

Phoenix's Growing Pains

June 2025



Employment Slows Down
Supply Constricts Rent Movement
Developers Scale Down on New Projects

PHOENIX MULTIFAMILY



Strong Supply Dominates Fundamentals

Robust supply continues to pressure Phoenix's multifamily market, restraining rent growth and impacting occupancy. Average advertised asking rents fell 3.1% year-over-year, to \$1,550 in April, posting the third-lowest performance among Yardi Matrix's top 30 metros. More recently, however, losses slowed to a 0.2% decline on a trailing three-month basis. New supply also pushed down occupancy in stabilized properties. The rate decreased 40 basis points year-over-year, to 93.0% in March, lagging the 94.4% U.S. average.

Phoenix's employment market remained on a softening trend, up 0.5% as of February. The metro actually lost 7,500 net jobs over 12 months. Yet, the unemployment rate was 3.1% as of April, outperforming the U.S. (4.2%) and state (4.1%). Phoenix's main employment sector, education and health services, added 12,600 positions. Professional and business services shed the most jobs (-10,600). While some of these positions were at Intel, the company's \$32 billion expansion across two new factories in Ocotillo is still expected to create 3,000 direct manufacturing jobs.

Following a two-year wall of deliveries, the pipeline is steadily cooling off. Still, figures remain fairly robust, with 3,763 units completed this year through April and an additional 34,937 units underway. Investment totaled \$628 million through April, for a price per unit that stood virtually flat compared to last year.

Market Analysis | June 2025

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Recent Phoenix Transactions

Spire Deer Valley



City: Phoenix
Buyer: Goodman Real Estate
Purchase Price: \$131 MM
Price per Unit: \$337,887

IMT Desert Ridge



City: Phoenix
Buyer: IMT Capital
Purchase Price: \$126 MM
Price per Unit: \$340,541

Arches at Hidden Creek



City: Chandler, Ariz.
Buyer: Brookfield Properties
Purchase Price: \$95 MM
Price per Unit: \$220,940

Obsidian at South Mountain

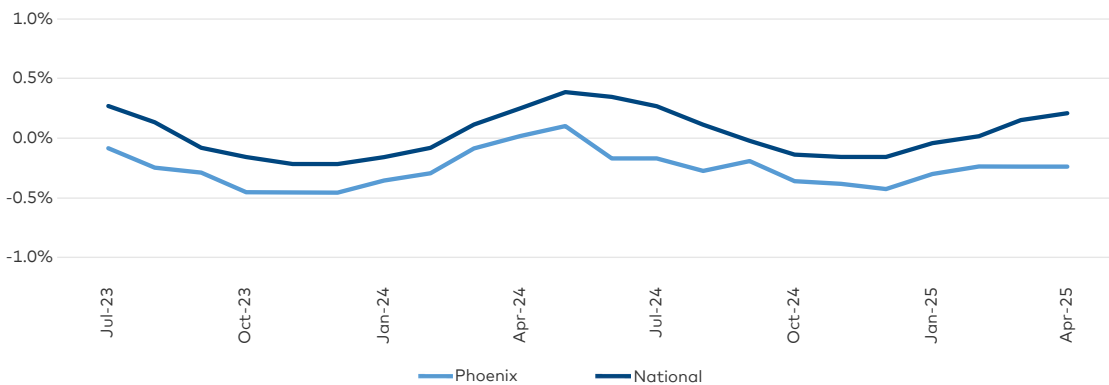


City: Phoenix
Buyer: Tower 16 Capital Partners
Purchase Price: \$48 MM
Price per Unit: \$289,157

RENT TRENDS

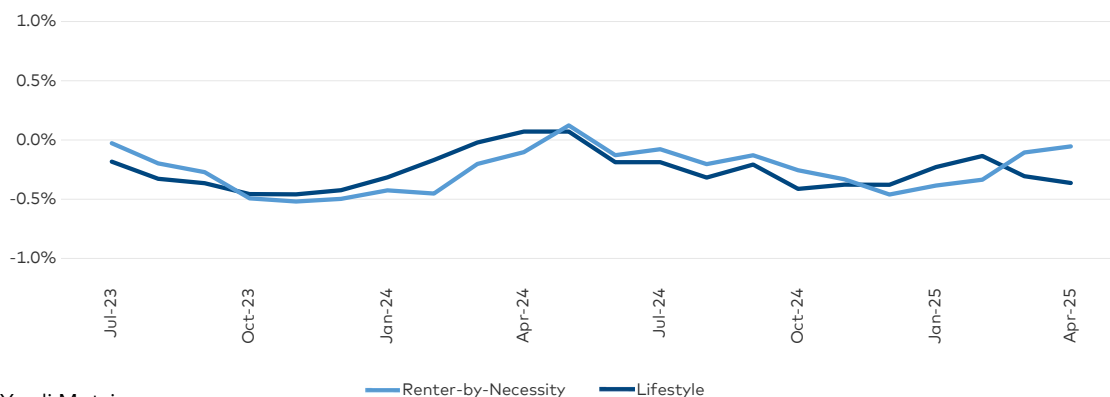
- Phoenix's average advertised asking rent declined 0.2% on a trailing three-month (T3) basis through April, to \$1,550, with growth muted for the 33rd straight month—except for a marginal 0.1% uptick in May 2024. Meanwhile, the national rate rose 0.2%, to \$1,736. Pressured by substantial stock expansion, the average Phoenix asking rent slid 3.1% year-over-year, while the U.S. rate saw a 0.9% increase.
- The high influx of Lifestyle units contributed to steady contractions across asset classes. Declines were, of course, steeper in the Lifestyle segment, where advertised asking rents slid 0.4%, on a T3 basis through April, to \$1,740. Contractions in the working-class Renter-by-Necessity segment slowed, inching down just 0.1%, to \$1,294. Occupancy in stabilized properties was down 40 basis points year-over-year, to 93.0% in March. Lifestyle occupancy decreased 50 basis points, to 93.7%, but remained above the RBN figure, at 92.0%, after a 30-basis-point decline.
- Year-over-year through April, the average advertised asking rent increased in just one submarket: Scottsdale–North (1.0% to \$2,003), which is the metro's the second-most expensive area. The priciest submarket, Phoenix–Paradise Valley Village, saw its average drop 0.4%, to \$2,025. In downtown Phoenix, which had the largest pipeline as of April, rents inched down just 0.1%, to \$1,970.
- Phoenix's single-family rental segment posted a 0.2% year-over-year increase in occupancy, to 93.5% in March. However, asking rents saw a 3.2% yearly decline, to \$1,967 as of April.

Phoenix vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Phoenix Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- The employment growth gap between Phoenix and the U.S. remained at 40 basis points for the third consecutive month, with expansion in the metro at 0.5% as of February and at 0.9% for the U.S. The area actually recorded a net loss of 7,500 jobs across 12 months. Despite the slowdown, Phoenix's unemployment rate stood at a tight 3.1% as of April, outperforming the U.S. (4.2%) and state (4.1%).
- Only three sectors gained jobs year-over-year through February, sustained primarily by education and health services (12,600 jobs), with minor additions in government (1,500 jobs) and other services (600 jobs). Meanwhile, the largest declines were recorded in professional and business services (-10,600 jobs, -2.7%) and information (2,300 jobs, -5.6%), followed by mining, logging and construction (-3,600 jobs, -1.9%) and manufacturing (-2,600 jobs, -1.7%).
- Figures may be tempering, but a lot is still happening in and around Phoenix. This includes the start of operations for the first phase of TSMC's Fab 21. The second phase is in equipping mode, while the third fab broke ground in April. The entire project is expected to employ 6,000 workers. Meanwhile, Intel made slight cuts to its workforce in the area. However, the \$32 billion expansion of the Ocotillo campus is still slated for a 2025 delivery and projected to generate 3,000 manufacturing jobs.

Phoenix Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	416.3	16.9%
90	Government	264.1	10.7%
80	Other Services	78.9	3.2%
55	Financial Activities	210.2	8.5%
70	Leisure and Hospitality	266.2	10.8%
40	Trade, Transportation and Utilities	470.9	19.1%
50	Information	38.9	1.6%
30	Manufacturing	147.9	6.0%
15	Mining, Logging and Construction	182.2	7.4%
60	Professional and Business Services	386.4	15.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Phoenix's population rose 19.2% between 2010 and 2022, more than double the 8.9% U.S. rate.
- Between 2019 and 2022, growth slowed to 2.2%, just above the 2.0% U.S. rate. Gains have since picked up steam in the metro, with almost 85,000 new residents in 2023 and 2024.

Phoenix vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Phoenix Metro	4,761,603	4,860,338	4,787,811	4,864,209

Source: U.S. Census

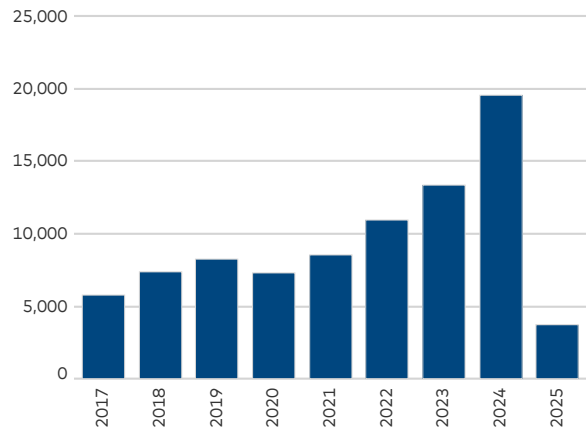
SUPPLY

- ▶ Developers added 3,763 apartments, or 1.0% of existing stock, in Phoenix this year through April. Meanwhile, total U.S. deliveries accounted for 0.8% of existing stock. New deliveries comprised 88.8% Lifestyle, 8.4% RBN and 2.8% fully affordable properties.
- ▶ Deliveries picked up in Phoenix over the past five years, consistently outperforming the national pace since 2022 and peaking in 2024, with 19,533 units completed (5.3% of stock). Supply growth is set to remain particularly strong, sustained by 34,937 units under construction as of April and another 106,000 units in the planning and permitting phases. Yardi Matrix expects 2025 to be the last year of the current Phoenix multifamily building boom, predicting a whopping 28,780 units will come online for the year, which would mark a new record for the market.
- ▶ Construction starts slowed to a degree, at 4,270 units in 2025 through April compared to 5,831 units during the same interval last year. Starts peaked in 2024, when developers broke ground on 21,090 units across 87 properties, a significant spike from the 14,403 units across 51 properties recorded in 2023. Considering that in 2022 and 2021, construction starts totaled 3,880 and

1,256 units, the current downward trend marks the tail end of a two- to three-year surge above the market's historic figures.

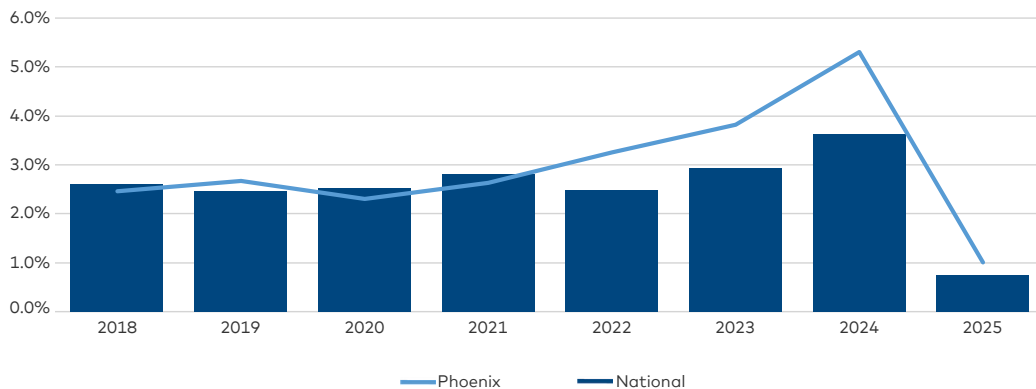
- ▶ As of April, 30 of Phoenix's 46 submarkets tracked by Yardi Matrix had projects under construction. Seven submarkets had more than 2,000 units underway each, led by downtown Phoenix (3,090 units), Glendale–South (2,821 units) and Tempe–North (2,536 units).

Phoenix Completions (as of April 2025)



Source: Yardi Matrix

Phoenix vs. National Completions as a Percentage of Total Stock (as of April 2025)

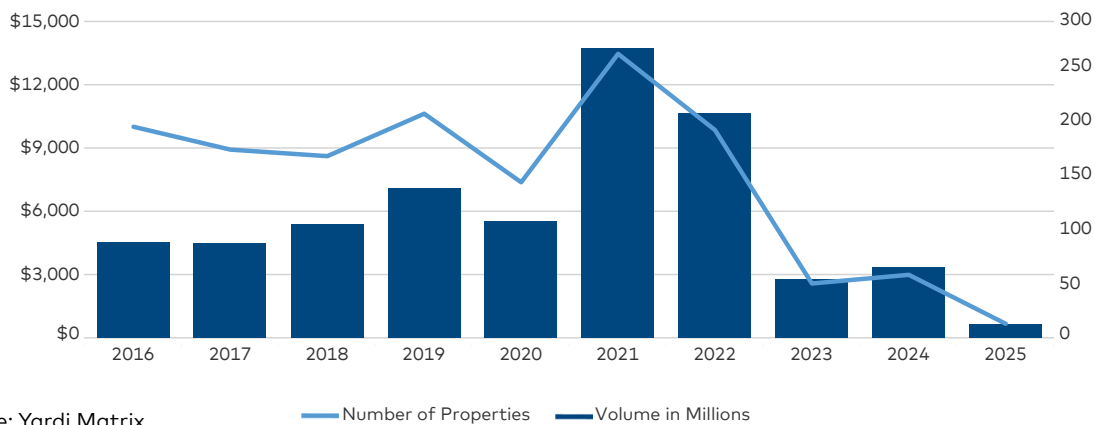


Source: Yardi Matrix

TRANSACTIONS

- ▶ After a slight recovery in transaction volume last year (\$3.4 billion) from 2023's low \$2.8 billion total, investment activity in Phoenix remained rather weak in the first part of 2025. Multifamily sales amounted to \$628 million through April. Excluding outlier years 2021 and 2022, the metro's annual sales volume averaged \$4.5 billion over the past decade.
- ▶ Phoenix's sales composition through April was balanced across property segments. The average price per unit saw a 1.3% downtick year-to-date, to \$260,925, while the U.S. rate rose 10.1%, to \$212,785. Overall, Phoenix's average per-unit price this year through April rose 165% since 2015, almost double the 83.4% U.S. rate.
- ▶ The largest sale price recorded in 2025 through April was \$131 million, paid by Goodman Real Estate to Rockpoint Group for a 388-unit Lifestyle asset completed in 2024, in the Happy Valley area. The transaction holds an \$83 million CMBS loan originated by Walker & Dunlop.

Phoenix Sales Volume and Number of Properties Sold (as of April 2025)



Source: Yardi Matrix

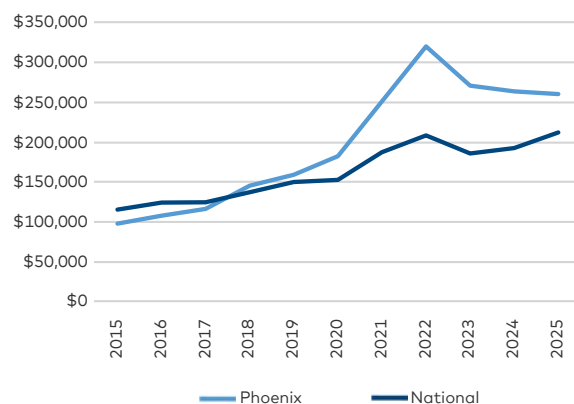
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Phoenix-Paradise Valley Village	604
Mesa-West	299
Tempe-North	242
Phoenix-Happy Valley	195
Chandler	190
Phoenix-East Camelback Village	168
Scottsdale-South	161

Source: Yardi Matrix

¹ From May 2024 to April 2025

Phoenix vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Emerging Multifamily Markets of 2025

By Anca Gagiuc

The U.S. multifamily sector posted steady performance in 2024, while dealing with a series of challenges, but some emerging markets still popped up. Rent growth was steady, but varied significantly across the country, driven by robust stock expansion in certain metros. U.S. employment growth maintained a 1.3% increase year-over-year in December, which is a slower pace than previous years, but still a healthy rate.

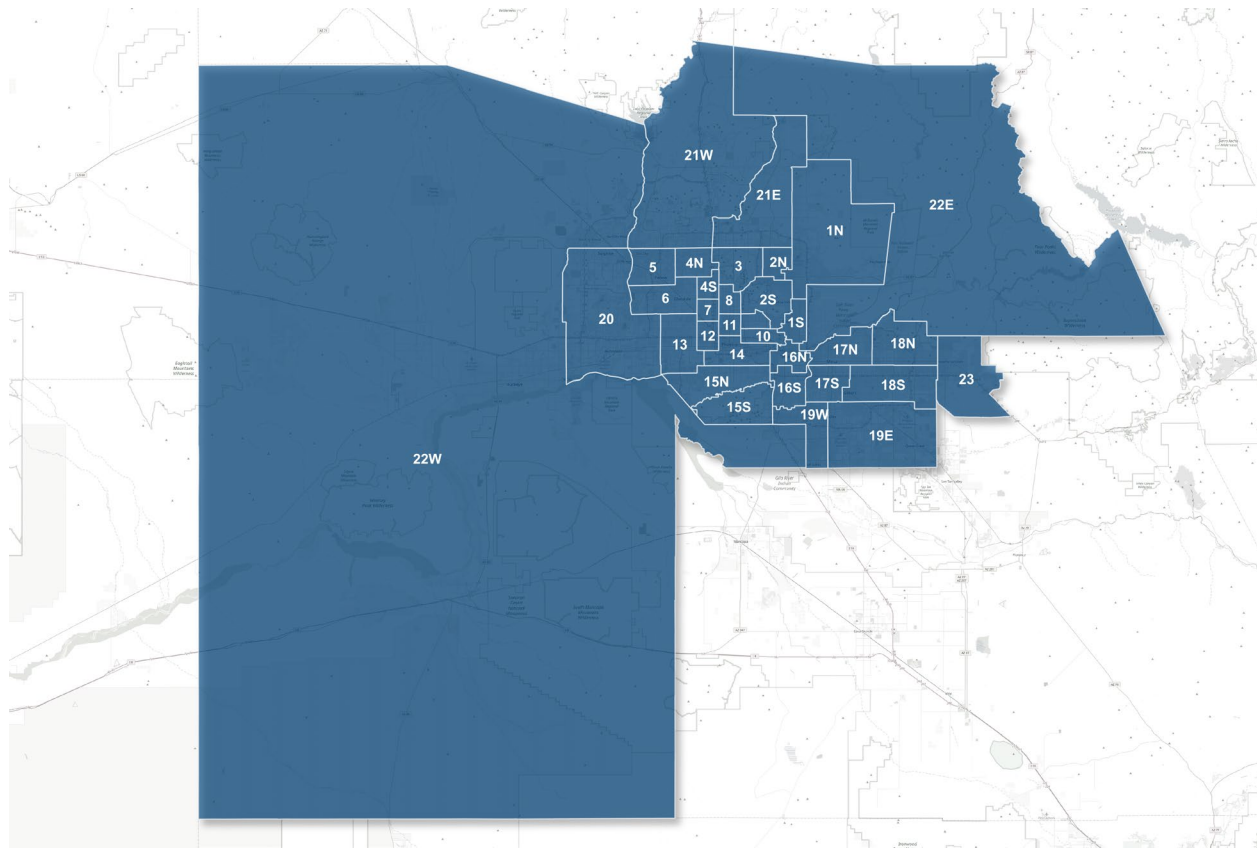
Rank	Metro	Units Delivered in 2024	Units Under Construction
1	North Central Florida	3,616	5,171
2	Madison, Wis.	3,531	5,008
3	White Plains, N.Y.	3,455	6,885
4	Knoxville, Tenn.	2,366	4,575
5	Tucson, Ariz.	2,323	2,441
6	Central East Texas	1,371	3,535
7	Columbus, Ga.	1,107	932
8	Lexington, Ky.	976	1,698
9	Columbia, S.C.	962	2,805
10	Lafayette, Ind.	365	1,135

Tucson, Ariz.

The only metro on our list from the Western region, Tucson, is our emerging market in 2025. With a population below 1 million and with the University of Arizona as one of its main economic engines, Tucson's appeal to businesses and residents endures. Still, employment growth was slow compared to the other metros in this ranking, up only 0.7% in 2024, and below the 1.3% U.S. average.



PHOENIX SUBMARKETS



Area No.	Submarket
1N	North Scottsdale
1S	South Scottsdale
2N	North Paradise Valley
2S	South Paradise Valley
3	Sunnyslope
4N	North Black Canyon
4S	Metrocenter
5	Sun City–Youngtown–Peoria
6	Glendale
7	Northwest Phoenix
8	Christown
9	East Camelback
10	Central East Phoenix
11	Uptown
12	Central West Phoenix
13	Maryvale
14	Sky Harbor

Area No.	Submarket
15N	South Phoenix
15S	Mountain Park
16N	North Tempe
16S	South Tempe
17N	North Mesa
17S	South Mesa
18N	East Mesa
18S	Superstition Springs
19E	Gilbert
19W	Chandler
20	Western Suburbs
21E	Union Hills
21W	Deer Valley
22E	Northeast Maricopa County
22W	Southwest Maricopa County
23	Apache Junction

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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