Investment Management

Strategy and Research Group



# Phoenix

## A Multifamily Market Poised to Rise

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September 2026

### Key Points

- **Phoenix's long-term growth drivers remain firmly intact.** The metro has experienced strong population and employment growth, benefiting from favorable affordability, a business-friendly climate, and an expanding talent base.
- **Demographic growth continues to substantially outpace the nation.** Phoenix's population increased by 15.9% from 2014 to 2024, compared with 6.6% nationally, while its working-age and young-adult populations also recorded significantly stronger growth.
- **The metro's economy is increasingly diversified across high-value industries.** Phoenix has meaningful concentrations in financial activities, professional and business services, and technology, with employment in all three sectors projected to grow faster than the national average over the next five years.
- **Historic apartment construction has created significant near-term pressure.** Phoenix has added 119,247 multifamily units since 2018, equal to 27.2% of current inventory, contributing to elevated vacancy, declining effective rents, and increased concessions.
- **Multifamily fundamentals are beginning to show early signs of stabilization.** The construction pipeline has contracted from a peak of 11.5% of inventory to 4.0%, demand has accelerated for four consecutive quarters, and vacancy has declined by 120 basis points over the past two quarters.

### Introduction

Phoenix has experienced tremendous demographic and economic growth over the past decade and especially since the COVID-19 pandemic, attracting households from coastal and Midwestern markets that gained newfound flexibility as remote and hybrid work schedules took hold. Corporations were similarly attracted by lower operating costs, a business-friendly environment, and a growing talent pool. As new demand entered the market, rents and property values soared, and developers saw tremendous opportunity. Because of its limited geographic and regulatory constraints, Phoenix, like many other Sun Belt metros, delivered a substantial amount of new multifamily supply, which has pressured fundamentals over the past three years. High vacancy and depressed rents have led to increased concessions. However, Phoenix's long-term demand drivers, which initially justified this supply growth, remain firmly intact, while the metro's construction pipeline has contracted sharply. Despite its near-term oversupply challenges, Phoenix has strong demand drivers that should propel the market forward as it absorbs existing supply and the construction pipeline continues to narrow.

### Phoenix's Demand Story

Phoenix is a highly dynamic Southwest metro, benefiting from favorable demographic trends and a business-friendly climate. Arizona's 2023 passage of a flat personal income tax rate of 2.5%, the lowest among states that impose an income tax, has enhanced the state's appeal for both residents and businesses.

Arizona State University, the largest public university in the nation with more than 78,000 students enrolled across its campuses, strengthens the city's position as a hub for innovation, research, and workforce development. Grand Canyon University, with roughly 17,000 students on campus, adds further depth to the talent pipeline.

From 2014 to 2024, the metro's population expanded by 15.9%, compared with 6.6% for the U.S.[1] From 2024 to 2025, the metro grew by another 1.1%, compared with 0.5% nationally, supported by a balanced mix of domestic migration (0.4%), international migration (0.5%), and natural change (0.3%). The outlook remains positive, with another 4.3% of growth projected through 2029, relative to 1.0% nationally.[2] The working-age population, those aged 25–64, grew by 16.5% over the past decade, compared with 4.4% for the U.S., and is projected to increase by 3.4% over the next five years, versus a 0.3% decline nationally.

The younger 25–34 age cohort, which is critical to workforce health and household formation, grew by 19.4% in Phoenix over the past decade, compared with 8.8% nationally. It is projected to expand by another 3.9% over the next five years, while the U.S. cohort is expected to decline by 1.2%. The 5–19 age group, which is important to long-term population sustainability, increased by 4.8%, versus 1.7% for the nation. Projections indicate a modest 2.7% decline, which remains more favorable than the projected 4.2% national decline.

Phoenix benefits from a steady inflow of new residents and the presence of several large universities, although educational attainment remains slightly below the U.S. average. Approximately 37.7% of residents aged 25–64 hold a bachelor's degree or higher, compared with 38.7% nationally. Among younger workers aged 25–34, the figure is 38.8%, compared with 40.9% for the U.S. However, Phoenix's college-educated working-age population grew by 24.1% from 2019 to 2024, versus 14.3% nationally, while the college-educated population within the 25–34 cohort expanded by 33.2%, compared with 12.2% for the nation.

***Phoenix-Mesa-Chandler, AZ MSA - Employment by Industry***
***Pre-GFC, Pre-Covid and Now***

| | Workers (000s) | | | Growth | | % Share of Workers | Location Quotient |
|---|---|---|---|---|---|---|---|
| Industry | 2008Q1 | 2020Q1 | 2026Q2 | 2008Q1-2026Q2 | 2020Q1-2026Q2 | 2026Q2 | 2026Q2 |
| Total Nonfarm | 1,911 | 2,215 | 2,486 | 30.1% | 12.2% | 100.0% | 1.00 |
| Construction | 154 | 139 | 182 | 18.3% | 30.6% | 7.3% | 1.40 |
| Manufacturing | 133 | 135 | 148 | 11.6% | 9.5% | 6.0% | 0.75 |
| Wholesale Trade | 89 | 83 | 102 | 14.5% | 21.8% | 4.1% | 1.07 |
| Retail Trade | 233 | 238 | 253 | 8.7% | 6.3% | 10.2% | 1.05 |
| Transportation and Warehousing | 59 | 88 | 114 | 94.2% | 29.4% | 4.6% | 1.10 |
| Utilities | 9 | 8 | 10 | 8.0% | 18.9% | 0.4% | 1.02 |
| Information | 32 | 40 | 40 | 27.2% | -0.3% | 1.6% | 0.93 |
| Technology* | 60 | 79 | 83 | 38.3% | 5.6% | 3.4% | 1.10 |
| Finance and Insurance | 112 | 162 | 166 | 48.2% | 2.1% | 6.7% | 1.59 |
| Real Estate and Rental and Leasing | 40 | 45 | 47 | 17.8% | 4.5% | 1.9% | 1.24 |
| Professional and Business Services** | 322 | 369 | 387 | 20.2% | 5.1% | 15.6% | 1.10 |
| Educational Services | 35 | 61 | 62 | 78.9% | 1.8% | 2.5% | 0.99 |
| Health Care and Social Assistance | 184 | 291 | 367 | 99.6% | 25.8% | 14.8% | 0.98 |
| Leisure and Hospitality | 188 | 238 | 271 | 44.7% | 13.9% | 10.9% | 1.02 |
| Other Services | 75 | 70 | 80 | 7.2% | 14.0% | 3.2% | 0.85 |
| Federal Government | 22 | 24 | 24 | 12.2% | 2.1% | 1.0% | 0.59 |
| State and Local Government | 223 | 218 | 227 | 2.1% | 4.3% | 9.1% | 0.70 |

Source: Oxford Economics. As of Q2 2026.

Economic growth in Phoenix has been robust. From 2014 to 2024, metro GDP expanded by 48.8%, double the national pace of 24.4% and the second-highest rate in the Southwest, behind only Austin. Over the next five years, GDP is projected to grow by another 11.6%, compared with 9.5% nationally.[3] Overall employment has increased by 12.2% since the pandemic, versus 4.8% for the nation, and is expected to maintain this momentum, with 3.5% growth projected over the next five years, compared with 1.1% nationally.[4] Industry concentration is another economic strength. The metro has the second-highest concentration of finance and insurance employment in the Southwest, with a location quotient of 1.59, just behind Dallas-Fort Worth.

[1] All population and educational attainment data in this report are from the U.S. Census Bureau.
[2] Forward-looking population, employment, and output forecasts are from Oxford Economics, as of 2026.
[3] Output data are from the U.S. Bureau of Economic Analysis.
[4] Employment data are from the U.S. Bureau of Labor Statistics.

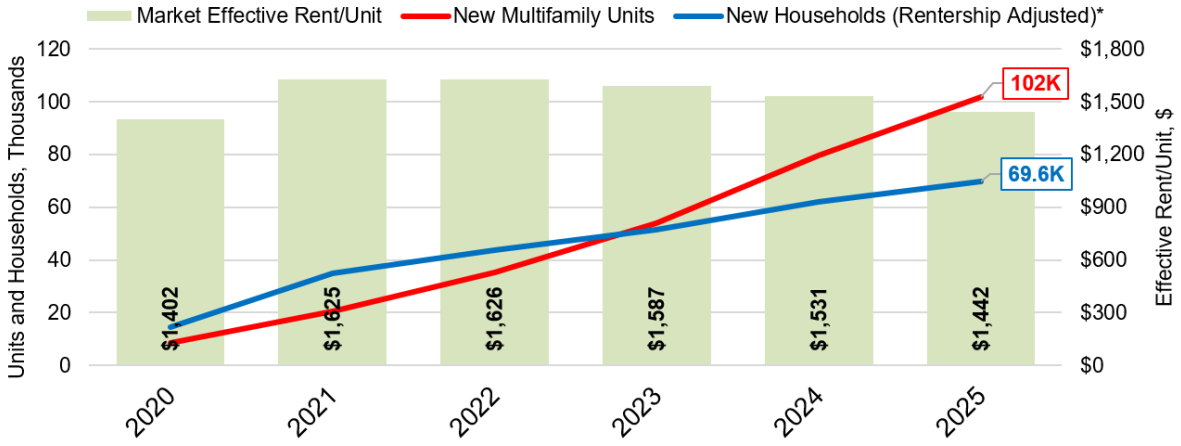
In professional and business services,[5] Phoenix has an LQ of 1.10, behind Austin at 1.45 and Dallas-Fort Worth at 1.29. Technology[6] employment across the Southwest follows a similar hierarchy, with Austin at 3.19, Dallas-Fort Worth at 1.74, and Phoenix at 1.12. Over the next five years, Phoenix is expected to outpace the nation in all three of these high-value industries: financial activities, 2.2% versus 0.3%; professional and business services, 2.2% versus 1.3%; and technology, 6.6% versus 4.5%. Despite the concentration and growth of these industries, Phoenix's office-using presence traditionally skews more toward back-office functions, which may carry greater exposure to AI-related automation risk.

Phoenix has also secured large-scale corporate investments that are reshaping its economy. Taiwan Semiconductor Manufacturing Company is advancing its $265 billion Arizona investment plan encompassing six planned logic fabs, two advanced-packaging facilities, and an R&D center. The first fab entered high-volume production in late 2024, the second is targeted to begin production in the second half of 2027, and later fabs and packaging facilities remain in phased development. Intel is producing 18A chips at Fab 52 in Chandler, while Amkor's planned advanced-packaging campus in Peoria is expected to begin first-phase operations in 2028.

## Multifamily Fundamentals

Phoenix has experienced tremendous multifamily construction. Supported by strong growth and relatively few supply barriers, the metro has delivered roughly 102,000 new multifamily units since 2020. Over the same period, Phoenix added approximately 69,000 new renter households after adjusting net household formation by the metro's rentership rate to approximate growth in potential renter households. Based on this analysis, new multifamily supply exceeded rentership-adjusted household formation by roughly 33,000 units.

**Net Household Formation vs. Multifamily Supply Growth since 2020: Phoenix, AZ**

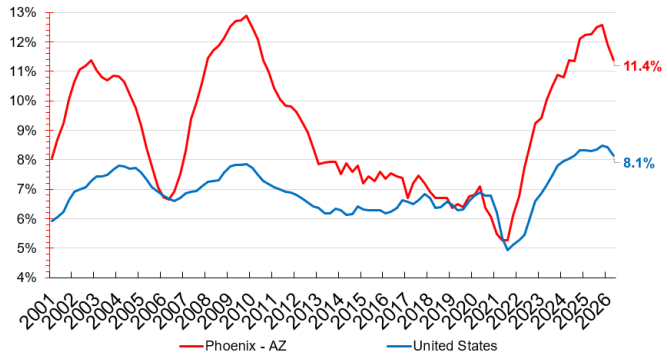



Source: U.S. Census Bureau, CoStar Group. As of 2026

*Rentership adjusted new households is defined as the cumulative net increase in households multiplied by the rentership rate, 100.0% in the case of Phoenix, AZ, to estimate the effective increase in the rentership base.

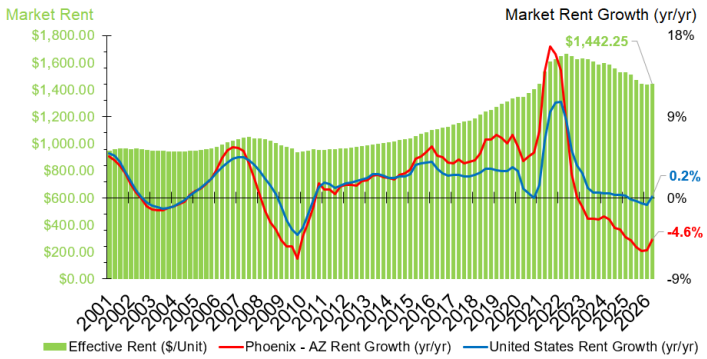
As a result, Phoenix reached a post-GFC peak vacancy rate of 12.6% in Q4 2025. Market effective rent per unit stood at $1,346 at the beginning of the pandemic and reached $1,665 in Q2 2022 but has since fallen to just $1,442. Year-over-year rent growth, which peaked at 16.8% in 2021, declined to a trough of -5.9% in Q4 2025.

**Phoenix - AZ Multifamily Vacancy Rate**




Source: CoStar Group; New York Life Real Estate Investors analysis. As of 2026 Q2

**Phoenix - AZ Multifamily Rent Growth**

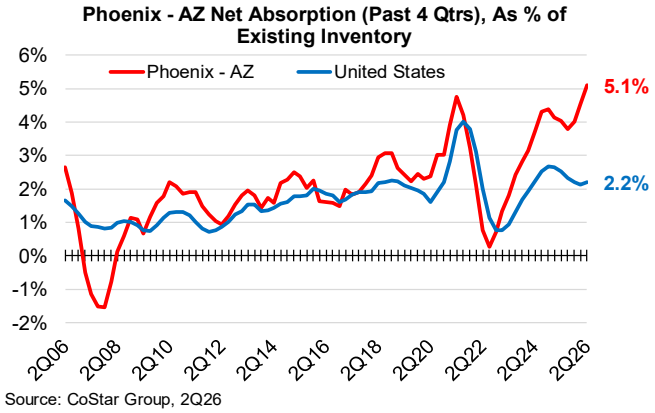



Source: CoStar Group; New York Life Real Estate Investors analysis. As of 2026 Q2

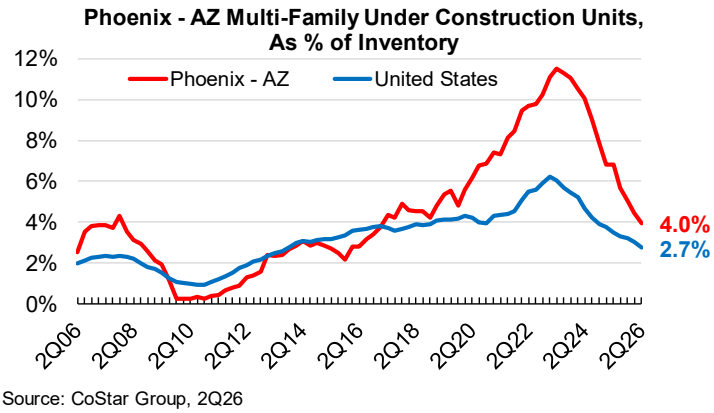
[5] Professional and business services is defined as the sum of employment across the following NAICS sectors: employment in 1) Professional, scientific, and technical services, 2) management of companies and enterprises, and 3) Administrative and waste services

[6] Technology is defined by New York Life Real Estate Investors' Strategy and Research Group as the sum of employment across the following NAICS subsectors: 1) Software publishers, 2) Data processing, hosting, and related services, 3) Computer systems design and related services, and 4) Computer and electronic product manufacturing

However, supply-side relief appears to be in sight. The construction pipeline, which peaked at 11.5% of current inventory in Q3 2023, has contracted to 4.0%. At the same time, demand has accelerated for four consecutive quarters, absorbing units equal to 5.1% of market inventory over the past year and suggesting that Phoenix's fundamentals may be turning a corner.




Source: CoStar Group, 2Q26



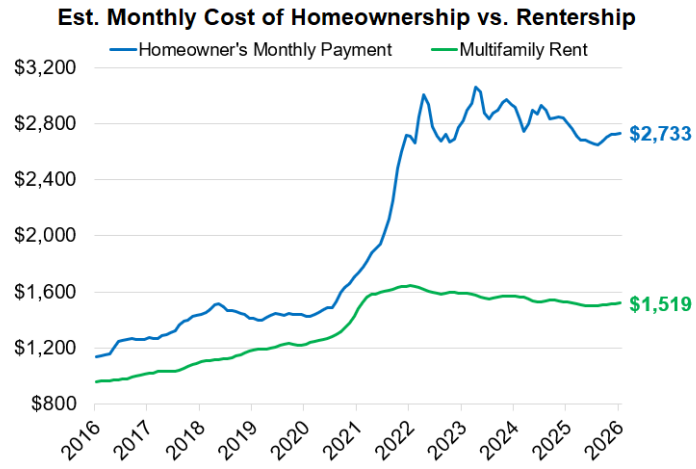

Source: CoStar Group, 2Q26

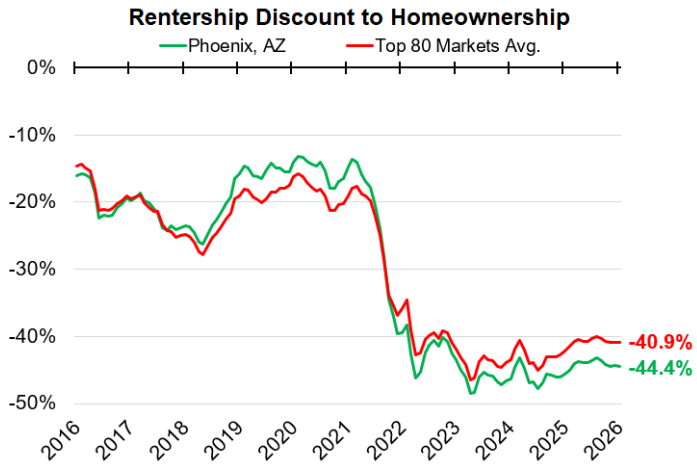
Vacancy, while still elevated by historical standards, has declined by a combined 120 basis points over the past two quarters, from 12.6% to 11.4%. Although rent growth remains negative, it improved to -4.6% year over year from its recent Q4 2025 trough.

In addition to a contracting construction pipeline, the relative affordability of renting versus owning should support multifamily fundamentals. Despite Phoenix's relatively affordable home prices compared with coastal markets, the cost advantage of renting within the metro is even more pronounced. Monthly rental costs are roughly 45% lower than the cost of owning, a larger discount than the average across the top 80 U.S. markets. This significant affordability gap should help limit move-outs to homeownership and support renter retention and multifamily demand.

## Rental Discount Monitor - Phoenix, AZ

Based on Zillow Research Data




Source: Zillow Research. As of July 2026.

Note: Homeownership costs are measured using Zillow's Zillow Home Value Index (ZHVI) Total Monthly Payment, which estimates the monthly cost of purchasing a typical home at current mortgage rates. This measure includes mortgage payments (assuming a 20% down payment), property taxes, homeowner's insurance, and a maintenance allowance equal to 0.5% of the home's value. Tax and insurance rates vary by region. Rental costs are measured using the Zillow Observed Rent Index (ZORI), a dollar-denominated series that reflects the typical market rent for multifamily units in each metro.

## Conclusion

Despite Phoenix's supply challenges, the market has shown early signs of recovery, with its long-term demand catalysts firmly in place as it absorbs new inventory. Investors evaluating the market may be able to enter at an attractive pricing basis amid low rents and high vacancy, with the potential to realize gains if the construction pipeline continues to contract and Phoenix maintains its demographic and economic growth.

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