



# 2025 Q1

## PHOENIX **OFFICE** NEWSLETTER



(480) 425-5500  
[www.svndesertcommercial.com](http://www.svndesertcommercial.com)  
5343 N 16th St. #100 | Phoenix, AZ 85016



# QUARTERLY OFFICE STATS

The Phoenix office market showed signs of stabilization in early 2025, with a second consecutive quarter of positive net absorption. Still, the market continues to face structural challenges. Since the onset of the pandemic, nearly 6 million square feet have been vacated, pushing vacancy to a 15-year high of 16.7%. Demand continues to favor smaller suites and newer buildings.

Leasing activity has improved but remains 15% below pre-pandemic levels, driven by reduced space-per-employee and shorter lease terms. Sublease availability remains a key challenge, with 6.8 million SF on the market—triple the historical average—suggesting continued pressure on direct vacancy through 2025.

Rent growth has slowed but remains slightly positive. Average asking rents increased 1.6% year-over-year, keeping Phoenix in the top 15 U.S. office markets for rent growth. Landlords continue offsetting stagnant rents with elevated tenant improvement (TI) packages, particularly in premium submarkets like Camelback Corridor and Scottsdale. Sublease space rents average 20% below direct space, further suppressing pricing power.

Construction activity remains limited, with just 449,000 SF underway, representing a mere 0.2% of inventory. This slowdown has helped prevent a deeper supply-demand imbalance but may constrain options for tenants seeking new Class A space. The current pipeline consists mostly of medical offices and smaller projects, with developers avoiding speculative office space due to financing difficulties and tepid tenant demand.



**VACANCY**  
**16.70%**

1Q24: 15.70%



**MARKET RENT**  
**\$29.26/SF**

1Q24: \$29.52/SF



**NET ABSORPTION**  
**677,003 SF**

1Q24: 158,816 SF



**PRICE PSF**  
**\$199/SF**

1Q24: \$177/SF

## MARKET CAP RATES

**8.90%**

METRO PHOENIX

**9.05%**

NATIONAL

Investment activity improved in Q1 2025 with \$1.7 billion in office sales over the past 12 months, up from \$1.2 billion in 2023. Still, this lags the pre-pandemic annual average of \$2.8 billion.

Transactions are dominated by sub-\$5 million deals, mostly involving private buyers and owner-users. Larger trades are often value-add or opportunistic plays with significant discounts to pre-pandemic pricing.

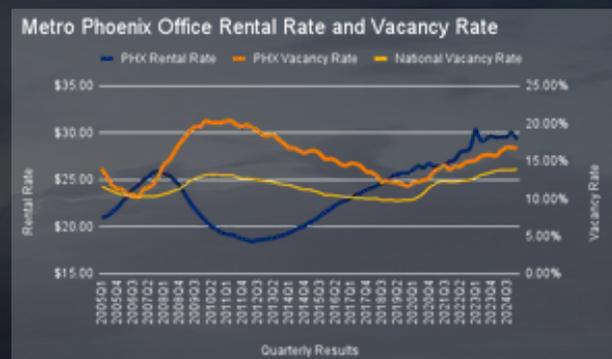
Looking ahead, vacancy is expected to stay elevated as companies reassess their space needs. Rent growth is projected to remain in the 1%–2% range through 2025, with modest acceleration possible in 2026. Meanwhile, rising interest rates and upcoming loan maturities could lead to more distressed asset sales. For investors, opportunities exist in acquiring high-quality assets at discounts and repositioning them for a post-pandemic tenant base.

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)

- 4.20% Unemployment Rate (USA)
- 3.60% Unemployment Rate (Metro PHX)
- 2.426 MM Employed Residents (Metro PHX)

+0.07%  
+0.00%

## Metro PHX Housing Trends (YOY)

- \$455,000 Median Home Price
- 6,790 Closed Transactions
- 52 Days on Market
- 3.64 Months of Supply

+0.02%  
+0.04%  
+6 Days  
+1.08 Months

## 10-Year Treasury

- 4.23% as of 03/31/2025
- +0.03% 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	4,306,884	0	14.92%	19,754	\$29.04	\$187	8.90%	\$0
Airport Area	5,891,317	0	24.18%	39,417	\$28.00	\$183	9.06%	\$11,500,019
Arrowhead	4,823,842	89,870	8.98%	-31,900	\$29.67	\$201	9.29%	\$27,834,440
Camelback Corridor	9,443,197	40,000	19.21%	-28,007	\$37.26	\$241	8.16%	\$5,250,000
Central Scottsdale	9,301,692	100,000	14.64%	42,544	\$29.17	\$201	8.96%	\$4,200,000
Chandler	13,045,309	5,194	19.80%	-337,985	\$29.62	\$220	8.81%	\$7,319,990
Deer Valley/Airport	12,308,533	0	17.20%	-309,016	\$28.43	\$185	9.12%	\$2,950,000
Downtown	10,849,299	0	21.90%	155,803	\$31.48	\$213	8.51%	\$2,792,500
Gateway Airport/ Loop 202	3,080,212	26,032	5.50%	29,465	\$30.29	\$218	9.34%	\$38,659,000
Glendale	3,770,138	39,650	12.30%	76,932	\$29.71	\$186	9.07%	\$0
Loop 303/ Surprise	2,620,114	9,989	6.04%	61,596	\$30.46	\$201	9.15%	\$1,445,960
Mesa Downtown	1,477,310	0	6.53%	-23,473	\$20.93	\$133	9.46%	\$599,000
E Mesa	5,043,794	0	10.08%	93,521	\$24.73	\$176	9.40%	\$6,984,840
Midtown	13,386,281	0	23.06%	-583,852	\$25.91	\$179	8.69%	\$1,200,000
Midtown/Central Phoenix	6,169,894	0	9.23%	-157,638	\$25.11	\$162	8.96%	\$4,959,508
N Phoenix/Cave Creek	168,446	0	5.67%	-5,248	\$24.64	\$190	8.94%	\$0
N Scottsdale/Carefree	1,880,330	0	10.18%	29,164	\$25.90	\$169	8.99%	\$2,818,000
N I-17	1,012,105	0	7.48%	17,748	\$27.85	\$195	9.15%	\$2,545,000
NW Outlying	147,031	0	0.00%	1,402	\$24.20	\$152	9.23%	\$0
NW Phoenix	10,863,245	0	16.95%	51,022	\$23.32	\$139	9.63%	\$9,977,000
Paradise Valley	5,507,156	77,507	13.33%	-20,344	\$28.82	\$190	9.01%	\$25,608,026
Piestewa Peak Corridor	3,458,268	0	15.80%	-78,305	\$25.28	\$161	9.43%	\$785,000
Pinal County	1,762,013	14,400	2.35%	22,422	\$23.95	\$147	9.92%	\$275,000
Scottsdale Airpark	14,345,050	0	15.41%	-68,006	\$30.96	\$221	8.85%	\$29,934,488
S Scottsdale	8,093,220	0	19.65%	-285,816	\$32.27	\$236	8.55%	\$15,753,684
S Tempe/Ahwatukee	7,392,367	0	24.76%	-24,030	\$27.68	\$197	8.84%	\$51,800,000
SW Outlying	308,753	0	0.55%	-1,683	\$24.74	\$149	9.29%	\$0
SW Phoenix	4,436,076	0	3.19%	-2,396	\$28.51	\$175	9.03%	\$0
Superstition Corridor	6,782,006	16,618	12.74%	-151,379	\$25.89	\$179	9.38%	\$13,250,000
Tempe	21,106,216	0	21.43%	626,805	\$33.66	\$238	8.60%	\$23,937,300
W I-10	2,338,726	118,100	9.91%	103,682	\$31.98	\$209	8.86%	\$15,595,000
<b>Total/Averages</b>	<b>195,118,824</b>	<b>537,360</b>	<b>16.70%</b>	<b>-737,801</b>	<b>\$29.26</b>	<b>\$199</b>	<b>8.90%</b>	<b>\$307,973,755</b>

# NOTABLE SALES

## COPPER POINT BUSINESS PARK



**3530 S VALL VISTA DR  
GILBERT, AZ**

Sale Date: 03/21/2025 Bldg Type: Class B  
Sale Price: \$36,000,000 Built: 2008  
Price/SF: \$386.01 DBA: ±93,262 SF

## MEDICAL OFFICE



**450 W CONTINENTAL RD  
GREEN VALLEY, AZ**

Sale Date: 03/17/2025 Bldg Type: Class A  
Sale Price: \$2,600,000 Built: 1992  
Price/SF: \$358.86 DBA: ±7,225 SF  
Cap Rate: 7.98%

## BASELINE MEDICAL PLAZA



**2451 E BASELINE RD  
GILBERT, AZ**

Sale Date: 03/07/2025 Bldg Type: Class B  
Sale Price: \$11,950,000 Built: 1995  
Price/SF: \$303.96 DBA: ±39,315 SF

## PALM VALLEY PROFESSIONAL



**2920 N LITCHFIELD RD BLDG 11  
GOODYEAR, AZ**

Sale Date: 01/03/2025 Bldg Type: Class B  
Sale Price: \$1,475,000 Built: 2007  
Price/SF: \$236.30 DBA: ±6,242 SF

## ELEMENT AT KIERLAND



**14614 N KIERLAND BLVD  
SCOTTSDALE, AZ**

Sale Date: 03/07/2025 Bldg Type: Class A  
Sale Price: \$18,479,487 Built: 1998  
Price/SF: \$334.36 DBA: ±55,268 SF

## MEDICAL OFFICE



**5823 W EUGIE AVE  
GLENDALE, AZ**

Sale Date: 03/28/2025 Bldg Type: Class B  
Sale Price: \$2,950,000 Built: 2005  
Price/SF: \$345.03 DBA: ±8,550 SF

## ANTHEM VILLAGE CENTER



**2355 ANTHEM WAY  
PHOENIX, AZ**

Sale Date: 01/02/2025 Bldg Type: Class B  
Sale Price: \$2,545,000 Built: 2007  
Price/SF: \$691.58 DBA: ±3,680 SF  
Cap Rate: 5.95%

## UNIVERSITY PARK



**2352 W UNIVERSITY DR BLDG A  
TEMPE, AZ**

Sale Date: 03/26/2025 Bldg Type: Class B  
Sale Price: \$6,100,000 Built: 2006  
Price/SF: \$249.69 DBA: ±24,430 SF  
Cap Rate: %

## OFFICE BUILDING



**4550 E BELL RD BLDG 7  
PHOENIX, AZ**

Sale Date: xx/xx/xx Bldg Type: Class B  
Sale Price: \$1,680,000 Built: 2007  
Price/SF: \$276.36 DBA: ±6,079 SF

# OFFICE CONDO REPORT

METRO PHOENIX



1

NW VALLEY

PRICE PSF

**\$384**

RENT PSF

**\$30.26**

2

SW VALLEY

PRICE PSF

**\$353**

RENT PSF

**\$29.99**

3

PHOENIX

PRICE PSF

**\$254**

RENT PSF

**\$30.28**

4

SCOTTSDALE/PV

PRICE PSF

**\$331**

RENT PSF

**\$32.16**

5

SE VALLEY

PRICE PSF

**\$352**

RENT PSF

**\$31.41**



### PRICE PSF

\$320.00

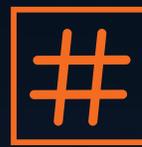
YOY ▲ 10.73%



### RENT PSF

\$29.26/SF

▼ 0.88%



### DEALS SOLD

140

▲ 185.71%

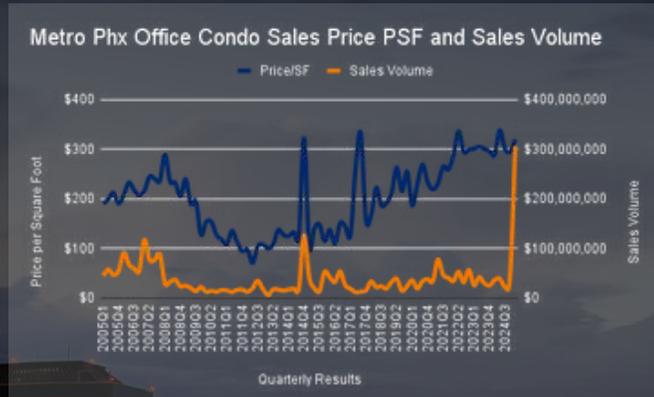


### INVENTORY (MOS.)

4.90

▼ 14.85%

### SALES PRICE PSF AND SALES VOLUME



### RENT PSF AND YOY RENT GROWTH



## NOTABLE TRANSACTIONS

#### OFFICE OWNER USER



8111 E INDIAN BEND RD BLDG A  
SCOTTSDALE, AZ

Sale Date: 03/31/2025 Bldg Type: Class B  
Sale Price: \$2,800,000 Built: 2003  
Price/SF: \$306.21 DBA: ±9,144 SF

#### MEDICAL OWNER USER



6677 W THUNDERBIRD RD #176  
GLENDALE, AZ

Sale Date: 03/31/2025 Bldg Type: Class B  
Sale Price: \$632,000 Built: 2003  
Price/SF: \$340.33 DBA: ±1,857 SF

#### INVESTMENT SALE



8350 E RAIN TREE DR #140  
SCOTTSDALE, AZ

Sale Date: 02/10/2025 Bldg Type: Class B  
Sale Price: \$655,000 Built: 2006  
Price/SF: \$322.03 DBA: ±2,034 SF



3303 S LINDSAY RD #113  
GILBERT, AZ

Sale Date: 02/04/2025 Bldg Type: Class B  
Sale Price: \$829,000 Built: 2005  
Price/SF: \$414.50 DBA: ±2,000 SF



1110 S DOBSON RD C-110  
CHANDLER, AZ

Sale Date: 01/08/2025 Bldg Type: Class B  
Sale Price: \$3,151,500 Built: 2007  
Price/SF: \$418.80 DBA: ±7,525 SF  
Cap Rate: 6.50%



671 W UNION HILLS RD #503 & #504  
PEORIA, AZ

Sale Date: 01/20/2025 Bldg Type: Class B  
Sale Price: \$1,400,000 Built: 2006  
Price/SF: \$378.17 DBA: ±3,702 SF



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