SVN
DESERT COMMERCIAL ADVISORS

2025 Q3

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 resilient demand picture, keeping vacancies elevated and rent growth negative.

The Valley recorded 17,000 units of net absorption over the past 12 months, outpacing the pre-COVID five-year annual average of 7,200 units. That figure ranks Phoenix as a top 10 market in the nation for demand formation.

Although demand has remained healthy, the surge in construction remains a formidable headwind. Builders completed 23,000 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 in lease-up and stabilized communities, has risen to 12.4% and is expected to remain well-above pre-COVID norms in 2026.

Another 23,000 units are under construction, representing 5.3% 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.

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 3.4%, and more than 60% of communities offer some form of discount. Prospective renters can expect six to eight weeks of free rent at properties in lease-up, though some have extended beyond that, with 10 and 12 weeks free being offered in some instances.

VACANCY
12.50%
3Q24: 10.90%
YOY: 1.6%

MARKET RENT
$1,569
3Q24: $1,582
YOY: -$13.00

NET ABSORPTION
-8,145 UNITS
12 MO DELIVERIES
23,975 UNITS
12 MO ABSORPTIONS
15,830 UNITS

PRICE / UNIT
$278,317
3Q24: $270,876
YOY: 2.75%

MARKET CAP RATES

4.90%	6.10%
METRO PHOENIX	NATIONAL

QUARTERLY MULTIFAMILY STATS

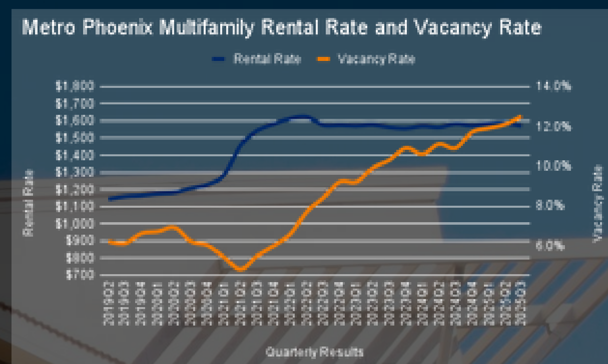
Rent growth has accelerated to the downside this year, and weakness is now extending across the quality spectrum. Previously, lower-tier properties did not face the same level of rent losses and were comparatively insulated from the direct impact of new supply. More recently, however, 1 & 2 Star communities notched negative annual rent growth of 2.1%, which compares to losses of 3.4% at 4 & 5 Star complexes. The extension of rent loss to workforce housing communities coincided with an upward movement in stabilized vacancy over the past few quarters.

Moving forward, a pullback in construction starts suggests an easing of supply pressure by late 2026, which should allow the start of a recovery to form. Nevertheless, a substantial glut of excess inventory still needs to be worked through, indicating that another year of negative rent growth could be in store in 2026.

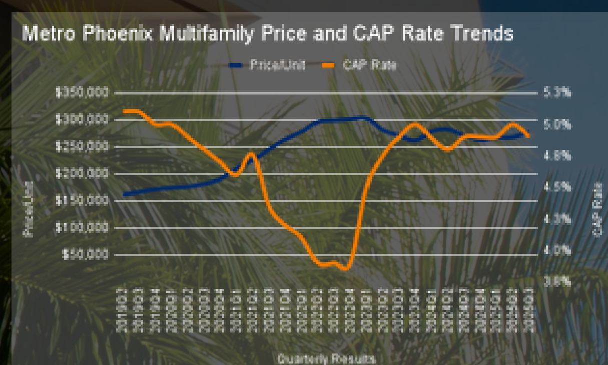
Sources: CoStar; U.S. Department of the Treasury; AZ Commerce Authority; ARMLS; U.S. Census Bureau; U.S. Bureau of Labor Statistics.

METRO PHOENIX DELIVERIES & ABSORPTION

RENTAL & VACANCY RATES



PRICES & CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.30% Unemployment Rate (USA) — +0.40%
- 3.70% Unemployment Rate (Metro PHX) — +0.10%
- 2.590 MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- $450,000 Median Home Price — +1.12%
- 6,215 Closed Transactions — +3.20%
- 85 Days on Market — +15 Days
- 3.80 Months of Supply — +0.50 Months

10-Year Treasury

- 4.01% as of 10/24/2025
- -0.20% YOY | -0.15% MOM

SUBMARKET ANALYTICS

Submarket	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
Gilbert	6.50%	$1,751	-2.80%	2,339	531	2.90%	1,396	$340K	4.60%
North Scottsdale	6.60%	$2,216	-0.70%	1,226	694	3.50%	837	$402K	4.70%
Old Town Scottsdale	6.70%	$1,872	-1.20%	260	190	1.30%	113	$328K	5.10%
Chandler	7.50%	$1,668	-3.50%	451	885	2.80%	364	$305K	4.70%
Tempe	8.30%	$1,560	-4.30%	810	2,457	5.10%	1,433	$281K	4.90%
East Valley	8.50%	$1,463	-3.70%	2,493	3,059	6.00%	1,796	$251K	4.80%
Deer Valley	8.70%	$1,504	-3.80%	1,951	2,623	6.90%	770	$267K	4.80%
Camelback	8.90%	$1,499	-3.60%	0	381	3.50%	-102	$235K	5.50%
Downtown Phoenix	9.10%	$1,513	-3.10%	3,186	2,707	6.00%	1,263	$252K	5.40%
North Phoenix	9.10%	$1,392	-4.10%	1,412	2,915	6.30%	679	$226K	4.90%
South Phoenix	10.60%	$1,598	-2.20%	1,191	648	4.90%	1,446	$281K	4.80%
North West Valley	10.80%	$1,478	-2.80%	1,082	290	1.50%	1,497	$254K	4.80%
South West Valley	12.00%	$1,415	-4.40%	4,027	2,723	4.90%	2,663	$231K	4.80%
West Maricopa County	14.10%	$1,759	-3.20%	1,441	1,319	17.20%	2,023	$324K	4.70%
Southeast Valley	16.80%	$1,469	-2.10%	1,215	1,349	22.10%	687	$168K	5.50%
Total/Averages	**12.50%**	**$1,569**	**-3.00%**	**23,975**	**22,771**	**6.30%**	**15,830**	**$278,317**	**4.90%**

PHOENIX METRO RENTS

Asset Class	September '24	September '25	Inc $$	% Change
Discretionary	$1,979	$1,949	-$30	-1.50%
Upper Mid-Range	$1,775	$1,719	-$36	-2.10%
Low Mid-Range	$1,421	$1,364	-$57	-4.00%
Workforce - Upper	$1,237	$1,188	-$49	-4.00%
Workforce - Lower	$1,128	$1,144	-$14	-1.2%
Averages	**$1,644**	**$1,611**	**-$33**	**-2.00%**

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

NOTABLE TRANSACTIONS & MARKET STATS

10-99 UNITS

	3Q YTD 2024	3Q YTD 2025	Inc/Sep
Total Sales Volume	$235,704,500	$291,271,480	+23.6%
Avg Price/Unit	$181,451	$197,338	+8.8%
Avg Price/SF	$196	$218	+11.4%
Avg YR Built	1977	1973	

100+ UNITS

	3Q YTD 2024	3Q YTD 2025	Inc/Sep
Total Sales Volume	$2,793,855,866	$2,969,145,134	+6.3%
Avg Price/Unit	$288,920	$273,402	-5.4%
Avg Price/SF	$282	$268	-5.0%
Avg YR Built	2011	1995	

10-99 UNITS

3232 N. 37TH STREET
PHOENIX, AZ

Sale Date: 8/26/2025
Sale Price: $6,650,000
Price/Unit: $415,625
GBA: ±19,312 SF

Size: 16 Units
Unit Mix: 0- S | 0- 1B | 0- 2B | 0- 3B | 16-4B
Built: 2023

1850 N. 51ST STREET
PHOENIX, AZ 85008

Sale Date: 07/29/2025
Sale Price: $4,000,000
Price/Unit: $$400,000
GBA: ±17,477 SF

Size: 10 Units
Unit Mix: 0- S | 0- 1B | 0- 2B | 10- 3B | 0 -4B
Built: 2023

600 N. 53RD STREET
PHOENIX, AZ 85008

Sale Date: 08/19/2025
Sale Price: $18,250,000
Price/Unit: $372,449
GBA: ±83,440 SF

Size: 49 Units
Unit Mix: 0 - S | 0 - 1B | 0 - 2B | 43 - 3B | 6 -4B
Built: 2023

100+ UNITS

15608 N. 71ST STREET
SCOTTSDALE, AZ 85254

Sale Date: 07/18/2025
Sale Price: $115,750,000
Price/Unit: $419,384
GBA: ±289,098 SF

Size: 276 Units
Unit Mix: 0 - S | 94 - 1B | 146 - 2B | 36 - 3B | 0-4B
Built: 2001

8555 E. RAINTREE DR
SCOTTSDALE, AZ 85260

Sale Date: 07/08/2025
Sale Price: $76,000,000
Price/Unit: $395,833
GBA: ±291,279 SF

Size: 192 Units
Unit Mix: 0 - S | 156 - 1B | 36 - 2B | 0 - 3B | 0 -4B
Built: 2004

9411 E. CADENCE PARKWAY
MESA, AZ 85212

Sale Date: 08/14/2025
Sale Price: $49,000,000
Price/Unit: $362,963
GBA: ± 202,500 SF

Size: 135 Units
Unit Mix: 0 - S | 0 - 1B | 0 - 2B | 135 - 3B | 0 -4B
Built: 2023

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