



PHOENIX

OFFICE

NEWSLETTER

2Q2024

SVN DESERT COMMERCIAL ADVISORS

QUARTERLY OFFICE STATS

Office vacancy rates in Phoenix are rising, with many businesses reducing or closing office spaces. Market-wide vacancy has increased over 500 basis points since Q4 2019. This trend is expected to continue as leases signed pre-pandemic expire. Over 4 million square feet have been vacated since COVID-19, with nearly half of that in the past year. Larger suites and single-tenant buildings are more affected, while spaces under 5,000 square feet in quality buildings remain in demand. Non-medical properties under 50,000 square feet have seen a vacancy rate decrease of 150 basis points since 2019, whereas properties over 50,000 square feet have seen a 940-basis-point increase.

Sublease availability has surged to 7.2 million square feet, triple the pre-COVID average. New construction has slowed, with only 380,000 square feet completed in the past year, the lowest in nearly a decade. Rent growth has slowed to 2.0% over the past year, down from over 5% previously, with increased rent abatements and tenant improvement allowances masking a sharper decline in effective rents.

The vacancy rate has risen to 16.4%. Office leasing volume is about 10% below pre-pandemic levels, with a preference for smaller suites. Smaller suites continue to be in demand, compressing vacancy rates for non-medical buildings under 50,000 square feet.



VACANCY

16.40%

2Q23: 15.60%



MARKET RENT

\$29.56/SF

2Q23: \$29.20/SF



NET ABSORPTION

-672,723 SF

2Q23: -995,719 SF



PRICE PSF

\$167/SF

2Q23: \$222/SF

MARKET CAP RATES

8.77%

METRO PHOENIX

8.82%

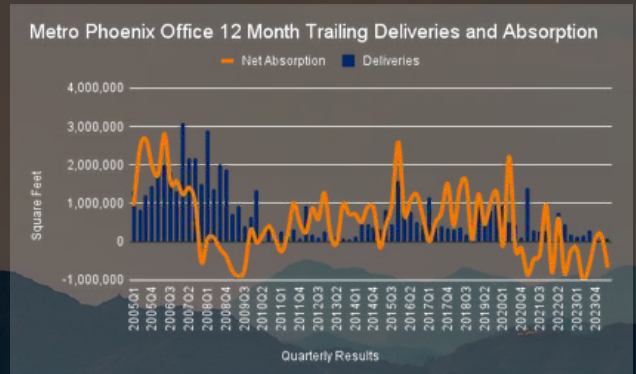
NATIONAL

High vacancy rates are prevalent in 4 & 5 Star properties, with 27% available for lease. Sublease space, now at a 3.6% share of total inventory, offers average rents about 20% lower than direct space. Rent growth is expected to slow further, potentially turning negative in 2024.

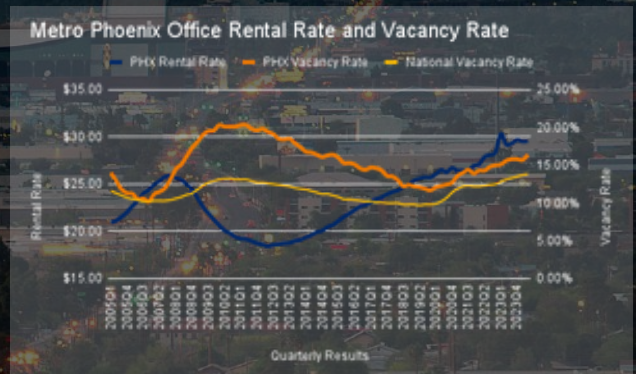
Sales activity has declined by over 50% from the previous year. Most transactions are under \$5 million, involving private investors and owner/users.

Phoenix's employment growth is strong, adding 56,000 jobs in the past year. The city's affordability, job prospects, and business-friendly environment attract residents and businesses. Major investments from companies like TSMC and Intel are driving economic growth and employment opportunities within the region.

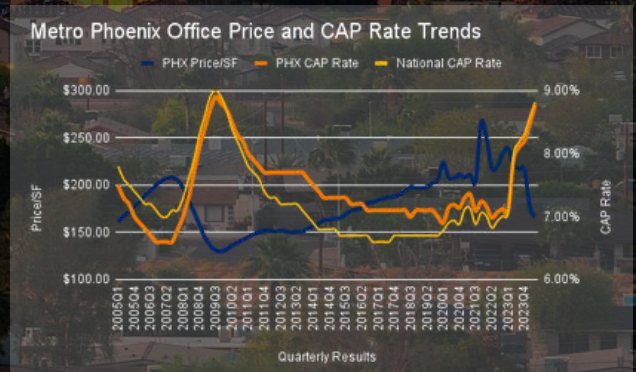
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL AND VACANCY RATES



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 3.80% Unemployment Rate (USA) +0.10%
- 2.90% Unemployment Rate (Metro PHX) -0.40%
- 2.615 MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- \$450,000 Median Home Price +0.01%
- 6,157 Closed Transactions -0.06%
- 39 Days on Market -7 Days
- 2.91 Months of Supply +0.35 Months

10-Year Treasury

- 4.36% as of 6/28/2024
- +0.55% YOY | -0.15% MOM

SUBMARKET ANALYTICS

	Inventory SF	Under Construction SF	Total Vacancy Rate	12 Mo. Absorption	Market Rent/SF	Market Sale Price/SF	Market CAP Rate	12 Mo. Sales Volume
44th Street Corridor	4,270,732	0	14.6%	59,449	\$30.14	\$197	8.6%	\$2,650,380
Airport Area	5,757,175	0	22.9%	-10,313	\$27.34	\$178	9.1%	\$55,525,000
Arrowhead	4,860,326	0	9.7%	-50,309	\$29.47	\$201	9.1%	\$16,068,750
Camelback Corridor	9,574,230	0	18.8%	-39,003	\$37.69	\$245	8.0%	\$95,600,000
Central Scottsdale	9,310,020	100,000	14.0%	270,675	\$30.25	\$210	8.6%	\$24,600,000
Chandler	12,984,751	244,416	17.5%	-184,375	\$29.57	\$214	8.8%	\$13,010,123
Deer Valley/Airport	13,046,652	0	17.0%	329,364	\$28.51	\$186	8.9%	\$7,203,350
Downtown	11,036,417	0	22.4%	-393,999	\$32.10	\$213	8.4%	\$800,000
Gateway Airport/ Loop 202	3,057,749	36,800	4.4%	144,286	\$30.01	\$212	9.3%	\$14,030,000
Glendale	3,673,434	39,650	13.2%	-100,410	\$29.96	\$186	8.9%	\$8,000,000
Loop 303/ Surprise	2,646,074	9,984	7.8%	-32,131	\$30.65	\$202	9.0%	\$4,680,000
Mesa Downtown	1,535,171	0	6.2%	87,520	\$21.28	\$129	9.3%	\$3,695,000
E Mesa	5,001,448	0	11.7%	-19,021	\$26.60	\$178	9.2%	\$4,180,000
Midtown	13,527,461	0	20.7%	-226,120	\$26.58	\$178	8.7%	\$29,387,376
Midtown/Central Phoenix	6,261,150	0	7.6%	50,935	\$25.13	\$164	8.8%	\$3,915,000
N Phoenix/ Cave Creek	157,475	0	3.1%	-206	\$24.99	\$198	8.8%	\$0
N Scottsdale/Carefree	1,907,080	0	10.9%	-50,693	\$26.47	\$176	8.8%	\$1,752,320
N I-17	1,009,792	0	9.4%	27,102	\$27.42	\$198	9.0%	\$0
NW Outlying	147,031	0	2.2%	-3,194	\$24.69	\$161	9.0%	\$0
NW Phoenix	11,055,092	0	17.2%	-165,512	\$23.37	\$139	9.5%	\$15,574,000
Paradise Valley	5,511,494	0	13.1%	-104,666	\$29.43	\$189	8.8%	\$4,547,000
Piestewa Peak Corridor	3,455,833	0	13.8%	-141,740	\$25.92	\$163	9.3%	\$2,777,500
Pinal County	1,797,866	14,400	8.4%	-102,569	\$26.13	\$156	9.6%	\$1,905,888
Scottsdale Airpark	14,382,802	382,184	15.9%	101,175	\$32.15	\$235	8.4%	\$6,750,000
S Scottsdale	8,046,726	6,820	17.2%	-12,008	\$32.39	\$239	8.3%	\$31,400,000
S Tempe/Ahwatukee	7,424,443	0	24.4%	-104,287	\$28.04	\$189	8.9%	\$3,870,000
SW Outlying	307,070	0	0.0%	0	\$25.07	\$151	9.1%	\$0
SW Phoenix	4,549,309	0	3.1%	6,701	\$27.93	\$171	8.9%	\$0
Superstition Corridor	6,837,168	0	10.6%	-67,786	\$26.03	\$174	9.3%	\$6,455,165
Tempe	21,518,394	133,356	22.9%	-896,438	\$33.03	\$232	8.5%	\$82,281,432
W I-10	2,667,160	146,000	7.9%	68,279	\$31.59	\$204	8.7%	\$715,000
Total/Averages	197,317,525	1,113,610	12.5%	-1,559,294	\$28.38	\$189	8.9%	\$441,373,284

NOTABLE SALES

SPECIAL PURPOSE OFFICE



917 E SHERIDAN ST PHOENIX, AZ

Sale Date: 6/26/24 Bldg Type: Class B
Sale Price: \$1,400,000 Year Built: 1982/Reno: 2004
Price/SF: \$269.13 DBA: 5,202 SF

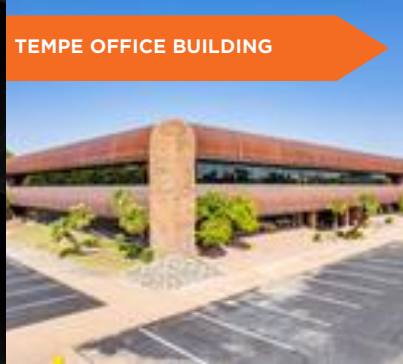
GILBERT TOWNSHIP VILLAS



1757 E BASELINE RD - BLDG 11 GILBERT, AZ

Sale Date: 6/17/24 Bldg Type: Class B
Sale Price: \$2,095,000 Year Built: 2003; Reno: 2023
Price/SF: \$340.54 DBA: 6,152 SF

TEMPE OFFICE BUILDING



2750 S PRIEST DR TEMPE, AZ

Sale Date: 4/19/24 Bldg Type: Class B
Sale Price: \$12,000,000 Year Built: 1980
Price/SF: \$246.94 DBA: 48,594 SF

SOUTH SCOTTSDALE OFFICE



4141 N SCOTTSDALE RD SCOTTSDALE, AZ

Sale Date: 6/6/24 Bldg Type: Class A
Sale Price: \$26,050,000 Year Built: 1985/Reno: 2012
Price/SF: \$160.58 DBA: 162,227 SF

5050 @ CAMELBACK



5050 N 40TH ST PHOENIX, AZ

Sale Date: 5/24/24 Bldg Type: Class A
Sale Price: \$9,500,000 Year Built: 1990
Price/SF: \$131.37 DBA: 72,314 SF

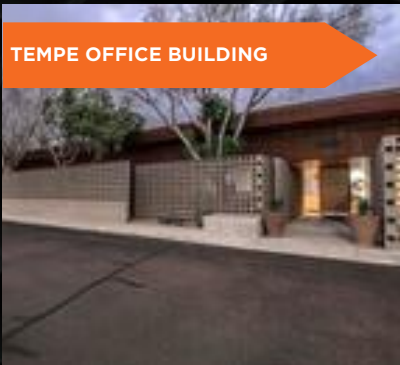
DELTA DENTAL OF ARIZONA



5656 W TALAVI BLVD GLENDALE, AZ

Sale Date: 5/8/24 Bldg Type: Class A
Sale Price: \$5,375,000 Year Built: 2007
Price/SF: \$171.45 DBA: 31,350 SF

TEMPE OFFICE BUILDING



738 S 52ND ST TEMPE, AZ

Sale Date: 4/30/24 Bldg Type: Class B
Sale Price: \$4,176,000 Year Built: 2000
Price/SF: \$302.61 DBA: 13,800 SF

SONORAN CORPORATE CENTER



8322 E HARTFORD DR - BLDG B SCOTTSDALE, AZ

Sale Date: 4/16/24 Bldg Type: Class B
Sale Price: \$6,750,000 Year Built: 2002
Price/SF: \$320.45 DBA: 21,064 SF

GLENDALE OFFICE BUILDING



5704 W PALMAIRE AVE GLENDALE, AZ

Sale Date: 6/7/24 Bldg Type: Class C
Sale Price: \$1,450,000 Year Built: 1982
Price/SF: \$222.73 DBA: 6,510 SF



PRICE PSF

\$338.00

YOY ▲ 10.82%



RENT PSF

\$29.56/SF

▲ 1.23%



DEALS SOLD

45

▼ -27.42%



INVENTORY (MOS.)

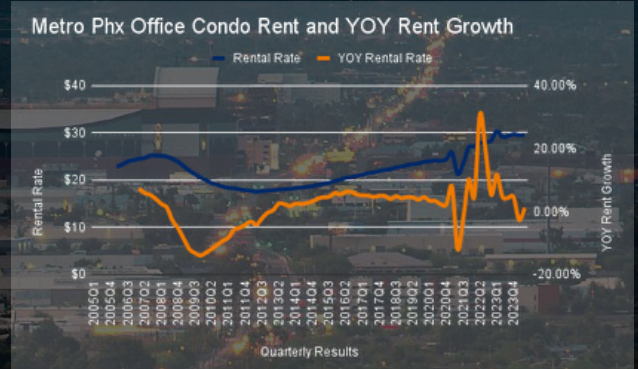
6.61

▲ 71.27%

SALES PRICE PSF AND SALES VOLUME



RENT PSF AND YOY RENT GROWTH



NOTABLE TRANSACTIONS

OFFICE OWNER USER



CHANDLER MIDWAY CORPORATE
5650 W CHANDLER BLVD - SUITE 3
CHANDLER, AZ

Sale Date: 6/27/24 Sale Type: Owner User
Sale Price: \$1,275,000 Year Built: 2007
Price/SF: \$265.13 DBA: 9,799 SF

MEDICAL OWNER USER



SPECTRUM FALLS
2680 S VAL VISTA DR - SUITE 164
GILBERT, AZ

Sale Date: 6/4/24 Sale Type: Owner User
Sale Price: \$1,200,000 Year Built: 2006
Price/SF: \$408.30 DBA: \$5,978 SF

INVESTMENT SALE



ARROWHEAD RANCH
7777 W DEER VALLEY RD - SUITE 160
PEORIA, AZ

Sale Date: 5/24/24 Sale Type: Investment
Sale Price: \$1,100,000 Year Built: 2005
Price/SF: \$364.00 DBA: 7,300 SF



AHWATUKEE FOOTHILLS
15810 S 45TH ST - SUITE 150
PHOENIX, AZ

Sale Date: 4/29/24 Sale Type: Owner User
Sale Price: \$1,100,000 Year Built: 2001
Price/SF: \$244.44 DBA: 11,000 SF



FULTON RANCH MARKETPLACE
270 W CHANDLER HEIGHTS RD - SUITE 200A
CHANDLER, AZ

Sale Date: 5/30/24 Sale Type: Owner User
Sale Price: \$1,350,000 Year Built: 2008
Price/SF: \$384.51 DBA: 7,000 SF



SPECTRUM PROFESSIONAL
3011 S LINDSAY RD - SUITES 110-112
GILBERT, AZ

Sale Date: 5/17/24 Sale Type: Investment
Sale Price: \$2,175,000 Year Built: 2004
Price/SF: \$360.76 DBA: 8,038 SF



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