Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	23,092
UNITS DELIVERED (YTD)	6,689

MARKET FUNDAMENTALS

VACANCY RATE	6.6%
YEAR-OVER-YEAR CHANGE	-50bps
ASKING RENTS	$1,519
YEAR-OVER-YEAR CHANGE	-1.8%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$246,000

PHOENIX MULTIFAMILY
Q2 2026

MARKET INSIGHTS

Vacancies tighten in response to persistent demand

HIGHLIGHTS

- Multifamily properties in Phoenix posted healthy performance in the second quarter, with elevated absorption levels softening the competitive impact of new supply. Investment activity picked up slightly, but remains limited when compared to long-term average levels.
- Vacancy posted its second consecutive quarter of strong improvement. The rate fell 40 basis points in the second quarter, reaching 6.6%. The current rate is at its lowest figure in three years and is down 50 basis points year over year.
- Declining vacancies have allowed for modest rent increases to this point in 2026, but average rents are still lower than they were one year ago. Rents ended the second quarter at $1,519 per month, a 1.8% annual decline.
- A few more properties sold in the second quarter than during the first three months of the year, but transaction levels are modest. One segment of the market where sales activity has gained momentum is in transactions of $100 million or more.

PHOENIX MULTIFAMILY MARKET OVERVIEW

Absorption has outpaced deliveries of new units in the Phoenix multifamily market to this point in 2026, pushing the vacancy rate lower and allowing room for modest rent growth in each of the first two quarters of the year. In the second quarter, absorption totaled nearly 6,000 units, bringing the year-to-date total to more than 12,400 units. Absorption has maintained a steady pace since the beginning of 2025, averaging more than 5,600 units per quarter, even during periods of below-trend employment growth. This persistent demand is supporting operational improvement at a time when developers are returning the pace of deliveries closer to long-term averages. Fewer than 6,700 units came online in the first half, the lightest level of deliveries at the midpoint of a year since 2022. Additionally, the number of units under construction has declined in seven of the past eight quarters, and the current levels are the lowest in the Phoenix area since the beginning of 2021.

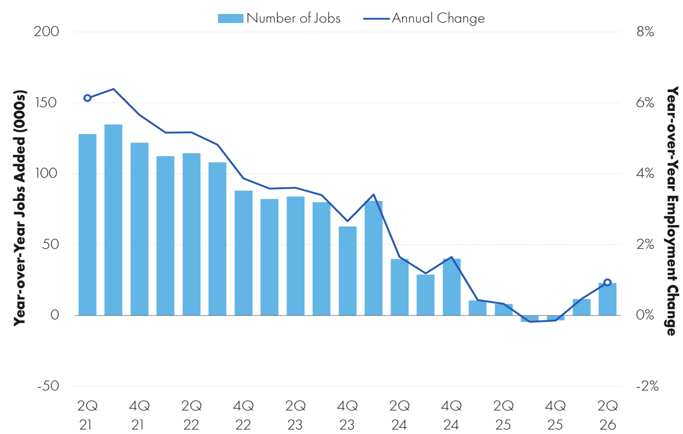
Multifamily sales velocity picked up slightly in Phoenix from the first quarter to the second quarter, but overall levels remain modest and transaction counts are lagging the pace recorded during the same period in 2025. Investment activity is concentrated among newer assets, with Mesa, Gilbert and Peoria the most active suburban cities for recent transactions. Within the city of Phoenix, activity has generally been clustered around Deer Valley and in the Uptown and Biltmore areas. Investors are targeting properties within employment corridors with area amenities that attract and retain renters. To this point in the cycle, fewer properties have sold in submarkets where renter retention has traditionally proven to be more challenging during periods where renters have more options.

EMPLOYMENT

- Employers have picked up the pace of area hiring after a period of soft conditions in 2025. During the 12-month period ending in the second quarter, total employment in the Phoenix area rose by 0.9% with the addition of 23,000 net new jobs. One year ago at this time, the growth rate was just 0.3%.
- The local professional and business services sector is posting a faster rate of expansion than the overall labor market for the first time since 2023. Year over year, professional employment in Phoenix has increased by 2.1% with the addition of more than 8,000 net new jobs.
- Chip manufacturing is expected to continue to be a source of economic growth in the Phoenix area. Intel opened its Fab52 project late last year and is expected to open another facility in Chandler in 2028. The company is competing with Taiwan Semiconductor, which is in the process of completing several fabs and packaging facilities in Northwest Phoenix. Taiwan Semiconductor announced plans in July to invest an additional $100 billion in Arizona.
- **FORECAST:** Employers are expected to add approximately 30,000 jobs in 2026, a 1.2% annual increase. Historically, growth across the Phoenix region has averaged approximately 2.4% per year.

Total employment in the Phoenix area rose by 0.9%.

EMPLOYMENT OVERVIEW

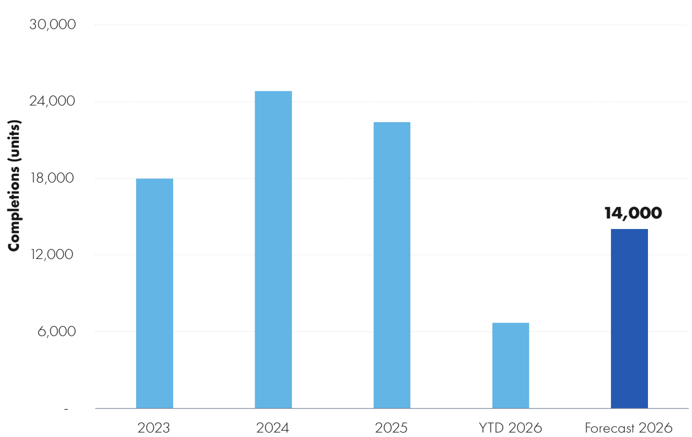


Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

During the first half, nearly 6,700 units were completed.

DEVELOPMENT TRENDS



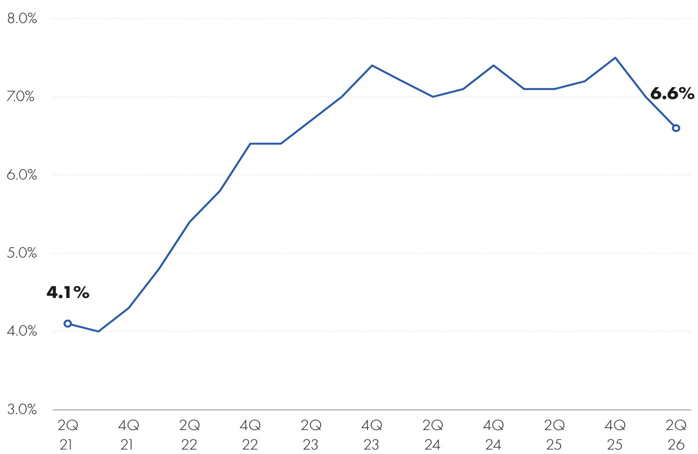
Sources: Northmarq, Apartment Insights

- Projects totaling nearly 5,000 units came online in the second quarter, following a period of light deliveries to start the year. During the first half, nearly 6,700 units were completed, down 13% from the first half of 2025.
- The development pipeline continues to thin, with approximately 23,100 units under construction at midyear. This marks a 27% decline from levels one year ago and a 46% drop from the peak at the end of 2023.
- Multifamily permitting activity in the first half of 2026 slowed by 38% compared to the same period in 2025. Developers pulled permits for only about 3,600 multifamily units during the first half, the slowest start to a year since 2015.
- **FORECAST:** Developers are expected to complete approximately 14,000 new multifamily units this year, after more than 22,000 units were delivered in both 2024 and 2025.

VACANCY

The vacancy rate is at its lowest level since early 2023.

VACANCY TRENDS



Sources: Northmarq, Apartment Insights

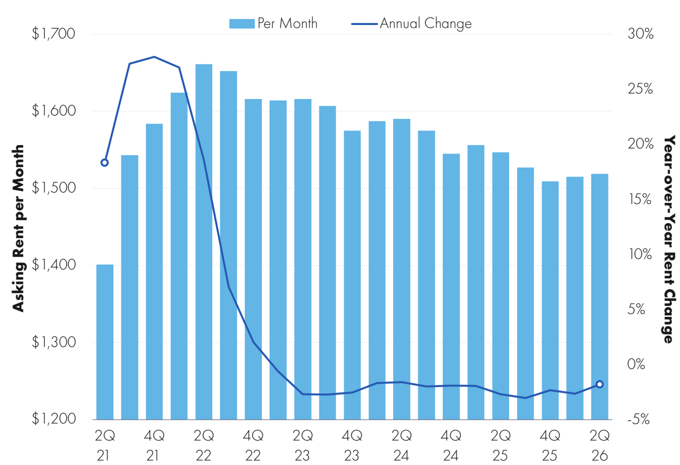
- Vacancy for stabilized properties improved for the second consecutive quarter. The rate dropped 40 basis points to 6.6% in the second quarter. Current vacancies are 50 basis points lower than one year earlier. The average vacancy rate is at its lowest level since early 2023.
- The lowest vacancy rates are generally in the areas surrounding employment corridors in the Southeast Valley and the Northeast Valley. Vacancy rates in Ahwatukee, Chandler, and South Tempe are averaging between 4.8% and 5.3%, while vacancies in Scottsdale submarkets are approximately 5.2%.
- Vacancy for stabilized properties in the Goodyear/Avondale submarket ended the second quarter at 7.2%, matching the level from one year earlier. Deliveries in the submarket have totaled more than 5,000 units per year in each of the past three years, but the pace will slow in 2026. Only about 800 units came online in the first half, and the full-year total is expected to reach 2,350 units.
- **FORECAST:** As new properties continue to compete with existing communities, the local vacancy rate is expected to inch higher in the second half. Vacancy is forecast to end the year at 7.3%. This would mark a slight annual decline after vacancy ended 2025 at 7.5%.

RENTS

- Rents ticked higher for a second consecutive quarter, but remain lower than levels from one year earlier. This marked the first time area rents gained ground in consecutive quarters since mid-2022. Average rents reached $1,519 per month at midyear, down 1.8% year over year.
- While the market has recorded rent increases in 2026, gains have been minimal. Current rents are up $10 per month, or 0.7% higher, than at the end of 2025.
- Several submarkets have posted annual rent declines between 1.0% and 4.0% as of the second quarter, but there are a few exceptions. Rents in North Scottsdale/Fountain Hills have gained 0.5% in the past year, reaching $1,898 per month in the second quarter. In South Scottsdale, rents have advanced 0.4% year over year to $1,958 per month.
- **FORECAST:** Rents are expected to post little movement in the second half of this year and should end 2026 near current levels. The average market rent is on track to reach $1,520 per month, reflecting a 0.7% annual increase.

Rents reached $1,519 per month at midyear.

RENTS TRENDS



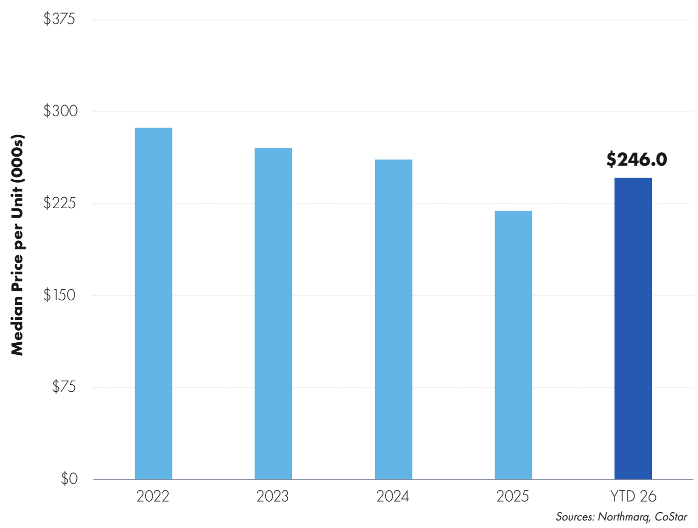
Sources: Northmarq, Apartment Insights

MULTIFAMILY SALES

- A few more multifamily properties traded in the second quarter than sold at the beginning of the year, but volumes remain below recent and longer-term trends. Transaction counts during the first half were down 19% compared to the same period in 2025.
- There was a surge in the number of large transactions in recent months. More than 30% of the sales in the second quarter topped $100 million, and about 25% of properties that have closed to this point in 2026 have sold for $100 million or more. Since 2024, properties selling above $100 million have accounted for only about 15% of total transactions.
- Per-unit sales prices have crept lower in each of the past four years, but that trend showed signs of reversing course in the first half of 2026. The median price in transactions that have closed year to date is $246,000 per unit, 12% higher than 2025 pricing levels.
- Approximately half of the properties that sold in the second quarter were newer construction projects that had come online since 2021. These newer properties commanded a premium, with the median price in buildings delivered in the past five years reaching $327,500 in sales that closed in the second quarter.
- Cap rates are generally averaging between 5.5% and 6.0% in transactions that have closed to this point in 2026. While some properties traded with cap rates below 5% in the second half of last year, the low end of the cap rate range has pushed higher in 2026.

The median price year to date is $246,000 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

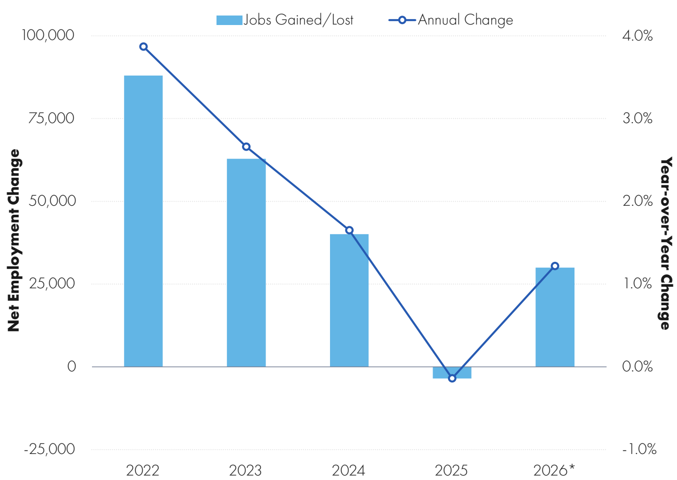
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Residences Kierland	15825 N. 71st St., Scottsdale	2022	290	$142,500,000	$491,379
The Tyler	3150 E. Ray Road, Gilbert	2022	320	$124,500,000	$389,063
Bungalows on Camelback	4747 N. 99th Ave., Phoenix	2023	334	$112,500,000	$336,826
Tides on McDowell	4620 W. McDowell Road, Phoenix	1985	274	$41,000,000	$149,635
Studio 710	710 S. Hardy Drive, Tempe	1975	239	$32,000,000	$133,891
Rise at the Northern	17840 N. Black Canyon Hwy, Phoenix	1983	108	$21,700,000	$200,926

LOOKING AHEAD

The Phoenix multifamily market is expected to benefit from steady renter demand conditions and a slowing pace of new deliveries. Through the first six months of 2026, net absorption of units is slightly ahead of the 2025 pace, while deliveries are down 13%. The second half should mark a steeper drop in the pace of new development. More than 14,000 units came online in the second half of last year, but developers are expected to deliver about half that total in the same period in 2026. This should return the market closer to longer-term supply growth patterns following a three-year stretch where developers completed more than 65,000 units across Greater Phoenix. While the pace of supply growth is stabilizing, demand drivers are gaining momentum. Employment growth is beginning to bounce back after a weak year in 2025 and large capital investments support continued expansion in the coming years.

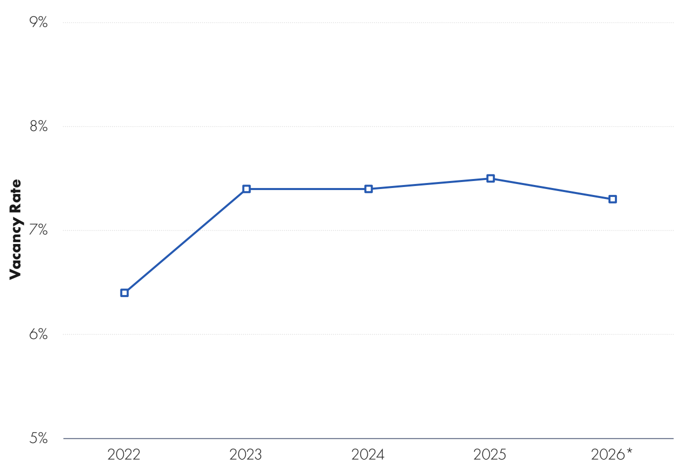
Investment activity is expected to persist in the second half of 2026, and large transactions involving properties delivered in recent years are likely to continue to lead the way. More than 100 recently delivered multifamily communities have been sold since 2020, a trend that should persist in the coming quarters. While activity for newer assets has proven to be fairly consistent in recent years, investor demand for Class B and Class C assets has been uneven. These properties typically account for a significant share of the total investment activity in the Phoenix market, but a mix of heightened financing costs, occupancy pressures and rent declines have stifled demand for these communities. While interest rates are expected to remain elevated through the coming quarters, occupancies and rents have shown recent signs of improvement, which could spur investor demand if conditions maintain the current trajectory.

EMPLOYMENT FORECAST



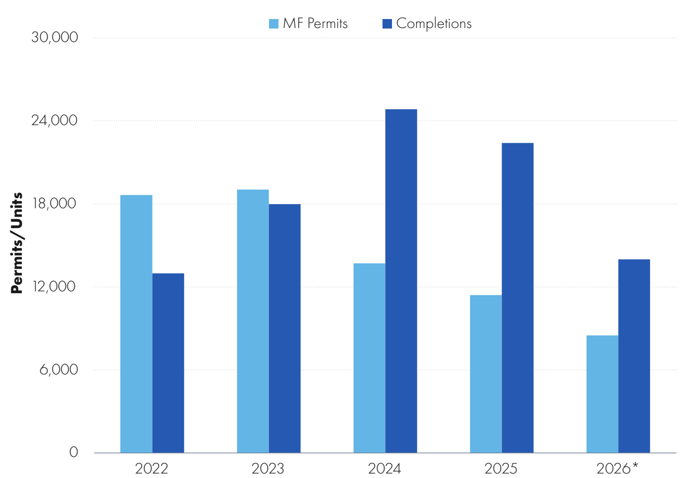
** Year-End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



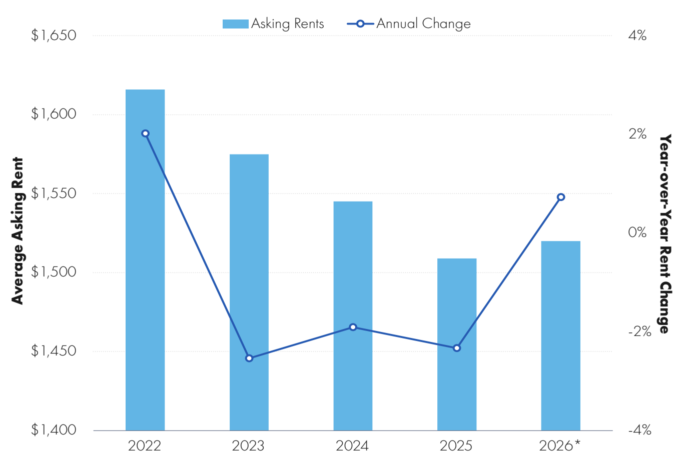
** Year-End Forecast*
Sources: Northmarq, Apartment Insights

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



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

FOR MORE INFORMATION, **PLEASE CONTACT**

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

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

LOGAN BACA
Associate Vice President, Investment Sales
602.952.4052
lbaca@northmarq.com

JD SEDAR
Associate, Investment Sales
602.508.2214
jsedar@northmarq.com

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

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

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

ABOUT **NORTHMARQ**

Northmarq is one of the largest privately held commercial real estate firms in the United States, combining a nationwide presence with deep local expertise. With more than 50 offices across the country, we provide a full suite of debt, equity, investment sales, loan servicing and fund management solutions for a comprehensive range of property types. Our unique structure allows us to connect clients with the best opportunities, yet be nimble enough to ensure access to every expert across our company. The firm manages a loan servicing portfolio of over $80 billion and has completed $91.3 billion in transactions over the past four years. At Northmarq, collaboration fuels results, helping clients achieve success in every market, nationwide. For more information, visit www.northmarq.com.