sales to this point in 2025 is \$366,700 per unit.

PHOENIX BUILD-TO-RENT MARKET OVERVIEW

The Phoenix area remains one of the largest and most active locations for single-family build-to-rent properties in the country. The existing inventory of properties totals nearly 30,000 units, and projects totaling more than 5,300 units have been delivered year to date. While area inventory levels have essentially doubled with the delivery of about 5,000 units per year since 2023, vacancies have held up reasonably well. The current vacancy rate is 9.7%, up just 120 basis points from one year ago. With operators facing greater competition for renters, rents have ticked lower, albeit at a more modest pace than in the traditional apartment market. Current rents for build-to-rent properties are about \$440 per month higher than rents for apartment units, but are about \$1,150 lower than the average monthly mortgage payment on a median-priced for-sale home.

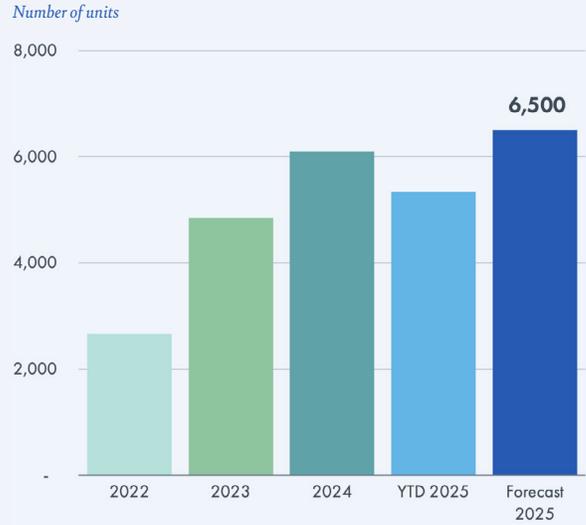
Despite some operational challenges brought on by heightened supply growth, investors continue to acquire build-to-rent properties in the Phoenix area. Transaction counts to this point in the year are ahead of the pace recorded in 2024, supported by an elevated number of sales in recent months. Properties continue to transact in the Northwest Valley and the Southeast Valley, with Glendale, Mesa, and Casa Grande the leading cities for sales activity to this point in 2025. The Goodyear/Avondale area will likely reestablish itself as a top location for transaction volumes in the coming years, although investors may be cautious in the immediate term as the submarket is one of the most active areas in the country for new inventory growth. The longer-term demand growth outlook for the submarket is strong, but investors may wait for properties to fully lease-up before making acquisitions.

CONSTRUCTION

- Developers have been ramping up the construction of build-to-rent units in the Greater Phoenix region for the past few years. After delivering an average of about 1,800 units per year from 2018 through 2022, completions have totaled more than 5,000 units per year since 2023.
- Year to date, approximately 5,300 build-to-rent units have been delivered throughout the Greater Phoenix region. Top areas for recent development include Surprise, Goodyear, Litchfield Park, and Queen Creek.
- Projects totaling approximately 8,400 units are currently under construction throughout Greater Phoenix, representing 28% of total existing inventory in the region.

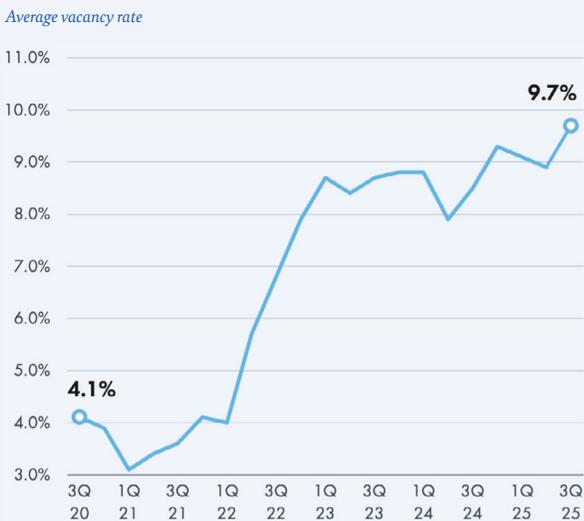
»» *Year to date, approximately 5,300 build-to-rent units have been delivered.*

ANNUAL BTR COMPLETIONS



Sources: Northmarq, CoStar, JBREC, Yardi

VACANCY TRENDS



Sources: Northmarq, CoStar, Yardi

VACANCY

- Vacancy rates for build-to-rent properties within the Greater Phoenix market ended the third quarter at 9.7%, after rising 80 basis points from the second quarter.
- Year over year, vacancies for build-to-rent communities have risen 120 basis points. Vacancies inched lower in both the first and the second quarters of this year, but are generally maintaining an upward trajectory.
- Build-to-rent properties maintained an average vacancy rate between 3.5% and 4.0% through 2020 and 2021 before the rate essentially doubled in a period of just one year. Vacancies in the sector have remained at 8.0% or higher since the beginning of 2023.

»» *Vacancy rates ended the third quarter at 9.7%, after rising 80 basis points.*

RENTS

- After remaining above \$2,000 per month for the past few years, average rents in build-to-rent properties dipped below this threshold in recent months. Rents ended the third quarter at \$1,969 per month, down 1.7% from the prior quarter.
- Year over year, rents have dropped by 1.8%. Rents in the build-to-rent space have posted annual declines in each of the past eight quarters.
- Current rents in build-to-rent properties are about \$440 per month higher than the average monthly rent in traditional apartment properties. Rents have proven to be more stable in build-to-rent properties than in traditional apartments, posting more modest declines.

➤➤ *Year over year, rents have dropped by 1.8% to \$1,969 per month.*

BTR RENT TRENDS

Quarterly rents & % change



Sources: Northmarq, CoStar, Yardi

FOR-SALE HOUSING TRENDS

Annual sales price & % change



Sources: Northmarq, National Association of Realtors

FOR-SALE HOUSING

- For-sale housing prices have been essentially flat for the past few years. During the third quarter, the median existing home sale price was \$472,200, up 0.6% from one year earlier.
- Year to date, single-family housing permitting totals are down approximately 20% compared to one year ago. Homebuilders are on pace to pull permits for nearly 24,000 single-family homes, nearly identical to the 2023 total.
- The average mortgage payment on a median-priced single-family home in the Greater Phoenix market, using current pricing and mortgage rates, would total more than \$3,100 per month, or about \$1,165 per month more than the average rent on a build-to-rent property.

➤➤ *During the third quarter, the median existing home sale price was \$472,200.*

BUILD-TO-RENT SALES

- Year-to-date sales activity for build-to-rent properties in Greater Phoenix is up about 10% compared to the same period in 2024. Transaction activity has gained momentum in recent months. More than half of the total build-to-rent properties that have sold thus far in 2025 transacted in the third quarter.
- Prices have pushed higher in 2025 after dipping last year. The year-to-date median price in build-to-rent properties is \$366,700 per unit, up from about \$284,000 per unit in 2024. Prices peaked at more than \$475,000 per unit in 2022.
- Cap rates have generally ranged between 4.75% and 5.25% in transactions that have closed this year. Cap rates are closely tracking ranges from last year.



►► *The year-to-date median price in build-to-rent properties is \$366,700 per unit.*

RECENT BTR TRANSACTION ACTIVITY				
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Yardly Paradisi	12065 N 168th Ln., Surprise	193	\$55,236,000	\$286,197
Annex at Cadence	9411 E Cadence Pkwy., Mesa	135	\$49,000,000	\$362,963
Solana Place at Carlton Commons	18 S Boniface Ln., Casa Grande	113	\$30,000,000	\$265,487
Ascension at Manistee Ranch	7959 N 53rd Ave., Glendale	71	\$23,450,000	\$330,282

FOR MORE INFORMATION, PLEASE CONTACT

TREVOR KOSKOVICH, *President, Investment Sales*
602.952.4040 | tkoskovich@northmarq.com

JESSE HUDSON, *Regional Managing Director, Investment Sales*
602.952.4042 | jhudson@northmarq.com

BRANDON HARRINGTON, *Managing Director, Debt + Equity*
602.508.2204 | bwharrington@northmarq.com

CHRIS MICHL, *Vice President, Investment Sales*
602.952.4051 | cmichl@northmarq.com

LOGAN BACA, *Senior Associate, Investment Sales*
602.952.4052 | lbaca@northmarq.com

PETE O'NEIL, *National Director, Research*
602.508.2212 | poneil@northmarq.com

SAM TIFFANY, *Market Analyst, Research*
602.952.7102 | stiffany@northmarq.com

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