

2025 Q2

PHOENIX
OFFICE
NEWSLETTER



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QUARTERLY OFFICE STATS

The Phoenix office market is contending with historically high vacancy, reaching 16.8%. This reflects the combined impact of weak demand, corporate downsizing, and an influx of new deliveries over recent years. Net absorption remains negative, with tenants continuing to reduce space. Sublease availability is elevated, now accounting for 3.6% of total inventory. Class A properties in prime locations are faring better, while older suburban buildings face steep competition and pricing pressure.

Leasing activity is subdued, concentrated in smaller deals under 10,000 SF, often driven by medical, financial, and government tenants. Large leases are rare, though DT Phoenix and Tempe continue to draw demand from education, tech, and legal sectors. Landlords are continuing to offer aggressive concessions to attract tenants.

Rent growth is under significant strain, with average asking rents at \$28.92/SF, down from peak levels in 2023. Elevated vacancy and soft demand will likely keep rent growth negative or flat through 2025, with recovery hinging on broader economic and employment gains.

Construction has slowed dramatically, with just 788,000 SF underway, as developers react to weak fundamentals and higher financing costs. Most projects are build-to-suit or preleased, reflecting limited speculative activity. Recent completions, such as The Beam on Farmer in Tempe, have leased successfully to targeted tenants, but older vacant space continues to outpace absorption. Vacancy stabilization will depend on tenant demand improving rather than construction restraint alone.



VACANCY

16.80%

2Q24: 16.4%



MARKET RENT

\$28.92/SF

2Q24: \$29.56/SF



NET ABSORPTION

61,716 SF

2Q24: -672,723 SF



PRICE PSF

\$207/SF

2Q24: \$167/SF

MARKET CAP RATES

8.72%

METRO PHOENIX

8.98%

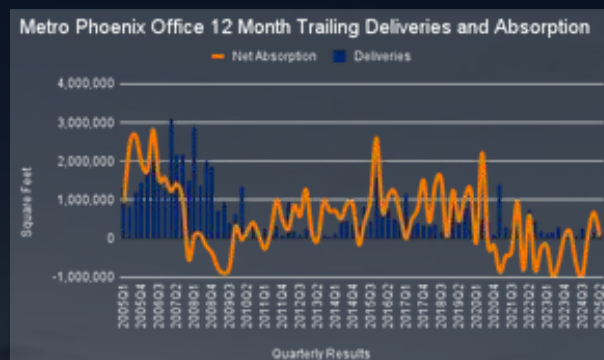
NATIONAL

Investment sales remain depressed, totaling \$1.3 billion over the past year. Pricing has adjusted downward, with average cap rates in the 8% range, up from mid-6% at the 2022 peak. Investors are focusing on well-leased Class A assets in strong submarkets or distressed opportunities with repositioning potential. Value-add plays are challenged by high renovation costs and uncertain leasing timelines, limiting buyer appetite for older assets without strong tenancy.

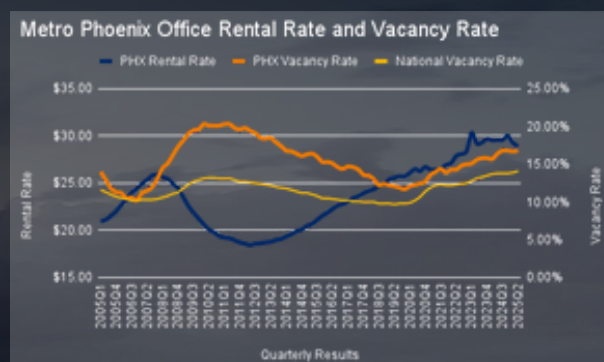
Phoenix's office outlook remains cautious, with economic drivers such as population growth, corporate relocations, and tech sector expansion offering some support. However, hybrid work trends, corporate consolidations, and a large pool of outdated inventory pose ongoing headwinds. Market recovery will likely be slow, with stabilization dependent on a return to sustained employment growth and a gradual reduction in surplus space.

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

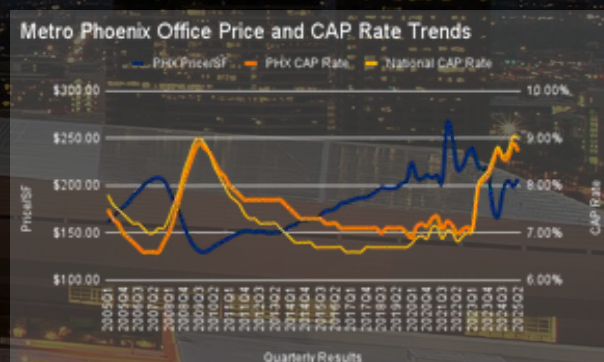
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL & VACANCY RATES



PRICES & CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.10% Unemployment Rate (USA)
- 4.00% Unemployment Rate (Metro PHX)
- 2.657 MM Employed Residents (Metro PHX)

+0.00%
+0.13%

Metro PHX Housing Trends (YOY)

- \$448,000 Median Home Price
- 6,511 Closed Transactions
- 57 Days on Market
- 3.88 Months of Supply

-0.01%
+0.05%
+10 Days
+0.97 Months

10-Year Treasury

- 4.24% as of 06/30/2025
- 0.12% YOY | -0.27% 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 | 4,073,550 | 0 | 15.56% | -74,084 | \$29.09 | \$198 | 8.55% | \$3,900,000 |
| Airport Area | 5,880,298 | 0 | 24.30% | 78,985 | \$26.87 | \$192 | 8.73% | \$22,400,000 |
| Arrowhead | 4,915,356 | 1,870 | 9.12% | 122,196 | \$28.45 | \$206 | 9.21% | \$5,698,600 |
| Camelback Corridor | 9,408,468 | 40,000 | 19.29% | -17,548 | \$37.42 | \$260 | 7.89% | \$54,907,960 |
| Central Scottsdale | 9,299,127 | 100,000 | 15.20% | -112,080 | \$29.07 | \$205 | 8.85% | \$74,948,496 |
| Chandler | 13,008,731 | 0 | 19.07% | -106,882 | \$29.09 | \$226 | 8.66% | \$750,000 |
| Deer Valley/Airport | 12,310,467 | 0 | 17.58% | -290,618 | \$28.04 | \$188 | 9.00% | \$5,110,000 |
| Downtown | 10,904,082 | 0 | 22.83% | -14,899 | \$31.92 | \$227 | 8.23% | \$18,220,896 |
| Gateway Airport/ Loop 202 | 3,061,212 | 195,511 | 5.43% | 11,934 | \$30.10 | \$229 | 9.17% | \$18,237,000 |
| Glendale | 3,762,599 | 39,650 | 11.66% | 47,160 | \$29.47 | \$201 | 8.86% | \$3,570,000 |
| Loop 303/ Surprise | 2,647,250 | 0 | 5.78% | 57,518 | \$29.71 | \$204 | 9.27% | \$21,154,000 |
| Mesa Downtown | 1,476,376 | 0 | 6.98% | -22,663 | \$20.71 | \$136 | 9.25% | \$13,286,666 |
| E Mesa | 5,071,146 | 0 | 10.55% | 38,717 | \$24.23 | \$182 | 9.16% | \$10,775,717 |
| Midtown | 13,368,253 | 0 | 22.64% | -225,026 | \$26.20 | \$191 | 8.39% | \$19,480,000 |
| Midtown/Central Phoenix | 6,143,668 | 0 | 9.76% | -127,518 | \$24.64 | \$168 | 8.73% | \$11,089,337 |
| N Phoenix/Cave Creek | 168,446 | 0 | 6.60% | -6,207 | \$24.04 | \$193 | 8.78% | \$0 |
| N Scottsdale/Carefree | 1,874,356 | 0 | 9.90% | 16,407 | \$25.60 | \$172 | 8.87% | \$5,403,000 |
| N I-17 | 1,038,064 | 0 | 10.11% | -5,874 | \$26.61 | \$199 | 9.01% | \$444,850 |
| NW Outlying | 164,903 | 0 | 0.09% | 3,042 | \$23.68 | \$154 | 9.13% | \$0 |
| NW Phoenix | 10,827,195 | 0 | 17.26% | -1,168 | \$22.83 | \$142 | 9.46% | \$13,355,000 |
| Paradise Valley | 5,512,812 | 487,530 | 13.46% | -20,011 | \$28.92 | \$202 | 8.81% | \$15,511,000 |
| Piestewa Peak Corridor | 3,456,268 | 0 | 15.58% | -63,069 | \$25.18 | \$166 | 9.22% | \$1,575,000 |
| Pinal County | 1,773,883 | 14,400 | 2.20% | 115,137 | \$24.04 | \$152 | 9.76% | \$4,783,000 |
| Scottsdale Airpark | 14,508,342 | 0 | 15.13% | 80,330 | \$30.75 | \$225 | 8.71% | \$24,510,000 |
| S Scottsdale | 8,182,981 | 0 | 18.61% | -110,700 | \$32.44 | \$251 | 8.35% | \$2,964,095 |
| S Tempe/Ahwatukee | 7,405,432 | 0 | 25.62% | -55,175 | \$26.79 | \$203 | 8.66% | \$3,199,000 |
| SW Outlying | 308,753 | 0 | 0.55% | -1,683 | \$24.30 | \$152 | 9.11% | \$0 |
| SW Phoenix | 4,411,686 | 0 | 3.59% | -2,957 | \$28.51 | \$186 | 8.72% | \$1,000,000 |
| Superstition Corridor | 6,555,778 | 8,309 | 11.30% | -16,671 | \$25.03 | \$188 | 9.20% | \$2,240,000 |
| Tempe | 21,201,895 | 0 | 21.70% | 462,711 | \$32.58 | \$243 | 8.36% | \$7,000,000 |
| W I-10 | 2,391,261 | 14,100 | 8.01% | 158,988 | \$31.25 | \$237 | 8.49% | \$19,050,000 |
| Total/Averages | 195,112,638 | 901,370 | 16.80% | -81,708 | \$28.92 | \$207 | 8.72% | \$384,563,617 |

NOTABLE SALES

CAMELBACK COLLECTIVE



**2801 E CAMELBACK RD
PHOENIX, AZ**

Sale Date: 06/30/2025 Bldg Class: A
Sale Price: \$48,250,000 Built: 2018
Price/SF: \$416.53 DBA: ±115,838 SF

RANCHO SANTA FE PHASE II



**13028 W RANCHO SANTA FE BLVD
AVONDALE, AZ**

Sale Date: 05/08/2025 Bldg Class: B
Sale Price: \$16,000,000 Built: 2025
Price/SF: \$551.72 DBA: ±29,000 SF

MEDICAL LABORATORY



**8125 N 86TH PL
SCOTTSDALE, AZ**

Sale Date: 06/12/2025 Bldg Class: B
Sale Price: \$3,300,000 Built: 1999
Price/SF: \$343.75 DBA: ±9,600 SF

DENTISTRY OFFICE



**560 N STAPLEY DR
MESA, AZ**

Sale Date: 05/16/2025 Bldg Class: B
Sale Price: \$1,348,000 Built: 1970 | Reno: 2021
Price/SF: \$402.15 DBA: ±3,352 SF
Cap Rate: 6.00%

SCOTTSDALE CENTRE



**7373 N SCOTTSDALE RD
SCOTTSDALE, AZ**

Sale Date: 06/06/2025 Bldg Class: B
Sale Price: \$44,580,000 Built: 1984
Price/SF: \$272.98 DBA: ±163,311 SF

MEDICAL OFFICE



**21240 E OCOTILLO RD
QUEEN CREEK, AZ**

Sale Date: 04/10/2025 Bldg Class: B
Sale Price: \$7,150,000 Built: 2023
Price/SF: \$638.28 DBA: ±11,202 SF

FREESTANDING OFFICE BUILDING



**1917 E 5TH ST
TEMPE, AZ**

Sale Date: 05/06/2025 Bldg Class: B
Sale Price: \$2,850,000 Built: 2006
Price/SF: \$265.54 DBA: ±10,733 SF

COTTON CORPORATE CENTER



**4950 S 48TH ST
PHOENIX, AZ**

Sale Date: 05/16/2025 Bldg Class: B
Sale Price: \$22,400,000 Built: 2009
Price/SF: \$305.27 DBA: ±73,377 SF

FREESTANDING SINGLE-TENANT



**17210 E AMHURST DR
FOUNTAIN HILLS, AZ**

Sale Date: 04/22/2025 Bldg Class: C
Sale Price: \$1,000,000 Built: 1985 | Reno: 2002
Price/SF: \$233.70 DBA: ±4,279 SF

OFFICE CONDO REPORT

METRO PHOENIX



1

NW VALLEY

PRICE PSF

\$376

RENT PSF

\$27.07

2

SW VALLEY

PRICE PSF

\$341

RENT PSF

\$30.20

3

PHOENIX

PRICE PSF

\$247

RENT PSF

\$29.08

4

SCOTTSDALE/PV

PRICE PSF

\$394

RENT PSF

\$29.21

5

SE VALLEY

PRICE PSF

\$318

RENT PSF

\$28.80



PRICE PSF

\$311.00

YOY ▼ 7.99%



RENT PSF

\$28.92/SF

▲ 2.17%



DEALS SOLD

43

▼ 4.44%



INVENTORY (MOS.)

4.58

▼ 30.64%

SALES PRICE PSF AND SALES VOLUME



RENT PSF AND YOY RENT GROWTH



NOTABLE TRANSACTIONS

OFFICE OWNER USER

INDIAN SCHOOL PROFESSIONAL PLAZA



**9150 W INDIAN SCHOOL RD - #105
PHOENIX, AZ**

Sale Date: 06/17/2025 Bldg Class: B
Sale Price: \$1,630,000 Built: 2005
Price/SF: \$336.08 DBA: ±4,850 SF

MEDICAL OWNER USER

TIERRA OFFICE PARK



**1434 W ELLIOT RD - BLDG 1
GILBERT, AZ**

Sale Date: 05/12/2025 Bldg Class: B
Sale Price: \$1,326,000 Built: 2015
Price/SF: \$331.50 DBA: ±4,000 SF

INVESTMENT SALE

QUEEN CREEK UTAZ PROF. VILLAGE



**21321 E OCOTILLO RD - #108
QUEEN CREEK, AZ**

Sale Date: 04/16/2025 Bldg Class: B
Sale Price: \$1,222,000 Built: 2007
Price/SF: \$446.64 DBA: ±2,736 SF
Cap Rate: 6.50%

FAIRWAYS AT SUPERSTITION



**2500 S POWER RD - #217
MESA, AZ**

Sale Date: 06/20/2025 Bldg Class: B
Sale Price: \$800,000 Built: 2002
Price/SF: \$281.79 DBA: ±2,839 SF

PLAZA TOWN CENTER



**9197 W THUNDERBIRD RD - #275
PEORIA, AZ**

Sale Date: 06/04/2025 Bldg Class: B
Sale Price: \$2,013,600 Built: 2007
Price/SF: \$382.09 DBA: ±5,270 SF

IRONWOOD OFFICE SUITES



**10117 N 92ND ST - # 103
SCOTTSDALE, AZ**

Sale Date: 04/04/2025 Bldg Class: B
Sale Price: \$3,350,000 Built: 2003
Price/SF: \$666.14 DBA: ±5,029 SF
Cap Rate: 6.57%



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