

ULI Trends Day

Phoenix Econ & CRE Outlook

February 2026

John T. Chang
Chief Intelligence & Analytics Officer
Marcus & Millichap Research Services

[in /in/johnchang/](https://www.linkedin.com/in/johnchang/)

Marcus & Millichap

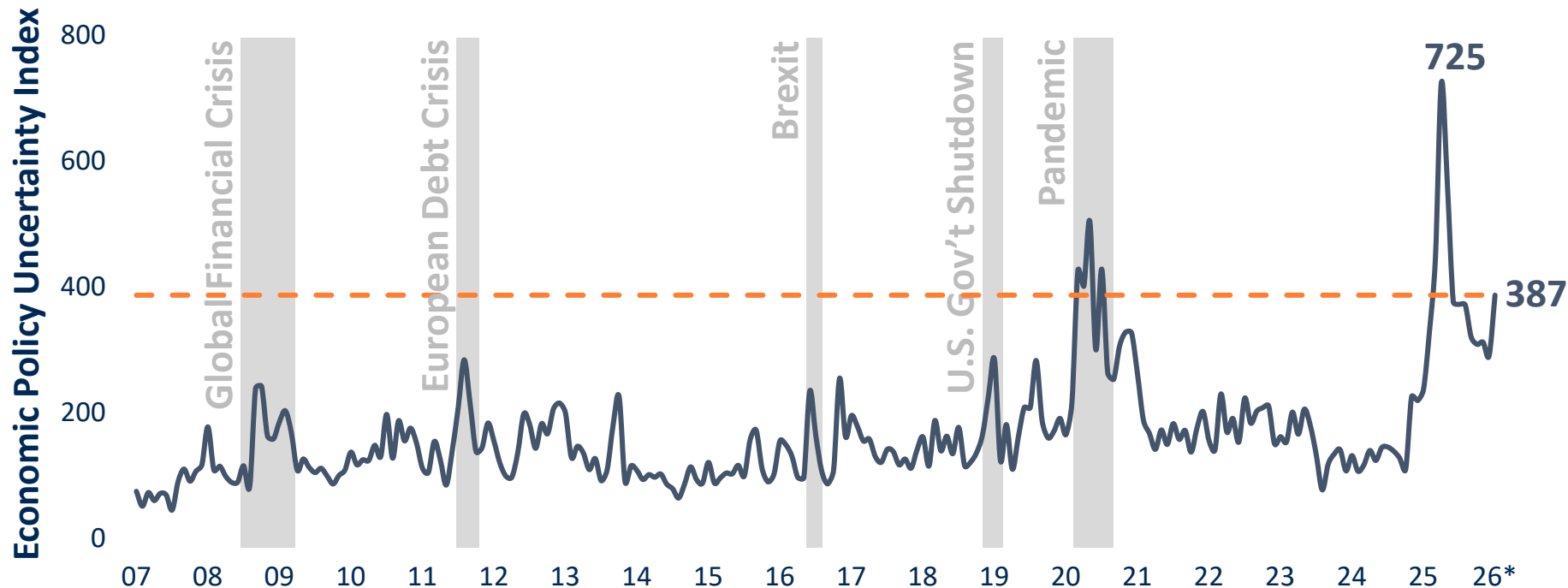
Uncertainty Is Becoming The New Normal...



**FED'S LISA COOK SUES TRUMP
FED INDEPENDENCE ON TRIAL!**



Uncertainty Elevated Amid Geopolitical Risk, Trade Tensions And Fiscal Gridlock



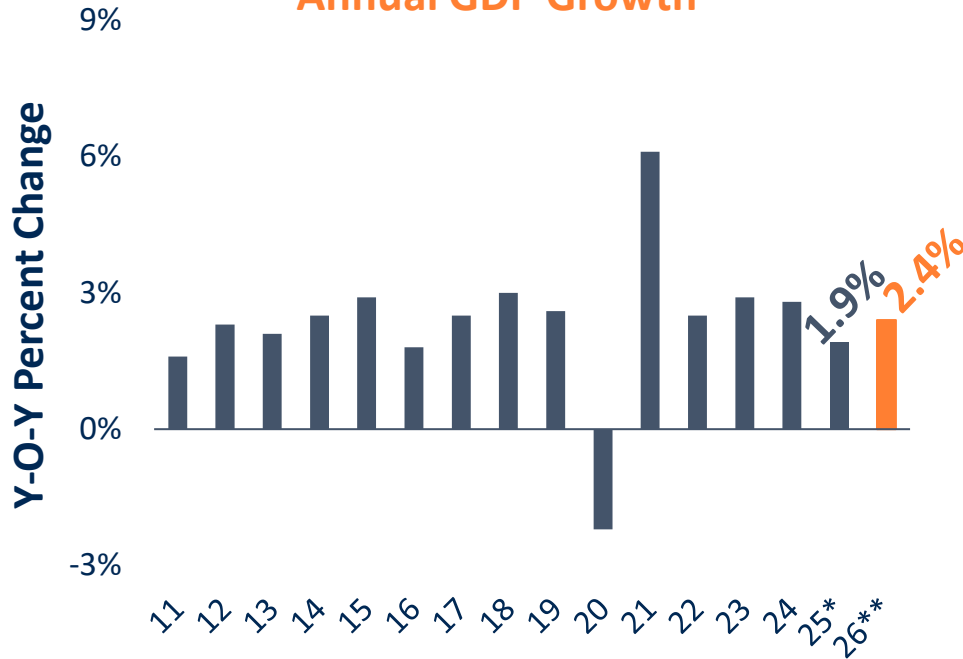
* Through January

The Economic Policy Uncertainty Index is a measure of policy-related economic uncertainty, derived from the frequency of news articles discussing economic policy uncertainty in leading U.S. newspapers. Higher values indicate greater uncertainty.

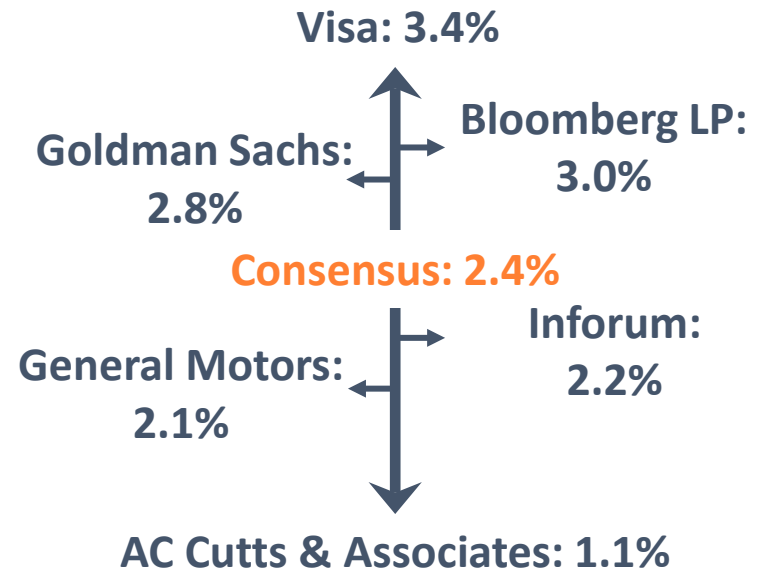
Sources: Marcus & Millichap Research Services, Scott R. Baker, Nicholas Bloom, and Steven J. Davis.

Economists Expect Steady Growth In 2026 Largely AI/Data Center Driven?

Annual GDP Growth



GDP Growth Forecasts for 2026

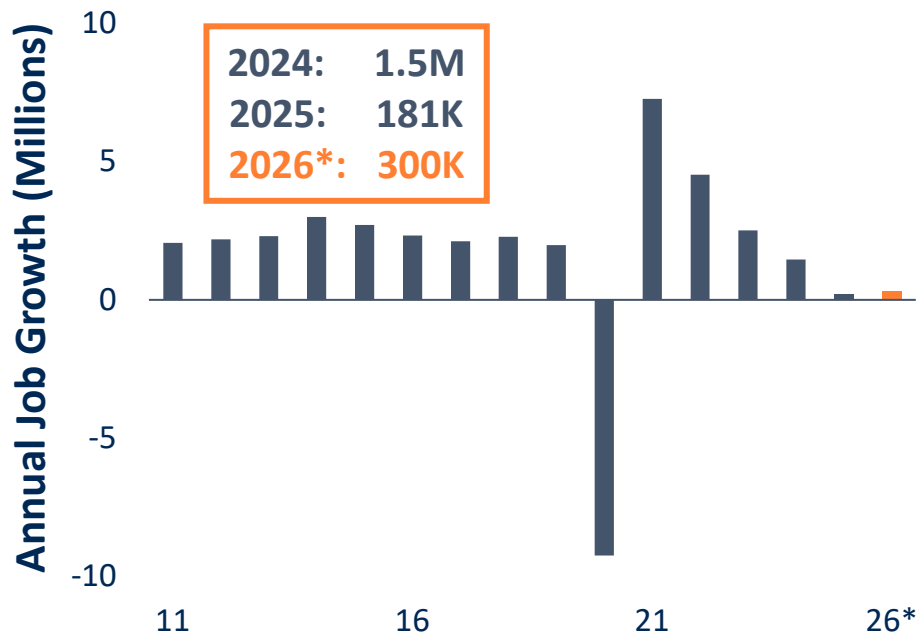


* Estimate
** Forecast

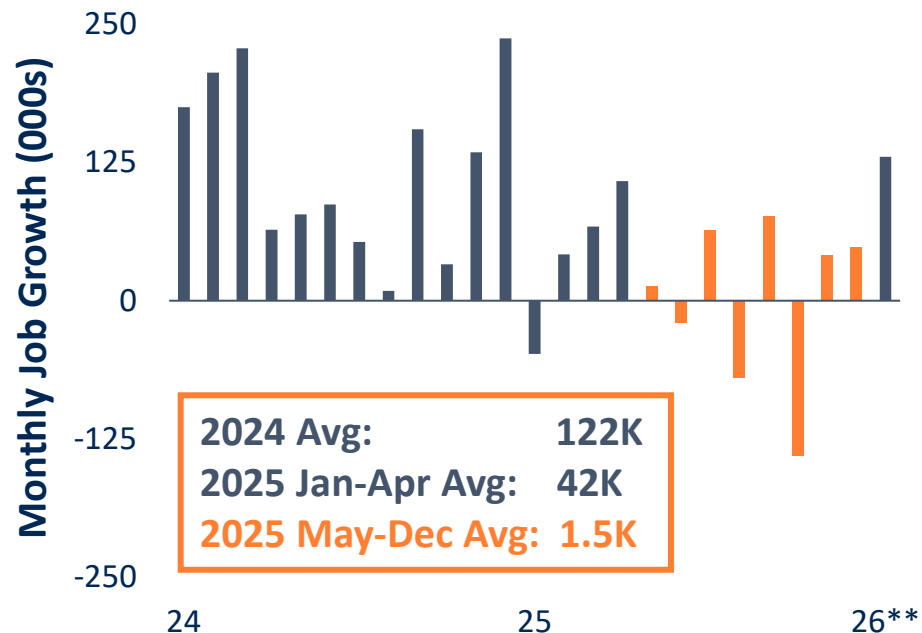
Sources: Marcus & Millichap Research Services, Blue Chip Economic Indicators, BEA

Job Creation Slowing But Remains Positive... Potential To Weigh On CRE Demand

Annual Job Growth



Monthly Job Growth



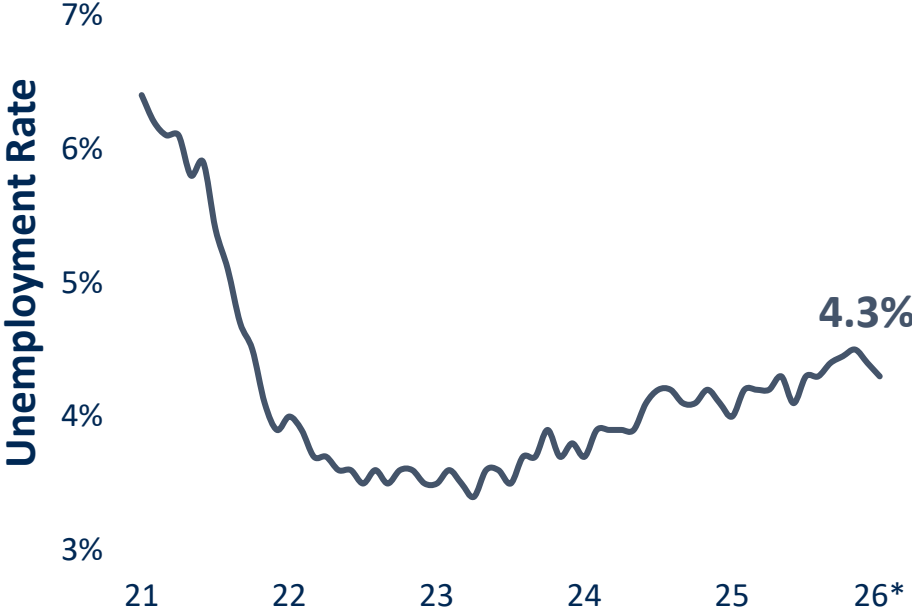
* Forecast

** Through January

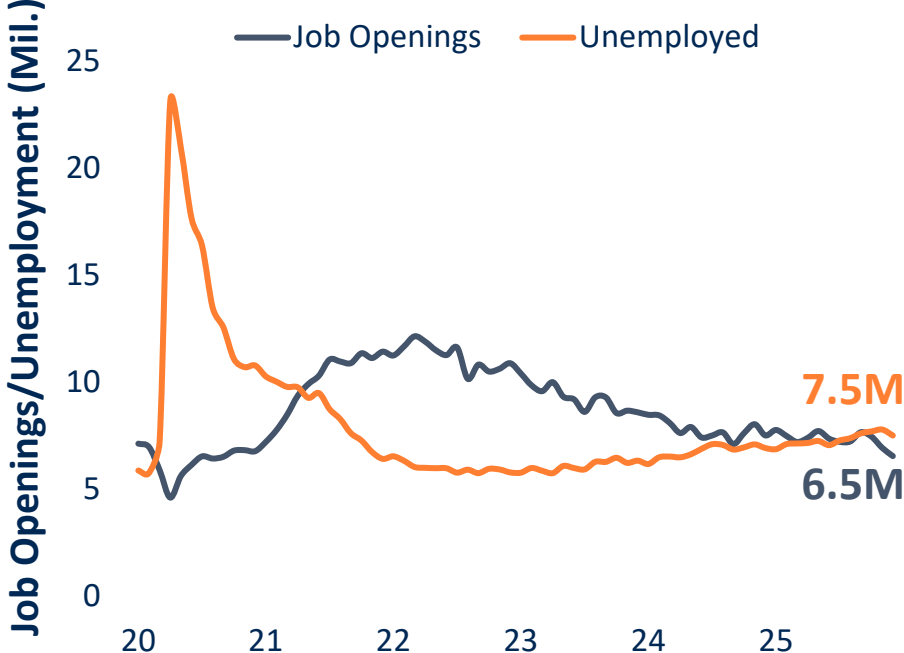
Sources: Marcus & Millichap Research Services, BLS

Unemployment Stable, But Job Openings Falling

Unemployment Rate



Labor Shortage Ended



* Through January
Sources: Marcus & Millichap Research Services, BLS

Broader Economic Trends Mixed – Some Metrics Suggest Invigorated Momentum

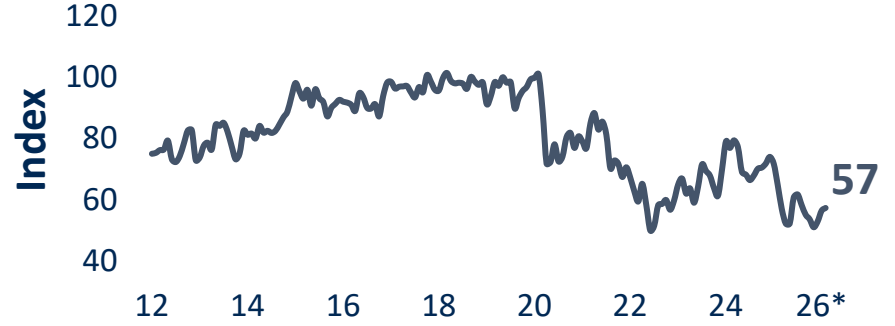
Small Business Optimism Index



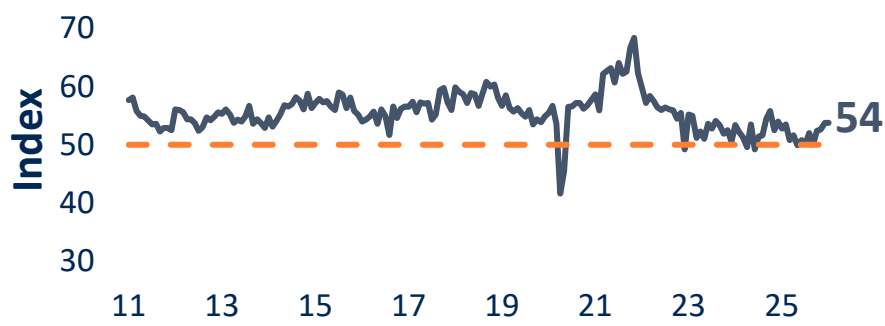
ISM Manufacturing Index



Consumer Sentiment Index



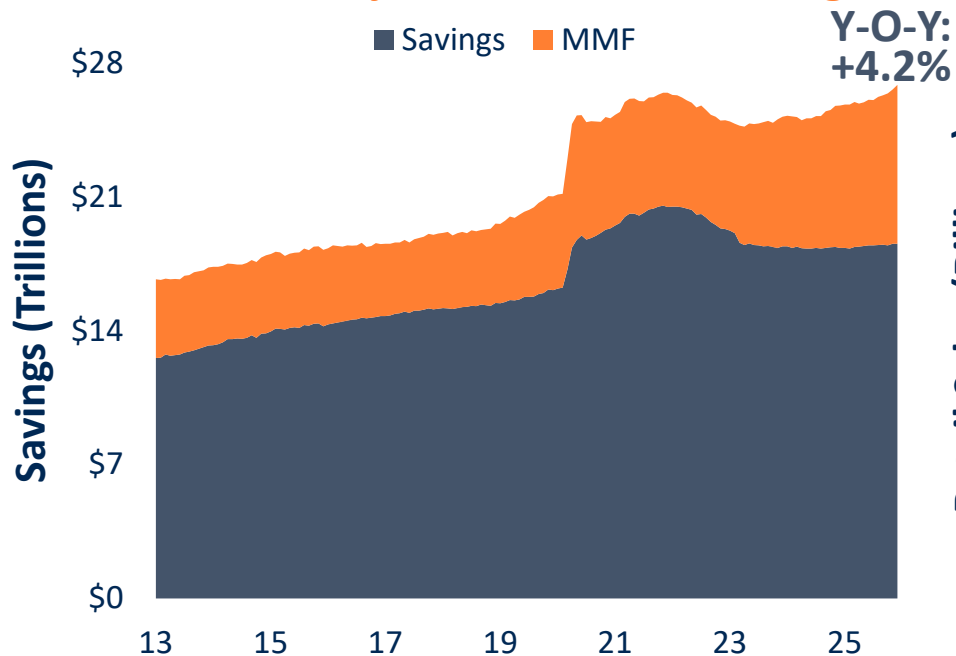
ISM Services Index



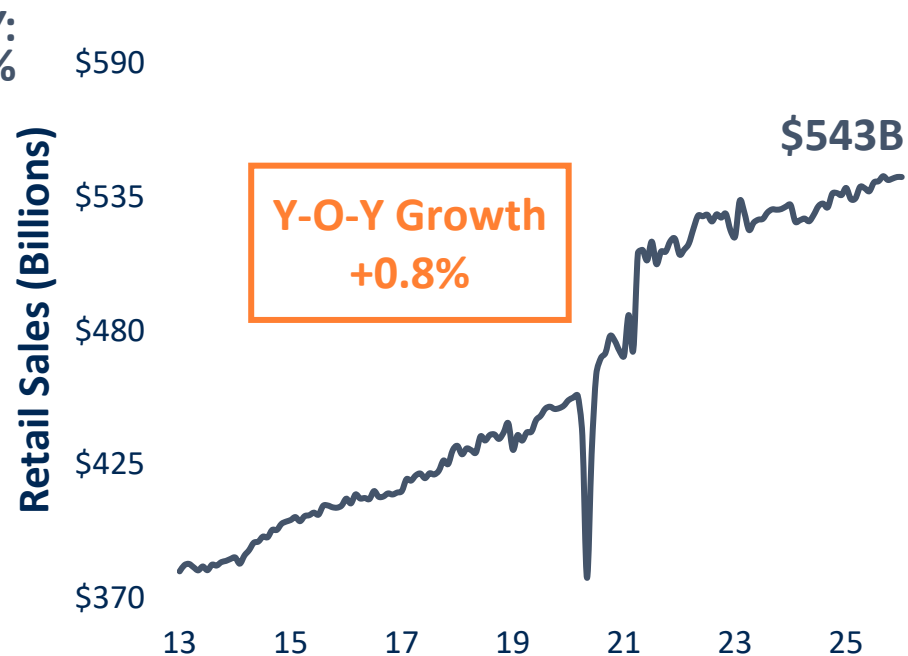
* ISM indices and small business optimism through January; consumer sentiment preliminary estimate through February
Sources: Marcus & Millichap Research Services, NFIB, University of Michigan, ISM

Total Savings At Record High Will It Support Continued Consumption?

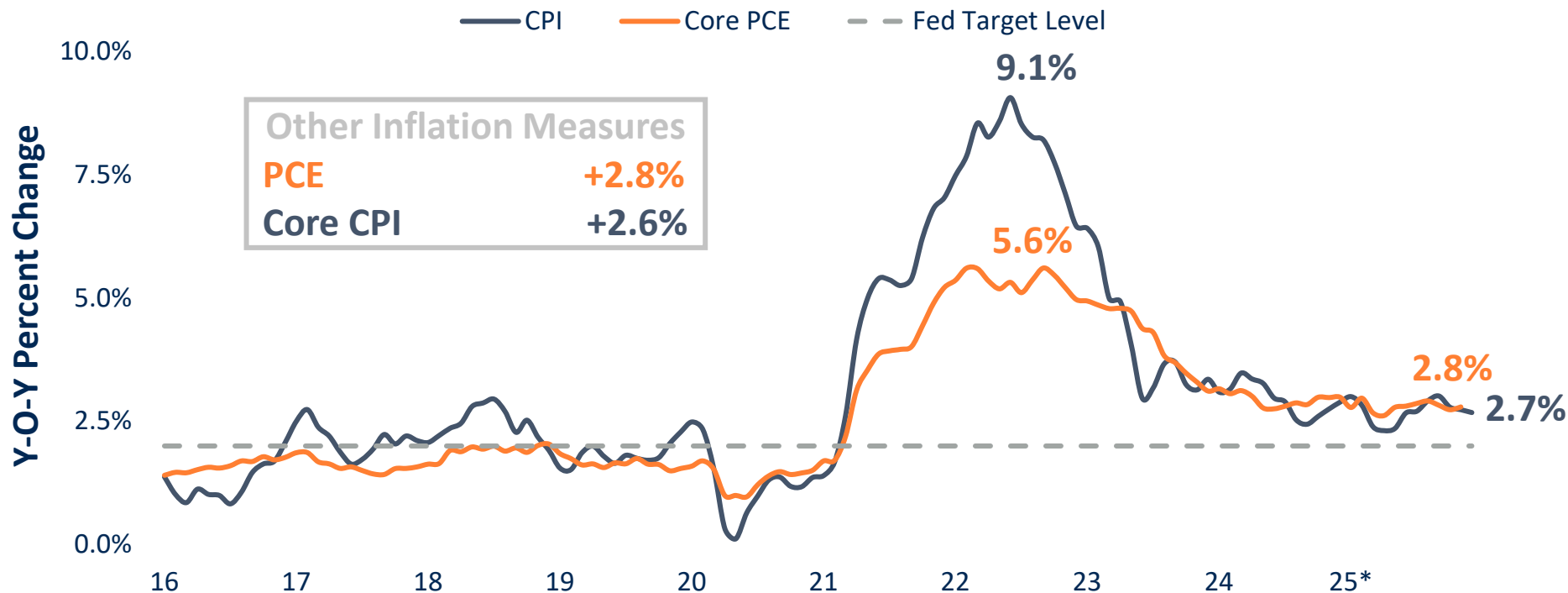
Inflation-Adjusted Consumer Savings



Real Core Retail Sales



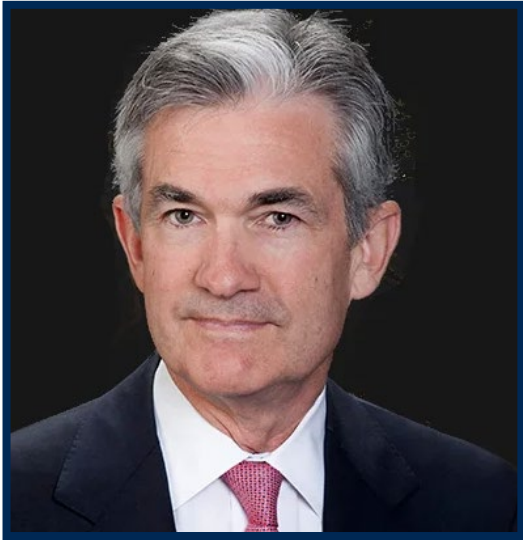
Tariffs Have Yet To Materially Impact Inflation



* CPI through December; PCE through November
Sources: Marcus & Millichap Research Services, BLS, BEA

The Fed Has A Tough Job...

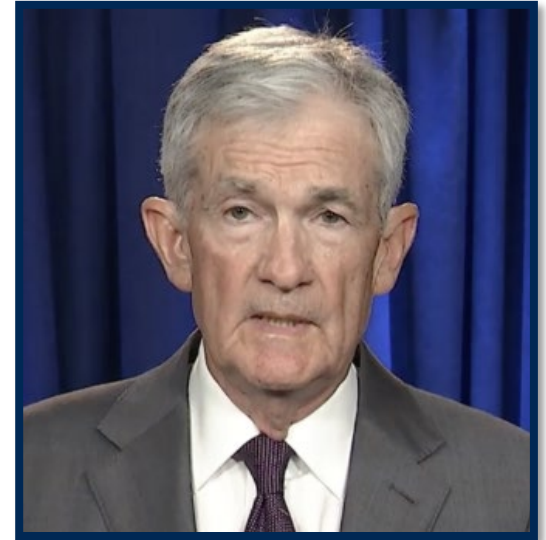
2016



2025

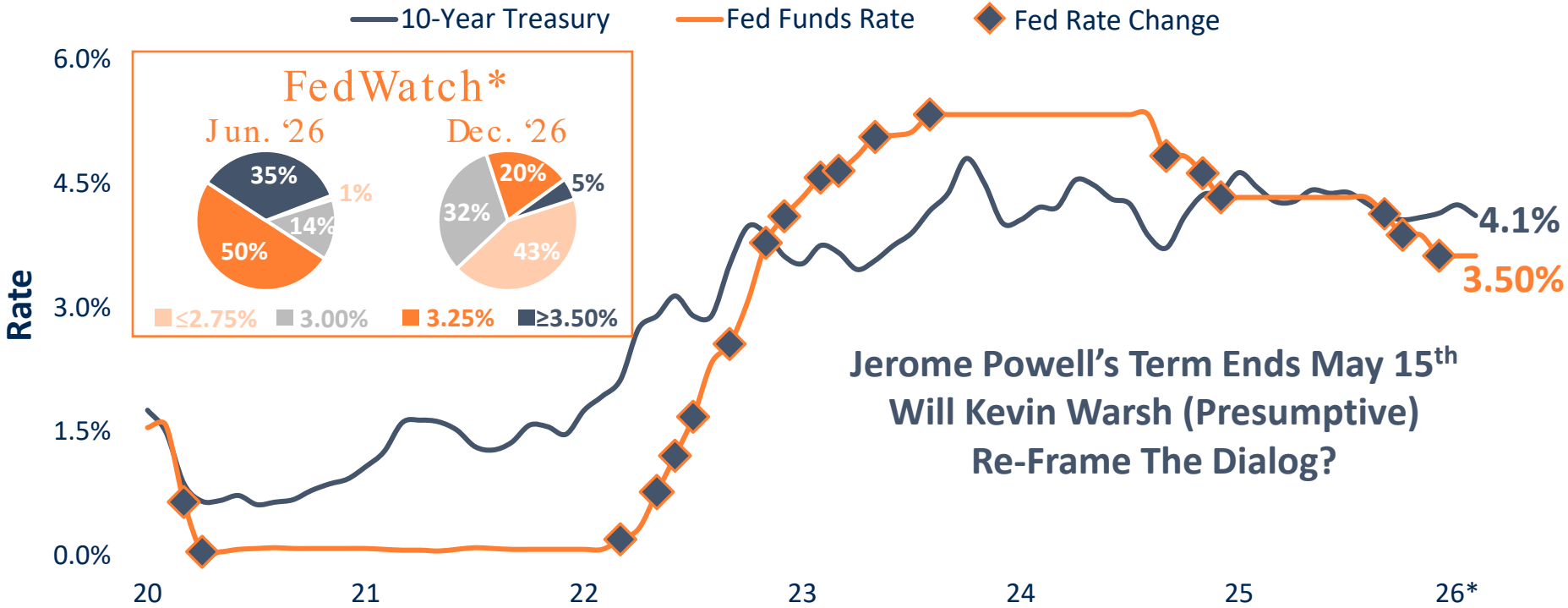


Are We Done Yet?



May 15, 2026

Investors Expect Additional Fed Rate Cuts In 2026; Impact On 10-Year Treasury Remains In Question



* Through February 12
 Sources: Marcus & Millichap Research Services, Federal Reserve, CME Group



The 5 Trends Shaping Phoenix Commercial Real Estate



Phoenix: An Emerging Economic Powerhouse



Five Trends Shaping Phoenix CRE

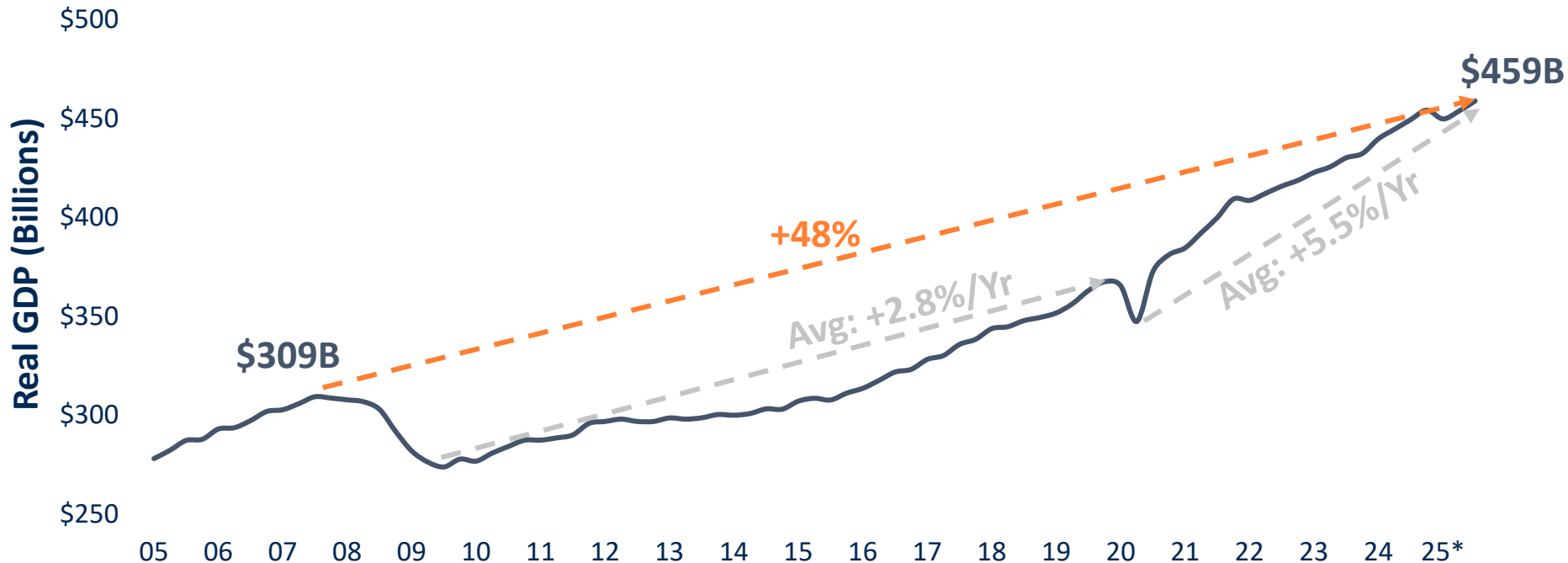
- **Economic Growth & Diversification**
- **Sustained In-Migration & Population Gains**
- **Adaptive Reuse & Mixed-Use Urbanization**
- **Development & Construction**
- **CRE Pricing Recalibration/Capital Flows**



Economic Growth & Diversification



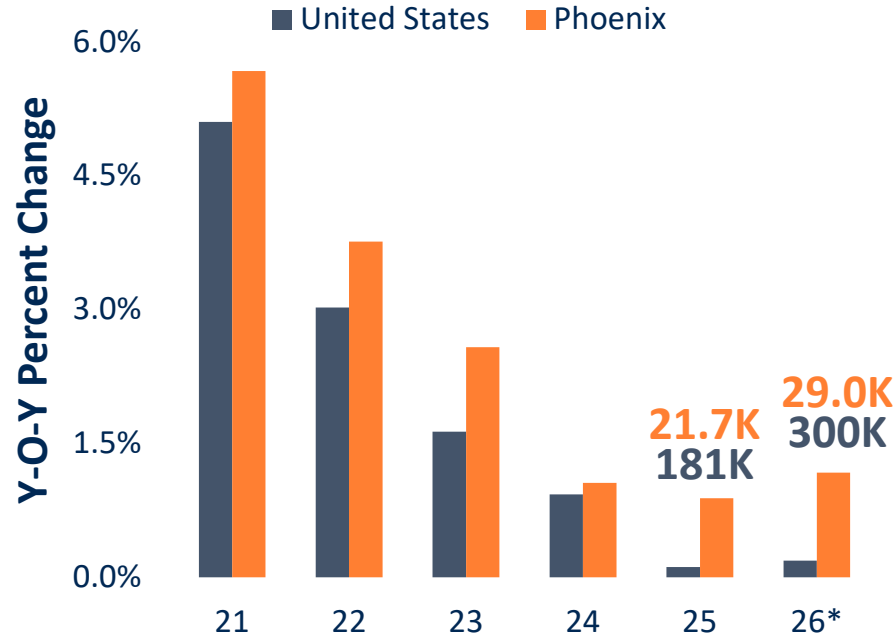
Arizona's Economic Expansion Has Accelerated; Would Rank 28th Among Nations



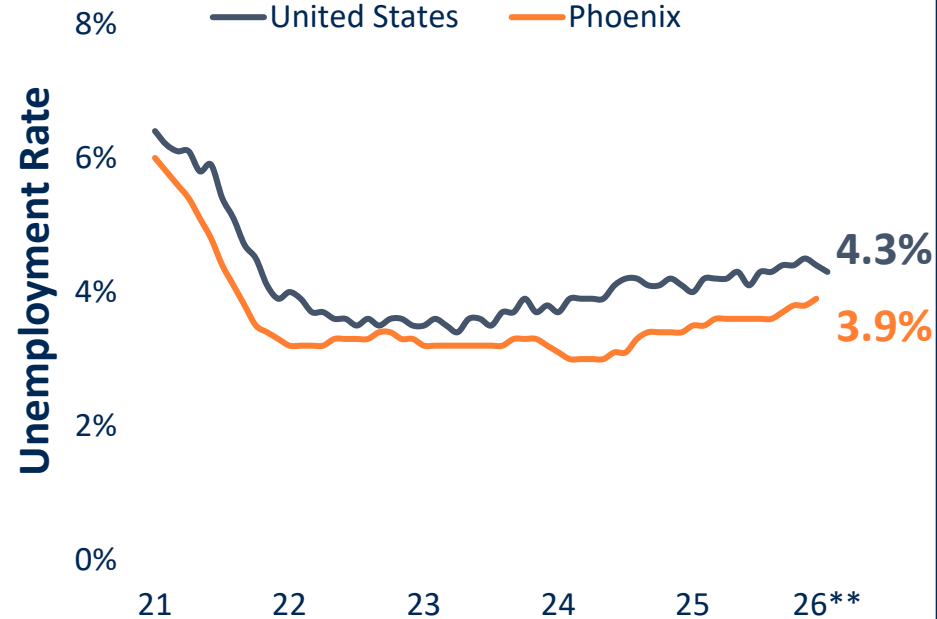
* Through 3Q
2017-chained dollars
Sources: Marcus & Millichap Research Services, BEA

Phoenix 2nd Most Job Creation Of Major Metros In 2026; Local Employment Market Stronger Than U.S.

Job Growth Trends



Unemployment Trends



* Forecast

** U.S. unemployment rate through January

Sources: Marcus & Millichap Research Services, BLS

TSMC Ecosystem To Create An Estimated 60,000 – 80,000 Permanent Roles

TSMC buys 900 acres of state trust land for north Phoenix expansion

Source: AZ Family
10/12/2025



Apple announces plans to invest billions in Arizona

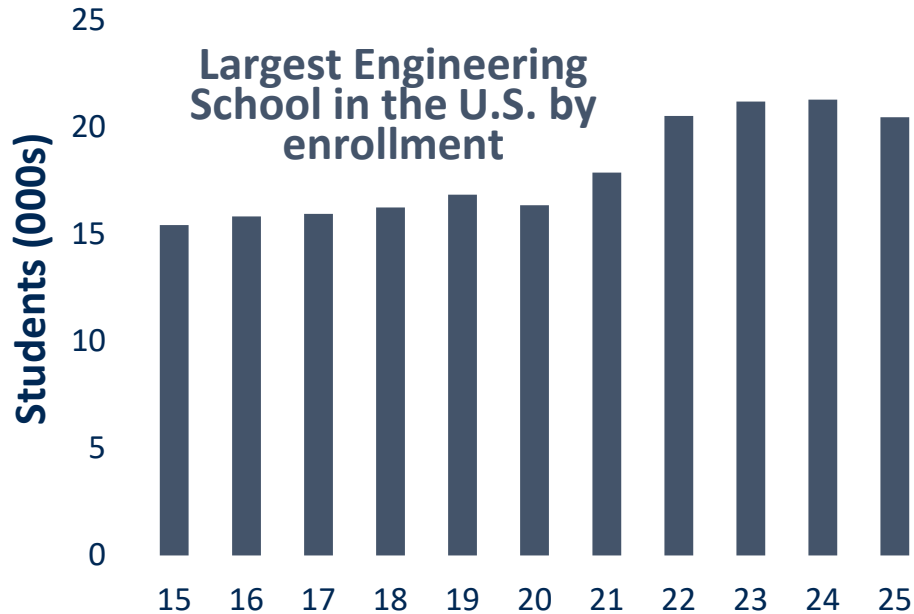
Source: AZ Big Media
03/14/2025

Amkor expands Arizona semiconductor campus investment to \$7B

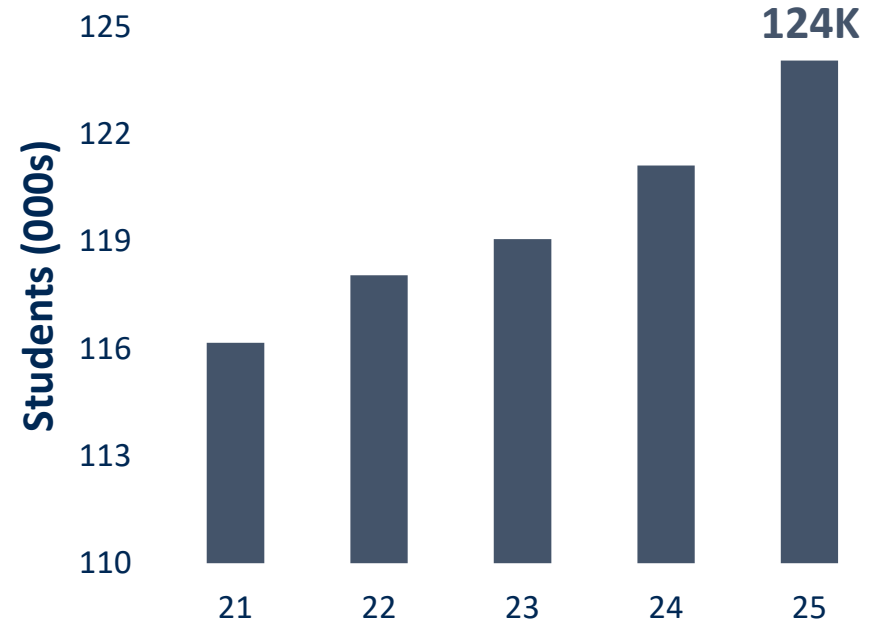
Source: Manufacturing Dive
10/08/2025

Arizona's Talent Infrastructure Strengthens The State's Economic Foundation

ASU Ira A. Fulton Schools of Engineering



Arizona Undergraduate Enrollment

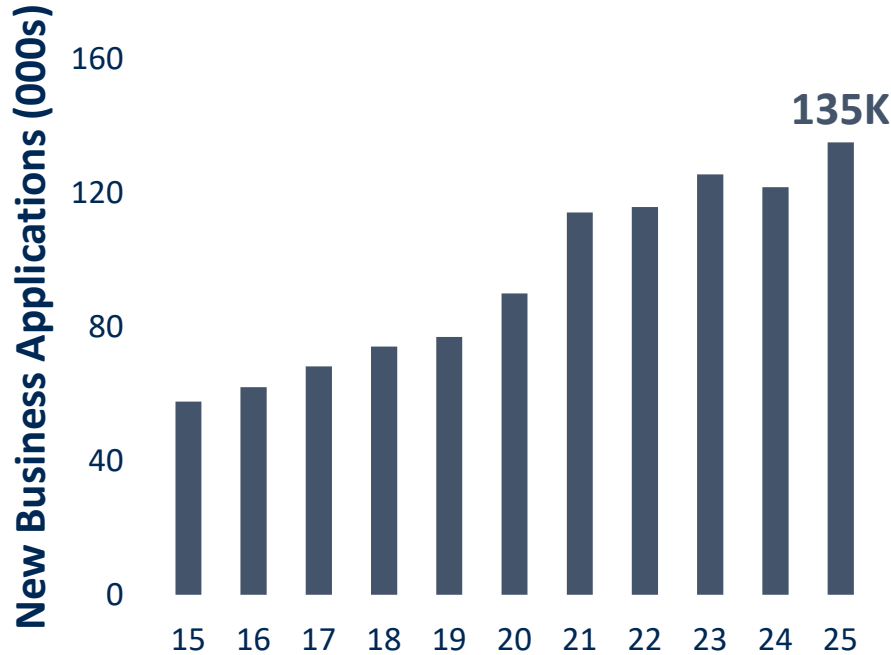


APPROXIMATELY **30%-45%**
OF OUT OF STATE COLLEGE STUDENTS
STAY IN ARIZONA AFTER GRADUATION

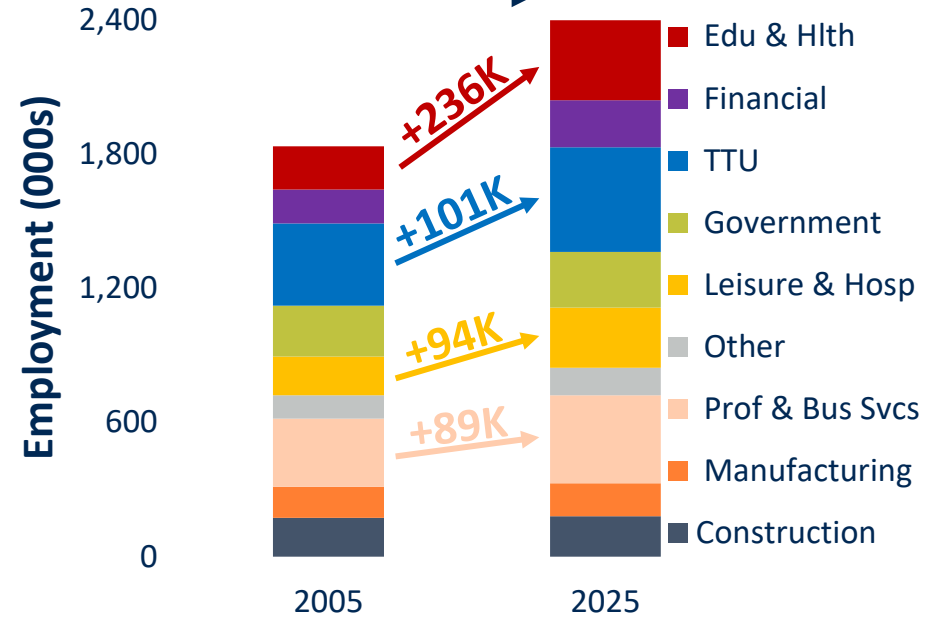


Phoenix Business Starts And Diverse Employment Invigorate Long-Term Outlook

Business Formation In Arizona



Employment Composition +635K Jobs



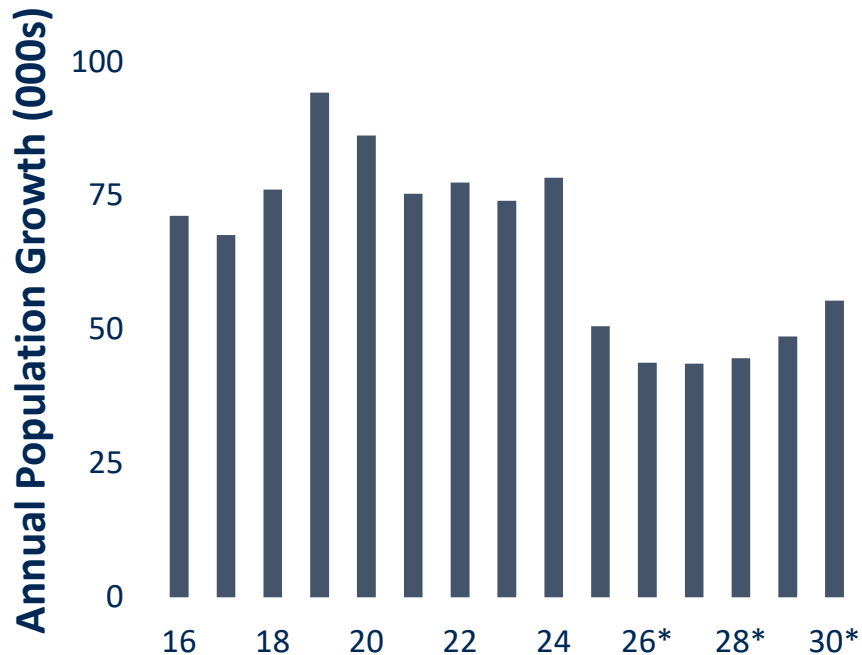


Sustained In-Migration & Population Growth

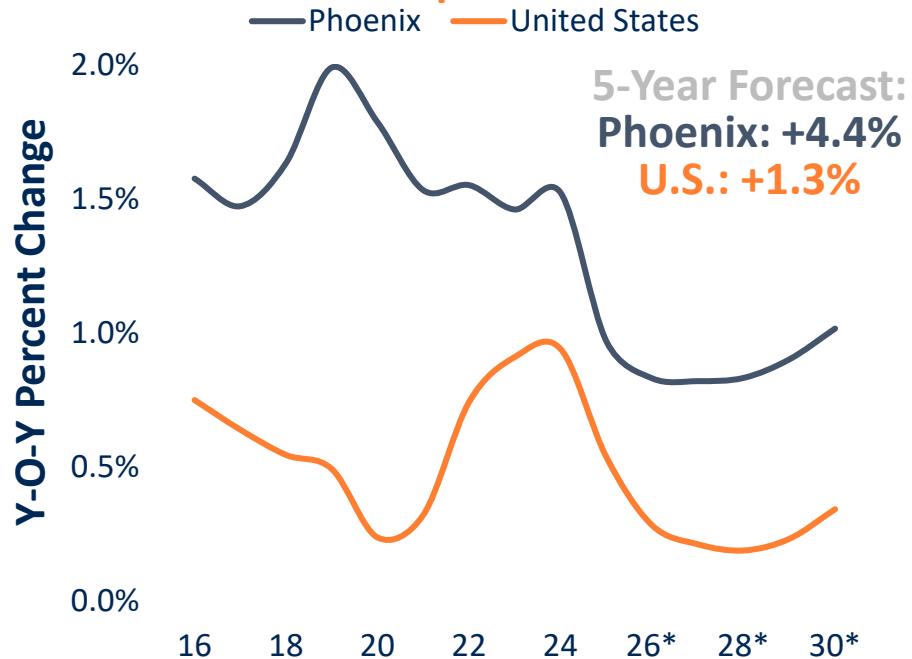


Phoenix Population Sustains Growth +236,000 Over Next Five Years

Phoenix Population Growth

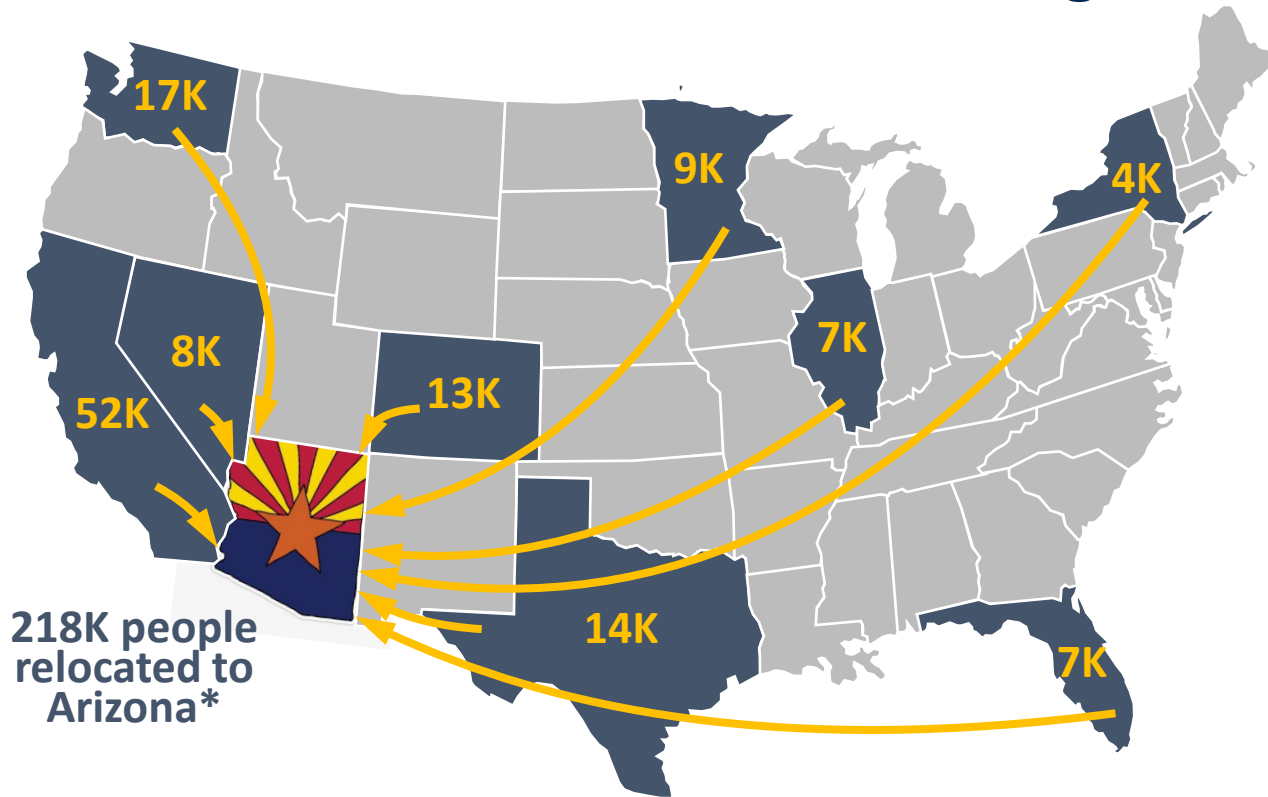


Phoenix vs. U.S. Population Growth Rate



* Forecast
Sources: Marcus & Millichap Research Services, U.S. Census

Arizona In-Migration: Where New Residents Are Coming From



* Year-over-year through August 2025
Sources: Marcus & Millichap Research Services, Placer.AI

Phoenix: A Top Population & Young Adult Growth Metro Growth Forecast Rank By Market

Top 10 Metros For Population Growth	5-Year Abs. Growth*
Dallas-Fort Worth	564,600
Houston	521,100
Atlanta	305,600
Austin	254,100
Phoenix #5	236,100
Orlando	235,800
Charlotte	180,500
San Antonio	160,100
Salt Lake City	155,600
Seattle-Tacoma	147,100
U.S. Total	4,350,000

Top 10 Metros For YA-Population Growth	5-Year Abs. Growth*
Dallas-Fort Worth	167,600
Houston	149,500
Austin	74,900
Atlanta	60,100
Phoenix #5	54,400
Orlando	48,500
San Antonio	47,100
Salt Lake City	46,700
Denver	39,700
Charlotte	33,200
U.S. Total	-1,472,200

* Forecast from 2026 through 2030

Young adults: 20 -34 year olds

Sources: Marcus & Millichap Research Services, U.S. Census Bureau, Moody's Analytics



Adaptive Reuse & Mixed-Use Urbanization



From Vacancy To Vibrancy: Phoenix's Adaptive Reuse Transformation

**High-rise apartment boom
reshapes Phoenix's urban core**

Source: Phoenix Business Journal
06/16/2025

**A new housing solution: Converting
vacant Phoenix offices into
\$850/month, dorm-style apartments**

Source: KJZZ
06/16/2025

**Phoenix's Vacant Office Space Is
Well-Suited for Co-Living
Conversions**

Source: Pew
10/21/2025



Paradise Valley Mall Reimagined As A Walkable Urban Village



Project Cost: ~\$2B

Size: 100+ Acres (Bigger than Disneyland Park)

- ❖ 1,000+ Luxury Apartment Units
- ❖ 13+ Dining Facilities Planned/Completed
- ❖ Whole Foods Market
- ❖ Lifetime Wellness Center
- ❖ Fender Musical Instruments co-HQ
- ❖ Central Park/Community Space

Metrocenter Mall → The Metropolitan Obsolete Retail Repositioned Into High-Density Mixed-Use



Project Cost: ~\$850M

Size: 64 Acres (~48 Football Fields)

Residential

- ❖ ~ 400 Apartment Units
- ❖ ~ 800-1,000 Townhomes
- ❖ First Move-Ins: ~ 2027

“The Loop”

- ❖ 116,000 SF experience-driven retail village + entertainment district
- ❖ Curated boutique retail + rooftop restaurants
- ❖ Event center + live music venues
- ❖ Activated park plaza + splash pad



Development & Construction Shape CRE Performance



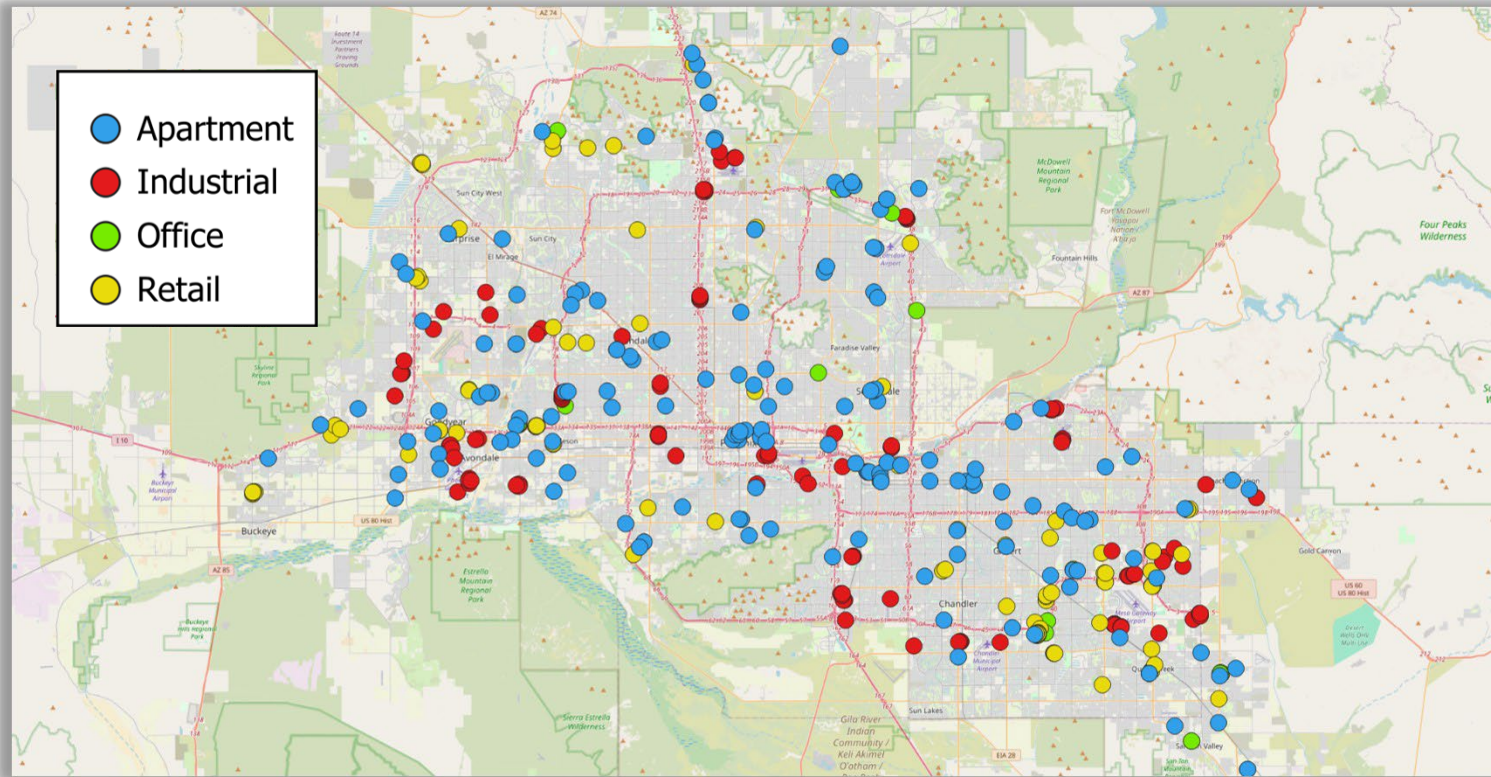
Phoenix Among The Nation's Most Active Construction Markets



Past 5 Years Construction Growth

- ❖ **Multifamily**
 - +89,600 Units (#3)
 - +23.7% (#6)
- ❖ **Retail**
 - +8,131,900 Sq. Ft. (#4)
 - +4.3% (#6)
- ❖ **Office:**
 - +5,928,200 Sq. Ft. (#18)
 - +2.7% (#20)
- ❖ **Industrial:**
 - +123,700,100 Sq. Ft. (#2)
 - +37.6% (#3)

Current Construction Activity Widespread Across the Phoenix Metro



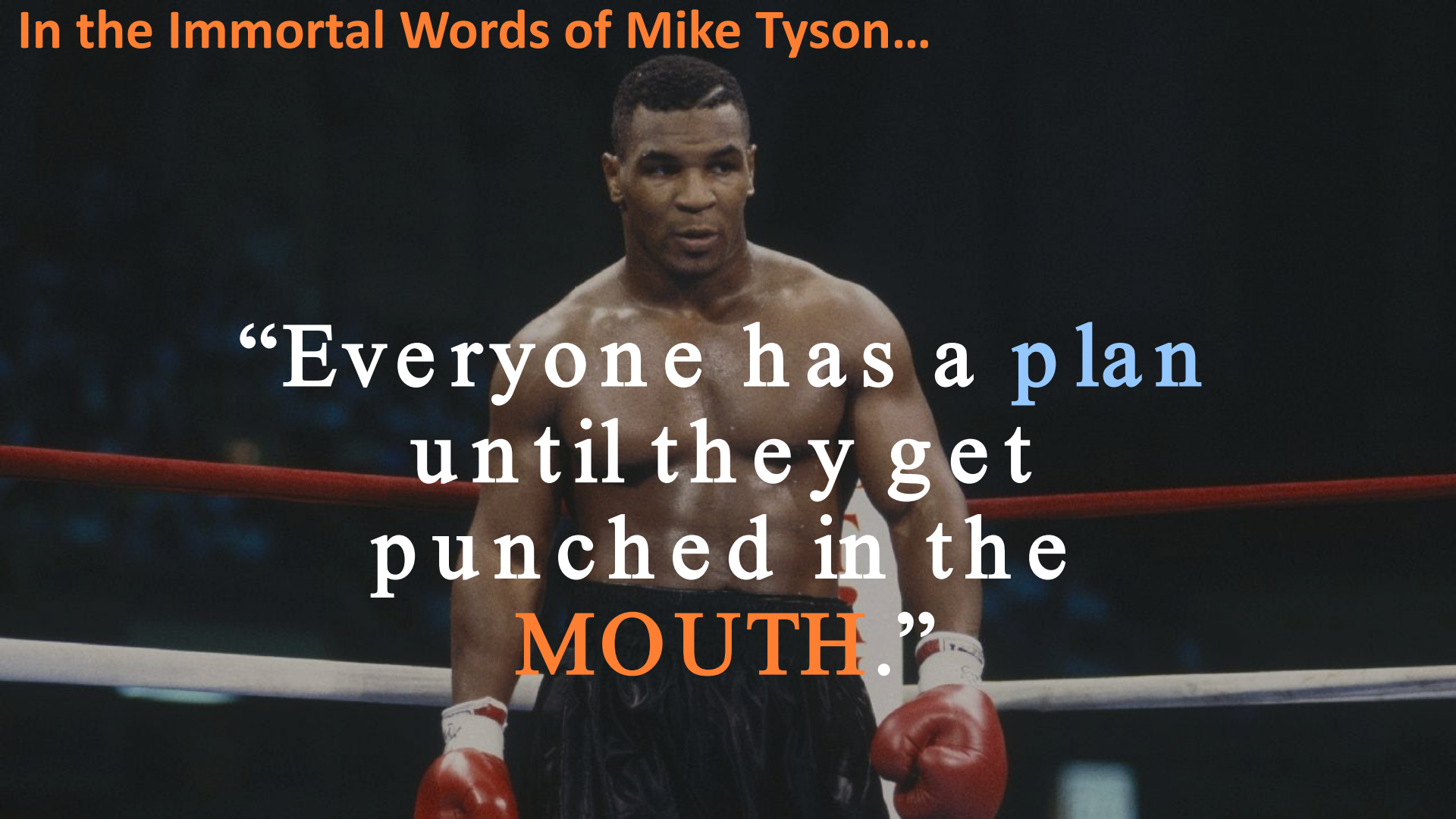
Apartment Construction Over The Past 5 Years

Metro Rank By Absolute & Percent Change

Top 10 Metros By Absolute Change	5-Year Completions	5-Year Inv. Change
Dallas-Fort Worth	151,800	17.7%
New York	125,600	5.9%
Phoenix #3	89,600	23.7%
Houston	89,200	12.1%
Austin	87,900	33.1%
Atlanta	81,700	15.5%
Washington, D.C.	63,400	9.4%
Charlotte	60,300	30.1%
Denver	55,500	18.1%
Orlando	53,100	21.2%
U.S. Total	2,108,100	11.3%

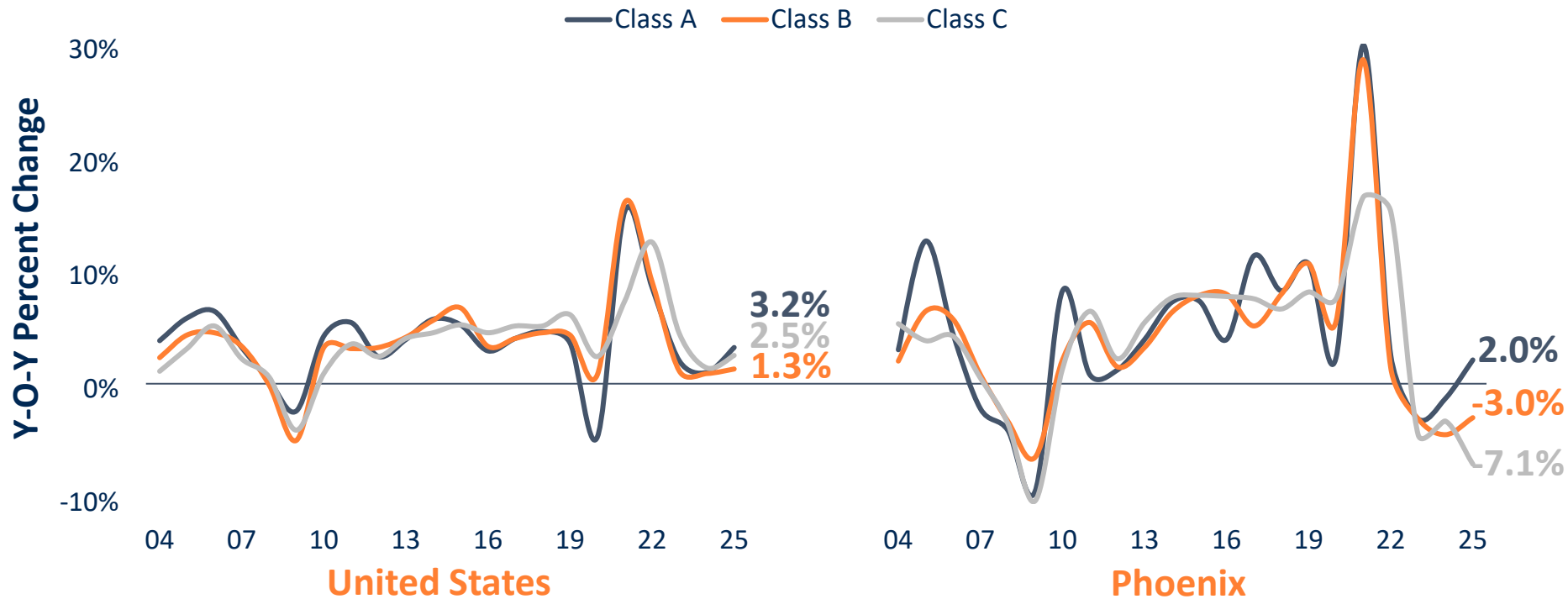
Top 10 Metros By Percent Change	5-Year Completions	5-Year Inv. Change
Austin	87,900	33.1%
Charlotte	60,300	30.1%
Nashville	46,700	29.0%
Salt Lake City	35,500	26.0%
Jacksonville	30,400	24.8%
Phoenix #6	89,600	23.7%
Orlando	53,100	21.2%
Denver	55,500	18.1%
Dallas-Fort Worth	151,800	17.7%
Austin	87,900	33.1%
U.S. Total	2,108,100	11.3%

In the Immortal Words of Mike Tyson...

A photograph of Mike Tyson in a boxing ring, shirtless and wearing black boxing trunks and red boxing gloves. He is looking directly at the camera with a serious expression. The background is dark with some blurred lights.

“Everyone has a plan
until they get
punched in the
MOUTH.”

Wave Of Multifamily Development Driving Rent Concessions And Stalling Rent Growth



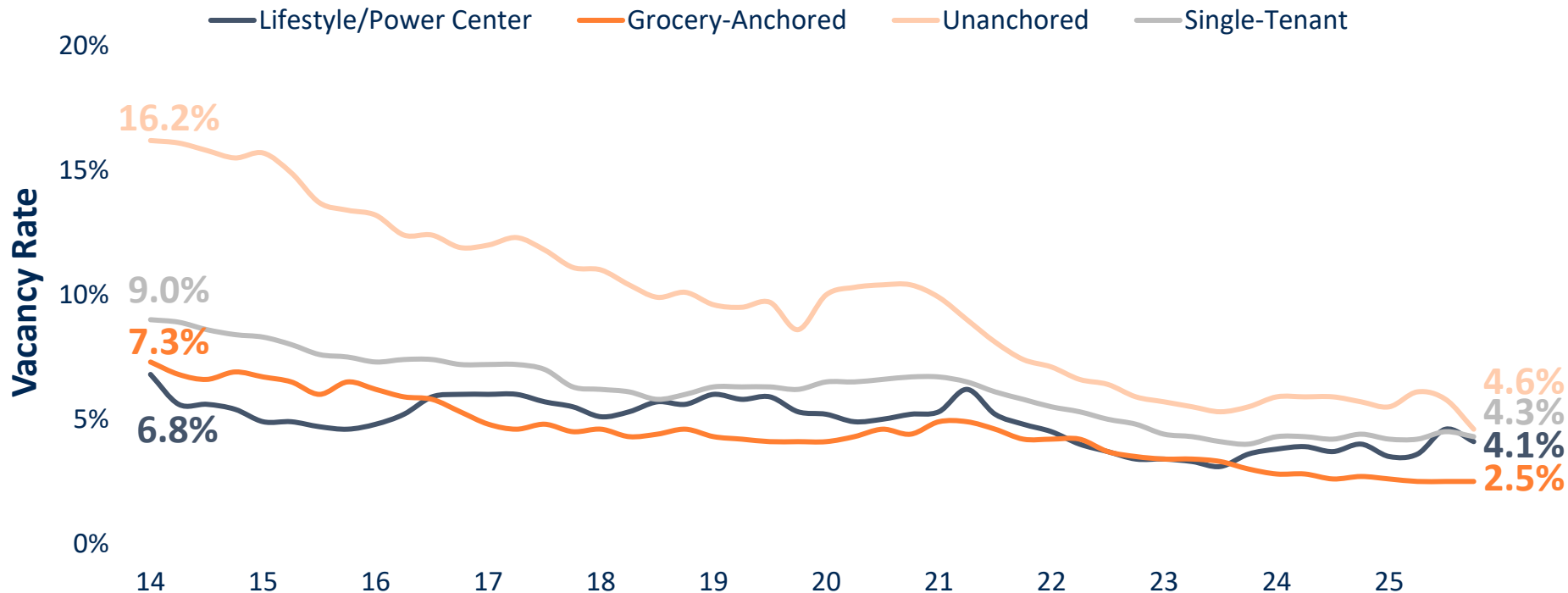
Retail Construction Over The Past 5 Years

Metro Rank By Absolute & Percent Change

Top 10 Metros By Absolute Change	5-Year Completions	5-Year Inv. Change
Houston	18,281,700	4.8%
Dallas-Fort Worth	14,756,400	4.6%
Atlanta	8,515,400	2.6%
Phoenix #4	8,131,900	4.3%
Tampa	6,826,300	3.6%
Austin	6,338,700	7.1%
San Antonio	6,166,600	5.3%
Orlando	5,052,000	3.9%
Chicago	4,618,800	1.0%
Nashville	4,605,300	4.3%
U.S. Total	197,323,000	2.2%

Top 10 Metros By Percent Change	5-Year Completions	5-Year Inv. Change
Austin	6,338,700	7.1%
San Antonio	6,166,600	5.3%
Houston	18,281,700	4.8%
Jacksonville	4,344,200	4.7%
Dallas-Fort Worth	14,756,400	4.6%
Phoenix #6	8,131,900	4.3%
Nashville	4,605,300	4.3%
Orlando	5,052,000	3.9%
Tampa	6,826,300	3.6%
Salt Lake City	3,002,000	3.4%
U.S. Total	197,323,000	2.2%

Phoenix Retail Vacancy Rate Has Steadily Tightened Convergence Suggests Retail Space Shortage

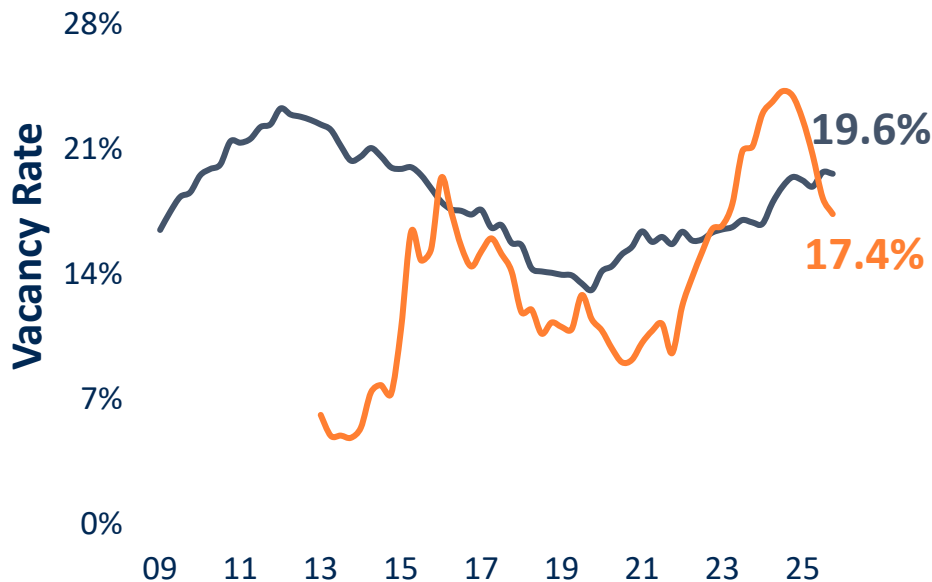


Phoenix Office Vacancy Remains Elevated

Newer Suburban Locations Favored

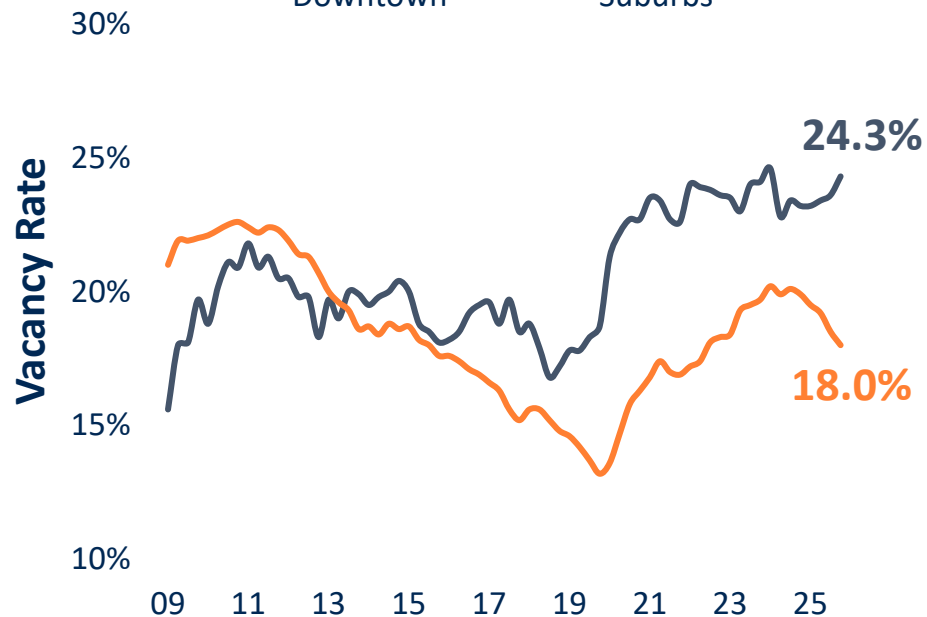
Property Vintage

— 1980s — 2010s



Downtown vs. Suburbs

— Downtown — Suburbs



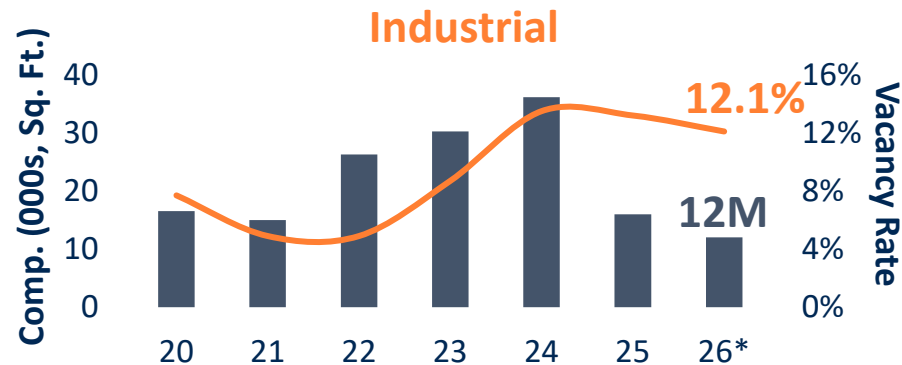
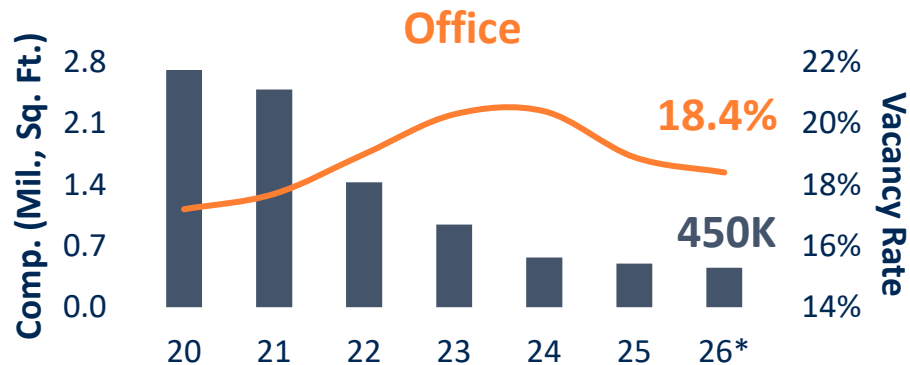
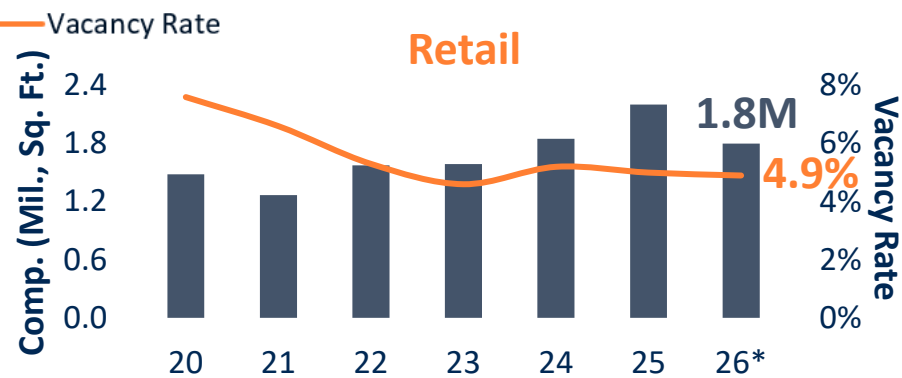
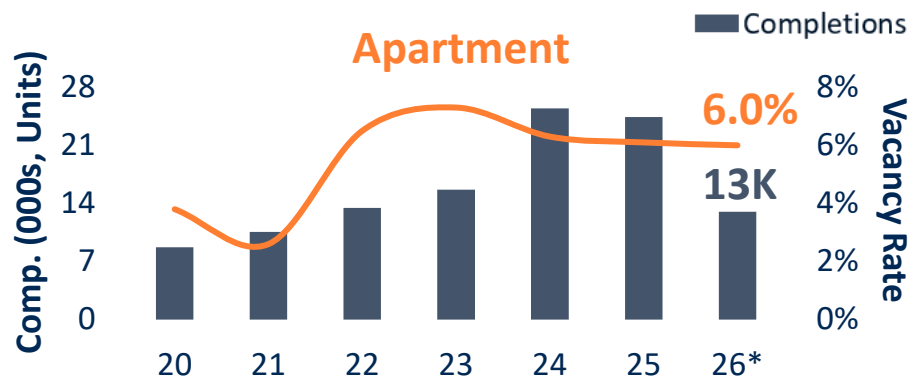
Industrial Construction Over The Past 5 Years

Metro Rank By Absolute & Percent Change

Top 10 Metros By Absolute Change	5-Year Completions	5-Year Inv. Change
Dallas-Fort Worth	177,284,300	21.1%
Phoenix #2	123,700,100	37.6%
Atlanta	114,522,700	15.8%
Houston	112,028,600	18.4%
Chicago	108,908,500	9.5%
Inland Empire	107,439,900	17.4%
Philadelphia	65,970,400	13.4%
Indianapolis	61,298,100	20.3%
Austin	54,822,300	60.6%
Columbus	46,722,500	17.3%
U.S. Total	2,035,165,300	11.9%

Top 10 Metros By Percent Change	5-Year Completions	5-Year Inv. Change
Austin	54,822,300	60.6%
Charleston	28,366,400	40.2%
Phoenix #3	123,700,100	37.6%
Las Vegas	32,588,800	26.5%
Dallas-Fort Worth	177,284,300	21.1%
Raleigh-Durham	23,552,800	20.9%
San Antonio	24,844,700	20.5%
Indianapolis	61,298,100	20.3%
Salt Lake City	44,628,600	20.3%
Jacksonville	22,091,000	18.5%
U.S. Total	2,035,165,300	11.9%

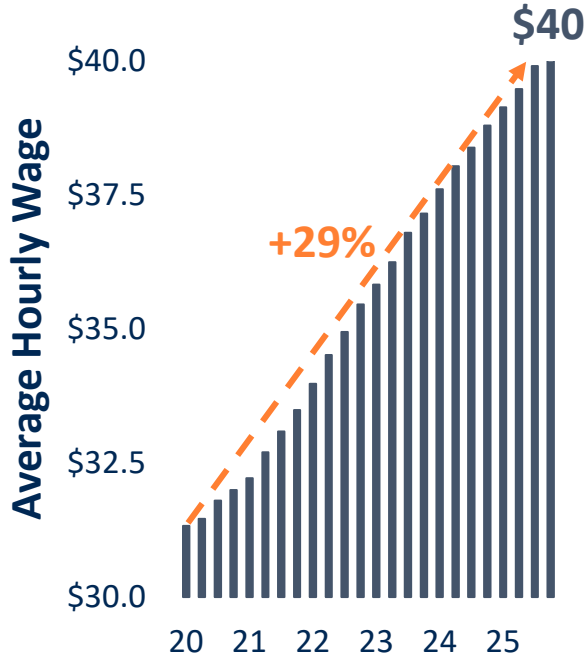
Phoenix Commercial Real Estate Stable Despite Construction Wave



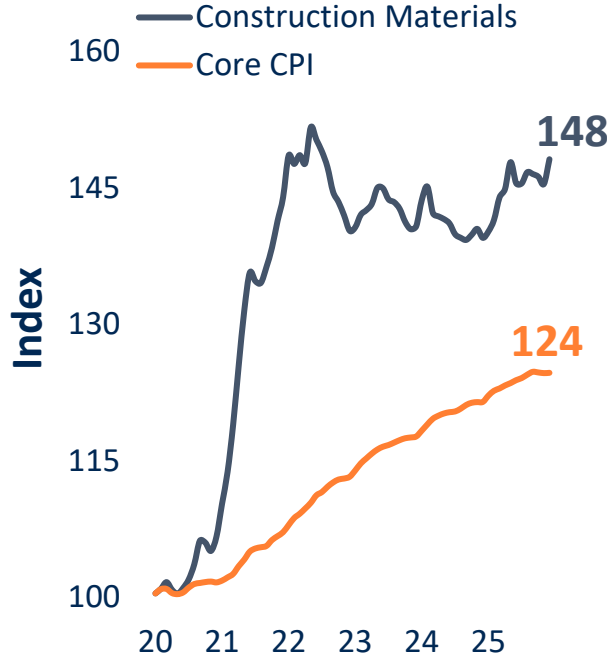
* Forecast
Sources: Marcus & Millichap Research Services, RealPage, Inc., CoStar Group, Inc.

Construction Slowing Wages And Material Costs To Weigh On Development

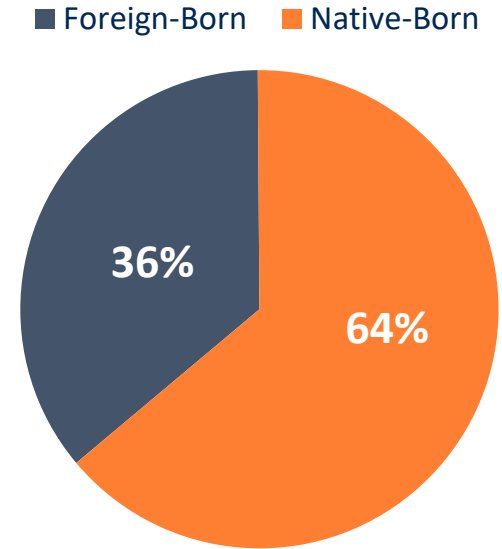
Average Hourly Wage for Construction



Construction Material Costs vs. Inflation



Current Share Of Construction Workers By Nativity

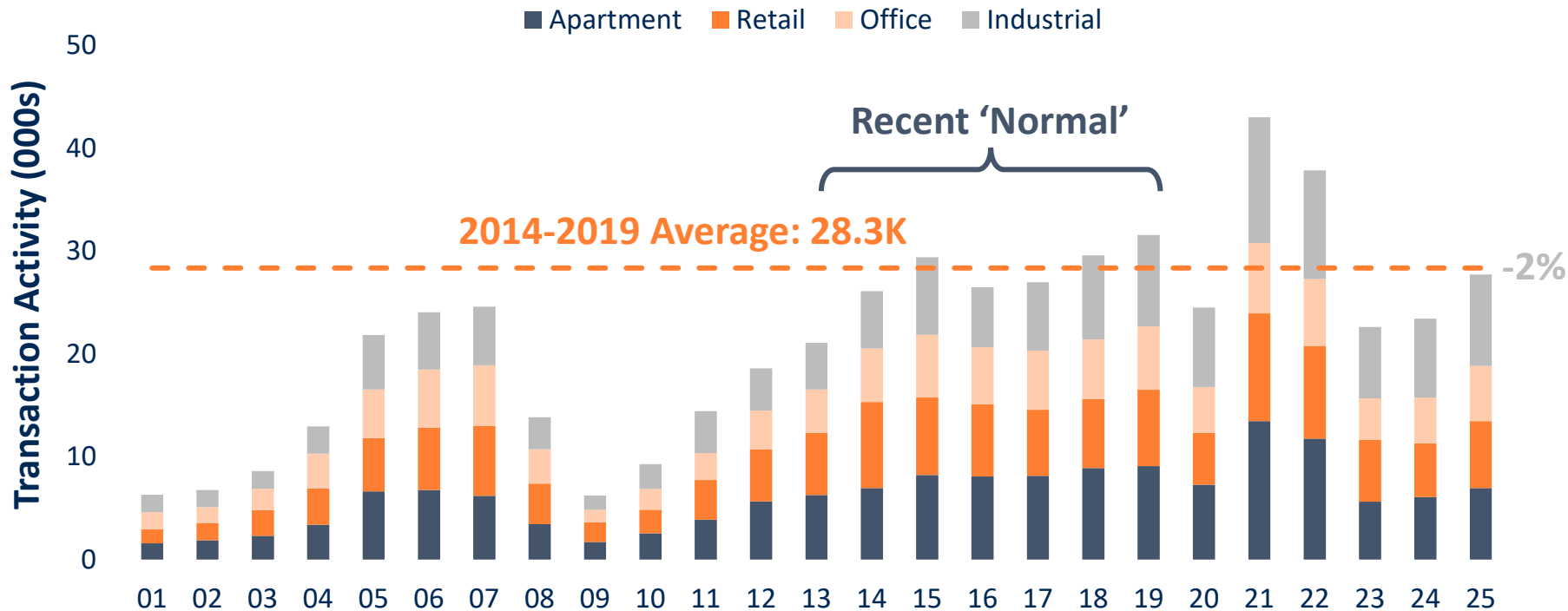




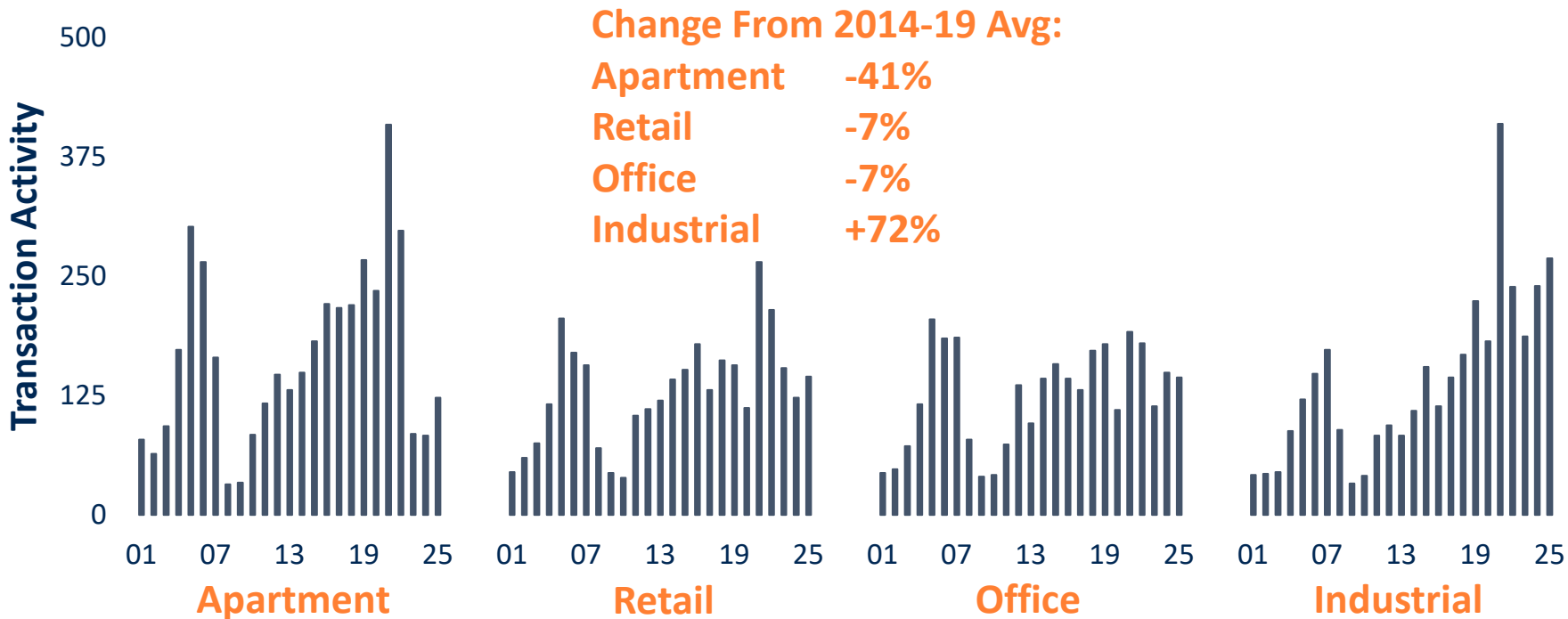
Pricing Recalibration & Capital Flows



U.S. Commercial Real Estate Transaction Activity Almost In-Line With Pre-Pandemic Norms

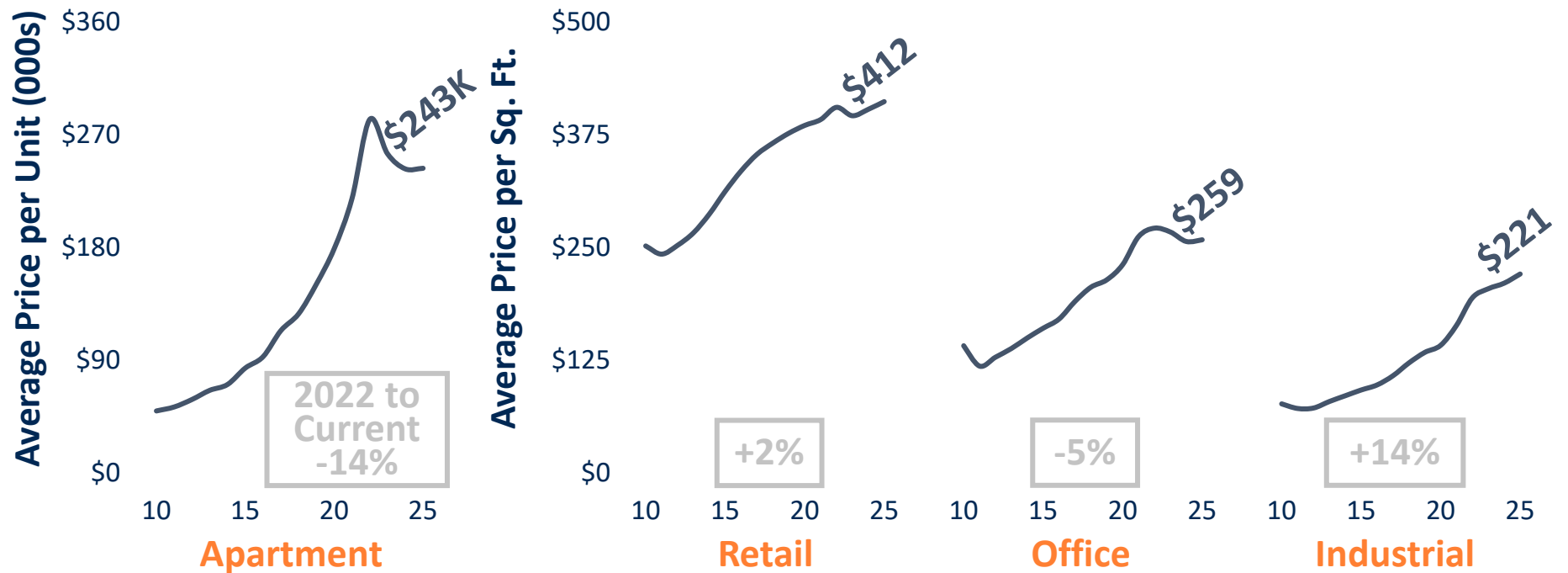


Phoenix CRE Transaction Activity Trails Pre-Pandemic Averages Across Most Property Types



Includes sales \$2.5 million and greater
Sources: Marcus & Millichap Research Services, Real Capital Analytics

Phoenix Apartment And Office Prices Corrected, Retail And Industrial Prices Rising



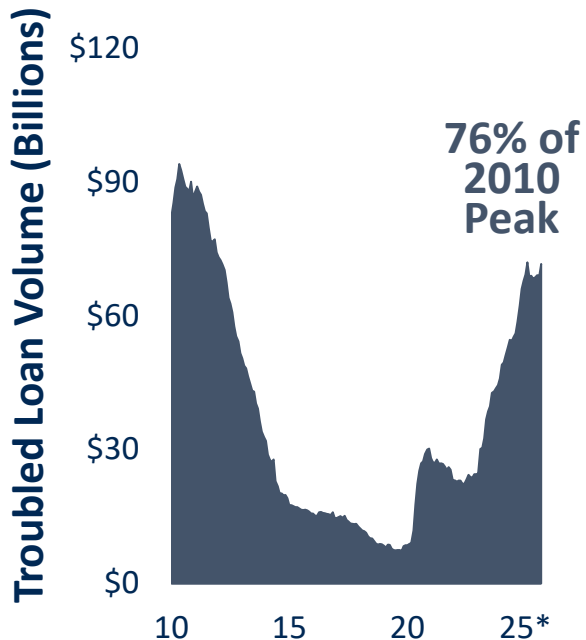
Includes sales \$1 million and greater
 Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Phoenix Cap Rate Recalibration: Investors Come To Terms With New Normal

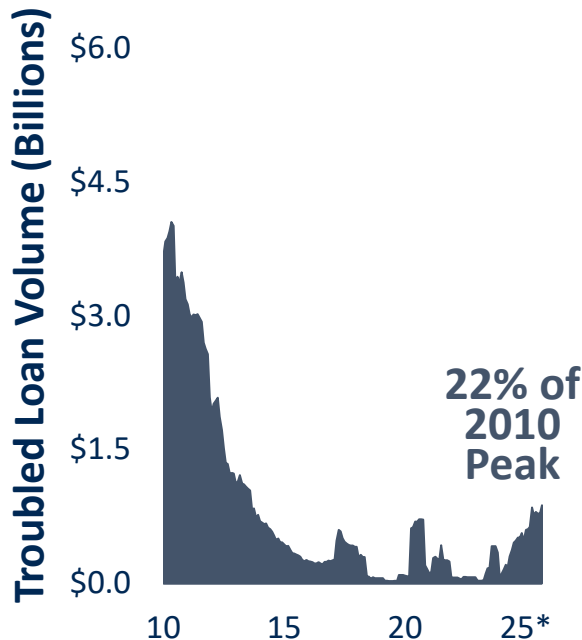


Phoenix CRE Distress Remains Limited

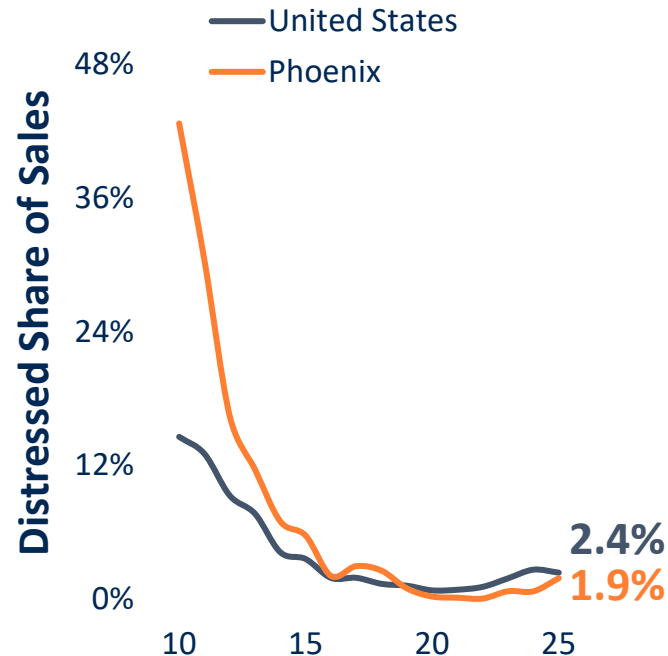
U.S. Troubled Loans



Phoenix Troubled Loans

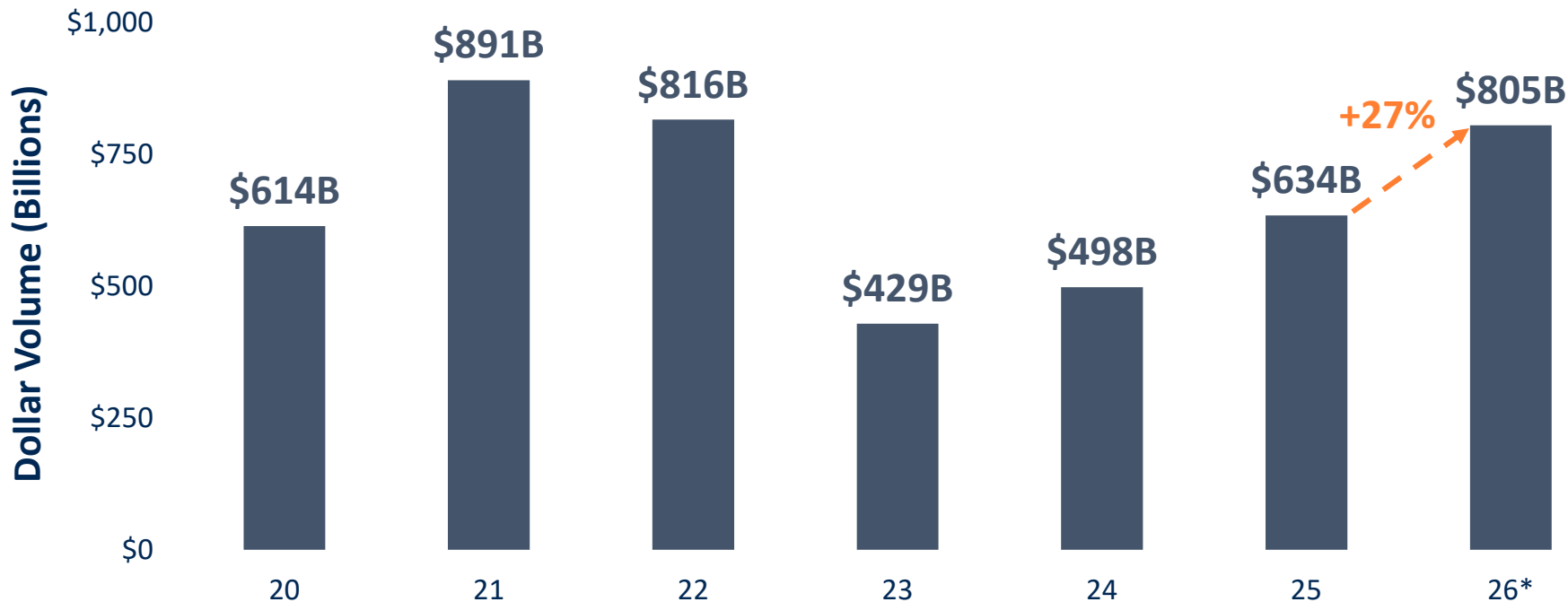


Distressed Sales



* Through 3Q
Includes apartment, retail, office, and industrial sales \$2.5 million and greater
Sources: Marcus & Millichap Research Services, Real Capital Analytics

Mortgage Bankers Association Forecasts Increased Commercial Real Estate Lending In 2026

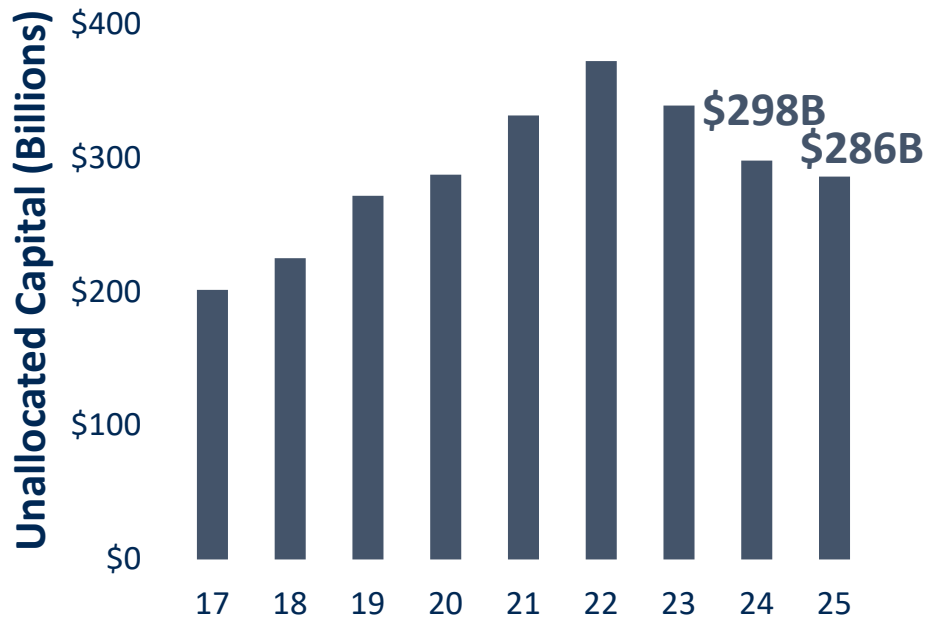


* Forecast
Sources: Marcus & Millichap Research Services, Mortgage Bankers Association

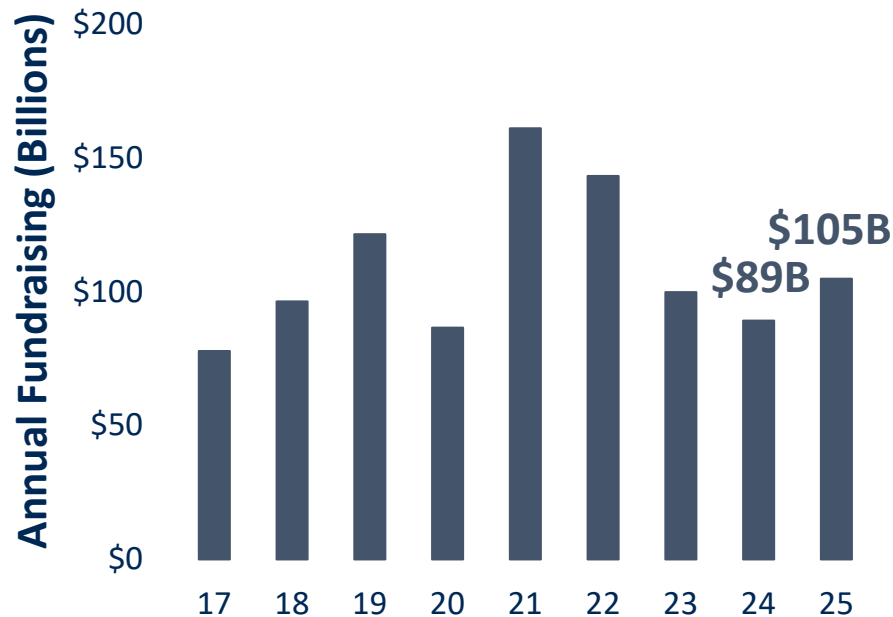
Marcus & Millichap

Capital Positioning To Deploy? Institutional Fundraising On The Rise

Undeclared CRE-Targeted Capital



Fundraising For U.S. CRE Strategies



2026 Phoenix Commercial Real Estate Outlook

- ❖ The U.S. Economy Positive But Fragile
- ❖ Uncertainty Weighing On Decision Making and Hiring
- ❖ Phoenix Economy Stronger Than Nation As A Whole
- ❖ Supply Overhang Of Apartments, Office and Industrial A Challenge
- ❖ Phoenix Household Formation Slowing, But Housing Demand Positive
- ❖ Repricing Of CRE Supports Favorable Returns Outlook
- ❖ Debt Financing Widely Available With Accretive Rates
- ❖ Capital Flows To CRE Appear Positioned To Rise

ULI Trends Day Phoenix Econ & CRE Outlook

February 2026

Marcus & Millichap

John T. Chang
Chief Intelligence & Analytics Officer
Marcus & Millichap Research Services

[in /in/johnchang/](https://www.linkedin.com/in/johnchang/)

