



OCTOBER 2025



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ECONOMIC OUTLOOK: PHOENIX, ARIZONA

# Regional Intelligence Report

Sponsored by Snell & Wilmer and Phoenix Business Journal  
Prepared by Beacon Economics, LLC. Presented by Western Alliance Bank

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# Overview

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- The Phoenix labor market remains the strongest in Arizona. From July 2024 to July 2025, total nonfarm employment in the city increased by 1.2%, slightly outpacing national employment growth (1.0%). Phoenix ranks mid-pack among similarly large metros, but note that revisions to March 2025 data—negative nationwide—revealed an undercount of 19,600 jobs (0.8%). Arizona was the largest beneficiary of the revision, with a statewide employment undercount of 1.1%.
- Labor force expansion in Phoenix has been significant since the pandemic, although it has slowed in the past year. Since February 2020, Phoenix's labor force has grown by 11.3%—more than triple the national rate of 3.6%. Between February 2020 and July 2024, the city accounted for 6.1% of total U.S. labor force growth. However, from July 2024 to July 2025, its share fell to just 2.2%, signaling a marked slowdown.
- Health Care accounted for two-thirds of net new jobs in Phoenix over the past year. The sector added more jobs in absolute terms over the past year than the year before—19,500 between July 2024 and July 2025, compared to 17,500 between July 2023 and July 2024—even as overall job growth in Phoenix declined by half (29,600 vs. 62,000).
- Information, Retail Trade, Manufacturing and Logistics lost a combined total of 6,500 jobs over the past year. According to a survey by the Federal Reserve Bank of Richmond, these industries may be particularly vulnerable to the rise of artificial intelligence, uncertainty over ongoing trade wars and higher tariff rates.
- Wage growth in Phoenix continues to be strong, with Phoenix workers now earning significantly more on average than their national counterparts, a sign of a maturing urban economy.
- High interest rates and borrowing costs continue to weigh on Phoenix's residential real estate market. Even though prices have fallen and supply has increased, demand remains weak. Sellers face limited prospects, with overall sales hovering near recent record lows.

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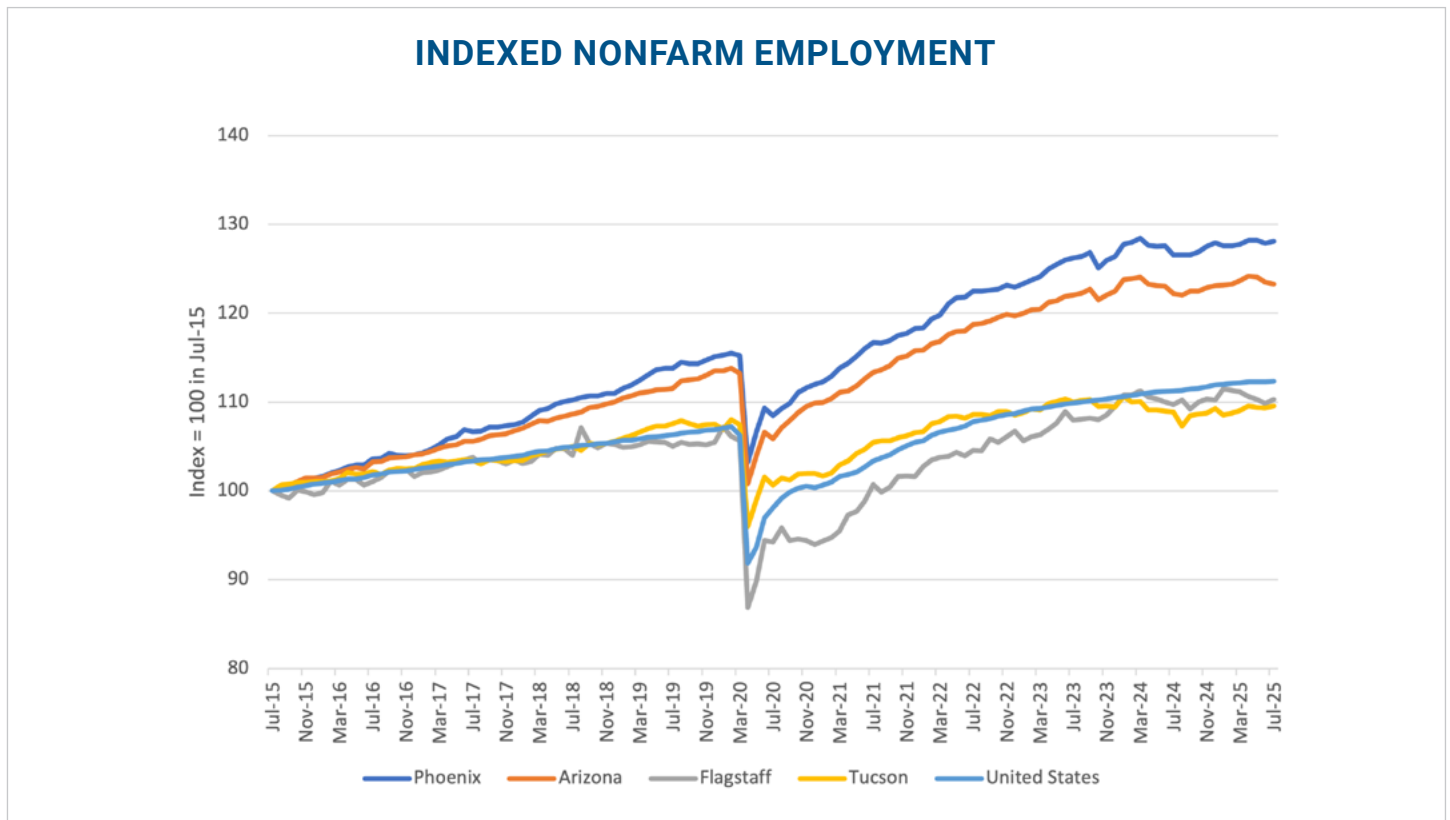
<sup>1</sup> <https://product.costar.com/home/news/753643115>

<sup>2</sup> [https://www.richmondfed.org/publications/research/economic\\_brief/2025/eb\\_25-12](https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-12)

- The rental market is also performing poorly. Deliveries (13,758 new units over the past year) continue to outstrip demand (net absorption of 10,577), resulting in lower asking rents and a rising vacancy rate. Nevertheless, new residential permits have risen 8.3% compared to last year and continue to skew toward multifamily units. New single-family permitting fell by -2.1% over the same period.
- Although demand for office space has risen slightly, with approximately 133,000 square feet of net absorption, completions continue to outpace demand, leading to an increased vacancy rate.
- Retail remains the strongest commercial real estate sector, absorbing nearly 2 million square feet in the past year. That aligns closely with new deliveries, despite recent employment declines in the sector. Retail space, especially in mixed-use developments, may also be used by the Leisure and Hospitality and Other Services sectors, which have both posted job growth.
- Industrial vacancy remains stubbornly high as new completions continue to outpace demand. Despite nearly 11.8 million square feet of net absorption last year, vacant stock increased by approximately 13.5 million square feet. The vacancy rate is now 2.2 percentage points higher than in the second quarter of 2024, and job losses in Manufacturing and Logistics raise concerns about future demand.
- Federal Reserve rate cuts may offer some relief to weakening demand. The Fed lowered rates by 25 basis points in September 2025 and signaled further reductions in the months ahead. Lower rates could reduce borrowing costs for homebuyers and spur investment by businesses, developers and manufacturers.

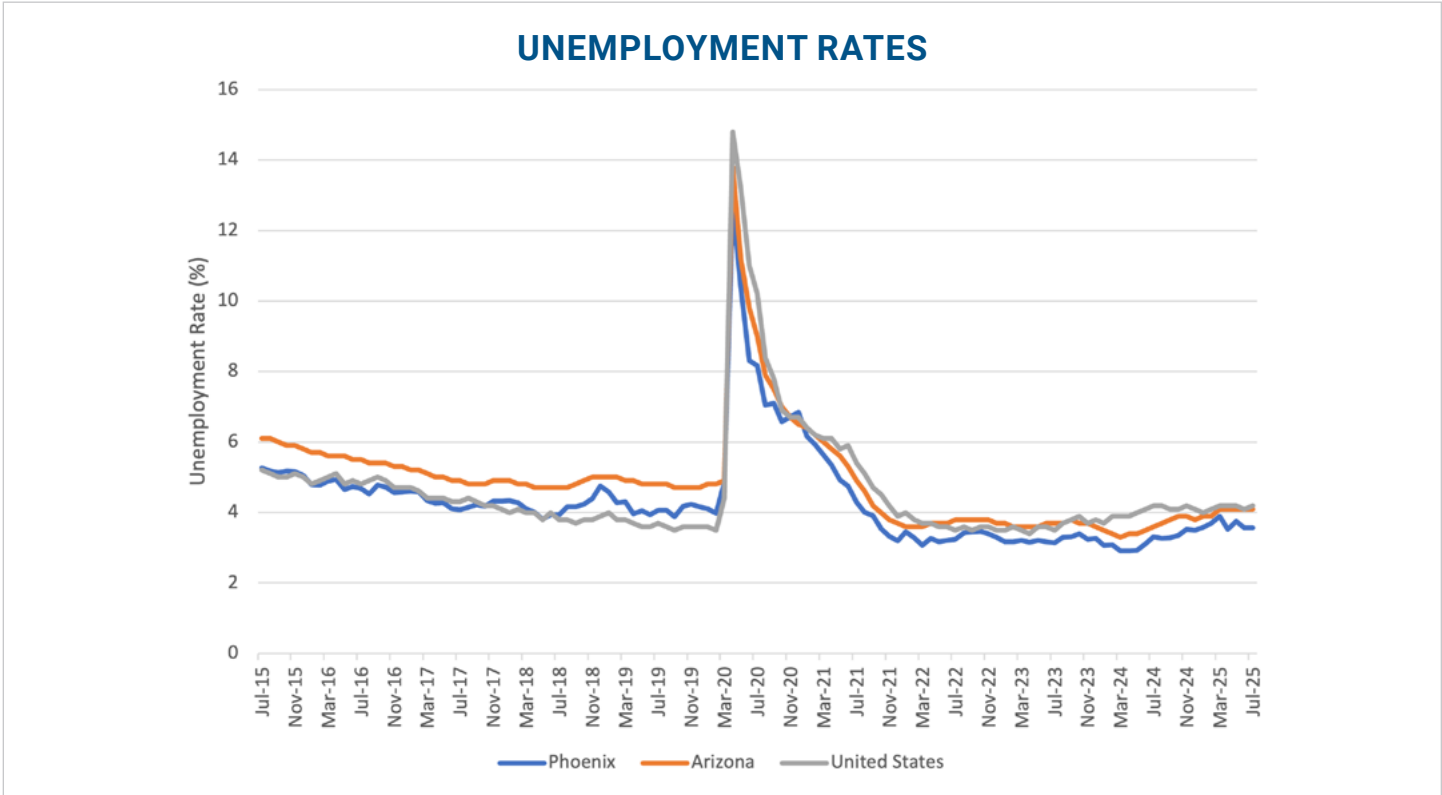
# Labor Markets

From July 2024 to July 2025, total nonfarm employment in Phoenix increased by 1.2%, outpacing Tucson (0.7%), Flagstaff (0.5%) and the U.S. (1.0%). Among other large markets, Phoenix remained reliably in the middle tier, outpaced only by New York, Philadelphia, Houston, Miami and San Antonio. In addition, 241,200 more people are currently employed in payroll positions in Phoenix compared to February 2020, a 10.9% increase. This growth mostly occurred in just four industries: Health Care, Construction, Leisure and Hospitality, and Logistics, which together account for around 70% of job growth. This increase exceeded the national rate (4.7%), with only Austin and the Dallas-Plano-Irving Metropolitan Division showing stronger growth among peer cities.



Source: U.S. Bureau of Labor Statistics

Although the national unemployment rate has remained relatively stable, with little change between July 2024 and July 2025, the unemployment rate in Phoenix has ticked up by a quarter of a percentage point, mostly due to an inflow of new labor force participants. Nevertheless, Phoenix’s unemployment rate remains below 4%, lower than the national average. This is a reversal of pre-pandemic conditions, when Phoenix’s rate was slightly higher than the nation’s. Statewide, unemployment rose more sharply, with larger increases in Tucson, Flagstaff and non-metropolitan areas.



Source: U.S. Bureau of Labor Statistics

Phoenix’s labor force continues to grow, but at a slower pace than in previous years. Since February 2020, the city has added 279,600 workers, roughly 44,100 of them since July 2024. While growth remains positive, Phoenix’s share of national labor force expansion has declined—from 6.1% of the 3.85 million gain between February 2020 and July 2024, to just 2.2% of the 2.03 million added since then. The local growth rate of 1.6% since July 2024 slightly exceeds the previous year’s 1.5% but remains below the growth rates seen in the three prior years.

Employment growth in Phoenix has been driven largely by the Health Care industry, which added 19,500 new workers, nearly a third of all net new jobs. Already the city’s largest employer, Health Care also ranked as its second fastest-growing industry, expanding by 5.7% over the past year. It was outpaced only by the small Natural Resources sector, which grew by 8.0% (adding approximately 300 jobs). While rising demand for Health Care services is a nationwide trend, Phoenix has seen particularly strong momentum due to major investments. These include Mayo Clinic’s \$1.9 billion upgrade to its Scottsdale campus and significant expansions in bioscience research labs and medical device manufacturing facilities. Other high-performing sectors include Management (growing by 5.6% and adding 2,100 jobs) and Other Services (4.9%, 3,800 jobs).

Over the past year, four sectors each lost more than 1,000 jobs: Information, Retail Trade, Manufacturing and Logistics. Information—which includes many tech firms—may be showing the impact of AI and a scaling back of employment following massive national expansion in 2021–2022. The other three industries are likely to be affected by tariffs and the uncertainty surrounding current trade policies.

<sup>3</sup> <https://product.costar.com/home/news/753643115>

<sup>4</sup> [https://www.richmondfed.org/publications/research/economic\\_brief/2025/eb\\_25-12](https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-12)

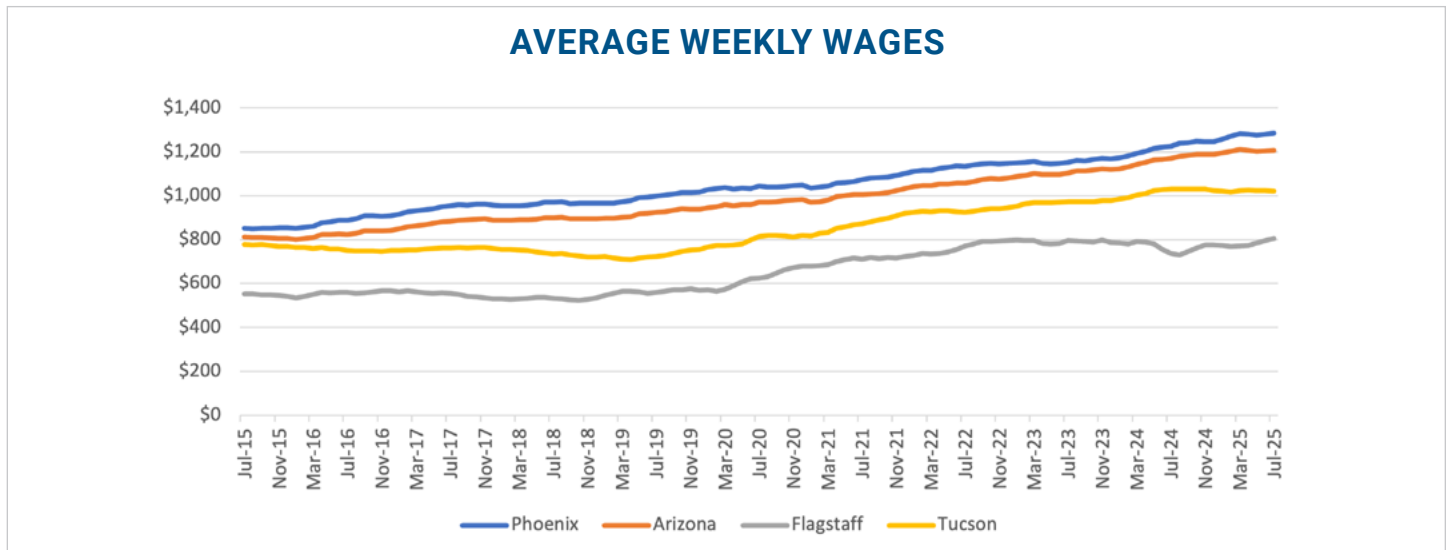


### INDUSTRY EMPLOYMENT: PHOENIX

Sector	Jul-25 Emp. (000s)	1-Year Chg. (000s)	1-Year Chg. (%)	LQ
Health Care	364.3	19.5	5.7	1.0
Other Services	80.9	3.8	4.9	0.9
Financial Activities	210.7	2.8	1.3	1.5
Management	39.9	2.1	5.6	1.0
Government	254.8	1.2	0.5	0.7
Leisure and Hospitality	264.7	1.1	0.4	1.0
Admin Support	205.4	0.7	0.3	1.5
Prof Sci Tech	139.7	0.7	0.5	0.8
Construction	179.1	0.7	0.4	1.4
Natural Resources	4.0	0.3	8.0	0.4
Wholesale Trade	99.0	0.3	0.3	1.0
Information	38.6	-1.2	-3.0	0.9
Retail Trade	247.0	-1.2	-0.5	1.0
Manufacturing	146.7	-1.7	-1.2	0.7
Logistics	121.2	-2.4	-1.9	1.1
<b>Total Nonfarm</b>	<b>2,458.4</b>	<b>29.6</b>	<b>1.2</b>	<b>1.0</b>

Source: U.S. Bureau of Labor Statistics

Wages in Phoenix continue to rise, though at a slower pace than last year. In July 2025, average weekly earnings were 4.9% higher year-over-year, reaching \$1,285—\$90 higher than the national median. Once close to the national average, Phoenix now leads in wage growth across Arizona, outpacing other metros where earnings have largely stagnated.



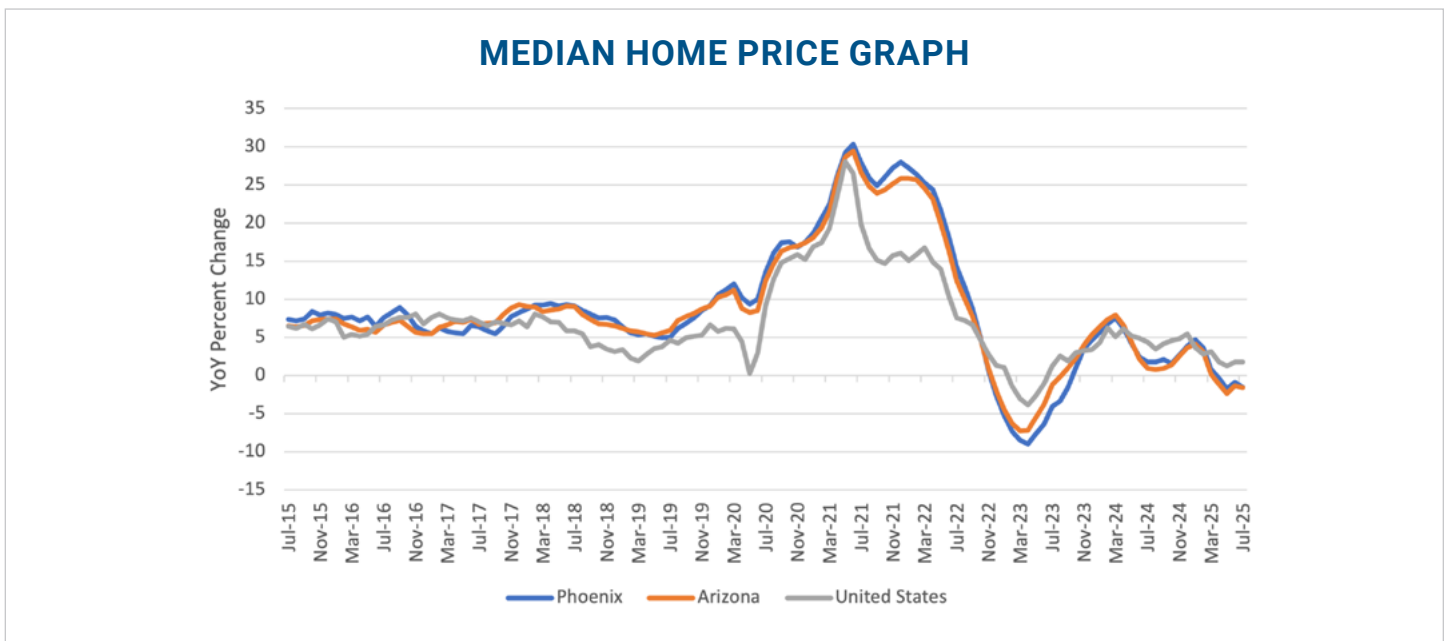
Source: U.S. Bureau of Labor Statistics

<sup>5</sup><https://www.bls.gov/opub/ted/2025/median-weekly-earnings-were-1196-in-second-quarter-2025.htm#:~:text=Median%20weekly%20earnings%20of%20the,U%20over%20the%20same%20period.>

# Residential Real Estate

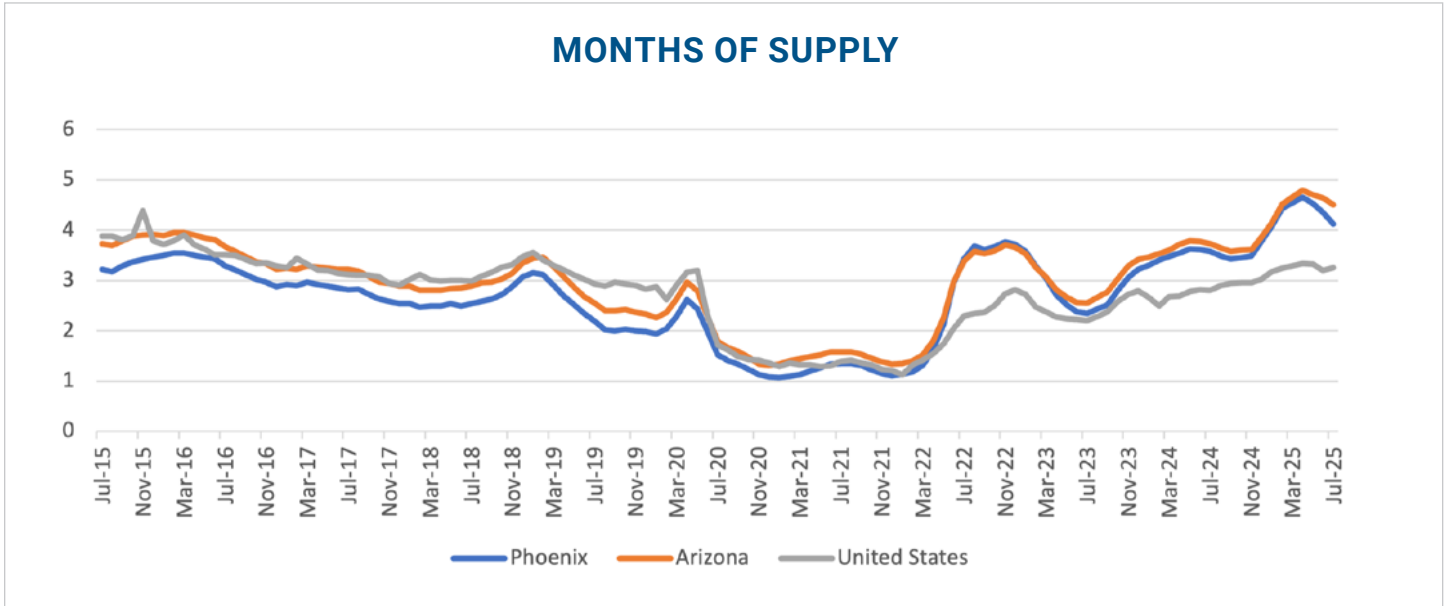
Phoenix’s housing market has cooled in the past year as borrowing costs remain high. Median home prices in Phoenix have declined by -1.6% over the past year, while prices rose nationally by 1.8%, a slower rate of growth than last year. Phoenix’s relatively high rate of new housing construction increases supply, which dampens price growth, but demand is sluggish, with median days on market reaching 70, the highest on record since 2012. Nevertheless, Phoenix home prices were 46.8% higher in July 2025 than in February 2020. Persistent low demand has also led to an increase in sellers accepting offers below the listed price.

While both the Phoenix and national markets have shifted since 2021 in terms of months of supply, Phoenix’s home sales market has changed more significantly. A buyer’s market typically has seven months of supply or more, while a seller’s market has six months or fewer.<sup>6</sup> In the past year, Phoenix’s market has shifted slightly, moving closer to a balanced market. It was sitting at 4.1 months of supply in July 2025, after averaging 3.5 months of supply for all of 2024. Nevertheless, Phoenix still has around one month more supply than the national average (3.3 months) while remaining tighter than Tucson (4.8) and Flagstaff (4.9), consistent with Arizona metros’ higher inventory levels relative to the nation in 2025.



Source: U.S. Bureau of Labor Statistics

<sup>6</sup> [https://www.har.com/blog\\_64854\\_nar-reports-show-its-a-great-time-to-sell](https://www.har.com/blog_64854_nar-reports-show-its-a-great-time-to-sell).



Source: Redfin

### SINGLE-FAMILY HOME MARKET

Metro	Inventory		Median Days on Market	
	Jul-25	1-Yr Change (%)	Jul-25 (days)	1-Yr Change (pp)
United States	936,318	+6.6%	47	+5
Arizona	26,555	+12.7%	65	+13
Phoenix	16,275	+7.9%	64	+11
Tucson	3,810	+16.1%	72	+16
Flagstaff	531	+17.7%	40	+5

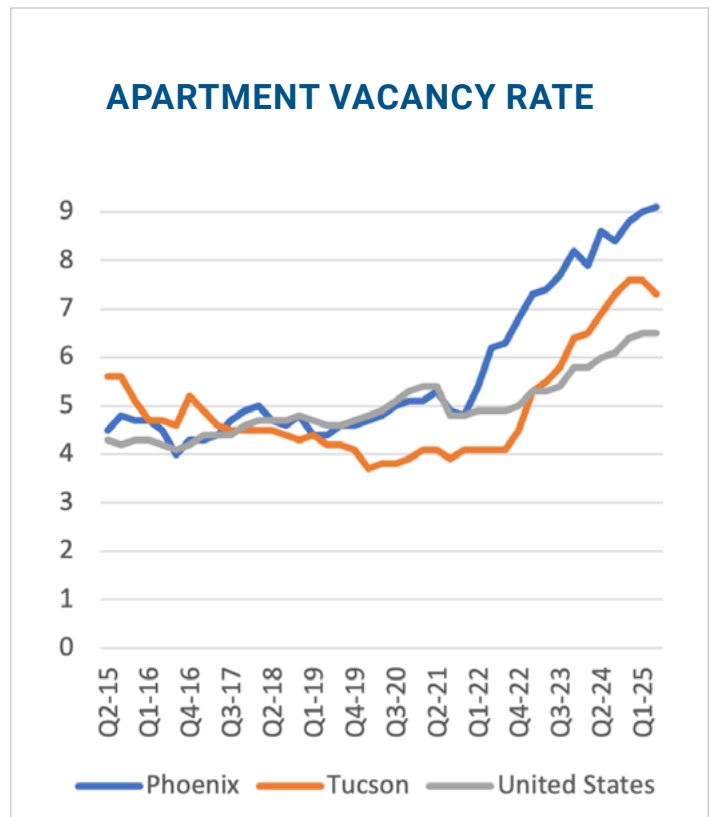
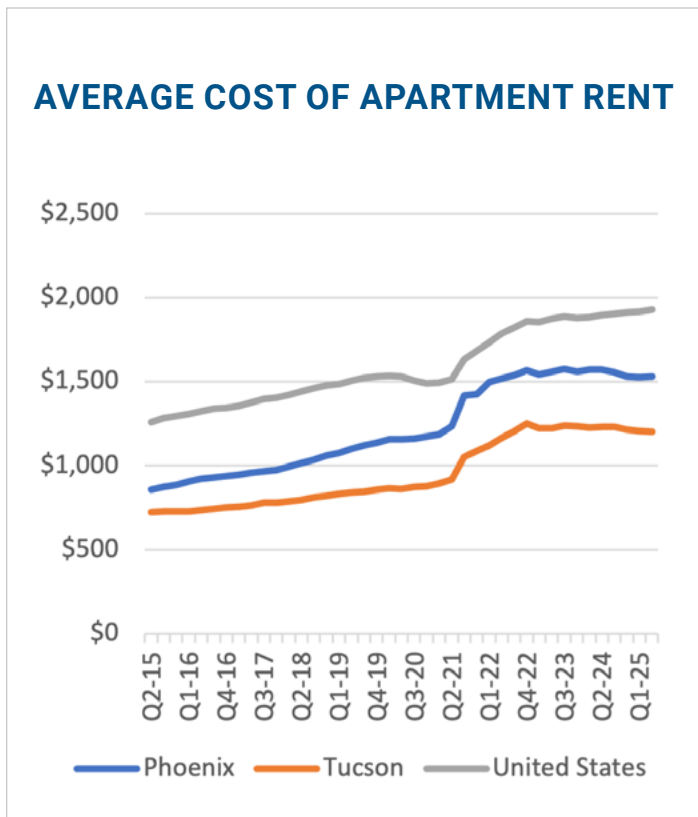
Source: Redfin.

Given persistently high borrowing costs, elevated prices and a slower market, Phoenix home sales remain subdued. July 2025 registered about 4,500 sales—roughly unchanged from July 2024 and near the cycle low last seen in November 2023. However, sales volumes in Phoenix remained effectively unchanged from July 2024, while nationally they fell by 6.8% over the same period—meaning Phoenix has outperformed the national market in relative terms. Nevertheless, July 2025’s sales volume was lower than that of any month between 2015 and October 2022, with fewer homes sold than during the height of the COVID-19 pandemic.



In mid-September, the Fed made its first rate cut since December 2024, lowering interest rates by 25 basis points and signaling that the weakening jobs market could lead to additional rate cuts through the rest of 2025 (the Fed's dot plot points to two additional cuts). Rates at the end of September 2025 are 1.25 percentage points lower than at the start of September 2024, easing pressure on borrowing costs. In mid-September, the average new 30-year fixed mortgage rate had fallen to 6.35%, down from over 7% in January 2025.<sup>7</sup> Even so, mortgage rates remain high, and borrowing costs put homeownership out of reach for many.

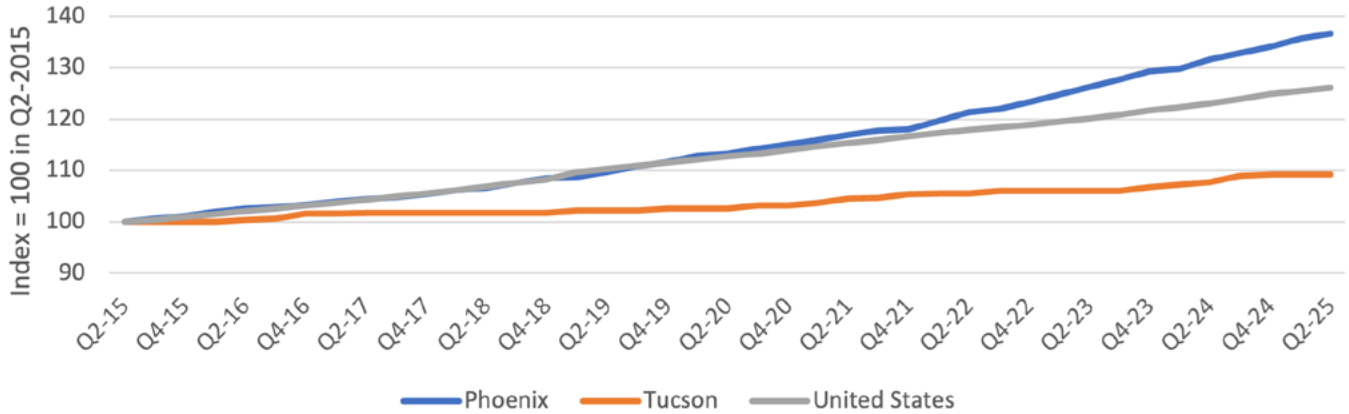
Despite high borrowing costs and high prices making home purchasing less affordable, the apartment market in Phoenix has softened in the past year due to an uptick in supply. While asking rents continue to rise nationally (by about 1.6%), average asking rents in Phoenix declined by -2.7% between the second quarter of 2024 and the second quarter of 2025. New apartment construction (13,758 units) has outpaced net absorption (10,577 units) over that period, pushing the local market vacancy rate higher. This trend extends a pattern seen since 2021, with Phoenix's apartment inventory growing faster than the national average and corresponding with elevated vacancy levels. As of the second quarter of 2025, Phoenix's apartment vacancy rate (9.1%) is now over 2.5 percentage points higher than the nation's (6.5%) and has risen by 0.5 percentage points in the past year.



Source: REIS (Moody's Analytics).

<sup>7</sup> Freddie Mac. <https://fred.stlouisfed.org/series/MORTGAGE30US>

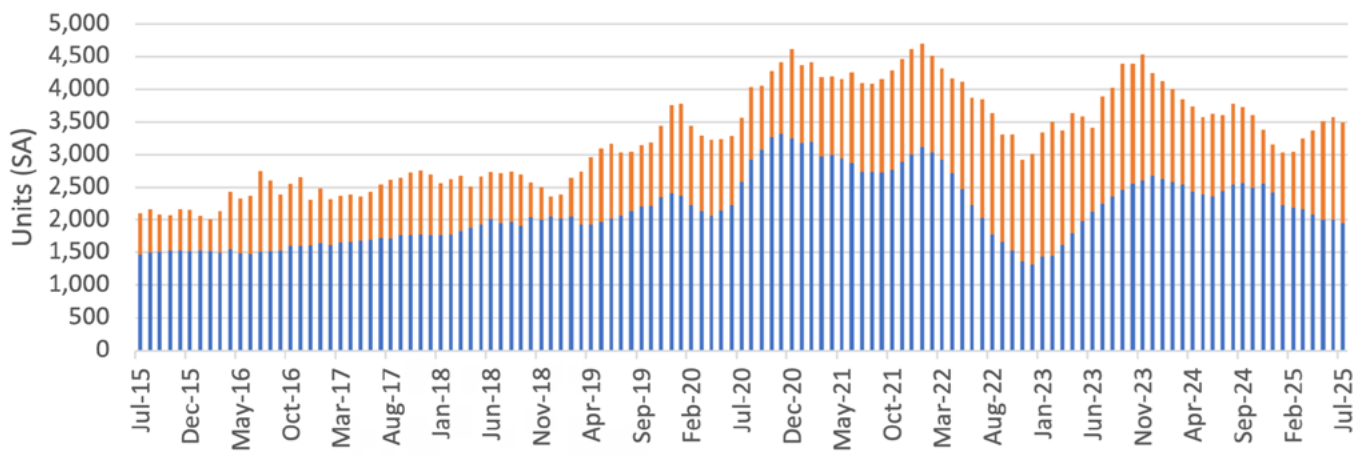
### INDEXED APARTMENT STOCK



Source: REIS (Moody's Analytics).

Despite sluggish demand for apartments, residential permitting has increasingly favored multifamily units over single-family. While the overall number of new permits in the first seven months of 2025 has outpaced the same period in 2024 by 1.5%, single-family permits have declined by -2.1%. Multifamily permits, by contrast, have risen by 8.3%. Compared to the first seven months of 2019, single-family permits are up 4.6%, while multifamily permits have surged by 43.6%. With recent rate cuts by the Fed, borrowing costs for developers are expected to decline, potentially spurring more permitting in the coming months. However, new development could slow if demand continues to weaken.

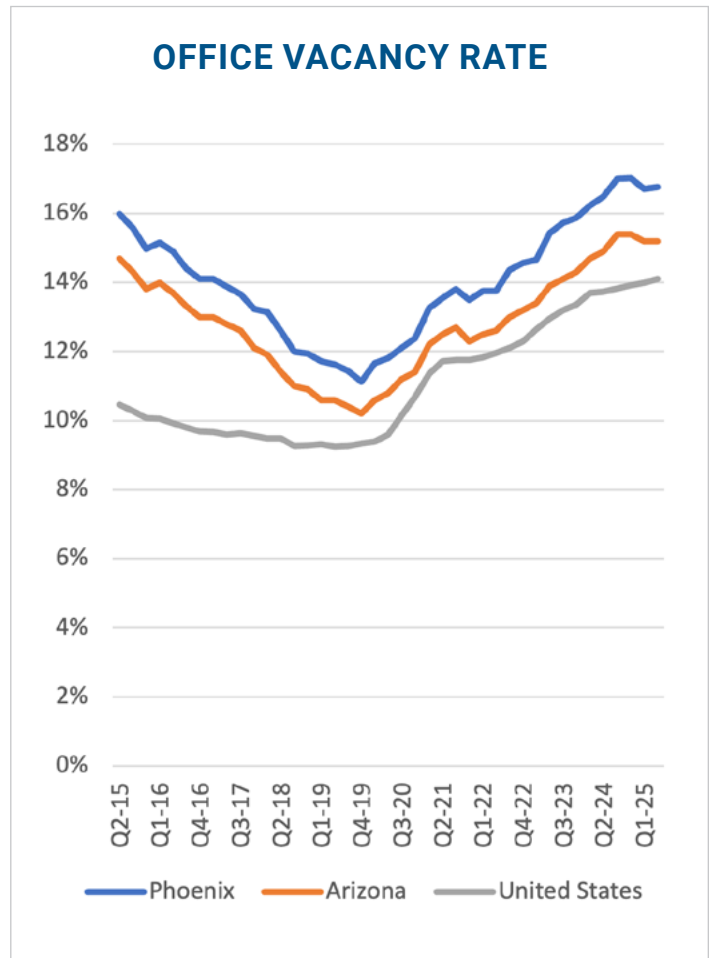
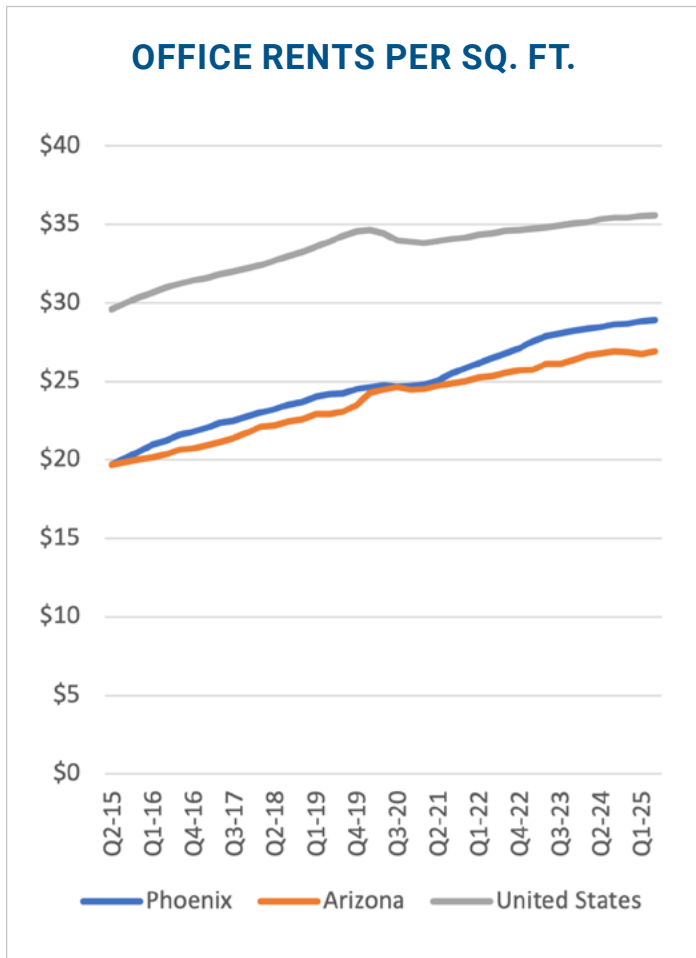
### PHOENIX RESIDENTIAL PERMITS



Source: U.S. Census Bureau

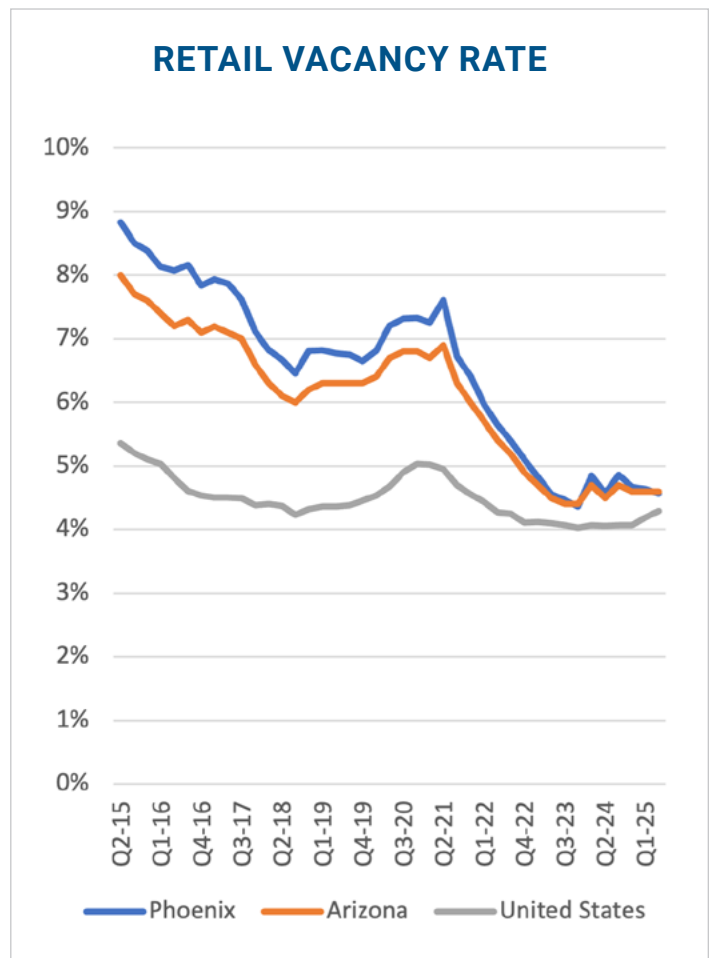
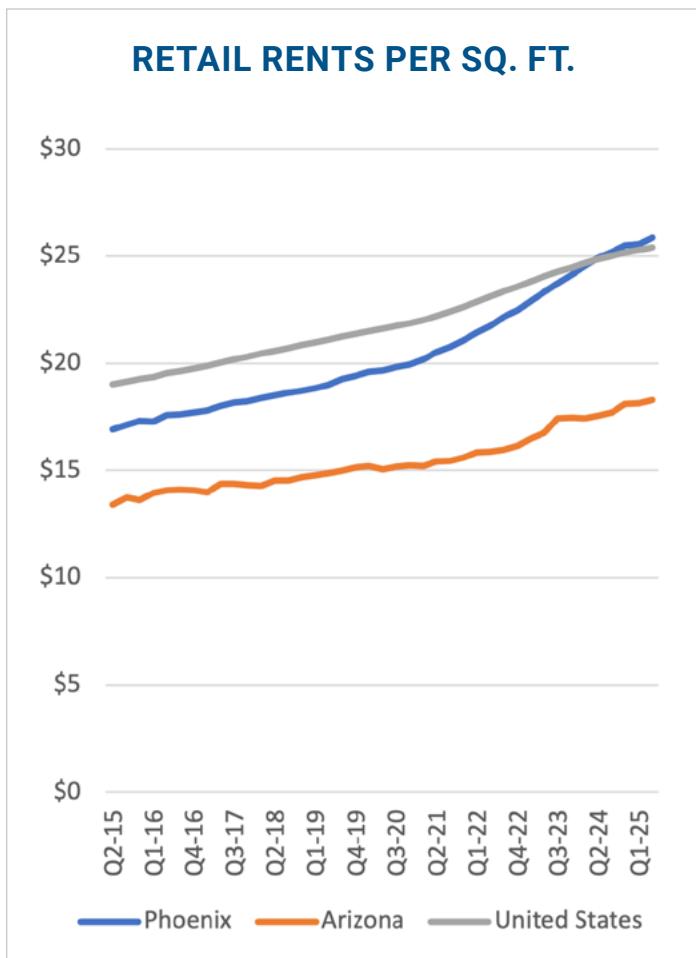
# Commercial Real Estate

Phoenix’s office market remains relatively weak, with elevated vacancy rates and low rents compared to the country as a whole. However, over the past year, it has slightly outperformed the national trend, with rents rising by 1.5% versus 0.8% nationally. Vacancy also increased, but at a slower pace—up 0.3 percentage points in Phoenix compared to 0.4 points nationwide. Between the second quarters of 2024 and 2025, roughly 726,500 square feet of office space was delivered locally, while vacant stock rose by 593,500 square feet—indicating that the vacancy uptick was driven by increased supply rather than falling demand. A modest increase in office-facing employment, led primarily by the Financial Activities and Management sectors, has helped absorb some of the region’s vacant stock. Meanwhile, according to the U.S. Census Bureau’s American Community Survey (ACS), work-from-home prevalence declined to 17.8% of metro-area workers, down from 19.4% in 2023, though still well above the 7.9% recorded in 2019.



Source: CoStar

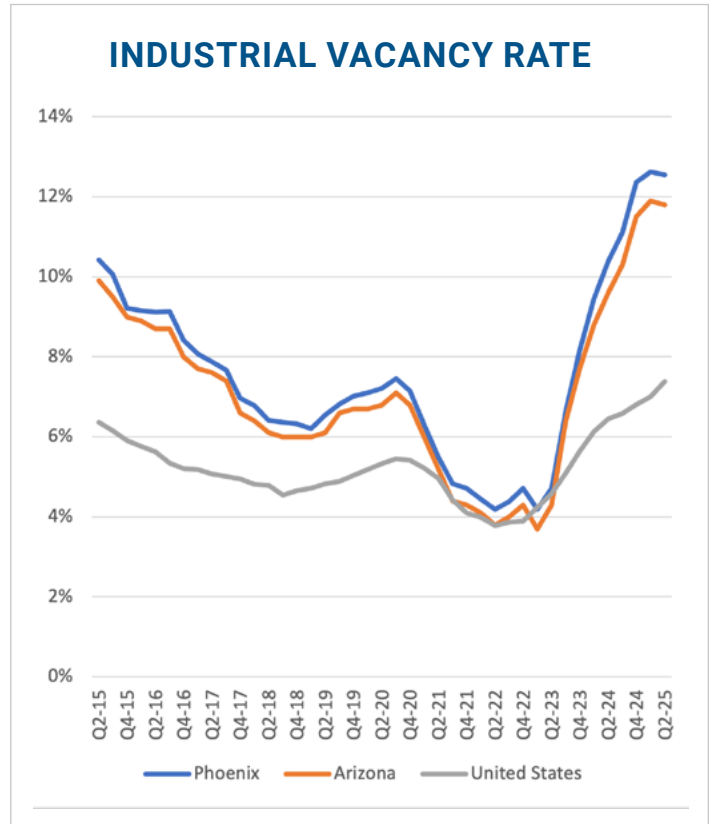
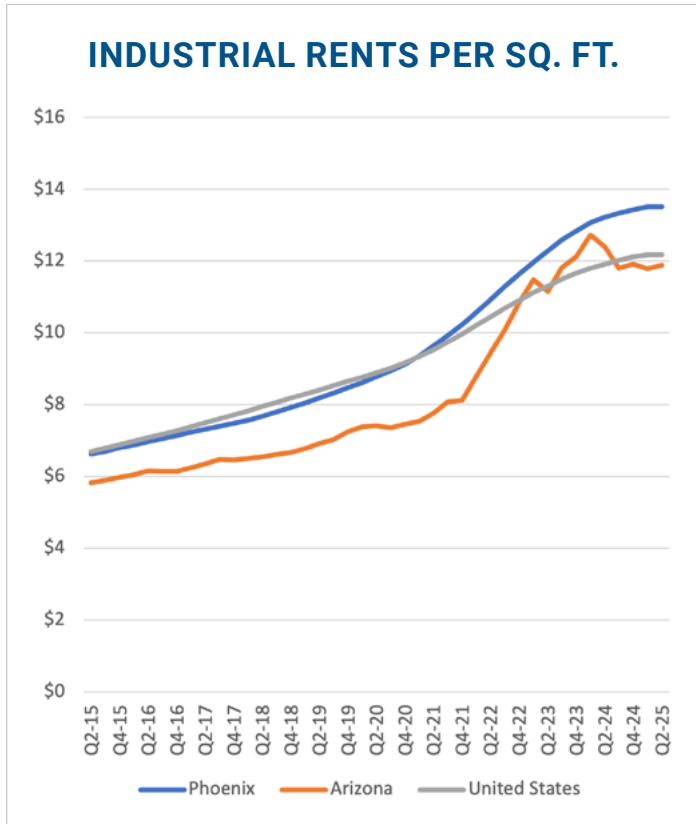
Retail remains Phoenix’s strongest-performing commercial real estate sector, with rates similar to those nationwide. As of the second quarter of 2025, retail rents have exceeded national averages for five consecutive quarters, rising 3.8% year-over-year, compared to 2.2% nationally, signaling strong demand for retail space. This increase is despite retail being one of just four sectors to shed employment over the year. Retail vacancies have remained steady between the second quarter of 2024 and the second quarter of 2025, while national vacancies edged up by 0.2 percentage points. More than 2 million square feet of retail space were completed in Phoenix over the past year, yet total vacant stock increased by just 46,700 square feet. Evidently, demand for retail space remains strong, particularly given major investment into mixed-use megaprojects, such as the billion-dollar, 9.4-million-square-foot Legacy Park in Mesa and the 500,000-square-foot Laveen Towne Center mall in Phoenix.<sup>8</sup>



Source: CoStar

<sup>8</sup><https://product.costar.com/home/news/1575793606>

Phoenix's industrial real estate market has weakened, in part due to an oversupply of new space. Over the past year, rents rose at 2.1%—matching the national rate—driven by a surge in Logistics-serving warehouses, even as vacancy rates in that sector exceeded 15% in the latest quarter. Phoenix's industrial rents remain above the national average, but vacancy spiked by 2.2 percentage points over the past year compared to a more modest 0.9 points nationally. Nearly 25.5 million square feet of industrial space was delivered in the past year in Phoenix, while vacant stock increased by roughly 13.5 million square feet. Declines in Manufacturing and Logistics sectoral employment may signal additional weakening demand for industrial space.



Source: CoStar

Overall, Phoenix's economy remains relatively strong, though signs of a national slowdown are beginning to show locally. The city's growth-driven economy may face headwinds as lagging supply growth in residential and certain commercial real estate—initiated during peak demand but arriving amid a slowdown—struggles to attract buyers and tenants. Recent and potential future rate cuts by the Fed are likely to boost economic activity. Nevertheless, Phoenix continues to outperform other Arizona metros in employment, income and population growth. It is also among the fastest-growing residential and commercial markets, thanks to investments in megaprojects such as mixed-use residential and retail. Once significantly more affordable than the nation, Phoenix is now maturing as a city that mirrors national trends—though it remains more affordable than many similar-sized metros. The impact of tariffs and deportations is likely to weigh on key sectors in Phoenix, such as Manufacturing, Logistics and Construction, potentially contributing to broader economic strain.

## Panelists



### **Kimberly Yee | State Treasurer of Arizona**

Kimberly Yee serves as the State Treasurer of Arizona, overseeing the state's \$64.7 billion budget and significantly increasing assets under management since 2019. She administers the AZ529 Education Savings Plan, has championed financial education in schools, and holds leadership roles on several state financial boards. Yee is notable as Arizona's first Asian American elected to statewide office and the first Chinese American Republican woman to win a major statewide office in the U.S., with prior legislative experience including serving as Senate Majority Leader.

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### **Dr. George Hammond | Director and Research Professor**

University of Arizona Eller College of Management, Economic and Business Research Center  
George W. Hammond is director of the Economic and Business Research Center in the Eller College of Management at the University of Arizona. He has decades of experience analyzing and forecasting state and local economies. His analysis has significant influence, reaching thousands of decision makers each year through conferences, publications, and press contacts. These have included NBC Nightly News, the Wall Street Journal, the Washington Post, the Financial Times, and local media.

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### **Dr. Christopher Thornberg | Founding Partner of Beacon Economics, LLC**

Dr. Thornberg, Founding Partner of Beacon Economics, is one of the nation's leading economists. He is the Director of the Center for Economic Forecasting and Development at the University of California Riverside and an Adjunct Professor at the School. He also serves on the advisory boards of Paulson & Co. Inc., a Wall Street hedge fund, and the Los Angeles Area Chamber of Commerce.



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