

2025 Q2

PHOENIX
MULTIFAMILY
NEWSLETTER



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QUARTERLY MULTIFAMILY STATS

A persistent mismatch between supply and demand continues to hamper the Phoenix apartment market. A multidecade high wave of construction is overshadowing a healthy leasing picture, keeping vacancies elevated and rent growth negative.

The Valley recorded 17,000 units of net absorption over the past 12 months, ranking Phoenix as a top 10 demand market in the nation. Although demand has improved, the surge in construction remains a formidable headwind. Builders completed 24,000 net new units over the past 12 months, more than triple the average annual completion amount from 2015 to 2019. As a result, overall vacancy, which includes newly built properties and those in leaseup, has risen to 12.2% and could remain elevated throughout the year as more supply comes online.

Another 23,000 units are under construction, representing 5.5% of existing inventory. That share ranks Phoenix as the nation's sixth most aggressively built apartment market. Empty units are most likely to accumulate in high-growth areas like Downtown Phoenix and Tempe, as well as the South West Valley.

With most development focused on high-end communities, the workforce housing segment has been more insulated from supply-side pressure. Vacancy at 1 & 2 Star properties has risen about 480 basis points from its post-COVID low, and asking rents saw negative growth of 1.8% over the past year. Meanwhile, at luxury properties, vacancy is over 730 basis points higher than its post-pandemic best, and rents have declined 2.6% year over year.



VACANCY

12.10%

2024: 11.10%

YOY: 1.00%



MARKET RENT

\$1,587

2Q24: \$1,562

YOY: \$25.00



NET ABSORPTION

-5,772 UNITS

12 MO DELIVERIES

23,544 UNITS

12 MO ABSORPTIONS

17,772 UNITS



PRICE / UNIT

\$268,000

2Q24: \$282,120

YOY: -5.00%

MARKET CAP RATES

5.00%

METRO PHOENIX

5.20%

NATIONAL

Elevated vacancy and the onslaught of construction have intensified competition. Annual rent growth has been negative since early 2023, and concessions have ramped up. Over the past 12 months, the average asking rent fell 2.6%, and more than 50% of communities offer some form of discount. Prospective renters can expect six --eight weeks of free rent at properties in lease-up, though some have extended beyond that, and concession usage is expected to be widespread.

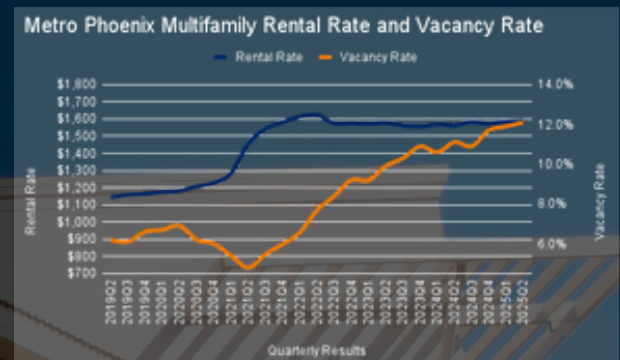
Moving forward, a pullback in construction starts suggests an easing of supply pressure by 2026, which should allow a recovery to form. The increase in vacancy showed signs of leveling off over the past few quarters. Nevertheless, a substantial glut of excess inventory still needs to be worked through, indicating negative rent growth is likely in store for the rest of 2025.

Sources: CoStar; U.S. Department of the Treasury; AZ Commerce Authority; ARMLS; U.S. Census Bureau; U.S. Bureau of Labor Statistics.

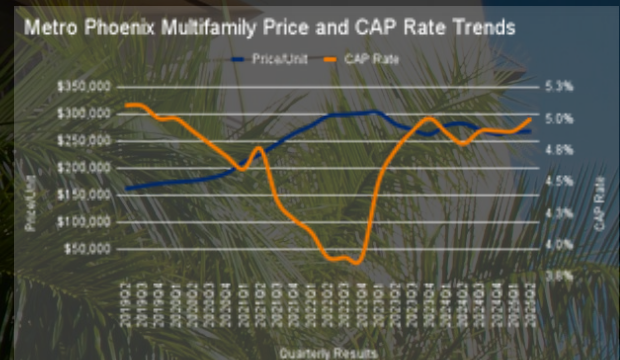
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL & VACANCY RATES



PRICES & CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.10% Unemployment Rate (USA) +0.00%
- 4.00% Unemployment Rate (Metro PHX) +0.13%
- 2.657 MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- \$448,000 Median Home Price -0.01%
- 6,511 Closed Transactions +0.05%
- 57 Days on Market +10 Days
- 3.88 Months of Supply +0.97 Months

10-Year Treasury

- 4.24% as of 06/30/2025
- 0.12% YOY | -0.27% MOM

SUBMARKET ANALYTICS

	Vacancy Rate	Market Asking Rent/Unit	Annual Rent Growth	12 Mo. Delivered Units	Under Construction Units	Under Construction % Of Inventory	12 Mo. Absorption Units	Market Sale Price/Unit	Market Cap Rate
North Scottsdale	6.50%	\$2,194	0.00%	883	1,264	6.50%	946	\$392,926	4.8%
Old Town Scottsdale	6.60%	\$1,902	-1.20%	260	190	1.30%	101	\$330,609	5.1%
Gilbert	6.80%	\$1,774	-2.80%	2,227	776	4.30%	1,130	\$338,744	4.6%
Camelback	7.50%	\$1,518	-1.80%	40	381	3.50%	132	\$237,059	5.4%
Chandler	7.60%	\$1,711	-2.10%	703	859	2.70%	173	\$308,532	4.7%
East Valley	8.10%	\$1,490	-2.70%	2,764	3,124	6.10%	1,679	\$252,361	4.8%
Tempe	8.40%	\$1,599	-3.50%	843	1,962	4.10%	1,270	\$281,683	5.0%
North Phoenix	8.50%	\$1,420	-2.90%	1,877	1,629	3.50%	981	\$226,243	4.9%
Deer Valley	8.60%	\$1,521	-3.50%	1,588	2,690	7.10%	574	\$263,524	4.8%
Downtown Phoenix	8.70%	\$1,530	-2.40%	1,609	3,799	8.70%	1,112	\$251,445	5.4%
South Phoenix	9.10%	\$1,636	0.00%	1,813	560	4.20%	1,588	\$282,145	4.8%
North West Valley	10.60%	\$1,497	-3.40%	1,365	290	1.50%	1,753	\$252,963	4.8%
South West Valley	10.90%	\$1,429	-3.80%	5,109	2,654	4.80%	2,780	\$230,189	4.8%
West Maricopa County	13.20%	\$1,789	-1.60%	2,031	1,319	17.40%	2,159	\$318,714	4.8%
Southeast Valley	16.60%	\$1,424	-3.10%	803	1,777	31.90%	766	\$154,628	5.7%
Total/Averages	12.10%	\$1,587	-2.30%	23,544	23,274	7.20%	17,772	\$268,000	5.0%

PHOENIX METRO RENTS

Asset Class	June '24	June '25	Inc \$\$	% Change
Discretionary	\$1,990	\$1,970	-\$20	-1.0%
Upper Mid-Range	\$1,768	\$1,736	-\$32	-1.8%
Low Mid-Range	\$1,422	\$1,387	-\$35	-2.5%
Workforce - Upper	\$1,243	\$1,205	-\$38	-3.1%
Workforce - Lower	\$1,129	\$1,138	\$9	0.8%
Averages	\$1,651	\$1,629	-\$22	-1.3%

Actual rents by asset class of properties with 50+ units; from Yardi Matrix. Submarket data from CoStar.

NOTABLE TRANSACTIONS & MARKET STATS

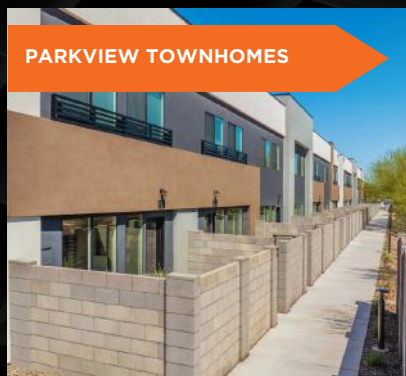
10-99 UNITS

	1 st Half 2024	1 st Half 2025	Inc/Dec
Total Sales Volume	\$144,119,000	\$123,219,480	-14.5%
Avg Price/Unit	\$186,441	\$166,064	-10.9%
Avg Price/SF	\$228	\$229	0.5%
Avg Year Built	1977	1973	

100+ UNITS

	1 st Half 2024	1 st Half 2025	Inc/Dec
Total Sales Volume	\$1,754,035,866	\$1,712,910,134	-2.3%
Avg Price/Unit	\$293,562	\$271,116	-7.6%
Avg Price/SF	\$298	\$274	-7.9%
Avg Year Built	2011	1994	

10-99 UNITS



PARKVIEW TOWNHOMES

**16601 N PARKVIEW PL
SURPRISE, AZ**

Sale Date: 04/02/2025 Size: 27 Units
Sale Price: \$8,800,000 Unit Mix: 27 - 3B
Price/Unit: \$325,926 Built: 2024
GBA: ±19,880 SF



SCOTTSDALE SHADOWS

**3219 N 67TH PL
SCOTTSDALE, AZ**

Sale Date: 05/15/2025 Size: 15 Units
Sale Price: \$3,885,000 Unit Mix: 13 - 1B | 2 - 2B
Price/Unit: \$259,000 Built: 1958
GBA: ±11,600 SF Cap Rate: 5.16%



BELLEVUE FOURPLEXES

**7238-7302 E BELLEVUE ST
SCOTTSDALE, AZ**

Sale Date: 04/14/2025 Size: 12 Units
Sale Price: \$2,700,000 Unit Mix: 9 - 1B | 3 - 2B
Price/Unit: \$225,000 Built: 1962
GBA: ±8,004 SF Cap Rate: 5.00%

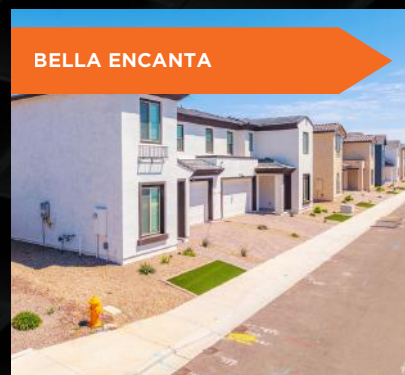
100+ UNITS



SOLTRA AT KIERLAND

**7111 E TIERRA BUENA LN
SCOTTSDALE, AZ**

Sale Date: 04/15/2025 Size: 202 Units
Sale Price: \$107,500,000 Unit Mix: 129 - 1B | 71 - 2B |
Price/Unit: \$532,178 2 - 3B |
GBA: ±193,798 SF Built: 2024



BELLA ENCANTA

**9745 E HAMPTON AVE
MESA, AZ**

Sale Date: 04/08/2025 Size: 212 Units
Sale Price: \$95,750,000 Unit Mix: 70 - 2B | 50 - 3B |
Price/Unit: \$451,651 50 - 4B | 42 - 5B
GBA: ±147,028 SF Built: 2023



BUNGALOWS ON SAN TAN

**2120 E RAY RD
GILBERT, AZ**

Sale Date: 06/10/2025 Size: 159 Units
Sale Price: \$66,100,000 Unit Mix: 52 - 1B | 74 - 2B |
Price/Unit: \$415,723 33 - 3B
GBA: ± SF Built: 2024



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