

PHOENIX
OFFICE
NEWSLETTER



4Q2024

SVN DESERT COMMERCIAL ADVISORS

QUARTERLY OFFICE STATS

The Phoenix office market faced continued challenges in Q4 2024, with vacancy rates climbing to 16.8%, a significant rise from pre-pandemic levels of 11.1%. Over 5.5 million SF of office space has been vacated since the pandemic, and sublease availability has reached 6.8 million SF, triple the pre-pandemic average. The shift to remote and hybrid work has led to reduced space needs, contributing to a negative net absorption of -1.8 million SF in 2024. While leasing activity has stabilized, it remains 10% below pre-pandemic levels, with demand concentrated in smaller suites and newer properties.

Scottsdale and Camelback Corridor continue to perform better, attracting tenants to Class A properties. Older buildings and larger spaces struggle, while sublease rents—20% below direct leases—intensify competition. Landlords are offering increased concessions, such as tenant improvement allowances and free rent, to attract tenants.

Rent growth in the Phoenix office market has slowed considerably, rising just 1.8% over the past year. Landlords in premium locations have maintained modest pricing power, but many are forced to compete aggressively with sublease availability and heightened tenant expectations. The increase in tenant concessions is reflective of the overall softening in the market, as landlords prioritize occupancy over rate increases.



VACANCY

16.80%

4Q23: 15.70%



MARKET RENT

\$30.02/SF

4Q23: \$29.48/SF



NET ABSORPTION

90,781 SF

4Q23: 75,697 SF



PRICE PSF

\$205/SF

4Q23: \$204/SF

MARKET CAP RATES

8.59%

METRO PHOENIX

8.72%

NATIONAL

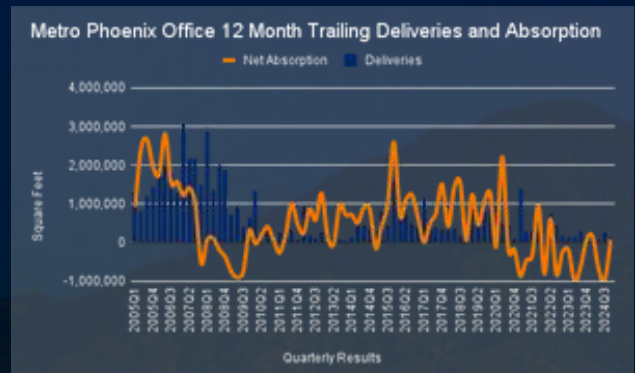
Construction activity remains minimal, with less than 750,000 SF delivered in 2024, focused on medical offices and build-to-suit projects. Speculative development has slowed significantly, with high vacancies and economic uncertainty limiting new projects.

Sales activity improved slightly, with \$1.8 billion in transactions in 2024, but remains below pre-pandemic levels. Smaller deals dominate, driven by private investors and owner-users, while larger transactions focus on value-add and discounted properties.

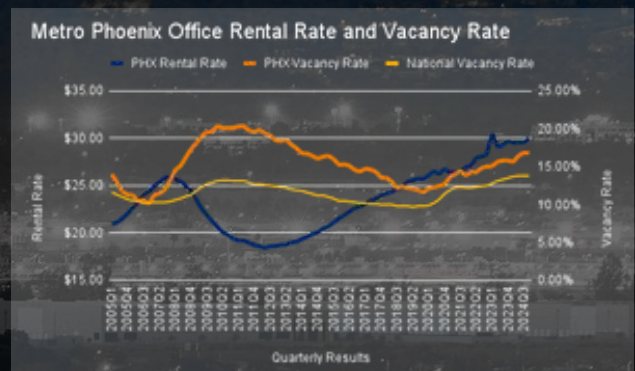
The office market is expected to face ongoing challenges, with vacancy rates likely to climb further into 2026. Rent growth will remain limited until supply-demand imbalances ease, driven by constrained construction and eventual recovery in office-using employment.

Sources: CoStar; U.S. Department of the Treasury; AZ Commerce Authority; ARMLS; U.S. Census Bureau; U.S. Bureau of Labor Statistics.

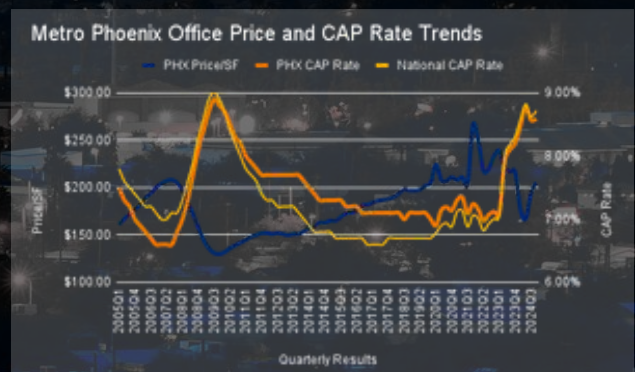
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL AND VACANCY RATES



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.20% Unemployment Rate (USA) +0.40%
- 3.50% Unemployment Rate (Metro PHX) +0.10%
- 2.590 MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- \$450,000 Median Home Price +0.05%
- 5,477 Closed Transactions +0.14%
- 57 Days on Market +12 Days
- 3.55 Months of Supply +0.64 Months

10-Year Treasury

- 4.58% as of 12/31/2024
- +0.70% YOY | +0.40% 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	4,264,792	0	15.60%	-42,067	\$30.81	\$200	8.51%	\$20,725,000
Airport Area	5,847,189	0	24.06%	-358,613	\$29.06	\$191	8.69%	\$0
Arrowhead	4,895,028	88,000	9.06%	-13,813	\$29.95	\$208	8.91%	\$15,937,688
Camelback Corridor	9,958,169	0	18.78%	76,563	\$39.51	\$256	7.82%	\$181,408,272
Central Scottsdale	9,364,287	100,000	13.19%	143,647	\$30.43	\$207	8.62%	\$13,965,000
Chandler	12,961,805	124,416	19.95%	-513,948	\$29.89	\$226	8.45%	\$44,969,792
Deer Valley/Airport	12,301,857	0	17.63%	-338,566	\$28.86	\$190	8.79%	\$32,680,196
Downtown	10,980,243	0	21.46%	79,128	\$31.84	\$214	8.22%	\$13,970,000
Gateway Airport/ Loop 202	3,157,279	26,032	5.63%	14,918	\$30.94	\$224	8.97%	\$9,025,000
Glendale	3,774,861	39,650	13.30%	1,199	\$31.02	\$194	8.69%	\$6,480,000
Loop 303/ Surprise	2,625,222	9,984	6.48%	44,389	\$31.35	\$207	8.77%	\$9,045,000
Mesa Downtown	1,518,291	0	6.65%	92,076	\$21.62	\$136	9.06%	\$5,020,000
E Mesa	5,041,996	0	12.78%	-12,509	\$25.53	\$182	8.99%	\$17,485,000
Midtown	13,385,291	0	23.21%	-589,406	\$26.61	\$184	8.37%	\$34,087,504
Midtown/Central Phoenix	6,164,241	0	8.24%	-137,916	\$25.12	\$166	8.67%	\$6,370,000
N Phoenix/ Cave Creek	159,273	0	1.97%	-39	\$25.18	\$203	8.58%	\$0
N Scottsdale/ Carefree	1,885,070	0	10.05%	33,108	\$26.67	\$177	8.60%	\$6,082,426
N I-17	1,010,435	0	10.43%	-66,678	\$28.25	\$201	8.79%	\$3,588,100
NW Outlying	147,031	0	0.52%	-766	\$24.58	\$158	8.80%	\$0
NW Phoenix	11,041,492	0	18.26%	-160,398	\$23.60	\$142	9.24%	\$8,852,500
Paradise Valley	5,529,662	0	12.91%	-36,387	\$30.42	\$198	8.66%	\$67,208,200
Piestewa Peak Corridor	3,462,967	0	14.81%	-90,075	\$26.00	\$166	9.09%	\$5,465,000
Pinal County	1,852,936	14,400	5.85%	-55,789	\$24.37	\$155	9.41%	\$820,000
Scottsdale Airpark	14,259,611	0	15.23%	103,189	\$32.32	\$229	8.51%	\$38,995,304
S Scottsdale	8,150,482	0	20.30%	-378,091	\$32.92	\$241	8.24%	\$57,880,000
S Tempe/ Ahwatukee	7,499,472	0	24.79%	-97,116	\$28.54	\$206	8.44%	\$9,764,000
SW Outlying	308,753	0	0.55%	-1,683	\$25.28	\$154	8.90%	\$0
SW Phoenix	4,580,113	0	2.98%	174	\$29.70	\$182	8.66%	\$2,649,637
Superstition Corridor	6,839,402	16,618	10.86%	-84,877	\$26.75	\$184	9.02%	\$22,328,000
Tempe	21,421,125	0	22.39%	178,065	\$33.72	\$240	8.29%	\$25,450,000
W I-10	2,707,315	148,100	8.69%	90,131	\$33.69	\$214	8.48%	\$3,500,000
Total/Averages	197,095,690	567,200	16.80%	-2,122,150	\$30.02	\$205	8.59%	\$663,751,619

NOTABLE SALES

CHANDLER MEDICAL PLAZA



**1125 S ALMA SCHOOL RD
CHANDLER, AZ**

Sale Date: 12/19/24 Bldg Type: Class B
Sale Price: \$30,000,000 Year Built: 2021
Price/SF: \$461.54 DBA: 65,000 SF

501 GATEWAY



**501 N 44TH ST
PHOENIX, AZ**

Sale Date: 12/15/24 Bldg Type: Class B
Sale Price: \$18,000,000 Year Built: 1998/Reno: 2017
Price/SF: \$175.94 DBA: 102,305 SF

THE SONORAN CORPORATE CENTER



**8326 E HARTFORD DR - BLDG F
SCOTTSDALE, AZ**

Sale Date: 10/31/24 Bldg Type: Class B
Sale Price: \$2,100,000 Year Built: 2002
Price/SF: \$308.37 DBA: 6,810 SF

FREESTANDING OFFICE BLDG



**13843 W MEEKER BLVD
SUN CITY WEST, AZ**

Sale Date: 12/10/24 Bldg Type: Class B
Sale Price: \$5,000,000 Year Built: 2005
Price/SF: \$389.29 DBA: 12,844 SF

24TH AT CAMELBACK II



**2325 E CAMELBACK RD
PHOENIX, AZ**

Sale Date: 10/30/24 Bldg Type: Class A
Sale Price: \$97,900,000 Year Built: 2009
Price/SF: \$319.02 DBA: 306,877 SF

ARROWHEAD PALMS SHOPPING CENTER



**7445 W BELL RD
PEORIA, AZ**

Sale Date: 12/30/24 Bldg Type: Class B
Sale Price: \$4,800,000 Year Built: 1999
Price/SF: \$584.80 DBA: 8,208 SF
Cap Rate: 7.15%

MEDICAL OFFICE



**16641 N 40TH ST
PHOENIX AZ**

Sale Date: 11/21/24 Bldg Type: Class B
Sale Price: \$4,000,000 Year Built: 1999
Price/SF: \$289.77 DBA: 13,804 SF

SOUTHWEST CARDIOVASCULAR



**7529 E BROADWAY RD
MESA, AZ**

Sale Date: 10/18/24 Bldg Type: Class B
Sale Price: \$10,400,000 Year Built: 2020
Price/SF: \$622.75 DBA: 16,700 SF

SCOTTSDALE FINANCIAL CENTER III



**7272 E INDIAN SCHOOL RD
SCOTTSDALE, AZ**

Sale Date: 12/17/2024 Bldg Type: Class A
Sale Price: \$42,250,000 Year Built: 1988/Reno: 2012
Price/SF: \$255.72 DBA: 165,220 SF

OFFICE CONDO REPORT

METRO PHOENIX



1

NW VALLEY

PRICE PSF

\$441

RENT PSF

\$27.90

2

SW VALLEY

PRICE PSF

\$382

RENT PSF

\$31.54

3

PHOENIX

PRICE PSF

\$318

RENT PSF

\$27.75

4

SCOTTSDALE/PV

PRICE PSF

\$327

RENT PSF

\$30.28

5

SE VALLEY

PRICE PSF

\$303

RENT PSF

\$27.99



PRICE PSF

\$295.00

YOY

▼ -0.34%



RENT PSF

\$30.02/SF

▲ 1.11%



DEALS SOLD

45

▲ 12.50%

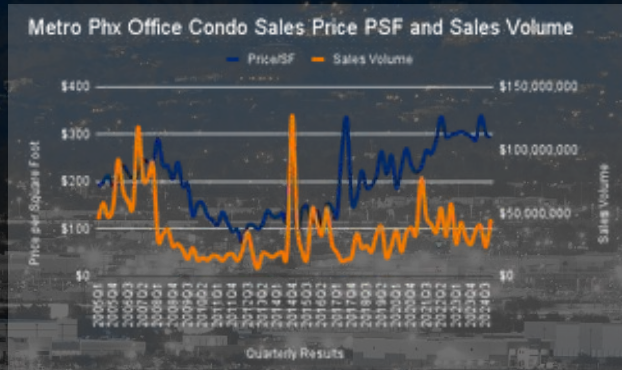


INVENTORY (MOS.)

8.77

▼ 54.67%

SALES PRICE PSF AND SALES VOLUME



RENT PSF AND YOY RENT GROWTH



NOTABLE TRANSACTIONS

OFFICE OWNER USER

ARROWHEAD COMMONS



**18275 N 59TH AVE - SUITE J-101
GLENDALE, AZ**

Sale Date: 11/20/24 Sale Type: Owner User
 Sale Price: \$688,500 Year Built: 2004
 Price/SF: \$351.28 DBA: 1,960 SF

MEDICAL OWNER USER

45TH PLACE - BLDG 6



**4550 E BELL RD - SUITE 158
PHOENIX, AZ**

Sale Date: 10/2/24 Sale Type: Medical
 Sale Price: \$947,500 Year Built: 2007
 Price/SF: \$391.85 DBA: 2,418 SF

INVESTMENT SALE

BROOKSIDE BELL PROFFESIONAL PARK



**15264 W BROOKSIDE LN - SUITE 150
SURPRISE, AZ**

Sale Date: 10/31/24 Sale Type: Investment
 Sale Price: \$1,430,000 Year Built: 2004
 Price/SF: \$449.12 DBA: 3,184 SF

OFFICES AT SUNDOWN RANCH



**8428 E SHEA BLVD - SUITE 100
SCOTTSDALE, AZ**

Sale Date: 11/15/24 Sale Type: Owner User
 Sale Price: \$1,000,000 Year Built: 2001
 Price/SF: \$469.70 DBA: 2,129 SF

SANTAN RANCH RESIDENTIAL



**3592 S ATHERTON BLVD - SUITE 110
GILBERT, AZ**

Sale Date: 12/27/24 Sale Type: Medical
 Sale Price: \$1,215,000 Year Built: 2006
 Price/SF: \$388.92 DBA: 3,124 SF
 Cap Rate: 6.25%

THE VILLAGE AT SUPERSTITION SPRINGS



**6638 E BASELINE RD - SUITES 101-102
MESA, AZ**

Sale Date: 11/26/24 Sale Type: Investment
 Sale Price: \$932,000 Year Built: 2006
 Price/SF: \$323.95 DBA: 2,877 SF



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