Northmarq

MARKET INSIGHTS

Rapid absorption continues even as deliveries slow

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	22,621
UNITS DELIVERED (YTD)	9,820

MARKET FUNDAMENTALS

VACANCY RATE	6.5%
YEAR-OVER-YEAR CHANGE	-70bps
ASKING RENTS	$1,524
YEAR-OVER-YEAR CHANGE	-0.2%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$229,600

PHOENIX MULTIFAMILY
Q3 2026

HIGHLIGHTS

- Operating conditions in the Phoenix multifamily market improved during the third quarter, continuing patterns from the first half of this year. While property fundamentals have improved, investment activity has slowed in recent months.
- Vacancy dipped by 10 basis points in the third quarter, following steeper declines in the first half of the year. The current vacancy rate for stabilized properties is 6.5%, 70 basis points lower than levels from one year earlier.
- Area rents have gained ground in each of the first three quarters of 2026, although gains have been modest and current rents are still down slightly compared to one year ago. Rents ended the third quarter at $1,524 per month.
- Sales activity slowed in the third quarter, particularly among properties that have been delivered in recent years. The median price in sales that have closed to this point in 2026 is $229,600 per unit, while cap rates have averaged 6%.

PHOENIX MULTIFAMILY MARKET OVERVIEW

The Phoenix multifamily market has continued to record elevated levels of net absorption in 2026, which has combined with a slowing pace of new deliveries to support steady improvements in operating fundamentals. During the third quarter, net absorption reached more than 5,500 units, bringing the year-to-date total to approximately 18,000 units. This compares to net absorption of about 14,000 units during the first three quarters of 2025. The Goodyear/Avondale submarket has been a leading area for both demand growth and new supply. Net absorption in Goodyear/Avondale topped 1,000 units for the tenth consecutive quarter during the third quarter, and renter demand for units has been strongest in the West Valley. In the East Valley, absorption has been led by the Gilbert/Superstition Springs submarket to this point in 2026.

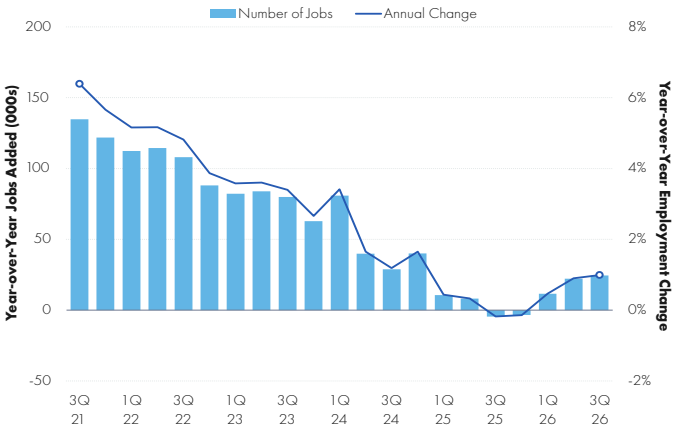
Transaction activity slowed during the third quarter, after ticking higher in the prior three-month period. Total multifamily transaction volumes are similar to cyclical lows recorded in 2023 and 2024 despite a more favorable outlook for property fundamentals. Interest rate volatility has been the primary driver of declining transaction volumes. While median prices in the multifamily assets that have sold year to date are up slightly compared to 2025 levels, the expectations gap surrounding current market pricing has widened in recent months; this trend has been most pronounced in newer assets. Cap rates have begun to trend higher in recent periods and the mix of assets that are selling has changed, with older vintages accounting for a greater share of transaction activity.

EMPLOYMENT

- The pace of employment growth has steadily built momentum in recent periods. During the 12-month period ending in the third quarter, employers added 24,400 jobs, a 1.0% increase. This marked the market's fastest year-over-year employment rise since the end of 2024.
- The local construction sector has continued to add workers throughout 2026. Nearly 6,000 construction jobs have been added during the past 12 months, a 3.3% increase.
- During the third quarter, Boeing announced plans to expand its existing East Mesa manufacturing campus by building a new 268,000-square-foot fabrication facility to increase production of components for military aircraft. The move is expected to result in 260 new workers, doubling the company's workforce at the Mesa location.
- **FORECAST:** Employers are expected to add approximately 25,000 jobs in 2026, a 1.0% increase to area payrolls. Historically, the market has posted a faster rate of growth, averaging nearly 2.5% per year since 2016.

Employers are expected to add 25,000 jobs in 2026.

EMPLOYMENT OVERVIEW

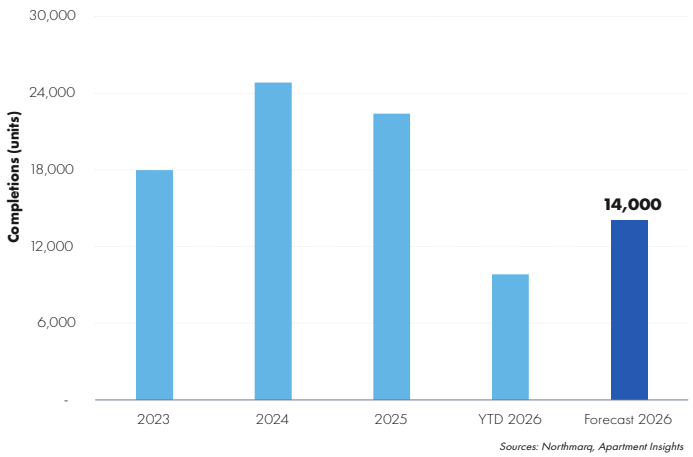


Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

Year to date, 9,820 units have come online.

DEVELOPMENT TRENDS



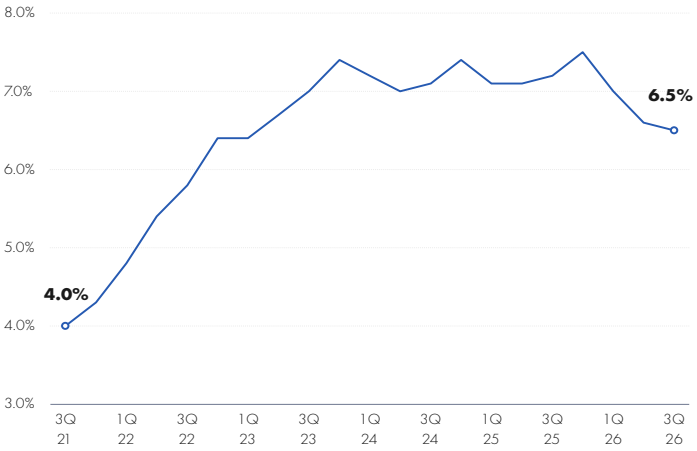
Sources: Northmarq, Apartment Insights

- The pace of new construction cooled in the third quarter. Developers completed projects totaling approximately 3,100 units during the past three months, after nearly 5,000 units were delivered in the second quarter. Year to date, 9,820 units have come online, down 28% from delivery levels from the first three quarters of 2025.
- The number of units in the construction pipeline has continued to return closer to long-term averages in recent years. At the end of the third quarter, there were approximately 22,600 units under construction, down 19% from one year earlier, and down nearly 50% from the 2023 peak.
- Multifamily permitting volumes are down 7% from 2025 levels to this point in the year. Developers have pulled multifamily permits for approximately 8,000 units year to date.
- **FORECAST:** This year is expected to mark the lowest level of deliveries since 2022. After developers completed an average of 21,700 units per year from 2023-2025, completions are expected to total only 14,000 units in 2026.

VACANCY

Year over year, vacancies have tightened by 70 basis points.

VACANCY TRENDS



Sources: Northmarq, Apartment Insights

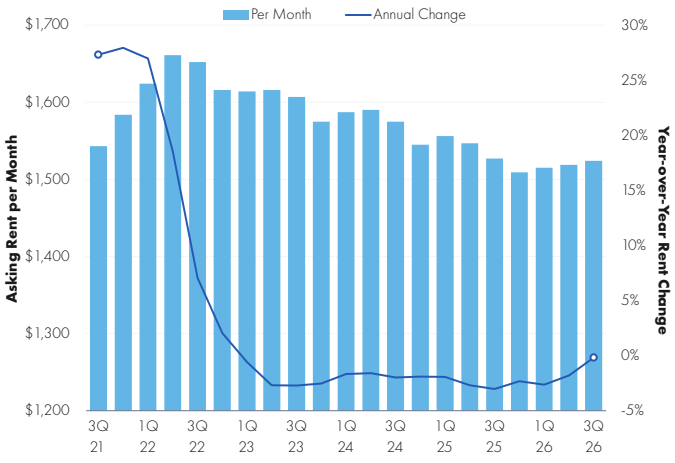
- Vacancy for stabilized rental properties dipped by 10 basis points in the third quarter, with the rate reaching 6.5%. The vacancy rate had posted more rapid improvement in the first two quarters of the year before leveling off in recent months.
- Year over year, vacancies across the Phoenix market have tightened by 70 basis points. Established submarkets such as Chandler, North Tempe and the Ahwatukee Foothills have posted annual vacancy declines of more than 100 basis points and feature current vacancy rates in the low-5% range.
- Vacancy trends have varied by class. Class A vacancies have remained elevated in response to continued supply growth, and ended the third quarter at 7.0%. The highest vacancies are being recorded in the Class C segment, where the rate has averaged nearly 8.0% since the beginning of 2024.
- **FORECAST:** Vacancy is expected to inch higher in the fourth quarter, repeating a seasonal trend that has persisted for the past several years. The rate is forecast to end 2026 at 6.9%, 60 basis points lower than the year-end 2025 rate. This would mark the first year where vacancy declined since 2021.

RENTS

- Rents have inched higher in each of the past three quarters, reversing a three-year trend of declining rents. At the end of the third quarter, market rents were averaging $1,524 per month, 1.0% higher than levels at the beginning of 2026. Rents ticked up $5 per month during the third quarter, building on a similar gain in the second quarter.
- Current rents are down 0.2% compared to levels from one year ago. Rents had been declining at a rate of approximately 2.0% per year.
- Recent rent trends have been mixed, with approximately 40% of area submarkets posting year-over-year increases and more than 55% of submarkets posting annual losses. Gains are generally being recorded in the submarkets where rents are above the market average, while several submarkets with older inventories and less access to employment hubs continue to record annual rent declines.
- **FORECAST:** Rents are expected to tick lower from current levels in the final few months of this year, but record a minimal annual gain. Average rents are expected to end 2026 at $1,515 per month, 0.4% higher than levels from the end of last year.

Rents are down 0.2% compared to levels from one year ago.

RENTS TRENDS



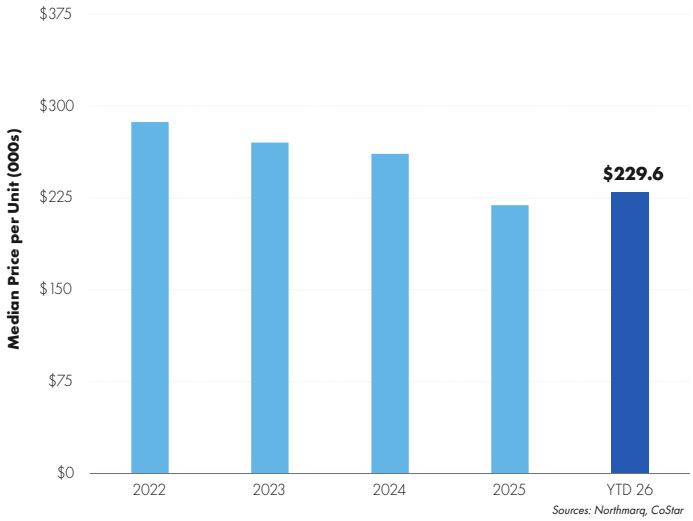
Sources: Northmarq, Apartment Insights

MULTIFAMILY SALES

- After transaction activity gained ground in the second quarter, fewer properties sold in the past three months. Transaction counts fell by about 30% in the third quarter, and year-to-date levels are down 26% when compared to the same period in 2025.
- The median price in sales that have closed to this point in 2026 is $229,600 per unit, slightly higher than the median price in 2025.
- Pricing trended lower in the last three months. The median price in deals that closed during the third quarter was $206,300 per unit. More than half of the transactions that sold over the past three months were 1970s- or 1980s-vintage assets. These properties generally traded between $185,000 per unit and $200,000 per unit.
- Cap rates have averaged approximately 6% in transactions that have closed in 2026. Cap rates were mostly steady during the third quarter, although fewer properties changed hands as interest rates rose in recent months, suggesting the expectations gap between buyers and sellers may be expanding.

Transaction counts fell by about 30% in the third quarter.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

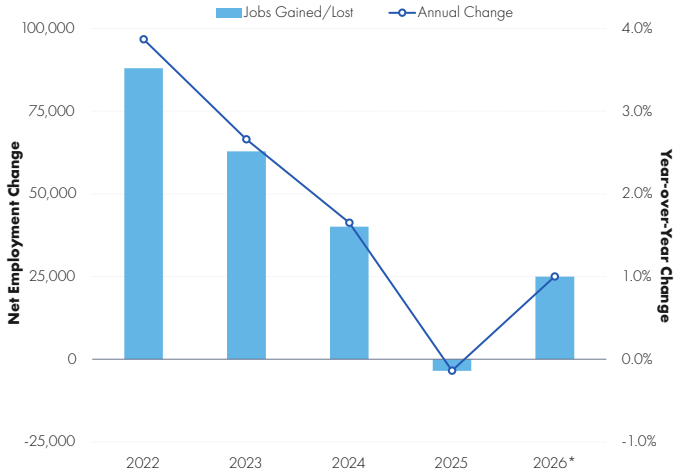
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Cadia Crossing	230 E. Civic Center Drive, Gilbert	2017	256	$80,000,000	$312,500
Dryden Luxury Living	1 W. Campbell Ave., Phoenix	2000	254	$73,650,000	$289,961
Parc Roundtree Ranch	9201 N. 83rd Ave., Peoria	2020	275	$58,000,000	$210,909
The Astor at Osborn	3300 N. 7th Ave., Phoenix	2019	191	$47,800,000	$250,262
Hayden Park	3015 N. Hayden Road, Scottsdale	1985	182	$42,000,000	$230,769

LOOKING AHEAD

Multifamily properties in the Phoenix area have outperformed expectations to this point in 2026, supported by continued renter demand for units during a period of slowing deliveries. Operating conditions will likely soften somewhat in the coming months, as seasonal patterns offset some of the momentum that has begun to build in recent periods. Vacancy has increased during the fourth quarter in each of the past five years, and will likely trend higher in the closing months of 2026 as well. Still, the rate is expected to end this year below 7%, marking the lowest year-end vacancy rate in the Phoenix area since 2022. Looking beyond this year, conditions are expected to tighten again in 2027, as annual deliveries return closer to long-term averages. There will still be submarkets where softer conditions are expected to persist, but the overall trajectory of market supply and demand trends is expected to be fairly favorable in the coming year.

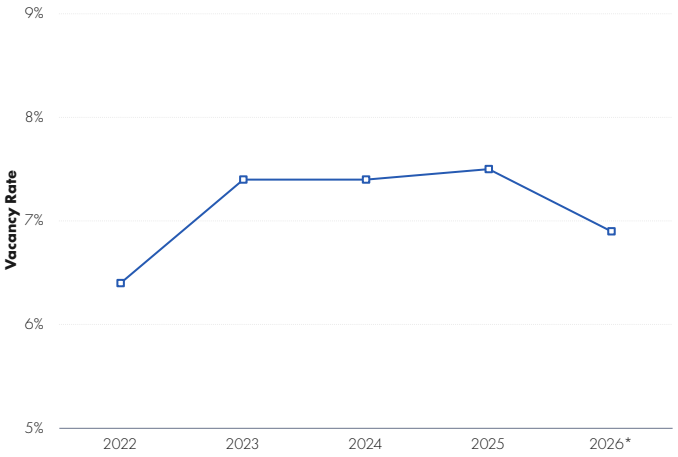
Fewer multifamily properties are expected to trade in the fourth quarter of 2026 than during a typical year. Since 2022, annual fourth-quarter transaction volumes have averaged about 20 properties totaling approximately $1 billion. These totals in recent years have been supported by continued sales velocity involving a mix of recently delivered properties and older vintages. While there is still a slow but fairly steady flow of Class B and Class C properties that are selling, the number of transactions for properties built since 2020 has dropped by nearly 50% to this point in 2026. Much of the decline in activity for newer assets has been caused by difficulty for developers and potential buyers to reach agreement on current pricing, particularly when compared to earlier construction costs. This trend may persist for a few more quarters.

EMPLOYMENT FORECAST



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

VACANCY FORECAST



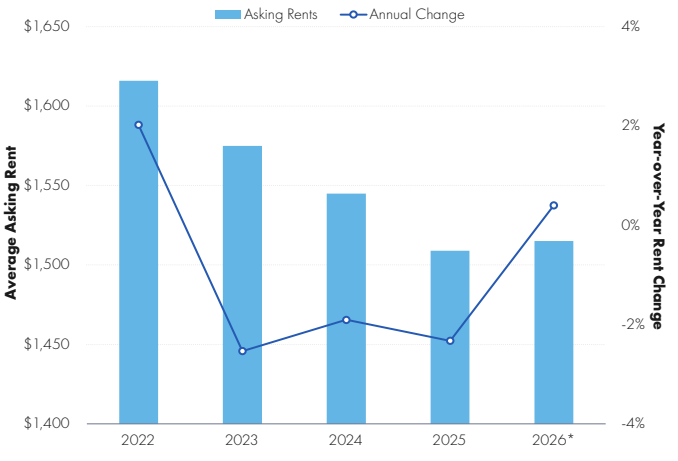
** Year-End Forecast*
Sources: Northmarq, Apartment Insights

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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