

PHOENIX  
**OFFICE**  
NEWSLETTER



**1Q2024**

SVN DESERT COMMERCIAL ADVISORS



# QUARTERLY OFFICE STATS

The Phoenix office market is confronting ongoing challenges, with vacancy rates steadily rising as tenants reassess their spatial needs. Since Q4 2019, the market has experienced a notable surge in vacancy, climbing 500 basis points. This trend reflects a fundamental shift in tenant demand dynamics, exacerbated by the expiration of pre-pandemic leases, prompting tenants to make more deliberative decisions about their office space requirements. Projections suggest further increases in vacancy rates over the midterm as in-place leases continue to expire.

The cumulative negative net absorption in the market since the onset of the pandemic has now exceeded -4 million square feet, surpassing the occupancy loss witnessed during the Great Recession. This trend has been particularly pronounced in larger office suites and single-tenant buildings, where empty space is accumulating at a faster pace. However, there are pockets of resilience, notably in properties under 50,000 square feet and in the medical office sector.

Sublease availability has also seen an increase, with Phoenix ranking as the fourth most heavily impacted sublease market nationwide. The lack of significant construction activity has provided some relief, helping to mitigate supply-demand imbalances.



## VACANCY

15.70%

1Q23: 15.10%



## MARKET RENT

\$29.52/SF

1Q23: \$30.32/SF



## NET ABSORPTION

158,816 SF

1Q23: -196,250 SF



## PRICE / SF

\$177/SF

1Q23: \$239/SF

## MARKET CAP RATES

8.48%

METRO PHOENIX

8.58%

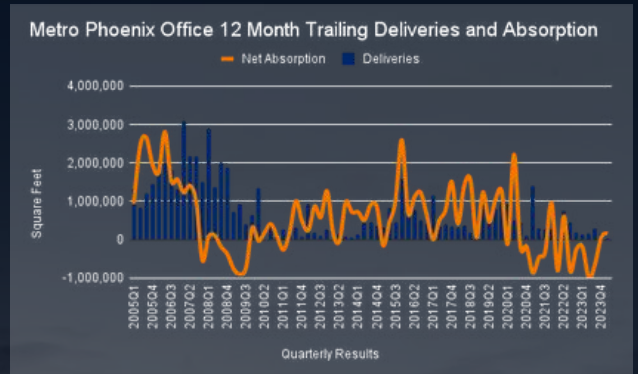
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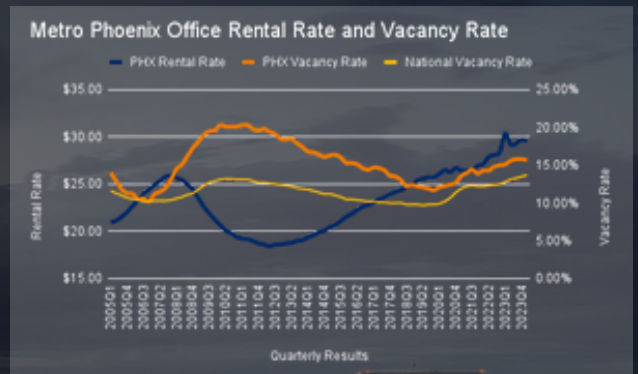
Rent growth has decelerated in response to slackening demand, though Phoenix rents have held up relatively well compared to other markets. Nonetheless, expectations are for rent growth to slow further, potentially turning negative in the coming year. Sales activity has been sluggish, with investors primarily targeting smaller deals below \$5 million. However, traditional office buyers are pursuing value-add and opportunistic strategies, focusing on assets with strong upside potential.

Looking ahead, the leasing environment is expected to remain challenging, with higher vacancy rates and softer rents anticipated. The modest construction pipeline will help avoid exacerbating current fundamentals, but further increases in vacancy are expected in 2024.

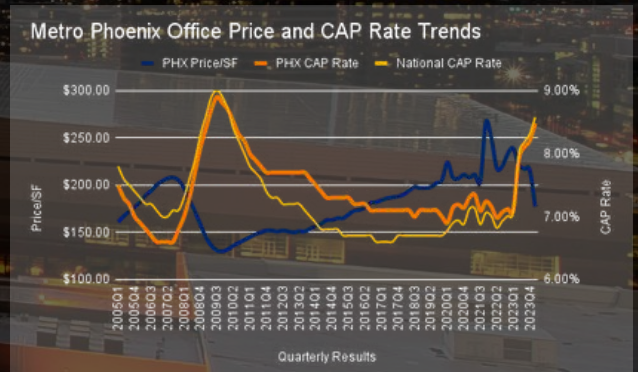
## METRO PHOENIX DELIVERIES & ABSORPTION



## RENTAL AND VACANCY RATES



## PRICES AND CAP RATE TRENDS



## ECONOMIC HIGHLIGHTS

### Employment Data (YOY)

- 3.80% Unemployment Rate (USA) +0.10%
- 3.30% Unemployment Rate (Metro PHX) -0.20%
- 2.606MM Employed Residents (Metro PHX)

### Metro PHX Housing Trends (YOY)

- \$445,000 Median Home Price -0.09%
- 6,541 Closed Transactions -0.13%
- 46 Days on Market -31 Days
- 2.56 Months of Supply +0.28 Months

### 10-Year Treasury

- 4.20% as of 3/28/2024
- +0.65% YOY | -0.07% 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	4,254,357	0	15.5%	16,556	\$30.07	\$203	8.4%	\$4,617,240
Airport Area	5,570,576	0	23.2%	-69,961	\$27.51	\$180	8.8%	\$7,653,969
Arrowhead	4,851,228	0	8.3%	53,377	\$28.93	\$204	8.9%	\$2,804,232
Camelback Corridor	9,599,333	40,000	18.6%	-307,100	\$37.52	\$256	7.7%	\$2,150,000
Central Scottsdale	9,291,349	100,000	15.1%	-51,874	\$30.16	\$218	8.4%	\$8,459,000
Chandler	12,987,924	124,680	16.5%	-243,552	\$29.54	\$217	8.6%	\$4,175,000
Deer Valley/Airport	12,732,883	0	14.2%	-100,014	\$28.68	\$193	8.7%	\$46,930,000
Downtown	11,177,838	0	22.7%	-454,109	\$32.81	\$240	7.9%	\$0
Gateway Airport/ Loop 202	3,041,473	62,832	6.2%	102,774	\$29.67	\$215	9.0%	\$7,941,420
Glendale	3,681,932	39,650	14.6%	-80,843	\$29.69	\$188	8.7%	\$750,000
Loop 303/ Surprise	2,650,015	9,984	8.3%	-37,942	\$30.55	\$206	8.8%	\$0
Mesa Downtown	1,492,925	0	5.8%	96,586	\$20.83	\$129	9.1%	\$17,458,450
E Mesa	4,994,997	0	12.2%	-73,358	\$26.52	\$185	9.0%	\$18,900,000
Midtown	13,441,963	0	19.0%	78,425	\$26.98	\$200	8.0%	\$2,885,000
Midtown/Central Phoenix	6,233,406	0	6.5%	121,396	\$24.61	\$167	8.6%	\$4,320,000
N Phoenix/ Cave Creek	157,475	0	2.7%	401	\$24.74	\$201	8.5%	\$0
N Scottsdale/Carefree	1,906,844	0	11.9%	-24,554	\$25.99	\$181	8.6%	\$3,547,086
N I-17	1,006,112	0	9.3%	47,654	\$26.83	\$201	8.8%	\$9,000,000
NW Outlying	145,239	0	1.0%	-402	\$24.83	\$162	8.8%	\$0
NW Phoenix	11,074,980	0	17.3%	-23,759	\$23.42	\$143	9.2%	\$33,951,424
Paradise Valley	5,497,393	0	13.0%	-111,878	\$29.31	\$194	8.6%	\$9,363,000
Piestewa Peak Corridor	3,457,718	0	13.5%	-136,274	\$25.53	\$167	9.0%	\$1,905,000
Pinal County	1,795,315	14,400	3.3%	-2,487	\$22.56	\$154	9.4%	\$400,000
Scottsdale Airpark	14,183,400	167,384	15.2%	101,672	\$32.47	\$240	8.2%	\$35,593,980
S Scottsdale	8,062,543	6,820	15.8%	29,394	\$32.55	\$247	8.1%	\$3,130,000
S Tempe/Ahwatukee	7,355,122	0	23.1%	-183,025	\$27.93	\$191	8.7%	\$3,081,799
SW Outlying	307,070	0	0.0%	0	\$24.73	\$154	8.9%	\$0
SW Phoenix	4,496,937	0	3.1%	15,124	\$27.92	\$181	8.5%	\$1,100,000
Superstition Corridor	6,818,841	0	10.5%	-60,632	\$25.81	\$175	9.1%	\$6,250,000
Tempe	21,284,291	298,356	24.7%	-1,205,720	\$32.87	\$242	8.2%	\$7,690,750
W I-10	2,582,994	201,773	6.6%	35,379	\$31.05	\$207	8.5%	\$940,000
<b>Total/Averages</b>	<b>196,134,473</b>	<b>1,065,879</b>	<b>15.7%</b>	<b>-2,468,746</b>	<b>\$29.52</b>	<b>\$177</b>	<b>8.48%</b>	<b>\$244,997,350</b>



# NOTABLE SALES

## IRONWOOD OFFICE SUITES II



**9440 E IRONWOOD SQUARE DR - BLDG N  
SCOTTSDALE, AZ**

Sale Date: 3/29/24      Bldg Type: Class B  
Sale Price: \$2,350,000      Year Built: 2004  
Price/SF: \$409.62      DBA: 5,737 SF

## MCDOWELL MOUNTAIN MEDICAL



**9337 E BELL RD  
SCOTTSDALE, AZ**

Sale Date: 3/27/24      Bldg Type: Class B  
Sale Price: \$21,250,000      Year Built: 1999; Reno: 2003  
Price/SF: \$250.81      DBA: 84,725 SF

## GREENWAY PROFESSIONAL PARK



**15255 N 40TH ST - BLDG 1  
PHOENIX, AZ**

Sale Date: 3/18/24      Bldg Type: Class B  
Sale Price: \$3,068,000      Year Built: 2006  
Price/SF: \$576.15      DBA: 5,325 SF

## MEDICAL OFFICE



**6309 E BAYWOOD AVE  
MESA, AZ**

Sale Date: 3/6/24      Bldg Type: Class B  
Sale Price: \$15,400,000      Year Built: 2002  
Price/SF: \$506.30      DBA: 30,417 SF

## SUPERSTITION SPRINGS



**1234 S POWER RD  
MESA, AZ**

Sale Date: 2/7/24      Bldg Type: Class B  
Sale Price: \$2,800,000      Year Built: 1988  
Price/SF: \$148.01      DBA: 18,918 SF

## SOUTHWEST PHOENIX OFFICE



**1835 W ADAMS ST  
PHOENIX, AZ**

Sale Date: 2/16/24      Bldg Type: Class B  
Sale Price: \$1,100,000      Year Built: 1999  
Price/SF: \$192.31      DBA: 5,720 SF

## ELEVATE @ DUNLAP



**2233 W DUNLAP AVE  
PHOENIX, AZ**

Sale Date: 1/31/24      Bldg Type: Class B  
Sale Price: \$11,300,000      Year Built: 1988  
Price/SF: \$120.65      DBA: 93,661 SF

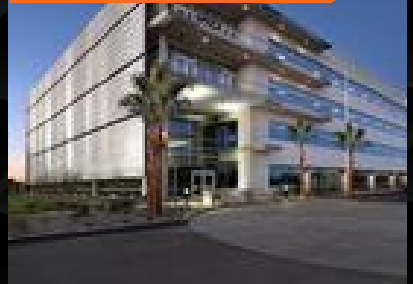
## GLENDALE OFFICE



**5665 W BEVERLY LN  
GLENDALE, AZ**

Sale Date: 2/14/24      Bldg Type: Class B  
Sale Price: \$3,000,000      Year Built: 2004  
Price/SF: \$241.66      DBA: 12,414 SF

## NORTHWEST PHOENIX OFFICE



**2525 W TOWNLEY AVE  
PHOENIX, AZ**

Sale Date: 1/5/24      Bldg Type: Class B  
Sale Price: \$15,225,000      Year Built: 2010  
Price/SF: \$152.37      DBA: 99,918 SF







### PRICE PSF

**\$310.54**

YOY ▼ -3.99%



### RENT PSF

**\$29.52/SF**

▲ -2.64%



### DEALS SOLD

**49**

▲ -9.26%



### INVENTORY (MOS.)

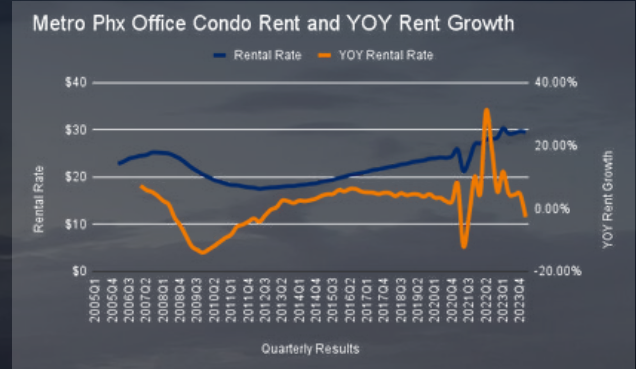
**5.75**

▲ 69.80%

#### SALES PRICE PSF AND SALES VOLUME



#### RENT PSF AND YOY RENT GROWTH



## NOTABLE TRANSACTIONS

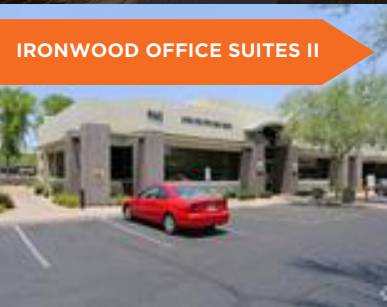
#### OFFICE OWNER USER



**3180 S GILBERT RD  
CHANDLER, AZ**

Sale Date: 3/22/24      Sale Type: Owner User  
Sale Price: \$1,120,000      Year Built: 2007  
Price/SF: \$350.00      DBA: 2,236 SF

#### MEDICAL OWNER USER



**9465 E IRONWOOD SQUARE - UNIT 102  
SCOTTSDALE, AZ**

Sale Date: 3/4/24      Sale Type: Owner User  
Sale Price: \$790,000      Year Built: 2004  
Price/SF: \$406.17      DBA: 1,945 SF

#### INVESTMENT SALE



**4550 E BELL RD - UNIT 126  
PHOENIX, AZ**

Sale Date: 3/1/24      Sale Type: Investment  
Sale Price: \$2,560,000      Year Built: 2007  
Price/SF: \$301.18      DBA: 8,500 SF



**1215 W RIO SALADO PKWY - UNIT 101  
TEMPE, AZ**

Sale Date: 1/11/24      Sale Type: Owner User  
Sale Price: \$1,100,750      Year Built: 2007  
Price/SF: \$336.11      DBA: 3,275 SF



**8410 W THOMAS RD - UNIT 138  
PHOENIX, AZ**

Sale Date: 2/15/24      Sale Type: Owner User  
Sale Price: \$750,000      Year Built: 2005  
Price/SF: \$326.09      DBA: 2,300 SF



**7430 E PINNACLE PEAK RD - UNITS 136/138  
SCOTTSDALE, AZ**

Sale Date: 2/15/24      Sale Type: Investment  
Sale Price: \$1,457,586      Year Built: 2005  
Price/SF: \$371.74      DBA: 3,291 SF





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