

PHOENIX  
**OFFICE**  
NEWSLETTER



**3Q2024**

SVN DESERT COMMERCIAL ADVISORS

# QUARTERLY OFFICE STATS

Phoenix's office vacancy rate has steadily risen, driven by space reductions and slower office-using job growth. Net absorption over the past year has been negative, with more than 5.5 million SF vacated since the start of the pandemic. The market has seen increasing sublease availability, with Phoenix ranking as the fourth most impacted sublease market in the U.S. However, minimal new construction has helped mitigate a more severe imbalance between supply and demand.

Leasing activity in the Phoenix office market remains sluggish, with a 2.4 million SF net absorption decline over the past year. The vacancy rate has risen from 11.1% pre-pandemic to 16.8% in Q3 2024, and further increases are expected as pre-pandemic leases expire. Smaller suites in newer buildings remain in higher demand, while large-footprint spaces and older buildings see declining interest. Sublease space, now at 6.9 million SF, presents a significant challenge, with much of it difficult to fill.

Phoenix's rent growth has slowed to 1.7% over the past 12 months, down from higher growth rates seen in previous years. While Phoenix still ranks among the top 15 U.S. markets for rent growth, landlords are offering more concessions, to compete for tenants. Smaller spaces generally receive fewer concessions, and sublease rents tend to be about 20% lower than direct leases.



## VACANCY

16.80%

3Q23: 15.80%



## MARKET RENT

\$29.57/SF

3Q23: \$29.31/SF



## NET ABSORPTION

-981,861 SF

3Q23: -626,861 SF



## PRICE PSF

\$194/SF

3Q23: \$217/SF

## MARKET CAP RATES

8.57%

METRO PHOENIX

8.63%

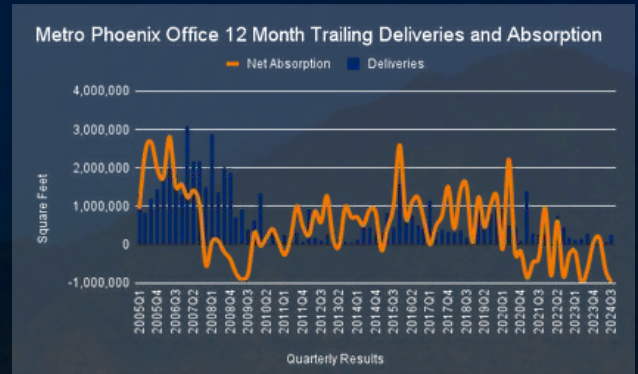
NATIONAL

New office construction in Phoenix has nearly halted, with only 560,000 SF delivered in the past year, a significant decline from the pre-pandemic average. The limited new supply is mainly focused on medical office buildings and smaller projects.

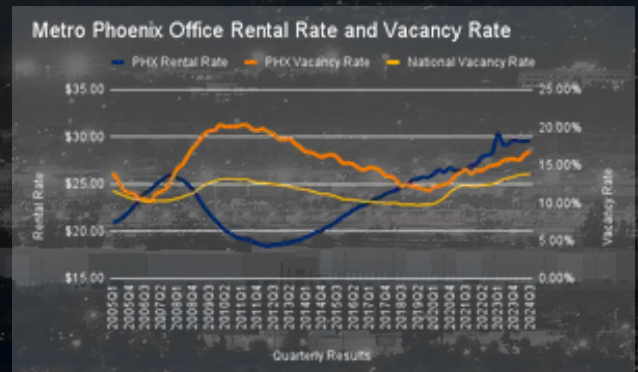
Sales activity in the Phoenix office market has slowed considerably, with \$1.4 billion in office assets traded in the past year, representing a 55% decline from peak levels in 2021-2022. Most transactions are now in the sub-\$5 million range, driven by private investors and owner-users less affected by rising interest rates. Larger deals focus on value-add and opportunistic strategies.

The Phoenix office market faces a challenging landscape characterized by rising vacancies and weakened demand.

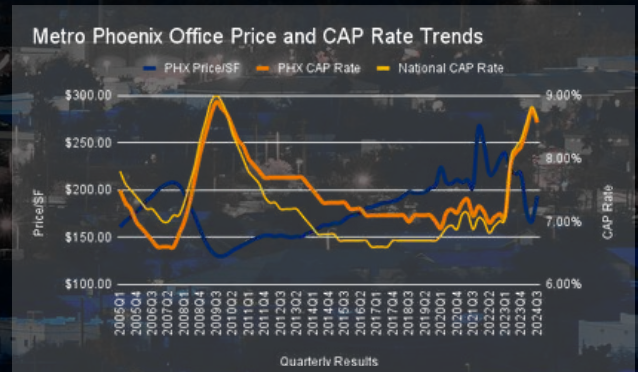
## METRO PHOENIX DELIVERIES & ABSORPTION



## RENTAL AND VACANCY RATES



## PRICES AND CAP RATE TRENDS



## ECONOMIC HIGHLIGHTS

### Employment Data (YOY)

- 4.10% Unemployment Rate (USA) +0.30%
- 3.50% Unemployment Rate (Metro PHX) -0.40%
- 2.603 MM Employed Residents (Metro PHX)

### Metro PHX Housing Trends (YOY)

- \$440,000 Median Home Price +0.02%
- 5,333 Closed Transactions +0.04%
- 52 Days on Market +16 Days
- 3.65 Months of Supply +1.31 Months

### 10-Year Treasury

- 3.81% as of 9/30/2024
- -0.78% YOY | -0.10% 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	4,270,823	0	15.07%	51,841	\$30.21	\$202	8.48%	\$16,250,000
Airport Area	5,901,339	0	24.10%	-344,675	\$27.30	\$181	8.85%	\$4,800,000
Arrowhead	4,859,290	88,000	8.84%	15,634	\$29.64	\$204	8.99%	\$6,234,575
Camelback Corridor	9,935,420	0	18.55%	140,018	\$38.14	\$254	7.82%	\$3,900,000
Central Scottsdale	9,339,470	100,000	14.86%	11,088	\$29.99	\$208	8.60%	\$100,776,008
Chandler	12,960,723	244,416	18.66%	-395,195	\$29.46	\$218	8.64%	\$7,638,123
Deer Valley/Airport	12,296,315	0	16.04%	-36,936	\$28.61	\$189	8.85%	\$13,937,664
Downtown	10,980,306	0	22.53%	-132,841	\$31.65	\$214	8.31%	\$11,018,487
Gateway Airport/ Loop 202	3,146,052	0	6.30%	49,715	\$30.38	\$217	9.12%	\$1,885,000
Glendale	3,754,700	39,650	12.48%	1,243	\$30.39	\$193	8.77%	\$41,872,888
Loop 303/Surprise	2,625,019	9,984	7.08%	43,699	\$30.58	\$203	8.87%	\$570,000
Mesa Downtown	1,533,050	0	6.22%	102,510	\$21.16	\$131	9.20%	\$0
E Mesa	5,011,370	0	12.14%	-20,182	\$26.13	\$182	9.08%	\$4,338,439
Midtown	13,411,212	0	22.28%	-468,559	\$26.46	\$180	8.48%	\$0
Midtown/Central Phoenix	6,154,905	0	7.56%	-108,672	\$25.04	\$164	8.77%	\$2,325,000
N Phoenix/ Cave Creek	157,475	0	1.99%	-607	\$24.69	\$200	8.63%	\$12,161,105
N Scottsdale/Carefree	1,885,070	0	10.08%	-4,738	\$26.33	\$174	8.69%	\$24,624,500
N I-17	1,009,792	0	9.63%	-30,556	\$27.76	\$195	8.90%	\$0
NW Outlying	147,031	0	2.17%	678	\$23.68	\$150	8.98%	\$0
NW Phoenix	11,076,879	0	17.93%	-208,158	\$23.36	\$140	9.31%	\$36,336,488
Paradise Valley	5,523,499	0	12.75%	-45,782	\$29.56	\$194	8.69%	\$40,608,640
Piestewa Peak Corridor	3,455,067	0	15.16%	-107,890	\$25.51	\$164	9.11%	\$2,600,000
Pinal County	1,852,936	14,400	10.26%	-115,064	\$24.03	\$153	9.51%	\$1,374,000
Scottsdale Airpark	14,162,641	312,800	15.98%	-249,675	\$31.65	\$235	8.36%	\$16,845,710
S Scottsdale	8,143,671	6,820	20.38%	-265,951	\$32.09	\$243	8.20%	\$1,149,269
S Tempe/Ahwatukee	7,566,892	0	26.39%	-195,622	\$28.21	\$197	8.67%	\$23,220,000
SW Outlying	307,070	0	0.00%	0	\$25.16	\$152	9.02%	\$0
SW Phoenix	4,553,128	0	3.18%	-12,098	\$29.35	\$181	8.77%	\$0
Superstition Corridor	6,841,468	0	9.65%	17,610	\$26.10	\$177	9.16%	\$6,121,072
Tempe	21,681,180	0	23.24%	-326,005	\$32.70	\$235	8.38%	\$8,708,000
W I-10	2,675,066	176,000	6.92%	90,129	\$33.17	\$207	8.60%	\$2,400,000
<b>Total/Averages</b>	<b>197,218,859</b>	<b>992,070</b>	<b>12.85%</b>	<b>-2,545,041</b>	<b>\$28.34</b>	<b>\$191</b>	<b>8.77%</b>	<b>\$391,694,968</b>

# NOTABLE SALES

## AUTOPLEX



**1444 W AUTO DR  
TEMPE, AZ**

Sale Date: 9/26/24  
Sale Price: \$11,500,000  
Price/SF: \$660.46

Bldg Type: Class B  
Year Built: 1997/Reno: 2012  
DBA: 17,412 SF

## OPTUM HEALTH



**3090 N LITCHFIELD RD  
GOODYEAR, AZ**

Sale Date: 8/1/24  
Sale Price: \$2,400,000  
Price/SF: \$384.49

Bldg Type: Class B  
Year Built: 2006/Reno: 2017  
DBA: 6,242 SF

## BELL 101



**8841 E BELL RD - BLDG A  
SCOTTSDALE, AZ**

Sale Date: 7/19/24  
Sale Price: \$5,525,000  
Price/SF: \$439.71

Bldg Type: Class B  
Year Built: 2006  
DBA: 12,565 SF

## SOUTHPARK BUSINESS CENTER



**411 N MCKEMY AVE  
CHANDLER, AZ**

Sale Date: 7/10/24  
Sale Price: \$2,700,000  
Price/SF: \$219.51

Bldg Type: Class B  
Year Built: 2005  
DBA: 12,300 SF

## CVS HEALTH CORPORATION



**9501 E SHEA BLVD  
SCOTTSDALE, AZ**

Sale Date: 8/7/24  
Sale Price: \$71,500,000  
Price/SF: \$195.08

Bldg Type: Class B  
Year Built: 1975  
DBA: 366,513 SF

## GATEWAY EXECUTIVE CENTER



**1048 N 44TH ST  
PHOENIX, AZ**

Sale Date: 9/25/24  
Sale Price: \$9,050,000  
Price/SF: \$224.98

Bldg Type: Class A  
Year Built: 2006  
DBA: 40,226 SF

## THE ENCLAVE ON PRIEST



**1642 S PRIEST DR - BLDG 6  
TEMPE, AZ**

Sale Date: 8/28/24  
Sale Price: \$6,158,000  
Price/SF: \$289.07

Bldg Type: Class B  
Year Built: 2009  
DBA: 21,303 SF

## MESA OFFICE BUILDING



**1835 S EXTENSION RD  
MESA, AZ**

Sale Date: 7/16/24  
Sale Price: \$4,761,072  
Price/SF: \$216.00

Bldg Type: Class C  
Year Built: 2004  
DBA: 22,042 SF

## PHOENIX OFFICE BUILDING



**2211 N 7TH ST  
PHOENIX, AZ**

Sale Date: 9/6/24  
Sale Price: \$1,050,000  
Price/SF: \$338.71

Bldg Type: Class C  
Year Built: 1978  
DBA: 3,100 SF

# OFFICE CONDO REPORT

METRO PHOENIX



1

NW VALLEY

PRICE PSF

**\$301**

RENT PSF

**\$26.55**

2

SW VALLEY

PRICE PSF

**\$342**

RENT PSF

**\$20.86**

3

PHOENIX

PRICE PSF

**\$279**

RENT PSF

**\$30.29**

4

SCOTTSDALE/PV

PRICE PSF

**\$306**

RENT PSF

**\$34.73**

5

SE VALLEY

PRICE PSF

**\$305**

RENT PSF

**\$29.77**



### PRICE PSF

\$301.00

YOY ▼ 0.13%



### RENT PSF

\$29.57/SF

▼ 0.89%



### DEALS SOLD

47

▲ -26.56%

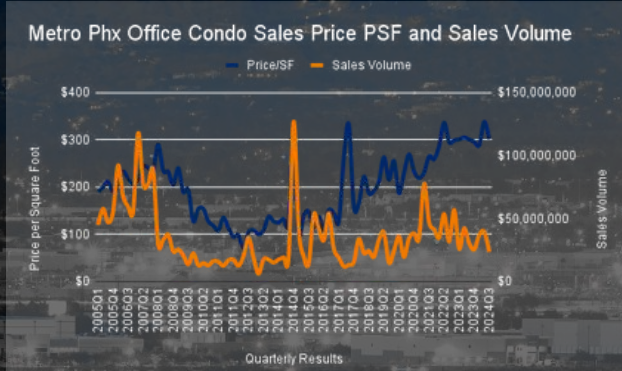


### INVENTORY (MOS.)

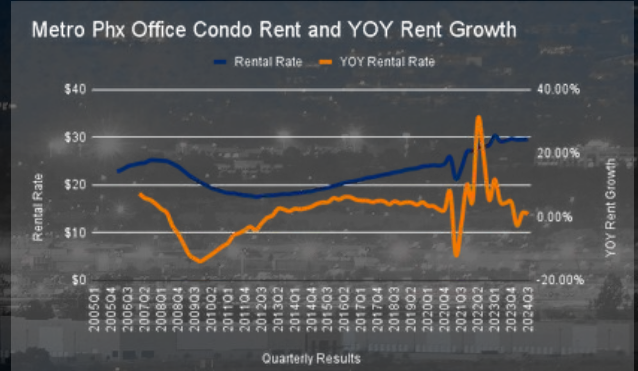
8.55

▼ 69.27%

### SALES PRICE PSF AND SALES VOLUME



### RENT PSF AND YOY RENT GROWTH



## NOTABLE TRANSACTIONS

### OFFICE OWNER USER



**13840 N NORTHSIGHT BLVD - SUITE 109  
SCOTTSDALE, AZ**

Sale Date: 8/30/24      Sale Type: Owner User  
Sale Price: \$1,700,000      Year Built: 1999  
Price/SF: \$258.08      DBA: 6,587 SF

### MEDICAL OWNER USER



**7312 E DEER VALLEY RD - SUITE 100  
SCOTTSDALE, AZ**

Sale Date: 7/2/24      Sale Type: Medical  
Sale Price: \$1,200,000      Year Built: 2006  
Price/SF: \$451.81      DBA: 2,656 SF

### INVESTMENT SALE



**2181 E PECOS RD - SUITE A1  
CHANDLER, AZ**

Sale Date: 8/30/24      Sale Type: Investment  
Sale Price: \$1,285,000      Year Built: 2008  
Price/SF: \$310.54      DBA: 4,138 SF



**10265 W CAMELBACK RD - SUITE 100  
PHOENIX, AZ**

Sale Date: 8/29/24      Sale Type: Owner User  
Sale Price: \$500,000      Year Built: 2005/Reno: 2018  
Price/SF: \$303.95      DBA: 1,645 SF



**15255 N 40TH ST - SUITES 127/129  
PHOENIX, AZ**

Sale Date: 8/22/24      Sale Type: Medical  
Sale Price: \$884,320      Year Built: 2006  
Price/SF: \$352.04      DBA: 2,512 SF



**6828 E BROWN RD - SUITE 101  
MESA, AZ**

Sale Date: 8/13/24      Sale Type: Investment  
Sale Price: \$1,120,242      Year Built: 2000  
Price/SF: \$350.73      DBA: 3,194 SF



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