INSTITUTIONAL PROPERTY ADVISORS

August 2026
Market Overview

Phoenix Multifamily

A Challenging 2026 Sets the Stage for Recovery in 2027

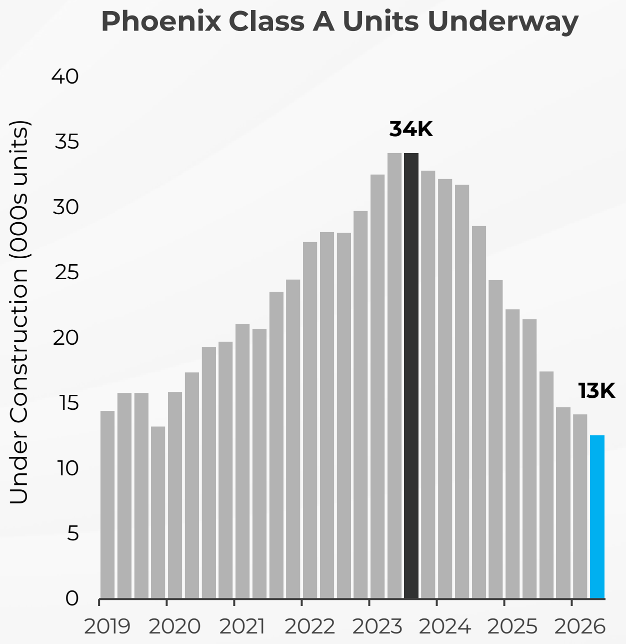
Phoenix's apartment market is moving through the final stage of a supply-driven reset. Class A units under construction have fallen from 34K three years ago to 13K, below their pre-pandemic level. The metro area is returning to growth leadership. Vacancy is tightening with rent-versus-own economics firmly favoring renting. Phoenix's rent trend is lagging, but as we have seen in past cycles, stabilization and, eventually, growth follow. Macro uncertainty has amplified local market challenges in 2026, but a 2027 recovery is taking form with investor interest on the rise.

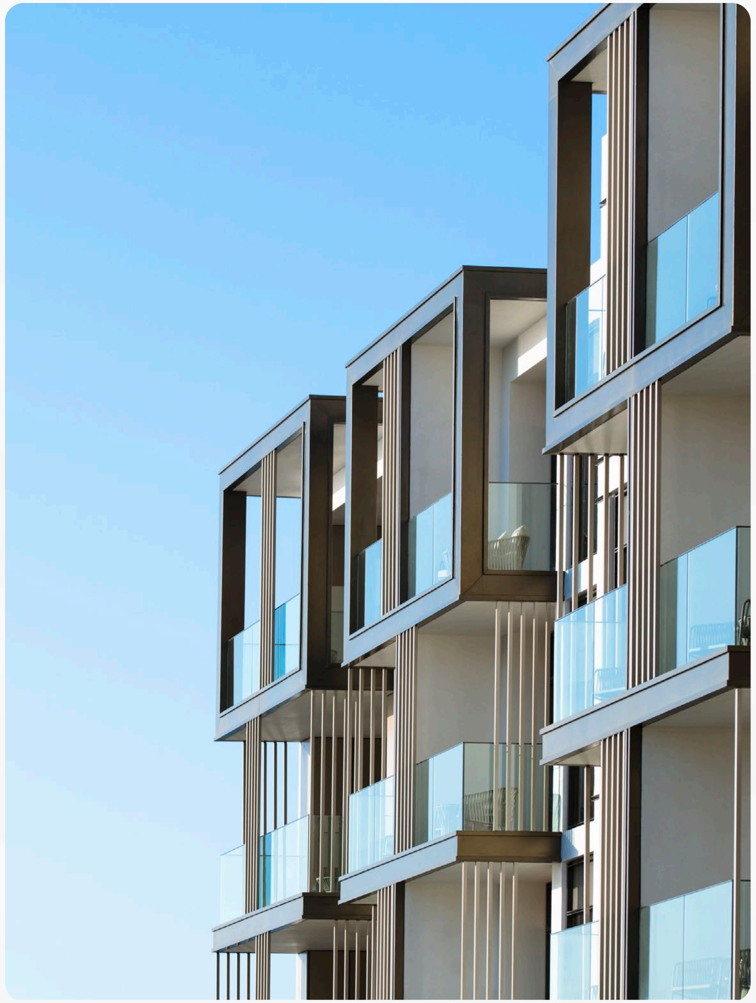
Investment in advanced manufacturing infrastructure shapes Phoenix's next-gen economy.

While 2026 deliveries are elevated, the construction pipeline has dropped off sharply.

The cost gap between owning and renting in Phoenix has widened, supporting rental demand.

Investors are evaluating re-entry points as Phoenix positions itself for a cyclical recovery.

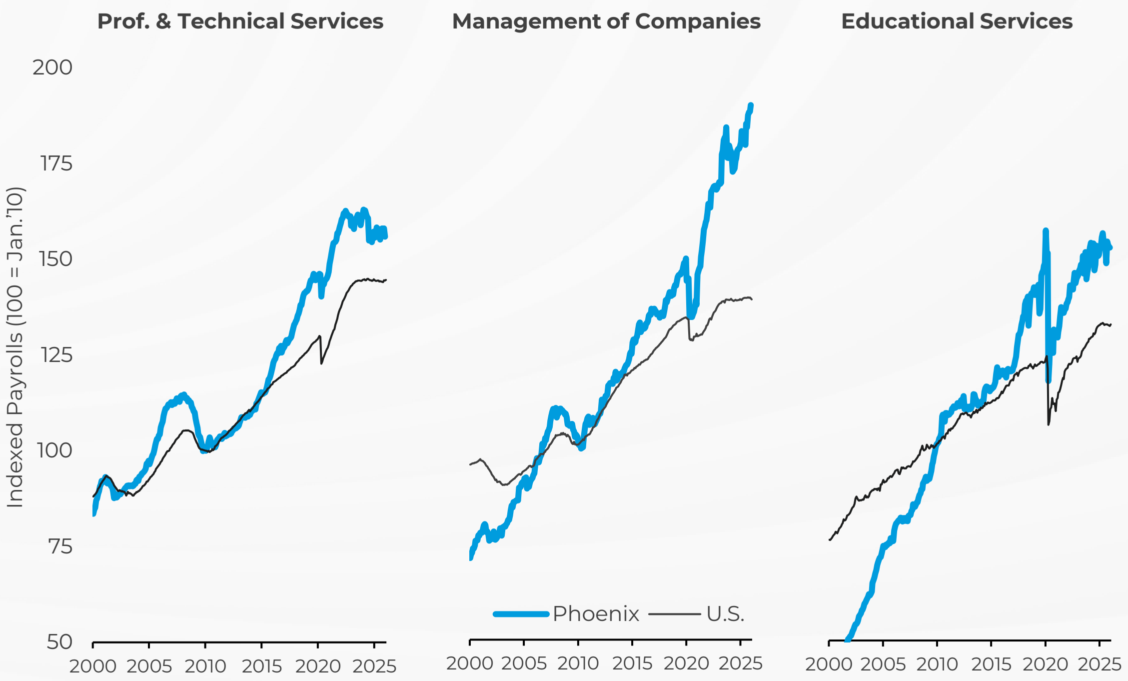




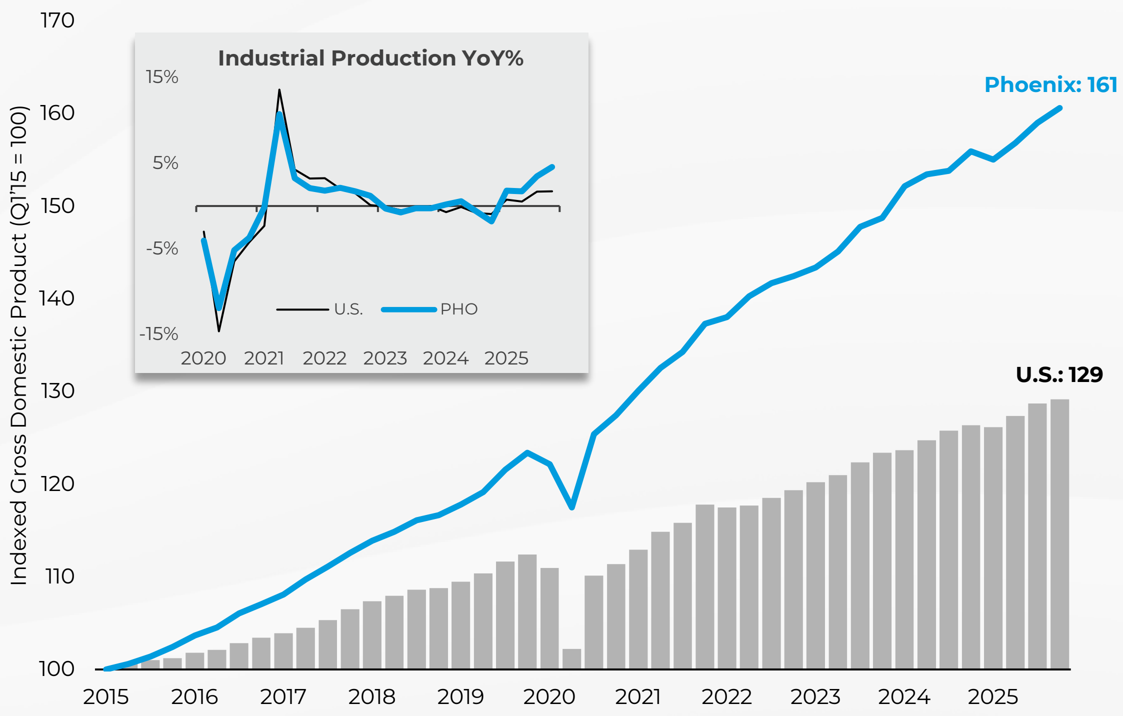
Next Phase of Growth: Cultivating High-Skill Next-Gen Industries

Phoenix's favorable demographics, quality of life, and business-friendliness have helped to drive rapid historical growth. The economy has been evolving for years building advanced manufacturing infrastructure for **batteries, solar, electric vehicles, and semiconductors** primarily. The public- and private-sector collaboration driving the evolution of the economy into a next-gen powerhouse is already delivering results that can be measured in the robust expansion of economic output, industrial production, and highly skilled and specialized employment sectors.

Phoenix: Fast-Growing High-Skill Employment Base



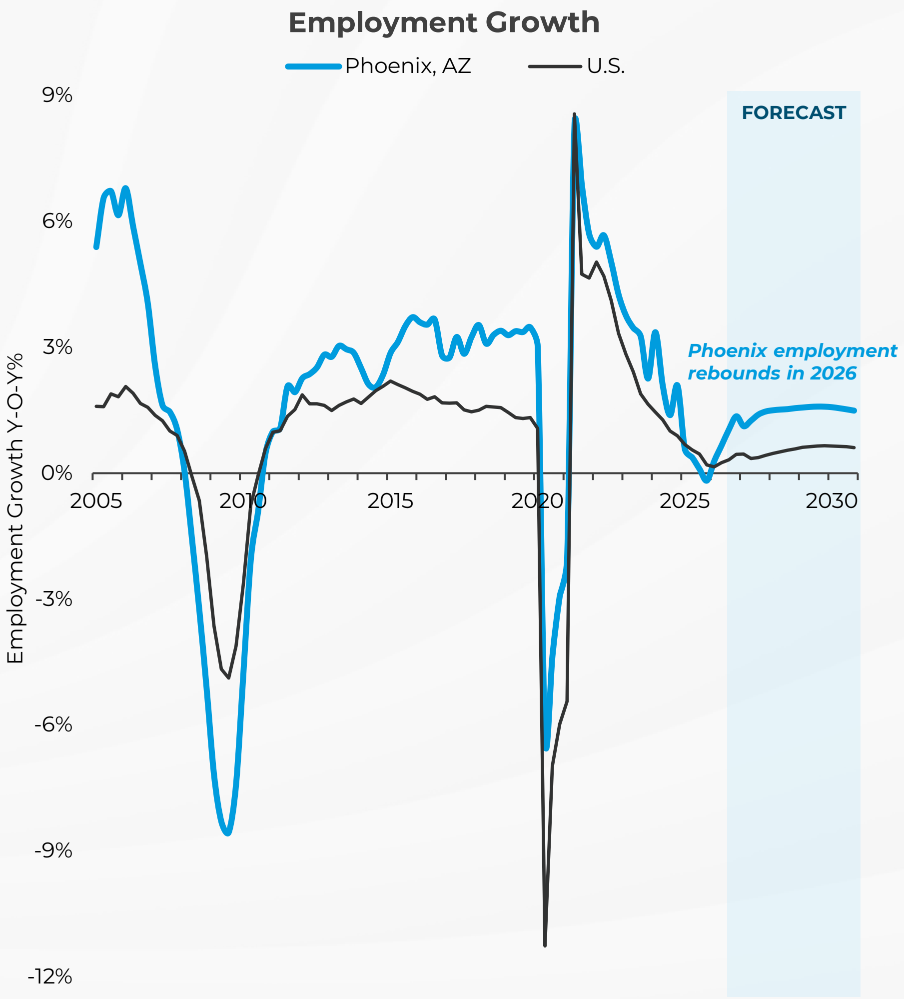
Phoenix: Economic Output Expands at 2x National Pace

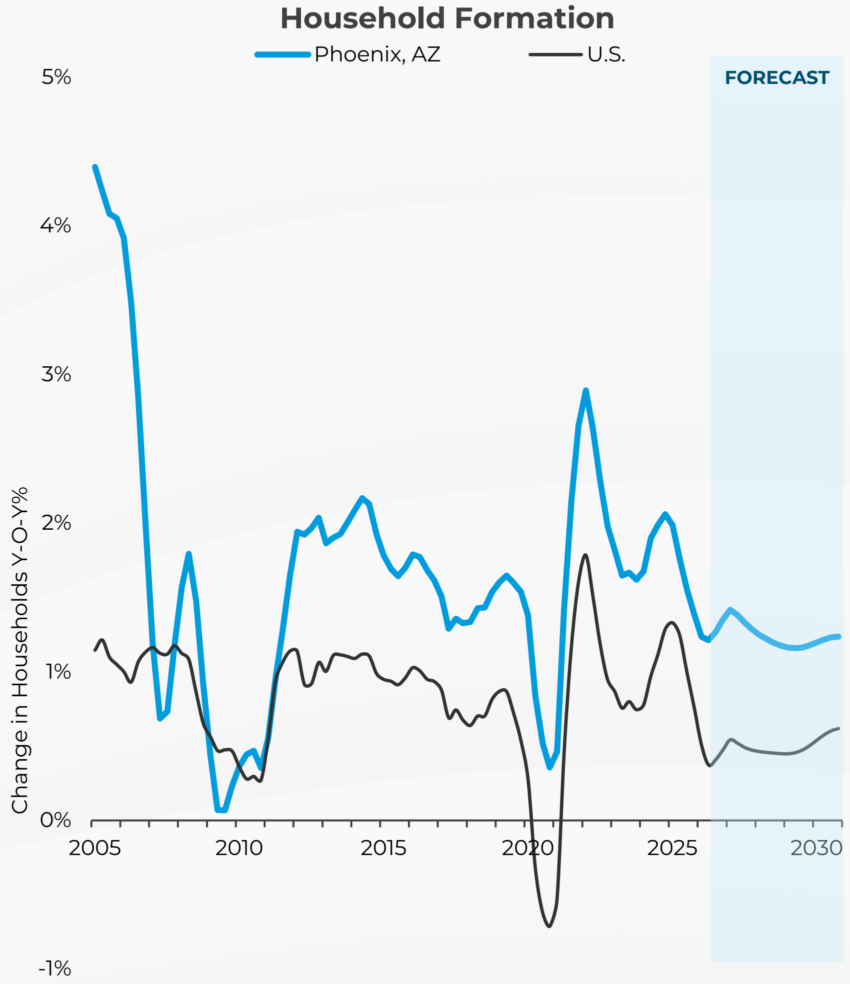


Sources: IPA Research Services, Economy.com as of April 2026

Phoenix Employment and Demographic Outlook

- Phoenix's long-term historical average employment growth and household formation rates have been more than double the national pace (2000 Q1 to 2026 Q2).
- Rebounding Phoenix employment in 2026 points to the metro area re-establishing its growth leadership relative to the nation. Forecasted employment growth is still below historical pace, reflecting caution due to macroeconomic volatility.
- Education and health services, along with professional and business services, are driving hiring and backstopping Class A rental demand.
- Public- and private-sector investment in semiconductor manufacturing is improving Phoenix's medium-term high-tech employment outlook.

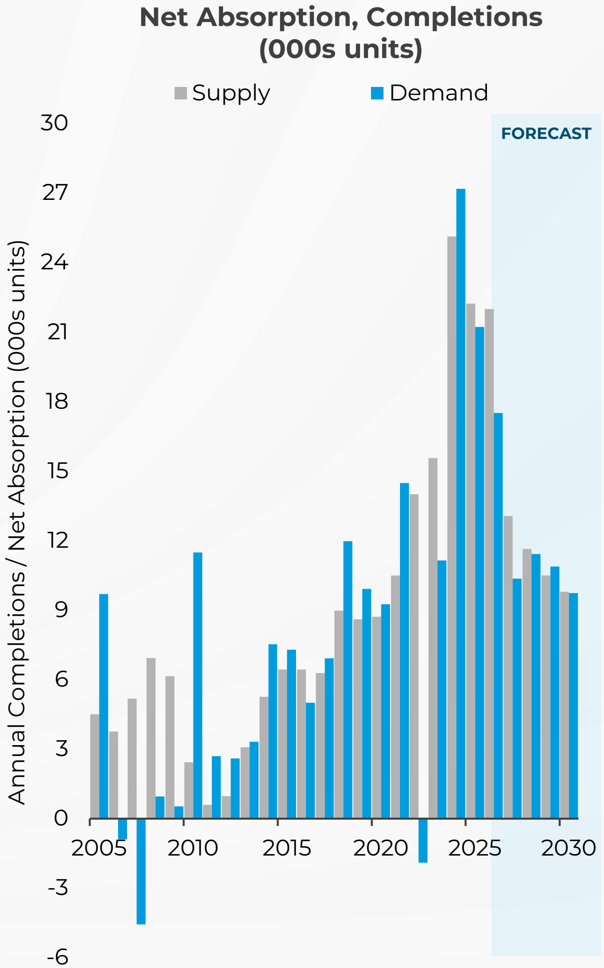


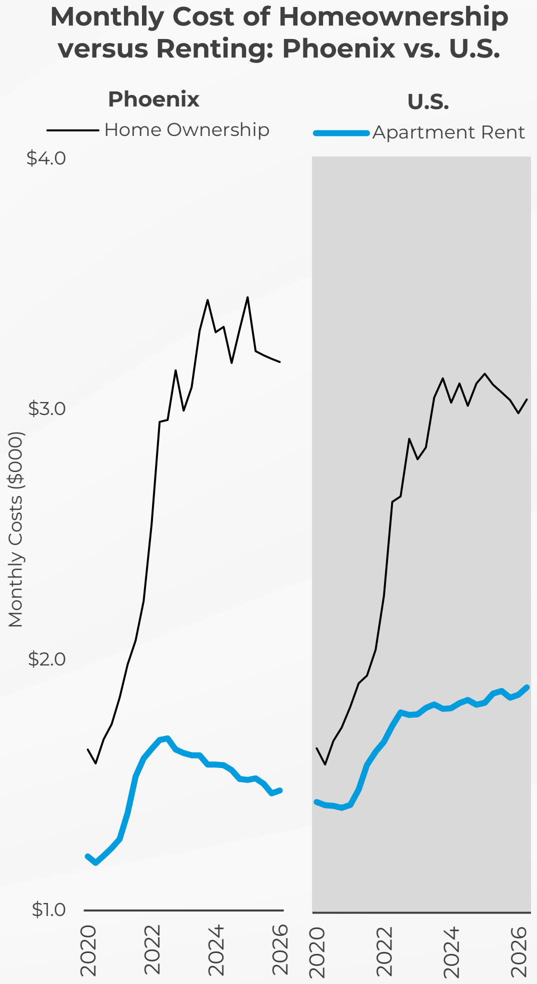


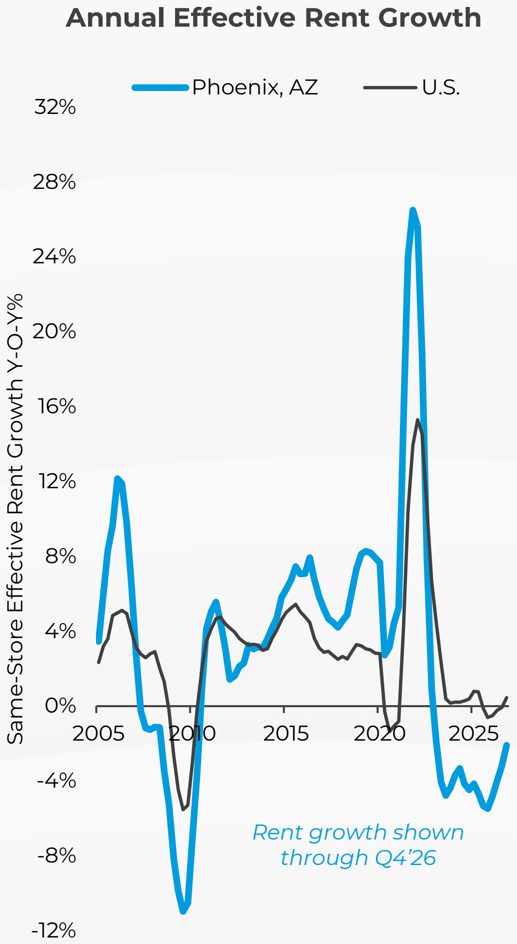
Sources: IPA Research Services, Economy.com as of July 2026

Phoenix Apartment and For-Sale Housing Fundamentals

- Demand in 2025 and 2026 has kept pace with completions although owners have used concessions. Phoenix vacancy has tightened over the past two years.
- As rents have trended lower over the past few years, renting in Phoenix has become more economically advantageous than homeownership.
- The monthly cost gap between owning and renting in Phoenix is 55% greater than the national average.
- The Phoenix rent trend is approaching an inflection point with vacancy tightening, supply decelerating, and demand bolstered by favorable rent versus own economics and job growth.



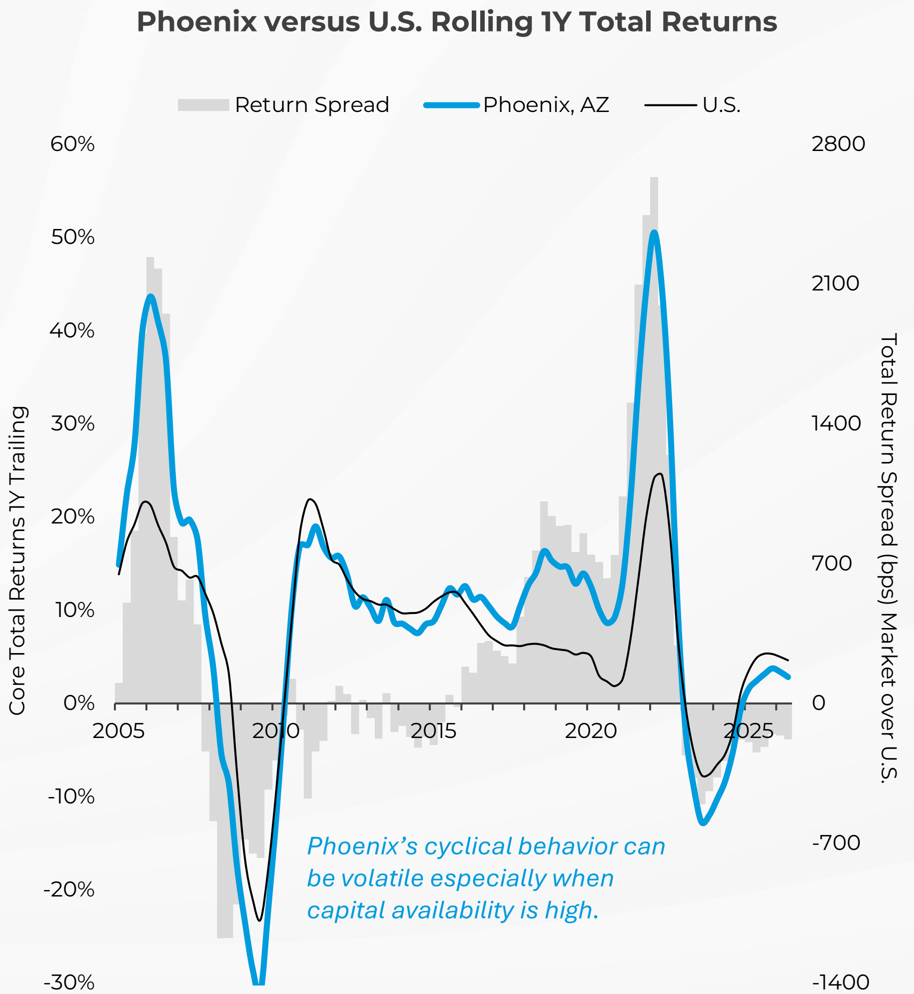


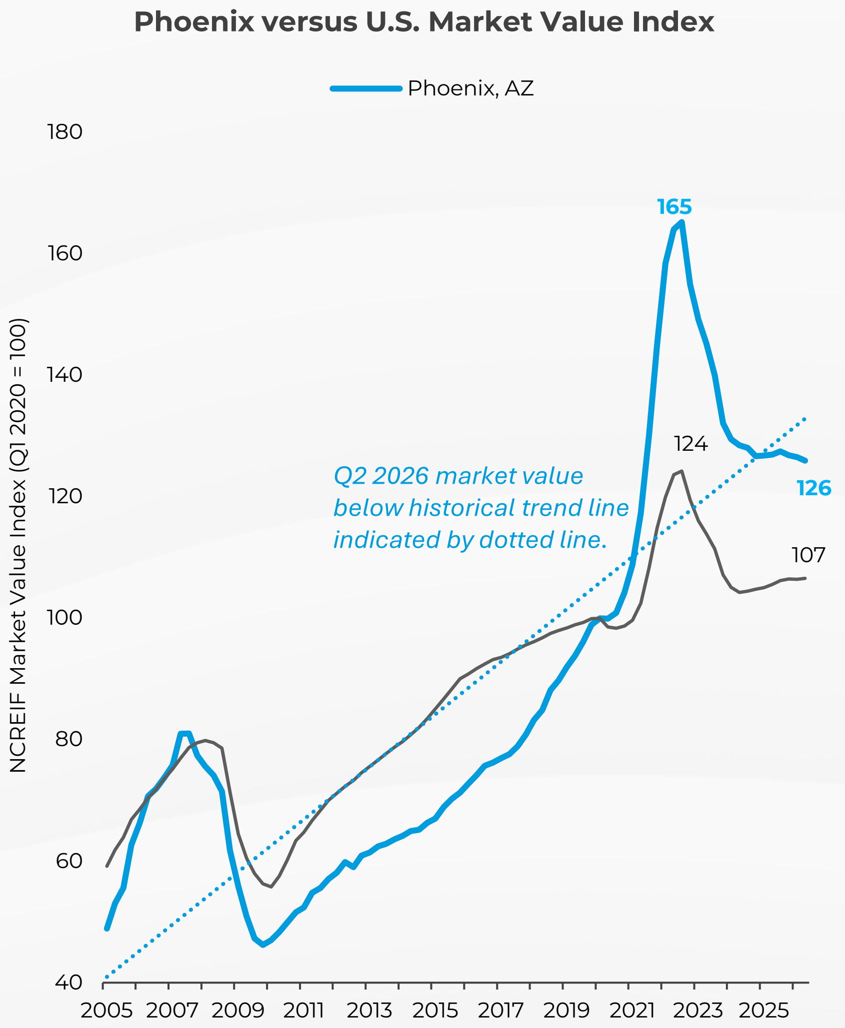


Sources: IPA Research Services, RealPage as of July 2026

Phoenix Apartment Total Return, Market Values

- Phoenix posted a positive 1Y total return of 2.8% as of Q2 2026 but underperformed the national benchmark.
- Capital inflow in 2021-22 drove aggressive appreciation, subsequently precipitating a sharp correction as the Fed began hiking.
- By NCREIF's Market Value Index, Phoenix apartment asset values are deeply discounted, down 24% from peak versus 14% for the U.S.
- Anecdotally, some institutional investors are making "contrarian bets" on Phoenix, entering before the rent trend stabilizes and broader capital returns.





Sources: IPA Research Services, NCREIF as of August 2026

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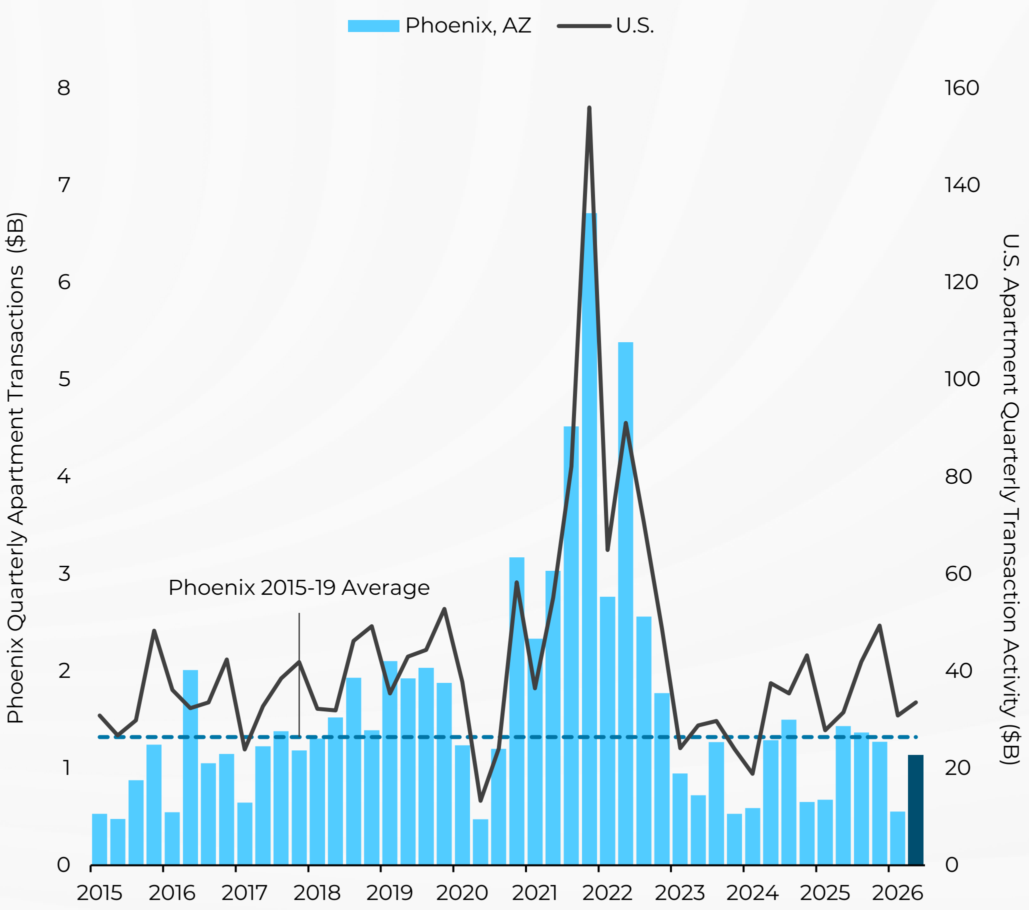
Phoenix Apartment Transaction Activity ($10M+ sales) as of Q2 2026



Top Buyers Past 2 Years

Rank	Buyer	# Props	Avg Price ($)
1	Fairfield Residential	6	91,536,458
2	Ares Management	2	154,014,675
3	Covenant Capital Group	3	101,166,667
4	Goodman Real Estate Inc	3	82,066,667
5	Brookfield AM	2	118,859,500
6	Stockdale Cap Prtnrs	2	109,781,250
7	Knightvest Capital	2	96,325,000
8	KKR	1	190,624,838
9	Goldman Sachs	2	93,812,500
10	Weidner Apt Homes	1	187,500,000
11	Moy Family Trust	2	90,750,000
12	Scion Group	1	170,475,599
13	Millburn & Company	2	83,275,000
14	AEW	2	76,905,000
15	MC Companies	3	49,766,690

Top Sellers Past 2 Years

Rank	Seller	# Props	Avg Price ($)
1	BREIT	7	117,636,977
2	Sunroad Enterprises	6	91,536,458
3	Greystar	3	142,411,577
4	Lennar Corporation	3	121,778,626
5	Cortland	3	104,783,667
6	Carlyle Group	4	71,500,000
7	Starlight Investments	2	103,406,250
8	Clarion Partners	1	187,500,000
9	PGIM Real Estate	2	91,125,000
10	Trammell Crow Co (CBRE)	2	91,125,000
11	Cavan Companies	2	89,300,000
12	Tides Equities	5	35,523,376
13	Harrison Street RE Cap	1	170,475,599
14	Alliance Residential	2	84,187,500
15	Baron Properties	4	39,025,000

Sources: IPA Research Services, RCA as of August 2026

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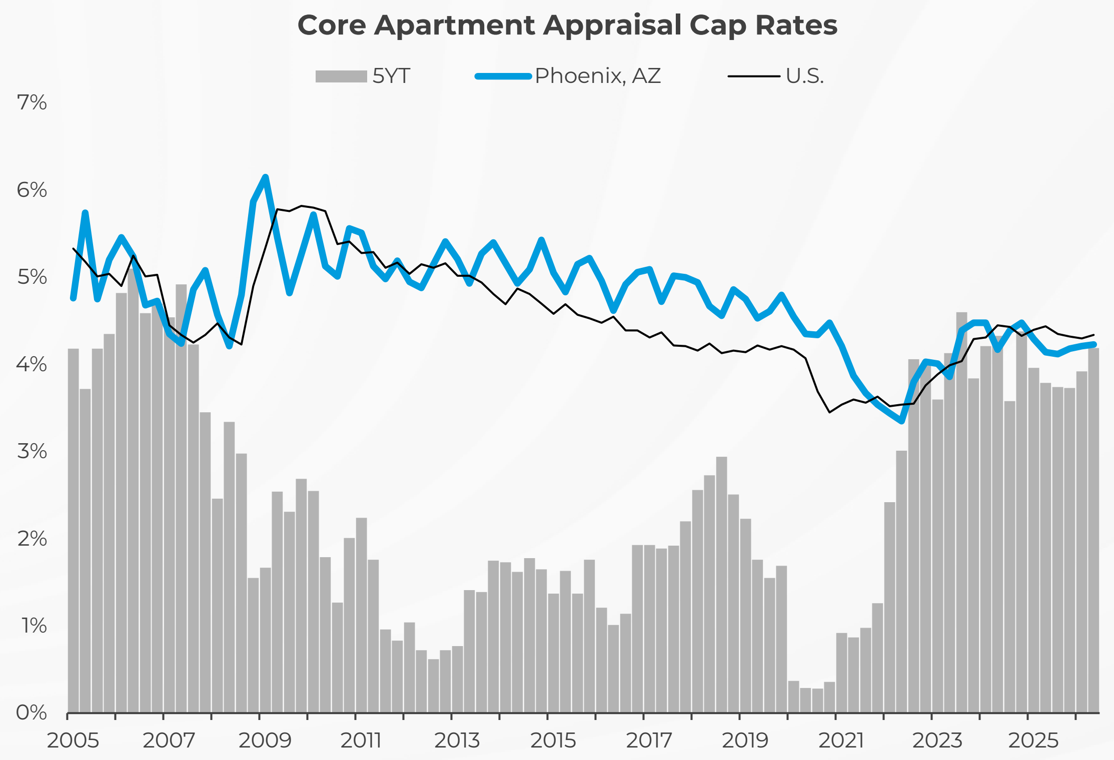
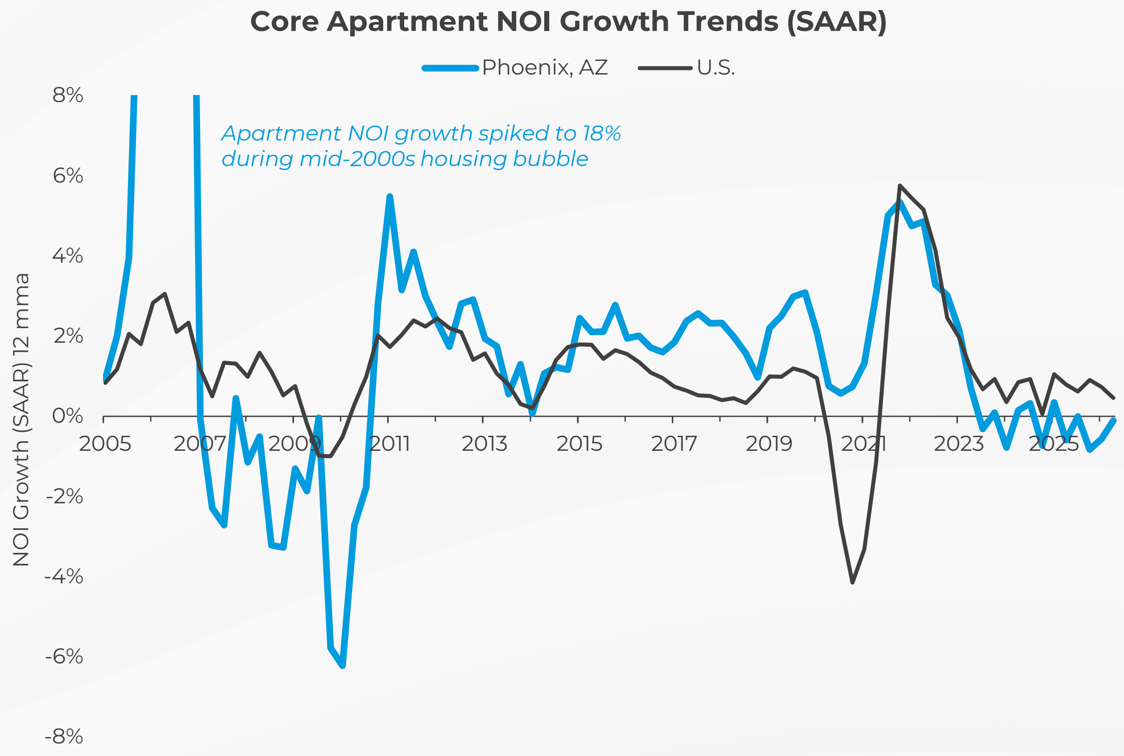
Phoenix Appraisal Cap Rates Anticipate Return of NOI Growth





- Prior to 2021, Phoenix apartments appraised at a premium to the U.S.
- 5Y Treasury yield (5YT) is used here, as borrowers are opting for shorter-maturity debt.
- Cap rate spread over 5YT had been constructive until the Iran war.

- Following above average performance, NOI growth has lagged since 2023.
- Owners have had to offer concessions in response to oversupply.
- Recovering demand fundamentals support NOI growth going forward.

Sources: IPA Research Services, NCREIF as of August 2026

Phoenix Apartment Submarket Historical Performance

	Inventory, Cum. Change (%)					Quarterly Vacancy (%)					Effective Rent Index, CAGR				
	2026 Q2	1Y	2Y	5Y	10Y	2026 Q2	1Y	2Y	5Y	10Y	2026 Q2	1Y	2Y	5Y	10Y
United States	*20,412,091*	*1.6%*	*4.3%*	*11.0%*	*21.4%*	*4.6%*	*4.3%*	*5.8%*	*3.9%*	*4.8%*	*$ 1,894*	*1.3%*	*1.7%*	*4.9%*	*4.2%*
Phoenix-Mesa-Chandler, AZ	**465,235**	**4.3%**	**10.5%**	**24.0%**	**38.7%**	**5.3%**	**5.5%**	**7.1%**	**3.2%**	**5.2%**	**$ 1,490**	**-2.4%**	**-2.9%**	**1.4%**	**5.0%**
Avondale/Goodyear/West Glendale	40,089	13.3%	39.2%	113.4%	181.3%	5.6%	5.4%	7.7%	2.8%	4.7%	$ 1,455	-6.0%	-4.0%	-0.3%	4.5%
Chandler	27,337	2.0%	5.9%	11.8%	33.4%	4.4%	5.6%	5.9%	3.5%	5.2%	$ 1,613	-2.1%	-3.7%	0.3%	4.5%
North Central Phoenix	27,303	0.9%	3.5%	11.8%	34.2%	5.2%	6.2%	7.1%	3.9%	6.4%	$ 1,418	-4.3%	-4.2%	0.9%	4.6%
Northwest Phoenix	26,392	0.2%	2.2%	3.6%	3.8%	5.5%	5.4%	7.6%	3.1%	4.3%	$ 1,096	-6.0%	-5.7%	-0.1%	4.0%
North Tempe/University	25,770	2.4%	7.8%	17.6%	53.1%	5.1%	5.6%	7.4%	3.9%	7.6%	$ 1,614	-5.0%	-2.9%	1.7%	4.0%
Deer Valley	25,349	15.2%	25.5%	41.8%	77.1%	5.3%	5.6%	6.4%	3.7%	5.5%	$ 1,588	0.1%	-3.4%	0.8%	4.7%
Peoria/Sun City/Surprise	24,885	4.1%	16.2%	40.6%	64.4%	6.3%	5.8%	6.8%	2.6%	5.0%	$ 1,490	-2.0%	-3.3%	0.8%	4.8%
Northeast Phoenix	22,762	0.0%	3.5%	6.1%	8.4%	4.4%	4.1%	6.7%	2.7%	4.7%	$ 1,418	0.7%	-1.7%	1.5%	5.0%
North Scottsdale	20,811	3.5%	9.6%	22.2%	41.1%	5.5%	5.2%	6.8%	3.6%	5.5%	$ 1,990	-1.0%	-0.8%	2.2%	5.5%
South Scottsdale	20,541	-0.4%	0.9%	11.4%	21.5%	4.5%	4.7%	6.3%	3.4%	5.4%	$ 1,931	2.1%	0.1%	2.8%	4.7%
Gilbert	20,209	7.9%	17.9%	64.8%	123.6%	4.7%	5.6%	7.0%	2.5%	6.6%	$ 1,633	-2.1%	-2.6%	1.0%	4.7%
East Mesa	19,521	10.8%	23.1%	52.6%	77.7%	5.0%	5.6%	6.8%	3.1%	5.1%	$ 1,577	-1.7%	-2.6%	0.6%	5.0%
Southwest Mesa	18,300	0.1%	1.0%	4.8%	11.2%	4.8%	5.3%	7.5%	2.9%	4.0%	$ 1,275	-4.6%	-4.2%	0.5%	4.8%
Central Phoenix	18,090	11.9%	21.7%	70.7%	164.1%	6.7%	5.7%	8.1%	3.5%	5.0%	$ 1,742	-4.8%	-1.0%	2.2%	2.4%
East Phoenix	18,003	0.2%	0.7%	6.1%	8.6%	5.2%	4.7%	7.3%	3.0%	5.6%	$ 1,437	1.4%	-0.5%	2.6%	5.2%
South Phoenix	17,198	4.1%	12.3%	21.2%	23.7%	5.6%	5.7%	7.0%	2.7%	6.2%	$ 1,549	0.0%	-2.7%	1.1%	4.6%
South Tempe	17,055	0.3%	0.3%	5.1%	8.2%	4.5%	5.4%	6.9%	2.9%	5.2%	$ 1,441	-3.2%	-3.8%	0.1%	3.7%
South Glendale	16,466	1.0%	2.2%	7.9%	8.3%	6.3%	6.1%	8.4%	3.5%	4.6%	$ 1,078	-5.5%	-6.6%	0.7%	4.6%
West Phoenix	15,625	0.4%	0.4%	0.7%	1.0%	5.4%	5.4%	8.9%	4.8%	6.0%	$ 994	-7.7%	-5.5%	1.1%	5.4%
Northwest Mesa	14,039	4.0%	4.9%	9.1%	13.3%	5.1%	6.0%	6.5%	2.3%	4.5%	$ 1,255	-5.1%	-4.4%	1.1%	4.6%
Far West Phoenix	13,705	2.1%	6.3%	12.2%	12.2%	6.1%	6.1%	7.6%	3.3%	4.6%	$ 1,187	-5.7%	-5.4%	1.8%	5.2%
North Glendale	8,104	0.0%	1.4%	10.5%	14.3%	5.4%	6.3%	6.3%	2.8%	4.1%	$ 1,405	-4.0%	-5.9%	-0.1%	3.8%

Softening Strengthening

Note: The Effective Rent Index produces CAGRs that have not been adjusted on a same-store basis.
Sources: IPA Research Services, RealPage