

2025 Q3

PHOENIX
OFFICE
NEWSLETTER



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QUARTERLY OFFICE STATS

The Phoenix office market has reached an inflection point. A pickup in demand formation in the past four quarters caused the vacancy to consistently fall for the first time since the onset of the pandemic.

Nevertheless, a long road to recovery is likely in store. There is considerable economic uncertainty in the near-term forecast and about 5.5 million SF of post-COVID occupancy loss that still needs to be worked through. The Valley recorded 1.6 million SF of positive net absorption in the 12-month period ending in 25Q3, driven by owner/user acquisitions of heavily vacant buildings, steady leasing volume, growing in-person office attendance, and increased renewal activity. As a result, vacancy has improved from 17.0% a year ago to 16.4% today, making Phoenix one of just a handful of major U.S. markets with a year-over-year decline in vacancy.

Supporting the sector's recent stabilization is a near-total lack of supply-side pressure. Just 450,000 SF of net new office space delivered over the past three years combined, trailing the average annual completion total from 2015 to 2019 by more than 40%. Equity and debt partners have shown little willingness to move forward on new speculative office projects, leaving the current development pipeline at a fraction of pre-COVID norms and the threat of new supply firmly at bay.

With supply growth muted, the inventory of high-end expansion options is now concentrated in a limited pool of existing trophy buildings in the most desirable submarkets. Tenant demand and rent growth have been strong in this small slice of the market, while non-premium space and commodity suburban buildings, which compose the bulk of the Valley's office stock, have struggled to gather momentum.



VACANCY

16.2%

3Q24: 16.8%



MARKET RENT

\$30.25/SF

3Q24: \$29.57/SF



NET ABSORPTION

788,821 SF

4Q24: -981,861SF



PRICE PSF

\$208/SF

3Q24: \$194/SF

MARKET CAP RATES

8.80%

METRO PHOENIX

9.07%

NATIONAL

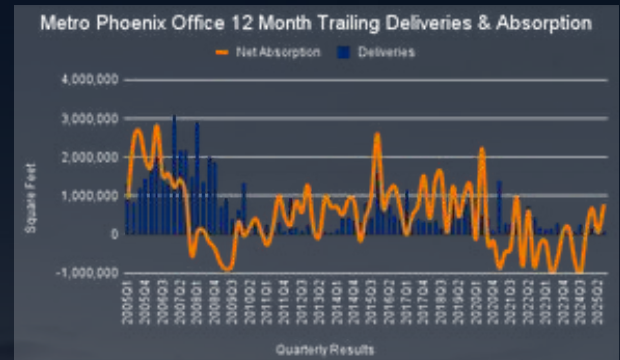
As a result, while lease rates at Phoenix's top buildings continue to set new records, the market notched overall asking rent growth of just 2.6% over the past 12 months, lagging the rate of inflation. Additionally, after factoring in the generous TI packages landlords often offer to attract users, the effective rate of rent growth is likely in negative territory.

Against this backdrop, some owners have invested in renovations and spec suites to make their buildings more desirable. Those in high-demand submarkets have found some success luring tenants from other areas, pointing to an uneven recovery throughout the Valley.

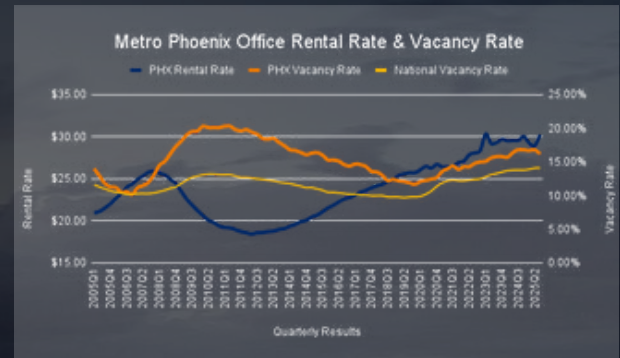
The diverging performance between premium and non-premium buildings defines the current landscape, and what becomes of the latter will likely guide the path of recovery. Some of Phoenix's older obsolete offices have already been demolished or repurposed for new uses like infill industrial, a trend gaining steam in suburban areas. Moving forward, as the pool of premium options continues to dwindle, tenants may begin filling space in next-tier buildings and submarkets, though how quickly will define the recovery trajectory.

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

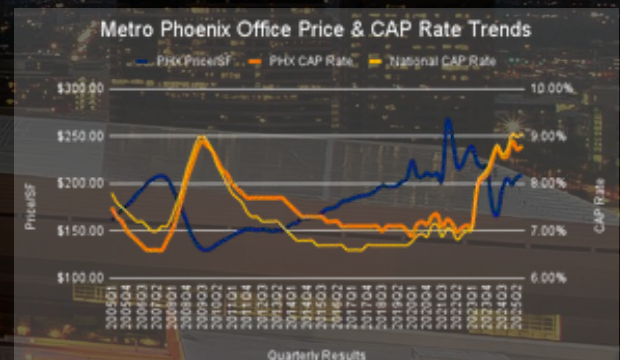
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL & VACANCY RATES



PRICES & CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.30% Unemployment Rate (USA)
- 3.70% Unemployment Rate (Metro PHX)
- 2.590 MM Employed Residents (Metro PHX)

+0.40%
+0.10%

Metro PHX Housing Trends (YOY)

- \$450,000 Median Home Price
- 6,215 Closed Transactions
- 85 Days on Market
- 3.80 Months of Supply

+0.05%
+0.14%
+15 Days
+0.50 Months

10-Year Treasury

- 4.01% as of 10/24/2025
- -0.20% 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	4,044,416	0	15.3%	46,205	\$29.97	\$206.84	8.2%	\$2,395,000
Airport Area	5,352,583	0	21.9%	-88,959	\$27.68	\$184.85	8.6%	\$2,450,000
Arrowhead	4,836,305	0	8.9%	-11,145	\$28.92	\$212.87	8.6%	\$11,620,000
Camelback Corridor	9,518,381	0	20.5%	-329,236	\$37.04	\$262.41	7.5%	\$2,186,960
Central Scottsdale	9,278,318	0	14.9%	-51,583	\$30.10	\$222.25	8.1%	\$5,403,360
Chandler	12,967,754	124,680	16.0%	-76,472	\$30.02	\$225.83	8.3%	\$6,804,000
Deer Valley/Airport	12,787,037	0	14.7%	-194,455	\$28.81	\$214.65	8.1%	\$22,250,000
Downtown	11,498,365	0	22.0%	-372,775	\$32.47	\$249.53	7.7%	\$37,600,000
Gateway Airport/ Loop 202	2,973,749	130,610	4.7%	90,799	\$30.13	\$222.28	8.8%	\$43,561,640
Glendale	3,682,313	135,650	13.6%	-57,824	\$30.26	\$204.48	8.3%	\$586,465
Loop 303/ Surprise	2,662,384	9,984	8.1%	5,384	\$30.84	\$213.77	8.5%	\$3,000,000
Mesa Downtown	1,493,201	0	13.9%	-52,038	\$21.28	\$134.18	8.8%	\$3,308,500
E Mesa	5,022,303	0	12.7%	-75,076	\$27.00	\$187.84	8.7%	\$2,635,000
Midtown	13,432,688	0	19.2%	26,615	\$27.04	\$209.27	7.8%	\$4,232,730
Midtown/Central Phoenix	6,148,999	13,246	6.0%	151,681	\$24.92	\$169.13	8.4%	\$2,345,000
N Phoenix/Cave Creek	159,273	0	1.9%	-1,768	\$24.92	\$203.48	8.3%	\$0
N Scottsdale/Carefree	1,888,569	0	12.0%	-21,139	\$25.81	\$183.32	8.4%	\$355,000
N I-17	1,006,112	0	3.8%	116,817	\$27.15	\$204.65	8.5%	\$1,835,000
NW Outlying	139,303	0	0.0%	0	\$25.36	\$167.76	8.5%	\$0
NW Phoenix	11,022,201	0	16.9%	99,282	\$23.48	\$151.02	8.8%	\$10,928,000
Paradise Valley	5,473,751	0	12.4%	-43,405	\$29.48	\$202.67	8.3%	\$23,485,596
Piestewa Peak Corridor	3,457,763	0	12.2%	-76,832	\$25.95	\$175.96	8.7%	\$535,000
Pinal County	1,780,280	14,329	2.5%	-4,348	\$22.68	\$159.06	9.1%	\$1,848,000
Scottsdale Airpark	14,096,682	98,000	15.9%	-33,237	\$32.68	\$249.01	8.0%	\$73,934,760
S Scottsdale	8,092,894	6,820	15.8%	43,220	\$32.49	\$251.12	7.8%	\$5,299,600
S Tempe/Ahwatukee	7,567,163	135,000	21.5%	-173,826	\$28.10	\$197.16	8.4%	\$3,770,000
SW Outlying	312,350	0	0.0%	0	\$25.05	\$159.50	8.6%	\$415,500
SW Phoenix	4,502,261	0	3.0%	17,524	\$28.32	\$190.30	8.3%	\$0
Superstition Corridor	6,829,299	0	10.7%	-69,631	\$25.99	\$178.19	8.9%	\$16,809,728
Tempe	21,266,830	298,356	23.3%	-1,024,797	\$33.42	\$251.88	8.0%	\$4,475,000
W I-10	2,558,459	141,773	7.8%	29,403	\$31.58	\$215.22	8.2%	\$7,587,300
Total/Averages	195,851,986	1,108,448	16.20%	-2,131,616	\$30.25	\$208.00	8.80%	\$301,657,139

NOTABLE SALES

THE SQUARE



**6991 E CAMELBACK RD
SCOTTSDALE, AZ 85251**

Sale Date: 08/15/25 Bldg Type: 4 Star Office
Sale Price: \$40.8M Built: 1978 | Reno: 2021
Price/SF: \$234.48 RBA: ±174,000 SF
Cap Rate: N/A

BLOCK 23



**101 E WASHINGTON ST
PHOENIX, AZ 85004**

Sale Date: 08/15/25 Bldg Type: 5 Star Office
Sale Price: \$90.17M Built: 2019
Price/SF: \$293.71 RBA: ±307,000 SF
Cap Rate: N/A

2800 TOWER



**2800 N CENTRAL AVE
PHOENIX, AZ 85004**

Sale Date: 07/22/25 Bldg Type: 4 Star Office
Sale Price: \$28.5M Built: | Reno: 1985
Price/SF: \$76.87 RBA: ±370,736 SF
Cap Rate: N/A

AERO SCOTTSDALE



**14555 N HAYDEN RD
SCOTTSDALE, AZ 85260**

Sale Date: 09/02/25 Bldg Type: 2 Star Office
Sale Price: \$11.97M Built: 1985
Price/SF: \$255.38 RBA: ±46,871 SF
Cap Rate: N/A

FIFTY90



**5090 N 40TH ST
PHOENIX, AZ 85018**

Sale Date: 08/15/25 Bldg Type: 4 Star Office
Sale Price: \$35.3M Built: 1987 | Reno: 2015
Price/SF: \$204.05 RBA: ±173,000 SF
Cap Rate: N/A

SKYPORT SCOTTSDALE-BLDG B



**7600 E REDFIELD RD
SCOTTSDALE, AZ 85260**

Sale Date: 08/29/25 Bldg Type: 3 Star Office
Sale Price: \$11.61M Built: 1985
Price/SF: \$830.39 RBA: ±13,985 SF
Cap Rate: N/A

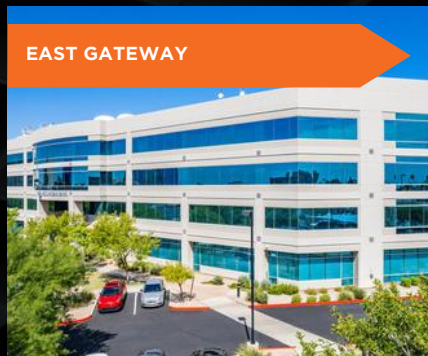
1600 PAPAGO



**1600 N DESERT DR
TEMPE, AZ 85281**

Sale Date: 08/15/25 Bldg Type: 3 Star Office
Sale Price: \$11.5M Built: 1995 | Reno: 2013
Price/SF: \$131.11 RBA: ±87,714 SF
Cap Rate: N/A

EAST GATEWAY



**4686 E VAN BUREN ST
PHOENIX, AZ 85008**

Sale Date: 09/30/25 Bldg Type: 4 Star Office
Sale Price: \$9.7M Built: 2006
Price/SF: \$83.90 RBA: ±115,589 SF
Cap Rate: N/A

RIVERSIDE OFFICE PLAZA



**1155 W RIO SALADO PKY
TEMPE, AZ 85281**

Sale Date: 09/04/25 Bldg Type: 3 Star Office
Sale Price: \$8.33M Built: 2006
Price/SF: \$251.71 RBA: ±33,094 SF
Cap Rate: N/A

OFFICE CONDO REPORT

METRO PHOENIX



1

NW VALLEY

PRICE PSF

\$396

RENT PSF

\$28.10

2

SW VALLEY

PRICE PSF

\$388

RENT PSF

\$33.10

3

PHOENIX

PRICE PSF

\$265

RENT PSF

\$29.83

4

SCOTTSDALE/PV

PRICE PSF

\$362

RENT PSF

\$31.59

5

SE VALLEY

PRICE PSF

\$364

RENT PSF

\$33.66



PRICE PSF

\$353.83



RENT PSF

\$30.25



DEALS SOLD

58



INVENTORY (MOS.)

5.37

YOY

▲ 17.55%

▲ 2.30%

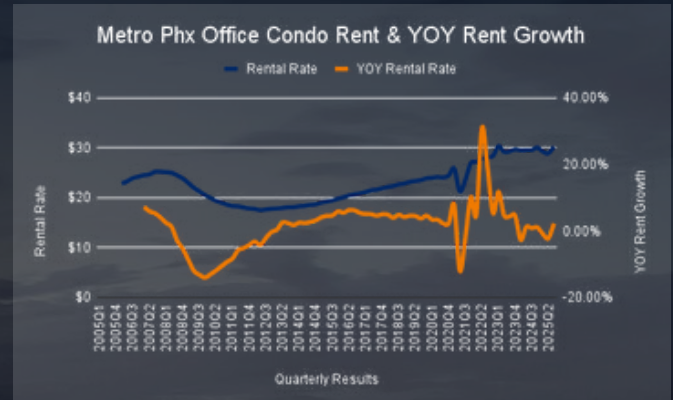
▲ 23.40%

▼ -37.20%

SALES PRICE PSF & SALES VOLUME



RENT PSF & YOY RENT GROWTH



NOTABLE TRANSACTIONS

OFFICE OWNER USER

WARNER CENTURY PLAZA - UNIT 103



**2125 E WARNER RD
TEMPE, AZ 85284**

Sale Date: 08/13/25 Bldg Type: 3 Star Office Condo
 Sale Price: \$1.31M Built: 2003
 Price/SF: \$333.00 RBA: ±7,000 SF
 Cap Rate: N/A

MEDICAL OWNER USER

EXECUTIVE VILLAS AT DANA POINT- UNIT 107



**3303 E BASELINE RD
GILBERT, AZ 85234**

Sale Date: 07/30/25 Bldg Type: 3 Star Office Condo
 Sale Price: \$1.43M Built: 2003
 Price/SF: \$343.37 RBA: ±16,620 SF
 Cap Rate: N/A

SVN|DCA DEALS

STADIUM VILLAGE OFFICE CONDOS - UNIT 103



**14827 W BELL RD
SURPRISE, AZ 85374**

Sale Date: 08/29/25 Bldg Type: 2 Star Office Condo
 Sale Price: \$1.06M Built: 2009
 Price/SF: \$3382.81 RBA: ±4,271SF

MOUNTAIN VIEW OFFICE CONDOS - UNIT 102



**9777 N 91ST ST
SCOTTSDALE, AZ 85258**

Sale Date: 07/28/25 Bldg Type: 3 Star Office Condo
 Sale Price: \$1.39M Built: 2001
 Price/SF: \$340.00 RBA: ±15,204SF
 Cap Rate: N/A

GATEWAY MEDICAL CAMPUS - UNIT 142



**5656 S POWER RD
GILBERT, AZ 85295**

Sale Date: 07/02/25 Bldg Type: 3 Star Office Condo
 Sale Price: \$1.44M Built: 2001
 Price/SF: \$382.61 RBA: ±15,000 SF
 Cap Rate: 5%

INDIAN BEND CORPORATE CENTRE- UNIT 109



**8151 E INDIAN BEND RD
SCOTTSDALE, AZ 85250**

Sale Date: 08/29/25 Bldg Type: 3 Star Office Condo
 Sale Price: \$575k Built: 2006
 Price/SF: \$362.78 RBA: ±8,118



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