Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	26,402
UNITS DELIVERED (YTD)	1,803

MARKET FUNDAMENTALS

VACANCY RATE	7.0%
YEAR-OVER-YEAR CHANGE	-10bps
ASKING RENTS	$1,515
YEAR-OVER-YEAR CHANGE	-2.6%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$226,700

PHOENIX MULTIFAMILY
Q1 2026

MARKET INSIGHTS

Class A and Class C properties trade to start 2026

HIGHLIGHTS

- The Phoenix multifamily market posted better-than-expected performance in the first quarter, as the pace of deliveries slowed to its lowest total in more than five years and the vacancy rate dipped to its lowest point in nearly two years.
- Vacancy fell in the first quarter, dropping 50 basis points to 7.0%. During the past 12 months, vacancy has ticked down 10 basis points.
- Rents inched higher at the beginning of 2026, repeating a similar move that occurred in the first quarter of last year. Despite the recent increase, current rents of $1,515 per month are 2.6% lower than levels from one year ago.
- Investment activity is ahead of the 2025 pace, with a mix of Class A and Class C properties trading during the first quarter. The median price was $226,700 per unit in the first quarter, slightly higher than in 2025.

PHOENIX MULTIFAMILY MARKET OVERVIEW

The pace of deliveries of new multifamily units slowed during the first quarter of 2026 in Greater Phoenix, giving some short-term relief to the supply-side pressures that have dragged on market performance in recent years. Projects totaling only about 1,800 units came online in the first quarter, a drop of nearly 45% compared to the same period in 2025. While the pace of deliveries has slowed from the peak, the competitive impact from new supply will continue to play a significant role in property operations throughout the remainder of this year. More than 26,000 units are currently under construction, nearly half of which are slated to come online before the end of 2026. Despite some continued challenges for operators, the market gained some momentum in the first few months of the year. Vacancies dropped to their lowest point in nearly two years, and rents inched higher from the year-end 2025 figure.

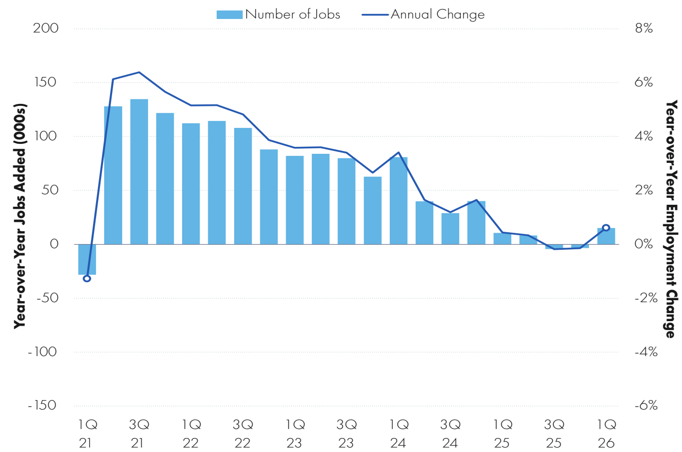
Multifamily investment activity in Phoenix during the first quarter was ahead of the pace established at the beginning of last year, even as capital markets conditions remain a key variable and interest rates influence pricing and sales volumes. The transaction mix shifted at the beginning of 2026. In recent years, activity has been heavily weighted towards Class A and newer Class B properties. During the first quarter, however, Class A and Class C properties dominated activity, with only a few Class B properties selling. This drove a wide disparity in pricing trends. Class A assets traded with a median price of $343,000 per unit, while Class C buildings sold for closer to $160,000 per unit. The result of this trading pattern was a median price of $226,700 per unit, even though very few properties traded near this price range. Cap rates diverged based on asset class as well. Class A cap rates averaged about 5.0%, while Class C cap rates generally ranged between 6.5% and 7.0%.

EMPLOYMENT

- After a sluggish 2025, the local employment has gained some momentum at the start of this year. During the past 12 months, area employment totals have expanded by 0.6% with the addition of approximately 15,000 net new jobs.
- Blue-collar employment sectors are expected to gain momentum in 2026 after almost no growth in the prior year. Manufacturing employment posted a modest year-over-year gain in the first quarter after slight losses in 2025, while employers in construction, warehousing, and distribution industries have been slow to add workers.
- Burlington broke ground on a 2-million square foot distribution center in Buckeye in early 2026. The facility, which is on pace to open in 2028, is expected to add thousands of new jobs in the West Valley and is a part of the company's larger national retail expansion.
- **FORECAST:** Jobs are forecast to be added across a wider range of industries in 2026, which should support the overall labor market. Employers are expected to add approximately 25,000 net new jobs this year, a 1.0% increase to area payrolls.

Area employment totals have expanded by 0.6%.

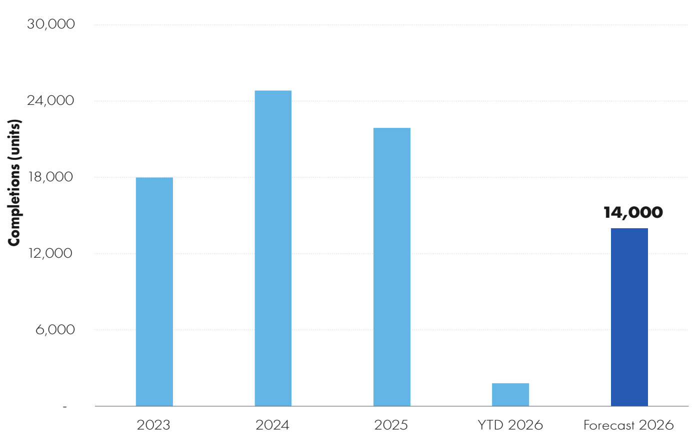
EMPLOYMENT OVERVIEW



DEVELOPMENT & PERMITTING

Approximately 26,400 units are under construction.

DEVELOPMENT TRENDS



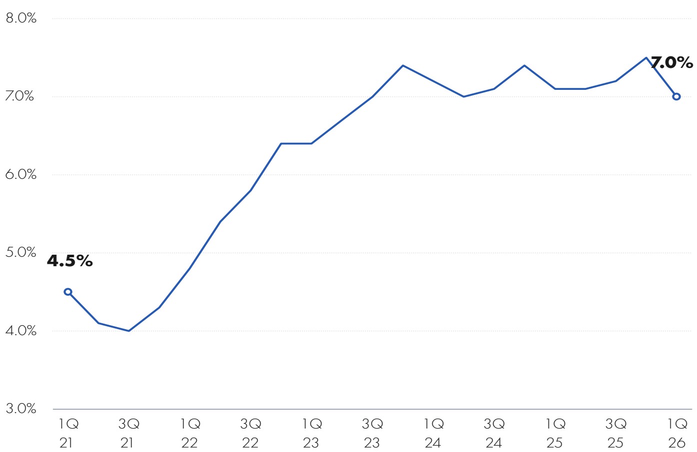
Sources: Northmarq, Apartment Insights

- Deliveries slowed at the beginning of 2026, with approximately 1,800 units coming online in the first quarter. The number of units that were completed in the first quarter was down 45% from the same period in 2025.
- Projects totaling approximately 26,400 units are under construction as of the first quarter, 18% lower than the total one year ago. The number of units in the development pipeline is expected to thin throughout the year as new units come online and construction starts slow.
- Developers pulled permits for approximately 1,500 multifamily units during the first quarter, 29% lower than the total from one year earlier. Permitting figures are expected to slow to about 10,000 units in 2026.
- **FORECAST:** The pace of deliveries should slow significantly in 2026, following several years of heightened construction activity. Developers are on pace to complete 14,000 units this year, after nearly 22,000 units came online in 2025.

VACANCY

In the past 12 months, vacancy has ticked down 10 basis points.

VACANCY TRENDS



Sources: Northmarq, Apartment Insights

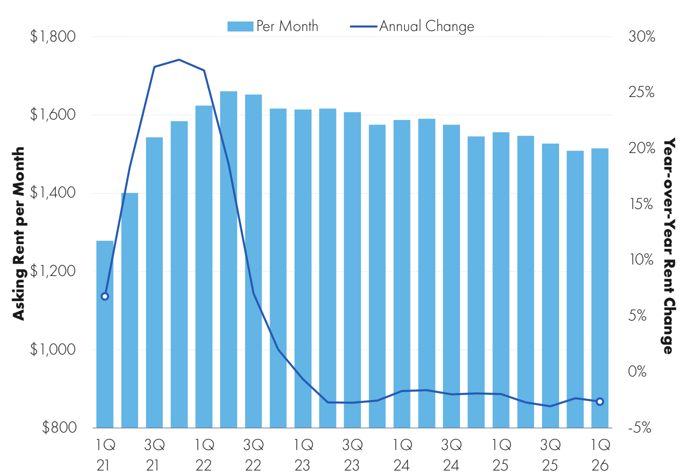
- During the first quarter, vacancy among stabilized properties dropped 50 basis points to 7.0%. This marked the lowest vacancy rate since the second quarter of 2024.
- During the past 12 months, average vacancy across Greater Phoenix has ticked down 10 basis points. Some of the strongest performance in recent periods has been recorded in the Ahwatukee Foothills and Chandler submarkets, where vacancies are approximately 5.0%; the rate has improved by 100 basis points in each submarket year over year.
- Approximately 7,500 new units have been delivered in the Glendale submarket since the beginning of 2021, including several new communities located near the Westgate Entertainment District. This surge in inventory has resulted in higher vacancy levels. Vacancy in Glendale ended the first quarter at 8.8%, and the rate has averaged 8.4% since the beginning of 2024.
- **FORECAST:** While vacancies tightened at the beginning of the year, the rate is expected to creep higher in the coming quarters. Vacancy is forecast to end this year at 7.5%, matching the year-end 2025 figure.

RENTS

- Rents reached $1,515 per month in the first quarter, 2.6% lower than one year earlier. Rents across the region have posted year-over-year declines since the beginning of 2023, and current rents are down approximately $150 per month from cyclical highs.
- While rents in the Goodyear/Avondale submarket have retreated from earlier peaks, there have been signs of steadying rents in recent periods. Average rents in the Goodyear/Avondale submarket reached $1,535 per month in the first quarter, down just 1.5% year over year.
- Rents in the Scottsdale submarkets remained some of the highest and most resilient in the market in recent periods. Average rents in the South Scottsdale submarket dipped just 0.9% in the past 12 months to $1,949 per month, while rents in North Scottsdale/Fountain Hills posted an annual decline of 1.0% to $1,929 per month.
- **FORECAST:** Rents are likely to remain in a tight range for most of 2026. The average market rent is on pace to end the year at $1,520 per month, reflecting a 0.7% annual increase.

Rents reached $1,515 per month in the first quarter.

RENTS TRENDS



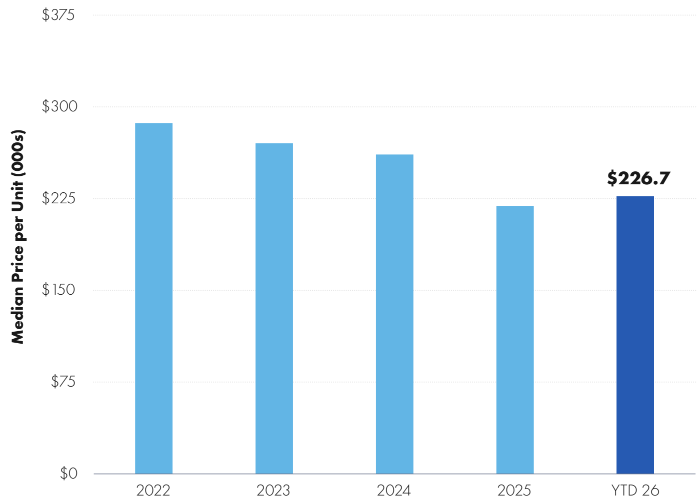
Sources: Northmarq, Apartment Insights

MULTIFAMILY SALES

- Multifamily sales transactions accelerated throughout 2025, and activity during the first quarter was up more than 60% compared to the same period last year.
- More than 45% of the transactions that closed during the first quarter were Class A properties. The median price in these sales was approximately $343,000 per unit. Several newer properties sold for $80 million or more.
- Class C properties are trading more frequently than in recent years. In the first quarter, Class C buildings accounted for nearly 35% of total transactions, up from approximately 25% of sales in 2025.
- The volume of Class A transactions pushed prices a bit higher. The median price in sales during the first quarter was $226,700 per unit, 4% higher than the price in 2025. Class C properties sold for a median price of $159,000 per unit, closely tracking 2025 per-unit values for older properties.
- Cap rates have averaged approximately 5.5% in transactions that have closed so far in 2026, although there has been a wide range based on asset quality. Class A properties have generally traded with cap rates near 5.0%, while Class C assets have changed hands with cap rates between 6.5% and 7.0%.

The median price in the first quarter was $226,700 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

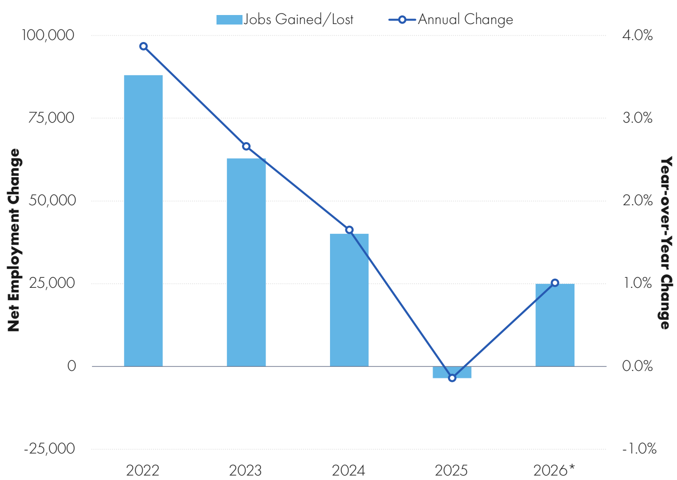
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Cortland Biltmore	2727 E. Camelback Road, Phoenix	253	$125,000,000	$494,071
Avant at Fashion Center	555 S. Galleria Way, Chandler	335	$109,000,000	$325,373
Biltmore at Camelback	2625 E. Camelback Road, Phoenix	270	$97,350,000	$360,556
Residences at Stadium Village	16485 N. Stadium Way, Surprise	382	$87,710,000	$229,607
Waterford Place	1055 W. Baseline Road, Mesa	200	$42,000,000	$210,000

LOOKING AHEAD

Multifamily property fundamentals showed signs of improving at the start of this year, although 2026 will likely be a year of stabilizing conditions across Greater Phoenix rather than an inflection point where the market truly changes its trajectory. The tightening vacancy and modest rent increases that occurred in the first quarter of this year are similar to trends that emerged during the same period in 2025. After gaining some ground at the beginning of last year, conditions softened throughout the remainder of 2025, a trend that is likely to repeat in the coming periods. While this year's deliveries are expected to represent the market's lowest annual total since 2022, oversupply conditions will persist, and vacancies are forecast to push higher in the coming quarters.

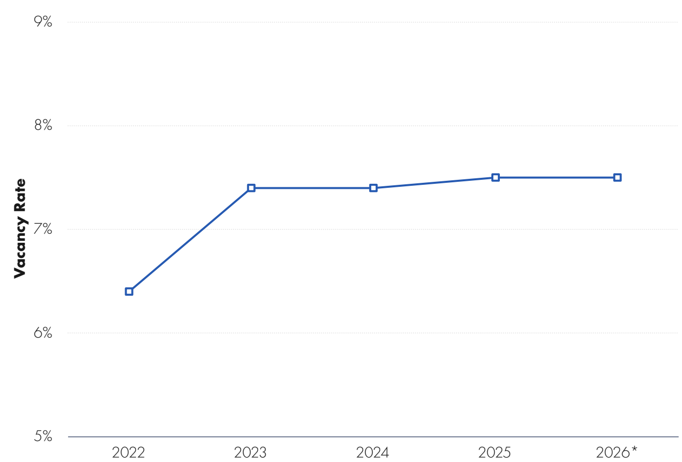
Year-to-date multifamily investment activity is ahead of the pace established at the beginning of 2025, and transactions are expected to continue to close through the remainder of this year. During the first quarter, sales were concentrated at both ends of the quality spectrum, with several transactions of $80 million or more involving newer Class A properties closing, as well as a handful of Class C sales below $20 million. The transaction mix will likely expand across more vintages, property classes and submarkets during the remainder of the year. To this point in 2026, the properties that have sold within the city of Phoenix have been located almost exclusively in the Midtown and Camelback submarkets; high-growth areas such as Desert Ridge and Deer Valley have historically been active locations for transaction volumes and should gain momentum.

EMPLOYMENT FORECAST



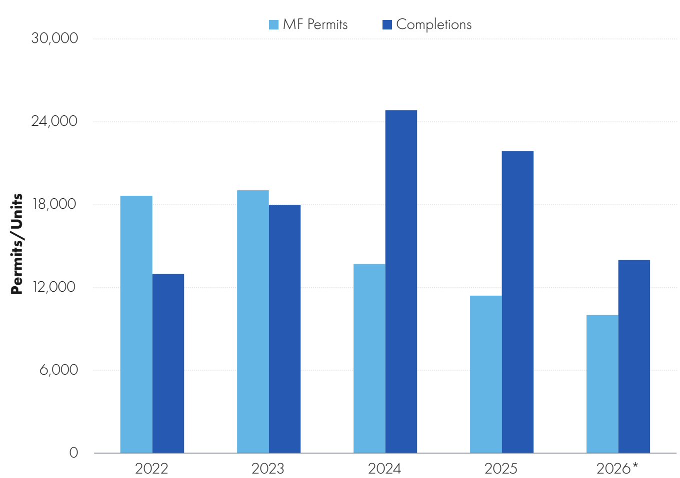
* *Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



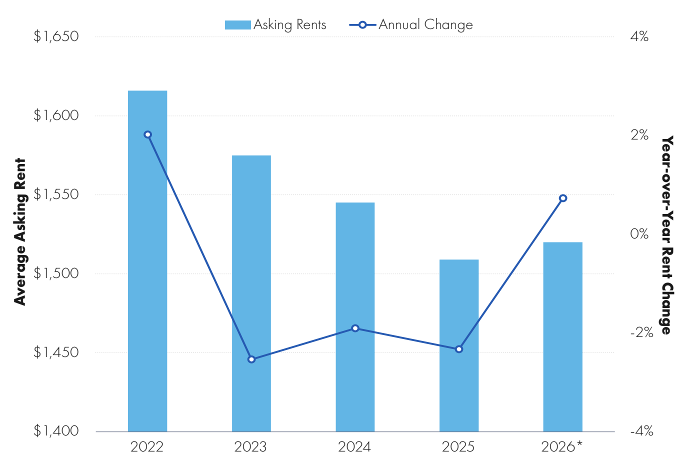
* *Year End Forecast*
Sources: Northmarq, Apartment Insights

CONSTRUCTION & PERMITTING FORECAST



* *Year End Forecast*
Sources: Northmarq, Apartment Insights, Census Bureau

RENTS FORECAST



* *Year End Forecast*
Sources: Northmarq, Apartment Insights

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