

**CONSTRUCTION  
ACTIVITY**



UNDER CONSTRUCTION **24,945**

UNITS DELIVERED (YTD) **19,947**

**MARKET  
FUNDAMENTALS**



VACANCY RATE **7.5%**

YEAR-OVER-YEAR CHANGE **+10bps**

ASKING RENTS **\$1,509**

YEAR-OVER-YEAR CHANGE **-2.3%**

**TRANSACTION  
ACTIVITY (YTD)**



MEDIAN PRICE PER UNIT **\$219,000**

**PHOENIX MULTIFAMILY  
Q4 2025**

**MARKET INSIGHTS**

# Transactions pick up across property classes to close 2025

**HIGHLIGHTS**

- The Phoenix multifamily market recorded softer operating conditions in the fourth quarter but posted increased transaction volume to close the year. With the pace of new construction expected to slow in 2026, conditions should largely stabilize.
- Vacancy rose in the fourth quarter, ending the year at 7.5%. The rate rose 10 basis points in 2025 after holding steady in 2024.
- Rents declined 2.3% to \$1,509 per month in 2025. Rents ticked higher in the first half before losing ground in the final two quarters of the year.
- Investment activity accelerated in 2025, particularly in Class B and Class C properties. The evolving mix of asset sales led to a decline in per-unit prices. The median price was \$219,000 per unit in 2025.

**PHOENIX MULTIFAMILY MARKET OVERVIEW**

After outperforming consensus expectations for much of 2025, the Phoenix multifamily market cooled during the fourth quarter. Vacancies inched higher and rents declined, moves that have occurred at the end of each year since 2022. Despite pushing higher at the end of the year, area vacancy ended 2025 at just 7.5%, about 50 basis points lower than earlier forecasts. The rate has remained within a fairly tight range for the past several periods, averaging 7.2% since the second half of 2023. Deliveries have been elevated, but recent levels are 20% below the 2024 peak. While the pace of new development slowed in 2025, renter demand for units remained elevated. Net absorption totaled more than 21,000 units during the course of the past 12 months, outpacing 2023 and 2024 levels. Despite mostly stable vacancy conditions at stabilized properties, the persistent competition coming from new deliveries has resulted in lower rents and continued use of concessions to attract and retain renters.

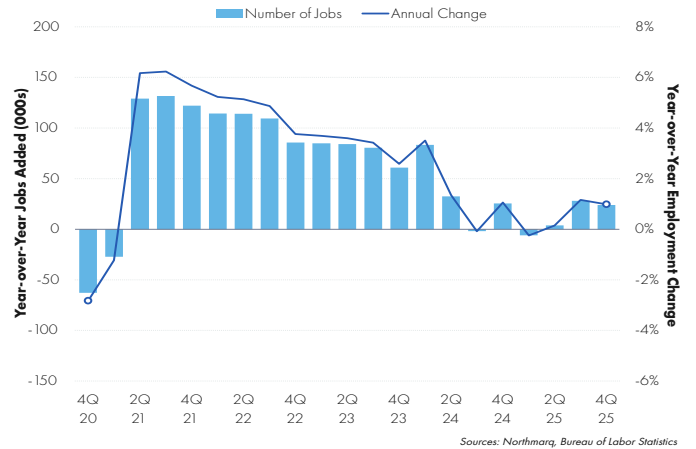
The multifamily investment market gained momentum in 2025, with more properties changing hands and a broader mix of classes and vintages making up the inventory of properties that sold. That momentum was evident in the fourth quarter, which marked the highest three-month period of transaction volume across Greater Phoenix since the end of 2022. While newer properties accounted for a smaller share of transaction activity throughout much of the year, approximately 40% of the transactions that closed in the fourth quarter involved properties that had been delivered since 2020. The sales of these newer properties commanded a median price of \$303,600 per unit during the quarter. While an elevated pace of deliveries continued to drive sales of newer assets, investors showed renewed interest in Class B and Class C buildings. The number of Class B properties that sold in 2025 was up nearly 70% from the prior year, while Class C trades were up more than 50%.

## EMPLOYMENT

- Area employers added workers at a below-average pace in 2025, with only 24,000 net new jobs created, a 1.0% gain. The job growth in 2025 closely tracked the increase recorded in 2024 but was much lower than the region’s average growth rate since 2015 of 2.6% per year.
- White-collar employment trends were mixed across the Phoenix region throughout much of 2025. The professional and business services sector added approximately 10,000 jobs during the course of the year, after posting net losses in 2024 and throughout the first half. Hiring in the financial activities sector was softer, with an increase of only about 1,000 positions added, a 0.5% rate of growth.
- While the construction sector expanded in 2025, area manufacturing employment was essentially flat. The manufacturing sector is expected to receive a boost in the coming years as ERMCO opens a new manufacturing facility in Waddell, a move that is expected to result in 500 net new jobs.
- **FORECAST:** After two consecutive years of below-trend growth, employment in the Phoenix area is forecast to accelerate slightly as gains are recorded across more sectors. Employers are expected to add 28,000 jobs in 2026, a growth rate of 1.1%.

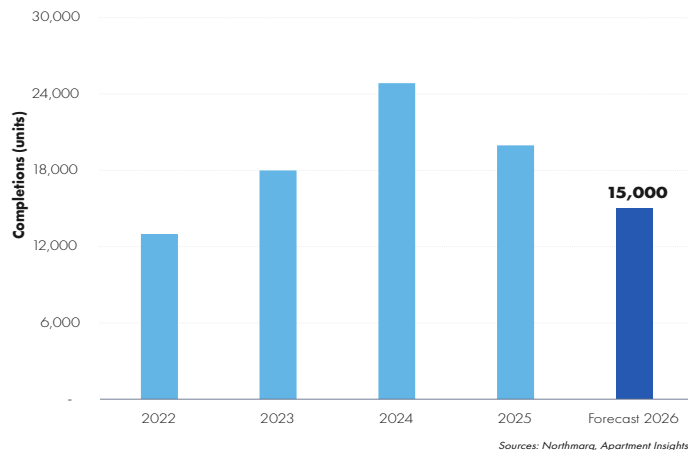
*Job growth closely tracked the increase recorded in 2024.*

### EMPLOYMENT OVERVIEW



*Fewer than 25,000 units are under construction.*

### DEVELOPMENT TRENDS

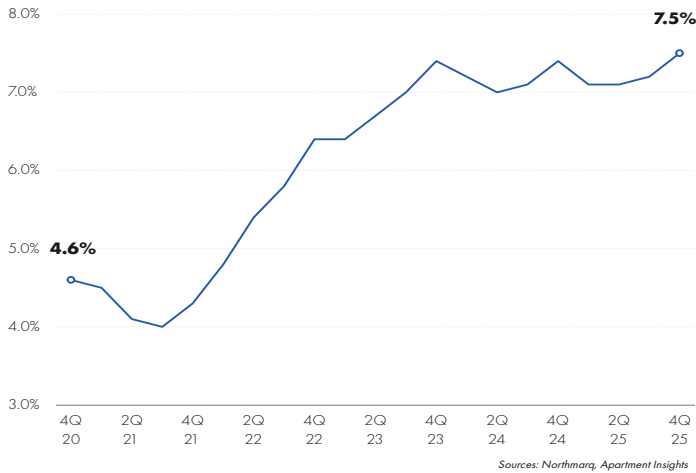


## DEVELOPMENT & PERMITTING

- Deliveries during the fourth quarter totaled more than 6,000 units, similar to the figure from the prior three-month period. For the full year, developers completed nearly 20,000 units, down approximately 20% from the 2024 total.
- Fewer than 25,000 units were under construction at the end of 2025, down 31% from the total one year earlier. Units under construction peaked at the end of 2023 and have now declined in each of the past eight quarters.
- Multifamily permitting activity slowed in 2025, with developers pulling permits for approximately 11,400 units for the full year, down 17% from the 2024 total. Permitting activity in the second half was nearly identical to the total from the first six months of the year.
- **FORECAST:** In 2026, developers are forecast to complete projects totaling approximately 15,000 units across Greater Phoenix. This would mark a 20% decline from the 2025 figure and a 40% reduction from the peak recorded in 2024.

More than half of the submarkets posted annual vacancy declines.

VACANCY TRENDS



VACANCY

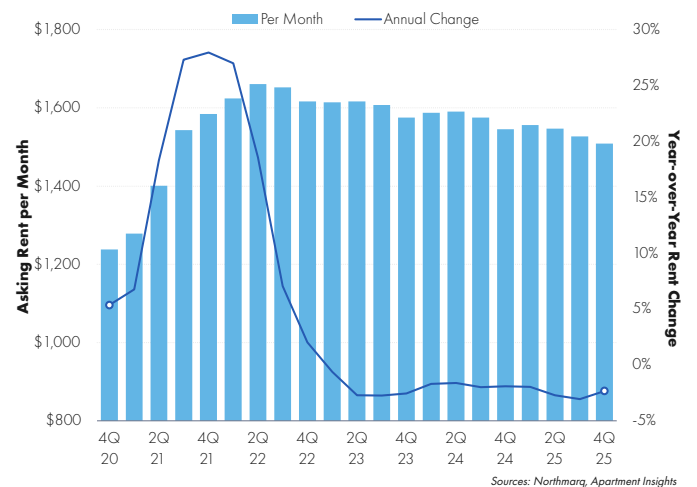
- The average stabilized vacancy rate in Greater Phoenix ended 2025 at 7.5%. The rate rose 30 basis points in the fourth quarter, after holding steady for much of the year. The current vacancy rate is up just 10 basis points from the year-end 2024 figure.
- Only one submarket had a vacancy rate of 5.0% or lower at the end of 2025. The vacancy rate in the North Scottsdale/Fountain Hills submarket ended the year at 5.0%, down 10 basis points from one year earlier. Vacancy in the submarket has generally remained tight in response to steady demand and a limited supply pipeline, but projects totaling more than 850 units are currently under construction.
- While the overall vacancy rate ended 2025 slightly higher than one year earlier, more than half of the submarkets posted annual vacancy declines. Vacancy in the Peoria/Sun City submarket tightened by 130 basis points year over year, while the Chandler submarket posted a 60-basis point vacancy improvement in 2025.
- **FORECAST:** Vacancy is expected to rise 20 basis points in 2026, ending the year at 7.7%. The easing pace of new deliveries will help bring supply and demand back closer to equilibrium across most submarkets, but there will still be areas of oversupply.

RENTS

- Rents dipped in the fourth quarter, falling 1.2% to \$1,509 per month. Some of the decline is seasonal; the fourth quarter was the weakest period for market rents in each year from 2022-2024. In 2025, the softest rent conditions were posted during the third quarter.
- For the full year, area rents declined by 2.3%, after a 1.9% percent drop in 2024. Rents across Greater Phoenix have retreated in each of the past three calendar years. Current rents are down 9.4% from peak levels in mid-2022.
- A few submarkets posted annual rent increases in 2025, running counter to the larger market trend. Rents in the South Scottsdale submarket posted a 1.1% annual increase, ending the year at \$1,925 per month.
- **FORECAST:** Rents are expected to reverse course in 2026 and post minimal upticks. Average market rents are forecast to end the year at \$1,525 per month, a 1.1% advance.

For the full year, area rents declined by 2.3%.

RENTS TRENDS

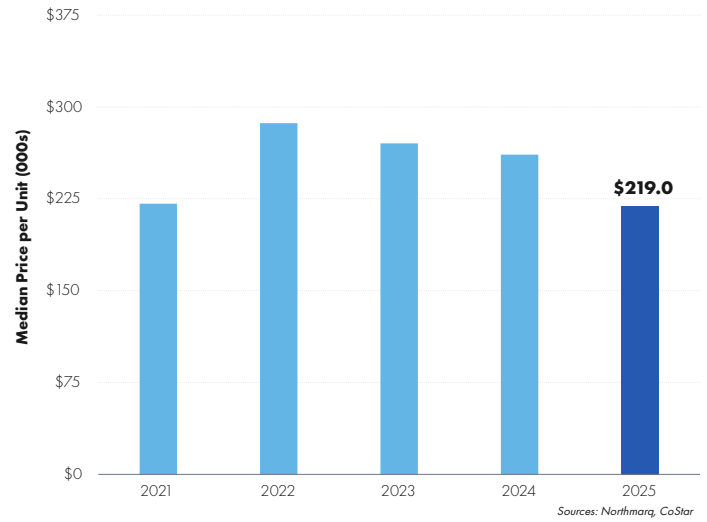


## MULTIFAMILY SALES

- After cooling in the third quarter, transaction activity surged to close the year. The number of sales rose by nearly 40% from the third quarter to the fourth quarter. For the full year, sales velocity was up 19% compared to the 2024 total.
- Class A buildings accounted for 40% of total property sales in 2025, down from more than 55% of transactions in 2024. Sales were split fairly evenly between Class B and Class C projects, with each accounting for nearly 30% of total transactions during the past year.
- The median price across all transactions in 2025 was \$219,000 per unit, 16% lower than the median price in 2024. Much of the decline in overall market pricing reflects the shift in assets that sold.
- There were clear pricing distinctions by construction year. Buildings delivered before 1980 that sold in 2025 recorded a median price of \$143,750 per unit, while sales involving 1980s-vintage units had a median price of \$171,800 per unit. In communities that delivered since 2010, the median price was \$325,700 per unit.
- While interest rates have begun to creep lower on average, cap rates have remained steady in recent periods. The average cap rate in sales during the fourth quarter was 5.5%, and cap rates ranged between 5.0% and 5.5% for most of 2025.

The median price in 2025 was \$219,000 per unit.

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

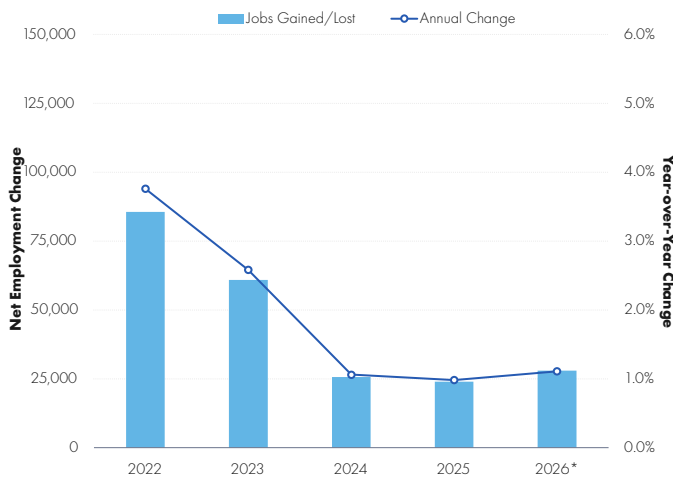
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
The Quincy	15826 N Scottsdale Road, Scottsdale	266	\$110,250,000	\$414,474
Konrad	901 E Van Buren St., Phoenix	332	\$77,000,000	\$231,928
Coral Point	2343 W Main St., Mesa	337	\$59,600,000	\$176,855
Christopher Todd Communities at Paradisi	12065 N 168th Lane, Surprise	193	\$55,236,000	\$286,197
Solana Place at Carlton Commons	18 S Boniface Lane, Casa Grande	113	\$30,000,000	\$265,487

## LOOKING AHEAD

The Greater Phoenix multifamily market has been in a period of elevated construction for the past few years, which has created a more competitive leasing environment for operators. Supply-demand conditions are expected to move closer to equilibrium in 2026, supported by a thinning development pipeline. At the end of 2025, fewer than 25,000 units were under construction, the market’s lowest total in more than four years. A slowing pace of construction starts will be a driver of easing supply-side pressures. Multifamily developers broke ground on only about 8,500 rental units in 2025, down nearly 50% from the prior year and the lowest figure in the region in nearly a decade. After slowing by about 20% in 2025, completions are forecast to decline by an additional 25% in the coming year, reaching just 15,000 units; net absorption has averaged more than 16,000 units per year since 2023.

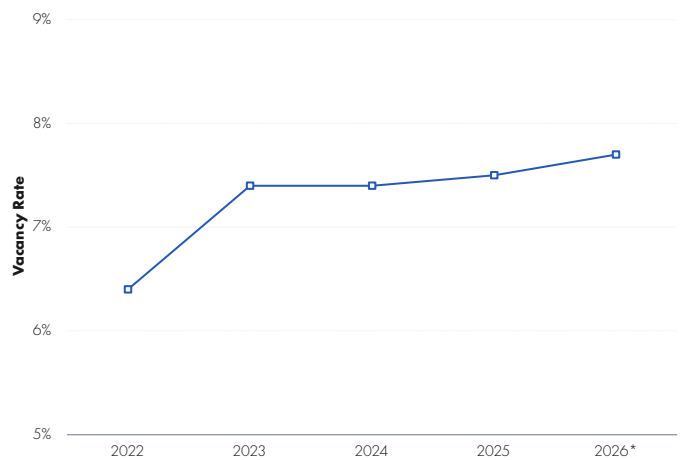
Investors increased their activity levels in 2025, particularly in the fourth quarter, setting the stage for a continued rebound in sales velocity in the coming periods. Increasing transaction volumes in 2025 were propelled primarily by a broadening out of the classes and vintages that were being acquired. Prior to 2025, investors had largely focused on newer construction properties, limiting demand for Class B and Class C properties. Some of this reduced demand was fueled by an expectation that older properties purchased in the last cycle would be made available at deeply discounted valuations in distress sales. To this point, lenders have shown a willingness to work with existing owners, choosing not to force sales as loans have approached maturity. As such, the number of distressed transactions has been minimal, and investors are beginning to resume traditional acquisitions of properties built in the 1990s or earlier.

### EMPLOYMENT FORECAST



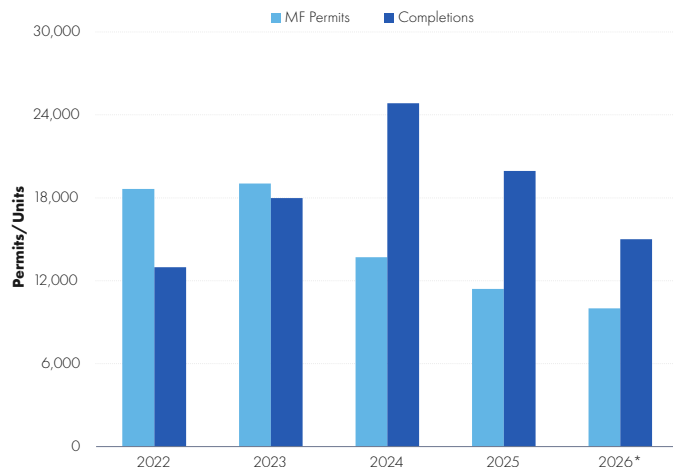
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### VACANCY FORECAST



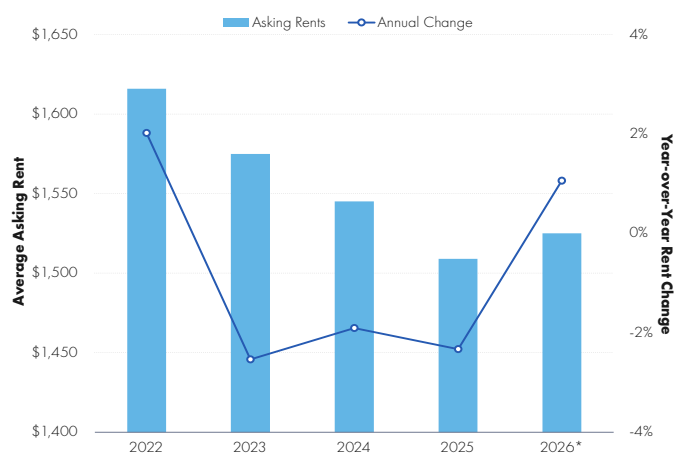
\* Year End Forecast  
Sources: Northmarq, Apartment Insights

### 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

##### TREVOR KOSKOVICH

*President, Investment Sales*

602.952.4040

tkoskovich@northmarq.com

##### CHRIS MICHL

*Vice President, Investment Sales*

602.952.4051

cmichl@northmarq.com

##### JESSE HUDSON

*Regional Managing Director, Investment Sales*

602.952.4042

jHUDSON@northmarq.com

##### LOGAN BACA

*Senior Associate, Investment Sales*

602.952.4052

lbaca@northmarq.com

##### BRANDON HARRINGTON

*Managing Director, Debt & Equity*

602.508.2204

bharrington@northmarq.com

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

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

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